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State Higher Education Funding Models, Budgetary Allocation, Loan Recovery and Sustainability of Students'' Loans Scheme

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Abstract

Purpose - *The objective of this study was to review existing empirical and theoretical literature on the effect of higher education funding models, budgetary allocation, loan recovery and sustainability of students' loans schemes.*

Methodology *- This is a critical review of theoretical and empirical literature on the effect of higher education funding models, budgetary allocation, loan recovery and sustainability of students' loans schemes.*

Findings *– From the existing literature on higher education funding, most studies associate higher education funding to government support in order to meet the skills gap in their respective economies. The studies also indicate that as government budgets continue to be overburdened by other emerging issues sustainable government support in higher education is a reality dawning in most economies especially the developing ones. In this light governments are incorporating other stakeholders to give their support in higher education and that this is believed to increase at a rate higher than that for government support to finally have sustainable higher education by the establishment of a self-sufficiency mechanism. Further literature reveals that most governments are managing higher education funding through the establishment of Students' Loans Schemes in their quest for a self-sufficiency higher education funding mechanism. Moreover the studies reviewed are anchored on either Agency Theory, Stakeholder Theory, Financial Intermediation Theory or Resource Based Theory. The financial sustainability of students' loans schemes is considered paramount for such countries to achieve their optimal levels of higher education funding. Most of the past studies give mixed results with some linking the funding models to the sustainability of students' loans schemes, while others view loan recovery as a key component. Other studies still view that the sustainability of students' loans schemes is a function of budgetary allocation from the exchequer from such countries. There is a*

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dearth of studies examining the effect of higher education funding models, budgetary allocation, loan recovery and sustainability of students' loans schemes.

Implications: *This review of literature mainly consists of countries from both developed and developing market economies with much skewness to African countries which not be a true representative of all the developed countries in the world. Developed economies have totally different priorities with superior models for financing higher education. Therefore, although developing economies stand to benefit more from the sustainable students' loans schemes models, these economies are at different levels of development in various aspects including the legal framework and national priorities. Therefore, the findings of this study may vary in the developing economies even outside the African continent.*

Value: *This study has presented a new dimension that may explain the inconsistent findings from prior studies and contribute to the discussion of the effect of higher education funding models, budgetary allocation, loan recovery and sustainability of students' loans schemes. The relationship between higher education funding models and sustainability of students' loans schemes may be moderated by loan recovery and mediated by budgetary allocation.*

Key words: *Funding Models, Budgetary Allocation*

1.1 Introduction

In the current turbulent economic climate, institutions of higher education face challenges from a myriad of fronts. The notable one is the increase in the cost of education all over the world which presents a significant concern for all the stakeholders involved. This cost ranges from tuition fees, costs of accommodation to academic fees which have continually increased over time among the institutions of higher learning across the globe. Most countries have budget constraints in meeting the multiplicity of many projects that are almost overburdening the development and recurrent budgets. The unpredictability in climatic and weather conditions has hampered the agricultural sector, AIDS and Cancer cases have inflated the health sector budget as well as the rise in the crime rate is constantly claiming huge budgetary allocation on security thus making countries shift from the conventional government spending priorities especially in education to serve other areas that seem to demand much attention such as programs that include research and scholarships. The trend in cutting expenditures on higher education by government is not only affecting the developing countries but also the developed countries. There has been a significant fall in state funding for higher education even in advanced countries such as the United Kingdom, Australia, and New Zealand though generally higher education in high-income countries has not suffered much. The decline is steep in some countries such as Botswana, Jamaica, Hungary, and New Zealand (Tilak, 2006).

The literature is reviewed regarding the agency, stewardship, stakeholder and financial intermediation theories. The citizens are viewed as principals while their respective governments are agents who should ensure that they deliver the promise of quality and adequate education upon ascension to power. It should be noted that despite the persistent approaches aimed at relieving government budget on higher education, the sole responsibility of ensuring that citizens get access to quality and relevant education lies squarely on the respective governments. The citizens give the political leaders the responsibility to manage the resources of their state with an expectation that the public funds will be utilised effectively and efficiently to increase value to the citizens who are the principals. When these leaders make decisions contrary to the interests of the citizens, they are forced out of office and replaced by new ones. In the like manner, these political leaders are viewed to be stewards expected to prudently manage the resources entrusted to them by their respective states.

1.1.1 Higher Education Funding Models

Higher education funding is the act of providing financial resources, usually in the form of money to finance deserving citizens who seek learning in institutions of higher learning. Higher education, post-secondary education, or third level education is an optional final stage of formal learning that occurs after secondary education. It is often delivered at universities, academies, colleges, seminaries, and institutes of technology, certain college-level institutions, including vocational schools, trade schools, and other career colleges that award academic degrees or professional certifications. Higher education includes teaching, research, exacting applied work (e.g. in medical schools and dental schools), and social services activities of universities. Within the realm of teaching, it includes both the undergraduate level, and beyond that, graduate-level (Layzel, 2007). According to the University World News (2018), the primary duty of an institution of Higher Learning is research, innovation and the desire to grow to greater heights of academic excellence. The institutions of higher learning are bogged down by an acute, even severe, scarcity of monetary resources. The effect of underfunding is dilapidated infrastructure and lecturer shortage. The models used to fund universities should be sustainable, (Wachira & Kigotho, 2016).

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Various researchers have identified several models applicable in higher education funding. According to Layzel, (2007) identified five funding models in an assessment of current and emerging approaches in the US state higher education funding. These methods are funding formula (a mathematical algorithm to allocate funds), incidental budgeting (whereby the current year is used as the starting point then rolling over to the next years), performance contracting (the state agrees to give some level of funding for a specified service or level of performance), vouchers (the state does not give a direct subsidy but rather the student admitted to a public institution receives a voucher to apply toward cost of attendance) as well as performance funding whereby institutions of higher learning are allocated funds based on prescribed performance indicators.

1.1.2 Budgetary Allocation

Researchers from across the globe are in consensus that the cost of education is largely met by government in most countries of the world. This is commonly supported by the fact that the public intervention in education fosters important external benefits for societies. However, it has been noted that public provision of educational services is always constrained by the availability of public resources. Many Sub-Saharan African countries have relatively weak public resource collection capacity, and hence, resource allocation for education. Moreover, most of these countries promise numerous services to their citizens such as improved healthcare, better housing and upgraded security measures against the meagre resources. Student financial support in form of loans help aid to decrease economic burden of the deserving students. Malaysia and China have advocated student loans to support tertiary education (Kenayathulla & Tengyue, 2016).

Despite the private participation in the funding higher education, the cost of higher education is majorly met by the state in both developed and developing economies through the exchequer. It is only fair that other parties have been invited to participate as government budgets are very constrained and thus releasing other expenditures to the private where other players other than the government can support. A review of the available literature indicates that governments throughout the world that face either legal restrictions against or strong popular resistance to tuition fees often turn to "dual track tuition policies," whereby a given number of students enjoy a free or a highly subsidized cost of higher education based on some criteria. In Africa, two distinct types of dual-track tuition fee policies are being implemented. The first type, used in countries such as Ghana, Uganda, Tanzania, and Kenya, awards free or low-cost places to a limited number of students based on their performance on the secondary school–leaving exam while those scoring lower at the high school level but still meet entrance criteria to institutions of higher learning are allowed to meet this cost themselves or as in Angola and Ethiopia, to those who study in the evening or during the summer. The other type, used in countries such as Benin, Madagascar, and Senegal, offers free places to all students passing the high school–leaving baccalaureate exam in faculties with open access and fee-paying places in the more competitive professional faculties or institutions. A "deferred tuition policy" is another type of tuition policy that has been implemented in Africa is wherein the tuition fee is expected from the student rather than from the family but is deferred as a loan (World Bank Financing Higher Education in Africa, 2010).

1.1.3 Loan Recovery

According to Shen and Ziderman (2009), Loans recovery is concerned with the question of how much of the total outlays of the loans scheme (total loans disbursements plus all other costs including administration) will be recovered through repayment process. Loan recovery has been supported as one of the ways that financing of higher education can be sustained. Owing to the nature of the clients concerned, the policies and procedures put in place for recovery are more lenient as compared to the conventional recovery in the normal bank loans. The recovery is normally at minimal amounts mostly expressed as 10% of the gross earning of the graduates upon being employed, recovery normally begins after some period of grace normally one year after graduation, interest rates are generally lower approximating the rate of inflation or near the treasury bills rate.

1.1.4 Sustainability Students' Loans Schemes

Student loans are a means of deferring payment for higher education to a time when students are employed and can afford to pay. These schemes operate in most developed and developing countries to facilitate students in pursuing higher education as well as reducing the financial pressures on governments to support students in higher education (Serrem, 1998). Sustainability simply refers to the ability of a project or a programme being continued with minimal long-term effect. In the context of a students' loans scheme, sustainability refers to the ability of the schemes to meet all its operational and financial costs from recoveries with minimal government budgetary allocation from the exchequer. Most studies have established that these loans' schemes in developing countries are faced with a myriad of problems that make their sustainability unattainable (Serrem, 1998; Chapman, 2006; Migali, 2006). The findings identify the main problems as the default caused by non-repayment from students, poor administrative structures and record keeping in the loan governing body, lack of qualified personnel, the risk aversion of poor students, and the mortgage type repayment of loans.

The rationale behind the establishment of state-supported loans schemes for higher education students include: Relieving pressures on the national budget by facilitating greater cost sharing; they can lead to greater access by the poor to higher education, thus contributing to improved social equity; They ease the payment burden of education falling on students and their families, by enabling them to delay payment until they are in receipt of some income that the additional education would not have been made possible; Since they are targeted at priority fields, they can lead to the loosening of manpower bottlenecks that inhibit national and social development (Mohadeb, 2006). Student loans schemes have proved to be useful in some countries while in other countries, they have been disappointing, both in terms of meeting set objectives and in terms of financial sustainability. Where schemes have been less successful, the lack of success has stemmed from weakness in the process (administrative deficiencies, higher rates of default or from excessively generous loans conditions and high subsidies (Mohadeb, 2006)

1.2 Research Problem

The discussion on who should bear the responsibility in funding higher education between government and private sector entities has polarized the researchers in higher education funding into two opposing sides with one side believing that it should be borne from the government budget while others view that it should be met by the individuals pursuing it. Those in support that government should entirely bear the cost of higher education for the citizens classify education as a public good owing to its positive externalities to the society which include: Economic growth, increased tax payments from graduates, higher consumption, higher social mobility, lower crime rates, increased capacity to adapt to new technologies and higher social and political participation, among other benefits to the members of the society other than the students simply called positive externalities. The opposing side perceive higher education as a private good thus advocate for funding of such cost by the individuals pursuing it as they view higher education as a private good because it benefits the individuals pursuing it monetarily associated with higher productivity and net earnings, better job opportunities, higher savings and personal and professional mobility; and non-monetarily through educational enrichment, better labour conditions, higher personal status, better job satisfaction, better health and life expectancies, more hobbies and leisure activities and personal development (Sanyal & Martin, 2006).

Most countries are continuously reviewing their priorities in national budgets to meet the current dynamism in the turbulent business environment due to increased risk exposure. In most cases the trend is shifting to external debt servicing and repayments, heavy investment in good healthcare for the citizens and huge capital allocations to intensify security as well as research and development for new technologies as well as many other competing priorities to ease the much dependence on the exchequer allocations. This has led to the continued reduction in budgetary allocation on higher education funding in many countries. Since empirical studies show that the individual students benefit so much from higher education, it is only fair that they bear part of the burden, especially when the state is incapable of meeting the high cost of massive expansion of higher education in an environment witnessed by growing competition from other more politically competing needs such as basic education, public health, housing, public infrastructure and the social and security. This has led to the development of cost sharing schemes as a strategy whereby parents, students, partners, community as the government are involved. (UNESCO, 2004).

A review of the available literature indicates that most countries started funding higher education in form of grants, scholarships and bursaries as a way of encouraging their citizens attain access to higher education especially at the early years of attaining their independence. It was viewed as a way of preparing their local citizens attain higher levels of education to take positions in their newly established governance structures. As the demand for higher education rose, the approach proved unsustainable witnessed by the mushrooming of institutions of higher education to accommodate the increased higher education enrolment rates. This subsequently led to the increase in the cost of higher education thus putting a lot of pressure on the government budget since it was entirely met from the exchequer.

This called for the need to develop approaches aimed at supporting government funding for higher education by mobilizing resources for higher education funding as well as prudent management of the funding mechanisms for higher education being put in place with most countries establishing students' loans schemes. The rationale behind this move is to relieve pressures on the national budget by facilitating greater cost sharing as well as lead to expanded access by the poor to higher education thus contributing to improved social equity. The findings indicate that poor management of these schemes has led to the high default rates caused by non-repayment from students, poor administrative structures and record keeping in the loan governing body as well as lack of qualified personnel, all of which hamper the financing of higher education. This therefore shows that sustainability of these students' loans schemes highly depends on the funding model (Mohadeb, 2006).

While higher education funding still ranks among the major priorities of most countries, the government may not fully withdraw its support in higher education funding but only reduced budgetary allocations since private funding sources can be available. This calls for prudent and urgent diversification in higher education funding from all the stakeholders concerned through the introduction of various models. The current study seeks to review the various funding models adopted by selected countries throughout the world in meeting the cost of higher education in their economies. Some of the models identified include cost sharing schemes, funding formula, incidental budgeting, performance contracting, vouchers as well as performance funding. Other models are also identified as entrepreneurial models, use of Private Public Partnerships, tuition fees, bank loans and internally generated funds. In this light most governments manage higher education funding through the establishment of a students' loans' scheme within their respective countries to act as a government agency in disbursement and recovery of the funds advanced for higher learning. Students' loans' schemes are in operation in more than 70 countries in the world ranging from the efficiently managed ones such as in Chile, USA, UK, Colombia, Bangkok and Korea.

1.3 Research Objectives

The objective of this study is to review existing empirical and theoretical literature on the effect of higher education funding models, budgetary allocation, loan recovery and sustainability of students' loans schemes. Specific objectives include:

(i) To identify previous studies and their knowledge contribution to the effects of higher education funding models, budgetary allocation, loan recovery and sustainability of students' loans schemes and in the process identify any existing knowledge gaps.

(ii) To recommend approaches for future studies to address existing knowledge gaps and contribute to resolving any conflicting conclusions in the previous studies.

(iii) Propose a conceptual framework which could be used in the future studies on the relationships among higher education funding models, budgetary allocation, loan recovery and sustainability of students' loans schemes.

2.0 Theoretical Review

2.1 Agency Theory

This theory was developed by Jensen and Meckling (1976) from economic theory. It is based on the views that a corporation is made up of two parties identified as the principals who represent owners or shareholders and the agents on the other side representing top executives. Therefore, the theory is referred as the relationship between these two major parties. The principals delegate the running of the corporation to the agents with an expectation that the principals will make decisions that are consistent with the shareholder's expectations (Clarke, 2004). The agents may pursue interests contrary to the principals such as differing in risk profile, awarding themselves huge benefits among other acts that seem to meet their self-interests, and being individualistic at the expense of the shareholders' interests (Padilla, 2000).

According to Bhimani (2008) the principals who are the owners are represented by the shareholders while the agents are the management represented by the board of directors that are entrusted with the overall governance aspects of the corporation. Daily, et al (2003) explains that a major weakness with this theory is that the corporation participants are reduced to two parties identified as the principals and the agents on the other end.

Even though the principals hire the agents to work for them and a payment is made for the services rendered, in most cases the managers are deemed to have self-interests at the expense of the principals' interests which ends up fueling conflicts. Among the areas of conflict include the perception towards risk, opportunistic behaviour by the agents, the generous compensations that management may seem to award themselves and the kind of investment opportunities they invest in which may not be consistent with the shareholders' expectation. The theory looks at the employees of an Organisation as economic agents ignoring the human element at work place (Agyris, 1973)

The theory suggests various ways of solving the conflicts that may arise in the cases. These include principals may opt to pay the agents fixed payments as opposed to the fluctuating approach to help alleviate the self-interest and opportunistic behaviour in agency theory. However, this has also been found inadequate in addressing the agency conflicts fully. This problem can be done away with by developing a positivist approach of coming up principal-made rules and regulations which the agents are supposed to adhere to. Other approaches include the establishment of strong internal control systems, incurring monitoring and evaluation costs such as engaging the external and internal audit services. Agency conflicts occur where the agents pursue selfish and personal interests at the expense of the principals' expectations (Clarke, 2004).

The use of financial reporting as well as the engagement of external audit frameworks will help reduce principal-agent conflict by perusing cost-efficient approaches in the operations and management of the resources owned by the entity (Adams, 1994).

2.2 Stewardship Theory

This theory borrows widely from the agency theory in that the managers are viewed as stewards of an organization's resources in totality emanating from the fields of psychology and sociology (Davis, Schoorman & Donaldson, 1997). Based on the same principles of agency theory, the agent is expected to act as a steward in safeguarding the interests of the principal represented by the shareholders failure to which conflicts arise.

Unlike in agency theory whereby employees are viewed as economic beings (Agyris, 1973), stewardship theory suggests that the interests of the agents are integrated to those of the Organisation thus stewards are motivated and satisfied when the Organisation succeeds. This raises their self-esteem as they are regarded part of the Organisation in a trust position to safeguard the resources of the Organisation. It stresses on the importance of structures that empowers managers and employees stressing on maximizing their autonomy as stewards of the Organisation (Donaldson & Davis, 1991).

The conflicts prevalent in agency conflicts are likely to be minimized if the CEO acts in a duality position that is one person working as the board chair and at the same time as the CEO as this raises him or her to have the interests of the Organisation at heart due to the elevation of his or her position. It has been supported empirically that organisations which embrace this practice are better positioned in maximizing their value since all the stakeholders' interests are realized. (Donaldson and Davis, 1991). The theory does not stress on the individualism perspective but more on the wider view that the board and other top managers are stewards in combination with their aspirations as part and parcel of the integral organization as opposed to the agency theory.

One of the weaknesses of the theory is that the management bias is likely to be reflected in the decisions of the Organisation which will eventually find their way to the final output through performance. This can be evident through the fact that the stewards are empowered to hold a trust position in making organizational decisions geared towards value improvement. Daly et al. (2003) suggests that the managers are inclined to operate the firm to increase its financial performance and the profits of the shareholders as well. The managers are also managing their careers in order to be effective and efficient stewards of the Organisation to be rewarded by the shareholders through promotions and other various aspects (Fama, 1980).

2.3 Stakeholder Theory

The theory was developed by Freeman (1984) from its introduction to management discipline in 1970. It postulates that an organization not only exists to meet the interests of the shareholders alone but meet those of the other stakeholders also. The theory integrates organisation and sociological discipline covering the wider areas such as law, economics, political theory and ethics (Wheeler et al., 2002).

Proponents of the theory define a stakeholder as any group, firm or individual that is affected or likely to affect the attainment of an organisation's goals. It is thus believed that organisational managers and top executives are surrounded by a network of parties which are simply referred to as the organisational stakeholders. The model thus includes the society, government, employees, suppliers, business partners, trade associations, political groups, investors, customers and communities as some of the networks to the organisation (Donaldson & Preston, 1995). Freeman

(2004) recommends the various approaches the managers can engage each class of stakeholder in order to meet the expectations of each stakeholder without conflicting either party.

Empirical evidence indicates that these networks of relationships affect the decisions of the organisation in terms of output as well as business processes (Freeman, 1984)

2.4 Financial Intermediation Theory

A Financial intermediary is an entity that acts as the intermediary between two parties in a financial relationship to link between the two parties and thus facilitate continuous trading from a financial perspective. The practical examples are evident in the banking industry to link between borrowers and savers, the insurance industry, pension funds and mutual funds (Seed, 2005).

Due to the voluminous nature of the transaction and the nature as well as the geographical nature of the borrowers, it is very unlikely that they can meet with their financier directly. The financial intermediaries come in to link the borrowers and the lenders in a financial transaction. According to Saeed (2005), commercial banks are financial intermediaries due to their nature of mobilizing deposits from entities at low interest rates and creation of credit using the same funds at a relatively higher rate on the deposit rate.

Establishment of the students' loans' schemes in developed and developing countries were introduced to facilitate students in pursuing higher education as well as reducing the financial pressures on governments to support students in higher education (Serrem, 1998).

3.0 Empirical Literature Review

3.1 Higher Education Funding Models and Sustainability Students' Loans Schemes

Shitandi, et al (2018) Reviewed literature on sustainable funding models for higher education in Kenya employing a desktop research approach. The study reviewed four major funding models cost-sharing, the graduated tax model, the deferred payment model and entrepreneurship model. Both primary and secondary data were used sources of information. Reliability and validity of data was ensured through careful selection of papers published by credible journals. The study established that cost sharing model, student loan model combined with the entrepreneurial model are the best models to fund higher education since they have been tried in other countries and found to be effective.

Kenayathulla & Tengyue (2016) did a study to analyse the Malaysian and Chinese student loans in terms of adequacy, equity, efficiency and related issues and identify factors that determine adequacy of a student loan in Malaysia and China. The study employed descriptive statistics and logistic regression to analyse the collected data. The findings indicate that the amount of student loans offered should be increased. Both the Malaysian and the Chinese government should concentrate on the equity, efficiency and related issues of student loans. The results also show that nationality, the amount of tuition fees and parental income are important determinants of student loans in Malaysia and China. The study doesn't link the increase in students' loans to the funding models in place. The study doesn't link funding models to the adequacy, equity and efficiency of the student's loans schemes.

Mussa (2015) examined the financial sustainability of higher education students' loans scheme (HESLS) operating in Tanzania via HESLB. The study used both primary and secondary which were analysed through regression model. The results found that, even though there is decreasing trend of Operating Self-Sufficiency (OSS), the set of the independent variable tested correlate with the dependent variable. The study didn't explore other aspects other than operating self-sufficiency to measure sustainability of higher education students' loans scheme (HESLS) operating in Tanzania via HESLB.

Nuwagaba (2013) did a study on Evaluation of the current higher education funding model in Rwanda using Higher Education Students Loans Department (HESLD-REB) as a case study. Specifically, the study looked at the current higher education funding model against the other government higher education funding methods; the relationship between higher education funding and quality of education as well as the link between a well-functioning higher education system and its effect on economic development. The study used both primary and secondary data and analysed using Excel and Ms Word. The study established that costs sharing approach is a good model in Rwanda, but it has faced the challenge of using financial means testing (FMT) to identify potential beneficiaries. Their FMT is viewed by most respondents as unfair and that in some cases, financial assistance has not been given to those that deserve it due to corruption in the system. The study also looked at other funding methods that can be applicable for the higher education sector in Rwanda. These included use of PPP, tuition fees, bank loans and internally generated funds by higher learning institutions as alternative funding models for the country. The study does not directly link funding models to the students' loans schemes. Further study should be done to ascertain whether FMT is a weak model in ensuring equity in student loan allocation.

Adeniyi and Taiwo (2011), in their study analysed the cost-sharing policy in higher education in Nigeria and found that the model had a very positive response in the education sector and has been very effective in the country as the government; parents and students undergo cost-sharing which has helped in facilitating higher education in the country. He further revealed that the continued survival of higher education in Nigeria will depend on the mutual contributions between parents and the government in pre-determined proportions by the government.

3.2 Budgetary Allocation and Sustainability Students' Loans Schemes

Polatajko (2011), did a comparative study to examine the effectiveness of allocating resources to state public institutions of higher education by comparing results from performance funding states to non-performance funding states. The focus was to determine whether the change to the performance funding methodology delivered the desired external accountability and institutional improvement in state public higher education. The research question guiding this study was: To what extent does the method of funding state public higher education, either performance or non-performance funding, predict the improvement in key higher education performance funding indicators between the years 2002 through 2009? Data collection and analysis investigated the rate of change in key higher education performance funding indicators at state public institutions of higher education in five performance funding states (Tennessee, Florida, Ohio, Connecticut, and South Carolina) in comparison to five states that do not employ performance funding (Michigan, Georgia, Arizona, Massachusetts, and Maryland). The general hypothesis tested was: State public institutions of higher education in states that employ a performance funding methodology will experience a statistically significant increase in performance funding indicators that is greater than in states that employ a non-performance funding methodology. Data were analysed using the Hierarchical Linear Model (HLM) with a focus on individual change over time. The findings revealed that the method of funding was not a statistically significant predictor of either the initial status or the rate of change of graduation rate or retention rate over the eight-year period, although institution type and enrolment were. The study recommends further research of performance funding outcomes, state funding levels, and other environmental factors.

According to Layzel, 2007 on the State higher education funding models: An assessment of current and emerging approaches in the US, five funding models were identified. These methods are funding formula (a mathematical algorithm to allocate funds), incidental budgeting (whereby the current year is used as the starting point then rolling over to the next years), performance contracting (the state agrees to give some level of funding for a specified service or level of performance), vouchers (the state does not give a direct subsidy but rather the student admitted to a public institution receives a voucher to apply toward cost of attendance) as well as performance funding whereby institutions of higher learning are allocated funds based prescribed performance indicators.

3.3 Loan Recovery and Sustainability Students' Loans Schemes

Oosterbeek and Van Den Broek (2009) examine borrowing behaviour of higher education students in Netherlands. The study points out that the loan repayment rates among the graduates is still low due to the decrease in the job market as a result of the economic recession. The study uses mail questionnaire survey on members of a panel of higher education to analyse the study results using regression analysis. The study concludes that the students with high prospects in earnings pose lesser problems in their university loan repayment. There is need to go deeper into other aspects beyond higher prospects in earnings such as the willingness to repay the loan as some studies deliberately refuse to even after controlling huge amounts of income.

Baum and Malley (2003), examines how college borrowers perceive their education debt. The study indicates that despite the education debt being manageable, there are indications that the graduates have a negative attitude towards loan repayment when they find that they are required to allocate huge amounts from their monthly salaries to repay their university loans. The study uses questionnaire survey responses on the graduates. The study establishes that borrowers from low income families have difficulties in loan repayment even after controlling current incomes. Students from low income families are likely to experience repayment difficulties even when in control of current incomes and debt. Students default in loan repayment as their personal income is insufficient to keep up with their repayments

5.1 Summary of Findings, Conclusions and Recommendations

The findings from the reviewed literature show that there is a dearth of studies on state higher education models and sustainability of students' loans schemes across the globe. Sustainable Students' Loans' Schemes contribute to overall higher education financing stability in both developed and developing market economies giving the government budget flexibility in meeting other emerging issues in their respective fiscal plans. The study finds that there is no universality in the application of the higher education funding models and that countries' adopt either one or a blend of models for optimal financing of higher education (Nuwagaba, 2013).

Researchers in the reviewed studies also consider other models in financing higher education that cut across social cultural contexts as well as the level of economic activity in their respective economies and the differentials in skills gap. A comparative analysis of the students' loans schemes still varies in operation major due to the different legal and regulatory environment in which they operate.

Since Students' Loans' Schemes are significant financial intermediaries in financing higher education, most of these studies are often supported by financial intermediation theory, agency theory, stewardship theory and stakeholder theory (Davis, Schoorman & Donaldson, 1997; Seed, 2005; Wheeler et al., 2002).

Most of the empirical studies reviewed have explored the relationships between higher education funding models and the sustainability of Students' Loans' Schemes and concluded that higher education funding models influence the sustainability of Students' Loans' Schemes. These studies however have not incorporated the role of loan recovery and budgetary allocation on the sustainability of Students' Loans' Schemes. Some of the studies however consider loan recovery as a critical factor in enabling the sustainability of Students' Loans' Schemes without considering the loan recovery measures put in place.

5.2 Conclusions

Their study concludes that there is need to do more study on the factors that are likely to affect the financial sustainability of the Students' Loans' Schemes. The current study shows mixed results with most of them denoting that the budgetary allocation plays a significant role in funding higher education as opposed to other partners such as students themselves, parents, well-wishers as evident in the cost sharing schemes.

Further study should be done to ascertain whether the Financial Means Testing mechanism used to determine the eligibility of student loan award is a weak model in ensuring equity in student loan allocation or there exists other aspects that are likely to affect the operational efficiency and self-sufficiency of these schemes.

The applicability of higher education funding needs to be studied in peculiarity with each country. The entrepreneurial model may well work in developed nations as opposed to the developing nations

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