



The role of the Higher Education Loans Board in pro-poor management approaches to enhancing access to university education in Kenya

1. Introduction

The Government of Kenya (GoK) has, since independence, endeavoured to provide quality and relevant education to its nationals. Increasing population; adverse economic performance; increasing cost of education; and introduction of cost-sharing in education financing have, however, hindered access to education. At the tertiary level, cost-sharing meant financing of university education by the beneficiaries. To ensure access to university education for all eligible students, the government established the Higher Education Loans Board (HELB) in 1995, to advance loans and bursaries to students from poor families.

Prior to 1995, these functions lay with the Higher Education Loans Fund (HELF) from 1950-1974, and the Higher Education Management Board (HEMB) from 1974-1995), but these two did not stress the 'needs' aspect. Instead, they aimed at improving access to university education by giving loans at a flat rate, regardless of the individual students' financial needs. This, however, became untenable with the rising number of university students and the dwindling financial resources.

2. Nature of the Problem

This study highlights the major trends in the financing of university education, funding sources, groups with restricted access to university education, and the impact of the loan and bursary schemes on access to university education, focusing mainly on the vulnerable groups. It further makes policy recommendations regarding opportunities for more pro-poor access to and financing of university education.

While the government has made good efforts to cushion needy university students against harsh economic conditions, and besides the adequacy of available funds, problems associated with efficiency in the management

of the scheme have been consistently recurrent. Dropping out of the university education system thus remains a sad reality. Currently, the number of students receiving university education loans stands at over 30,000 students, an indication that many remain vulnerable amidst increasing poverty, as many parents cannot afford the cost of university education.

3. Results and Discussion

3.1 Trends and Challenges

The successive management boards, namely, HELF, HEMB and HELB experienced difficulties towards sustainability due to lack of proper legislation to guide their operations. With restructuring, however, HELB has a set of rules and regulations to govern the handling of loans/bursaries allowing, to a large measure, for a smooth operation and administration of loans and bursaries.

Unsuccessful applicants have cited such reasons as lack of documentary evidence, e.g. no copies of national identity cards presented; incomplete loan application forms; application forms fully completed with "Not applicable" (NA); failure to sign agreement forms (terms and conditions); and providing false or grossly exaggerated information.

The loans issued ranged between Ksh. 20,000-42,000, attracting an interest of 4%, while the bursaries ranged between Ksh. 2,000-8,000. Central and Eastern provinces have the highest number of female beneficiaries while Central, Eastern, Nyanza and Rift valley Provinces, respectively, have the highest number of male beneficiaries. The loans disbursement (see Fig.1) has steadily declined since 1995/96, in spite of increasing levels in loan recovery. The total loan recovery at the time of this study stood at Ksh. 1.3 billion against an outstanding matured loan of over Ksh. 6 billion, showing below optimal performance in the process of loan recovery.

While Figure 1 indicates rising loans disbursed and recovery, against declining budgetary allocations, the real message is that more students receive meager financial support as the available resources are spread rather too thinly. Most students receive loans of Ksh. 30,000 and below. For example, the disbursements for 1999/2000 indicated the following amounts received: 2,768 students received each Ksh. 42,000; 1043 students received each Ksh. 40,000; 3,231 students each Ksh. 35,000; 6,126 students Ksh. 30,000; 6,221 students Ksh. 27,500; 4,878 students Ksh. 25,000 while 4,923 students each received Ksh. 20,000. Thus available funding continues to be limited and can hardly allow awarding of large loan and bursary amounts. Consequently, the students resort to engaging in alternative ways of financing their education.

The constraints to loans and bursaries disbursement include: i) lack of effective linkages between stakeholders in the loans and bursary schemes, which in some cases result in double allocations to some students; ii) centralized location of HELB in Nairobi away from the non-urban applicants, leading to transportation and other logistical costs in processing of loans and, as such, some of the students cannot afford the expenses involved; iii) inadequate information on loans, most of it mainly available only at the loans board central location in Nairobi and towns where students can access newspapers; iv) bottlenecks and irregularities in the administration of loans and bursaries; v) data gaps in monitoring the lifestyles and need levels of continuing students for more effectiveness; vi) declining budgetary allocation to HELB by the government, e.g. from Ksh. over 900 million in 1995/96 to Ksh. 600 million in 2000/2001.

Loan recovery faced difficulties partly because from its inception in 1974, the HEMB operated for 20 years without proper management and administration; loan beneficiaries then regarded loans as grants, while some loanees claimed that recovery action period had lapsed and so they had no legal debt to the government/loaning agency.

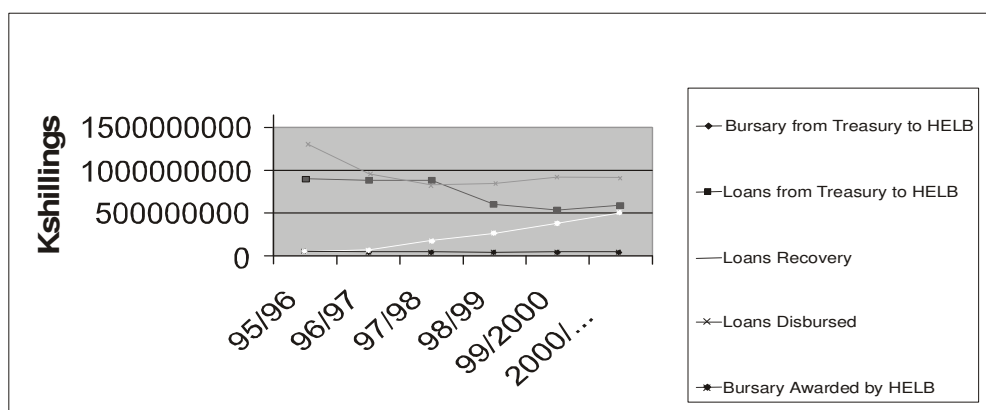
HELB has hitherto not optimized its sustainability potential due to a number of reasons: i) beneficiaries outside the civil service who cannot easily be traced for loan recovery, are unwilling to voluntarily come forward; ii) some loanees lack good information on where, when and how to repay; iii) due to brain drain, many beneficiaries have left the country for employment elsewhere; iv) unemployed graduates cannot afford loan repayments; v) death and incapacity; vi) low paying jobs; and vii) lack of collateral/security to cushion the board from defaulters.

3.2 Innovative Approaches to Creation of a Revolving Fund

3.2.1 Sensitization of Loanees

Increased sensitization of loanees on repayment will be required to ensure funds availability for creation of a revolving fund for improved lending potential. Honesty from university students to parents and provision of accurate information in loan/bursary application forms will facilitate smooth management and loan recovery. There is need to review award conditions and work-study grants in order to target the very needy and to avoid multiple allocations to certain students.

Figure 1: Trends in the Disbursement of Loans and Bursaries from 1995/96 - 2000/2001



3.2.2 Alumni Associations and Professional Bodies' Fund

Extra funding could be availed through creation of alumni associations. The associations could solicit additional finances from other organizations. Professional bodies' education fund could finance education for students in the respective areas that lead to specific professions.

3.2.3 Government's Role

The government should liaise with other key stakeholders in taking a more proactive role in facilitating: i) development of an economic infrastructure that is conducive to increased employment for graduates; and ii) reduction of admission of students into degree programmes they do not have interest in, as this contributes to premature abandonment of the courses, undermining potential for loan repayment.

3.2.4 Student-Initiated Cost Saving Mechanisms

The students, following the failure of the loans and bursaries to adequately meet their needs, responded by seeking alternative means to cater for the deficit. These include: i) engaging in small business activities, such as mini-shops, photocopying, etc.; ii) cooking in their rooms in the Halls of Residence; iii) reducing their meals to two or one per day; iv) cohabitating with fellow students, lecturers, administrators and outsiders for financial gain; and v) engaging in commercial sex within and outside campus.

3.2.5 Sourcing Funds from Voluntary organizations, DCBF's, Harambees and Universities

Other initiatives open to students are sourcing of bursaries from voluntary/NGOs such as Rattansi, Visa Oshwal, M.J. Doshi and Mahatma Ghandhi memorial funding, among others. These sources, however, are poorly coordinated often resulting in duplication. Some students solicit financial support from their respective District/Constituency Bursary Funds, Harambees/donations from which sources some of the students are known to have received full sponsorship. Other financing sources include work-study programmes, which pay between Ksh. 20-30 per hour in public universities, and Ksh. 230-300 per hour in some private universities.

4. Conclusions and Recommendations

4.1 Conclusions

Contrary to expectations, the number of students dropping out of University education due to financial difficulties is, in most cases, insignificant. Indeed, many of the dropout cases were attributed to poor academic performance and gross indiscipline, with a few students opting for middle level colleges, which offer marketable courses. Many of those dropping out were also unaware of the loan and bursary schemes. The loans and bursaries awarded are grossly inadequate, thus about 90% of university students do not have adequate financial resources to meet their tuition and subsistence costs. They, therefore, source additional resources through Harambees, DCBF, VO's, well-wishers and student initiated safety nets. Various universities have set up programmes aimed at assisting poor students to offset tuition and subsistence costs. These include: work-programmes, vocational employment, scholarships, and semester-offs.

4.2 Recommendations

4.2.1 Harmonized Award and Disbursement of Loans, Bursaries and Scholarships

Award and disbursement of loans, bursaries and scholarships should be harmonized. As such, all grants from various organizations should be channeled through or in consultation with HELB, and should be honoured by universities according to the sponsors' specifications.

4.2.2 Improved Administration and Financial Management

Transparency enhancement is required in determination of eligible loans and bursaries applicants at the levels of MoES&T and HELB. This can be achieved through: i) inclusion of student representatives in the disbursement committees; ii) improved personal student background data, going by students' former school financial records and verification from provincial administration; iii) review of students' expenditure patterns as evidenced by their campus lifestyles, assisted by Residential Halls officers, to establish their financial positions; iv) timely communication to unsuccessful applicants to allow them time to seek alternative sources of funding; v) efficient application process, by reducing time taken between issuing, processing and disbursement of loans and bursaries.

4.2.3 Matching of Loans and Bursaries to Specific Degree Programmes and Costs

This will facilitate relating the awards to the cost of the particular degree programmes.

4.2.4 Improved Loans Recovery

To boost HELB's financial position, a shorter grace period is necessary, depending on when graduates get employment. The repayment period should not exceed ten years. More sensitization and awareness is needed to enhance enforcement of a mandatory requirement for public and private institutions, employers and all stakeholders as a responsibility in pursuit of common good, to provide information on loanees that would facilitate regular and accurate updates on outstanding loans to ensure effective follow-ups and legal action on defaulters.

4.2.5 Establishment of Low Cost Open Universities

The admission policy should be reviewed to allow qualified students to seek admission to universities of their choice to reduce tuition and on-campus subsistence costs. For this, loans and bursaries could be disbursed in terms of vouchers, to allow beneficiaries to seek admission to universities of their choice. The Open University approach will also introduce cost effectiveness in logistics as students can commute from home or live in nearby trading centers closer to their university campuses.

4.2.6 National Education Levy Fund

This could be introduced to operate in the same way as the fuel levy and the proceeds proportionately divided on the basis of various tiers of education, e.g. ECC&D, Primary, Secondary, middle level Colleges, and University. The portion intended to be given out as loans and bursaries should then be channeled through or administered in consultation with HELB.

4.2.7 Additional Fundraising

This can take the form of Lottery schemes and Insurance Funds, based on appropriate policy/legislation to allow HELB to solicit funds from additional sources (internal and external) to be guaranteed by the government. HELB could be allowed to start a lottery scheme similar to that of Kenya charity sweepstake (KCS) to raise additional funding. HELB could also be mandated to operate a University Education Insurance Fund, enabling parents to buy University Education Policies where the board pays for tuition and subsistence on maturity, based on the insured value. Alternatively, an existing

insurance firm could be commissioned to manage such a fund in consultation with HELB.

4.2.8 Treat Budgetary Allocations as Loans

Budgetary allocations from the exchequer to HELB should be treated as loans and not grants. The loans from GoK should then be repayable over a period of 20 years. This would force HELB to be more prudent in its lending and recovery practices, while still being pro-poor.

4.2.9 Private Sector Participation

Private sector participation in university education financing should be encouraged, through tax rebates or waivers to commercial banks and institutions that advance loans to students at subsidized interest rates. Specific programs or student categories at universities could also be financed by private sector.

4.2.10 Appropriate Policy on Student Income Generating Activities (IGAs)

An appropriate policy on student IGAs should be articulated and duly enacted, with clear control and regulation guidelines, as some of them, for instance, commercial sex, petty business/hawking/mini-cafeterias in hostels, are now known to impact negatively on student learning.

For detailed discussion of the issues contained in this Brief, refer to IPAR Discussion Paper No. 036/2003: ***The role of the Higher Education Loans Board in pro-poor management approaches to enhancing access to university education in Kenya*** by Enos Njeru and Paul Odundo. ISBN 9966-948-15-5.

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