

Sustainability of Higher Education Students' Loan Scheme (HESLS) in Tanzania

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Abstract

This study attempts to examine the financial sustainability of higher education students' loans scheme (HESLS) operating in Tanzania via HESLB. The government established higher education students' loans board (HESLB) through Act No 9 of 2004 (CAP 178) as amended. HESLB was set up to provide financial facilitation in terms of loans to eligible and needy students to help them to cover the cost of their education. After its launch in 2005, the scheme had been facing lots of challenges such as a continuous rise in student's financial requirements over and above government budget. It also faces hardship in identifying the poor needy students and low rate of the repayment recovery mainly due to strategic deferred debts. In view of that, education stakeholders claimed that the implementation of the HESLS in Tanzania is not only moves out of efficient track but also moved out of being self-sustainable. This study, therefore, employ a mix method approach, use both secondary and primary data in the analysis. It applied a regression model to evaluate the level of financial Sustainability of HESLS in Tanzania. The results found that, despite the fact that there is decreasing trend of Operating self-Sufficiency (OSS), the set of the independent variable tested correlate with the dependent variable. The study suggests that HESLB should expand its revenue base so as to avoid the adverse trend of OSS. Finally, although the present results will contribute to existing knowledge, but knowledge alone is not enough. Therefore, it is anticipated that it will also be a useful other education stakeholders.

Keywords: Higher Education, Students' Loans scheme, financial sustainability, cost sharing, Tanzania

1. Introduction

The history of cost sharing in Tanzania dates back to the British colonial era. However, the Higher Education Student Loan Scheme (HESLS) was introduced in Tanzania in 1994 to encourage cost sharing in higher education (Ishengoma, 2004; Galabawa, 1991; URT, 1998; Usher, 2011; HESLB 2005, Nitume, 2011; Nyahende, 2013). Since 1994 when the HESLS introduced, the loans were advanced by the Government through the then Ministry of Higher Education, Science, Technology (MHEST). At that particular time, the government made a number of changes / reforms in a bid to improve policy implementation and management of students' loan scheme. However, the biggest ever reform took place in 2004 with the enactment of Act No 9 of 2004 (CAP 178) as amended and the subsequent establishment of Higher Education Students' Loan Board (HESLB). HESLB started its operation July 2005 and since then the loans are advanced by the government through HESLB (HESLB strategic planning 2008 – 2011).

HESLB was set up to provide financial facilitation in terms of loans to eligible and needy students to help them to pay for their education (HESLB Act, 2004). Apart from increasing efficiency in disbursing and collecting loans, HESLB is also assigned two primary tasks. The task of formulating the mechanism for determining eligible and needy Tanzanian students for payment of loans so as to increase equitable access to technical and higher education. And to create a well-performing revolving and sustainable students' loan fund (URT, 1998). After its launch in 2005, all eligible and poor needy students who wished to attend higher education were to request for student financial facilitation in terms of the loan from HESLB. The loans are meant to help them to pay their tuition fees and other living cost. Apart from the neediness the government set priority in some of the courses depending on manpower need. Currently, the priority programs include among others Education (Pure Science and Mathematics). Other courses are Health Science (Doctor of Medicine, Dental Surgery, Veterinary medicine, pharmacy, and Nursing) and Civil and Irrigation Engineering (HESLB Guideline 2013). Since its establishment, the scheme had been facing lots of challenges such as a continuous rise in student's financial requirements over and above government budget. It also experienced mushrooming of higher education institution, raising tuition fee, budget constraints, and negative attitude from the public toward repayment resulting in low rate of repayment and recovery as well as strategic deferred debts.

Based on the realities existing in the economy, and the cost of education as per public institutions HESLB determine the ceiling amount for each student. The ceiling depends on the university one's attend and the courses one's pursued. Currently, the ceiling amounts, for students to borrow for each loan item, is as follows: the

maximum Tuition fees Tshs 3,600,000.00 (US\$ 2250). Meals and accommodation Tshs 7,500.00 per day (US\$ 4.69), books and stationery Tshs 200,000.00 (US\$ 125) per annum. In addition, field practical / teaching practical work expenses Tshs 560,000 (US\$ 350) in a year. In sum, the amount given to the student in a year is relatively higher compared to its neighboring country Kenya.

The plan was to lend money only to eligible and needy poor students, however, there is still a challenge on how to identify them. Besides, HESLB has limited autonomy in making decision on some of the strategic issues such as selection of the students to be enrolled. Categorization of priority courses, determination of tuition fee charged in higher education, selection of students attending overseas studies and the improvement of the legal framework to enforce collection. Similarly, the loan repayment conditions are extremely generous, applying an extensive loan subsidy. Repayments are spread over ten years following a one-year grace period. The repayment percentage is fixed at 8% of basic salary instead of gross salary; repayments are in nominal terms and the loans are free of interest. The introduction of these soft repayment terms resulted in the perception that the existing loans scheme has mainly meant for social objectives with considerably less weight given to the financial aspects of the scheme. The open and pertinent issue, however, is the resulting size of the loan subsidy, an overly-large subsidy brings the financial sustainability of the whole scheme into question. Equally, if the scheme is not well managed a regime of grants could be considered as more cost-effective alternative than the current loan practices. Indeed, there is all sign that the scheme had been set up without competent provisions to guide policy implementation, and it was introduced in haste and minimal planning. The obvious evidence is that the loan collection activities started after 16 years following the availability of the legal framework in 2004 and two years of arranging debtor's information in a retrievable format. Never the less, the legal framework was written without any clear objectives and interrelationship between all implementers and strategic partners leading to unclear interrelationship between potential organizations such as Tax authorities, security funds, registrar of companies and local government authorities. Thus, a dilemma is always generated, and it create a room for strategic deferred debts which is more severe in many students' loans schemes in the world. These challenges have been threatening the sustainability of HESLB and ability of the government to finance eligible and poor needy students. However, despite these difficulties that raise worries about the sustainability of HESLS, there still limited study conducted to evaluate the sustainability of HESLS via HESLB using financial drivers. Therefore, this study attempt to bridge that knowledge gap by employing regression model to analyse seven years panel data drawn from HESLB Audited financial statement. As stated previously, knowledge alone is not enough, thus, in addition to knowledge the study will contribute to the implementation process by providing the analysis and empirical testing of whether HESLS in Tanzania is financially sustainable or not. It will also assist the implementer and stakeholders through an evaluation and explanation of the key determinant factors that affect financial sustainability of HESLS in Tanzania. Finally: the study suggests practical implication and area for improvement.

In addition to the introduction section, the other section which form part of this paper include the following. Statement of the problem; literature review; Data Source, Approach, and Methodology; statistical model applied to analyze the data; the findings and finally the conclusion and recommendation.

2. Statement of the Problem

The financial crisis, globalization, privatization, and trade liberalization in all standard changed the direction of how the governments are financing the social service, which include other Higher education. Many governments introduced cost sharing in social service as a feasible and reliable means of cost recovery. Tanzania started to institute cost sharing in higher education in 1994 (Ishengoma, 2004; Woodhall, 2004, Nitume 2011, Nyahende, 2013; Bangu, 2012). The aim was to minimize the burden on the government and increases equitable access to higher education. However, the scheme is still depended on the state for more than 98%. In some countries where student loans scheme are efficient and meritoriously performing like Chile, UK, USA, Colombia, Bangkok, Korea and many other just to mention a few. In these countries Student loan scheme help to reduce government expenditure and enable students to avoid the burden of paying the upfront payments. In Tanzania, things are contrary, although HESLB has been reported to be successful in increasing access to higher education (Rugambuka, 2008; Nitume, 2011, Nyahende, 2013a; 2013b). It still depends heavily on government subsidization, therefore, one question still apparent is that;

What is the future of HESLS when the grants and donations are no longer adequately provided by the government?

Besides the above question, the challenges mentioned previous, and the limited research conducted in this area inspires the researcher to carry out this study to evaluate the level of sustainability in Tanzania of HESLS via HESLB. The study applied regression analysis and financial drivers in assessing the financial sustainability of the HESLB in Tanzania. The following research questions used to obtain relevant information for this study

- I. What the level of financial sustainability of HESLS in Tanzania as analyzed via HESLB?
- II. How and to what extent the financial drivers contribute to the current level of financial performance

3. Literature review

3.1 Rationale of Higher Education Student Loan Schemes (HESLS) in the World

As pointed out earlier that introduction of HESLS and cost sharing in term of loan provision in different countries has attracted attention from almost all over the globe. For instance, UNESCO (1995) discusses the trends in higher education where they focused on relevance and quality. It points out that cost sharing has resulted from increasing demand for formal education, which has come at a time when there are constraints on public budgets. Although UNESCO (1995), recommends a shift of financing education from public to private sources. On other hand, it cautions that this will have far reaching implications for the “student body, governance, and public standing”. Acknowledging the economic realities, UNESCO advocates cost-sharing. However, it advises that a due attention should be paid to accommodate fees with adequate provision of support for needy students in the form of grants and loans” (ibid p. 27). On student quality, the paper points out that each institution must take action to tackle specific problems affecting the students. It argues that an academic environment should be conducive in order to enhance quality teaching, learning and provide positive institutional culture. It points out that this is necessary given the fact that modern societies need “quality assurance” from graduates of higher education.

According to Woodhall (2002), the justification for student loans is that higher education is private investment. It is offering graduates more individual/private returns such as better earnings job for the whole of their lifetime after graduation. It also provides greater status and influence and creates personal satisfaction that come from being educated. It can provide an additional amount of revenue and subsequently, enhancing capacity, quality, and participation. The arguments were that loans give potential students from poor families, who would otherwise be denied access to higher education on grounds of poverty, a chance to invest in their own future by providing them with financial aid when they need it and allowing them to repay it when they can afford to do so. Arguments in favour of repayable loans are in line with both efficiency and equity arguments. Efficiency arguments for loans rather than grants are that loans will: Reduce government budget to higher education and on taxpayers; Provide additional resources to finance expansion of higher education; Increase the motivation of students by letting them aware of the cost of higher education and acquiring them both costs and benefits in the light of the obligation to repay their loans. The equity argument also focuses on cost and benefits. Concluding that since most higher education graduates can look forward to substantially higher lifetime, earning high income, as a result, their education, those who benefit higher than average earnings should not be subsidized by taxpayers with average or below average earnings.

The significance of a favourable learning atmosphere is stressed further by Matiru et al., (1995). Such article articulates that learning is an outcome of many complex processes, which need an enabling academic environment for its success. Central to effective university learning is the welfare of the student. It argues that the socio-economic problems that students face can distract them from quality academic pursuits. Matiru et al observed that, “due to lack of money to purchase such items as stationery, clothing, or even food, and these students may become depressed and almost inactive in their studies” (ibid, p. 93). The present study found that insufficient funding constrained effective learning in the Tanzanian universities.

Similarly, UNICEF workshop report (1989) recommends that since cost-sharing is unavoidable, scholarships should be granted to all needy students. The report further points out that fees schedule should be rearranged so that parents pay per month rather than per semester to alleviate the burden of paying large amounts of money at once. Further, Opondo, and Mohammed (1989) agree that cost sharing should take into account the geographical and economic disparities in Tanzania and should have in build arrangements to ensure that families with limited material means are not further disadvantaged because they cannot pay fees for their children. They recommend scholarships for bright students as well as those from poor families.

The rationale for introducing the existing cost-sharing scheme in the World, are found to converge in one or all of the following cases. Johnstone (2005) argued that student loan has the potential both to increase higher educational accessibility. And to allow some portion of the cost of instruction and student maintenance or costs of living to be shifted to students, and repay them when he or she enters the workforce. In this way students loans, at least, in theory, it can provide additional revenue for higher education for the purpose of enhancing the capacity, quality, and participation. The article further depicted that student's loan serves a variety of purposes, including among others (i) increasing access to higher education by providing financing to students. (ii) To shift a portion of higher educational cost onto the student (and presumably increasing the total amount of revenues available to higher education). (iii) Supporting (or purposefully declining to support) certain sectors of higher

education, including private and even proprietary, or profit – making, institutions. (iv) Influencing post-graduation behaviour by the conversion of grants in comparison to loans or vice versa, depending on whether the graduate, with a potential repayment obligation, pursues certain occupation or practices in particular venues.

Meanwhile, Blaung (1973) extrapolated that student's loans are an essential ingredient to any comprehensive policy of cost sharing. He argues that it involves shifting a portion of the costs of higher education. The costs including the cost of student living from exclusive or even predominant reliance on the government (or taxpayer) or donors to being shared with parents and students. For most countries, the absence of some way for students to share in the high and rising cost of higher education including costs of instruction, as well as the cost of student's maintenance means that such costs will have to be covered by taxpayers and parents alone. In such a case higher educational accessibility, it is likely to be limited to the very academically talented and the children of the affluent. In any case, very many potentially talented students are likely to be left out – to the detriment of the society, the economy and the cause of opportunity and social justice. Accordingly, it was stressed that if student's loans are to be a part of a comprehensive package of cost – sharing, the sufficient amounts of loans should be provided to cover tuition fees plus some percentage (say, 80%) of minimal cost of student living – less any grant and any expected parental contribution. The Goal is to provide sufficiently lending to permit higher educational participation without lessening a reasonable expected parental contribution.

Woodhall (2004), in the meantime, extended an idea behind loan scheme by contemplating that there is a need to spread over the repayment obligation to provide enough time for the monthly payments to be manageable. The article portrayed that establishing benchmarks should assist to understand what constitutes 'manageable' loan repayment. However, it is also important to consider the maximum of 10% – 15% of earnings for a start. The fixed schedule of repayments may be graduated to increase over time at the option of the borrower. It was further argued that if the loan form is a fixed -schedule (that is, not income contingent); the scheduled repayment should be automatically deferrable in the event of unemployment. It is applicable in case of prolonged illness or loss of work, maternity and other such demonstrated criteria. Borrowers so needing repayment deferment should be placed on an extended repayment period, and the monthly repayment lowered. Provision should be made to forgive the remaining indebtedness of the borrower after some period of extension beyond the originally scheduled repayment period. The forgiveness should be allowed when borrowers are still incapable to repay the original debt at the obligatory rate of interest. Thus, low earners will pay for most of the life of the loan more-or-less income contingently.

3.2 Cost sharing and goal mismatches

The present studies found out that there is insufficient financial support for many needy students. Consequently, Most of the students affected by inadequate funding have responded by engaging themselves in trading activities in their halls of residence to make ends meet. This behaviours has negatively impacted on their learning environment. On the effects of cost sharing on students living conditions, Nafukho (1996) argues that there have been an increased trading activities in students' halls of residence. Basing on the evidence from the University of Dar es Salaam the article pinpointed that, more than three-quarter of students (78%) strongly agreed that they engaged in trading activities. They provide the support of their argument being insufficient financial support from their parents. A similar study in University of Zimbabwe (Maphosa, 1999) concluded that students in that institution engaged in trading activities due to inadequate financial support and the need to develop business skills for self-employment. The findings are similar to the reasons given by their Tanzanian counterparts. In this study, the researcher suggests therefore that African countries face similar challenges that require concerted efforts to solve them. Since the inception of cost-sharing policy, the print media has also been reporting cases of anti-social income generating activities of university students. These activities including among other hawking, peddling drugs and selling stolen property (Mwangi, 2000, pp. 2-3). Aduda (1996 p. 18) also support this view. Although these newspaper reports may not be accurate, they serve to point out that cost sharing has impacted negatively on students' welfare at the universities concerned. It also indicates that the students might be compromising their study time for survival needs.

Mohadeb (2006) stated that launching HESLS is always expensive, and it is a mistake to believe that HESLS will become self- funded. The Self - Funded HESLS is the one with repayments stream adequately to supporting all new lending. In fact, most of the available student loan programs are costly to the Government and donors. These costs include. (i) The cost of necessary guarantee to cover the inherently high risk of default. (ii) The cost of subsidization to bring the effective interest rate down below, say, the prevailing rate of consumer debt, or near the government's borrowing rate. (iii) The administration cost including cost of means testing, origination, and collection of loans. (iv)The cost of any debt forgiveness given to encourage academic success or post-graduation behaviour, or to reflect low lifetime earnings. (v) The cost of failure of the higher education graduates who failed to 'pay off' sufficiently to repay the indebtedness without undue burden.

Katunzi (2007) and Johnstone (2005) acknowledged that it was imperative to minimize the costs – consistent with the policy objective of the student loan program; otherwise they can be enormous. The three costs that many students loan programs can almost certainly lessen without compromising the goals of the program are: (i) minimizing the level of subsidization almost equivalent to the government borrowing rate. (ii) Minimizing the cost of servicing student loan and the cost of collections through privatization of this portion of students lending. (iii) Minimizing default by assuring that the student borrower view the initial loan as a real obligation - by requiring some form of a repayment plan to be agreed upon before to graduation, creating conducive environment to establish good collection practices, and possibly make an arrangement that will allow repayment to be made by employer through salary deduction at the time of wage or salary payments.

According to Ziderman (2003), funding higher education in the World does not automatically lead to the efficient education provision since the corresponding authorities regularly face number of obstacles which if not well internalized may result in the entire system collapse. The article suggested that the schemes are always underlined by extremely high per – student cost of higher education at the University and particularly relative to the underlying per- capita income of less industrialized, or developing countries, exacerbated by pressures to greatly expand these already costly enrolments. Again there are normally high rates of unemployment and low paying jobs in some countries, among higher education graduates, making loan payments difficult (even with an otherwise well-conceived and well – managed loan program). Meanwhile, the schemes are affected by the pervasive belief that higher education is or ought to be a public entitlement: that is paid for everyone even if only relatively few participate and benefit. The pervasive absence of trust of the government and higher education administration especially among students and potential students' population in many countries is also cited as another bottleneck of the schemes' operations. Further challenges pointed out by the article included the small rate of savings and general scarcity of private capital. The absence of reliable and cost – effective systems for collecting and servicing of student loan and bearing the risk. The fundamental problem of lending to students is risk, as they have neither a credit rating nor asset to use as collateral.

3.3 Value addition on performances and sustainability of loan scheme

Many of these schemes faced negative experience. In the case of Tanzania, for example, According to Katunzi (2007), during its first year of operation, HESLB encountered number of issues that were pointed to affect the board's performance negatively. The setbacks, which some of them exist until today, included perception to students and general public that the loans are merely granted from government. The loan applications received and processed going beyond the set targets and budgets; overstretched budget, compelling the board to provide partial loans. There were many demonstrations from students who are demanding for 100% loans for all requirements; inability to implement means testing making it difficult for the board to identify and support the needy students as expected; loans granted to non-needy students as required; withdrawal of some stakeholders in helping their children and employees; double payment to some applicants; delay in processing loan applications and attending to isolated individual claims due to understaffed board. One year after its inception, the board registered remarkable success. It managed to give loans to successful applicants in time because the issue of understaffing was no longer a problem (HESLB Lending Manual 2007). However, it has not been possible to provide loans to all eligible applicants because of the mismatch between the limited resources from the government coupled with rising demand for loans. The mismatch was due to rising number of enrollments in higher learning Institutions and rising costs of living.

Similarly, Otieno (2004) investigated student loans in Kenya by analyzing the experiences, current hurdles, and opportunities for the future. This study indicates three factors that contribute to poor performance of students' loan program in Kenya including humble administration, high costs and lower recovery. The author suggested that in order to improve the performance of the scheme there is a need to improve recovery by charging borrowers with interest rates, employee aggressive enforcement of loan recoveries and use banks and other private capital sources to achieve the goal

Equally, Woodhall (2004) analyzed the potential, problems, and lesson from international experience in relation to the performance of HESLS. The study point out five main factors that contribute to poor performance of some of the scheme. These factors include the ability to secure and maintain adequate capitalization as substantial initial capital. Since student loans is a long term investment, it may take several years for repayments to generate a significant stream of income for financing higher education. More scheme involve a substantial amount of subsidies, and they also involve some inevitable losses due to illness, unemployment, default and death of borrowers. Loan repayment will not be sufficiency to finance the new generation of student in full. Another problem is the best way of administering the loan scheme to secure repayment and minimize default.

Following negative experiences about the operations of these schemes in the World, studies have not fallen short of useful recommendations on how the systems can be revisited to enhance their performances. Canton and

Venniker (2001) conceded that the loan should be sufficiently large to meet the needs of the intended students. Periodically, student loan size can and may be adjusted by using the surveys of the student expenses and the compilation of the student price index to ensure an adequate level of support. The implication of small loan size is that higher education remains far beyond the means of the very poor, thus largely defeating the very purpose of the scheme. The article further articulated that loan repayment or collection will depend on the efficiency of collection and the attitudes and behavior of the borrowers.' Borrowers' failure to repay the loan may result from their inability and/or from an unwillingness to pay. Proper repayment plans may help students who do not earn large salaries after graduating. Lower interest rates and longer grace period may also help. Finally, increasing the repayment schedule may assist in lessening the burden the burden of repayment on graduates, particularly in the early years of repayment.

Mingat and Psacharopoulos (1985) in the meantime argued that making extensive use of the banking system for administering, issuing and collecting loan repayments will minimize the financial burden falling on government. The fact that the private banks are involved means that loans are administered along similar lines to commercial loans, leading to high repayment and recovery ratio. In collectiveness, the articles pinpointed several factors to be crucial in enhancing operational performances of the scheme. Among others, they include type of agency, autonomy of the loans scheme, size and coverage, selection of borrowers, manpower plan needs, determinants for eligibility, terms and conditions of loans. It also includes recovery of loan repayments, a strong and sound financial base and financial management, a comprehensive institutional structure, an adequate legal framework. The other factors are effective machinery for targeting, effective machinery for loan recovery, strong incentives for the collection agency, counseling and follow-up of borrowers. And public campaigns and awareness (Barr 2011; Chapman 2006; Cohn and Greake 1998; Danchi 2000; Nyahende 2013; Omari 1994; Owino 2003; Richard 2009; Rugambuka 2008; Salim and Hauptman 2006; Tilak 1993; Usher 2011; Wenli 2007).

According to Rugambuka (2008) and Salim and Hauptman (2006), the type of agency which is responsible to handle the scheme has got a greater impact to the efficiency operation of the system. The two articles categorized the forms of agencies as private or governmental or a partnership between government and private institutions. It was revealed that in most countries where the system is run by private institutions such as commercial banks the efficiency has been at larger point. The arguments behind this concept are based on the experiences of these private institutions to undertake business in an autonomous way. In the view of the first point, the articles therefore contemplated that autonomous functioning of the authorized institutions exert a greater degree of efficiency than when there is less or not autonomy at all. Jonathan and Peter (2011) proposed the use of public-private partnerships as suitable mechanisms for improving higher learning education outperformed in some sub-Saharan Africa countries. On the other hand, Salim and Hauptman (2006) argues that the critical question is not whether a student loan agency is public or private, but whether it is independent, free from political interference and efficiently managed.

Cohn and Greake (1998) coined the argument based on the forces of supply and demand, thus analyzed the size and coverage of the scheme as an important factor to explore their efficiency. The primary concern is the injected volume or amount of loan into the loan scheme; the amount of money disbursed to beneficiaries, and the number of beneficiaries it can cover. Sometimes it is very difficult to obtain comparable figures, since some loan programs state the proportion of all students who receive loans or scholarships, while others indicate the proportion of applicants. It is wise to carry out a survey to obtain comparable data, using standard definitions, but even without such information it is clear that the coverage of most loan programs is strictly narrow at present, and demand for loans significantly outstrips supply.

Barr (2011) and Chapman (2006) also attempted to explain the selection criteria as the way to weigh the efficiency of the scheme, thus described it as an important tool to combat the shortcoming relating to repayment processes. The articles as a whole articulated that most loan programs select borrowers on the basis of financial need, academic merit, and type of course or institution. In some cases, preference is given to students who have already completed part of a course. Because of the need to reduce drop out and wastage by students unable to complete a course because of financial difficulties. Some countries take account of manpower needs in the allocation student loans, both to maximize the chances of repayment, and because the purpose of the loan program is to contribute to the national development by financing higher education and professional training. The other determinant of eligibility in most countries is financial need and academic merit, and several countries attempt to target student aid on the neediest. However, many loans programs require borrowers to provide two guarantors, and this will also eliminate those from the poorest families. With this case, it was also suggested that grants can be provided for the poorest households, with loans offered to those who can provide guarantors or collaterals (Chapman 2006).The schemes are therefore challenged for not using creditworthiness of the borrowers who have credit history as one of the factors to the provision of the loans.

Danchi (2000) and Nyahende (2013) analyzed the impact of lending interest rate to the performances of these schemes. From the studies, it was noted that the rates of interests and the length of repayments period ranges widely. Reasonably, they may vary from zero interest rates to as high as 12% as in South Africa, Bolivia, and Honduras. In most countries, these rates are highly subsidized, and in many cases are below the level of inflation. In this case, the articles extrapolated that most schemes find it difficult to operate since they receive lower value of money than they pay when funding students during their studies. Student loans suffer high rates of default, although in some countries the rate of loan recovery has been considerably high. Some countries in Latin America have reduced default to 10%, or even less. In most countries, loan repayment is in the form of an income contingent or deductions from national service allowance. Nevertheless, inflation, unemployment, and political turmoil have caused problems in some countries. However, the studies suggested that it is possible for the scheme to increase the interest rate at the same time to achieve Pareto optimality condition. According to the articles, one possible way to increase interest rate without too damaging an increase in debt burdens is to extend the length of repayment, in order to reduce the burden of repayments for new graduates.

Omari (1994) and Owino (2003) provided further theoretical frameworks on how the schemes can realize efficiency performances throughout their existence. Firstly, they have ascertained that the schemes should ensure that the coverage, and the value for money for the capital of a student loan fund are maintained, and the costs of administration of loans are reasonable and adequately covered. Again, attention was paid to the sound institutional structure to ensure smooth management and administration of loans. This was cited as the very important element whether it involves a government agency, commercial banks or other types of organization, the success of student loans scheme will depend on the strengths of a particular institution of each country. Moreover, to ensure that loan recovery is legally enforced the articles required the presence of effective legal framework. Moreover, it ensures legal protection of the large amount of money, which is from the taxpayers. There should also be effective machinery for targeting applicants to ensure that financial support and selecting recipients of subsidies on the grounds of financial needs or manpower priorities. The financial aids should reach the targeted needy students, effective machinery for loan recovery which can be a governmental or private or a partnership between the government and private institutions. This machinery should be legally protected and given mandate to enforce repayments. This ensures the minimization of default rates. Last, whether this agency is public or private, incentives will motivate the body to act efficiently. Therefore, the recovery of loans will be maximized.

Salmi. (2003) Studied an international perspective in student loans for the World Bank experiences and found that all loan schemes have three factors affecting the financial viability in common. The first is heavily subsidies, fixed interest rates, and generous grace periods with long amortization of loan repayment. Second, other uncontrolled situations from outside factors such as economic downturns and political turmoil generate fewer borrowers' ability to repay their debts. The last is a low level of managerial efficiency, especially in public agencies, which results in high administrative costs. For Western countries, loan schemes operated by private financial companies will have operating expenditures of not more than one percent of their portfolio. Some Latin countries have operating expenditures at 25 percent of their portfolio.

Ziderman (2004) states that the financial viability of any loan program depends on the amount of loan outlays that are recovered by the lending body. There are two groups of factors that hinder full recovery of loans. First, built-in design elements are below market interest rates, interest-free study and grace periods, repayment in nominal terms, and long amortization periods. The second is administrative factors which are payments in arrears, intended non-repayment, or evasion. It also involves the cancelation of individual repayment obligations (forgiveness) for such reasons as physical disability and the encouragement of undergraduates to enter occupations with labor shortages and administration costs.

Shen and Ziderman (2008) examined the student loans repayment and recovery of different countries around the world. This study found that most students' loans schemes benefit from sizeable built-in government subsidies are subject to repayment default and administrative cost that are not passed to student borrowers. Based on their findings, they concluded that the student loans scheme should have a revolving funds and finance themselves unless government will continue injecting funds annually to cover the costs of subsidies and losses from non-repayment. Further, noted that to improve performance it is important to reduce the level of grants and administrative cost. In fact, subsidies affect the loans performance compared to default and administrative cost.

Therefore, the larger the built-in subsidies are, the less of the loan the borrower is required to repay; therefore when subtracting the actual payment from the original loan and the actual required repayment represents, effectively, a „hidden grant“ to the student taking out a loan. Even if student loans were not subsidized and the individual student was required to repay the total of loan, the amount that would be recovered will be less of the value initially disbursed would be recouped by the loan authorities. The extent of such a shortfall would be

dependent on the level of administrative efficiency with which the loans scheme is run. Then, overall loan recovery depends not only on cash repayments but also on administrative costs that are not passed on to borrowers and on the level of repayment default. Thus, it is good always to monitor the financial viability. The “hidden grant” is firstly seen whenever the borrowers start borrowing, followed by the “repayment ratio” when the borrowers graduate, and last at “recovery ratio” concern.

4. Research Methodology and Data

This study attempt to examine the financial sustainability of HESLS operating in Tanzania via HESLB. The study employs a mixed research approach, both secondary and primary data were used for analysis. HESLB Audited financial reports were the prime source of secondary data whereas financial ratios and indexes for seven years from 2006 to 2012 were constructed, studied and empirically tested and analyzed. Different sources and methods of data collections were triangulated to fill the gaps of existing between data collected from one method to another. Similarly, the application of mixed methods with triangulation facilitates the quality of data. The secondary data gathered through documentary review was supplement with the primary data collected by other methods such as interviews, questionnaires, discussion group, and field study and observation.

After that, the study used regression model to analyse financial sustainability and the statistical tool used to assess and measure the financial sustainability is the STATA. The STATA software is flexible and simple for understanding and processing the collected data.

The uses Operating Self-Sufficiency as a dependent variable that indicate the ability of HESLB to generate enough revenue to cover its operating cost without any subsidies. The capital adequacy, Asset (portfolio) quality, Management Efficiency and Liquidity were regarded as an independent variables

5. Measurements of sustainability

There are various measures of sustainability such as operating self-Sufficiency (OSS), Financial Self-Sufficiency (FSS) and Subsidies Index (SDI). Before going to the method that has been applied in this study let's have a snapshot of these methods.

5.1 Operating Self-Sufficiency (OSS)

Operating Self-Sufficiency (OSS) describes the capability of the institution to cover its operating costs that incurred in the business using their business revenue/ internal generating fund/revenue. It represents the ratio between financial income/ internally generated income and the total of financial cost, operating cost and provision for loan losses (Richman & Fred 2010). There are different arguments on either to include financial cost in the definition of OSS or not. Some scholars believe there is no need to include financing costs because different financial organizations at various sustainability stages they fund all their loan portfolios through concessional loans donations or grants (Lezza, 2010). Simmillarly, Bogan, Johson & Mhlangay (2007) have the opinion that with either method as long as the comparison is uniform among the data being analyzed (Bogan, Johson & Mhlangay, 2007). Looking at the OSS ratio the management can make self-assessment as to whether operations are becoming increasingly self-sustaining or not. According to Richman & Fred (2010), they assert that, OSS requires an organization to meet all administrative cost and loan losses by using its internal generated funds. Based on international experience, it shows that fruitful and sustainable firms should be able to archive OSS within three to seven years (Richman & Fred, 2010)

It is measured by $OSS = \frac{TFR}{TC} \dots\dots\dots 1$

Where TFR = Total financial Revenue and
 TC = Financial Expenses +operating expenses + expected losses

Total Financial revenue (TFR). It includes financial income derived from loan portfolio (Y_{IFLP}) and fee and commission earned from loan portfolio (Y_{FCLP}) It also includes financial income from investment (Y_{FIFI}) which includes among others interests and dividend derived from the financial asset other than loan portfolio. It also includes all other income from the provision of financial services (Y_{FPFS})

Total Financial Expenses (X_{TC}) are total financial cost incurred in the operations, it includes interest and fee paid (X_{CIFP}), Interest and fee paid against the funds borrowed for loanable fund (X_{CIFBF}), and other financial expenses related to financial services (X_{COFE}), Impairment losses on loans(X_{CLOL}), Operating expenses (X_{COE} , which includes personnel expenses(X_{PE}), Depreciations and amortization expenses (X_{DAE}), and other administration expense. Therefore explicitly the above formula can be expressed as follows

$$OSS = \frac{Y_{IFLP} + Y_{FCLP} + Y_{FIFI} + Y_{OPFS}}{X_{CIFP} + X_{CIFBF} + X_{COFE} + X_{CILOL} + X_{COE} + X_{PE} + X_{DAE}} \dots \dots \dots 2$$

When $\sum \frac{TFR}{TC} = 1$ It indicate that the firm is at break even

And $\sum \frac{TFR}{TC} < 1$ it indicates that the firm is not sustainable, it failed to cover the cost.

Equally when $\sum \frac{TFR}{TC} > 1$ it indicate that the firm is sustainable as it covers the costs

OSS does not include donations in its revenue base, but it include subsidies funds in its capital base. Similarly, the cost part excludes adjusted cost of capital but include all financial cost. If the lending firm does not reach OSS eventually, its equity (loanable fund capital) will be reduced by losses. Therefore, additional grants have to be raised to cover operating shortfall, and if not, it means the loanable fund will. This practice could lead to closing once the funds are pooled out

The definitions of OSS varies among different scholars. The difference centered on either financial cost should be included or not. While some scholars prefer to include financial cost in the analysis of FSS only, others prefer to include financial cost in both OSS and FSS. Those who are in favour of excluding financial cost in the computation of OSS argued that not all lending organization incur financial costs equally. Some of them depends solely on subsidies, therefore, reduces the need for comparison. However, Loan loss provision and operational are unavoidable. Therefore, management of those costs alone should be the basis when is measuring sustainability.

5.2 Financial Self-Sufficiency

In computing financial self-sufficiency, three major adjustments have to be made such as subsidized cost of funds, In-kind subsidies, inflation adjustments and portfolio risk adjustment. The principal aim of financial self-sufficiency is to assess how an organization can operate without subsidies, and it also enable comparison between companies with high and low subsidies. The purposes of adjustments are of twofold. Firstly, to reveal the real performance of organizations or the projects. Secondly, to enable benchmarking across a broad range of institutions. Adjustments allow managers and other stakeholders to compare the performance of the organization in a different periods of time by analysing its sustainability by studying its ability to cover all cost. It is also helping managers and other stakeholders to compare the performance of an organization with other similar organizations in the same period.

A. The First adjustment involve Subsidies adjustments

Most of the government funded loans scheme receive funds from government and donors, they occasionally borrow funds at a low rate compared to the market rate and sometimes receive goods or service and other non-cash items. In this case, therefore, two adjustments need to be made; Fund adjustment and in a kind adjustment

$$\text{Fund Subsidy adjustment (A}_1\text{)} = (X_{ASB} + X_{ALP}) * R_{MRT} - I_{BR} \dots \dots \dots 3$$

Whereas; X_{ASB} = is the average short term borrowings, X_{ALP} is the average long term borrowing, R_{MRT} is the market rate of borrowing and I_{BR} is the interest rate and fee expenses on borrowings. The subsidized cost of funds adjustment increases financial expenses on funding liabilities that reduces the surplus reported for the period and the retained earnings.

i. In kind subsidy adjustment (A₂) = (X_{SEC} + X_{SEC}) + (X_{AEC} + X_{AAC}) 4

Whereas; X_{SEC} = is the estimated cost of personnel, X_{SEC} is the actual cost of personnel, X_{AEC} is the estimated cost of other administrative expenses and X_{AAC} is the actual cost of other administrative expenses. In kind adjustment increases the personnel expenses, administrative expenses, and where fixed asset where also received as donation, depreciation expenses also increases which in turn reduces net income retained earnings.

Rule of thrum: The two adjustments for subsidized adjustment are only applied when the adjustment value is positive; when the adjustment value is negative it is not applied.

B. The second adjustment involve inflation adjustments

Economically, inflation has an erosive effect on operation and equity of the financial institution. Inflation reduces the purchasing power of equity and net monetary value of assets. Therefore in conducting inflation adjustment, two computations have to be made; first the inflation adjustment in the purchasing power of the equity and secondly, inflation adjustment on the net asset value. The researcher computes the inflation adjustment using the standard formula for benchmarking (barres et al., 2005) as follows

Inflation adjustment (A₃) = (X_E + X_{FXO}) * R_{INF} - I_{IFC}5

Whereas; X_E , is the equity at the beginning of the period, X_{FXO} is the net fixed assets at the beginning of the period, R_{INF} is the inflation rate for the period and I_{IFC} is the interest charged by the financial institution in the period. The inflation adjustment increases expenses of financial institution and hence reduces the profit/ surplus reported for the period and the retained earnings.

C. The third adjustment involve Impairment loss adjustments

The third adjustment is the impairment loss allowance adjustment which was necessary for portfolio risk management as it takes into account nonperforming loan component in the financial institution. Impairment loss adjustments were conducted to ensure that the value of gross loan portfolio reflects the credit quality of the portfolio. According to Barres et al, (2005) framework, financial institution should have impairment loss allowance that reflect their historical loss rates, credit risks and the local standards for impairment loss allowance impairment loss adjustment was computed as.

Impairment Loss Adjustment (A₄) = X_{GLP} (R_{LA} - I_{ILA}).....6

Whereas; X_{GLP} , is the gross loan portfolio, R_{LA} is the impairment loss allowance rate, I_{ILA} is the impairment loss allowance provided by the financial institution and deducted as expenses in their income statement for the period. The impairment adjustment is taken when it is positive because when it is negative it means that the financial institution is already providing enough allowance for loan portfolio losses. The impairment adjustment increases the impairment losses allowance and the provisions for impairment loss allowance which in turn increases the total cost reduce net income reported for the period and the retained earnings.

When the three adjustments are applied to OSS model it turns the OSS into FSS model which expressed as follows

$$FSS = \frac{Y_{IFLP} + Y_{FCLP} + Y_{FIFI} + Y_{OPFS}}{(X_{CIFP} + X_{CIFBP} + X_{COFE} + X_{CLOL} + X_{COE} + X_{PE} + X_{DAE}) + (A1 + A2 + A3 + A4)} \dots \dots \dots 7$$

Financial self-sufficiency indicates whether the revenue from the operation with unsubsidized capital base is sufficient to cover the costs of operations. Ceteris paribus, the higher the ratio, the better, the 100% means that the organization attains the breakeven point. The ratio below 100% indicate that the company does not cover the cost and when is above 100% means that the revenue generated is greater than the cost

5.3 Subsidy Dependence Index

The subsidy dependence index (SDI) is another measure of financial sustainability of a firm that measures two important items; the level of subsidization on a firms' operations and the level of interest rate that the firm would have to charge when lending to its customer in order to cover all the cost (Kipesha, 2013; Richman and Fred, 2010;). SDI is infrequently used compared to other measures of sustainability such as OSS and FSS; this is because SDI is more applicable to those firm that receive subsidies. The model was firstly propounded by Yaron in 1992 and later- on in 1997 it was reviewed by Schreiner (Kipesha, 2013). Ordinarily, an SDI is a ratio of subsidies received by a firm and revenue from lending. If an SDI is above zero means that the organization still need subsidies to operate, i.e., it has not achieved financial sustainability. If an SDI is equal to 1, it means that the firm is breaking even and if an SDI is less than one it indicates that the company is sustainable. Barr and Falkingham (1993,1996) found of 100 disbursed, only one-half is repaid, of the missing 50, 20 is lost because some graduates have low lifetime earnings therefore they are not obligated to repay their loan in full, and 30 is not repaid because of interest subsidies. In other world, interest subsidies convert nearly one-third of the loan onto grants. These losses were evidenced in 1990s when the UK government sold its student debts for about half price of the face value (ibid). The same evidence found in New Zealand when they introduced nominal interest rate while students are still at university and frozen to somewhat below its previous rate the real interest rate charge after graduation.

The SDI is computed as follows

$$SDI = \frac{A(m-c) + [(E*m) - P] + K}{LP * i} \dots \dots \dots 8$$

Where as

SDI = The index of subsidy dependence by the firm; A = The firm concessional borrowed funds outstanding (Annual average); m = The interest rate the firm would be assumed to pay for borrowed fund if access to borrowed concessional funds were eliminated; c = The weighted average annual concessional rate of interest actually paid by the firm average annual concessional borrowed fund on its; E = The Average annual equity;

P = Reported annual before tax profit or net income (adjusted when necessary for loan loss provision, inflation and so on; K =The Sum of all annual subsidies received by the firm (Such as partial or complete of the firm's operational costs by the state coverage; L =The Average annual outstanding loan portfolio; i =Weighted average interest yield earned on the firm loan portfolio; S = Annual subsidy received by the firm
 The annual subsidy received by the firm is given as the numerator of the above equation i.e.

$$S = A (m - c) + [(E * m) - P] + K \dots \dots \dots 9$$

Shen and Ziderman (2008) give definitions of three ratios. The loan repayment ratio that indicate the amount that a loan beneficiary is obligatory to repay; it is defined as the ratio of the principal repayment to the loan size received, both measured in terms of present values. The hidden grant ratio (how much of the loan does not need to be repaid) is equal to 100% minus the repayment ratio. And the recovery ratio is measured by the ratio of total (discounted) repayment to total (discounted) outlays. These can be rewritten into formulas below.

- Repayment Ratio** = Repayment/Loan Size;
- Recovery Ratio** = PV recovery / PV disbursement
- Hidden Grant Ratio** = (1- Loan Repayment Ratio) * 100%

Usually, usually, the loan recovery ratio focuses more widely on the scheme as a whole, rather than on the individual borrower. In addition, the three calculations have shown that always the repayment ratio is higher than the recovery ratio because the former takes no account of the probability of repayment default and does not include general administration costs.

$$\text{The annual Payment} = P = D \times \sum_{t=1}^L (1 + i)^{g+(t-1)} \times \frac{I}{[1 - (1 + I)^{-N}]} \dots \dots \dots 10$$

$$\text{Repayment ratio} = \frac{PV_{\text{Repayment}}}{PV_{\text{Disbursement}}} = \sum_{n=1}^N \frac{Pn}{(1 + r)^{g+L-1+n}} \div \sum_{n=1}^N \frac{D_t}{(1 + r)^{t-1}} \dots \dots \dots 11$$

Where P_n is the annual payment adjusted for inflation in $n - th$ year

$$\text{Hidden grant ratio} = (1 - \text{Loan Repayment Ratio}) \times 100\% \dots \dots \dots 12$$

PV = The Present Value; D =The disbursement Value; D_t =The Disbursement value adjusted for inflation in the t -th year; i =The initial interest rate (during lending period); I =The interest rate during repayment period; g =The grace period, in years; N = The repayment length, in years; n =Year of Repayment; r =The opportunity cost of capital from time of lending onwards
 L =The disbursement length in years; t = The years of disbursement

6. Model Formulation

After reviewing the literature on the theoretical perspective of sustainability and its measurements, this study employs Operating Self – Sufficiency to measure financial sustainability of HESLS in Tanzania. The study uses the following linear regression model to analyze financial sustainability of HESLS via HESLB,

$$FS = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \mu \dots \dots \dots 13$$

Whereas;

FS is Financial Sustainability measured by Operating Self-Sufficiency (OSS) and β is a regression coefficient, X_1 is Asset quality measured by repayment rate, X_2 is Government subvention measured by the capital/resource concentration, X_3 liquidity, measured by current ratio and X_4 is Management efficiency measured by cost efficiency

6. Results and Discussion

6.1 Results

This section present discussion of the findings

Table 1: OSS trend for seven years

Years	2006	2007	2008	2009	2010	2011	2012	Average
Operational (OSS)	0.884	0.439	0.298	0.396	0.456	0.314	0.296	0.441

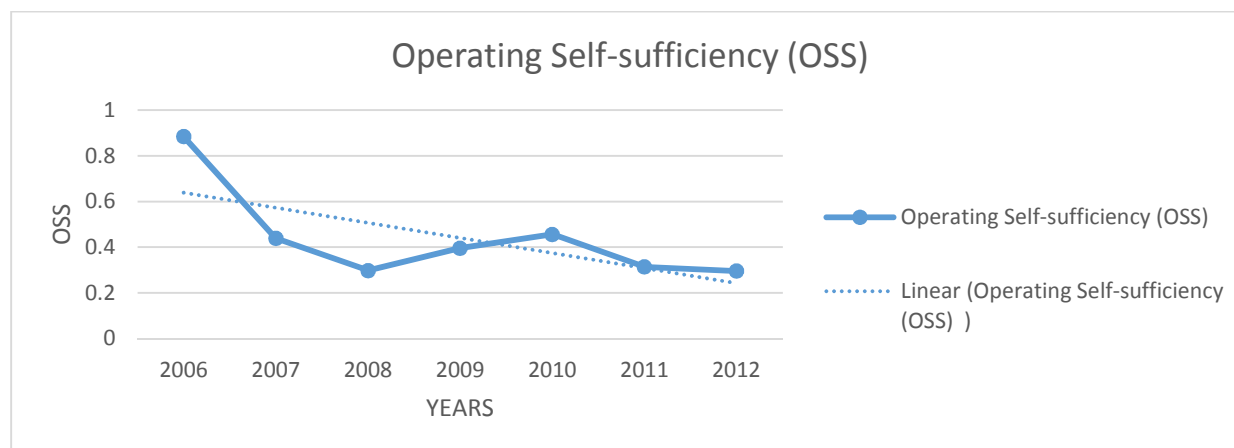
Table 2: Results for OSS as DEPENDENT VARIABLE

Source	SS	df	MS		Number of observation	7
					F(5, 1)	1544.06
Model	0.256070543	5	0.05121411		Prob > F	0.0193
Residual	0.000033168	1	3.3168E-05		R-squared	0.9999
Total	0.256103711	6	0.04268395		Adj R-squared	0.9992
					Root MSE	0.00576
OSS	Coef.	Std. Err.	t	P>t	[95% Conf.interval]	
Assets	0.0482522	0.0186166	2.59	0.234	-0.1882947	0.2847992
Government ^a b	-14.14666	1.844201	-7.67	0.083	-37.57946	9.286133
Current	0.0012542	0.0012889	0.97	0.509	-0.0151231	0.0176316
Cost	-12.64448	0.2809663	-45	0.014	-16.21449	-9.074462
Loan	-2.576692	0.1859978	-13.85	0.046	-4.940018	-0.2133658
Constant	13.63746	1.354653	10.07	0.063	-3.575039	30.84995

6.2 Discussion of Findings

The The analysis for evaluating the financial sustainability of the HESLB operating in Tanzania has been carried out using both accounting approach, as well as econometric approach. From the accounting approach the study revealed that the OSS for the period were 0.884; 0.439; 0.298; 0.396; 0.456; 0.314 and 0.296 for 2006; 2007; 2008; 2009; 2010; 2011 and for 2012 respectively. None of the year HESLB manage to cover the operating cost using its operating revenue. In average for the whole period under study the result indicate that HESLB can only cover 44.1% of the total cost using internally generated funds. In addition to that, the yearly trend of OSS shows a decreasing trend (See graph 1) that suggest the existence of inability to cover operating costs using operating revenue. However, despite the fact that the average expenses are higher than the average internal generating fund, it still below the required average costs based on the best practices. The best practices in Tanzania is that, if the government could commission the private bank to manage the students' loan portfolio the government could have paid a minimum of 5% of the total loan portfolio. In view of that, when compared with the best practice in Tanzania, HESLB is a relative cost effective. It is also inexpensive in relation to some other students loans scheme worldwide as pointed out by Talasophon (2011) that while some system operates with the cost of less than 1% of total portfolio others are operate with the cost of more than 25%

Graph 1: The trend of Operating Self Sufficiency



From econometric analysis using regression model as indicated in (Table 2) the results shows that, the model was tested to see whether there was a significant relationship between the independent variables and dependent variable. It would be considerable to note that the evaluation of the linkage is essential for determining the quality and capability of the model to predict the outcome of the dependent variable. From that ground, four independent variables (government subvention, current ratio, cost efficiency, loan repayment) was added to the model for testing the contribution of the independent variables to the financial sustainability. Results indicate that there is a significant relationship between the dependent variable and a set of the independent variable with F value 1544.06 at $p < 0.005$ (See, Table 2). The result implies that the additional of the independent variable to the model improves the outcome of the dependent variable. Hence, independent variables contribute significantly to predicting the outcome of the dependent variable of the model, which is the financial sustainability of the HESLS operating in Tanzania measured via HESLB.

Apart from the overall contribution of the set of independent variables to the dependent variable with respect to proposed model, also the contribution of each independent variable was tested. The process is essential for understanding the role and the weight of each variable in influencing the changes to the dependent variable. All four independent variable stated in a given regression model were tested using the t-test. The t-test result shows that only two independent variables are statistically significant at $P < 0.05$ and the remaining variables are insignificant at 5% level of significant (Table 2). However, the insignificant of some variables does not mean the variables are not important in explaining the financial sustainability, but the level of importance is not the same compared to those noted to be significant. Since the t-values are different from one, then the independent variables play a significant role in improving the financial sustainability of HESLS via HESLB. The coefficient values indicate that as a value of independent variable increase by one unit, financial sustainability increases or decreases according to the scaling value of each independent variable. The interpretation will be accurate only when variable compared to the dependent variable and other independent variable held constant.

7. Conclusion and Recommendation

Based on the analysis presented above, the study concluded that during the period under study (2006 – 2012), implementation of the HESLS in Tanzania is not only inefficient but also unsustainable. HESLB is effective in increasing access to Higher education as the number of students has risen significantly since the government established HESLS in 2005. Nevertheless, the recorded increase in access is not in an equitable manner as there is considerable number of unserved needy students due to some external factors that are beyond HESLB control. Therefore it is argued that it failed to support eligible and needy poor students, and it also failed to recover educational costs as expected. Besides that, it failed to relieve the government budget burden. There is evidence that the loan subsidies from the government had to be increased because the payout loans increase at an increasing rate. On the hand, the loan collection grows at a slower pace compared to payout loan, and there is a sign that the rate of defaulters will increase too.

The study concluded that all these unsuccessful operations are the result of the following faults. First, there is no proper mechanism to protect poor students from dropping out of compulsory educational levels (primary, secondary and diploma level). Due to that they failed to obtain higher performance compared to their counterpart students who are coming from well to do families Secondly, the kindness of loan repayment conditions that have extremely generous loan repayment conditions prohibit it from being a cost effective policy alternative because the scheme is heavily subsidized the students. Third, the hasty and inadequate planning and designing of the scheme in its preliminary stage of its establishment puts the HESLB in an awkward position in tracing the loan beneficiaries and worsen the situation by lacking a monitoring system. This has led the scheme far away from achieving its objectives of adequately reaching the poor and creating revolving fund. Third, loan disbursement decisions do not ensure a fair share in practice because the loan budget allocation for priority courses always ignores the scheme's central objective of targeting the poor. Through the priority courses, disbursement of the loan is based on merit instead of need.

The study recommends that, higher volumes of loan beneficiaries and loan portfolio alone do not improve financial sustainability. The increasing volume should be accompanied by vigorous follow-ups to ensure effective higher repayment rates. On the other hands, it has to strive to operate at relatively low costs, keeping the staff productivity higher, and reduce handling of non-earning current assets that could have been invested in other profitable venture so as to generate more income. It is also recommended that HESLB has to improve a means testing mechanism so as to be able to identify the real eligible and needy poor students. To make it happen HESLB should have good interrelationship with other players such as secondary schools, Tanzania tax authorities, and others through which HESLB can obtain one's income.

In the side of the government it is recommended that, government should provide HESLB full autonomy in making decision on some of strategic issue such as enrollment, categorization of priority courses, tuition fee charged in higher education, the legal framework to enforce collection. Equally the government should harmonized the legal frameworks so as to construct a strong interrelationship between strategic partners such as Tax authorities, security funds, registrar of companies, HLIs, Local government authorities, NIDA, RITA and let them use one unique identifier for each and every Tanzanian this will help to facilitate the tracking of loan beneficiaries and reduced the internal defaulters

The government should reassess the issue of priority courses be because the majority who benefitted through that stream are not practicing the professional. A good example is that there lot of teachers who benefited from that stream but they are currently employed in the banks and other organization and in all standards they are not teaching. Similarly, the current extremely generous loan repayment conditions should be improved so as to reduce the subsidies the repayment rate should be charged on gross salary instead of the current practice of charging on basic salary, a reasonable interest rate should be charged to cover for inflation and operating cost that means the interest should be in the form of fixed rate plus inflation.

8. Area for future research

Emanating from the discussion of this study the following area attract future research 1) Impact of loan design in the performance and sustainability of HESLS operating in Tanzania. 2) Impact of social factor toward university enrolment and financial facilitation from higher education students' loan scheme. 3) Impact of priority courses and student carrier development

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