
Student Loans from Students' Perspective – Research Results

Submitted 11/09/22, 1st revision 23/09/22, 2nd revision 12/10/22, accepted 25/10/22

Bartosz Mickiewicz¹, Małgorzata Zajdel²,
Małgorzata Michalcewicz-Kaniowska³, Julia Licznarska⁴

Abstract:

Purpose: The aim of the article is to determine students' opinion regarding taking out student loans. The researchers attempted to provide answers to several important criteria such as household income and its significance as one of the factors taken into consideration during the loan application process, applicants' place of residence, how student loans are advertised and how to boost the popularity of this product.

Approach / Methodology / Design: The sources were reports of the Ministry of Education and Science in 2019-2020, they included data on: the number of student loan applications, the number of student loans granted, the amount of tranches received, the number of students who benefited from a guarantee by BGK and ARMA and the share of selected banks for the purpose of taking a student loan. Additionally, a questionnaire survey was conducted among students of the Bydgoszcz University of Technology.

Findings: The research has shown that the level of knowledge about student loans is low, and more than half of the respondents do not have knowledge of meeting the conditions for obtaining a student loan. The analysis allowed to define the factors that would induce a student to take out a student loan, such as: remittance of part or all of the loan, no additional fees for early repayment of the loan and the possibility of spending the funds on any purpose.

Practical implications: The research showed a low level of knowledge about the possibility of taking a student loan, therefore it is suggested to increase promotional activity in this area. It is recommended to analyze student needs in terms of student loans. The article and its results hopefully will make students more aware of the possibilities offered by a student loan.

Originality/value: The article is dedicated to students and financial institutions which offer student loans.

Keywords: Student loan, budget policy, financing of the university.

JEL Classification: A13, M12.

Paper type: Case study.

¹Professor, West Pomeranian University of Technology in Szczecin, Faculty of Economics, bartosz.mickiewicz@zut.edu.pl;

²Doctor of Economics, Bydgoszcz University of Science and Technology, Faculty of Management, m.zajdel@pbs.edu.pl;

³ Doctor of Economics, Bydgoszcz University of Science and Technology, Faculty of Management; malgosia@pbs.edu.pl;

⁴Student, Bydgoszcz University of Science and Technology, Faculty of Management; jullic000@pbs.edu.pl;

1. Introduction

The Polish Parliament together with the Ministry of Education launched the student financial support reform in 1997. The Treasury approved the fact that the subsidy for students would be financed using both annual support from the government and the capital obtained from commercial banks. The loan offer was prepared to be attractive for students due to low interest rate, which was partly covered by the government's subsidy. Thus the student loan bill was successfully passed on 17 July 1998 (ARiMR, 2022).

L. Dearden is an expert on student loan scheme in the USA who points out that the loan approval decision should be based on the future income of the beneficiary. According to a thorough analysis by Z. Friedman, in 2018 there were as many as 44m students paying off their loans. The overall debt of student loans has been calculated as 1.5 bn dollars. One of the reasons of gathering interest on the loans is either delayed payments or payment failures, which is true for 10.7 percent of all loans.

The highest debt resulting from failed student loan payments was recorded in the states of New York, Texas, Florida and California. It has been found that the highest debtors were students aged 30-39. What is interesting, seven out of ten senior students who graduated in 2015 from public schools or universities, were still paying off their loans (Friedman, 2018).

M. Guille is a scholar who focused on the notion of student loans in Europe. She emphasizes that many states implement restrictive budget policies imposing severe spending cuts, which is reflected in lower increase of GDP (Koniunktura, Budżet państwa, 2022). This sparked debates regarding funding education in developed countries across the continent. They included such issues as: free state-funded primary and secondary education, combating social discrepancies and rapid increase of the state budget.

The crisis involving university funding results in the increase of the private higher education sector. This, in turn, translates into higher fees for students willing to pursue university degrees. This group can benefit from student loans. One of the first countries who recognized this need was Norway where student loan state fund was established as early as 1947. The system works in the following way: student loans are secured both from the fund, and the government grant.

However, the amount of money that students obtain may vary. Those who live far away from home can expect to borrow more compared those who still live with their parents. What is more, no interest is added during the time when students remain at university. They start being charged interest no sooner than when they have graduated. The loans have to be fully repaid within the period of twenty years – with the exception of the event of a student becoming permanently disabled.

An important factor taken into consideration while approving a student loan application in the Netherlands are the incomes of students and their parents. In Poland, student loan beneficiaries are not required to specify the purpose of the loan. The repayment has to start no later than two years after graduation. This period is deemed necessary for students to begin their careers, accumulate revenue to become financially independent from their parents and secure the repayment. The loan is available for ten months each academic year and is paid out in monthly tranches, which vary from 400, 600, 800 to 1 000 PLN.

During the loan period, students can apply to change the monthly amount available to them (MEiN, Kredyty studenckie, 2022). In 2019 the Polish government passed an amendment, which limits the total time that students can benefit from the loan to seven years (Cieślak, 2019). The loan is available to those students who, at the time of signing the loan agreement, have not reached the age of 30 and – in the case of doctoral students – 35 years.

Other individuals who are eligible for the loan include refugees, the Polish Charter holders, foreigners with the right to remain in the Poland Republic, and long-term EU residents (Raport, 2021). Students whose net income exceeded 2 500 PLN a month until 2019 (3 000 after October 2020) are not eligible to take out a student loan (MEiN, Informacja, 2022).

In Poland there are two models aimed at helping students in their educational endeavours: co-financing education models with the student loan scheme and the income discrepancy levelling scheme. The latter aims at allowing students from low-income family background to pursue higher education. This offer is not available for students with higher material status (Miesterek, 2017).

According to data gathered in 2021, the cost of supporting a student who lives and studies away from home was 2 740.60 PLN (Raport, 2021). Bearing in mind that the lowest monthly net salary in 2021 was equal to 2 061.67 PLN (ZUS, Minimalne wynagrodzenie, 2022) it is apparent that it does not meet the student's monthly cost of living. And what sources of income do students have at their disposal?

According to W. Jarecki, the most common include: support obtained from parents, savings made prior to going to university, scholarships, financial support obtained from family or friends, social security benefits, partner/spouse support and student loans (Jarecki, 2010).

2. Research Methodology

The meagre number of students who took out the loan poses a problem for the researchers. Hence, it is critical to determine which factors stop students from taking full advantage of this form of help. The researchers attempted to answer the following key questions: to what extent can the household income be an obstacle

while taking a student loan; beneficiaries' place of residence, how information about student loans is spread, and the potential to increase the number of borrowers in the future.

The researchers, who relied on the primary and secondary data sources, posed and verified the following hypothesis: there is a real potential to increase the number of students taking the student loan. It can be achieved through bolstering its promotion and making it more attractive to students.

The secondary data was data sourced using the reports prepared by the Ministry of Science and Education in 2019-2020. The data from 2021 was initially not available, thus it was necessary to use an official application, which was granted. The data regarded the following aspects: the number of student loan applications, the number of approved applications, the amount of funds made available to the applicants, the number of students who used the BGK and ARiMR guarantees, and types of banks chosen by the applicants.

The primary data source was a questionnaire divided into two sections to be filled in by both students who took the loan, and those who did not. The questionnaire included five matrix-type questions, eight closed-type questions requiring respondents to choose one answer only, two open-type questions, allowing to add an own answer, and one multiple choice-type question, also allowing for adding own answers. The questionnaire, which was anonymous, was generated using *Google Forms* service.

The respondents who participated in the study were recruited among the students of the Bydgoszcz University of Science and Technology. The IT department supervised the study and helped to prepare a link to the questionnaire. A separate questionnaire-based study is going to be carried out among the students of the University of Technology in Szczecin, Department of Economics, in the Zachodniopomorskie province. The study is going to be based on methodology developed at the University of Science and Technology in Bydgoszcz.

3. Employee Satisfaction in the Light of the Research Results

The student loan is one of the cheapest products offered by banks. According to the Law on Higher Education from 17 November 2021, which amended the previous bills regulating student loans, the beneficiary covers 50 percent of the loan interest (75 percent in the case of failure to make payments within the deadline or dropping out of school) (Ustawa, 17.11. 2021).

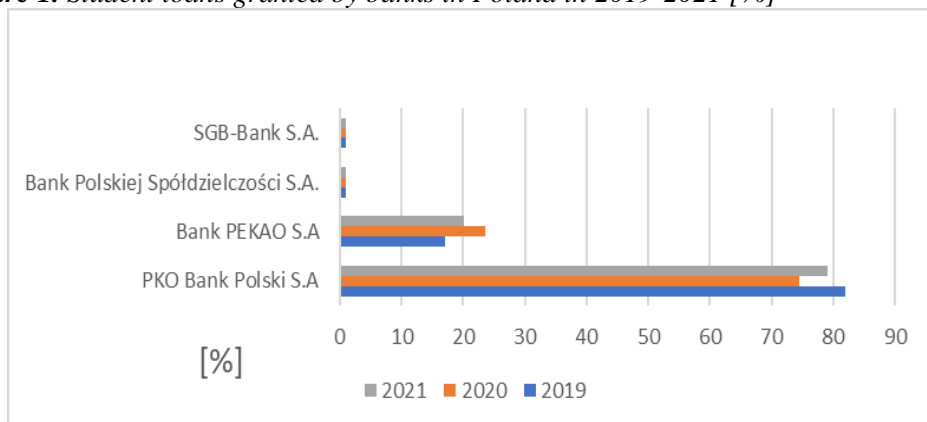
The law also allows for the loan part or full remittance in case of those students who obtain exceptional marks upon graduating from university or have found themselves in difficult life circumstances. It is also possible to entirely defer the repayment of the loan in the following cases: the beneficiary has permanently lost the ability to

repay the loan, the lack of legal instruments to pursue repayment claims, and death of the beneficiary.

The loan can only be granted after the beneficiary's ability to repay it has been thoroughly checked. Students can apply for the loan throughout the whole year and the decision is usually made within 30 days. Since 2019 it has been possible to apply for the loan on-line. What is more, students who are only starting their higher education are now eligible to submit their loan application. The banks that offer student loans in Poland include: PKO Bank Polski S.A., Bank PEKAO S.A., Bank Polskiej Spółdzielczości oraz SGB-Bank S.A. (MEiN, Kredyty studenckie, 2022).

The researchers found that the biggest number of students applied for the loan at *PKO Bank Polski S.A.* bank, which may be related to the fact that the bank has the highest number of customers in the country (11 046 000). *PEKAO S.A.* ranked as the second most popular bank with students wishing to take a loan (5 829 020 customers) (Zadłużenia.com, 2022). Customers who chose the student loan offer of these institutions recognized their popularity, saw them as trustworthy and deemed the offer interesting (Figure 1).

Figure 1. Student loans granted by banks in Poland in 2019-2021 [%]



Source: Own research based on:

- <https://www.gov.pl/web/edukacja-i-nauka/informacja-w-sprawie-liczby-udzielonych-kredytow-studenckich-w-2021-roku>,
- <https://www.gov.pl/web/edukacja-i-nauka/informacja-w-sprawie-liczby-udzielonych-kredytow-studenckich-w-2020-r>,
- <https://www.gov.pl/web/edukacja-i-nauka/informacja-ws-liczby-udzielonych-kredytow-studenckich-w-2019-r>

In the years 2019-2021, the number of submitted applications decreased by approx. 17%, which could be related to the global pandemic. At the beginning of 2020, universities were forced to introduce the distance learning process, which resulted in the migration of students to their hometowns. As a consequence, students resigned from rented lodgings, which also resulted in a decrease in student expenses.

Thus, it can be observed that in 2020 there was a decrease by approx. 80% in student loans. In 2019 and 2021, the situation in this regard was at a similar level (Table 1, Table 2).

Table 1. Number of loans granted in 2019-2021

specification:	2019	2020	2021
No. of applications	2399	1968	1991
No. of approved loans	2166	1572	1810
Amount of loans granted against the total number of loan applications [%]	90.29%	79.88%	90.91%

Source: Own research based on:

<https://www.gov.pl/web/edukacja-i-nauka/informacja-w-sprawie-liczby-udzielonych-kredytow-studenckich-w-2021-roku>,

<https://www.gov.pl/web/edukacja-i-nauka/informacja-w-sprawie-liczby-udzielonych-kredytow-studenckich-w-2020-r>,

<https://www.gov.pl/web/edukacja-i-nauka/informacja-ws-liczby-udzielonych-kredytow-studenckich-w-2019-r>.

Table 2. Dynamics of loan changes compared with 2019

specification	Increase as compared to 2019	
	2020	2021
No. of applications	-431	-408
No. of approved loans	-594	-356

Source: Own research based on:

<https://www.gov.pl/web/edukacja-i-nauka/informacja-w-sprawie-liczby-udzielonych-kredytow-studenckich-w-2021-roku>,

<https://www.gov.pl/web/edukacja-i-nauka/informacja-w-sprawie-liczby-udzielonych-kredytow-studenckich-w-2020-r>,

<https://www.gov.pl/web/edukacja-i-nauka/informacja-ws-liczby-udzielonych-kredytow-studenckich-w-2019-r>.

While applying for the loan, students can specify the monthly amount of payout which will be available to them. It appears that during the last three years the majority of beneficiaries opted for 1 000 PLN. This amount was chosen by 67 percent of beneficiaries in 2019 so it represents a 15 percent increase in 2021, which can be attributed to the first stages of growing inflation (KIG, 2021), which forced students to increase their budget.

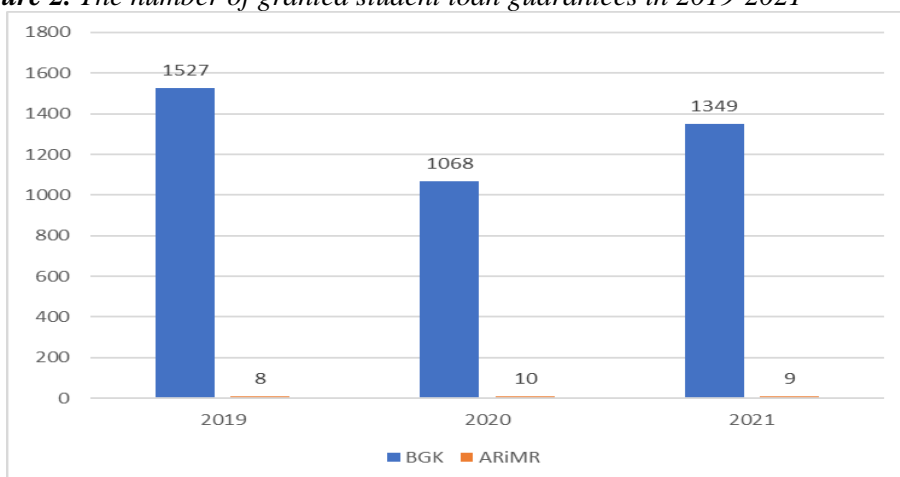
In 2019 15 percent of students chose the payout of 800 PLN a month, and further 15 percent opted for 600 PLN. Only 7 percent chose this amount in 2021. The lowest number of students were interested in the amount of 400 PLN. One has to bear in mind that taking a student loan poses certain risks related to future employment

situation. Many applicants fear becoming unemployed after they graduate (ELA, System monitorowania, 2022), which obviously is going to affect the loan payoff. A potential solution can take the form of guarantees provided by third parties (students' parents, minders, relatives, etc.) or organizations they belong to Bank Gospodarstwa Krajowego (BGK) and the Agency for Restructuring and Modernisation of Agriculture (Agencja Restrukturyzacji i Modernizacji Rolnictwa, ARiMR) (Cieślak, 2019).

A student's household income is one of the key factors taken into consideration when approving the loan application as it determines what part of the loan will have to be guaranteed. A guarantee of the whole amount of the loan will be required if the income per person is less than 1000 PLN. Students whose household income exceeds the threshold will need a guarantee of 80 percent of the amount they borrow including additional costs (ARiMR, Poręczenia spłaty kredytów studenckich, 2022).

It has been noted that the Agency for Restructuring and Modernisation of Agriculture guaranteed the fewest loans, which is related to fewer number of students living in the country. In the case of Bank Gospodarstwa Krajowego, the situation is reversed, meaning that the bank guaranteed as many as 1 349 loan applicants (chart 2). Data gathered by the Ministry of Education and Science shows that guarantees issued by the BGK amounted to 74.5 percent of all student loans (MEiN, Informacja, 2021).

Figure 2. The number of granted student loan guarantees in 2019-2021



Source: Own research based on:

<https://www.gov.pl/web/edukacja-i-nauka/informacja-w-sprawie-liczby-udzielonych-kredytow-studenckich-w-2021-roku>

<https://www.gov.pl/web/edukacja-i-nauka/informacja-w-sprawie-liczby-udzielonych-kredytow-studenckich-w-2020-r>

<https://www.gov.pl/web/edukacja-i-nauka/informacja-ws-liczby-udzielonych-kredytow-studenckich-w-2019-r>.

The study included 383 students, which was 27 percent of all students of the Bydgoszcz University of Science and Technology (1393). The majority of first year students were those who started their second semester (31.59%), the fourth semester (19.84%) and one person was in their seventh semester of study (0.26%).

Among the Master degree students, the biggest group were respondents in their first semester (8.36%), second semester (1.83%), third semester (7.05%) and fourth semester (2.35%). The biggest number of respondents were students studying at the Department of Management (22.19%), the Department of Telecommunications, IT and Electrical Engineering (18.28%), the Department of Construction, Architecture and Civil Engineering (16.45%).

The biggest number of the respondents lived in the countryside (38.64%) and cities with population under 250 000 (31.85%). Interestingly, 43.6% of all students lived with their families, 29 percent in rented accommodation, further 21 percent were lived in student residence halls. What regards securing the cost of living and paying for university education, 18.8 percent of the respondents declared receiving financial support only from parents, 15.4 percent admitted relying on their parents and work income, and finally, 15.1 mentioned parents' help, work income and own savings.

The number of students who remained independent from their parents' help and who relied on income from their work only amounted to 10.4 percent. The remaining 0.26 – 5.48 percent relied on the following forms of financial support: health or family benefits, spouse/partner help, scholarships obtained from different companies and organizations.

Out of the whole group of respondents who took part in the study, which was 383 students, only 15 took out the student loan (3.92%). The source of information about the product was immediate family (53.3%) and acquaintances (26.7%). Half of the polled pointed at renting accommodation as the main reason for taking the loan (46.7%).

The second, most-popular reason was buying a car. Such reasons can be attributed to the fact that students live far away from the university, and they either need a place to stay in Bydgoszcz or they decided to commute to university. While banks do not verify what the money from the loan is spent on, many students emphasized that this was one of the most important factors taken into consideration while making the decision to take out the loan. Others (46.67%) valued the monthly payments with the following monthly amounts: 1 000 PLN (chosen by 60% of students), 600 PLN (33%), and 800 PLN (6.67%) respectively.

Among other reasons which encouraged respondents them to take out the loan were: the two-year period before they can start paying off the loan that convinced them (more than a half of the polled). A whopping 93.33 percent opined that they were encouraged to take advantage of the product due to the lack of early repayment fees.

Obtaining loan guarantees from Bank Gospodarstwa Krajowego (BGK) and the Agency for Restructuring and Modernisation of Agriculture was a decisive factor for the students living in the countryside (40% of all respondents). It is hardly surprising as the agency's objective is to assist residents from rural areas, and half of the studied group lives in such areas in Poland.

As many as 26.7 percent of the respondents emphasized that they based their decision on the fact that banks accounted for the remittance of the loan for exceptional grades at university or difficult life situation. It means that a part of the applicants do not meet the basic condition for the programme, which is giving the opportunity to study to students from low-income families. The majority of loans were given to students of the sixth semester (40%) and the second semester (33%) of the Bachelor studies.

This is probably due to the fact that such people usually leave their home in order to study. Seven students took the loan in order to finance their temporary stay in Bydgoszcz: in student residence halls (40%), private lodgings (26.67%), and owned apartment (6.67%). Statistical data shows that the group, which made the most loan applications were students from rural areas (40%), while the group with the fewest applicants was made up of students from cities with less than 250 000 residents (6.67%).

Out of 383 students participating in the study, as many as 96.08% (368 persons) did not take out a student loan. Of which over 70% of students declared that they did not have knowledge of meeting the conditions to obtain a student loan. In the event of obtaining a loan, students would like to spend the funds received on: covering the cost of living (59.24%), renting a flat (54.35%) and purchasing a computer (31.79%), which is in line with the project assumptions.

Other responses included: hobby, purchase of a flat / building plot, wedding, development of own business, medical operation. According to students, an important factor that would encourage them to make a commitment is the cancellation of part or all of the loan as a reward for academic performance or in a difficult life situation (67.12%) and no additional fees for early loan repayment (63.59%). The lack of verification by the bank for what purpose the debt is incurred is another stimulus that was awarded by students, as many as 44.02% believe that it is a significant incentive to take advantage of the student loan. The factors that did not make students make a commitment were also examined.

More than half of the respondents indicated fear of being unable to repay the loan (50.54%). The high index may be affected by the labour market and the continuous increase in inflation. Students who indicated this factor as very important are largely "dependent on their parents" (22%), followed by those who use the above-mentioned "source", but additionally work (17%). Another factor that is highly rated by the respondents is the lack of interest in such a banking product.

It is common knowledge that in order to get a student loan, one must meet certain conditions. One of them is the household income, which cannot exceed PLN 3,000 net per month. In relation to the respondents, almost 30% have a balanced attitude to this. The next factor that was taken into account was, in the opinion of over 42% of students, the lack of knowledge and experience in taking out a student loan.

4. Conclusion

The conducted research was aimed at identifying the factors of low interest in student loans. 1,393 students of Bydgoszcz University of Science and Technology, including 15 borrowers, participated in the study.

Taking into account the results of the opinions of students who took out a student loan, the following conclusions can be drawn:

- The level of knowledge about student loans is low considering the fact that it is passed on by family (53.33%) and friends (26.67%), which results in less publicity.
- The main assumption of the student loan program has been met, namely the equalization of income differences, where the borrowers used the funds received to rent a room or flat (46.67%).
- Most students applied for a tranche of PLN 1,000 (60%).
- The most important factors that borrowers paid attention to were: repayment of loan installments two years after graduation (53.33%), loan disbursed in monthly installments (46.67%) and a guarantee by BGK and ARiMA (40%).
- Most of the respondents were students declaring that they lived in a dormitory (40%). It should be emphasized that the cost of accommodation in the dormitory of the Bydgoszcz University of Science and Technology does not exceed the amount of PLN 600.

Based on the opinions of students who have not taken out a student loan, it can be indicated that:

- More than half of the respondents do not have knowledge of meeting the conditions for obtaining a student loan (70.65%).
- Potential borrowers largely indicated that they would allocate the loan for study purposes, such as: covering the cost of living (59.24%), renting an apartment (54.35%) or purchasing a computer (31.79%). However, some of the respondents would allocate the entrusted funds for purposes not related to the main assumption of the project (66.03%).
- The most important factors that would induce students to take out a student loan were: cancellation of part or all of the loan (67.12%), no additional fees for early loan repayment (63.59%) and any loan for any purpose (44.02%).
- Factors that would not persuade students to make this commitment are: fear of being unable to repay the loan (50.54%), lack of interest (45.38%), as well as lack of knowledge and experience in taking out a student loan (35.87%).

References:

- AriMR. Poręczenia spłaty kredytów studenckich, <https://www.gov.pl/web/arimr/poreczenia-splaty-kredytow-studenckich> (dostęp: 23.04.2022r.).
- Cieślak, D. 2019. Kredyt studencki jako źródło finansowania edukacji wyższej. *Finanse i Prawo Finansowe*, Wydawnictwo Uniwersytetu Łódzkiego, Łódź, (s. 18, 19).
- Dąbrowska-Szefler, M., Jabłecka, J., Wójcicka, M. 2016. Wywiad z prof. dr hab. Jerzym Zdradą, podsekretarzem stanu w Ministerstwie Edukacji Narodowej, Nauka i Szkolnictwo Wyższe. *Centrum Badań Polityki i Szkolnictwa Wyższego*, Poznań (s. 71-72).
- ELA, System monitorowania, https://ela.nauka.gov.pl/pl/labor-market/czy_pandemia_wplynela_na_sposob_wejscia_absolwentow_na_rynek_pracy
- Friedman, Z. 2018. Student Loan Debt Statistics in 2018: A \$1.5 Trillion Crisis, źródło: <https://www.forbes.com/sites/zackfriedman/2018/06/13/student-loan-debt-statistics-2018/>.
- Jarecki, W. 2010. Praca i dochody studentów, Uniwersytet Szczeciński, Szczecin, (s. 21).
- KIG. 2021. <https://kig.pl/inflacja-w-grudniu-2021/>.
- Koniunktura, Budżet państwa. http://koniunktura.com/wp-content/uploads/2017/10/Makro-1-W7-8-Bud%C5%BCet-i-polityka-bud%C5%BCetowa_2018_50s.pdf?fbclid=IwAR2emvFVqTKuikp7KiS1F73l0ZHE56gNlkzvRKpyFqO8Wc3wW5X_x7u8Amc.
- MEiN, Informacja. 2019. <https://www.gov.pl/web/edukacja-i-nauka/informacja-ws-liczby-udzielonych-kredytow-studenckich-w-2019-r>.
- MEiN, Informacja. 2020. <https://www.gov.pl/web/edukacja-i-nauka/informacja-w-sprawie-liczby-udzielonych-kredytow-studenckich-w-2020-r>.
- MEiN, Informacja. 2021. <https://www.gov.pl/web/edukacja-i-nauka/informacja-w-sprawie-liczby-udzielonych-kredytow-studenckich-w-2021-roku>.
- MEiN, Informacja. <https://www.gov.pl/web/edukacja-i-nauka/informacja-w-sprawie-wysokosci-miesiecznego-dochodu-na-osobe-w-rodzinie-wnioskodawcy-uprawnijacej-do-otrzymania-kredytu-studenckiego-w-roku-akademickim-2021-2022>.
- MEiN, Kredyty studenckie. <https://www.gov.pl/web/edukacja-i-nauka/kredyty-studenckie>.
- Misterek, W. 2017. Czynniki pozytywne i negatywne wpływające na korzystanie z programu kredytów studenckich. *Granice finansów XXI wieku*, Wydawnictwo Uniwersytetu Łódzkiego, Łódź, (s. 65).
- Raport Warszawskiego Instytutu Bankowości i Związku Banków Polskich. 2021. Portfel studenta 2021r., (s. 12, 25).
- Ustawa z dnia 17 listopada 2021 roku– Prawo o szkolnictwie wyższym i nauce (Dz. U. z 2021r., poz. 2232).
- Ustawa z dnia 20 lipca 2018 roku- Prawo o szkolnictwie wyższym i nauce (Dz.U. z 2022r., poz. 574).
- Zadłużenia.com, https://www.zadluzenia.com/banki-w-polsce/?fbclid=IwAR3HNHMckXnEmSDKdLeXsXgv0jNAXWijgKYCks0FxFV_E7xBARsBBEiRLTDQ.
- ZUS, Minimalne wynagrodzenie, https://zus.pox.pl/zus/minimalne-wynagrodzenie-za-prace-obecnie-i-w-przeszlosci.htm?fbclid=IwARIC-6Fpu1bgK8nvxDLxPy2uGKAryRWdLoBgHmZL9ISJpaW8e_vr9vdnICM.