ASSESSMENT OF THE CAUSAL RELATIONSHIP BETWEEN TERTIARY EDUCATION LOAN DEFAULTERS AND LOAN APPLICANTS IN TANZANIA: A CASE OF DAR ES SALAAM REGION
ASSESSMENT OF THE CAUSAL RELATIONSHIP BETWEEN TERTIARY EDUCATION LOAN DEFAULTERS AND LOAN APPLICANTS IN TANZANIA: CASE OF DAR ES SALAAM REGION

By
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A Dissertation Submitted at Mzumbe University College– DSM Campus in Partial /Fulfillment of the Requirement for Award of Master of Business Administration Corporate Management (MBA – CM) of Mzumbe University

2013
CERTIFICATION

We, the undersigned, certify that, we have read and hereby recommend the acceptance by Mzumbe University, a dissertation entitled **Assessment of The Causal Relationship Between Tertiary Education Loan Defaulters and Loan Applicants In Tanzania. Case of Dar Es Salaam Region**, in Partial /Fulfillment of the Requirement for Award of Master of Business Administration Corporate Management (MBA – CM) of Mzumbe University.

Major Supervisor

Internal Examiner

Accepted for the College Board

DEAN/ DIRECTOR, FACULTY /DIRECTORATE/SCHOOL/BOARD
DECLARATION

I, Mwita Sabai Wambura, declare that this dissertation is my own work and that it has not been represented and will not be presented to any other University for a similar or any other degree award.

Signature………………………………

Date……………………………………..

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In this dissertation the responsibility for any errors committed, if any, should not be attributed to the aforementioned personalities. Any shortcomings in this dissertation are solely author’s responsibility.
DEDICATION

I dedicate this work to my dearest Wife Mary Wambura and my sons Joseph and Justus Wambura of Kinondoni Districts
# Abbreviation and Acronyms

<table>
<thead>
<tr>
<th>Abbr.</th>
<th>Description</th>
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<tbody>
<tr>
<td>ARU</td>
<td>Ardhi University</td>
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<tr>
<td>DIT</td>
<td>Dar es Salaam Institute of Technology</td>
</tr>
<tr>
<td>HE</td>
<td>Higher Education</td>
</tr>
<tr>
<td>HESLB</td>
<td>Higher Education Student Loan Board</td>
</tr>
<tr>
<td>ISW</td>
<td>Institute of Social Work</td>
</tr>
<tr>
<td>MBA-CM</td>
<td>Masters of Business Administration Corporate Management</td>
</tr>
<tr>
<td>NACTE</td>
<td>National Council for Technical Education</td>
</tr>
<tr>
<td>SE</td>
<td>South East</td>
</tr>
<tr>
<td>TCU</td>
<td>Tanzania Commission for Education</td>
</tr>
<tr>
<td>TETF</td>
<td>Tanganyika Education Trust Fund</td>
</tr>
<tr>
<td>TRA</td>
<td>Tanzania Revenue Authority</td>
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<tr>
<td>URT</td>
<td>United Republic of Tanzania</td>
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ABSTRACT

This study aimed at assessing the causal relationship between the tertiary Institutions loan applicants access higher education loan and loan defaulters in Tanzania case of Dar es Salaam region. The study used case study design where both primary data and secondary data in exploring causal relationship between the tertiary Institutions loan applicants access higher education loan and loan defaulters in Tanzania.

A total of 215 respondents from higher learning institutions in Dar es salaam were sampled from Higher Education Students Loan Board (HESLB); National Council for Technical Education (NACTE); Tanzania Commission for Universities(TCU); Dar es Salaam Institute of Technologies(DIT); Ardhi University(ARU); Institute of Social Work (ISW); and Tumaini University.

Findings from the survey shows that there were number of reasons that led to conclude that there is negative correlation between the tertiary education loan defaulters and new loan applicants in Tanzania. Majority of respondents argued that the fact that the HE loan defaulters did not pay their debts affected the ability of new applicants to access loan from the loan board.

It is recommended that the loan board be equipped in order to perform effectively their activities. The research finding shows that the loan board is not strategically well placed (in terms of resources and structures) in collecting the arrears from the defaulters and at the same time it does not have an adequate data base showing reliable information in relation to occupation and location of the indebted students. It is further recommended that Loan Board should establish a data base whereby loan applicants particulars are stored and regularly updated to establish their accuracy. Moreover, in order to broaden acces to loan facility by more students, Government should subsidize and guarantee the bank loans to students.
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CHAPTER ONE
INTRODUCTION

1.1 Background to the Problem

Before independence of Tanganyika, the colonial government established the Tanganyika Education Trust Fund (TETF) whose main focus was to build and maintain of higher educational institutions and provide scholarship and bursaries for the inhabitants of Tanganyika, (Ishengoma, 2004). The intention of colonial government to provide scholarship for habitants of Tanganyika was not focused on prosperity of Tanganyika but to sustain their interest in Tanganyika, (Ishengoma 2004). During 1967 under socialism and self reliance Tanzania adopted socialist ideology where major social services like education and health services were provided by the government free. During 1990’s the Government of United Republic of Tanzania introduced cost sharing regarding provision and distribution of social services due to failure of the government to manage provision of free social services. One of the areas where cost sharing was implemented was in higher learning education. (URT 2011) The National Higher Education Policy of 1999 stated that higher education is supposed to be cost-shared between the end beneficiaries and the Government. The policy encourages students from economically able families to pay for their education while poor ones apply for loans from the Higher Education Students Loans Board.

The cost sharing in Tanzania for higher learning institutions passed into three main phases. The first phase was introduced during 1992/1993 where students in higher learning institutions were required to contribute travelling costs, application fee, student union fee and pocket money in support for their higher learning. The second phase was introduced in 1994/1995 where students were required to pay as described in phase one and in addition with meal and accommodation allowances. This added more cost for Tanzanians that made many poor people fail to afford access higher learning education.
The third phase was dominated with establishment of Higher Education Student Loan Board by the Act No. 9 of 2004. Under this phase students were required to pay cost enumerated in phase one and two as well as tuition fee. The Act that created Higher education student loan board (HESLB) intended ensure enabling environment to assist poor people access higher education by offering loans to support their education.

The Higher Education Students’ Loans Board is a government agency established by Act No. 9 of 2004, inaugurated by the Hon. Minister of Higher Education, Science and Technology on the 30th March 2005 and became operational in July 2005. The objective of the Board was to assist, on a loan basis, needy students who secure admission in accredited higher learning institutions, but who have no economic power to pay for the costs of their education. The Board is also entrusted with the task of collecting matured outstanding loans from previous loan beneficiaries in order to have a revolving fund in place so as to make the Board sustainable (Act No 9 of 2004), and became operational in July 2005.

According to the higher education student Loan Board Act 2004 Article 4 (1) it is provided that there shall be established a Loan Board to be known as Higher Education Student’s Loan Board. The Loan Board shall be body corporate with perpetual succession and common seal.

The objective of the Board was to assist, on a loan basis, needy students who secure admission in accredited higher learning institutions, but who have no economic power to pay for the costs of their education. The Board is also entrusted with the task of collecting due loans from previous loan beneficiaries in order to have a revolving fund in place so as to make the Board sustainable (Act No 9 of 2004).

Higher education at the beginning of the 21st century has never been in greater demand, both from individual students and their families, for the occupational and social status it is presumed to convey, and from governments, for the public benefit it is presumed to bring to the social, cultural, and economic wellbeing of countries. However, higher education is also costly, especially when its high units, or per-
student costs, are magnified by dramatically increased enrollment pressures. Governments are also besieged with other pressing public needs, many of which seem more politically compelling than the claims of higher education and which, together with higher education, greatly exceed, in almost all countries, the available scarce public revenues (Johnstone, 2003).

In Tanzania, while foreign and institutionally supported students started to be admitted on a fee-paying basis in the early 1980s, the explicit dual track tuition policy was introduced in a context in which cost sharing was already underway in higher education. In 1992, students (and families) became responsible for paying for their own transportation, application, registration, entry exam and student union fees as well as caution money and in 1993 student allowances were eliminated. In 1996, the University of Dar es Salaam’s Council approved an official proposal for admitting privately sponsored Tanzanian students and in 2002, officially recommended that the university fill remaining spots not filled with government sponsored students (who did not have to pay tuition fees) with privately sponsored, tuition fee paying students. In the same year, it voted to give the sons, daughters and spouses of university staff and members of the University Council the right to pay only half of the tuition fees (Ishengoma, 2004).

The dual track tuition policy in Tanzania was essentially discontinued when the government introduced student loans (July 2005) for the 2005-06 academic year to cover tuition fees, other academic fees, room and board for all higher education students whether government or privately sponsored in the public universities or self-paying in the private universities. This student loan policy dramatically changed the country’s tuition policy, moving it from a dual track policy to one in which all students must pay tuition, albeit deferred as a loan to be repaid once they have finished their studies (Ishengoma, 2004).

When the Higher Education Students’ Loans Board (HESLB) came into being, it became a blessing to tens of thousands of students, who could have probably missed tertiary education due to lack of funding. Lately, the HESLB has had a fair share of
its own problems some of which last year manifested themselves in the spate of prolonged demonstrations at public universities putting students against law enforcers across the country.

**Function of Board**
The Higher Education Student Loan Board Acts 9 of 2004 has specified number of functions the Board requires to perform. The main functions are as follows

To assume the responsibilities of control and management of any loan funds as vested to the Board, to formulate mechanism for determining eligible students for payment of loan, to administer and supervise the whole process of payments and repayment of loan by loan beneficiaries, to keep register and other records for student loan beneficiaries under the Board, to advise the Minister on matters of policy and other law concerning provisions and recovery of loan to students, to establish operation links between the Board and higher educational institutions with student beneficiaries for facilitating smooth, efficient and effective administration of loans fund, to establish operation link with employers of loan beneficiaries for facilitating the recovery of loan granted, to conduct research and maintenance of data bank on other local and external scholarship and awards and sponsorship that may be accessed by Tanzania students in need or in search of opportunities and financial sponsorship or assistance of higher education and training.

**Power of the Board**
The Higher Education Student Loan Board Acts 9 of 2004 has vested specific powers for the Loan Board such as to administer both movable and immovable property of the board, to administer the funds, investments and assets of the board and particular the funds allocated under the government budget or otherwise available for loans to students, to borrow money for any purpose deemed fit by the board and subjects to any law in relation to investment fund by a trustee, to invest in land or government securities, to signify the Acts of the Board by use of official seal in the manner provided for, to receive and consider all students loan application for eligible students wishing to be considered for awards of loans, to grant loan money to
students who have been granted such loan in accordance with the Provision Act and Regulation of the Board, to determine other criteria’s and conditions governing the granting of student loans including the rate of interest and recovery of loans, to determine maximum number of eligible students to be granted loans in any one particular year, to recover all loans money owed by former student loan beneficiaries since July 1994 under the student loan form or with the assistance of their respective employers and to formulate and implement the loan board financial policies

Loan Board Provisions of Student’s Loans

The loan board provides on loan basis and financial assistance to any eligible students who is in the need of and has applied for such loan or assistance as is required to meet all or any number of student welfare costs of higher education. The loan board provides loan financial assistance covers the following:-meal and accommodation charges, books, stationary expenses and special faculty requirements,field practical work expenses,research expenses and tuition fee.

Student Eligibility for the Financial Assistance by Board

The Higher Education Student Loan Board Acts 9 of 2004 has portrays conditions for students who are eligible to access higher loan based on the following:-he/she must be Tanzanian student been admitted to an accredited institution, he/she has made a written application in the prescribed form, he/she is a person who has no financial assistance from any other source or sources to cover the item or items of cost for which application is made, he/she is continuing student applicants who has passed the examinations necessary to enable him/her to advance to the following year or stage of study

Payment of Student’s Loan to the Loan Board

The loans beneficiaries require to pay their dues after completing their studies. The loan beneficiaries need to provide information to the loan board for the current status and occupation. The Higher Education Student Loan Board Acts 9 of 2004 has specified that any loan beneficiaries who without a good cause fail to pay the loan shall be liable to civil proceeding.
**Responsibility of Employers to Loan Board**

The Higher Education Student Loan Board Acts 9 of 2004 has portrays specific responsibility that employers need to undertake for its employees as far as the payment of dues for those employees supported by the loan board in their higher education. The following are the articulated responsibility of employers to the loan board.

To notify the Board of employment of loan beneficiaries within the period.
Ensure that employees arrange with employers for monthly deduction and remittance of repayment of installment to the board.

Inform in writing the board on status or rank and salary and the changes if any in the name, address, occupation and status and salary of employees who is the loan beneficiaries.

The employers shall pay every deduction from the loan beneficiaries wage or remuneration in the prescribed manner to the loan board within fifteen days after the end of each month.

**Responsibility of Other Persons**

The Higher Education Student Loan Board Acts 9 of 2004 has ordered that it is the duty of parents, guardian and any other person who is the guarantor of the loan beneficiaries under the student loan agreement to ensure the following. To inform the board about the current address and occupation of the loan beneficiaries and the name, postal and physical address of current employer, give information and do any other thing or things required to be given or done by the loan beneficiaries, ensure all payment in respects of the debt for which the loan beneficiaries is liable to repay and remittance.

**Source of Fund For the Loan Board**

The Higher Education Student Loan Board Acts 9 of 2004 has created specific sources of fund for the loan board based on the following. Sum as provided for the purpose of the board by the parliament, Fund or assets which may rest in or accrue to the board from other sources by way of fee, grants, gift or other way, money received.
by the board for goods or services rendered, any fund that the board may borrow for
the purpose of the loan board and any sum or property which may in any manner
become payable to or vested in the board

**Challenges Facing Loan Board in Relation to Provision and Collection of
Arrears**
Administering student loan scheme in securing repayment and minimize defaulters.
The information about knowhow the defaulters have been a critical issue facing the
loan board. The incompetence manifested by poor record keeping about the loan
beneficiaries has created slow and messy recovery process of the tax payer’s money
from the loan defaulters.
Secure and maintenance adequate capitalization. The student loan is a long term
investment that requires the board to maintain adequate capital to finance students.
Financial need of students for higher education is not provided with collaterals that
endorse difficult to collect arrears from the defaulters

Lack of understanding or awareness of cost sharing policy in higher education
among many Tanzania creating not putting priority for payment of loans to the loan
board. Higher rate of expansion in higher education and consequently large increase
in number of students anticipating a student loan as their core means of support.
Insufficient funds for loan to cover the growing demand of loans by all
needy and eligible student. Low rate of repayment emanating from difficulties in
tracing the loan beneficiaries and general apathy toward loan repayment and
submission of wrong information by students

**Annual and Cumulative Loan Repayment Trend**
The loan board has been improving the rate of loan collection from the loan
beneficiaries. The loan board review strategies like instituting the monthly loan
repayment installment at the rate of 8% of the basic salary of the loan beneficiaries
and use the data bases of strategic partners in course of tracing loan beneficiaries.
The loan board had declared close monitoring and supervision of appointed debt
collectors which added significant improvement in tracing and collecting loan from
loan beneficiaries.
Table 1.1 Annual and Cumulative Loan Repayment Trend

<table>
<thead>
<tr>
<th>Years</th>
<th>Annual Collection</th>
<th>Cumulative collection</th>
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<tbody>
<tr>
<td>2006/2007</td>
<td>53,616,011.00</td>
<td>53,616,011.00</td>
</tr>
<tr>
<td>2007/2008</td>
<td>858,941,262.29</td>
<td>912,557,273.29</td>
</tr>
<tr>
<td>2008/2009</td>
<td>1,176,404,180.00</td>
<td>2,088,961,453.29</td>
</tr>
<tr>
<td>2009/2010</td>
<td>2,147,075,264.78</td>
<td>4,236,036,718.07</td>
</tr>
<tr>
<td>2010/2011</td>
<td>4,409,171,729.99</td>
<td>8,645,208,448.28</td>
</tr>
<tr>
<td>2011/2012</td>
<td>11,508,714,785.96</td>
<td>20,153,923,234.24</td>
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</table>

Source: Loan Board Repayment Report 2011

Opportunities for Loan Collection

Ongoing national identity card will enable the loan board access of information about the loan beneficiaries which will add more values in collection of loan. Close collaboration between the loan board and employers in smoothening loan collection process of those beneficiaries employed in different working institutions, growing consciousness of Tanzanians working in collaboration with the loan board in order to assist in tracing the loan defaulters so that they start paying their dues, Involve social security funds and Tanzania Revenue Authority (TRA) to pin down the defaulting loan beneficiaries, A move to set a standard tuition fees for all Universities so as to establish the real cost per student at private and public Universities, with a view to arrest an exorbitant tuition fees charged by some Universities.

1.2 Statement of the Problem.

Tanzania has been experiencing a growing number of universities and colleges for the past two decades. During 1960’s a country had only one College with no university but the number of university including public and private universities increased by number that reaching to 40 universities and university colleges distributed throughout the country by year 2011 (URT, 2011). The rate of student joining higher learning institutions has been increasing every year, for example for the past six years number of students increased from 40,993 to 157,812 for all private and public university from 2005/2006 to 2010/2011 (URT, 2011). This rate of increase does not match with the increase of amount disbursed from Government to
finance such loan. Currently, there has been growing number of qualified students joining universities and colleges but they do not access loans (URT, 2011).

The report by TCU 2012 concerning higher education enrolment qualified for loan indicated that in the academic year 2012/13 alone, a total of 3,944 qualified loan applicants for higher learning did not get funds from the Government due to insufficient budget and priority on courses. The same report outlined that out of 33,050 applicants who met set criteria for acquiring loans for 2012/13 academic year only 29,113 would get loans.

Consequent to that there was a number of riots at University of Dar es salaam, University of Dodoma and Institute of Finance Management boycott for some student not granted loans complaining of untimely disbursement of loans, unfair criteria for granting loans and inadequate loan amount to finance their expenses (URT, 2010)

HESLB has given out to university students Tshs 1.138trillion between 1994 and June, 2012. However, out of that actual amount which are due for repayment up to September, 2012 was Tshs 161billion of which only Tshs 48billion about 30% of the amount due for repayments has been recovered. 70% of amount due for repayment up to September, 2012 is still in the hands of borrowers. A database of all the beneficiaries, who studied from 1994 to 2011/2012, having a list of 110,529 loan beneficiaries whose loans are due for repayments, only 48,235 about 44% were traceable. The board gives beneficiaries a grace period of one year before they start repaying the loans, which must be fully settled within 10 years. But most students never return a shilling, even when their whereabouts is well known, Citizen Magazine of 18 September 2012.

The growing dilemma in relation to inadequate finance from the HESLB as the sole source of finance to finance overgrowing demand of students in higher learning education and growing number of loan beneficiaries from HESLB failed to repay
their dues loaned by the board have created a desire to study causal relationship between tertiary education loan defaulters and loan applicants in Tanzania.

This study wants to examine causal relationship between tertiary education loan defaulters and loan applicants in Tanzania. Also it intends take assumption that if loan defaulters were able to pay their dues would mean that the health of new loan beneficiaries would be better. If that assumption hold then it is an important for HESLB take the matter seriously to make those benefited from loans are made willing to pay their dues so that the health of new loan applicants are made more better in Tanzania.

1.3 Objective of the Study

Main Objective
The main objective of this study is to look at causal relationship between tertiary education loan defaulters and new loan applicants in access to loans tertiary institutions Tanzania.

Specific Objectives
i. To examine perception of the loan defaulters
ii. To examine perception of the qualified loan applicants but could not get loans due to inadequate finance
iii. To examine perception of the Board of the two groups

1.3.1 Research Questions
The research questions try to figure out the main concentrations in research work. In the over view of research question Punch (2005) explained that research question capture the general areas of research finding. It means it tries to answer the general purposes or theme of doing research among researchers. It directs the main information researcher is concentrating to acquire through conducting research. This research will be guided with central research question and specific research questions which will be useful in acquiring the finding related to the topic.
i. The Central Research Questions

What are the causal relationship between tertiary education loan defaulters and loan applicants access to Loan Board Loans in Tanzania?

The Specific Research Questions

a) What are the perceptions of tertiary education loan defaulters about their defaulting?

b) What are the perceptions of qualified loan on their failure to access loan?

c) What are the perceptions of Loan Board for both groups mentioned above in Tanzania?

1.4 Scope of Study

The research will cover only one region Dar es Salaam. The study will be conducted at universities and colleges of university located in Dar es Salaam. The up country colleges are excluded in the sample given the limitation in time and finance. The sources of data will be obtained from Higher Education Student Loan Board (HESLB), National Council for Technical Education (NACTE), and Tanzania Commission for Universities (TCU) and other university colleges in Dar es Salaam. It is our feeling that the results of this proposed study be a representative of all higher learning Institutions in Tanzania.

1.5 Significance of the Study

It will help HESLB and decision makers to appreciate/know the root causes of loan defaults and direct much attention on how to arrest the ever increasing problem. It will help researchers to identify viable areas for further research and also, will be used as an additional reference to researchers on the area of loan defaults. It will help to study the correlation that exists between an increasing loan defaulters and new loan applicants. More specifically, the study is done to enable me fulfill the requirements for the Degree of Master of Business Administration of Mzumbe University.
1.6 Research Limitations

Data for this study relies on both primary and secondary data, where data collection by student and those collected by others for other purposes, Saunders et al 2007 p. 246.might not be suitable or match exactly with the problem at hand. In view of the above, the secondary data used has somehow affected the result for this study.

Inaccessibility of some current statistics regarding to the institutional confidentiality has limited the accessibility of the reliable data at the right time.

The selection of sample to make the study given the limited time and finance has somehow limited the study.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter contains historical perspectives of financing higher education in Tanzania which are free education phase from 1961-1980s, cost sharing phase 1980-2004, loan phase 2004 to date, factors influencing access to higher education. Moreover, it also contains definition of key terms, theoretical review, empirical literature and conceptual framework.

2.1.1 Financing Higher Education In Tanzania: A Historical Perspective

The issue of access to higher education as explained by different models of financing lies on a continuum of private-citizen responsibility to the general public (government) responsibility. Financing higher education in Tanzania has broadly gone through three main phases: the free education phase 1961-1980s, cost sharing phase 1980s-2004 and the loan phase 2004-to date. This section briefly examines each phase paying attention to the factors, policies and laws that governed financing of higher education. But it should be noted right from the beginning that while during the free education phase the government was responsible for financing higher education, in the cost sharing phase both students and the government shared the cost of financing higher education. In the loan phase students they and/or their parents/guardians are responsible to incur such cost. In the third phase the role of the government is just to provide needy students with some loans so as to access higher education. This is, in principle, a process of moving responsibility from the government (public) to nearly private and individuals (Redet, 2009).

2.1.2 Free Education Phase 1961-1980s

This phase was landmarked by three events that had some impact on the whole issue of financing higher education. These events included the post-independent development philosophy in 1961, establishment of one party state in 1965, and the adoption of Ujamaa (socialist) policies in 1967. At the time of independence
Tanzania was regarded to be democratic though the level of economy was still relatively low i.e. Tanzania was a new nation emerging from colonial settings. At this particular time, the country was guided by one major logic, developmentism and Africanization as, the first president, J.K Nyerere himself once remarked. At this precious time the country did not have experts, professionals as well as educated people to carry out the development agenda, and therefore one critical issue of the time was to train people to assist in development. The country establishes the Dar es Salaam University College of East Africa in October, 1961. Similarly, the government financed wholly for such education. It should be noted that at this phase the private sector was relatively small and weak (Redet 2009).

In 1965 and 1967 the one party state and the Ujamaa policy were introduced respectively. The total outcome of these events was to establish a centralized state. At this material time, the guiding philosophy of the nation was collective ownership of the means of production and equal distribution of resources. The government was the main producer and provider of goods and services excepting an important role played by religious organizations. The government was equally the only sole financier of higher education. Education for Self-reliance as one of the specific policies to economic developmentism was adopted. The objectives of education after independence, therefore, were centered on two things, the achievement of economic development and building a socialist society (Redet, 2009).

2.1.3 Cost Sharing Phase 1980s-2004
In 1970s Tanzania experienced severe economic crisis resulting from the Organization for Petroleum Exporting Countries (OPEC) crisis of 1973, collapse of East African Community (EAC) in 1977, the Kagera War of 1978/9, etc. The government attempted to resolve the crisis but failed. It was here, where the government approached the external forces for some help. The external pressures from World Bank (WB), International Monetary Fund (IMF), World Trade Organization (WTO) and the donor community, just like in many African countries, forced Tanzania to restructure its economy and politics. The Economic Recovery Program (ERP) of 1983/4 and the Structural Adjustment Program (SAP) of 1986
were instituted culminating to the privatization of the hitherto state owned companies and the introduction of market economy. At this particular moment the private sector started to become stronger, in principle, at the expense of a small government. The role of the government shifted greatly where it now prepares conducive environment for the private sector under the market forces to operate smoothly (Redet, 2009).

i) Impact of Structural Adjustment Programmes (SAPs)

Things were not made any better with the introduction of the structural adjustment programmes (SAPs) in the 1980s. Analysts argue that the situation became even worse for university education in the region. Structural Adjustment is name given to a set of free market economic policies imposed on countries by the World Bank (WB) and International Monetary Fund (IMF) as a condition for receiving financial assistance. The two bodies designed SAPs in order to improve the developing countries’ foreign investment climate by eliminating trade and investment regulations boosting foreign exchange earnings by promoting exports, and reducing government deficits through cuts in spending. These programmes attached a number of stringent conditions to cash transfers (Nyaigotti, 2002).

SAPs identify a reduction in public spending as the answer, particularly in essential areas such as food subsidies, health and education. In country after country cuts to these services have reserved the development successes of the 1960s and 1970s with child mortality rising, school enrolment was falling and millions sliding into poverty every year. The economic structure adjustment programmes (ESAP) introduced in 1992 to stimulate economic growth resulted in severe cuts in education expenditure. There has been reduced government expenditure on education and increased contributions from parents for their children’s education for the contribution of infrastructure and purchase of learning materials (Nyaigotti, 2002).

The government, therefore, ceased to be the sole producer and provider of services and goods with the exception of faith-based organization that helped the government in the same. It is here now, the mushrooming of private universities started. They include the Hurbert Kairuki Memorial University (HKMU), International Medical and Technological University (IMTU), Tumaini University (TU), and St. Augustine
University of Tanzania (SAUT). These also developed other private institutions of higher learning. Related to this, the issue of cost-sharing was introduced as a policy in which private individuals had to pay for a part of cost of services. Cost sharing went through three stages; the first stage was during the 1992/93 academic year where students and their parents were required to pay their own fares to and from their respective places of domicile to universities. The second stage was during the 1993/94 academic year where students were supposed to pay for food, accommodation, student union fees, and caution money. The third stage of cost sharing required students to pay for tuition fees, examination fees, books and stationery expenses, special faculty requirements, and field practice expenses. It was prior to the implementation of this stage that the Higher Education Students’ Loan Board Act was introduced (Redet, 2009).

**ii) Costs-Sharing as a Means of Financing University Education**

The role of university education is to any society continues to become more and more apparent. Based on the review of the changing needs of the higher education sector, the following have been identified; Increased social demand for education; The need for specialized skills; The provision for new emerging areas of science and technology; The necessity of greater entrepreneurship; The demands of globalization and international competitiveness; The requirement of sustainability of higher education by resource reallocation; The improvement of social democracy and governance (Zeleza and Olukoshi, 2004).

Recognizing the above state of affairs and the following the tight fiscal conditions placed upon them, East Africa governments are currently taking deliberate actions towards increased financing of university education in order to facilitate the pursuit of the missions for which these institutions were established. In its national higher education policy (1999) the Tanzania government outlined some strategies for financing higher education. The document argued that the sources of financing of higher education had to be broadened in order to develop a sustainable funding base, including taxation. More resources were needed for higher education as reflected in increasing annual budgetary allocations to the education sector. A fund for able but needy students via government loans/grants was a necessity. Special incentives for
women students especially in the scientific and technical discipline through scholarships should be introduced (Zeleza and Olukoshi, 2004).

2.1.4 Loan Phase 2004-to date

During the loan phase, financing education was reformed and a more effective financing plan was established. The government introduced the loan scheme especially in the higher education so as to give opportunities for the needy students to access higher education. The assumption is that there are students who are able to pay for their education while others are not. It, therefore, became necessary to find a way in which all groups in the society benefit from the privatized education so that the objective of development through self reliance could be realized. This was done through formulation of education reforms in 1995 that led to the formulation of higher education policy of 1999. The reforms seem to be the best way in which the equity and massive participation strategy could be maintained in the new policy. The new policy did aim to ensure growing and equitable access to high quality formal education (Redet, 2009).

i) University Loans Schemes

For long time the three east Africa countries of Kenya, Tanzania and Uganda have had programmes whereby students are asked to pay for university education by taking out a loan payable as soon as they found employment. Student’s loans increase access to higher education, make the rich contribute to university budget increase the commitment of students to their studies and provide a fair means of expanding university or tertiary education sector. The programme, has however been widely abused by the past beneficiaries of the loans, who default in repaying the money they borrowed unlike in Kenya, where functional mechanism for loans, recovery has been developed, Tanzania and Uganda still lack a formal mechanism of getting back the amounts borrowed by earlier students. The latter countries are however currently examining ways of implementing loans recovery programme as in Kenya (Zeleza and Olukoshi, 2004).
2.1.5 Factors Influencing Access to Higher Education

The access to higher education through a loan scheme presents a shift of financing higher education responsibility from the government to the beneficiaries such as students and/or their families, NGOs, and private companies including banks. It is suggested that students and their families should finance education since they are the first and foremost beneficiaries of the education as they enjoy substantial private benefits after students’ graduation through interesting and pleasant jobs. Again parents/guardians are expected to pay for the education because it is their obligation as parents (Merisotis and Wolanin, 2002). The ability to pay for higher education by parents is determined by family social status which can be measured through indicators like wealth status, education status, power status, and sex ratio. However, the main variable of measurement concern is whether the shift of the education financing responsibility has shifted to facilitate better access or not, particularly access by the poor.

Student loans are able to release pressure on national budgets by facilitating greater cost sharing through the raising of tuition and other university fees, Johnstone (2004). They both enable students to avoid the burden of the up-front payment of increased tuition fees, as well as enabling them to delay loan repayment until they are in receipt of the higher salaries that generally accrue to university graduates URT (2010). Liberated resources can be used in areas of greater priority for society, both outside and within the education sector and notably basic education, Johnstone (2004).

Greater cost recovery can provide additional funds for the expansion of the university system, to accommodate increase in the social demand for tertiary education, Johnstone (2004). Targeted at the disadvantaged, subsidized loans schemes may lead to greater access to university education for the poor and minority groups, thus contributing to social equity, Johnstone (2004). The loans offered at favorable conditions for study in particular fields, can lead to a loosening of skilled manpower bottlenecks that inhibit social, economic and industrial development, Johnstone (2004).
The student loan has been dominated with growing gap between disbursement and recovery process in the world, Johnstone (2004). The gap between total loan disbursements and overall loans recovery is accounted for by two elements. First, there are built-in interest rate subsidies, incorporated into the design of the loans scheme and second, there are inefficiencies in running the scheme, in terms of substantial repayment default and high administration costs, Johnstone (2004).

A sizeable and sustained gap between disbursements and recovery implies continuing governmental financial support, Johnstone (2004). This is the case also where loans scheme capital is provided, not by government, but by such non-governmental sources as the banking system; here there is a need for ongoing government guarantees against default, in addition to interest rate subsidies, Johnstone (2004).

With growing demand of student loan in Higher Education (HE) it is very necessary to know how large are these gaps in Tanzania, in practice? One of the objectives of this study is to measure the size, and contributing factors, of this gap in Tanzania. Has the gap changed in size over time? And what are the relationship between increasing gap and the new loan beneficiaries in Tanzania?

2.2 Definition of key terms

a) Higher Education
Means the education provided at the level of Degrees, and or Advanced Diplomas (Act No 9 of 2004).

b) Loan
According to the Act No 9 of 2004, loan means the government students’ loan granted under this act

c) Loan repayment ratio
It measures how much of a loan an average borrowers is required to repay. It is defined as the ratio of the required repayment to the loan size received measured in terms of present values. The loan repayment ratio is very important since it reflect
the total cost borrowers expect to pay in relation to amount of loan obtained from the loan board.

d) Loan recovery
Since repayment ratio relates to typical borrower, it fail to show extent f recovery to the loan fund from the overall view point of the scheme as whole. Overall loan recovery depend not only on the total of all individual cash repayments. It takes account administrative costs that are not only on the total individual cash repayment. The loan recovery focus more widely on scheme as whole rather than individual borrower. It concern with the question of how much of the total outlays of the loan scheme will be recovered through the loan repayment.

e) Repayment defaults
The repayment default is broadly defined to include payment arrears and repayment evasion. That means it capture the amount of loan payment are in arrears and the total number of loan that are in repayment evasion. An efficient managed loan schemes will both maintain administrative costs at reasonably low level and minimize extents of repayment defaults.

f) Student
Means any person admitted to a Higher Education institution as a candidate for a degree, or advanced diploma (Act No 9 of 2004).

g) Tanzanian Students
Includes students who are citizens of United Republic or who are residents of and have been accorded by competent authority rights and privileges similar to those enjoyed by the citizens of the United Republic in accordance with the provisions of any written law applicable in the United Republic. (Act No 9 of 2004).

2.3 Theoretical Review
As higher education systems everywhere face the twin pressure of financial austerity and rising demand, financial assistance to enable students to pay direct and indirect costs of higher education (tuition fees, books, and living expenses) has become an urgent issue in many countries Woodhall (1991) and the case for some form of student support to ensure equality of opportunity, equity, and social justice is rarely
questioned Woodhall (1991). With this increasing demand, the main challenge is capacity of the loan beneficiaries fail to repay back their dues which threaten the fate of new borrowers to access the loan from the higher education student loan boards, Woodhall (1991)

The financial difficulties of higher education have generated a number of proposals designed in part, to bring relief to financial institution of higher learning in the world (Woodhall, 1987). Most of the proposal suggest that the necessary monetary increases for higher education can and should be generated through higher tuition pricing, with the student and his family bearing significant larger portion of education cost(Woodhall, 1987).

2.3.1 Why student loan
It is widely accepted by economist (Woodhall, 1988, Albrecht, 1992 & Albrecht and Ziderman, 1995) that loan enable student finance their current studies against future income. However, the experience in education loans among the developing are limited, as it is indicated by most of studies done in developing countries.

The studies indicates that student loan has been an incentives to students at the university and helps easy to finance burden of students from the poor families (Albrecht, 1992). This argument have been truth among the developing countries mostly in Tanzania where many poor families has remained unable to support their children to access higher education due to financial difficulties, but thanks with student loans where regardless a person comes from poor families they are able to access higher education.

The studies has indicated that student loan are investments to human resources. According to Psacharopoulos (1980) argued that student loan improves resources allocation as student are able to choose the high return courses. That means with student loan student will be able to be selective on what courses to study bearing in mind that after graduation they suppose to pay loan to the loan board. Barry (2009) argued that according to human capital theory, expenditure on education is treated as an investment and not consumer item. The efforts in Tanzania to encourage cost
sharing and loan scheme in order to increase number of educated people because it is believed that highly trained and skilled manpower is pivotal element for development (Ishengoma, 2004)

According to Schultz (1963) supports theory argued that increased investments in human capital increases individual productivity and income and concurrently lays technical base for the type of labourforce necceassary for economic growth of any nation. Robbins (2009) also argued that organization can survive without other resources but cannot survive without people. For an organization to achieve a good result must invests in humanbeing. Thus student loan encourages more students to get education hence accelerate survive for many organization.

According to research conducted by Johnstone and Marcucci (2010) argued that support that student’s loan not only increases access to higher education but also more importantly, reduces regression distribution of public resources this because all those who get student loans for their education are the one obligated to pay the loan. More over Macmillan (2006) argued that student loans are regarded as equitable as they appear to hold out the promises to student that “you can borrow money when you cannot pay for higher education on your own and repay when you can” thus advocates the recovery of the already issued student loans.

Student loan guaranteed by the government helps to reduce risks to lender and lower the interest rates that could be charged by borrowing fund to attend colleges (Albrecht, 1992). The interest rates charged by financial institutions in Tanzania ranges from 18 percent to 32 percent for varieties of loans. This could add more cost for borrowing loan to support student attain higher education. It is argued that by reducing private borrowing and private cost for the college education, the student loan has raised student enrolment for higher learning education (and Ziderman, 1995)
2.3.2 Why borrower of student loan should pay loan?
The anticipated growth in both number of borrowers and average level of student loan indebtedness has caused numerous policy formulation bodies to advocate major changes in present and future loan structure (Salmi, 2003).

The economic theorist of demand suggest that the demand for specific commodities or service such as student loan is influenced by several variables such as size of population, distribution of income, taste and preference of education. Accoding Salmi (2003) the demand of higher education has been growing year after year but the ability to accommodate the demand has remain questionable. The increasing indebtedness has been a major challenge that cause access for loan among applicant remain questions.

According to Woodhall (1987) manageable debt depend partially on the level and pattern of graduates expected earning partly on what student and society as reasonable level of debt. A rough yardstick used in several countries is that loan repayment should not exceed 8 percent of graduates income and that this should be determine by the maximum debt student may occur. Salmi (2003) noted that in Venezuela the government loan agency has established 15 percent as ceeling for monthly repayment and goes to suggest that experience has shown that no repayment schedule can be sustainable when monthly debts exceed 15 percent. The comprehensive analysis by Baum and Schwartz (2006) on 8 percent rule suggest that student should note devote more than 8 percent of their gross income to repay student loan.

There are various arguments in favor of repayable loans basing on both efficiency and equity, Woodhall (1991). Efficiency arguments for loans rather than grants are that loans will reduce demands on the government budget and on taxpayers, provide additional resources to finance the expansion of higher education to widen access, and increase students’ motivation by making them aware of the costs of higher education and requiring them to evaluate both costs and benefits in the light of the obligation to repay their loans, Woodhall (1991).
The equity arguments also focus on costs and benefits, concluding that, since most university graduates can look forward to substantially higher lifetime incomes as a result of their education, those who benefit from higher than average earnings should not be subsidized by taxpayers with average or below average earnings, Woodhall (1991).

Such arguments formed the basis of the World Bank’s three conclusions too. A great share of public resources goes to higher levels of education, relative to lower, World Bank, 1986, p. 10. Since higher education systems are financed by the entire population but available only to a small minority, they have a regressive fiscal impact, World Bank, 1994, p. 23 and Cost-sharing cannot be implemented equitably without a functioning student loan program to make funds available to all students who need to borrow for their education, and without scholarship programs that guarantee necessary financial support to academically qualified poor students, World Bank, 1994, p. 23.

Given that in every developing country students attending higher education represent an elite group, with income-earning potential significantly higher than that of their peers; it is appropriate that the major form of student financial assistance offered be government-guaranteed student loans rather than grants, World Bank, 1994, p. 23.

Improving the efficiency and broadening the coverage of existing student loan programs are major challenges for developing country governments, World Bank, 1994, pp. 46–50. With this challenge it is more important for loan beneficiaries from the board being responsible to pay their dues so that the new loan applicants can access the loan to support higher learning education, World Bank, 1994, pp. 46–50. World Bank, (1994, p. 23) describe the following reasons that might be causing many loan beneficiaries not responsible for paying their loans. Serious sickness of some loan tertiary loan beneficiaries affects their capacity to engage in economic activities and be able and willing to pay their dues, unemployment problem among most of graduates that affects their capacity to pay their dues timely. Many graduates end jobless after their graduation which results into their incapacity to pay back their
loans, unwillingness among many tertiary loan beneficiaries to pay their dues. Many of them take the loans as free gift that do not require reimbursement and the weakness of loan board to monitor and manage the tertiary loan beneficiaries so that they can be willing to pay their dues.

2.3.3 Delay of Funds
The cost of providing higher education is high and continues to rise, prompting sustainability concerns. Higher education has also expanded very rapidly. Unit costs have been controlled and increasingly funding is raised through the Higher Education Students Loans Board (HESLB). Affordability of expanded higher education rests on the government’s developing a strategy for recovering loans (generating reflows) from graduates. This is an issue of equity as well as affordability. Currently, tertiary education is on course to overtake primary education as the largest share of the education budget, but only 4 percent of the population will go to university, and this cohort derives largely from the richest stratum of society (URT, 2010).

Development budget execution improved significantly in 2009/10, but delays in the release of funds remained. Increased release of funds led to improvement in development budget execution rate. The release rate rose to approximately 80 percent of funds budgeted for development spending, but more than 50 percent of the funds were released in the last quarter of the financial year. Delays in the release of funds are due to delays in meeting disbursement conditions, including procurement. Hence, improvement in planning, preparation, procurement, and implementation of investment projects is critical in key Ministries, Departments and Agencies (MDAs) and Local Government Authorities (LGAs) (URT, 2010).

2.4 Empirical Literature
A number of studies have examined loans repayment and loans recovery in various country loans schemes. These studies take two forms: individual country studies and comparative studies, Johnstone (1986). Wandiga (1997) conducted country level studies for Kenyan loans scheme, and Chung and Hung (2003) conducted student
loans in Hong Kong and concluded that recovery for loan has not been good associated with the way schemes have been designed.

Carlson (1992) compared loans schemes within Latin America and the Caribbean, while Ziderman (2004) reported the results from a comparative study of five loans schemes in South East (S.E.) Asia. However, all of these comparative studies have a limited coverage and shows that the recovery of higher learning student loan has been an issue many countries mostly in Asia and Sub Saharan African countries. The comparative study by Ziderman and Albrecht (1995) is more general and far-ranging than the other studies. Their study in computing repayment and recovery ratios for student loans schemes in 19 countries covered a larger number of countries both developing and industrialized was not restricted to a regional coverage and the findings relate to loans scheme conditions as they stood fifteen to twenty years ago which still indicate repayment for student loan has remained an issue.

The loans schemes in lower income countries have higher built-in subsidies in order to ease the burden of repayments, given the high incidence of unemployment and modest income differentials of graduates in many developing countries, Johnstone (2000). But the lack of financial robustness of such schemes means increased government expenditure. The study by Johnstone (2000) on issues related to student loan has argued the case for different scenarios a combination of lower tuition fees, with minimally-subsidized” loans, more modest aggregate indebtedness, repayable over a sufficient number of years and with adequate provision for dealing with periods of unemployment or financial hardship

A study on how student loan scheme can be sustainable through repayment was conducted in South Africa by Jackson (2002), the result explained that national student financial assistance scheme is being and remaining sustainable due to recovery of loan portion of the award from student and recycling of these fund back to scheme in order to assists future generation students.
2.5 Conceptual Framework

The literature indicates that recovery has been a great issue for many higher education students’ loan schemes for many developing countries. The loan default among students benefited from is the product of negligence, unemployment among graduates, serious illness of loan beneficiaries and poverty status.

The study will be conducted with the framework based analysis that the higher the loan recovery the higher the new beneficiaries access to loan and the higher the default the lower the level of new beneficiaries to loan.

Causal Relationships between Tertiary Education Loan Defaulters and Loan Applicants in Tanzania

Figure 2.1 Causal Relationships between Tertiary Education Loan Defaulters and Loan Applicants in Tanzania

Loan applicant access to loan = F(ability of tertiary education loan defaulters to pay their loan)

Where, F stand for function of:

The conceptual framework tries to look at the relationship between tertiary education loan defaulters and the loan applicants in Tanzania. From this model loan applicants access to loan is dependent variable and the tertiary education loan defaulter pay their loan is independent variables.
This means that qualified loan beneficiaries depend on the tertiary education loan defaulters in the sense that if all tertiary education loan beneficiaries were able to pay their dues then the number of loan beneficiaries would increase since the loan board could have sufficient fund to offer loan for more applicants.

This study examines the causal relationship between tertiary education loan defaulters and loan applicants in Tanzania. Therefore this conceptual relationship will try to examine how tertiary loan defaulters influence loan beneficiaries and how loan beneficiaries influence tertiary education loan defaulters.

The higher the tertiary education defaulters the lower the number of loan beneficiaries in Tanzania assuming other factors remains constant.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction
This chapter presents the overall study area, research design, study population, sample size and sampling procedures, as well as data collection methods and data processing and analysis.

3.2 Study Area
The study will be conducted in Dar es Salaam region. Dar es Salaam has been chosen to be the area of study because accessibility of data will be quick and reliable since the headquarter of loan board is located in Dar es Salaam and more information from TCU will be easily accessible and many educated people who are the tertiary education loan beneficiaries are living in Dar es Salaam. Another criteria for choosing this area is due to the fact that the feasibility of the area where by, there is a possibility of accomplishing the study successful due to the availability of secondary and primary data; also awareness of the surrounding area and target population found in this particular areas.

The study will be conducted at Higher Education Students Loan Board (HESLB) offices in Msasani, National Council for Technical Education (NACTE), Tanzania Commission for Universities (TCU), three Public Universities in Dar es Salaam and one Public university college. The universities are: Dar es Salaam Institute of Technology (DIT), Ardhi University (ARU), Institute of Social Work (ISW) and Tumaini University respectively.

3.3 Research Design
According to Kothari, research design has been defined as conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. In fact, the research design is the conceptual structure within which research is conducted; it constitutes the blueprint for the
collection, measurement and analysis of data (Kothari, 2006). This research will use case study design since the researcher aims at gaining a rich and in depth understanding of the subject concern, and also the nature of the problem being studied which is clearly defined in the statement of the problem. Punch (2005) argued that quantitative research uses numbers and numerical values to investigate the fact of researching and qualitative research concentrates in showing the causality relationship in the areas of research.

According to Kothari, 2006, A case study is an intensive description and analysis of a single situation frequently make use of qualitative data however this is not always the case as quantitative research can still employ case studies too. Case studies involve in-depth, contextual analysis of similar situations in other organizations where the nature and definition of the problem happen to be the same as experienced in the current situation. They are useful particularly when one intends to gain a rich understanding of the context of the study. The advantages of case study are that it is fairly exhaustive method which enables the researcher to study deeply and thoroughly different aspects of the phenomenon. It is flexible in respect to data collection methods and it saves both time and cost.

3.4 Study Population
Population can be defined as a group of individuals or items that share one or more characteristics from which data can be gathered and analyzed. Study population of this study includes all students of higher learning institutions, since there are several higher learning institutions only three Public and one private higher learning institution in Dar es Salaam has been studied. However, loan board, TCU, NACTE officers have been taken as a study population and the study further comprises people who are knowledgeable about the study like dean of students, teachers and leaders of student’s organization in each university. These people have been selected because they have the information that is needed for the study and also they are the participants of the subject matter.
3.5 Sample Size and Sampling Procedures

3.5.1 Sample and Sample Size
Kothari (2006) defines sample as a collection of some parts of the population on the basis of which judgment is made small enough to convenient data collection and large enough to be a true representative of the population from which it had been selected. Sample size refers to a number of items to be selected from the universe to constitute a sample.

The entire population of DIT, ARU, ISW and Tumaini University will be used as the sample frame for this study. Sample sizes of 210 respondents have been selected from among the population based on their familiarity with the research topic. The sample includes 50 students’ from DIT which has total students’ of 2,500; 50 students from ARU which has total students of 2,692; 50 students from ISW which has total students of 2,500 and 50 students from Tumaini University which has total students of 2,692. The study also included 5 loan board officers, 5 knowledgeable people concern the subject; this is due to the fact that sample size of 210 people is found to be reasonable and manageable. Both female and male students have been chosen equally to each university

Table 3.1 Description of Respondents

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan board officers</td>
<td>5</td>
</tr>
<tr>
<td>Knowledgeable people</td>
<td>5</td>
</tr>
<tr>
<td>Dar es salaam Institute of technology (DIT)</td>
<td>50</td>
</tr>
<tr>
<td>Ardhi University (ARU)</td>
<td>50</td>
</tr>
<tr>
<td>Institute of Social Work (ISW)</td>
<td>50</td>
</tr>
<tr>
<td>Tumaini University</td>
<td>50</td>
</tr>
<tr>
<td>TOTAL</td>
<td>210</td>
</tr>
</tbody>
</table>

Source: Field Research Work

3.5.2 Sampling Procedures
According to Kothari (2006), sampling is defined as selection of parts of aggregate of the totality based on which a judgment about the aggregate or totality is made. It is
a process of selecting a group of people, events, behavior, or other elements with which to conduct a study. An important issue influencing the choice of a sampling technique is whether a sampling frame is available, that is, a list of units comprising the study population. Both probability and non-probability sampling techniques have been used.

A simple random sampling technique method was used for selecting the respondents from the higher learning institutions. This has been done by using the list of names of all students at each institution. I met with deans of students of particular institutions. Deans of students have provided list of names of students and their faculties in their institutions. I picked randomly students’ name from each faculty to get a required sample. Both male and female have been chosen since their needs are different.

Sampling is applied to get 5 knowledgeable personnel since will be the ones who are familiar and have enough knowledge about the study. Snow ball technique will be employed to get 5 loan board officers, because the chain referral process allows the study to reach populations that are difficult to sample when using other sampling methods, the process is cheap, simple and cost efficient and this sampling technique needs little planning and fewer workforce compared to other sampling techniques.

3.6 Data Collection Methods
Both secondary and primary data has been used to collect data.

3.6.1 Primary Data
In collecting primary data both open-ended and close ended questionnaire has been used to gather enough information about the study. Furthermore, interview methods have been applied to capture detailed information since the study wanted to get in-depth clarification of the subject concern. Study used both structured interview and unstructured interview.

3.6.2 Secondary Data
Documentation method has been used since it enables to get ready made data and information by reviewing through books, journals, and Annual Reports.
This method simplifies the task of providing statistical information recorded in terms of numbers and percentages also depicted in tables, figure, charts and graphs.

3.7 Data Processing and Analysis

3.7.1 Data Processing
The data processing involved editing of questionnaires, coding, clearing and verifying for entering in a computer.

3.7.2 Data Analysis
This study employed both qualitative as well as quantitative data analysis techniques. Punch (2005) argued that quantitative research uses numbers and numerical values to investigate the fact of researching and qualitative research concentrates in showing the causality relationship in the areas of research. In quantitative analysis, descriptive analysis has been done which involve the use of proportions, means, median, mode and variances to describe the different characteristics of the respondents. In qualitative analysis, content analysis has been performed to describe different responses. The link between qualitative and quantitative analysis has been made to enable the researcher make sound and objective conclusions. In the analysis process, data have been analyzed by using a MS Excel.

3.7.3 Data Presentation
After collection of data, raw data/information has been corrected, edited to ensure that data are accurate, consistent, uniformly entered and arranged to facilitate coding and tabulation. Coding followed after data edited where numerals or other symbols assigned to items of questionnaires and put in computer programmed then analyzed data has been presented in tables, boxes, graphs and charts.
CHAPTER FOUR
PRESENTATION AND DISCUSSION OF FINDINGS

4.1 Introduction
This chapter presents and analyzes data collected and discusses it accordingly. First demographic profile of respondents is analyzed and presented using frequency table and percentage, followed by factors that cause many higher education loan beneficiaries not paying their dues, then different perception regarding higher education loan defaulters for their status of not paying their dues after graduation, perception regarding new loan beneficiaries toward higher education loan defaulters for their status of not paying their dues after graduation, perception regarding the Loan Board toward higher education loan defaulters for not paying their dues after graduation and analysis of relationship between the loan defaulters and new loan beneficiaries.

A total of 207 (96.3%) questionnaires were properly filled and collected percent of the total questionnaires turnover. This percent of turn back of questionnaires is adequate and representative enough to make the analysis all the discussions below are made on these groups of respondent.

4.2 Presentation and Analysis
In this part, the data was collected through basic questions of the questionnaires are presented and analyzed amicably.

4.2.1 Demographic Profile of Respondents
The following table summarizes the demographic profile of respondents by age, education level, experience and marital status. The demographic data are very important to understand nature of respondents in relation to loan repayment. Knowing the respondent with their understanding on the loan defaulting and new loan applicants is very important.
a) Age Profile of Respondents

The below demographic profiles based on age, the majority of respondents were below 30 years (47.8%) followed with 31-40 years (23.2%). The remaining 19.3% and 9.7% were 41-50 years and above 50 years respectively. Majority of respondents were those who are loan applicants and loan beneficiaries where their roles are very important as far as assessing causal relationship between loan defaulters and new tertiary loan applicants is concerned. The information obtained to them provides realistic perception with regard to higher education loan in Tanzania.

The age of 20 to 30’s is the age where demand for tertiary education is higher while the age of 30 to 50’s is the age of direct employment or self employed. Therefore perception is that if the loan beneficiaries of the 30 to 50 years are able to pay their loan, then the possibility of enrolling many graduates of the age 20 to 30 in tertiary education will be higher.

**Figure 4.1 Age of Respondents**

![Pie chart showing age distribution of respondents.](image)

Source: Own Research (2013)
b) **Sex Profile of Respondents**

The demographic profile based on sex of respondents, the majority of respondents were male by 55.6% while female respondents were 44.4%. The higher education loan beneficiaries are both male and female. Their roles in providing information toward assessing causal relationship between higher education loan defaulters and tertiary loan applicants is very important. Most of these male and female respondents are direct linked to loan from the loan board thus their information offers suitable analysis for the study.

**Figure 4.2 Sex of Respondents**

![Pie chart showing 56% male and 44% female respondents.](image)

Source: Own Research (2013)

c) **Education Profile of Respondents**

The education profiles of respondents, 100% of respondents were higher education level. That means there were no respondent from tertiary level, secondary level and those who didn’t go to school. All respondents were direct linked to higher education loan because they were all graduates. Their response actually expresses the realistic matter in relation to higher education loan in Tanzania.
Figure 4.3 Education of Respondents

d) Occupation Profile of Respondents

As far as occupation profile of respondents are concerned, majority were students of higher learning institutions (61.8%) followed with those working in different institutions with different professionals (32.4%) and remaining 5.8% were self-employed respondents. This means that the respondents were those in categories of loan beneficiaries whose information in relation to causal relationship between higher education loan defaulters and new tertiary loan applicants is very important to show the realistic matter.

Source: Own Research (2013)
4.2.2 Factor Influencing Loan Beneficiaries not Paying their Dues

The factors that cause many higher education loan beneficiaries not to pay their dues after completion of their studies are categorized into three major categories as economic factors, social factors and political factors.

4.2.2.1 The Economic Factors

The major economic factors affecting the loan beneficiaries not paying their higher education loan debts includes 40.6 percent is due to unemployment after graduation, 21.7 percent is due to poverty among people in the economy, 22.2 percent is due to low income earnings from their employment and 15.5 percent is due to economic dependency from the extended family.

The respondents responded differently as far as economic motives are concerned, higher education loan beneficiaries fail to pay their loan installments after graduations for the higher education as follows. 40.6 percent of respondents agreed that many higher education loan beneficiaries’ end up jobless after their graduate in Tanzania hence cause their inability to pay installments. According to Woodhall (2002) argued that higher education student loan in Africa is dominated with either defaulting or delay of payment among the loan beneficiaries accompanied with low
income, unemployment, illness or death not refusal to pay. Many graduate in Tanzania end up jobless after their graduate which cause delay or default paying their loan

About 22.2 percent of respondents agreed that low level of income among loan beneficiaries creates their ability to pay back their loan be affected. 21.7 percent of respondents agreed that many loan beneficiaries come from poor families that if they don’t get income generating activities will never pay their dues. According to Woodhall (2002) argued that higher education student loan in Africa is dominated with either defaulting or delay of payment among the loan beneficiaries accompanied with low income, unemployment, illness or death not refusal to pay. Many loan beneficiaries in Tanzania originated from poor families thus their incapability to get the activities that yield income promotes their status of defaulting of higher education student loans.

The remaining 15.5 percent of respondent agreed that many higher education loan beneficiaries are subjected to economic dependence from their extended families which restrain their capacity to pay back loan installment. Many graduates who become jobless end up doing small business activities where their earning does not satisfy to take care their families hence restrain their capacity to pay higher education student loan.
Table 4.1 Economic Factors for Defaulting Loan

<table>
<thead>
<tr>
<th>ITEM</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Factors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Many loan beneficiaries end up jobless after their graduate in Tanzania.</td>
<td>84</td>
<td>40.6%</td>
<td>1&lt;sup&gt;st&lt;/sup&gt;</td>
</tr>
<tr>
<td>Many loan beneficiaries come from poor families that if they can’t get income generating activities will never pay their due</td>
<td>45</td>
<td>21.7%</td>
<td>3&lt;sup&gt;rd&lt;/sup&gt;</td>
</tr>
<tr>
<td>Low level of income among loan beneficiaries make it difficult to pay their dues</td>
<td>46</td>
<td>22.2%</td>
<td>2&lt;sup&gt;nd&lt;/sup&gt;</td>
</tr>
<tr>
<td>Many loan beneficiaries are subjected to economic dependency from the extended families hence restrain their capacity to pay their loan installments.</td>
<td>32</td>
<td>15.5%</td>
<td>4&lt;sup&gt;th&lt;/sup&gt;</td>
</tr>
<tr>
<td>TOTAL</td>
<td>207</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Own Research (2013)

4.2.3 Social Cultural Factors

The major social and cultural factors causing the loan beneficiaries of higher learning institution in Tanzania not to pay debts after graduation includes 29.5 percent is due to education were meant free for Tanzanians (rejecting cost sharing policies), 42.5 percent is due to lack of social commitment among loan beneficiaries for not providing their proper particulars both physical and postal address, 22.2 percent is due to society attitude toward higher education loan as grant and 5.8 percent is due to increase social demands makes regarding education as a social need that should be offered free as long as tax is paid loan beneficiaries not taking attention toward paying their debts

The social motives causing the higher education loan beneficiaries become defaulters, the respondent agreed that 42.5% is caused by lack of social commitments among higher education loan beneficiaries to pay their debts in Tanzania. According
to Woodhall (2002) the Ghana higher education student loan scheme did not succeed
due to lack of commitment in implementing the scheme. Loan applicants should
submit genuine information when requesting the loan and when they graduate they
need to provide information of their physical address and job status. This is not the
case in Tanzania. Many respondents argued that it would be better if all who benefit
with student loan commit themselves to pay loan even though they don’t have proper
job. They are supposed to provide their physical address and job status to the loan
board.

About 29.5% of respondents agreed that majority of higher education loan
beneficiaries are rejecting the cost sharing policy introduced in Tanzania during
1990’s. According to respondent many poor people can’t afford to share cost in
higher education due to poverty. Many of them sometime they fail even to send their
children to school due to lack of money to support education. According to Woodhall
(2002) claim that many poor country reject cost sharing as their capacity to
contribute for education cost is low due to poverty.

About 22.2% of respondents agreed that the attitude of many Tanzanians do regard
higher education loans offered by the loan board as grant and not loan. The education
was provided free by the government thus it is important for government continue
with free education in higher learning. According to Jackson (2002) many poor
people believe that it is their right to get free education so long as they have no
chance to contribute for education cost. If higher education is made free for all
legible students, then enrolment will increase and war against poverty will be higher.
The only way to alleviate poverty is to invest on education for the country citizens.
About 5.8% of respondent agreed that social and cultural demands is a factor for
failing to repay loan when due. They argued that it is their right to get education even
though they are not capable contributing anything from the loan board. That means
education is a social need for everybody and as long as citizens paying tax that there
is no need to pay the dues.
Table 4.2 Social Cultural Factors for Defaulting Loan

<table>
<thead>
<tr>
<th>Item</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Majority are rejecting the cost sharing policies introduced in 1990’s</td>
<td>61</td>
<td>29.5%</td>
<td>2nd</td>
</tr>
<tr>
<td>Lack of social commitment among Tanzania in paying debts</td>
<td>88</td>
<td>42.5%</td>
<td>1st</td>
</tr>
<tr>
<td>Society attitude toward higher leaning education loans as grant to Tanzanians</td>
<td>46</td>
<td>22.2%</td>
<td>3rd</td>
</tr>
<tr>
<td>Social and cultural demands</td>
<td>12</td>
<td>5.8%</td>
<td>4th</td>
</tr>
<tr>
<td>TOTAL</td>
<td>207</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Own Research (2013)

4.2.4. Political and Administrative Factors

The political and administrative factors identified to be the cause of defaulting loan among beneficiaries 9.7 percent is lack of political interverance towards higher education loan, 37.7 percent is poor strategic intervention and follow up of loan board in collecting debts from the loan beneficiaries, 15.9 percent is rigid system of loan board been centralized head office Dar es salaam and 36.7 percent is lack of information and data base to link loan beneficiaries spread across different regions and sectors.

As far as political and administrative factors that cause many higher education loan beneficiaries become defaulters, 37.7 percent of respondents pointed that poor strategic interventions and follow up of loan board in collecting debts from defaulters influence loan beneficiaries fail to pay their dues. According to Jackson (2002) administering student loan is to secure repayment and minimize defaulting through close follow up and supervisions in debt collection. The loan board in Tanzania has not been active in close monitoring and supervision of loan beneficiaries in the content of knowing what are they doing after graduation. The board do not have clear
information about loan beneficiaries after graduation which create difficult to trace and effective collecting debts

About 36.7 percent of the respondent argued that the weakness of loan board to administer collection of debts associated with absence of clear information and data base that links all loan beneficiaries who are spread across different regions and sectors. According to Jackson (2002) administering student loan is to secure repayment and minimize defaulting through close follow up and supervisions in debt collection. This can be done properly if the loan board knows all loan beneficiaries their occupations, physical address and occupation address. The loan board in Tanzania do not have a data base that indicate occupation, occupation address and physical address of all loan beneficiaries in Tanzania which affect the base for reducing defaulting rate or delay payments of their installments.

About 15.9 percent of respondents argued that rigidity of the loan board been centralized at head office Dar es salaam without opening branches in regional and districts level except one in Dodoma result collection of arrears being a serious problem. There are many graduates who are not directly employed that their dues can be deducted from their salaries. These people would be able to pay their dues near branches in their activities. Also tracing loan beneficiaries could be easy if the loan board had branches in different districts and region that could increase the process of collection of arrears from the loan beneficiaries.

About 9.7 percent of respondent argued that lack of serious political interventions in effort of collecting arrears from defaulters. According to Jackson (2002) the higher education schemes in Ghana failed due to inefficient of political intervention. The politicians need to work hand in hand with the loan board by educating and mobilizing the citizens and loan beneficiaries see the important of paying loan for higher education. The political intervention toward public awareness in paying the dues of those benefiting the loans and educating the people feel the higher education loans is the solution of improving access of higher education.
Table 4.3 Political and Administrative Factors for Defaulting

<table>
<thead>
<tr>
<th>Item</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of political intervention in collection of loan dues from the defaulters</td>
<td>20</td>
<td>9.7%</td>
<td>4th</td>
</tr>
<tr>
<td>Poor strategic interventions and follow up of loan board in collecting debts from loan defaulters</td>
<td>78</td>
<td>37.7%</td>
<td>1st</td>
</tr>
<tr>
<td>The rigid of loan board has been centralized head office Dar es salaam</td>
<td>33</td>
<td>15.9%</td>
<td>3rd</td>
</tr>
<tr>
<td>Lack of information and data base that links loan beneficiaries spread across different regions and sectors</td>
<td>76</td>
<td>36.7%</td>
<td>2nd</td>
</tr>
<tr>
<td>TOTAL</td>
<td>207</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Own Research (2013)

4.2.5. Comparison for Factors for Defaulting

Even though all the economic, social and cultural factors and political factors affect the possibility of loan beneficiaries of HE not to pay their dues, it does not necessarily mean that all have equal impacts. The following table clearly compares overall impacts of all key factors discussed in detail above

As far as the factors that cause higher education loan beneficiaries defaulting paying their loan, the economic factors are heavier compared to other factors. That means views of respondents 46% of motive that cause higher education loan beneficiaries defaulting originate from economic factors followed by political and administrative motives (32%) and lastly with social cultural motives (22%).
Figure 4.5 Comparison of Major Factors for Defaulting

Source: Own Research (2013)

4.2.6. Perception Toward Loan Defaulters

The respondents had different perceptions regarding higher education loan defaulters for their status of not paying their dues after graduation. The common perception on the ground includes the loan board is not strategic in collecting dues from loan beneficiaries, no reason of paying dues because they did not sign loan board papers saying government higher education support were loans mostly those supported during 1990’s, the government should make higher education free for everybody qualifying for it. The government is not serious on the embezzlement of public fund but stick on making people who are not able to pay the loan to pay their dues, why should they pay dues if they don’t have job and life is difficult for many graduates due to several reasons. The following table shows the perception of loan defaulters. Perception of responds for loan defaulters not paying their installments is 33.3 percent is that jobless is the root that if they were in job they could be able to pay their dues.

About 18.9 percent of respondents had perception that the government should make education free for all Tanzanian who qualify for higher education.
About 17.8 percent of respondent perception is that the loan board needs to cooperate with employers in order to make those who are employed in different sector need to pay their dues.

About 16.7 percent of respondents had perception that loan beneficiaries need to be trained so that they know their intention of not paying their dues affect the national prosperity and other Tanzanians who are in need of education.

About 13.3 percent of respondent had perception that there must be strict laws and regulations that will make loan defaulters pay their dues on time.

**Table 4.4 Summarize perceptions of respondents toward loan defaulters**

<table>
<thead>
<tr>
<th>Perceptions</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strict laws and regulations should be created to make loan defaulters pay their dues</td>
<td>24</td>
<td>13.3%</td>
</tr>
<tr>
<td>The loan board need to cooperate with employers so that everybody employed should be deducted the dues as he/she starts job</td>
<td>32</td>
<td>17.8%</td>
</tr>
<tr>
<td>The government should made higher education free for everybody qualifying for it</td>
<td>34</td>
<td>18.9%</td>
</tr>
<tr>
<td>The loan beneficiaries should be trained how their defaults affect the future prosperity of majority who are in need of loans</td>
<td>30</td>
<td>16.7%</td>
</tr>
<tr>
<td>Being jobless affect their capacity to pay dues</td>
<td>60</td>
<td>33.3%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>180</td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: Own Research (2013)

**4.2.7. Perception of Respondent to New Loan Applicants**

The respondent had different perception regarding new loan beneficiaries toward higher education loan defaulters for their status of not paying their dues after graduation. The common perception on the ground includes the loan defaulters weaken the capacity of loan board to expand size of provision of new loan beneficiaries in access of loan for their higher leaning institutions, the loan board
should take measures actively to collect debts from loan defaulters so that the health of new loan beneficiaries improved, the loan defaulters should be committed themselves to pay their dues in order to help their young ones benefit from it and the government should promote entrepreneurship for graduates so that they are able to get income to pay their dues. The following table shows the perception of loan defaulters’

The respondents have various perceptions as far as new loan beneficiaries concerned in relation to higher education loan beneficiaries defaulting in a country. Their response based on the following:-

About 28.5% of respondents said that the loan defaulters have no reasons to pay their dues if they don’t have jobs. That means those who do not have job always find it difficult to pay their dues hence affect the capacity of new loan beneficiaries in the economy.

About 22.2% of respondents said that the loan board is not strategic in collecting the loan dues from loan beneficiaries hence affects the capacity to sustain the more new loan beneficiaries in the economy.

About 18.4% of respondents said that the government should make the higher education free for everybody qualifying for it. As far as education is a right for everybody it is necessary to ensure the education remains free to all people qualifying for higher learning institutions.

About 11.1% of respondents says that life is so difficult for many graduates due to many reasons that affect their fate to pay back their dues hence affects the new loan beneficiaries to access loans.

About 10.1% of respondents said that there were some graduates of 1990’s who benefited from the loans offered by loan board for higher education but this group of people didn’t sign any documents clarifying what they were getting loan. Therefore there is no need to pay loan for those who were defaulting.
About 9.7% of respondents said that government is not serious on embezzlement of public fund but stick on making people who are not able to pay loan.

**Table 4.5 Perception Respondents on New Loan Applicants**

<table>
<thead>
<tr>
<th>Perceptions</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>The loan board is not strategic in collecting dues from loan beneficiaries</td>
<td>46</td>
<td>22.2%</td>
</tr>
<tr>
<td>No reason of paying dues because they did not sign loan board papers saying government support for higher education was loan</td>
<td>21</td>
<td>10.1%</td>
</tr>
<tr>
<td>The government should make higher education free for everybody qualifying for it</td>
<td>38</td>
<td>18.4%</td>
</tr>
<tr>
<td>The government is not serious on the embezzlement of public fund but stick on making people who are not able to pay the loan to pay their dues</td>
<td>20</td>
<td>9.7%</td>
</tr>
<tr>
<td>Why should they pay dues if they don’t have job</td>
<td>59</td>
<td>28.5%</td>
</tr>
<tr>
<td>Life is difficult for many graduates due to several reasons</td>
<td>23</td>
<td>11.1%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>207</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: Own Research (2013)

### 4.2.8 Perception of Respondents Toward Loan Board

The respondent had different perception regarding the Loan Board toward higher education loan defaulters for not paying their dues after graduation. The common perception on the ground includes the loan board do not have good strategic interventions to supervise and coordinate collection of debts from loan defaulters, the loan board operate in political manner that they are going not in the right direction to help poor people in access of loan for their higher education, the loan board has fail to perform its duties therefore it should be restructured again and loan board need know the data base of all loan defaulters by their occupations and location so that it could smoothen capacity to collect dues from loan defaulters. The following information derived from the table below shows the perception of respondent to loan board regarding increasing loan defaulters
The respondents had various perceptions to those who are not paying their due while the loan board is there and their function among other is to ensure loaned loans are paid. Their perception based on the following:-

About 42.5% of respondents said that the loan board do not know know the data base of all the loan defaulters by their occupations and locations so it become difficult to collect dues from the loan beneficiaries.

About 28.0% of respondent said that the loan board had failed to perform its duties therefore it should be restructured to ensure accountability and transparency.

About 20.8% of respondents said that the loan board doesn’t have good strategic interventions to supervise and coordinate collection of debts from the loan defaulters in a country.

About 8.7% of respondents said that the loan board operates through political pressure. They do not have strong power to enforce collection of debts which affect new loan beneficiaries access to loans for their higher education.

**Table 4.6 Perception of Respondents on Loan Board**

<table>
<thead>
<tr>
<th>Perceptions</th>
<th>Number of respondent</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>The loan board do not have good strategic interventions to supervise and coordinate collection of debts from loan defaulters</td>
<td>43</td>
<td>20.8%</td>
</tr>
<tr>
<td>The loan board operate in political manner that they are going not in the right direction to help poor people in access of loan for their higher education</td>
<td>18</td>
<td>8.7%</td>
</tr>
<tr>
<td>The loan board has failed to perform its duties therefore it should be restructured again</td>
<td>58</td>
<td>28.0%</td>
</tr>
<tr>
<td>Loan board need know the data base of all loan defaulters by their occupations and location so that it could smoothen capacity to collect dues from loan defaulters</td>
<td>88</td>
<td>42.5%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>207</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Own Research (2013)
4.2.9 Relationship Between Loan Defaulters and New Loan Applicants

There has been a close relationship between the loan defaulters and new loan beneficiaries in the economy. That means the new loan beneficiaries are mostly depend capacity of loan defaulters paying their dues so that the loan board could be able to expand the provision of credit to new beneficiaries. The following curve show the relationship between loan defaulters and new loan beneficiaries in the economy

As far as relationship between the higher education loan defaulters and the new loan beneficiaries the respondents responded in the following manners

About 36.2% of respondents agreed that the action of loan beneficiaries not paying their dues has negative impacts to the access of loan to the new higher education loan beneficiaries who qualify for the loan. This means that as loan defaulters are not paying their dues it means the capacity of loan board to have enough fund for loaning the new beneficiaries in a country is constrained

33.5% of respondent said that the loan defaulters has caused the loan board working under high pressure as they have less income to support increasing need of new applicants for loan hence affect new loan applicants.

About 17.8 % of responded agreed that the increasing number of higher education loan defaulters might influence even the new loan beneficiaries to become defaulters in future because whatever action is taking against defaulters does not have much impacts or felt by defaulters and therefore things are taken as granted.

About 12.5% of respondent argued that the loan defaulters have caused the strong competitions of access to loan among the new loan applicants as the capacity of the loan board to offer loans for many applicants has been incapacitated.
Table 4.7 Relationship Shown by Respondents Loan Defaulters and New Loan Applicants

<table>
<thead>
<tr>
<th>Relationship</th>
<th>Percentage</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>The loan defaulters action to pay their dues will enable the loan board have capacity to raise income for loaning the new loan beneficiaries in the economy</td>
<td>36.2%</td>
<td>1&lt;sup&gt;st&lt;/sup&gt;</td>
</tr>
<tr>
<td>The increasing loan defaulters might influence the new loan beneficiaries to become loan defaulters as loan board has done nothing for those who did not pay dues</td>
<td>17.8%</td>
<td>3&lt;sup&gt;rd&lt;/sup&gt;</td>
</tr>
<tr>
<td>The defaulters has caused strong competition among new loan defaulters to access loans as defaulters reduce size of fund that can be allocated to new loan beneficiaries</td>
<td>12.5%</td>
<td>4&lt;sup&gt;th&lt;/sup&gt;</td>
</tr>
<tr>
<td>The defaulters has been the source for loan board working for pressure due to fund constraints hence causing new loan beneficiaries who qualify for loan not access to it.</td>
<td>33.5%</td>
<td>2&lt;sup&gt;nd&lt;/sup&gt;</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Own Research (2013)

4.3 Motive for Increasing HE Loan Defaulting Rates
The study conducted by Woodhall (2002) in sub-Saharan Africa country found that many loan beneficiaries are defaulting to pay their higher education loans due to a combination of economic, social cultural and political administrative forces. In support with this argument the study finding shows that 46 percent of respondents argued that economic motives influence higher education loan beneficiaries become defaulters, 32 percent is caused by political administrative motive and 22 percent is caused by social cultural factors.

The most economic motives that cause higher education loan beneficiaries default to pay their dues associated with increasing number of graduates who are becoming jobless hence limit their ability to pay, many loan beneficiaries comes from poor families that if they can’t get income generating activities to become defaulters,
many loan beneficiaries are dominated with economic dependencies from their extended families hence restrain their capacity to pay installments.

The social cultural factors that causes many higher education loan beneficiaries become defaulters are associated with majority of them rejecting the policy of cost sharing, lack of social commitment among loan beneficiaries, social and cultural attitude that influence education to be free for everybody qualifying for it. The World Bank (2002) claim that many third world countries are silently opposing the cost sharing that causes crises in education delivery.

The political and administration motive that cause many higher education loan beneficiaries are associated with lack of political interventions in collecting loan installments from the defaulters, poor strategic interventions and follow up of the loan board in collecting the arrears, the rigid of loan board being centralized at head office, lack of information and data base that link loan beneficiaries spread across different regions and sectors.

4.4 Discussion of Findings

Study findings are discussed below:

4.4.1 Perception New Applicants of HE Loan on Defaulters
Respondents argued that the health of loan applicants to access loan has been weakened with increasing defaulting rate. The other respondents viewed that there was no reason for loan defaulters to pay their dues if they don’t have job.

The respondents’ arguments has been supported by the research conducted by Kemp (2000) which argued that the most anxious students were those that through financial necessity had taken out loans but had not come to terms with the debts they had incurred which undermine the size of new loan applicants to access loan.

There have been so many views with regard of perception of respondent as far as new applicants in relation to defaulters. Some respondents wanted the loan board to
be strategically in collecting arrears from the loan defaulters so that HE loan beneficiaries pay their dues in time. Others wanted the Government to make higher education to be free for all people qualifying for it. The main concern is the capacity of the state to offer support for higher education that should be made free to everybody in the economy.

4.4.2 Perception of Toward Loan Board for HE Loan Defaulters
Respondents argued that lack of strategic intervention to supervise and coordinate collection of arrears from the defaulters has weakened its capacity to offer more loans to new applicants.

The argument is backed by the study conducted by Jackson (2002) in Kenya argued that the loan board should have the capacity to increase the rate of collection of arrears of HE loan defaulters through improving mechanism of collecting arrears by having computerized data bank for all beneficiaries. The loan board lacks data banks for all the HE loan beneficiaries after graduation regarding their physical address and postal address who indulging in economic activities in different areas hence affect their fate to coordinate effectively loan provision in a country. The loan board needs to have data base of all loan defaulters by their occupations and location so that it should be easily to trace those defaulting to pay their installments.

The perception of other respondent in relation to loan board claimed that the loan board has failed to perform its duties and functions therefore it should be restructured. That means increasing defaulters while the board exists means that their roles to collect the tax payer’s money are at great risk.

4.4.3 Relationship Between Loan Defaulters and New Loan Applicants.
Respondents argued that increasing loan defaulters in their action of not paying their arrears influence the loan board to have incapacitated income for loaning the new applicants hence causing crisis for applicants.

According to Jackson (2002) claimed that the overall forum of student loan in Africa are feasible but they need to be very carefully implemented as it might harm the tax money. He added that increasing defaulting rate in a country has negative impacts to the increasing access of HE loan for new applicants.
The increasing HE loan defaulters in a country and if no actions has been taken to address the issue would mean the new loan applicants might become defaulters as they access HE loan because whatever actions were taken against defaulters have not have much impact or felt by defaulters.

The HE loan defaulters has caused declining size of income for loaning the new loan applicants hence caused stiff competition among the applicants who are in great need of loan to finance their higher education in a country.

4.5 Conclusion
The increasing debt averse for higher education affects the population of lower income to access the higher education in Tanzania. Many of these poor people are unable to support themselves for higher education cost which prompt dependent to loan board. There could have been a positive enrolment by absorbing all qualified applicants with higher education among the poor if the higher education support is made grant. Therefore the effort needed for the loan board increasing strategies to collect debts from defaulters so that the new qualified applicant’s access credits/loan.
CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

In this chapter, the major findings are summarized, conclusions are drawn based on finding and recommendations are forwarded for the concerned authorities or bodies. The findings basically originated from the feedback of the respondents, conclusions are sustained based on major findings obtained from the respondents and conclusions in relations to weakness and chaos identified during the study are forwarded to the respective concerned.

5.1 Summary
In this study, it was designed to assess the causal relationship between tertiary education loan defaulters and loan applicants in Tanzania, case study Dar es Salaam. It tried to assess the perception with regards to loan defaulters, perceptions in relation to qualified loan applicants but could not get loans due to inadequate finance and perception toward the Loan Board of the two groups as HE loan defaulters and the qualified loan applicants but could not access credit due to insufficient fund. A sample of 207 was taken from five institutions which were the Higher Education Student Loan Board (HESLB), Dar es Salaam Institute of technology (DIT), Ardhi University (ARU), Institute of Social Work (ISW) and Tumaini University (TU) using simple sampling and stratified sampling techniques.

The questions were prepared and submitted to the respective respondent using questionnaire techniques which helped to exhaust the demographic information of respondents, factors causing the defaulting among loan beneficiaries, perception against the defaulters, perception against qualified for loan but did not get it and perception of the loan board in relation to the two.

After the data being collected, it was analyzed using simple statistical techniques such as tables, cycle and percentages and descriptive statistics that are mean and
standard deviations. Based on the sample of 207 respondents the major findings of this study are summarized as follows:-

The majority of respondents were below 30 years (47.8%) followed with 31-40 years (23.2%). The remaining 19.3% and 9.7% were 41-50 years and above 50 years respectively.

In case of sex profile of respondents, the majority of respondent were male by 55.6% while female respondent were 44.4%. Regardless respondent ages and sex categories all of them are either in higher learning or graduates of higher education.

As far as occupation profile of respondents, majority were students (61.8%) followed with those working in different institutions with different professionals (32.4%) and remaining 5.8% were self-employed respondents

In case of marital status profile of respondents, majority of them were single (53.1%) followed with married 38.6%. The remaining 7.2% and 1.1% were divorced and widow respectively.

As far as the causes that makes higher education loan beneficiaries defaults their installments the economic factors are heavier compared by other factor. That means views of respondents 46% of motive that cause higher education loan beneficiaries defaulting originate from economic factors followed by political and administrative motives (32%) and lasted with social cultural motives (22%).

In case of perception of respondents for HE loan beneficiaries defaulting majority pointed finger to the weakness of HELB for lacking strong strategies in collecting loans from the defaulters even though some are having jobs. Those who are not paying their dues because of being jobless the respondents wanted them to explain their situation to the loan board so that when they get job they should provide information to the loan board so that deduction to begin. Others wanted higher interest rate and strong laws with its enforcement being facilitated for defaulters
The perception of respondents toward those who qualify for loan but did not access majority wanted higher education to be free for everybody qualifying for it but others were different from higher education being free. They wanted the loan board raise their capacity to collect millions of tax payers’ money for those who are not paying their dues so that it could be easily to raise number of new applicants access to loans.

The perceptions of respondents to the loan board in regard for both the defaulters and applicants qualifying for loan but do not access, majority responded that the loan board need to be actively independent and operate for benefit of Tanzania. The loan board have been given tooth to collect money for those defaulters they need to do so seriously so that tax payers money benefit all Tanzanians and those who are qualifying but do not access loans the loan board should be strategically to use other alternative like borrowing from the financial institutions and government subsidies interest rate for assisting these applicants so that they go for their study.

For the case of relationship between the defaulters and new loan applicants, majority of respondents argued that the ability of the HE loan defaulters not paying their dues affects the ability of new applicant’s access loan from the loan board as the loan board will have fewer fund to support higher education to Tanzanians. They also claim that if the loan board is not taking serious actions against the defaulters there is greater possibility for new loan beneficiaries become loan defaulters in future.

5.2 Conclusions
The HE loan scheme for higher education in Tanzania has been dominated with various social, political and economic aspects. The need for reforming and equipping the loan board to perform their activity effectively is needed in a country. The research finding shows that the loan board is not strategically in collecting the arrears from the defaulters and at the same time it does not have a data base showing those benefited with loan after their graduates their occupation and location. Therefore it is necessary to have well-structured system connected to all regions and multi sectors in order to identify the loan beneficiaries who are responsible for paying their dues.
The HELB had find very difficult to recover the loans from the loan beneficiaries as majority of these beneficiaries work through informal sector and self-employed that create tracing them being problematic. But lack enough with national identity card and interconnected license in different sector adds advantages for the loan board to use it in order to enhance collection of arrears.

Those loan beneficiaries should think the future prosperity for all Tanzanians who are in great need for higher education. This will make them commit to pay their dues. They should strictly committed to pay their dues so that many Tanzanians get access to the HE loan.

The HE loans applicants require to provide reliable information to the loan board that will help the board trace the loan beneficiaries not only when they fail to pay their dues but evaluating how the loan has helped these people transform their life after graduation.

5.3 Recommendations.
Based on the findings of the study, the necessary recommendations with regard to HE loan to higher learning education are forwarded to existing and potential loan applicants, loan defaulters, the loan board and general public.

To the Existing Potential Loan Applicants
The study finding shows that many potential qualifying applicants did not access HE loan due to the loan board having in adequate resources to finance them. The new loan applicants when applying for the loan need to provide clear and valid information that will help the loan board provide loans for those who real deserve for it. The complaint with regard that the rich family members are those getting loans will vanish if the information offered by the loan applicants to the loan board were proper and genuine.
To the HE Loan Defaulters

The loan board in collaboration with employers in Tanzania and the local and central government should work together to identify all Tanzanians benefit with higher education loan are integrated to pay their dues. The organization should be issued a one month amnesty to the beneficiaries that have been defaulting on loans. The HE loan beneficiaries who are default their loan should be committed to pay their arrears without being forced so that new loan applicants gets access of loan as the board will have enough money collected from the loan defaulters.

To the Loan Board

The loan board requires to be connected to multi sectors and regions and districts so that the information in regard to loan beneficiaries could be easily accessed. The loan board requires taking advantages of the national identity to identify the location and doing of HE loan beneficiaries who are defaulters in a country so that they pay their dues. The loan board needs to increase interest rates for those taking loan and defaulting so that the risk of not paying should be minimized. The board also can use the debt collector’s agents in collection of arrears from the defaulters which might have positive return.

The loan board needs to restructure its data base to be connected with electronic system that will help tracing defaulter using electronic system. The loan board requires being transparency in selection procedures based on criteria’s. The loan board needs to understand its purpose is based on assisting poor people to access loan and not those who are able to pay themselves for higher education.

Loan board need to stage awareness campaign to educate people the benefits of those who are offered loan to pay back their loan so that the new applicants access for HE loan increases in a country.
To the General Public

The general public needs to understand and support the effort of the loan board in collecting the arrears from the defaulters by providing clear information about those benefited with HE loan. The public should even ask graduates and if they were benefited from the loan and encourage them to pay so that their young sisters and brothers who need of loans to support their education.
REFERENCES

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URT (1999). National higher education policy, Ministry of science, technology and higher education, government printer, United Republic of Tanzania


APPENDIX

QUESTIONNAIRE

I Mwita Sabai Wambura a student of Mzumbe University pursuing Masters of Business Administration Corporate Management, am doing research concerning the examination of the casual relationship between the tertiary education loan defaulters and loan beneficiaries in Tanzania. The information that will be collected from this study will be strictly used for academic analysis only. Therefore take your time to answer the questionnaire provided and the information that you will provide will remain secret. Make sure you answer the question correctly and if there is any explanation please do it.

SECTION A: PERSON INFORMATION

A1: Age…………….
A2. Sex…………….
A3: How long since you started education……………..
A4: Your level of education? Tick appropriately
   a) I have not gone to school
   b) Primary education
   c) Secondary education
   d) Tertiary education
   e) University education
A5: What is your Employment…………………..
A6: what is your experience…………………..

SECTION B: KAP

Understanding
B1: For your understanding what are the factors causing defaulting among tertiary education loan beneficiaries in Tanzania?
   a) ………………………
   b) ………………………
c) ........................................
d) ........................................
e) ........................................

B2: Do you think there is any causal relationship between tertiary education loan beneficiaries and defaulters in Tanzania?

a. Yes
b. No

If yes how................................................................................................................
................................................................................................................
................................................................................................................
if no why..............................................................................................................
................................................................................................................
................................................................................................................

B3: Do you think if all tertiary education loan beneficiaries are able to repay their dues can the new loan applicant’s increase?

a) Yes
b) No

Explain your answer..................................................................................................
................................................................................................................
................................................................................................................

B4: What percentage does tertiary education loan defaulters affect the new loan applicants in Tanzania?

a. 100%
b. 80%
c. 60%
d. 40%
e. 20%
f. 0%

B5: Do you think low income earners are the reason for tertiary educated loan beneficiaries not willing to pay back their dues?
Explain…………………………………………………………………………………
…………………………………………………………………………………………
…………………………………………………………………………………………
……………………………………..
B6: What is the perception of tertiary educated loan beneficiaries over repayments of their loans in Tanzania?
  (i)  ………………………………
  (ii)  ………………………………
  (iii)  ………………………………
  (iv)  ………………………………
  (v)  ………………………………

B8: What is the perception of tertiary education loan applicants over tertiary education loan defaulters in Tanzania?
  i.  ………………………………
  ii.  ………………………………
  iii.  ………………………………
  iv.  ………………………………
  v.  ………………………………
  vi.  ………………………………

B9: What are the perception of Loan Board over the tertiary educated loan defaulters and tertiary educated loan applicants in Tanzania?
  i.  ………………………………
  ii.  ………………………………
  iii.  ………………………………
  iv.  ………………………………
  v.  ………………………………
  vi.  ………………………………

Behaviors
B6: Have you benefited from tertiary education loan?
  a.  Yes
  b.  No
If yes are you willing to pay the loan explain…………………………………………
B7: Do you think tertiary education loan applicants might turn into defaulters due to existing behaviors of many defaulters?
a) Yes
b) No

Explain your answer

SECTION C: SOCIAL ISSUES
C1: Tanzanian came from socialist system of life where the government was responsible to provide free social services under the policy of socialism and self-reliance of Nyerere. Do you think this might be a source for HE student loan beneficiaries become defaulters
Explain your answer

C2: Tanzanians do not have culture of paying their loans. Do you think culture relate in increase of defaulters for HE student loan among beneficiaries? Explain your answer

C3: Do you think poverty have any correlation with defaulting among higher education loan beneficiaries
Explain your answer