

**FACTORS AFFECTING REPAYMENT OF EDUCATION LOAN AMONG
UNIVERSITY STUDENTS IN KENYA**

BY

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DECLARATION

I declare that the work in this dissertation has not been previously published or submitted elsewhere for award of degree. I also declare that this is my original work and contains no material written or published by other people except where due reference is made and author duly acknowledged.

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ABSTRACT

Higher Education Loans Board (HELB) is the major source of financing higher education in Kenya. Non-repayment of the loan among university students after they have graduated is a major drawback on funding education for other needy students. The total amount of loan available to the current students depends on repayments done by the past students. Non-recovery of loans leads to non-sustainability of the education fund which leads to a number of loan applicants unable to get the loans which are meant to assist them cater for their learning expenses. This study sought to find out the factors affecting repayment of higher education loan by university students in Kenya. The study will be guided by three objectives which will focus on how ability to pay, loan repayment policy and perception towards HELB loan affects repayment of Higher Education Loans. A review of related literature will be conducted, which comprises, background of student loan financing, loan default, success and failure of student loans schemes and other literature relating to issues on student loan financing. The study population will consist of 261,933 university graduates who are beneficiaries of higher education loans and their loans had matured by the year 2015. The study will employ a descriptive research design and random sampling technique will be used to develop the sample size. Collection of data will be done using structured questionnaires which will be given to the target respondents to fill in. Exploratory Factor analysis will be done using SPSS version 20 after which a Multivariate regression will be fitted on the data to determine the relationship between the dependent and independent variables.

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One scholar once said that if he was able to see far, it was because he stood on the shoulders of others. My sincere gratitude goes to my academic supervisor Mr. Dominic Ojwang for always providing invaluable assistance, support and guidance throughout the writing of this project. Deepest gratitude is also due to the members of presentation panel, without their knowledge and assistance this study would not have been successful.

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DEDICATION

This research project is dedicated to all people who have assisted me accomplish my studies.

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ACRONYMS AND ABBREVIATIONS

CEO	Chief Executive Officer
CRB	Credit Reference Bureau
HELB	Higher Education Loans Board
KRA	Kenya Revenue Authority
KSHS	Kenya Shillings
TSHS	Tanzania Shillings
KPLC	Kenya Power & Lighting Company
NHIF	National Hospital Insurance Fund
NSSF	National Social Security Fund
NPL	Non-Performing Loans
SPSS	Statistical Package for the Social Sciences
TPB	Theory of Planned Behaviour
USSR	Union of Soviet Socialist Republics
PHD	Doctor of Philosophy
GPA	Grade Point Average
SSNIT	Social Security and National Insurance Trust
SLTF	Student Loan Trust Fund
HESLB	Higher Education Students' Loans Board
NSFAS	National Students Financial Aid Scheme
HELF	Higher Education Loans Fund

DEFINITION OF TERMS

Loan default occurs when the borrower fails to make the necessary payment or in some way the borrower doesn't comply with the terms of the loan (Almazrooei, 2009)

Higher Education Loans Board (HELB) is a Board which was established in July 1995 by the Government of Kenya through Act of Parliament (Cap 213 A) whose mandate is to disburse loans, bursaries and scholarship to needy students pursuing higher education in recognized institution, recover all outstanding loans given to former university students by the Government of Kenya since 1952 through HELF and to establish a Revolving Fund where funds can be drawn to lend out to needy Kenyan students pursuing higher education.(Ngali, 2013)

Repayment Perception refers to the strength of beliefs that the person holds towards repayment of a debt. Perception is equated with reality for most practical purposes and guides human behavior in general (Ajzen & Fishbein, 1980)

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Higher education in the world has become progressively important not only to individuals, for the sake of enriching their lives and enhancing their status but also to the larger society for the sake of economic prosperity, and advancement of good governance. Higher education enhances status and earning power to individuals and to the larger society through economic richness, advancement of democracy and social justice (Macmillan, 2006). The cost of higher education is increasing enormously due to its high demand. Initially the cost of education was funded through private savings, grants and scholarships. Due to the limited availability of grants and scholarships many students are utilizing educational loans to facilitate their post-secondary education (College Board, 2014). Upon graduation, students need to repay student loans and there is almost no likelihood of getting the debt dismissed because of financial hardship or bankruptcy reorganization (Avery & Turner, 2012).

Government sponsored student's loans schemes are in place in over 70 countries around the world. The students' loans programme is meant to provide potential students from poor families the chance to invest in their own future by providing them with financial support when it is needed and allowing them to pay back after graduation (Marcucci & Johnstone, 2007). The education loan schemes differ across countries in terms of sources, funding, student's coverage, loan allocation practices, recovery methods, organization structure and their objectives (Ziderman, 2004). However the similarities of all loan schemes in the world are that they are highly subsidized by governments in that the interest on this loan is low and

recovery starts after the student graduates. The loan schemes in the world are presently struggling to cope with the growing problem of education debt. This is mainly caused by the recession experienced on economies and unemployment of students who have graduated thus being unable to repay the higher education loans (Dillon & Smiles, 2010). Due to the high default rate of students who have graduated the education loan schemes are not able to assist students from middle and low income families attend post-secondary education (Ngali, 2013).

1.1.1 Higher Education Loans Board of Kenya

In Kenya granting of loans to students started way back in 1952 when the colonial government that was in place awarded loans under the then Higher Education Loans Fund [HELF] to Kenyan students who were pursuing higher education in universities outside East Africa that is Britain, USA, former USSR, India and South Africa. Due to the problem of non-recovery of loans in July 1995 the Government of Kenya established the Higher Education Loans Board (HELB) through Act of Parliament (Cap 213 A) to disburse loans, bursaries and scholarship to needy students pursuing higher education in recognized institution, recover all outstanding loans given to former university students by the Government of Kenya since 1952 through HELF and to establish a Revolving Fund where funds can be drawn to lend out to needy Kenyan students pursuing higher education (Ngali, 2013).

1.1.2 Beneficiaries of Higher Education Loans

Kenya's higher education sector has continually faced challenges that include inadequate public funding and the consequent declining quality of educational output owing to poverty and a weak economy, thus a number of households have difficulties raising the increasing costs of university education in Kenya. The introduction of the students' loan scheme thus enables students from such poor backgrounds to have access to university education (Kipkech 2011). The students' loan programme is meant to provide potential students from poor families the chance to invest in their own future by providing them with financial support when it is needed and allowing them to pay back after graduation (Marcucci & Johnstone, 2007).

With the rising costs of higher education, education loans have become an important financing tool for students from all income levels although it was originally meant for the middle class (Bertola and Hochguertel, 2005). Students loan programs have been introduced to enable students receive financial support in order to meet their living expenses like in most Scandinavian countries, or to pay tuition fees like Japan, USA, Kenya and Zimbabwe (Johnston, 2003). Loans meet other expenses like meals, accommodation, medical care as in Greece, Portugal, and Spain and in majority of developing countries like Kenya and Malawi. This is a clear indication that majority of students depend on loans for financial support while undertaking their university Education.

The Social Pillar in Kenya Vision 2030 aims at creating a comprehensive, equitable and just society based on democratic ideals. Under this pillar, education and training is expected to be the principle catalyst towards realization of Vision 2030. Education and training is expected

to take leadership in development of skills and knowledge to all Kenyans geared towards the achievement of the aspirations of Vision 2030. Vision 2030 emphasizes the importance of Universities to produce knowledge that is relevant to the industry, disseminate knowledge and provide technical support to industry.

1.1.3 Repayment of Higher Education Loan in Kenya

Loan repayment is the reclaiming back of loan from former beneficiaries (Kipkech, 2011). According to HELB repayment guidelines (2010/2011) the amount that beneficiary need to repay per month will be based on not more than 25% of their basic pay. However, higher payments can be made in order to reduce the loan balance. Beneficiaries can also clear their outstanding balances at one go at no extra cost. Undergraduate Loan repayment starts within one year of completion of studies or within such a period as the Board decides to recall the loan whichever is earlier. However, you can make voluntary payments before or after you leave your course which will reduce your balance earlier.

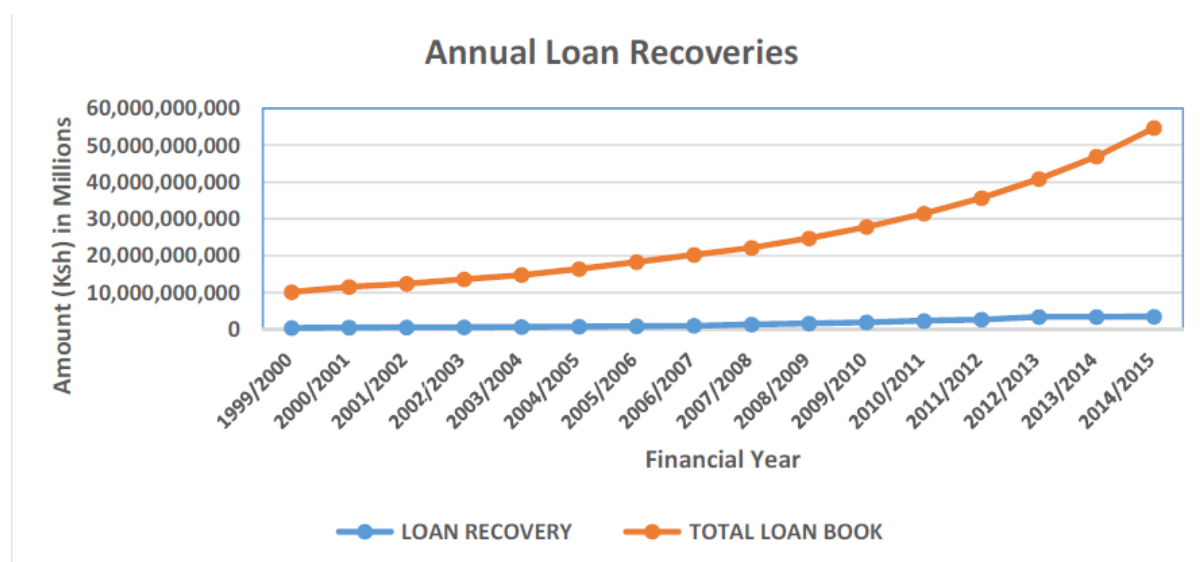
A default occurs when the borrower does not make the required payments or in some way the borrower does not comply with the terms of a loan (AlMazrooei, 2007). It arises when the borrower does not honor the agreement to meet the loan repayment terms which details when money ought to be paid back to the lender. Default in loan repayment leads to lack of sufficient funds by HELB to offer to all the loan applicants hence some of the students ends up not being awarded the loans. HELB should operate a revolving fund where students who had secured some loan should repay it back after completion of studies so that the money can be lent out to other needy students in future. Non recovery of outstanding loans given to

former university students have led to many students being unable to pursue their higher education due to lack of loans which are meant to cater for their learning expenses.

The ongoing recession and tight job market have led to increased default rate among the loan beneficiaries (Dillon & Smiles, 2010). This has led to non-sustainability of the Revolving Fund and HELB has to continue depending on the government for allocation of money to finance the Higher Education. The allocation from the government has been on the decrease due to the limited resources available in the country. A viable and sustainable plan of financing higher education has to be put in place in order for equity on education to prevail.

Figure 1.1 below shows the annual recoveries trend of loan by HELB from the year 1999 to 2015. Although the recovery shows an upward trend a lot is not yet recovered hence the big gap between the total loan granted and the recoveries.

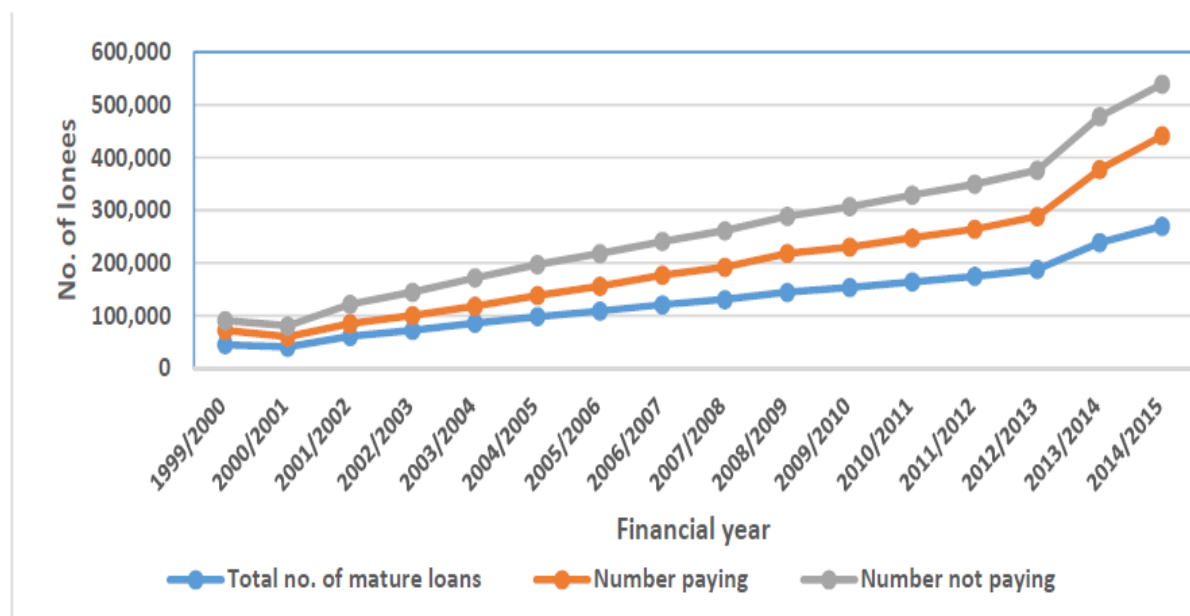
Figure. 1.1: Annual HELB Loan Recovery Trend



Source: (Warue & Ngali 2016)

From the year 1974 to 2015, Higher Education Loans Board has lent a total of Kshs 53.22 billion to a total of 476,801 students out of which Kshs 21.2 billion lend to 214,868 students is not mature. Only 90,672 past students have fully paid their loans, 171,604 are currently servicing the loans while 98,097 past students are not paying thus their loan accounts are nonperforming (Warue & Ngali 2016). The default rate of 34.8%. The Higher Education Loans Board has been using penalty amnesty as a strategy to encourage loans defaulters to pay their debts and increase their loans recovery where loans collections have funded over 35% of the annual university students borrowing in Kenya. The figure 2 shows the trend of number of loanees for the period 1999 to 2015. The number of students not repaying their education loan is on the increase thus posing a problem on self-sustainability of HELB revolving fund.

Figure. 1.2: Number of Loanees Performance



Source (Warue & Ngali 2016)

The performance of HELB in terms of loan recovery has been increasing at a low rate with the performing loans standing at 65.2 % in 2015. Kimani, (2011) stated that the rise in recoveries was low compared to the rate of increase of the loan disbursements to students implying that HELB will continue to rely on the funding from the exchequer unless they come up with better ways of dealing with defaulters.

Higher Education Loans Board (HELB) has done a lot in setting up the loan recovery strategies to ensure that the loans are repaid back in time. Some of these strategies include; Data sharing with vital partners such as NSSF, KRA, KPLC, NHIF, and CRB (Ngolovoi, 2006). HELB has been charging penalties to the non-performing accounts since 2010. However, evidence has shown that, despite the efforts done by HELB in ensuring that all loans are recovered on time, a substantial amount of these loans remain un-recovered. HELB's 2013 report indicates that there is a challenge of fulfilling loan applications to a number of students as demonstrated by statistics that show one in every six previous borrowers isn't repaying their loan, putting a strain on the board. This has led to non-sustainability of the Revolving Fund and HELB has to continue depending on the government for allocation of money to finance the Higher Education (Otieno, 2004). The allocation from the government has been on the decrease due to the limited resources available in the country. A viable and sustainable plan of financing higher education has to be put in place in order for equity on education to prevail.

1.2 Problem Statement

According to a study done by Warui and Ngali (2016) on structural factors for students recovery of Higher Education Loans from the year 1974 to 2015, Higher Education Loans

Board has lent a total of Kshs 53.22 billion to a total of 476,801 students out of which Kshs 21.2 billion lend to 214,868 students is not mature. Only 90,672 past students have fully paid their loans, 171,604 are currently servicing the loans while 98,097 past students are not paying thus their loan accounts are nonperforming. In a study done by Kerin, (2012) on determinants of students loan default; some finding was that despite the various measures taken by the Higher Education Loans Board to increase its loans recovery, there has been reluctance by ex-university students to repay their loans. The level of non-performing loans (NPL) stood at 43% as at June 2013(HELB database Portfolio 2013). “Non-repayment of the loan among university students after they have graduated becomes a major problem to the government since the total amount of loan available to the students is depended on the loan repayment” (Elistina Abu Bakar J. M., 2006).

Globally no loan program can so far claim to have achieved a 100% repayment rate, not even the much-vaunted success stories of Australia and New Zealand (Johnstone, 2006). HELB’s 2013 report indicates that there is a challenge of fulfilling loan applications to a number of students who are in need of the loans. Loan default as demonstrated by statistics shows that one in every six previous borrowers isn’t repaying their loan thus putting a strain on the board (HELB’s 2013 Report).

Many Studies have been done in relation to repayment of Higher Education Loans. Ismail et al., (2010) did a study on students’ attitude towards loan repayment where it was established that loan defaults are influenced by a complex interaction of personal-, social- and psychology-related variables: students’ attitude, intention to repay loan, parental influence, perceptions that loan repayment will affect quality of life after graduation, perceptions

towards loan agreement, and an awareness of loan repayment issues created by the media. According to Nyahende (2013) age, gender and attitude has an influence on the students' loans default rate. Ziderman (2009) reported the results of loan default from a comparative study of nineteen loans schemes in S.E. Asia and forty four loan schemes across the world. However, all of these comparative studies have a limited coverage. Locally, Otieno (2004) did a study on student loans in Kenya: past experiences, current hurdles and opportunities where he recommended that KRA should be contracted to help in recovery of HELB loans. Kimani, (2011), did a research study on the determinants of loan recovery at HELB where he recommended that threats and/or incentives could help increase loan repayment. Kerin (2012) investigated the factors behind high loan defaults and to what extent they affect student loan default in Kenya where he found that level of debt, the age of student, period of study and the institution of study among others affected loan repayment. Few studies have been done on the factors affecting repayment of HELB loan from the beneficiary perspective. Given this research gap the study seeks to investigate the factors affecting repayment of HELB loan by university students.

1.3 Objective of Study

General objectives

To find out the factors affecting repayment of higher education loans by university students in Kenya.

Specific objectives

- i. To determine the impact of financial capacity of students on repayment of higher education loans in Kenya.
- ii. To examine the effect of HELB policy/ legal obligations on repayment of higher education loans by university students in Kenya.
- iii. To establish whether student's perception affects repayment of higher education loans in Kenya.

1.4 Research Hypothesis

H₀₁: There is no significant relationship between financial capacity of the student and repayment of higher education loans

H₁: There is significant relationship between financial capacity of the student and repayment of higher education loans.

H₀₂: There is no significant relationship between legal obligations and repayment of higher education loans

H₂: There is significant relationship between legal obligations and repayment of higher education loans

H₀₃: There is no significant relationship between students' perception and repayment of higher education loans

H₃: There is significant relationship between students' perception and repayment of higher education loans.

1.5 Justification of the Study

Granting of loans to students in Kenya started way back in 1952. The students' loan programme is meant to provide potential students from poor families the chance to invest in their own future by providing them with financial support when it is needed and allowing them to pay back after graduation (Marcucci & Johnstone, 2007). The extent to which this objective can be realized on a sustainable manner is dependent on full repayment of all matured loans by the past beneficiaries. The issue of loan repayment by past beneficiaries' is critical in estimating the default rate and loan recovery rate by HELB. This study will provide useful insights on the factors affecting repayment of higher education loan.

Through using graduates as the reference point, the study will make an interesting contribution to the understanding of the general factors affecting loan repayment by the beneficiaries of higher education loan. The results can also be generalized even to students who borrow from other financial institutions to cater for their learning expenses. The results and literature review will form an important information base for future researchers interested in this area of study. These findings will assist policy makers to put in place long-term strategies in terms of appraising, planning and evaluating education funding.

1.6 Significance of Study

The findings and recommendation of the study would benefit the following stakeholders:

1.6.1 The Public

The study will assist the general public to understand the various factors that affect the repayment of higher education loans by university students in Kenya.

1.6.2 Policy Makers

This study will provide insight to policy makers in the government on the factors affecting higher education loan repayment by the beneficiaries. It will assist policy makers to put in place long-term strategies in terms of appraising, planning and evaluating education funding.

1.6.3 Higher Education Loans Board

This study would assist HELB to garner relevant information to enhance its loan allocation and recovery operations. The findings will enable HELB to factor in new guidelines on repayment of such loans so as to minimize the default rate and encourage repayment of the loans by the beneficiaries.

1.6.4 Scholars and Researchers

The study will further make a contribution to the available literature on factors affecting repayment of higher education loan by students and will be used as a reference for future academic research in related topics.

1.7 Limitations of the Study

The study will be limited to randomly selected graduates from universities. Though this may be a subjective selection of respondents in the questionnaire administration, the results from the study would not in any way influence the generalization of the study. Time and resources will be major limitations to the study.

1.8 Scope of the Study

The study will assess the factors affecting repayment of higher education loans by university students in Kenya. The data will be collected from students who have already graduated and are beneficiaries of HELB loans. The rationale of choosing students who have graduated is because their loans are due for payment.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the literature on factors believed to contribute to repayment of higher educational loans. The literature to be reviewed includes the past (empirical) studies as well as the theoretical ones. Past review on empirical studies contains information on the student attitude to educational loan repayment, influence of loan borrower characteristics on default rate and the factors affecting loan repayment. This information will be useful in making the recommendations, discussions and summaries. The theoretical review introduces the theories associated with factors affecting loan repayments.

2.2 Theoretical Review

This section analyzes the theories that may explain the repayment of the Higher education loans. Three theories were considered which includes human capital theory, theory of planned behavior and Ability to Pay Theory.

2.2.1 Human Capital Theory

Human capital Theory as formalized by Becker (1996) is an investment which involves spending money in order to gain additional knowledge through education. According to Snooks (2008) an individual acquires this human capital through schooling, post school investment and on job training. Parents invest their time and resources in their children education. Education enhances someone's prospects of getting better jobs with high income,

thus money spent on education now is a form of investment which leads to greater returns in the future. The source of money to fund the education can be from savings or it can be borrowed. Students who come from poor families usually borrow funds from Higher Education loans board in order to finance their education and they are required to repay it back after getting employed.

Human Capital Theory encourages the research on those variables that reflect a person's willingness to invest in educational credentials and training that yield a greater return or higher financial compensation. The theory underlying public subsidies is that academically able but low- income students are motivated to pursue post secondary education when benefits outweigh the cost.

This theory suggests that an individual will make investments in human capital if the potential benefits exceed the cost associated with education. The cost attributed to education includes repayment of principal amount borrowed and the interest attached to it. Investing on higher education enhances chances of getting a job after graduating. Upon getting employed the students will be able to clear of his debt. Other students don't get the formal employment thus they engage in the self-employment where the income raised will be used to make repayments of education loan. Decrease in default rate will ensure availability of more funds to support higher education through provision of students' loans to other needy students (Nyahende, 2003). According to Chapman (2008) defaulters characteristics affecting repayment is a major source of poor repayment which may results into unavailability of fund to support the students' loans scheme.

Students' loans will encourage more students to get education through adequate financing of education for students from poor backgrounds. Loan recovery from past beneficiaries need to be emphasized in order for the loan scheme to be able to provide finance to other needy and qualified students (Nyahende 2013). Hindrances to full recovery of education loans from the students need to be addressed on to ensure availability of loans to all loan applicants.

2.2.2 Theory of Planned Behavior

The Theory of Planned Behaviour (Ajzen, 1991) is the successor of the theory of reasoned action (Fishbein and Ajzen, 1975). Theory of Planned Behaviour is based on the principle of understanding the person's choice of behaviour and to further examine the person's overall intention relating to that behavior (Ajzen, 1991). The stronger the intention to engage in a behavior the more likely should be its performance. According to TPB an individual intention to perform is determined by three variables: attitude, subjective norms and perceived behavioral control. Attitude refers to the strength of beliefs that the person holds towards a particular behavior. It refers to an individual's positive or negative evaluation of performing a behavior. Subjective norms refer to the perceived social pressures coming from important persons in his life that influence him to perform the behaviour. Perceived behavioral control refers to individuals' belief that they have control over certain factors that allow them to perform the behavior (Ajzen & Fishbein, 1980).

According to the theory, the some students believe that the loan given by HELB is a form of grant which should not be repaid back. They believe that the government should support them freely without the condition of repaying back the loans. A survey on 1500 undergraduates at University of Putra Malaysia revealed that many students perceived

education loan as a burden and a significant proportion of them had negative perception towards the loan repayment (Elistina et al., 2006).

According to Ismail (2011), the Theory of Planned Behaviour is adopted in order to investigate the underlying processes, thereby leading to the decision to pay the loan. According to the Theory of Planned Behaviour immediate antecedent of behaviour is the intention. Intention, in turn, is predicted by the extent to which a student evaluates loan repayment, either positively or negatively. A person's attitude affects his capabilities and intentions. Influences from parents and peers have a great impact on students' decision to repay back the loans.

Man, as a social being, is often influenced by other persons and by a group he belongs or aspires to belong to (Nguyen, 2007). These may include family members, friends, neighbours, office colleagues and reference groups. Influence from these groups and media affects a student's perception towards loan repayment. The fear of being ostracized by church or club members or reference groups could motivate a borrower to repay back the loan. Conversely, bad friends and neighbours could influence one to default repayment of loan facility extended to him or her.

2.2.3 Ability to Pay Theory

Individuals base their consumption on their expected future income, not on their current income. Consequently, students may borrow to finance their post-secondary study and expect to repay the student loan in the future. Baum and Schwartz (2006) described postsecondary education investments as risky: students may not be able to graduate, not all graduates will be able to find remunerative jobs, and unanticipated changes (such as health, economy, and

family situations) may derail a life plan. These risky events result in lowered income for the borrower. Repayment of loans by student will depend on amount of income received and his/her ability to maintain a living with the scheduled repayment of loans. Taking into account the amount of income received a student may not be able to maintain a living with the loan repayment leading to a debt becoming unmanageable.

The ability-to-pay theory provides the theoretical basis for relative comparison and it is the main model used in the literature studying manageable debts, loan delinquency and default. Non-repayment of loan arises when student assumes that certain expenses, such as the essential expenditures to maintain a minimum standard of living, are of a higher priority than repaying the student loan. How much income is sufficient for one to be able to settle all the debt varies across individuals thus even though the borrower may not have complete control on the sequence of events that transpires, he or she may have some control on whether to pay the scheduled payments or to default the loan. It follows that delinquency and default can be attributed to the financial capability on the part of the borrower (Cohen-Cole & Morse, 2010).

With respect to student debt manageability, Income-contingent repayment plans have the advantage of linking the required repayments to student borrowers' income and ability to pay. It is not surprisingly that in US studies have found lower income levels or earnings to be associated with elevated risk of default (Woo, 2002). If the income received is enough to meet the basic needs and repay back the loan then default rate will be minimal. The dilemma arises on how much income will be sufficient for someone to maintain a living. There are students who even if they earn good salary they don't repay their education loans thus the

willingness to pay by an individual is the best estimator of loan repayment other than the ability to pay.

2.3 Empirical Review

The following section captures the empirical literature review on the factors affecting repayment of higher education loan by beneficiaries in Kenya

2.3.1 Relationship between Ability to Pay and Repayment of Higher Education Loan

The student loan payment, like all other consumer loan payment decisions, depends on the borrower's ability to pay and the costs and benefits associated with default. The ability to pay depends on the borrower's income and assets. Default may occur if a borrower loses his job or suffers a big loss in the business thus he may not be able to service his debt. The benefits of not paying one's student loans are the resources that are freed and that can be used for consumption purposes or to service other debt (Felicia Ionescu and Marius, 2014)

2.3.1.1 Employment opportunity

Inability to pay due to unemployment or other unanticipated financial strains is the major cause of default on loan repayment. This conclusion is based primarily on a number of empirical studies that have demonstrated strong relationship between unemployment and low earnings on one hand and student loan default on the other. Inability to make payments due to illness, disability, or death could also contribute to default.

Education enhances someone's prospects of getting better jobs with high income, thus money spent on education now is a form of investment which leads to greater returns in the future

(Palacio, 2002). Student loans are built upon a model that relies on a person's borrowing to earn a degree which increases employment potential and subsequently the ability to pay off their student loan debts (Dell, 2011). Human capital view is that higher education increases skill and knowledge and results in employment and earning of higher income. In order to attain Vision 2030 Kenya will need professionals across all sectors – doctors, teachers and engineers who will be vital to our country's future success, and education is central to producing those professionals. Investment in education leads to better job and better income. These better income earned by graduates will assist them to settle debt incurred while they were undertaking their education.

Unemployment by many students who have completed their studies and earned the degree leads to increased likelihood of default in loan repayment while those who have secured employment are willing to repay back their loans without delay (California Post Secondary, 2006).

The strongest post school variable associated with default on loan repayment is filing for unemployment assurance. Borrowers who experienced unemployment showed an 83 percent increase in their likelihood of default over their original probability (Woo 2002). Nationally, borrowers indicate that the most important reasons for default are being unemployed (59 percent said this) and working at low wages (49 percent) (Volkwein et al. 1998). In a study of borrowers who left postsecondary education between 1976 and 1985, defaulters were surveyed about the importance of various factors (many of which were post-college factors) that may have led to their default, including unemployment, low income, the presence of other more important loans to repay, dissatisfaction with their educational program, and

intervening personal problems. Some 83 percent of proprietary school borrowers and 74 percent of two-year school borrowers said that being unemployed and without income were very' or somewhat important reasons for their having defaulted (Dynarski, 2003).

According to a study done by Minicozzi, (2005) on the short term effect of educational debt on job decisions, the study analyzed the career choice of 1,006 men in public and private 2- and 4-year postsecondary institutions, by using national data sets in the 1987 National Postsecondary Student Aid Survey. He found that when students have high debt burdens at graduation, there is an inclination to seek jobs with a higher starting salary in order to be financially secure to make loan payments. Although student loan programs increase access to higher education, they may force students' to choose high-paying jobs when they graduate from college and forego their dream jobs. Indebtedness may also deter students from entering lower-paying public service sector jobs and from pursuing graduate programs, since further studies may require additional debt.

2.3.1.2 Income level

Student's level of optimism is one of the factors that influence the accumulation of student loan debts; this is due to the fact that they believe their financial state of affairs is temporary and that their student loans will be repaid back easily as soon as they graduate from their colleges (Ngali, 2013).

Hout (2012) conducted a study where he explored the return on education outside the labour market in United States. He examined the relationship between education and economic and social returns using census data and tuition data from the department of education. The results of the study confirmed positive social and economic returns to education. The study

found that people pursuing higher education got good Jobs and had a higher quality of life. With well-paying jobs repayment of education loans becomes easier.

In a study by (Woo, 2002b) on factors affecting the probability of default: A case of Student loans in California. It was found that most students who default do so because their personal income is inadequate to keep up with their payments and as post-graduation or departure earnings increase, the likelihood of default decreases. Students' expenses increase as they graduate which also means that they may hold the repayment of these short term debts up to when they feel they are more comfortable financially to do the repayment.

According to Schwarts & Finnie, (2002) students who owed more money experienced difficulties in repayment of loans regardless of default status and when the monthly debt burden exceeds 8 percent of the income, the debt is considered unmanageable. Students amass debt because they believe that their current financial state of affairs is temporary and that short term debt will be repaid easily. They have the perception that their income will increase while the debt decrease. Students with higher education debt were found to have low average salaries compared to the ones who had not secured the loans because part of the salary earned will be used to service the loan (Price, 2004; Baum and O'Malley 2003). These findings implied that financial instability after graduation can cause non-repayment of the loan by the borrower.

Amount of income received by the grandaunts will determine the preference of loan repayment. If the borrower has different types of loans, preference will be made on repaying first loans which attract a high interest and also those which attract penalties upon non repayment. Education loans attract penalties upon non repayment as per the agreed time and terms hence the students need to repay the loan on time so as to avoid the extra cost charged.

2.3.1.3 Self – employment

HELB relies more on loan recovery from the formal employed graduates yet most of the graduates don't secure the formal jobs. According to Owino, E. (2003) The student loan scheme in Kenya experience a low rate of recovery because HELB relies heavily on recoveries from graduates who are mostly employed in government public sector, the Teachers' Service Commission and a few private companies mostly because these known entities are easy to reach. Most graduates ends up being self-employed due to lack of formal employment. Positive perception on repayment by the self-employed graduates depends more on their willingness to repay back the money since there or no strong mechanisms used by HELB to recover the loan from them.

According to Wongnaa, (2013). Borrowers with higher education level possess the knowledge of operating a business resulting in higher profit level. Therefore, educational level is one of the significant factors influencing loan repayment performance among SMEs in Malaysia.

2.3.2 Effects of HELB Policy/Legal Obligation on Repayment of Higher Education Loan

According to World Bank (2009), Students' loans needs to be successful for its better performance by increasing students' enrollment, having sound and easy to go guidelines on the criteria for granting loans as well as recovery of the already issued loans. This should be insisted to ensure availability of fund to re lend to other needy students thus making the loan fund become self-sufficient. Before a student is granted the HELB loan, he/she is supposed to fill in and sign an agreement form. When the student signs the agreement form he/she is

deemed to have entered into a contract with HELB, thus the loan beneficiary will be bound by the restrictive term and conditions laid down in the agreement. Punitive measures taken by HELB on loan defaulters may prompt a student to repay back the loan on time to avoid the stated repercussions. HELB Student Loan Repayment Guidelines 2010/2011 states that the amount to be repaid per month will be based on not more than 25% of your basic pay. However, a loan beneficiary can make higher payments which will reduce their balance. When the outstanding balance is cleared at once there is no extra cost charged.

According to Otieno (2004), loan recoveries has been improving over the years as a result of aggressive public education, the enactment of legal instrument binding borrowers and employers to ensure repayment, and streamlined record keeping, among other factors.

2.3.2.1 Penalty.

Amnesties on charges, penalties or even on unpaid taxes encourage a win-win situation.

Affected individuals and organizations takes advantage of the amnesty to save on the charges they would have incurred if there was no amnesty offered and it reduces the cost of debts collection (Leseeto, 2010). Luitel and Sobel, (2005) discussed two schools of thought on the effects of tax amnesty on tax compliance. First, the proponents of tax amnesty argue that it may increase tax revenues as taxpayers take advantage of the grace period offered by the tax authority. The other school of thought consisting of proponents of amnesty contends that the revenues from more productive amnesties are relatively small (Malik and Schwab, 1991).

Amnesty allows tax payers to pay debt without interest and penalties. The aggregate impact of an effective amnesty is that it encourages previous non-compliant payers to be brought into being compliant (Alm and Beck, 1993). The debt collection department proactively manages

the loans by calling up customers who are defaulting. This unit is equally charged with the role of liaising with lawyers to draft demand letters to the loan defaulters and sending the same to the customers who are defaulting (Ogolla, 2012). HELB should borrow a leaf from banks aggressiveness on debt collection.

Ngali (2013) did a study on the effect of penalty amnesty on loans recovery at the higher education loans board of Kenya. The study found that the amnesty had a positive influence on the Loan recovery collections whether directly or indirectly. There was a spike in the loan recovery collections immediately the amnesty period started and during the amnesty period. The amnesty period can make a borrower change his/her perception towards loan repayment.

In Kenya currently for anyone to get employed in the public sector a clearance certificate from HELB is one of the requirements. This makes the beneficiaries to settle down their debts in order to get employment in the public sector thus affecting their perception on loan repayment. The employer has been given the mandate to deduct and remit a certain amount as instructed by HELB from the salary of a loan beneficiary who is under employment and has not cleared off the debt. According to Jackson (2002) as cited in Johnstone (2003), the NSFAS has the authority to compel employers to withhold student loan repayments owed by employees whose payments are in serious arrears, regardless of whether the repayment has been calculated on an income contingent or some other basis.

In a study done by (Ziderman, A., & Shen, H. 2009) on students loans repayment and recovery policy in Stanford, it revealed that government students loans scheme have implied interest rates subsidies that have a tendency of increasing the cost to the taxpayers and at the

same time minimizing repayment burdens to the graduates. The study recommended the income contingent loan repayment strategy as being better compared to the mortgage type loan scheme. The income contingent repayment strategy is where payment varies with income received while the mortgage one a fixed amount is paid monthly no matter the amount of income received. The repayment strategy imposed by HELB can affect the loan repayment in that many will prefer a strategy that varies with income received other than the one with fixed amount to be repaid.

Otieno (2004) studied student loans in Kenya: past experiences, current hurdles, and opportunities for the future. In his recommendations drawing lessons from the seven year existence of HELB as well as from its predecessor organization, he sighted that HELB would minimize default through partnering with the Kenya Revenue Authority to trace loanees and tapping through the private sector for capital.

2.3.2.2 Credit Rating

For better or worse, credit reports and credit scores affect many facets of our lives. Credit scores determine if you are able to buy a home, take out a car loan, obtain credit cards, or be eligible for student loans. For those students who are in college, it is also important to consider how the student loans will affect their credit reports and credit scores. Student loans and student loan debt influence the persons' credit ratings. In Kenya, Higher education loan defaulters are blacklisted by the Higher Education Loans Board (HELB) and their names presented to the Credit Reference Bureau (CRB). That means that they will not be able to access credit from any financial institution for a period not less than seven years from the

time they complete their last loan repayment installments. For fear of being blacklisted many students opt to pay their education debts, thus affecting their perception towards repayment of debt.

Sigei (2010) did a research on evaluating the effectiveness of credit reference bureau in Kenya, The case of Kenya Commercial Bank. His study revealed that CRBs play an important role in preventing serial loan defaulters from accessing credits from other financial institutions .Similar sentiments are also shared by others researchers (Mumi, 2010; Gaitho, 2010; Nganga, 2011) who carried out a study on stakeholder perception of credit reference bureau service in Kenya credit market. The study revealed that many of the borrowers do not want to be listed as defaulters in CRBs and would try as much as possible to service their credit facilities so as to protect their reputation.

Darolia, R. (2013) stated that Student loan default trends are troubling in that the costs of loan default can be substantial for both borrowers and taxpayers. Default damages an individual's credit profile, which can limit students' future access to the credit market and impair their ability to finance future purchases.

2.3.2.3 Government compliance

Khan and Ahmed (2001) reasoned that some lending institutions factors are related to risk management structures put in place by lending institutions were to blame for loan defaults.

These institutions factors include laid-back procedures used in credit risk management.

Negligence in monitoring loan defaults, insider loans, unaggressive credit collection methods and lack of trained personnel manning these institutions. When loans are not performing the

quality of assets decays and can affect the asset base of a bank and affect the banks' ability to lend further (Ndung'u, 2007).

Furrow (2005) offers a unique perspective on integrity, seeing it as "the extent to which our various commitments form a harmonious, intact whole". Lucidity on this view is between the variety of obligations one has embraced, and the consistency each has with the other(s). This author extends his development of the concept of integrity by noting that to have integrity is to be capable of living an integrated account. In the Constitution of Kenya, Chapter six touches on matters of Leadership and integrity for public officers. This requires the vetting of public officers on their suitability to hold office. The constitution requires holders of public offices to be cleared from anticorruption, criminal offences and other government requirements that may be brought as part of integrity compliance. Student's loan repayment is one of the requirements for integrity clearance and has been used by some employers to vet the suitability of various candidates for employment.

Reddy (2004) critically examined various issues pertaining to terms of credit of Indian banks. In this context, it was viewed that the aspect of power has no bearing on the illegal activity. A default is not entirely an irrational decision. Rather a defaulter takes into account probabilistic assessment of various costs and benefits of his decision.

Awino (2000) found out that lack of policies in loan recovery strategy is the cause of problem in the loan recovery efforts and unless HELB takes a bold step in tackling this issue by creating clear and well documented policies which work as a source of reference for all of its activities, then its role of financing higher education in Kenya will still be hindered by many problems at stake.

2.3.3 Effects of Perception on Repayment of Higher Education Loan

2.3.3.1 Attitude towards government loans

Some students believe that the loan given by HELB is a form of grant which should not be repaid back. They believe that the government should support them freely without the condition of repaying back the loans. A failure in making of payments is contributed to by the failure of the lender (most often the government) to make clear that the obligation was indeed a loan and the failure to repay will lead to having potentially serious legal and other consequences, such as a loss of credit (Kerin 2012). Default on loan repayment arises from a misunderstanding that the so-called deferred obligation was indeed a loan that had to be repaid. A political or ideological opposition to the view that students should be charged anything for their higher education can result to non repayment.

2.3.3.2 Awareness/information

According to Baum and O'Malley (2003) students' loans borrowers have different characteristics which affects their inclination to repay back the loans hence hastening the default rate. These characteristics are grouped into background characteristics termed as pre-college measures, college experiences and post-college measures (Matt & Teszler, 2003). According to Herr and Burt (2005) pre-college measures are characteristics attained by the students' borrowers before they enroll themselves in college or university these includes age, gender and attitudes. College experiences includes characteristics attained by students' borrowers after they have enrolled themselves in a college or university, these characteristics includes academic achievement as measured by GPAs, financial support and degree

completion. Post-college measures are the characteristics attained by a students' loan borrower after graduation, these includes characteristics such as highest degree attained, income and marital status of a borrower.

In a study done by Abu Bakar *et al* (2006) about education loan defaulting it was found that perception was related to loan default and it remains a major area for further investigation as 'willingness to repay' is more important than the 'ability to repay'. A research done by Christman (2000) stated that attitude correlates with ignorance dissatisfaction and misconceptions regarding the potential consequences of failing to repay the loan. Woo (2002), found that perception associate with borrower misbehavior on loan repayment or other financial obligation on which payment is overdue. As the payment deadline approaches the chances of a borrower defaulting will increase.

Exit counselling to graduating student provides them with the knowledge on how to financially manage their income and settle their debts. Steiner & Teszler, (2005) researched on how exit counselling affects the perception on loan repayment where it was found that those students who refused exit counselling were strongly likely to default.

McMillion, (2004) compiled literature reviews on educational loan defaults in which perception was found to be one of the factors leading to non-repayment of loans. According to a research done by Abu Bakar *et al*, (2006), it was established that an understanding of perceptions and behaviors are important in predicting repayment or non-repayment of loan. Furthermore, Gross et al. (2009) compiled the factors associated with loan default and found that perception was among the default factors

According to World Bank (2008a) report, the increase of students' awareness on the costs of higher education and understandability of their obligation to repay back their loans will motivate them to evaluate both costs and benefits obtained from higher education attained. Thus upon completion of their studies students will feel obliged to repay the loans in order to give chance to other needy students attain the same benefits of education. Ismail et al., (2010) did a study on the students' attitude to educational loan repayment. The data was collected from a cross-section of students who were studying in public universities in Malaysia. The analysis was done in reference to the Theory of Planned Behaviour where it was established that loan defaults are influenced by a complex interaction of personal-, social- and psychology-related variables: students' attitude, intention to repay loan, parental influence, perceptions that loan repayment will affect quality of life after graduation, perceptions towards loan agreement, and an awareness of loan repayment issues created by the media.

The HELB loan collection procedures can be directly linked to the loans recovery through the advertisements done to create awareness on the loan repayments which is believed to have led to increased loan collections. The use of emails to communicate loans balances and remind loan beneficiaries of their repayments, the phone calls and direct visit to employers are among the identifiable debt collection procedures that can be linked to the students' loan recovery (Warue and Ngali, 2016).

Booji et al. (2012) looked at the role of information for influencing student perception towards the cost of education in the Netherlands. They used a representative sample of students in higher education. Half of these students are given information about loan

conditions (including interest rates, the maximum loan amount, the grace period and the repayment period). Results indicate that Dutch students are relatively poorly informed about loan conditions and that information significantly improves knowledge. This suggests that information campaigns are successful in improving student knowledge and thus it also influence their perception towards loan repayment.

Christie and Munro (2003) did a study about students' perception of the costs and benefits of student loans. Interviews were conducted with students enrolled at two universities in the United Kingdom. It was found that students from lower-class backgrounds are typically uninformed about the economic benefits of higher education and thus the default on loan repayment. In contrast, students from upper-class backgrounds are certain of the economic benefits of higher education, but, because of their parents' resources, often they do not need to use loans to pay college expenses.

Financial literacy initiatives are one way to address students' understanding of student loans prior to graduation (Hayes, 2012). These programs can address anything from basic money management skills to financial aid package review to a comprehensive guide for repayment options. Most students lack a basic understanding of money management, and prior to attending college most students have had no experience with independent financial decision making (Hayes, 2012).

According some research done by (Podgursky et al., 2002; Seifert & Worden, 2004; Steiner & Teszler, 2005) on the effects of loan counselling or consumer education on the loan default rate. They found that loan counselling was related to lower rate of default. Students who participated in such programs change their perception about loan repayment thus they are less

likely to default. According to (Masterson, 2010) New York University (NYU) piloted a program that started spreading awareness by making calls to all their accepted students to discuss the loans in their financial aid package and how that would shape up over time. The institution was trying to make it clear to students that higher education is a significant investment and they should have a positive perception about loan repayment after graduating. NYU decided to stop the program because they learnt that the practice did not have any effect on the students enrolled. Even though the program did not have the desired outcome, NYU did try something to help their students with the financial realization of attending the institution and is open to exploring other ideas that could be effective.

2.3.3.3. Peer/parent/guardian influence

Ismail et al., (2012) did a study at the public universities of Malaysia on the Mediation Effects of Educational Loan Repayment Model. They did a test on the mediation effect between student loan repayments; perception that loan repayment will affect the quality of life after graduation, awareness of loan repayment issues, perception towards loan agreement, parental influence, students' attitude towards loan repayment and intention to repay loan. The results showed that the students' attitude construct mediates partially the relationship between parental influence and intention to repay loan, and between perceptions of the impact of loan after graduation and intention to repay loan. The relationship between students' attitude and awareness of loan repayment issues created by media is fully mediated by parental influence. While it can be hard for teens to resist peer influence sometimes, especially in the heat of the moment, it can also have a positive effect. Just as people can influence others to make negative choices, they can also influence them to make positive ones.

According to a study done by (Kameda, Takezawa, and Hastie 2005) on where social norms come from. Its findings were that group membership (e.g. family, religious, school, peer) is a particularly powerful socializing experience and people often change their opinions and behavior to be consistent with standards or expectations (norms) of the group. A teen might repay back his education loan because all of his or her friends are doing it, or because the social group he or she belongs to thinks repayment of the loan is important.

According to a study on imagined interaction, attitudes towards money and credit, and family coalitions by Allen et al.,(2007) it was observed that children learn about finances through observations, positive reinforcement, practice and participation, and deliberate instruction by parents. Direct influences such as family discussions and keeping track of allowance could consist of an increase in knowledge and formation of attitudes, values, and behaviors among the children. The parent/ guardian influence affects loan repayment by their children. Positive reinforcement will lead to repayment of loan granted while the negative reinforcement will lead to default.

2.4 Conclusion

The reviewed literature highlighted that there are many factors affecting repayment of higher education loan .From research carried out Christie and Munro (2003) it was found that students from lower-class backgrounds are typically uninformed about the economic benefits of higher education and, thus, have a negative perception on loan repayment.

Allen et al., (2007) established that direct influences such as family discussions and keeping track of allowance could consist of an increase in knowledge and formation of values, and behaviors among the children.

(Podgursky et al., 2002; Seifert & Worden, 2004; Steiner & Teszler, 2005) found that loan counselling was related to lower rate of default. Students who participated in such programs changed their perception about loan repayment and thus minimized likelihood to default.

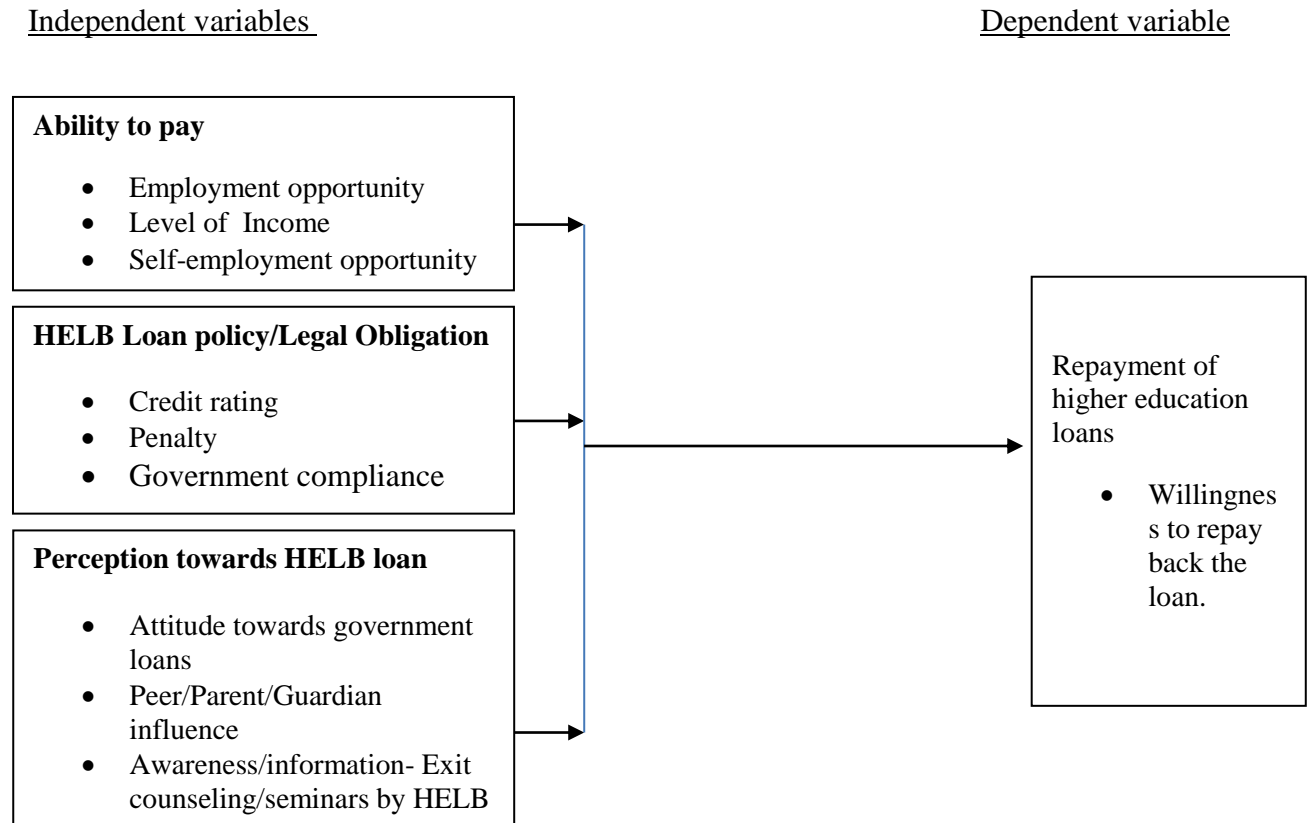
Local studies by Ngali, (2013), Atuahane, (2007), Warue and Ngali (2016) and Kipkech, (2011) explain the challenges of education loan recovery and factors contributing to non recovery from the HELB point of view. Knowledge on the factors affecting loan repayment from the beneficiary perspective will be examined in this study. A good understanding of the factors affecting the loan repayment by students who have graduated will inform the policymakers about changes that need to be addressed in order to lower the problem of loan non-repayment.

Conceptual Frame Work

This study intends to investigate the influence of ability to pay, HELB policy/legal obligation and perception on repayment of Higher Education loans. The conceptual framework in Figure 2.1 has been developed to present the relationship between loan repayment and ability to pay, HELB policy/legal obligation and students perception.

Figure 2.1

Conceptual framework of the factors affecting perception on loan repayment



Source: Author (2016)

Figure 1 shows the linkage between different factors affecting repayment of Higher Education Loan. According to Kimani, (2011) beneficiaries are students who have been granted loans by HELB. Ability to pay higher education loans depends on employment opportunity, income level and self-employment among graduates. A student who get some job after graduating and earns a good salary repay back their loan on time. According to Hout (2012) people pursuing higher education gets good job with a higher salary which enables them repay back their loan and enjoy higher quality of life.

The HELB policy / Legal obligation affect repayment of higher education loan. Credit rating, imposition of penalty and government compliance are part of the legal obligation. Mumi (2010) supports that students will repay back their loan on time to avoid being listed in CRBs thus protecting their reputation.

In the Constitution of Kenya, Chapter six touches on matters of Leadership and integrity for public officers. This requires the vetting of public officers on their suitability to hold office. The constitution requires holders of public offices to be cleared from anticorruption, criminal offences and other government requirements that may be brought as part of integrity compliance. Student's loan repayment is one of the requirements for integrity clearance and has been used by some employers to vet the suitability of various candidates for employment. Government integrity compliance therefore is seen to influence positively the loan recovery performance in HELB of Kenya.

HELB loan policy involves restrictive covenants between the board and the students, which can affect the perception on loan repayment by the graduates. According to Jackson (2002) as cited in Johnstone (2003), the NSFAS has the authority to compel employers to withhold student loan repayments owed by employees whose payments are in serious arrears, regardless of whether the repayment has been calculated on an income contingent or some other basis. The students will thus be compelled by the strict rules of loan provider to repay back the loan.

Perception towards HELB loan affects a student's intention to repay back the loan. Students Attitude, external influence and awareness forms part of perception towards repayment of the loan. Steiner & Teszler, (2005) supported that exit counselling to students on how to manage

their debt can minimize the loan default rate. Influence from peers and parent/guardian can have an impact on the repayment of the loan by the beneficiary. Positive influence will lead to repayment of the loan on time. The study done by Ismail et. al (2012) supports that parental influence impacts on repayment of loan by the student. According to World Bank (2008a) report an increase of students' awareness on the costs of higher education and understandability of their obligation to repay back their loans will motivate them to repay back.

Operationalization of variables

Variable	Type of Variable	Indicators	Collection tool	Scale of Measurement	Tool of Analysis
Repayment of higher education loans	Dependent Variable	<ul style="list-style-type: none"> • Willingness to repay back the loan. 	Questionnaire	Ordinal	Factor Analysis
Ability to pay	Independent Variable	<input type="checkbox"/> Employment opportunity	Questionnaire	Ordinal	Factor Analysis
		<input type="checkbox"/> Income level			
		<input type="checkbox"/> Self-employment opportunity			
Repayment policy/legal obligation	Independent	<ul style="list-style-type: none"> • Credit rating 	Questionnaire	Ordinal	Factor Analysis
	Variable	<ul style="list-style-type: none"> • Penalty 			
		<ul style="list-style-type: none"> • Government integrity compliance 			
Perception towards HELB loan	Independent	<ul style="list-style-type: none"> • Attitude towards government loans 	Questionnaire	Ordinal	Factor Analysis
	Variable	<ul style="list-style-type: none"> • Awareness information /Exit counseling 			
		<ul style="list-style-type: none"> • Peer/parental /guardian influence 			

Source: Author (2016)

Table 2.1: Operational definition of variables

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents information on the type of research design that will be adopted, population and sample selected for the study. It will also discuss the data collection, analysis and presentation techniques that will be used in the study.

3.2 Research Design

Research design is about the type of data that needs to be collected in order to address the research questions and it deals with a logic problem (white, 2009). The research will be conducted through a descriptive research design. This type of research describes what exists and may help to uncover new facts and meaning. The purpose of descriptive research is to observe, describe and document aspects of a situation as it naturally occurs (Kothari, 2009). The purpose of a descriptive research project is to provide a picture of situations as they naturally happen. The design will therefore be deemed to be appropriate for this study as it will help in assessment of the factors affecting repayment of higher education loans by the beneficiaries.

3.3 Population

The population of this study will comprise of graduate students who have benefited from HELB loan and their loans have matured. This is because they are better placed to respond to the questionnaire on factors affecting repayment of their HELB loans. According to a study

done by Warue and Ngali, (2016) on HELB loan repayment up to the year 2015, a total of 261,933 students had graduated and their loans were due.

3.4 Sample and Sampling Procedure

Sampling means selecting a group that represents the entire population. Sampling is considered because it reduces cost and resources that would have been used in studying the entire population. It makes a study more manageable in terms of resources and ensures that the objective of the study is covered as well. Respondents in the study are students who have graduated and are beneficiaries of Higher Education Loans. Estimation of sample size will be done using Krejcie and Morgan (1970) formula. The formula to determine sampling size:

$$S = \frac{X^2NP(1-P)}{d^2(N-1) + X^2P(1-P)}$$

Where

S = required sample size

X² = the table value of chi-square for one degree of freedom at the desired confidence level

N = the population size

P = the population proportion (assumed to be .50 since this would provide the maximum sample size)

d = the degree of accuracy expressed as a proportion (.05)

As per the sampling table guide provided by Krejcie and Morgan (1970) the sample will consist of 382 students selected from 261,933 students who have graduated and the loans are due for payment. The 382 respondents will be selected using random sampling technique. According to Amin (2005) randomization is effective in creating equivalent representative groups that are essentially the same on all relevant variables thought of by the researcher.

3.5 Data Collection

Primary data gathered using questionnaires will be used in this study. The questionnaires will be distributed to graduated students who are beneficiaries of Higher Education Loans. The questionnaire is an ideal instrument to gather information from a large sample in a fairly short time (Kothari, 2004). The questionnaires will be structured in nature and the participants will respond to questions that employ a five-point Likert-scale. This scale will allow the respondents to rate the factors that affect repayment of higher education loan.

3.6 Data Reliability

Reliability of the instruments will be obtained through pilot testing. The same questionnaire will first be administered on a small number of graduated students who will not be included in the actual study to be sure that the students understand the questions in the same way. The obtained correlation coefficient would indicate the stability of the scores. Reliability (internal consistency and stability) of the instruments will be tested using Cronbach's Alpha Coefficient as shown below.

$$\alpha = \frac{N \cdot \bar{c}}{\bar{v} + (N - 1) \cdot \bar{c}}$$

Where N = the number of items

c-bar = the average inter-item covariance among the items

v-bar = the average variance.

Field (2005) interprets a Cronbach's α greater than or equal to 0.7 as acceptable. It implies that the instrument is relatively good measurement tool hence reliable.

3.7 Data Validity

Construct validity of the study will be obtained by presenting the questionnaire to at least two professional people, including my research supervisor because according to Amin (2005) content and construct validity is determined by expert judgment. Face validity will be measured on how the experts feel that the questionnaire is an adequate measure of factors affecting loan repayment. Their feedback will be used remove the vague questions and to generally improve the questionnaire.

3.8 Data Analysis

For data collected to be meaningful, it will need to be analyzed in a way that it is easily understood. This will include summarizing the essential features and relationships of data in order to generalize and determine patterns of behavior and particular outcomes. The completed questionnaire will be edited for completeness and consistency then coded and entered into the system to facilitate smooth analysis and grouping of the findings. Quantitative technique will be used to analyze the data. Factor analysis will be used in order to reduce the number of indicators or factors under each research variable and retain the indicators capable of explaining the factors affecting repayment of higher education loans in Kenya. Descriptive statistics such as mean, frequencies, percentages and standard deviations will be used to analyze the data. Statistical package for Social sciences (SPSS) version 20.0 will be used to do the data analysis. According to Welman et al. (2005), data analysis by

means of statistical techniques helps the researcher to investigate variables as well as their effect, relationship and patterns of involvement. During the analysis data will be classified, measured, analyzed and interpreted to establish the factors affecting repayment of higher education loans in Kenya. The findings will be presented in tables, pie charts and graphs.

Inferential statistics such as regression will then be used to evaluate the degree of relationship between the independent and the dependent variable where multiple linear regressions will be used. The main purpose of multiple linear regression analysis include: prediction, explanation and theory building. The following model will be used in this study

$$Y_i = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon_i$$

Where

Y_i Represents the dependent variable which is loan repayment by HELB loan beneficiary

α Represents a constant factor or the intercept

X_1 Represents an independent variable, the ability to pay.

X_2 Represents an independent variable, the repayment policy/legal obligations

X_3 Represents an independent variable, the perception towards loan repayment

$\beta_1, \beta_2, \beta_3$, Represents the parameters associated with the corresponding independent variable that are to be estimated (partial regression coefficients).

ε_i Represents an error term

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter presents the research results and findings based on the data collected and analyzed. The structure of this chapter is on the basis of the research questions. All questionnaires returned by the respondents were usable for data analysis. The duly completed questionnaires were edited and coded. The research findings are presented in form of tables, graphs and charts.

4.2.1 Distribution of Respondents by Age

The study requested the respondent to indicate their age category, from the findings 57.5% of the respondents were aged between 21 to 30 years, 26.1% of the respondent indicated they were aged between 31to 40 years, 9.4% of the respondents indicated they were aged between 41 to 50 years, whereas 7.0% of the respondents indicated that they were aged between 51 to 60 years

Age of the Respondent		
	Frequency	Percent
51-60	21	7
41-50	28	9.4
31-40	78	26.1
21-30	172	57.5
Total	299	100

Table 4.2.1 Age of the Respondent

4.2.2 Distribution of Respondents by Gender

The study sought to find out the gender of the respondents. From the findings, 64.2% of the respondents were male while only 35.8% of the respondents were female. This response indicates that there is unequal distribution of gender. In addition it shows that both genders were fairly involved in this study and thus the finding of the study did not suffer much from gender bias.

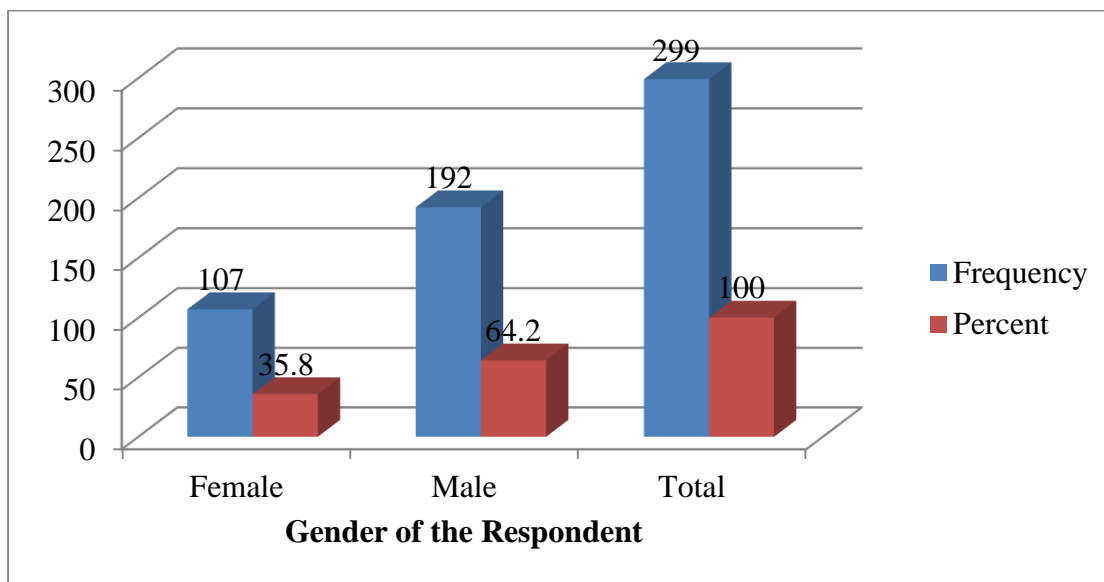


Figure 4.2.2 Gender of the Respondent

4.2.3 Distribution of Respondents by Marital status

The study sought to find the respondents marital status. Majority (51.8%) of the respondents was married, 39.1% were single, and 4.3% were separated from their spouses whereas just

3.0% were divorced. This indicates that all the respondents who participated in the study were responsible and grown enough to give reliable information.

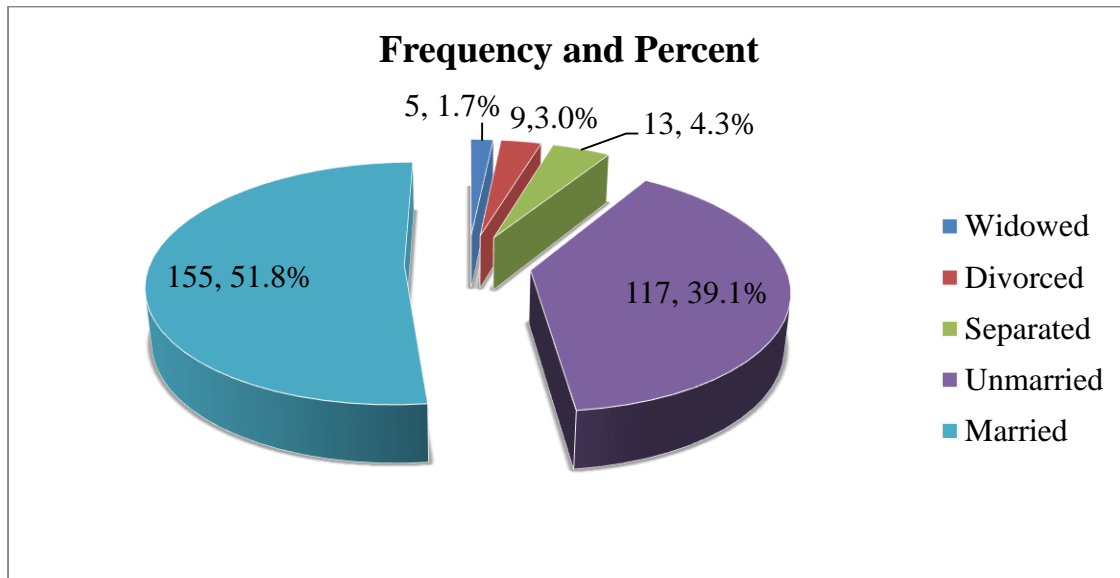


Figure 4.2.3 Marital Status

4.2.4 Distribution of respondents by year of completion

The findings shows that majority of the respondents completed their undergraduate studies between the years 2011-2016 with 48.6%, 31.5% completed their studies between 2001-2010, 9.6% between 1991-2000 and 3.5% of the respondents completed their undergraduate studies between 1981-1990.

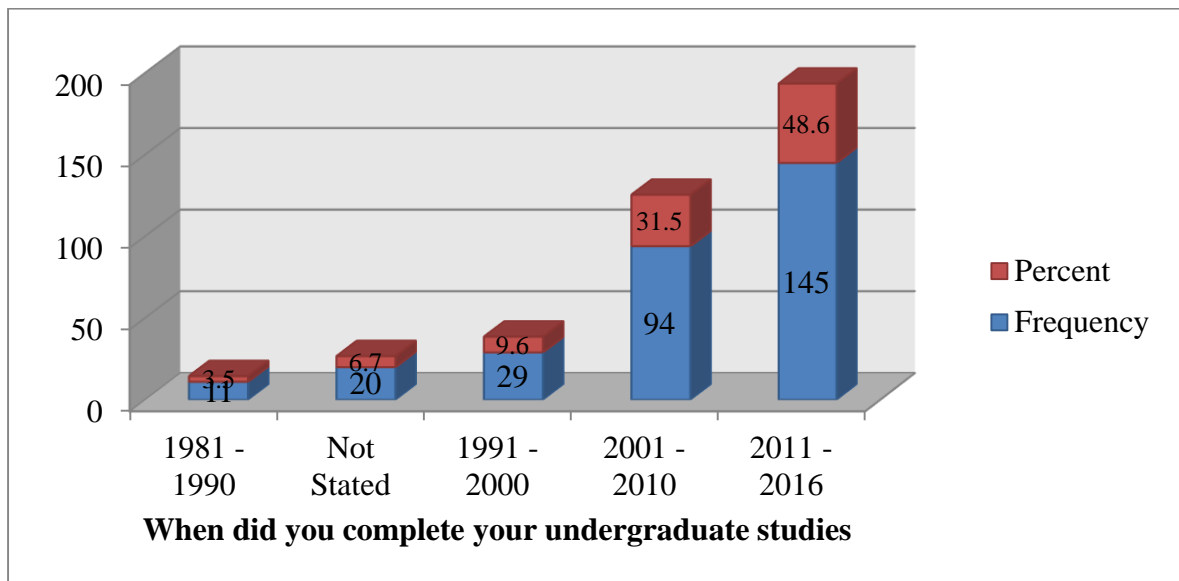


Figure 4.2.4 Completion of Undergraduate

4.2.5 Distribution of respondents by fields of study

The study sought to find out the fields of study of the respondents, the findings shows that 39.5% of the respondents studied social sciences, humanities and education, 36.5% studied science and technology, 17.7% studied science and technology, 1.3% engineering, 1.0% fine arts & sports science and Education arts, 0.7% studied Agriculture & Extension and public/business relations while 0.3% of the respondents studied films and theater production.

What was your broader field of study		
	Frequency	Percent
Films & Theater Production	1	0.3
Public/ Business Relations	2	0.7
Agriculture & Extension	2	0.7
Education (Arts)	3	1
Fine Arts & Sports Science	3	1
Engineering	4	1.3
Not Stated	4	1.3
Business & Management	53	17.7
Science & Technology	109	36.5
Social Sciences, Humanities & Education	118	39.5
Total	299	100

Table 4.2.5 broader field of study

4.2.6 Respondent's employment status

The study sought to find out the employment status of the respondents. The findings indicate that 70.9% of the respondents were currently employed and 29.1% of the respondents were not employed yet.

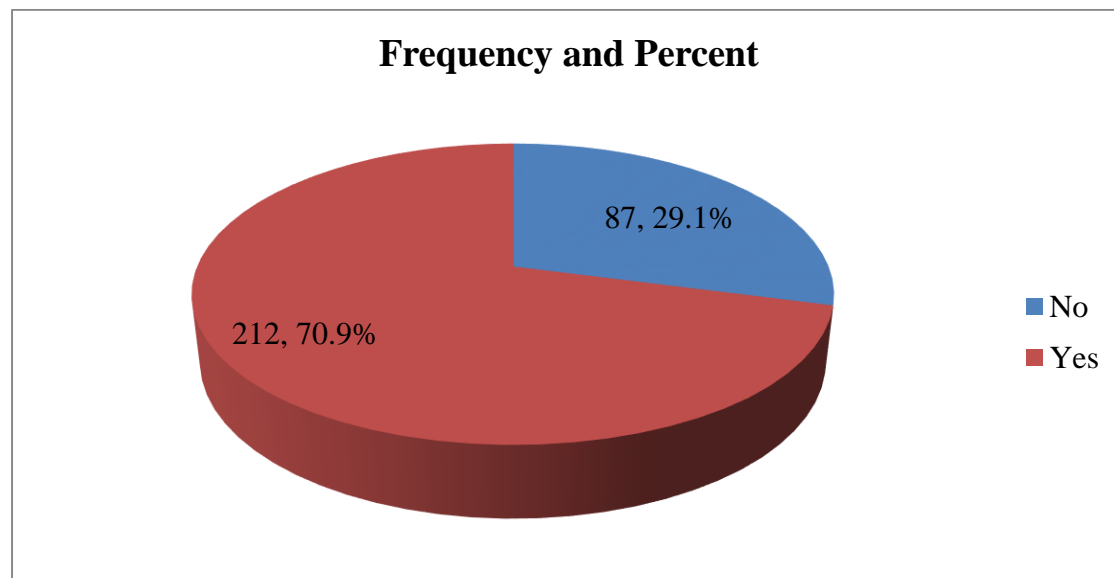


Figure 4.2.6 Employment status

4.2.7 Distribution of the respondents on the time waited to get employed.

The findings shows that majority of the respondents took less than a year to get employed with 65.7%, 32.4% of the respondents took more than one year to get employed. 6.5% of the respondents were not employed and 4.2% of the respondents were furthering their studies while 1.1% of the respondents were self-employed.

How long did it take you to get a job		
	Frequency	Percent
Self-Employed	3	1
Furthering Studies	11	3.7
Not Employed	17	5.7
Not Stated	37	12.4
0-4 Months	60	20.1
More than 1 Year	85	28.4
4 Months-1 Year	86	28.8
Total	299	100

Table 4.2.7 Period taken either getting or not getting job

4.2.8. Respondent a beneficiary of education loan by HELB

The study sought to find out whether the respondent was a beneficiary of education loan by HELB. The findings shows that 90.0% of the respondents were beneficiaries of education loan by HELB while 10% of the respondents were not beneficiaries of the education loan by HELB

Were you a beneficiary of education loan from HELB		
	Frequency	Percent
No	30	10
Yes	269	90
Total	299	100

Table 4.2.8 Beneficiary of HELB

4.2.9 Respondent's family/relative a beneficiary of HELB

According to the study, 53.8% of the respondents did start that their family/relative were a beneficiary of HELB, 38.5% of the respondents stated that their family/relative were not beneficiaries of HELB while 7.7% of the respondents did not indicate whether or not their family/relative were beneficiaries of HELB.

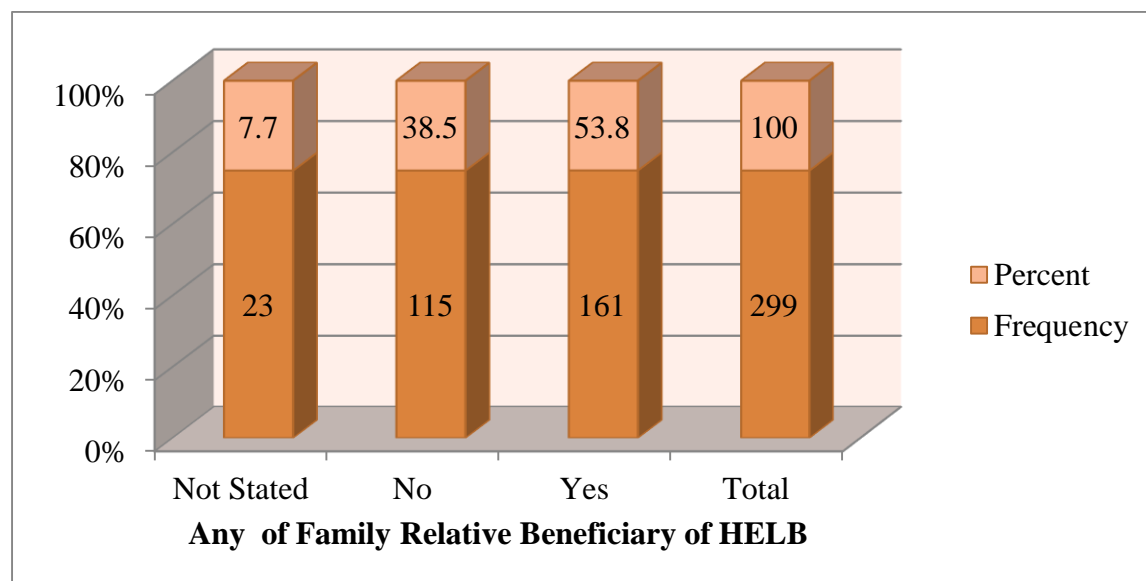


Figure 4.2.9 Relative Beneficiary of the HELB

4.3.1 Statements relating to ability to HELB Repayment

The study sought to establish the level at which the respondents agreed with the statements relating to HELB repayment and from the findings the study established that majority of the respondents strongly agreed that the amount of salary they get has enabled them to repay their HELB loan without delay as shown by a mean of 3.40 and a standard deviation of 1.303 and that being employed has enabled them to settle their loan to the fullest as shown by a mean of 3.35 and a standard deviation of 1.288. Others agreed that they got employed

immediately after graduating as shown by a mean of 2.79 and a standard deviation of 1.399, The amount of income they get is too minimal to accommodate repayment of educational loan as shown by a mean of 2.76 and a standard deviation 1.160, being self-employed has enabled them to service their loan to the fullest as shown by a mean of 2.55 and a standard deviation of 1.123, they did not manage to get the formal employment, thus they ventured into self-employment as indicated by a mean of 2.51 and a standard deviation of 1.185, The income they get from self-employment is enough to settle their loan as shown by a mean of 2.50 and a standard deviation of 1.066 and that they have not repaid back their loan since HELB has no mechanism of tracing them because they are not in the formal sector of employment as indicated by a mean of 1.96 and a standard deviation of 1.145.

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
I got employed immediately after graduating	299	1	5	2.79	1.399
Being employed has enabled me to settle my loan to the fullest	299	1	5	3.35	1.288
The amount of salary I get has enabled me to repay my HELB loan without delay	299	1	5	3.4	1.303
The amount of income i get is too minimal to accommodate repayment of educational loan	299	1	5	2.76	1.16
I did not manage to get the formal employment, thus I ventured into self-employment	299	1	5	2.51	1.185
Being self-employed has enabled me to service my loan to the fullest	299	1	5	2.55	1.123
The income I get from self-employment is enough to settle my loan.	299	1	5	2.5	1.066

I have not repaid back my loan since HELB has no mechanism of tracing me because i am not in the formal sector of employment.	299	1	5	1.96	1.145
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Table 4.3.1 Statements relation ability to HELB Repayment

4.3.2 Statements relating to perception on loan repayment

The study sought to establish the level at which the respondents were informed about loan repayment and from the findings, the study established that majority of the respondents strongly agreed that the information on repayment of HELB loan were readily available from the media. e.g. on Newspapers, TV, radio, internet and other social media as shown by a mean of 3.72 and a standard deviation of 1.174 and that The seminars offered in campus on repayment of loans has encouraged them to make payment to avoid problems in future as shown by a mean of 3.08 and a standard deviation of 1.200. Others agreed that HELB used to conduct seminars /sensitization forums at the university on management of loans after graduation as shown by a mean of 3.06 and a standard deviation of 1.306, their parent/guardian advised them to repay back the loan. as shown by a mean of 2.87 and a standard deviation 1.143, Their peers who have completed servicing their loans influence them to make repayment as shown by a mean of 2.72 and a standard deviation of 1.133, Repayment of their loan on time is because they have experienced their parent/guardian clear their debts on time as indicated by a mean of 2.72 and a standard deviation of 1.109 that they have not started making loan repayments because even their friends whom they were with in campus had not repaid their loans as indicated by a mean of 2.10 and a standard deviation of 1.152. The study established that majority of the respondents strongly agreed that they had repaid/will pay their loan in order for the government to continue supporting other needy

students. as shown by a mean of 4.16 and a standard deviation of 1.051 and HELB usually keeps on reminding the loan beneficiaries on their obligation to make the payments as shown by a mean of 3.82 and a standard deviation of 1.145 and that The loans given by the government through HELB should be in form of a grant thus not repayable as shown by a mean of 3.30 and a standard deviation of 1.382

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
My parent/guardian advised me to repay back the loan.	299	1	5	2.87	1.143
Repayment of my loan on time is because I have experienced my parent/guardian clear their debts on time	299	1	5	2.72	1.109
My peers who have completed servicing their loans influence me to make repayment	299	1	5	2.72	1.133
I have not started making loan repayments because even my friends whom we were with in campus have not repaid their loans	299	1	5	2.1	1.152
HELB used to conduct seminars /sensitization forums at the university on management of loans after graduation.	299	1	5	3.06	1.306
The seminars offered in campus on repayment of loans has encouraged me to make payment to avoid problems in future	299	1	5	3.08	1.2
The information on repayment of HELB loan is readily available from the media. e.g. on Newspapers, TV, radio, internet and other social media	299	1	5	3.72	1.174
HELB usually keeps on reminding the loan beneficiaries on their obligation to make the payments.	299	1	5	3.82	1.145
The loans given by the government through HELB should be in form of a grant thus not repayable.	299	1	5	3.3	1.382

I have repaid/will pay my loan in order for the government to continue supporting other needy students.	299	1	5	4.16	1.051
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Table 4.3.2 Statements relating to perception on loan repayment

4.3.3 Extent of agreement with statements on Legal obligations/ HELB policy towards loan repayment

The study sought to establish the level at which the respondents understood penalties on defaulters relating to HELB repayment and from the findings the study established that majority of the respondents strongly agreed they had repaid /will repay their loan to avoid being blacklisted as defaulters as shown by a mean of 3.95 and a standard deviation of 1.051 and that Non repayment of loans leads the defaulter being blacklisted by the Credit Reference Bureau hence deterring one from accessing other loans as shown by a mean of 3.77 and a standard deviation of 1.112. Others agreed that they had repaid the HELB loan to avoid the hefty penalties charged for defaulting as shown by a mean of 3.67 and a standard deviation of 1.179, Many employers are using the HELB clearance certificate to vet for suitability of candidates for employment as shown by a mean of 3.31 and a standard deviation 1.049, The government requirement for one to clear with HELB in order to hold a public office has made the respondent repay back their loan as shown by a mean of 2.72 and a standard deviation of 1.215, No defaulter has ever been prosecuted due to non-repayment of HELB loan thus the respondent need not repay their loan as indicated by a mean of 2.51 and a standard deviation of 1.060, Accumulation of penalty in respondents loan account has made them unable to repay back the loan as shown by a mean of 2.26 and a standard deviation of 1.213 and that

the respondent will only pay their loan when amnesty will be given to the loan defaulters as indicated by a mean of 2.05 and a standard deviation of 1.042

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Non repayment of loans leads the defaulter being blacklisted by the Credit Reference Bureau hence deterring one from accessing other loans	299	1	5	3.77	1.112
I have repaid /will repay my loan to avoid being blacklisted as a defaulter	299	1	5	3.95	1.051
I have repaid the HELB loan to avoid the hefty penalties charged for defaulting.	299	1	5	3.67	1.179
I will only pay my loan when amnesty will be given to the loan defaulters	299	1	5	2.05	1.042
Accumulation of penalty in my loan account has made me unable to repay back the loan	299	1	5	2.26	1.213
The government requirement for one to clear with HELB in order to hold a public office has made me repay back my loan	299	1	5	2.72	1.215
Many employers are using the HELB clearance certificate to vet for suitability of candidates for employment	299	1	5	3.31	1.049
No defaulter has ever been prosecuted due to non-repayment of HELB loan thus I need not repay my loan.	299	1	5	2.51	1.06

Table 4.3.3 statements on Legal obligations/ HELB policy towards loan repayment

4.3.4 Extent of agreement with statements on obligations towards education loan

The study sought to find the extent of agreement with the statements relating education loan obligations and from the findings the study established that majority of the respondents strongly agreed that Repayment of HELB is their obligation as shown by a mean of 4.75 and a standard deviation of 0.444 and Repayment of HELB loan is their priority as shown by a mean of 4.45 and a standard deviation of 1.159. Others agreed they will make regular payments to reduce the debt and to avoid penalties in the future as shown by a mean of 4.44 and a standard deviation of 0.789, Repayment of the loan will help other needy students finance their education as shown by a mean of 4.33 and a standard deviation 1.144, Repayment of HELB loan is a must no matter the amount of income received as shown by a mean of 4.29 and a standard deviation of 1.253 and that If they had another option, they would have repaid back the HELB loan as indicated by a mean of 3.95 and a standard deviation of 1.397

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Repayment of HELB is my obligation	299	3	5	4.75	0.444
Repayment of HELB loan is my priority	299	2	5	4.45	1.159
Repayment of HELB loan is a must no matter the amount of income received	299	2	5	4.29	1.253
I will make regular payments to reduce the debt and to avoid penalties in the future	299	3	5	4.44	0.789
Repayment of the loan will help other needy students finance their education	299	2	5	4.33	1.144
If you had another option, would you have repaid back the HELB loan?	299	1	5	3.95	1.397

Table 4.3.4 Extent of agreement with statements on obligations towards education loan

4.4.1 Reliability Test

Reliability is the extent to which results are consistent over time and an accurate presentation of the total population under study is referred to as reliability and if the results of a study can be produced under a similar methodology, then the research instrument is considered to be reliable (Orodho, 2003). Cooper & Schindler, (2001) identify three types of reliability referred to in quantitative research, which relates to: the degree to which a measurement, given repeatedly, remains the same the stability of a measurement over time; and the similarity of measurements within a given time period. Mugenda, (2003) adheres to the notions that consistency with which questionnaire items are answered or individual's scores remain relatively the same can be determined through the test-retest method at two different times.

This attribute of the instrument is actually referred to as stability. If we are dealing with a stable measure, then the results should be similar. A high degree of stability indicates a high degree of reliability, which means the results are repeatable. Orodho, (2003) detects a problem with the test-retest method which can make the instrument, to a certain degree, unreliable. Orodho, (2003) explains that test-retest method may sensitize the respondent to the subject matter, and hence influence the responses given. Similarly, Bayton, (2008) noted that when a respondent answer a set of test items, the score obtained represents only a limited sample of behavior. As a result, the scores may change due to some characteristic of the respondent, which may lead to errors of measurement. These kinds of errors reduced the accuracy and consistency of the instrument and the test scores. Hence, it is the researchers'

responsibility to assume high consistency and accuracy of the tests and scores Gebauer & Seveg, (2001).

Reliability Statistics			
Variables	Number of Items	Cronbach's Alpha	
All the Variables	32	0.682	
Ability to Repay Loan	8	0.454	
Perception towards Repayment	10	0.653	
Legal Obligation	8	0.448	
Repayment	6	0.651	

4.4.2 Correlation Analysis

Correlation is a term that refers to the relationship between two variables. A strong or high correlation means that two or more variables have a strong relationship with each other while a weak or low, correlation means that the variables are hardly related. The value of -1.00 represents a perfect negative correlation while a value of +1.00 represents a perfect positive correlation. A value of 0.00 means that there is no relationship between variables being tested (Orodho, 2003).

The most widely used types of correlation coefficient are the Pearson R which is also referred to as linear or product-moment correlation. This analysis assumes that the four variables being analyzed are measured on at least interval scales. The coefficient is calculated by taking the covariance of the four variables and dividing it by the product of their standard deviations. In this study Pearson correlation is carried out to determine how the research variables related to each other. Pearson's correlation reflects the degree of linear relationships

between two variables. It ranges from +1 to -1. A correlation of +1 means there is a perfect positive linear relationship between variables (Young, 2009). A correlation analysis wasn't find out how ability to repay, perception towards repayment, and legal obligation are correlated with repayment of HELB.

Variables		Repayment of HELB	Ability to Repay	Perception towards Repay	Legal Obligation
Repayment of HELB	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	299			
Ability to Repay	Pearson Correlation	0.096	1		
	Sig. (2-tailed)	0.098			
	N	299	299		
Perception towards Repay	Pearson Correlation	0.076	.265**	1	
	Sig. (2-tailed)	0.188	0		
	N	299	299	299	
Legal Obligation	Pearson Correlation	0.049	0.08	.337**	1
		0.403	0.165	0	
	N	299	299	299	299

** . Correlation is significant at the 0.01 level (2-tailed).

Table 4.4.2 Correlation Analysis

4.4.3 Regression

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.112 ^a	0.013	0.003	0.65067

a. Predictors: (Constant), Legal Obligation, Ability to

Repay, Perception towards Repay

4.4.4 Analysis of Variance (ANOVA)

In trying to test the significant of the model, the study used ANOVA. From the table the significance value is .289 which is more than 0.05 thus the model is not significant. Since the general linear regression was not significant undertaking factor analysis was suitable to extract factors that were significant.

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.597	3	0.532	1.257	.289 ^b
	Residual	124.896	295	0.423		
	Total	126.492	298			

a. Dependent Variable: Repayment of HELB

b. Predictors: (Constant), Legal Obligation, Ability to Repay, Perception towards Repay

4.4.5 Coefficient

Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (Repayment of HELB) that is explained by all the three independent variables (legal obligation, ability to repay, perception towards repay).

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.841	0.3		12.803	0
1 Ability to Repay	0.096	0.071	0.082	1.362	0.174
Perception towards Repay	0.051	0.071	0.046	0.719	0.473
Legal Obligation	0.034	0.079	0.027	0.433	0.665

a. Dependent Variable: Repayment of HELB

The regression model

$$Y = 3.841 + 0.096\alpha_1 + 0.051\alpha_2 + 0.034\alpha_3$$

4.5.1 Factor Analysis

4.5.1.1 Exploratory Factor Analysis

Exploratory Factor Analysis (EFA) was done using the Principle component analysis in order to reduce the factors used to measure the variables. Bryne, (2010) argues that, where all the steps are followed, highly correlated variables would be clustered together into a distinctive factor. EFA gives information about a number of factors that best characterizes the data. This analysis was carried out since multiple regression proved inadequate. The purpose was to narrow down or drop some of the variables and find out whether the remaining variables would explain a higher percentage of real estate growth. The reliability test of the research questionnaire was done so as to decide if the research tool yields firm and reliable results. Reliability is uniformity of measurement (Bollen, 1989). Drost, (2011) points out that approaches to estimate test reliability in research are test-retest reliability, split-halves, and internal consistency among others. This research study used the internal consistency approach since it is more meaningful than the others. Consistency was tested using the Cronbach's alpha statistic. The Cronbach alpha coefficient was used to define reliability of the instrument in this research since it is a good indicator of unidimensionality and internal consistency of sample items (Tavakol & Dennick, 2011). Table 4.5.2 explains the results. A desirable reliability coefficient which would fall in the range of between 0.50 and 0.80 is acceptable.

4.5.1.2 KMO and Bartlett's Test

Kaiser-Meyer-Olkin (KMO) test of adequacy and Bartlett's Test of Sphericity were carried out before factor analysis to test for intercorrelations among the variables and the suitability of data. KMO should vary between 0 and 1. A value of 0 indicates dispersions

which lender factor analysis inappropriate whereas a value close to 1 shows a good pattern which should result in very reliable interrelated factors as shown in table 4.5.2 below. It is a rule of thumb that KMO should be ≥ 0.7

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.724
Approx. Chi-Square		2745.860
Bartlett's Test of Sphericity	df	231
	Sig.	.000

Table 4.5.2 Test of Data Suitability

Principal component analysis was used for factor extraction and determine the factors that can be used to best represent the inter relationships among the set of variables. (Abdi & Williams, 2010). The model H_0 was assumed to be correct and hence accept. Model H_a should therefore be rejected. In this case the P-value should be greater than 0.05

Computation of degrees of freedom

Number of distinct sample moments:	78	Result (Default model)
Number of distinct parameters to be estimated:	27	Minimum was achieved
Degrees of freedom (78 - 27):	51	Chi-square = 57.648
	.2429	Degrees of freedom = 51
		Probability level =

The results in table 4.5.3 below indicate the unstandardized regression coefficients which are positive which suggest that the factors considered in these study positively influence the repayment of higher education loan. These factors include; Aq_1, Aq_2, Aq_3, Aq_8, Pq_4, Pq_5 and Lq_6 are significant and therefore support the hypothesis.

	Estimate	S.E.	C.R.	P	Label
Repayment <--- Ability	.023	.013	1.743	.081	
Repayment <--- Perception	-.056	.021	-2.634	.008	
Aq_1 <--- Ability	1.000				
Aq_2 <--- Ability	1.358	.104	13.107	***	
Aq_3 <--- Ability	1.251	.097	12.919	***	
Pq_7 <--- Ability	.624	.080	7.797	***	
Aq_8 <--- Perception	1.000				
Pq_4 <--- Perception	1.266	.134	9.453	***	
Pq_5 <--- Perception	.671	.114	5.893	***	
Lq_6 <--- Perception	.927	.111	8.374	***	
Rq_1 <--- Repayment	1.000				
Rq_3 <--- Repayment	5.993	1.829	3.276	.001	
Rq_5 <--- Repayment	4.358	1.355	3.216	.001	
Rq_6 <--- Repayment	4.732	1.515	3.124	.002	

Table 4.5.3 Regression Weights: (Group Number 1 - Default Model)

4.5.1.3 Description of Variables Used

Aq_1	I got employed immediately after graduating
Aq_2	Being employed has enabled me to settle my loan to the fullest
Aq_3	The amount of salary I get has enabled me repay my HELB loan without delay
Aq_8	I have not repaid back my loan since HELB has no mechanism of tracing me because i am not in the formal sector of employment.
Pq_4	I have not started making loan repayments because even my friends whom we were with in campus have not repaid their loans
Pq_5	HELB used to conduct seminars /sensitization forums at the university on management of loans after graduation.
Pq_7	The information on repayment of HELB loan is readily available from the media. e.g. on Newspapers, TV, radio, internet and other social media
Lq_6	The government requirement for one to clear with HELB in order to hold a public office has made me repay back my loan
Rq_1	Repayment of HELB is my obligation

Rq_3	Repayment of HELB loan is a must no matter the amount of income received
Rq_5	Repayment of the loan will help other needy students finance their education
Rq_6	If you had another option, would you have repaid back the HELB loan
e1-e13	Measurement and Random Errors

Table 4.5.3 Description of Variables Used For Confirmatory Factor Analysis in Table 4.5.2

4.5.1.4 Confirmatory Factor Analysis

The chi-square statistics was the most common test of fitness in structural equation modeling (Hair *et al.*, 2010). Diamantopoulos & Siguaw (2000,) state that, ‘it is a test of perfection, in which the null hypothesis is that the model fits the population data perfectly’.

In this test, the null hypothesis is rejected when it is statistically significant, thereby indicating a poor model fit and the subsequent possible rejection of the model.

The Goodness of Fit Index (GFI), Normed Fit Index (NFI) and the Comparative Fit Index (CFI) were a measure of the relative amount of variance and covariance (Hair *et al.*, 2010). The GFI, NFI and CFI compares the squared residuals predicted with the observed value (Hair *et al.*, 2010). Notably, the possible range of GFI value is ‘0–1, with higher values indicating better fit’ (Hair *et al.*, 2010). Values ranging from 0.80 to 0.89 are indicative of a good fit (Doll *et al.*, 1994), whilst values ranging between 0.90 and 1.0 are considered to be a very good fit (Diamantopoulos & Siguaw, 2000). In addition, it is noteworthy to highlight that Tanaka & Huba (1985) recommend that a model with a GFI, NFI and CFI of less than 0.8 should be rejected.

The Root Mean Square Error of Approximation (RMSEA) represents a closeness of fit. It measures the extent to which the model approximates the data (Joreskog & Sorbom, 1996; Browne & Cudeck, 1993). Values less than (<) 0.05 are considered to be of a very good fit, and values less than (<) 0.08 represent a good fit, whilst values ranging from 0.08

through to 0.10 indicate a mediocre fit and values of greater than ($>$) 0.10 indicate a poor fit (Hair *et al.*, 2010).

Criteria	Cut off Value	Model Result	Description of fit
Chi-Square	$P < 0.05$	57.648	Small the Number , better fit
p-value	≥ 0.05	0.2429	Perfect fit
GFI	Above 0.8	0.920	Best fit
CFI	Above 0.8	0.903	Best fit
NFI	$0.8 \leq \& \leq 1$	0.862	Best fit
RMSEA	≤ 0.08	0.082	Best fit

Table 4.5.6 Models Fit Summary on Repayment of HELB Loan

Principal Component Analysis extracted the following factors as the strongest factor in explaining the dependent variables and independent variables.

Factors extracted from dependent variable included;

Repayment of the HELB loan

- 1 Repayment of HELB is my obligation
- 2 Repayment of HELB loan is a must no matter the amount of income received
- 3 Repayment of the loan will help other needy students finance their education
- 4 If you had another option, would you have repaid back the HELB loan

While factor extracted from independent variables included;

Ability to repay HELB

- 1 I got employed immediately after graduating

- 2 Being employed has enabled me to settle my loan to the fullest
- 3 The amount of salary I get has enabled me repay my HELB loan without delay
- 4 I have not repaid back my loan since HELB has no mechanism of tracing me because i am not in the formal sector of employment.

Perception towards repayment of HELB loan

- 5 I have not started making loan repayments because even my friends whom we were with in campus have not repaid their loans
- 6 HELB used to conduct seminars /sensitization forums at the university on management of loans after graduation.
- 7 The information on repayment of HELB loan is readily available from the media. e.g. on Newspapers, TV, radio, internet and other social media
- 8 The government requirement for one to clear with HELB in order to hold a public office has made me repay back my loan

4.5.7 Path way Diagram

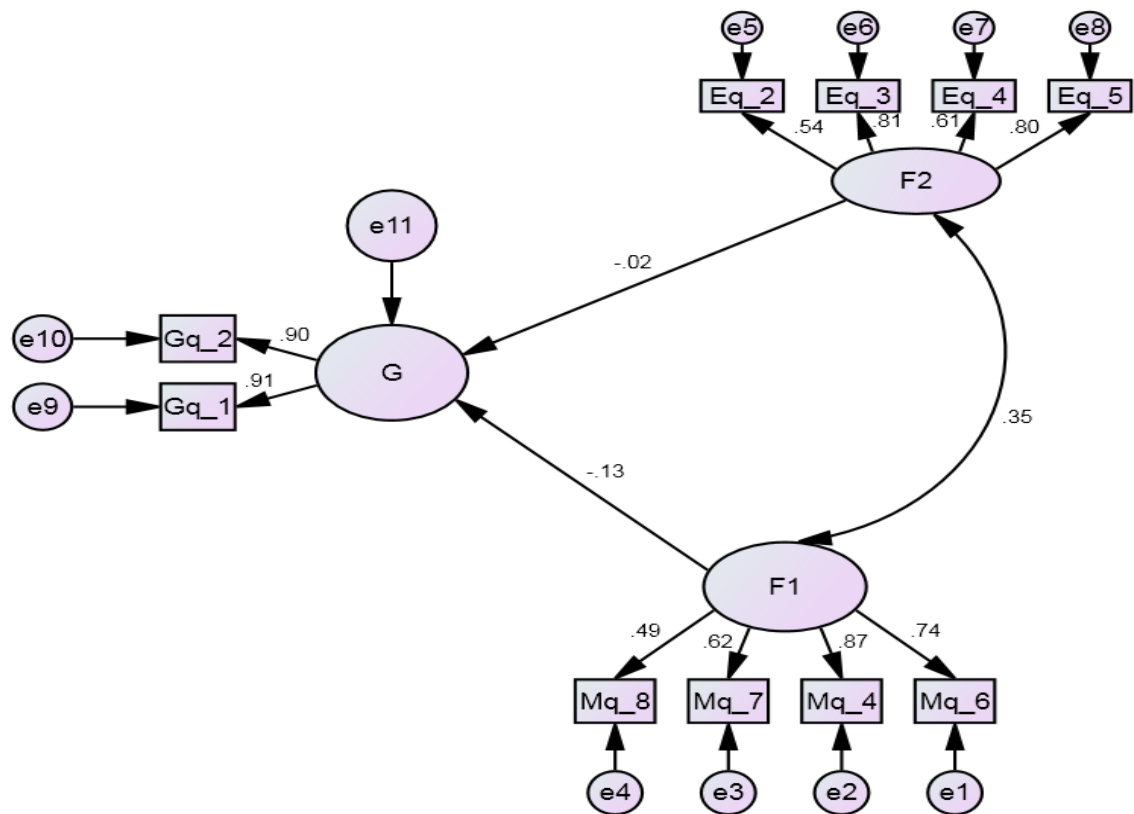


Figure 4.5.7 Hypothesized Path Way Diagram Explaining Extracted Component Factors.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter depicts the summary of the data findings on the factors affecting repayment of education loan among University students in Kenya. The conclusions and recommendations are drawn there too. The chapter is therefore structured into summary of findings, conclusions, recommendations and area for further research

5.2 Summary of the findings

From the findings, Majority (64.2%) of the respondents were male while only 35.8% of the respondents were female. This response indicates that there is a near equal distribution of gender. 57.5% of the respondents were aged between 21 to 30 years, 26.1% of the respondent were aged between 31to 40 years, 9.4% of the respondents indicated they were aged between 41 to 50 years, while 7.0% of the respondents were aged between 51 to 60 years.

It was established from the study that, 48.3% had completed their undergraduate studies between 10 to 20 years ago which is a period long enough to enable them conceptualize on issues of HELB repayment. Most of the respondents had completed their studies long enough thus they were conversant of the information that the study sought pertaining to the Repayment of HELB

The researcher found that principal component analysis was able to best model fit suitable for this project; this was so after extracting two components which were very significant to accept the model and the data.

5.3 Conclusion

The study concluded that legal obligation, ability to repay and perception towards repay show the highest values in relation to their perceived level of repayment of education loan. It means that the respondents are more inclined towards their legal obligation, ability to repay and perception towards repay.

There are many factors affecting repayment of higher education loan. It was found that students from lower-class backgrounds are typically uninformed about the economic benefits of higher education and, thus, have a negative perception on loan repayment.

Inability to pay due to unemployment or other unanticipated financial strains is the major cause of default on loan repayment. This conclusion is based primarily on a number of empirical studies that have demonstrated strong relationship between unemployment and low earnings on one hand and student loan default on the other. Inability to make payments due to illness, disability, or death could also contribute to default.

It was established that direct influences such as family discussions and keeping track of allowance could consist of an increase in knowledge and formation of values, and behaviors among the students and that loan counseling was related to lower rate of default. Students who participated in such programs changed their perception about loan repayment and thus minimized likelihood to default.

Other studies explain the challenges of education loan recovery and factors contributing to non-recovery from the HELB point of view. A good understanding of the factors affecting the loan repayment by students who have graduated will inform the policymakers about changes that need to be addressed in order to lower the problem of loan non-repayment.

5.4 Recommendation

The study recommends that before a student is granted the HELB loan, he/she is supposed to fill in and sign an agreement form. When the student signs the agreement form he/she is deemed to have entered into a contract with HELB, thus the loan beneficiary will be bound by the restrictive term and conditions laid down in the agreement. Punitive measures taken by HELB on loan defaulters may prompt a student to repay back the loan on time to avoid the stated repercussions.

The study also reveals that increase of students' awareness on the costs of higher education and understandability of their obligation to repay back their loans will motivate them to evaluate both costs and benefits obtained from higher education attained

Direct influences such as family discussions and keeping track of allowance could consist of an increase in knowledge and formation of attitudes, values, and behaviors among the children. The parent/ guardian influence affects loan repayment by their children thus Positive reinforcement will lead to repayment of loan granted while the negative reinforcement will lead to default.

5.5 Research Limitations

This study provides an extensive investigation of students' HELB repayment ability, its perception, and legal obligation of the students' attitude on the intention to repay loan. Importantly, despite there being a thorough investigation, it is still not possible to carry out a study that provides a comprehensive investigation of all elements causing the phenomenon. Moreover, whilst the findings provide valuable information concerning the ways in which loan repayment can be improved through students' ability to pay model, they must be considered in direct relation to study limitations.

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APPENDIX 1: QUESTIONNAIRE

Date:

Information given in this survey is purely for academic purposes and will be handled with utmost confidence and your identity treated as anonymous. Only analyzed data will be shared with third parties

Kindly tick / provide the needed response where applicable.

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8) How long did it take you to get a job?

- a) 0 – 4 months () b) 4 months – 1 year ()
c) More than 1 year () d) other specify ()

9) Were you a beneficiary of Education loan from HELB?

- a) Yes () b) No ()

10) Were any of your family relatives a beneficiary HELB loan?

- a) Yes () b) No ()

SECTION B: ABILITY TO REPAY HIGHER EDUCATION LOAN

Complete the following table by selecting from the list of:

		Strongly disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly agree (5)
1	I got employed immediately after graduating					
2	Being employed has enabled me to settle my loan to the fullest					
3	The amount of salary I get has enabled me repay my HELB loan without delay					
4	The amount of income I receive is too minimal to accommodate repayment of education loan					
5	I did not manage to get the formal employment, thus i ventured into self-employment					
6	Being self-employed has enabled me					

	to service my loan to the fullest					
7	The income i get from self-employment is enough to settle my loan.					
8	I have not repaid back my loan since HELB has no mechanism of tracing me because i am not in the formal sector of employment.					

SECTION C: PERCEPTION TOWARDS REPAYMENT OF HELB LOAN

		Strongly disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly agree (5)
1	My parent/guardian advise me to repay back the loan.					
2	Repayment of my loan on time is because I have experienced my parent/guardian clear their debts on time					
3	My peers who have completed servicing their loans influence me to make repayment.					
4	I have not started making loan repayments because even my friends whom we were with in campus have not repaid their loans					
5	HELB used to conduct seminars /sensitization forums at the university on management of loans after					

	graduation.					
6	The seminars offered in campus on repayment of loans has encouraged me to make payment to avoid problems in future					
7	The information on repayment of HELB loan is readily available from the media. e.g. on Newspapers, TV, radio, internet and other social media					
8	HELB usually keeps on reminding the loan beneficiaries on their obligation to make the payments.					
9	The loans given by the government through HELB should be in form of a grant thus not repayable.					
10	I have repaid/will pay my loan in order for the government to continue supporting other needy students.					

SECTION D: LEGAL OBLIGATION /HELB POLICY ON LOAN REPAYMENT

		Strongly disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly agree (5)
1	Non repayment of loans leads the defaulter being blacklisted by the Credit Reference Bureau hence deterring one from accessing other loans					
2	I have repaid /will repay my loan to					

	avoid being blacklisted as a defaulter.					
3	I have repaid the HELB loan to avoid the hefty penalties charged for defaulting.					
4	I will only pay my loan when amnesty will be given to the loan defaulters					
5	Accumulation of penalty in my loan account has made me unable to repay back the loan					
6	The government requirement for one to clear with HELB in order to hold a public office has made me repay back my loan					
7	Many employers are using the HELB clearance certificate to vet for suitability of candidates for employment					
8	No defaulter has ever been prosecuted due to non repayment of HELB loan thus I need not repay my loan.					

SECTION E: REPAYMENT OF HIGHER EDUCATION LOAN

		Strongly disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly agree (5)
1	Repayment of HELB is my obligation					
2	Repayment of HELB loan is my priority					

3	Repayment of HELB loan is a must no matter the amount of income received					
4	I will make regular payments to reduce the debt and to avoid penalties in the future					
5	Repayment of the loan will help other needy students finance their education					
6	If you had another option, would you have repaid back the HELB loan?					

APPENDIX 2

LETTER TO THE STUDENTS

QUESTIONNAIRE ON FACTORS AFFECTING REPAYMENT OF EDUCATIONAL LOAN REPAYMENT AMONG UNIVERSITY STUDENTS IN KENYA

Dear Student,

I am writing this letter to ask for your help with my research which I am currently pursuing at KCA University. I will be very grateful if you could please complete this questionnaire on student loans. I am aware that your time is extremely valuable. I can only assure you that the result of this study will be useful for all students. I do not require your name or address in this questionnaire. The data will be used in aggregates only. **Only Students who have been granted HELB loan need to complete this questionnaire.** HELB is the agency responsible in giving loans to students to enroll for higher education in Kenya. Please complete the questionnaire in full to the best of your knowledge. Your participation is strictly voluntary, it will take only about 15 minutes to complete. If you have any questions please contact me at my email address (m.nganga@uonbi.ac.ke). Thank you once again for your help.

Sincerely,

Monica Ng'ang'a

APPENDIX 3

Total Variance Explained.

Total Variance Explained							
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings ^a
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	4.155	18.885	18.885	4.155	18.885	18.885	3.729
2	3.257	14.807	33.692	3.257	14.807	33.692	2.931
3	2.274	10.335	44.027	2.274	10.335	44.027	2.923
4	2.060	9.363	53.390	2.060	9.363	53.390	2.270
5	1.411	6.413	59.803	1.411	6.413	59.803	2.652
6	1.128	5.127	64.930	1.128	5.127	64.930	2.139
7	.994	4.518	69.447				
8	.903	4.105	73.552				
9	.844	3.837	77.389				
10	.649	2.951	80.340				
11	.626	2.846	83.186				
12	.528	2.400	85.586				
13	.484	2.200	87.787				
14	.422	1.919	89.705				
15	.408	1.856	91.561				
16	.375	1.706	93.267				
17	.357	1.621	94.887				
18	.333	1.513	96.400				
19	.264	1.199	97.599				
20	.245	1.114	98.714				
21	.164	.747	99.461				
22	.119	.539	100.000				
Extraction Method: Principal Component Analysis.							
a. When components are correlated, sums of squared loadings cannot be added to obtain a total variance.							

Pattern Matrix^a

	Component					
	1	2	3	4	5	6
The amount of salary I get has enabled me to repay my HELB loan without delay	.959					
Being employed has enabled me to settle my loan to the fullest	.956					
I got employed immediately after graduating	.803					
The information on repayment of HELB loan is readily available from the media. e.g. on Newspapers, TV, radio, internet and other social media	.622					
The amount of income i get is too minimal to accommodate repayment of educational loan						
I have not started making loan repayments because even my friends whom we were with in campus have not repaid their loans		.848				
I have not repaid back my loan since HELB has no mechanism of tracing me because i am not in the formal sector of employment.		.775				
HELB used to conduct seminars /sensitization forums at the university on management of loans after graduation.		.677				
The government requirement for one to clear with HELB in order to hold a public office has made me repay back my loan		.546				
Repayment of my loan on time is because I have experienced my parent/guardian clear their debts on time			.874			
My parent/guardian advise me to repay back the loan.			.873			
My peers who have completed servicing their loans influence me to make repayment			.684			
Being self-employed has enabled me to service my loan to the fullest				.910		
The income I get from self-employment is enough to settle my loan.				.835		
I did not manage to get the formal employment, thus I ventured into self-employment				.624		
I have repaid /will repay my loan to avoid being blacklisted as a defaulter					.967	
I have repaid the HELB loan to avoid the hefty penalties charged for defaulting.					.866	
I have repaid/will pay my loan in order for the government to continue supporting other needy students.						
Non repayment of loans leads the defaulter being blacklisted by the Credit Reference Bureau hence deterring one from accessing other loans						.750
The loans given by the government through HELB should be in form of a grant thus not repayable.						.604

<p>The seminars offered in campus on repayment of loans has encouraged me to make payment to avoid problems in future</p> <p>No defaulter has ever been prosecuted due to non-repayment of HELB loan thus I need not repay my loan.</p>		.503				-.534
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.503

Extraction Method: Principal Component Analysis.

a. Rotation converged in 14 iterations.

APPENDIX 4

Schedule of Activities

Activity	March 2016	April 2016	May 2016	June 2016	July 2016	August 2016	September 2016	October 2016
Proposal development								
Proposal submission								
Data collection								
Data entry and Analysis								
Thesis writing								
Thesis submission and examination								