



Impact of Government Grant on Financing Students Loan at Higher Learning Institution in Zanzibar

Raya Ali Abeid¹, Abdalla Ussi Hamad²

¹MBA, Faculty of Business Administration, Zanzibar University

²Head, Department of Economics, Faculty of Arts and Social Science, Zanzibar University

ARTICLE INFO

Published Online:
12 April 2022

ABSTRACT

The main concern of this study was to examine the impact of government grant on financing students' loan at higher learning institution in Zanzibar. The researcher has mainly employed quantitative research approach with appropriate method of analysis for this study. The sample size for this study consists of 38 respondents and survey questionnaire was used as data collection instrument. To achieve a reliable study a regression analysis was used to analyse the collected data from relevant respondents. The study has revealed that both amount of grant allocated and fund availability had a significant contribution on the outcome variable (financing student loan). The study concluded that the number of students' graduates in higher learning institutions in Zanzibar has increased as a result of the availability of students' aids through students' loans and guidelines and criteria for granting loans are agreeable hence they are favorable to loans beneficiaries. Finally, the study recommended that the ZHESLB should grant loan to all students who need it without considering their courses or employment status and the guidelines and criteria for granting loans should be improved to include the assessment of economic status of students' loans applicants.

Corresponding Author:

Raya Ali Abeid

KEYWORDS: Government Grant, Financing Students Loan, Higher Learning Institution, Amount of grant, fund availability

1. INTRODUCTION

In Tanzania, grant students' loans in financing higher education were resulted due to cost sharing policy which existed during the colonial period and in post-independence. However, after independence, students in higher learning institutions paid tuition fees and students from poor families were assisted through government bursaries. In 1974, the government abolished the bursary system and assumed all the responsibilities of paying for all higher education costs for students admitted in public higher education institutions. The government failed to finance free public higher education in addition to all of the other pressing public needs, so the re-establishment of cost sharing policy in higher education was made in 1980's. The formal announcement of the policy was made in January 1992, it was argued that the introduction of cost sharing in higher education had become necessary in order to maintain the quality of academic programs, to encourage needy students to attend higher education, and to improve access to higher education, while at the same time containing government expenditures in higher education [1]

According to Financial report [2] cost sharing policy in higher education was planned to be implemented in three phases, first was 1992/1993, where students and parents were required to pay for their transportation costs to and from their respective universities, second, in 1994/1995 students were required to pay for meals and accommodations and the last in 2004/2005, parents and students were required to meet partial payments through loans to cover the following additional costs; tuition fees, books and stationery, special faculty requirements, field practical training and research. Under this phase all the activities were under the supervision of the higher education students' loans board [1].

Higher education students' loans board (HESLB) was established under the Act of parliament No. 9 of 2004, as amended by act No. 9 of 2007, CAP 178 and commenced its operation in July, 2005 [3]. The board was established following the adoption of the national higher education policy of 1999. Among other things, the board has been entrusted by the government with the responsibility to disseminate loans to Tanzanian students who are eligible and needy as defined by the act No. 9 of 2004 pursuing

advanced diplomas and or degree studies at accredited higher learning institutions in and outside the country and to collect repayment for all loans issued to students since 1994, so as to make the scheme successful.

On other hand, Zanzibar as semi-autonomous constituency of Tanzania resulted from the merger of Tanganyika and Zanzibar to form United Republic of Tanzania was followed the same policy and students were benefited from HESLB of Tanzania, however in 2011, government of Zanzibar established ZHELB through Act No. 3 of 2011 and started operations in August 2011 as an autonomous institution. Board initiated for payment and repayment of Higher Education loans from graduate students. It is indeed facilitating the implementation of government policies and strategies for promoting higher education in Zanzibar with the aim of improving the economic and social wellbeing of Zanzibaris as enshrined in the National Strategy for Growth and Reduction of poverty in Zanzibar or MKUZA [4]. Therefore, the purpose of this study is to assess how government of Zanzibar uses its revenue in financing students through loans and the adequacy of the Zanzibar loans compared with the Tanzania.

2. STATEMENT OF THE PROBLEM

Zanzibar higher education loans are at crossroads; while the enrolment students at higher education is dramatically increasing, the Board reports to an acute cut of loans to some field of studies, the government employees from Revolutionary government of Zanzibar as well as the United Republic of Tanzania and the allocated funding in relation to request or demands to the students who are offered loans for the acceptable fields are decreasing, for example for the students who are enrolled in the Universities outside of the country are conditioned to be financed for tuition fee not more than 3,200 US and if the tuition is above that amount, students are wanted to top up using their own money [5].

Under these circumstances need a constructive study so that the clear understanding of the contribution of government grant in relation to financing higher education students' loans in Zanzibar. Specifically, the study examines the impact of amount of grant allocated by the government on financing students' loan at higher learning institution in Zanzibar. Also, it examines the availability of fund which have been granted by the government for financing student loan at higher learning institution in Zanzibar.

3. LITERATURE REVIEW

3.1 Theoretical literature review.

Benefit Received Theory of taxation: The Benefit Received Theory of taxation has been pioneered by Wicksell and Lindahl [6]. The theory focuses on the usefulness of tax revenue in providing public services and supports government at all levels (federal, state and local) to raise revenue from a variety of sources in order to adequately provide public goods and services to the

populace. Governments collect taxes from both individuals and companies for the purpose of providing basic amenities such as water, housing, education, health care services, security, transportation and communication among others. The theory assumes an exchange relationship between the tax-payers and the government. The government has the responsibility to provide basic amenities to the public while they reciprocate by paying taxes that are proportionate with the benefits derived [7].

Administrative Management Theory: The administrative management theory as propounded by Henry Fayol attempts to find a balanced way to manage an organization as a whole. The theory calls for a formalized administrative structure, a clear division of labor and delegation of power and authority to administrators relevant to their areas of responsibilities [8]. The fact that to realize better revenue, designated town council entities need to execute management functions of which planning, controlling, organizing, and leading among others constitute some of the functions in practice to improve revenue management. The theory explains how the collected revenue is managed to ensure the timely delivery of public services within the town council. The theory explains how governments engage in the planning of revenue in terms of revenue strategies and objectives to determine the stages of the plan, assessment and enforcement. In addition, the theory provides a detailed account on how government personnel organize and provide the resources necessary to realize local revenue for instance raw materials, tools and human resources. The theory is important as it guided the study in eliciting facts, exploring new knowledge bases and explaining the investigations on how revenue is managed and how it fosters service delivery. It is upon this theory that the study provides sound reasoning or arguments about the study.

4. EMPIRICAL LITERATURE REVIEW

This section discusses studies on what have been done by different authors concerning the analysis of government revenue collection and financing students' loans of higher education.

Andrias & Emmanuel [9] examined the challenges on grant generation among state universities in Zimbabwe. The situation at state universities is unbearable because of rising inflation, worsening economic and political challenges facing Zimbabwe for close to three decades without any sign of improvement. A case study approach was used to purposively select twelve (12) participants drawn from the two urban state universities. Two university financial directors and 10 senior members of staff from the selected universities were interviewed. An inductive approach to analyzing the responses allowed themes and categories to emerge. The study established that the current legislation, macro-economic and political environment, reduction in government support and diminishing grant funding were

noted as major barriers to revenue generation among state universities in Zimbabwe.

Dung et., al, [10] examined the potential of reforming the higher education student loan in Vietnam. The paper reports that Vietnam’s current student loan scheme not only supports a negligible number of credit-constrained students amidst rising tuition fees but can also create excessive repayment burden to debtors. The paper then explores three potential income contingent loan schemes and analyses how they might perform in Vietnam with respect to government subsidies and debtor’s repayment experience. Using data from the Vietnam Household Living Standard Survey 2012-2016 and the Labor Force Survey 2016 and a recent econometric innovation that involves Copula functions to project graduate lifetime earnings, the paper makes clear that it is feasible to design an income-contingent loan scheme that is both gentle on the fiscal budget and generous on borrowers in terms of borrowing limit and repayment obligations.

Edwin [11] examined the influence of revenue collection in local government on improving education services and examines the influence of revenue collection in local government on improving water services. The time series analysis research design was used to measure units repeatedly at regular intervals for revenues spent on social services. The sample size was revenues spent on social services such as; health services, provision of education and provision of water services in Dodoma City for eleven years. The study used quantitative design which focused on analyzing causal relationship of data in terms of numerical aspects including revenue collected and real expenditure used in health, education and water services improvement. The regression analysis computed and it was found those dependent variables, education, and health and water real expenditure, explained 75.3% of the variability of the dependent variable, local government revenue, in the population. The findings showed that revenue collections keep on increasing while the real expenditure percentage on social services tends to decline depending on the proportionate used in health, education and water services. In education services first, real expenditure rate kept increasing then it started declining.

Samson [12] examined the sources of funding for public university education in Tanzania. The article also examines the trends in Other Charges and Capital Development funding for selected public universities in Tanzania and their implications for quality issues in the provision of higher education. Results indicate that the sources of financing for public universities in Tanzania are unreliable and unsustainable. The findings further show that government approval rates for budgetary requests from universities decreased over the 6 years. At the same time, the proportion of government-approved funds and those released to universities decreased during the period under review. This article argues that given the unreliability of sources of

higher education funding and decreasing budget approval rate and disbursed funds, the fate of quality higher education in the Country is questionable should the trend continue.

Nyahende [13] Students’ Loans are Government Loans extended to students in Higher Learning Institutions (HLIs), these Loans has to be repaid back on or after expiry of the grace period (HESLB, 2004). The purpose of this study is to assess the feasibility of engaging financial institutions to partner with the Government in financing higher education. Data were collected through interviews, review of various documents and questionnaires in which 90 respondents were obtained 7 from financial institutions and 83 from higher learning institutions. The study recommends that the financial institutions in Tanzania should establish students’ loans provision policy in their operations, universities or colleges to include policy which allows students to seek for alternative funding for their education other than the Government.

5. RESEARCH METHODOLOGY

Research Design: A descriptive cross-sectional research design was used in this study. The reason of using this design was due to the fact that descriptive cross-sectional studies involves study of a particular phenomenon at a particular time.

Study Area: The study was conducted at Zanzibar higher education loan board. ZHELB was established through Act No. 3 of 2011 and started operations in August 2011 as an autonomous institution. The main reason of selecting this area was because the researcher would obtain relevant information, such as amount of grant allocated to the board for financing students and availability of such grant.

Study Population: In particular, the target populations for this study were the staffs of Zanzibar higher education loan board. The total number of staffs is (38). The reason for selecting them was because they are the ones who received fund from the government specifically to finance the students’ loan.

Sampling Techniques and sample size: 38 sample size were selected through the purposive sampling procedure. This technique was used where by the researcher uses the personal judgment to choose a sample to be used in the study. Despite the fact that purposive sampling is prone to researcher’s bias, the researcher finds convenient to use it, this is because the population consists of the same characteristics; staff of ZHELB.

Data Collection Methods: The questionnaire was used for data collection method because of the prospective respondents was staffs of ZHESLB who are in most cases busy with office responsibilities. To this kind of respondents, the best way to collect data is through questionnaire.

Data analysis Techniques: The data which was obtained from the field through questionnaires were statistically

“Impact of Government Grant on Financing Students Loan at Higher Learning Institution in Zanzibar”

analyzed using regression techniques with aid of Statistical Package of Social Sciences (SPSS) for coding.

Regression Model

$$FSL = \beta_0 + \beta_1AGA + \beta_2FAV + e$$

Yi: Represents the dependent variable which is financing students' loan FSL by ZHELB

β_0 : Represents a constant factor or the intercept

β_1 and β_2 : Coefficients of independent variables

AGA: Represents an independent variable, Amount of Grant Allocated

FAV: Represents an independent variable, Fund availability

e: Represents an error term

6. STUDY FINDINGS

6.1 Demographic Information

Based on the social scientific studies some demographic attributes of the respondents should be considered to strengthen the conclusion drawn from the data collected on the basis of relevance and capability of the source of the data. Table 1 below consists of the demographic profiles of the respondents.

Table 1: Demographic of the respondents

Variable	Category	Frequency	Percentage (%)
Gender	Male	21	53.3
	Female	17	47.7
Age	18-35	8	21.1
	36-45	21	55.2
	45 and above	9	23.7
Education level	Diploma	6	15.8
	Degree	28	73.7
	Master	3	7.9
	PhD	1	2.6
Working Experience	1-4 years	10	26.3
	5-9 years	13	34.2
	10-14 years	15	39.5

Evidence from the table above suggests that the distribution of the questionnaire to the respondents was done almost on equal basis between males and females with 50.5% and 49.5% representation respectively. Age is another factor measuring the maturity of the respondents in order to provide relevant information to the researcher. It is observed from the table 1 that there are a proportion of the respondents in every age range. More than half of the respondents (55.2%) belong to the economically most active age group range between 36 and 45 years. Education level of the respondents is also included because it is one of the most important social aspects especially for the people who are responsible to the society. Majority of the respondent

(73.7%) were attained higher education (degree level) but, very far to the master and PhD level. Finally, for working experience the distribution was very fair, there were respondents who have higher degree of experience and also there were respondents who have less working experience in the department as show from the table 1 above.

6.2 Regression Analysis

The findings of the study through multiple regression analyses were first preceded by the model summary which showed the overall influence of the study objective. Therefore, the findings were illustrated in table 2

Table 2: Model Summary

R	R Square	Adjusted R Square	R Square Change	F Change	Sig. Change	F
.544 ^a	.405	.369	.453	40.115	0.000	

- a. Predictors (Constant): Amount of Grant Allocated, Fund availability
- b. Dependent Variable: Financing of student loans

“Impact of Government Grant on Financing Students Loan at Higher Learning Institution in Zanzibar”

The results of standard multiple regression as displayed in Table 2 above indicated that the independent variables amount of grant allocated and fund availability accounted for 41% of the variability in financing student loan in Zanzibar ($R^2 = 0.405$). The adjusted R square value was 0.369. Therefore, these findings substantiate that only 41% of variability in financing student loan could be explained

by factors like amount of grant allocated and fund availability. The remaining 59% of variability depends on other unexplained factors.

Apart from the table 2 above, the following Table 3 below displays the coefficients' columns for the standard multiple regression conducted.

Table 3: Coefficients Table for amount of grant allocated and fund availability on financing student loan.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.322	.076		3.087	.004
Amount of grant allocated	.550	.236	.337	2.331	.002
Fund Availability	.513	.225	.388	2.280	.016

Source: Research Field, 2021

From the Table 3 above, at the 0.05 level of confidence, the study has revealed that two predictors (amount of grant allocated and fund availability) had a significant contribution on the outcome variable (financing student loan). In other words, the results of predictor variables as seen in Table 4.14 above are as follow: - amount of grant allocated ($\beta = 0.337$, $t = 2.331$, $p < 0.05$), fund availability ($\beta = 0.388$, $t = 2.280$, $p < 0.05$).

The estimate multiple linear regression equation becomes:

$$FSL = \beta_0 + \beta_1AGA + \beta_2FAV + e$$

Constant= 0.322, shows that if amount of grant allocated and fund availability all zero rated, financing student loan prospected 0.322

$\beta_1 = 0.337$, reveals a unit change of increased amount of grant allocated outcome in 0.337 units rise in financing student loan

$\beta_2 = 0.388$, reveals a unit changes of increased fund availability outcome in 0.388 units rise in financing students' loan

Essentially, the contribution of amount of grant allocated and fund availability on financing student loan in Zanzibar was in a positive direction. This situation indicates that the increase of scores in these predictor variables results in the increase of scores in the outcome variable (Hair et al., [14], Pallant [15]). Also, the finding implies the more the amount of grant allocated will lead to increase in the financing of student loans. This is due to the fact that as time goes by, then the number of student loan applications also increases which results in an increase in loan beneficiaries.

The findings are similar with the results found in the study done by Denning et al., [16]. In theory, grant aid could affect the level of student loan debt, which could then alter the likelihood that a student later chooses a high-paying job (Rothstein and Rouse 2011). However, the results find that limited evidence of the effect of financing student loan debt at the end of study

7. CONCLUSION

This research has described and analyzed the impact of government grant on financing students' loan at higher learning institution in Zanzibar and research concluded as follow. The results of standard multiple regression indicated that the independent variables amount of grant allocated and fund availability accounted for 41% of the variability in financing student loan in Zanzibar ($R^2 = 0.405$). The adjusted R square value was 0.369. Additionally, the contribution of amount of grant allocated and fund availability on financing student loan in Zanzibar was in a positive direction whereby, amount of grant allocated ($\beta = 0.337$, $t = 2.331$, $p < 0.05$), fund availability ($\beta = 0.388$, $t = 2.280$, $p < 0.05$). Number of students' graduates in higher learning institutions in Zanzibar has increased as a result of the availability of students' aids through students' loans. The number of students granted loans have increased hence posed a challenge to ZHESLB to recuperate loans granted to beneficiaries to bridge the gap between government grants and the increasing funds requirements.

8. RECOMMENDATIONS

This study provides its recommendation to Revolutionary Government of Zanzibar through ZHESLB should grant loan to all students who need it without considering their courses or employment status. Also it is recommended that guidelines and criteria for granting loans should be improved to include the assessment of economic status of students' loans applicants, because the economic status will determine their ability to repay back the loans.

REFERENCES

1. Financial Report Review (2005). Financial Sustainability of Higher Education in Tanzania Government Printing Press.
2. Financial Report (1998). A report of the Task Force on Financial Sustainability of Higher Education in

Tanzania. Ministry of Science, Technology and Higher Education

3. HESLB. (2009). Annual Reports and Financial Statements. Dar es Salaam
4. RGoZ. (2008). The Zanzibar Strategy for Growth and Reduction of Poverty: 2010-2015 (ZSGRP II) MKUZA II
5. HESLB (2022). Guidelines and Criteria for Issuance of Students’ Loans and Grants
6. Silvestre, J. (2003). Wicksell, Lindahl and the Theory of Public Goods. *The Scandinavian Journal of Economics*, 105(4), 527–553.
<http://www.jstor.org/stable/3441130>
7. Bhartia, H.L. (2009) Public Finance. 14th Edition, Vikas Publishing House PVT Ltd., New Delhi.
8. Fayol, H. (1976). General principles of management. Anderson, S.C: Tutor/Tapes.
9. Andrias, C. & Emmanuel, M., (2020). The challenges of revenue generation in state universities: The case of Zimbabwe, *Cogent Social Sciences*, 6:1, DOI: 10.1080/23311886.2020.1748477
10. Dung, D., Jiacheng, K. and Yanran, Z. (2020). Financing Higher Education in Vietnam: Student Loan Reform. Centre for Global Higher Education working paper series
11. Edwin, U. (2019). The impact of revenue collection in local government authorities in Tanzania on improvement of social services: a case of Dodoma city (Dissertation). The University of Dodoma, Dodoma. <http://hdl.handle.net/20.500.12661/182>
12. Samson, M., (2018). The Paradox of Financing Public Higher Education in Tanzania and the Fate of Quality Education: The Experience of Selected Universities. *SAGE Open*. 8. 215824401877172. 10.1177/2158244018771729.
13. Nyahende, V., (2017). Students’ Loans by Financial Institutions: The Way to Reduce a Burden for Government Funding to Higher Education in Tanzania. *International Journal of Learning, Teaching and Educational Research*. 16. 92-115. 10.26803/ijlter.16.11.6.
14. Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. 2010. *Multivariate Data Analysis* (7th ed.). New Jersey, United States of America: Pearson Prentice Hall.
15. Pallant, J. (2016). *SPSS Survival Manual* (6th ed.). New York, United States of America: McGraw-Hill.
16. Denning, Naomi-Liza & Aziz, Monowar & Gurien, Steven & Wang, Ping. (2019). Damps and nets in sepsis. *Frontiers in Immunology*. 10. 10.3389/fimmu.2019.02536.