



Institute of  
Economic Affairs

# Assessment of the Funding Model by the Higher Education Loans Board: Implications for Adequacy and Equity

Webinar 23/2024

# Outline

- Objective
- Methodology
- Findings

# Objectives

**1. Adequacy:** Evaluating whether the funding provided by the Higher Education Loans Board (HELB) meets the actual financial requirements of students.

**2. Equity:** Examining how equitably the funding is distributed among students from different socioeconomic backgrounds.

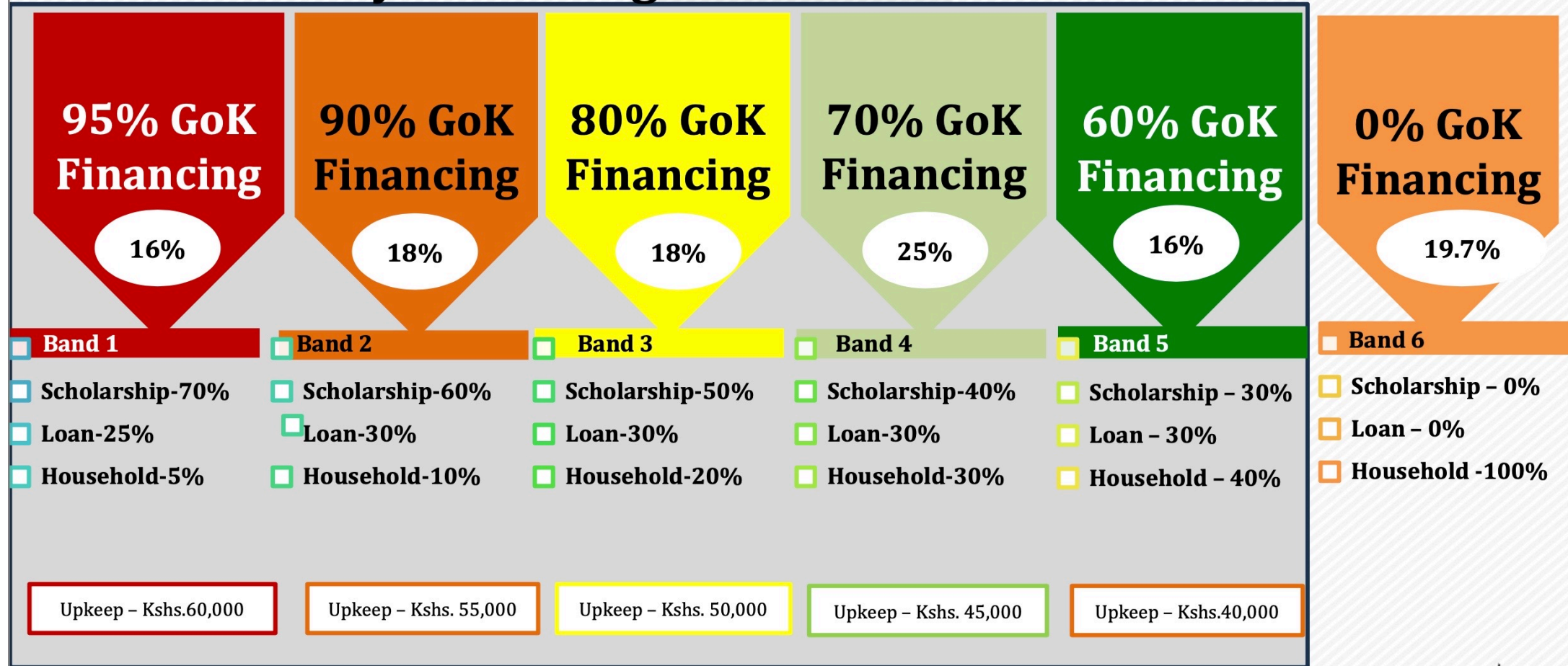
# Methodology

- Nominal
- Real (Inflation Adjustment)
- Share of GDP
- Share of GOK Spending
- Share of Education Spending
- Benefit Incidence (by income quintiles)
- Lorenz Curve
- Gini Coefficient

# What is the MTI?

- A means to determine the ability or inability of a household to finance Higher Education.
- It answers the question “How much should a household raise towards the higher education cost considering their gross household income and expenses?”

# New University Financing Model:



EMPOWERING DREAMS

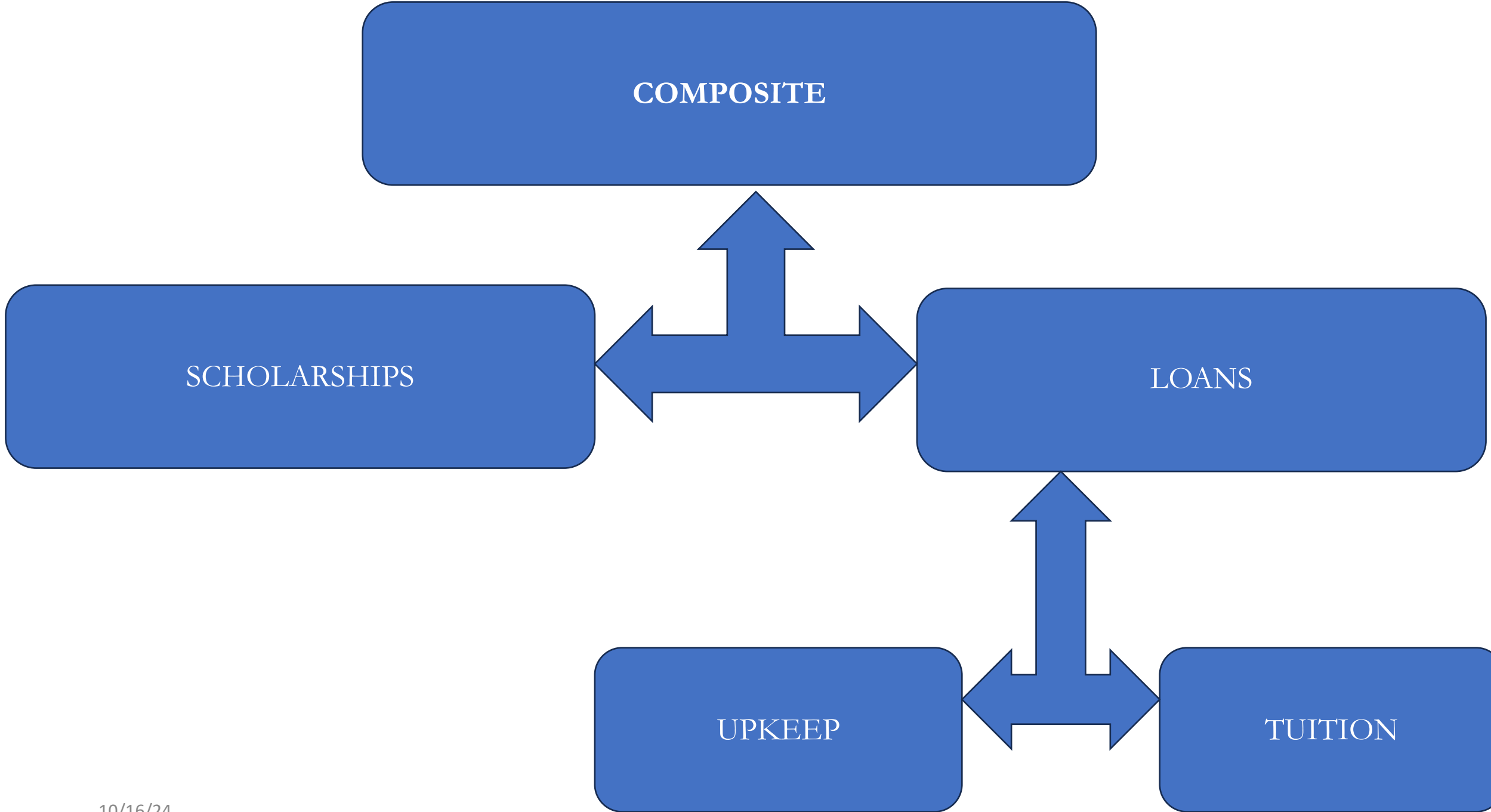


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# Findings



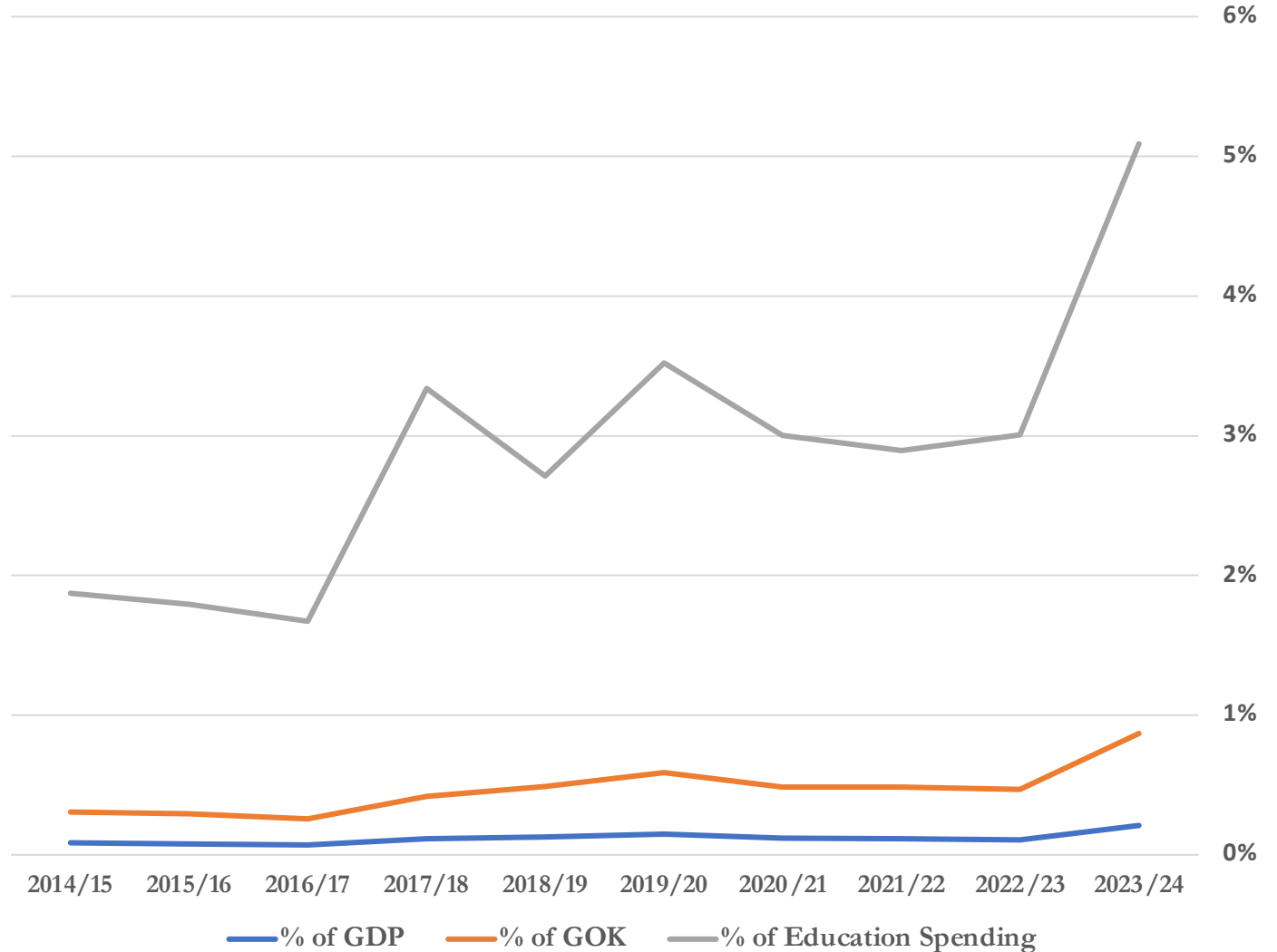
# I. Adequacy Question

# Loans Awarded as a Share of GDP, GOK Spending and Education Spending

TABLE 1

CHART 1

Academic Year	Total Annual Loans Disbursed(T)	% of GDP	% of GOK	% of Education Spending
2023/24	0.034	0.21%	0.87%	5.09%
2022/23	0.015	0.11%	0.47%	3.01%
2021/22	0.015	0.12%	0.49%	2.89%
2020/21	0.013	0.12%	0.48%	3.00%
2019/20	0.015	0.15%	0.59%	3.52%
2018/19	0.012	0.13%	0.49%	2.71%
2017/18	0.010	0.11%	0.42%	3.34%
2016/17	0.005	0.07%	0.26%	1.67%
2015/16	0.005	0.08%	0.30%	1.79%
2014/15	0.005	0.09%	0.31%	1.87%



# Adequacy Question – Supply Side

TABLE 2

Academic Year	CPI + 1	Deflator	Total Annual Loans Disbursed (N)	Real Value of Loans disbursed Base year – 2014/15
2014/15	1.066	100	5,034,039,000	5,034,039,000
2015/16	1.065	107	5,273,391,000	4,945,504,080
2016/17	1.081	114	5,432,094,000	4,785,214,451
2017/18	1.052	123	9,674,720,450	7,881,817,068
2018/19	1.052	129	11,878,902,216	9,199,166,798
2019/20	1.062	136	15,119,544,584	11,134,233,343
2020/21	1.054	144	13,375,680,974	9,278,474,973
2021/22	1.063	152	14,711,049,571	9,686,565,463
2022/23	1.088	161	15,025,479,039	9,308,122,256
2023/24	1.067	176	33,903,409,656	19,309,365,383

TABLE 3

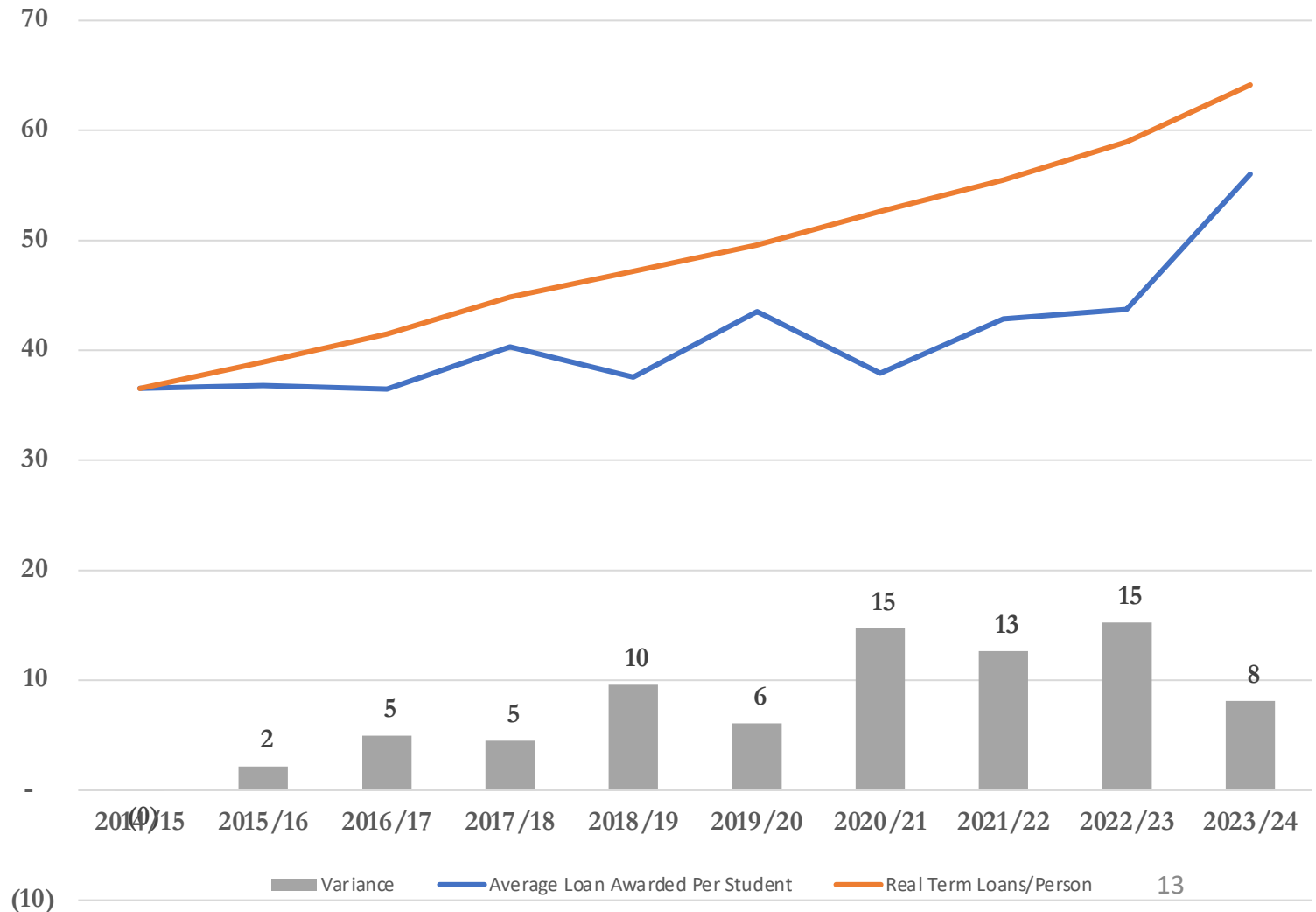
Academic Year	Number of Successful Applicants	Real Average Loans Per Student (Base Year - 2014/15)	Real Term Average Loans Per Student	Variance
2014/15	137,800	36,531	36,531	-
2015/16	143,382	34,492	38,953	4,461
2016/17	148,916	32,134	41,469	9,336
2017/18	240,018	32,838	44,841	12,002
2018/19	316,126	29,100	47,173	18,073
2019/20	347,384	32,052	49,607	17,555
2020/21	352,741	26,304	52,662	26,358
2021/22	343,417	28,206	55,480	27,273
2022/23	343,717	27,081	58,970	31,889
2023/24	605,080	31,912	64,141	32,229

# Adequacy Question – Demand Side

TABLE 4

CHART 4

Academic Year	Average Loan Awarded Per Student ('000)	Real Term Loans Per Student('000)	Variance ('000)
2014/15	36.53	36.53	(0)
2015/16	36.78	38.95	2
2016/17	36.48	41.47	5
2017/18	40.31	44.84	5
2018/19	37.58	47.17	10
2019/20	43.52	49.61	6
2020/21	37.92	52.66	15
2021/22	42.84	55.48	13
2022/23	43.71	58.97	15
2023/24	56.03	64.14	8



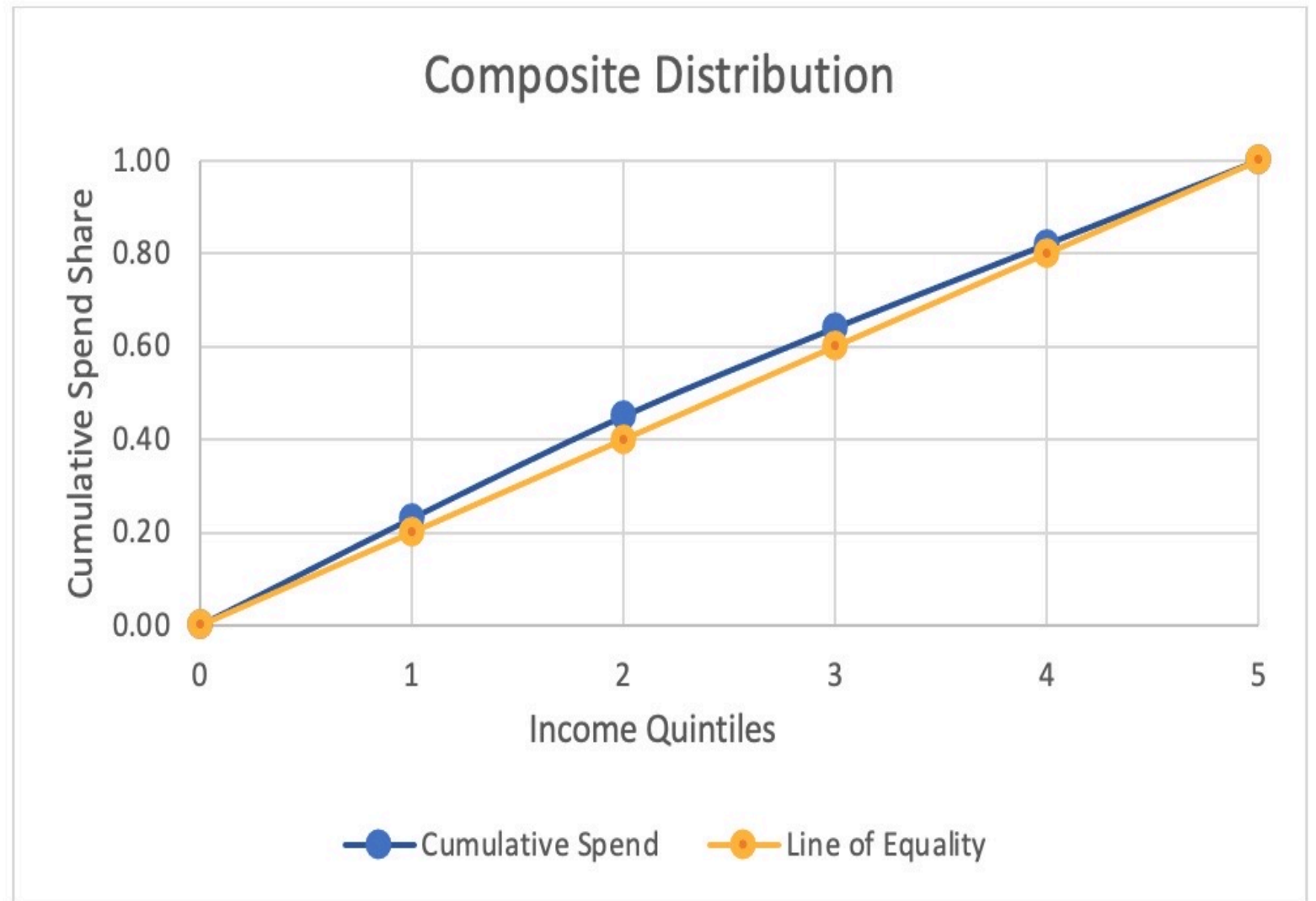
## II. Equity Question

# Composite

CHART 5

TABLE 5

Income Quintiles	Cumulative Composite Share	Line of Equality
0	0.00	0.00
1	0.23	0.20
2	0.45	0.40
3	0.64	0.60
4	0.82	0.80
5	1.00	1.00

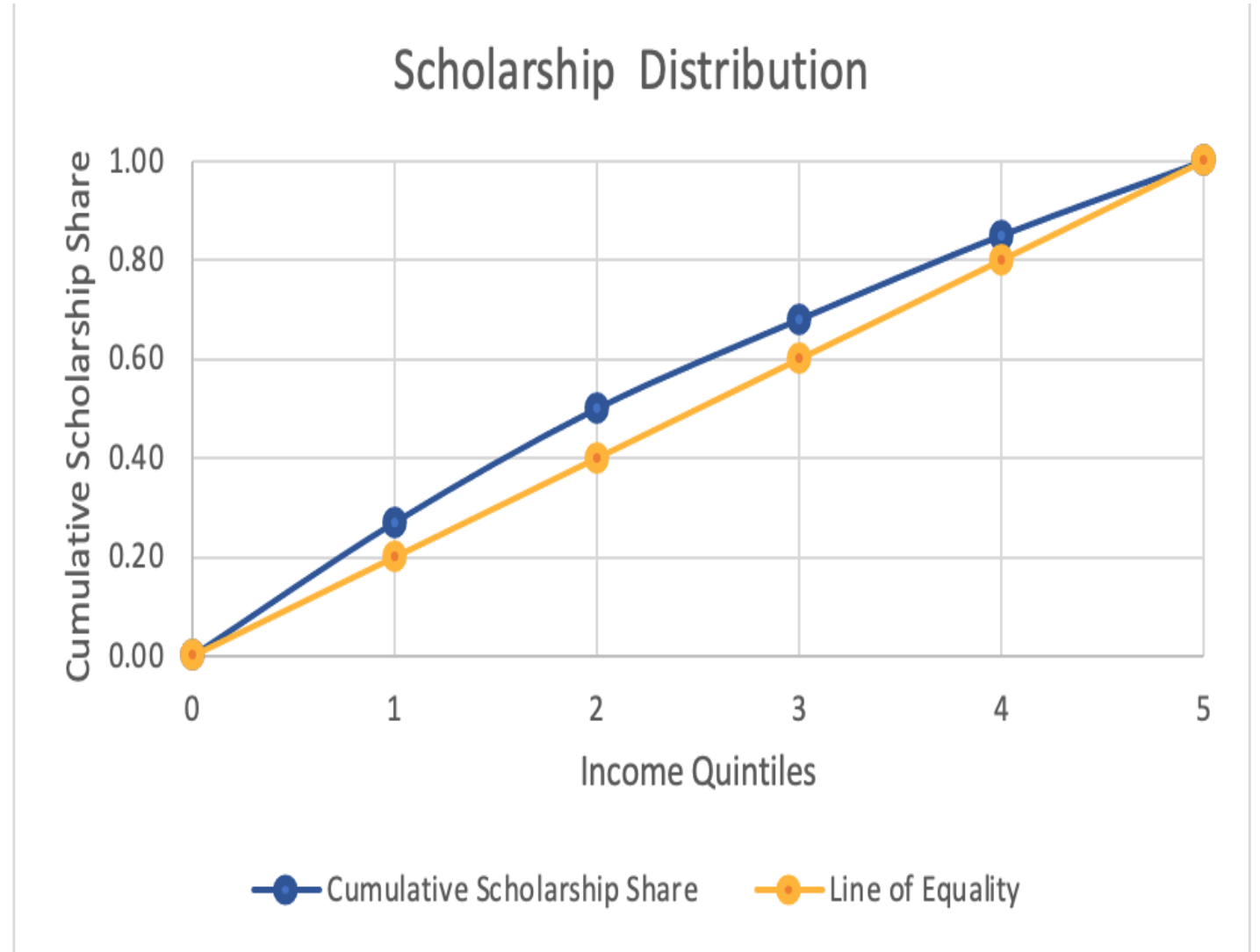


# Scholarship

CHART 6

TABLE 6

Income Quintiles	Cumulative Scholarship Share	Line of Equality
0	0.00	0.00
1	0.27	0.20
2	0.50	0.40
3	0.68	0.60
4	0.85	0.80
5	1.00	1.00



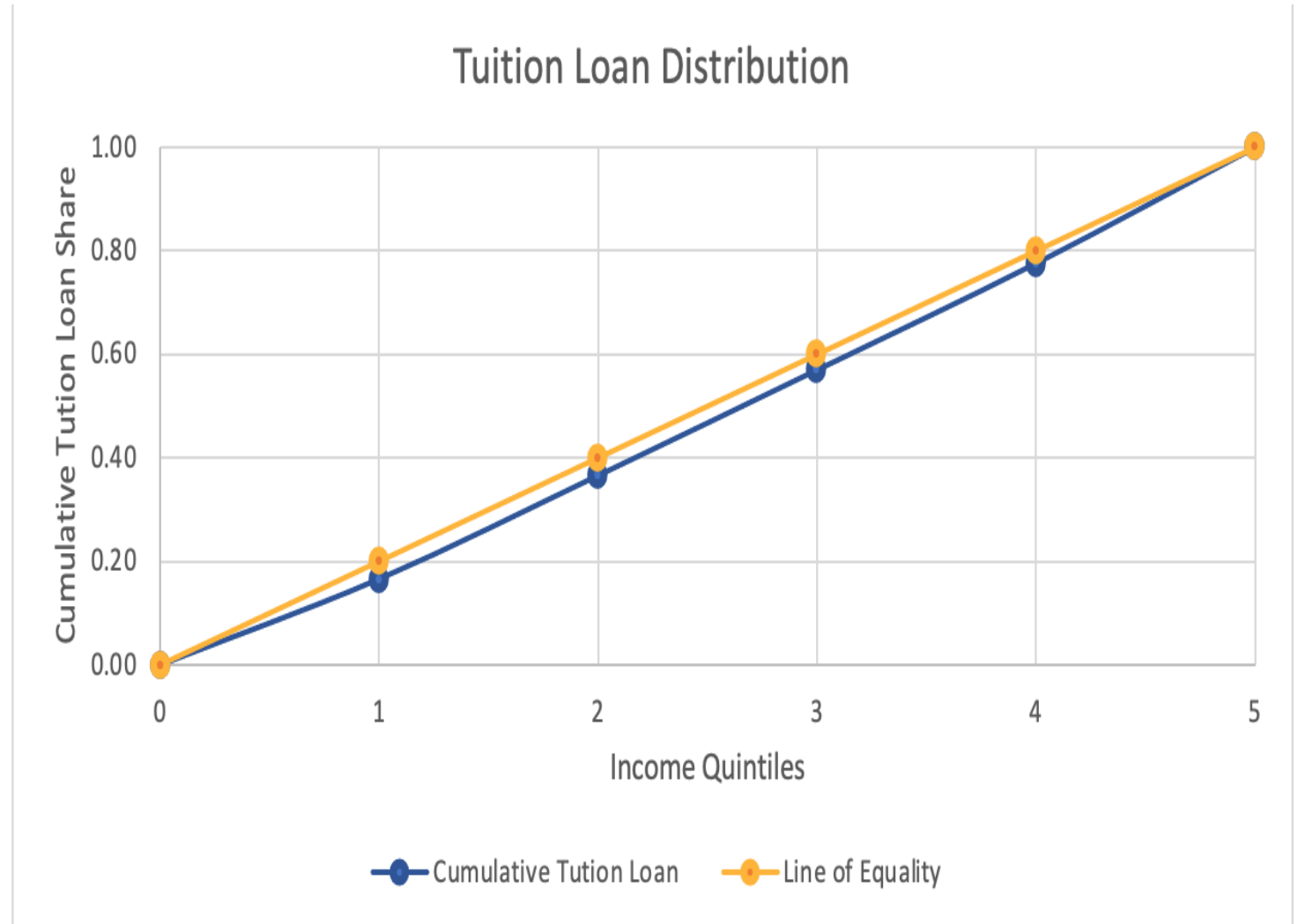


# Tuition

TABLE 7

Income Quintile	Cumulative Tuition Share	Line of Equality
0	0	0
1	0.16	0.20
2	0.37	0.40
3	0.57	0.60
4	0.77	0.80
5	1.00	1.00

CHART 7



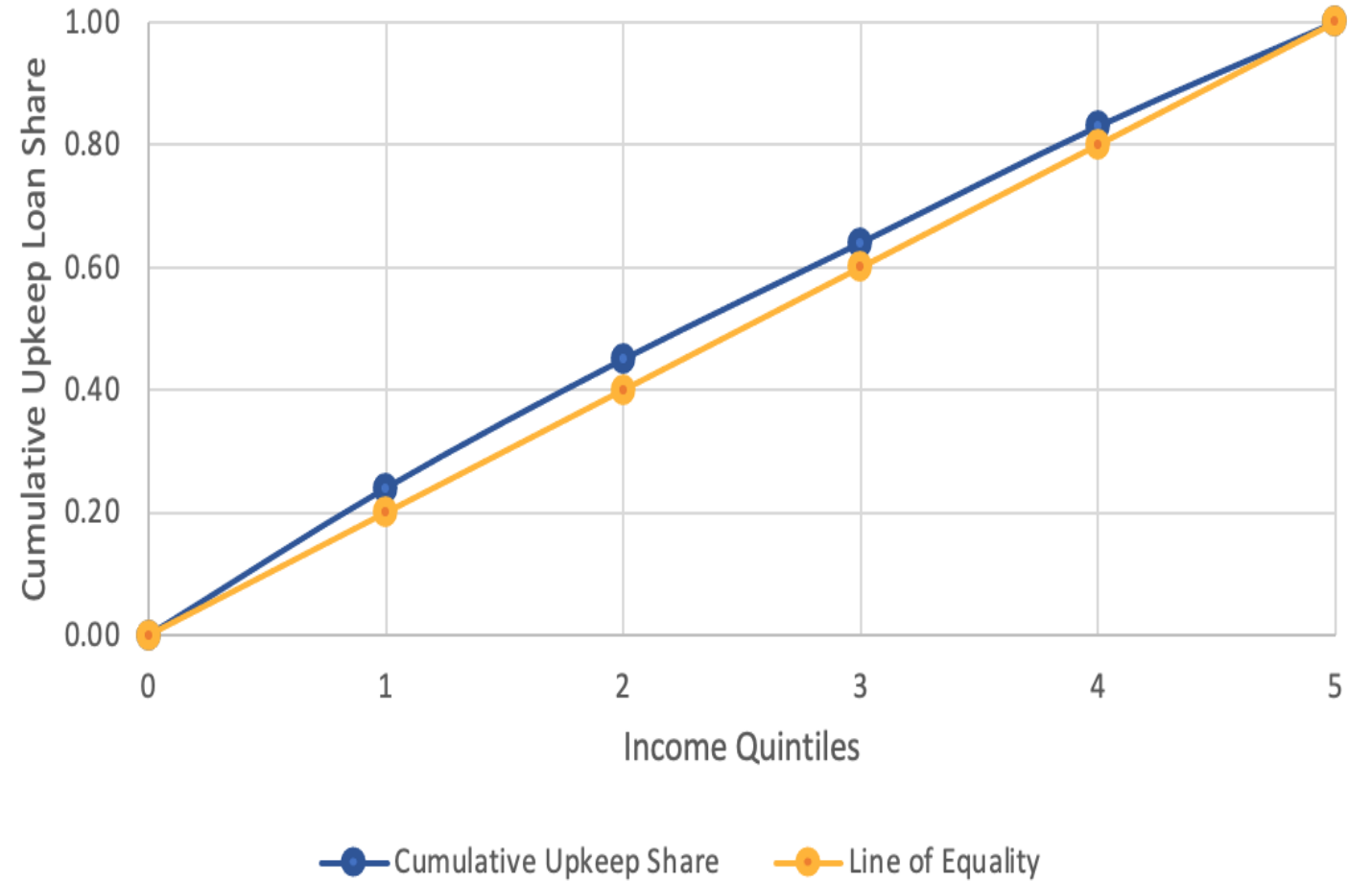
# Upkeep

TABLE 8

Income Quintile	Cumulative Upkeep Share	Line of Equality
0	0.00	0.00
1	0.24	0.20
2	0.45	0.40
3	0.64	0.60
4	0.83	0.80
5	1.00	1.00

CHART 8

Upkeep Loan Distribution



# Conclusions

## Adequacy

- Allocations growing as a share of GDP, GOK, Tax Revenues and Total sector spending
- Inflation Effect on value of the average loan
- Inflation Indexing: Reduce Risk of fund depletion
- Assessment for actuarial balance and fairness

## Equity

- Distribution consistent with equity as a goal
- Scholarships should be reconfigured to loan status
- Arbitrary design of the Upkeep
- Transparency about the application of the MTI

**THANK YOU!**