Strengthen Higher-Education through Innovative Financial Tools

MAPPING THE FINANCING DYNAMICS OF HIGHER EDUCATION STUDENTS

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SHIFT Partners

SHIFT includes seven partners from four Countries (Belgium, Italy, Poland and United Kingdom) that ensure variety of cultural approaches, balancing large and small, Nordic, Eastern and Southern countries.

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Background

SHIFT project recognizes the need for more intelligent spending of funds for higher education and seeks to develop new mechanisms to empower students to afford higher education. The project aims at developing and validating (via financial stress testing) an innovative funding model based on the concept of an endowment fund that pools private and public money. Taking into consideration the diversity of the higher education system across Europe, SHIFT aims to ultimately develop a mechanism that will combine the private sector management of the funds to generate profit with the public sector mission to ensure proper allocation of the proceeds for public policy objectives while flexibly adapting to the various EU higher education environments. To this end, SHIFT will extrapolate the virtuous elements of successful national student financing models (such as the UK's) and embed them to the developed mechanism.

SHIFT has the objective of alleviating the financial burden of access to and participation in higher education of students. At the same time, SHIFT is expected to increase the efficiency of public spending in HE by developing an innovative model of virtuous Public Private Partnership based on a financial instrument and model (mix of endowment fund and investment fund) that will generate increased financial resources to be distributed as grants, matching grants and soft loans for higher education students.

This report provides a detailed analysis of financial support systems available for students in higher education across the EU and selected Member States (Italy, Poland and the UK). The report identifies specific drivers and inhibitors of current funding models for HE students to provide elements for the design of the innovative model. In particular, SHIFT evinces the dynamics of higher education students' access to finance and financial literacy across the EU, emphasizing the rigidities in availability of the direct (loans and grants) and indirect (tax allowances, family benefits) schemes for students and discerning the government initiatives in EU countries to increase the level of financial literacy. Furthermore, this report thoroughly examines the private and public expenditure by EU countries to finance higher education and highlights the shortcomings of the current funding policies. Key data sources, which have been extensively used in desk research, include OECD, Eurostat, Eurydice, Bank of Italy, Polish Ministry of Science and Higher Education, Sutton Trust, among many others.

Based on common methodological approach developed by the partner countries, a student survey has been carried out using an identical questionnaire, which has been translated into

Italian and Polish languages. The main objective of the survey is to identify the most significant barriers to enter higher education in selected Member States. In Italy, SHIFT partners ran the questionnaire-based survey in the period between 27 February and 15 March 2018 by using online survey tools or mailing hard copies directly to students and obtained 1,067 replies, 804 of which have been properly completed. In Poland, SHIFT partners conducted a survey between January and mid-February 2018, using both on-line and off-line data collection methods. The questionnaire has been sent to students at both public and private universities across different cities in Poland and in total 342 completed surveys have been collected, 132 of which are via an online tool. In the UK, SHIFT partners carried out a student survey for England, which collected 144 responses, and a survey for Wales, which collected 121 responses. Additionally, HE alumni participated in an opinion survey carried out by SHIFT partners in England and Wales, which covered 34 respondents. Additionally, several interviews have been carried out with different stakeholder groups including policymakers, banks and students' associations across all the SHIFT countries.

Contents

Executive summary

The economic and financial crisis is forcing all EU Member States to drastically reduce spending and investment in education. The EU recognises that "the issue is not about spending more or less, but about spending more intelligently" and calls for "innovative financial instruments to focus on addressing identifiable market failures, taking into account the needs of final beneficiaries" EU Budget Review, Oct. 2012 COM700.

Public funding accounts for 85% of all higher education (HE) funding (Eurydice). The EACEA in "Modernisation of HE in EU: Funding and Social Dimension" clearly states that "the economic downturn led to a decrease in public funding, while demand for HE increases" and that students are the ones paying the price: the "financial burden is increasingly being shifted to students".

The above reinforces the challenge to develop new mechanisms to empower students to be able to afford HE: EU papers are clear about the specific need for innovative and different avenues to finance HE students, so that university is not limited to a few who "can afford it" but is a universally recognised possibility for all Europeans. The DG EAC Report "Study On Student Lending" clearly states that "[m]any national loan schemes are inadequate, apart from a few exceptions (UK, Sweden, Netherlands). Student loans are not available in all EU countries: where they exist, they are limited in scope, number and size.

Against this background, this SHIFT report aims to form a detailed picture of the HE system in Europe, highlighting the key goals and policies pursued by Member States and placing a special focus on student fees, financial support and the level of financial literacy within the European Union. The primary target set in the renewed EU agenda is to ensure that students have the necessary material conditions to study and fulfil their potential.

The recent financial crisis has had an adverse effect on the overall public expenditure and investment in education, shifting the financial burden to students and thus calling for more efficient methods of enhancing students' affordability of HE. Despite the fact that all European countries have been able to maintain a constant share of GDP allocated to education, the economic crisis has led to the stagnation of investments in the education system, equipment and infrastructure in most of the countries.

Member States with the help of the EU have established common goals to fully support the modernisation of HE through policy cooperation, strategic development and funding programmes. In the Europe 2020 strategy, the main aim is to ensure that 40% of the young population obtain tertiary education. To this end, the EU actively promotes international exchanges for students and facilitates an effective cooperation between universities across countries through Erasmus+ and Horizon 2020 Programmes. Student loans provided by the European Investment Fund along with eligible financial intermediaries are designed specifically to provide adequate financing for students willing to study abroad, at reduced interest rates and risk.

Nevertheless, while the European Union agenda clearly sets the incentives, objectives and standards for the entire HE system, each country-member of the EU follows strikingly different approaches to charging tuition fees and managing their own budgets available for loans and grants. Thus,

- "No fee for home and/or EU students" policies (regardless of cycle, study status or performance) are found in only 4 countries, while universal fee policies are observed in 12 countries.
- Only 10 countries do not charge any tuition fees for full-time first-cycle students, whereas 4 out of these 10 countries set fees for second-cycle students.
- All EU countries provide at least one type of *direct support* for student education (grants and loans), whereas only 9 countries have more than 50% of both grant beneficiaries and loan takers for first-cycle studies. In 21 countries, students may expect compensation for a portion of tuition fees in the form of *indirect support* such as tax benefits or family allowances.
- Most countries offer need-based grants for disadvantaged students, 18 countries offer only merit-based grants based on academic performance, and 7 countries allocate grants to students following a mixture of need- and merit-based criteria.
- 29 countries have loans available for students; however this is not always the preferred choice for students – e.g. only 7% of students take loans in Estonia.

In terms of financial literacy, more and more countries are nowadays involved in designing and implementing national strategies for financial education. Almost half of EU countries are aware of the need to equip their students with the necessary financial toolkit; however policy implementation in this regard appears to be particularly problematic. Recent surveys show that the level of financial literacy is relatively low across European countries, with an average score of 13.2/21 based on financial questionnaires and guidance. Further, existing evidence suggests that providing finance courses at every level of education results in greater financial literacy among university students. As a result, 5 countries have begun to plan and design the first national program to tackle financial illiteracy, whereas 14 countries are currently implementing either their first or second national strategy for financial education.

Profiles of countries involved in the SHIFT project

Italy

The economic downturn in 2008-2009 has exerted a significant downward pressure on public funding for HE, leading to a substantial increase in tuition fees. In 2015, about €7 billion was allocated by the national budget for HE, which is 21% lower than a similar amount observed in 2009. Although all public (and some non-state) HE institutions (HEIs) are funded by the national budget, students pay fees and significantly contribute to financing the universities.

Moreover, the revenues generated by universities and the share of education expenditure by the public sector have slumped over the last twenty years. The revenue decreased by 18% in the two-year period 2012-2014, whereas spending on tertiary education has fallen to levels below the average of the OECD countries, with the share covered by public funding declining from 80% in the 90s to 66% in 2012. On the other hand, the household expenditure on HE in Italy is one of the highest among the EU countries (26.5%), creating a significant financial burden for students and their families.

The Italian HE system has different types of financial support for students. The main funding resources are scholarships, which are awarded on the basis of academic achievement (measured in number of credits) and economic requirements (disadvantaged financial condition), and a reduction in tuition fees. Thus,

- 9.43% of first- and second-cycle full-time students receive a scholarship.
- The average amount of fees paid in state institutions is around €1000 per year, but varies substantially across regions.

- Tax benefits are only applicable when student is tax-dependent on parents, whereas family allowances are not available.

The student loan system in Italy presents a set of brokering agreements between student, university and bank and does not seem to be widely used by students (less than 1% of students take out loans). Despite the innovative regulations proposed by the government that offer loans at reduced interest rates and with no repayment before employment, the number of loans taken remains at a dramatically low level. The key reasons for such a weak loan demand are affordable tuition fees, availability of scholarships, and debt aversion due to low levels of employment after graduation. Nevertheless, recent evidence suggests that students are increasingly thinking of financing their education through loans – 42% of high-school leavers would consider taking a loan.

The most recent trends indicate that Italian students are starting to get into debt to finance their studies. The phenomenon is still relegated to small numbers (only 1% of total loans is for studies), but the trend is growing, according to the data on various financing offers proposed by banks and financial institutions. For example, from January to May 2017 there has been an increase of 10.2% of the amounts requested, with almost one million Italians (890,000) who have asked for a loan to finance their studies.

Based on recent surveys, the level of financial literacy in Italy is at a very low level, with only 6% of students scoring the highest mark and with the average score being third lowest among the EU countries.

Poland

Since 1991 Poland has undergone a dramatic change in HE system, which has been accompanied by a massive increase in the percentage of students in tertiary education in the initial years (from 10% in 1990 to 40% in 2007) and a slight decline in participation rates over the recent years (37% in 2016). This education boom has led to the growth of non-public HEIs (400 in the mid 2000s), forcing the majority of students to pay tuition fees. In 2005, the number of students in fee-based tertiary education programmes has outpaced the number of students in public institutions.

Due to the demographic and educational changes over the last ten years, Poland is currently designing policies aiming at improving the quality of tertiary education. The share of public expenditure on education, expressed as a percentage of GDP, is only slightly below the EU average, whereas the monetary spending per student is one of the lowest in the EU.

Poland has a dual system of financing HE. Full-time undergraduate courses are free of charge, whereas part-time programmes, courses taught in English, and postgraduate studies are subject to a tuition fee. The financial support system mainly consists of various scholarship incentives and student loan schemes. Thus,

- Around 20% of students receive scholarships, which take the form of both need-based and merit-based grants.
- About 16% of students receive financial support from the government (by law) due to their difficult financial situation or disabilities, whereas 7.9% of students are awarded with grants for outstanding academic performance.
- Only 0.3% of the student population obtain loans and the number of student loans has been declining over the last twenty years, despite the favourable conditions (late repayment date, low interest rates, etc.) offered by the government.

In terms of financial education, Polish pre-university students aged 15 show an average level of financial literacy among OECD countries, whereas Polish university students demonstrate a solid knowledge of financial instruments, achieving the best score (77% of correct answers) among all the participating countries.

Poland stands out from other EU countries in that almost all private spending on HE comes from households (predominantly in the form of tuition fees and other similar payments), whereas business sector involvement is minimal. This may be seen as reflecting established features of both the HE system and the business sector attitudes. However, it can also be seen as offering opportunities for strengthening – currently very limited – public-private co-operation in this area.

The key potential opportunity for greater private sector involvement in student support appears to be related to strengthening co-operation between business and HEIs. Such co-operation is actively supported by the government (at least at the level of declarations). The generally very weak co-operation between HEIs and the business sector is widely seen as a challenge for promoting innovation and increasing the labour market relevance of tertiary education (European Commission, 2017 and 2018). For students, the key potential gain consists of easing financial constraints and allowing them to pursue studies or to focus exclusively on their area of studies (rather than taking up simple student jobs) and valuable work experience.

United Kingdom

The UK education system has been experiencing profound alterations in fee-paying and student loan programmes since 1962. Starting with a no-fee policy for home students in 1962 and the introduction of student loans for living costs (maximum of £420 per year) in 1990s, the UK has substantially increased both tuition fees, from £1000 per year across the UK when first introduced in 1998 to £9000 in 2012 for full-time undergraduate students in England, Wales and Northern Ireland, and loan expenditure, reaching an overall amount lent to students of £13 billion in England, £576.7 million in Scotland, £438.7 million in Wales and £330.9 million in Northern Ireland, over the recent years.

Moreover, the student loan system has been transformed to an income-assessed framework, which increases loan entitlement and requires students to pay back both tuition fees and living costs once two conditions are met: a temporary condition (nine months from graduation) and an income threshold (student has to earn £25,000 a year in 2018 to contribute 9% of annual earnings to repay the loan). Thus,

- In 2016/17, 40% of first- and short-cycle students received a full maintenance grant for living costs, while 14% were awarded a partial maintenance grant support.
- Indirect financial support in forms of tax benefits and family allowances is not widely applied within the UK.

Nevertheless, despite the availability of various loan schemes across the UK, the increase in a fee cap to £9,000 per year in England, Wales and Northern Ireland and a related cut in direct public funding seem to have a major effect on students' unwillingness to obtain a tertiary education and take loans. Thus rhe fraction of students aiming to apply for HE courses has plunged to its lowest level since 2009. For high-fee courses, it may take up to 30 years for students to repay their loans, causing a significant drop in loan demand due to a high degree of debt aversion and deterring prospective students, especially from lower-income households, from participating in HE.

The student survey of over 250 undergraduate students in two British universities show that student loans and family savings are the first and second source of income for studies. Students generally do not find applying for a loan and understanding Terms and Conditions of the loan contract difficult. Financial advice, however, usually comes from students' family members, which suggests a relatively low levels of financial independence and literacy. Additionally, the alumni's survey from two universities, designed to capture their opinion on the possible barriers to enter HE, reveals a consistent evidence that the size of debt acts as an important deterrent to entering HE.

To broaden HE participation of young adults and reform the HE funding, the UK government has introduced a number of policy initiatives in support of HE students. In particular, the eligibility requirement for student finance support has been redefined and relaxed to some extent. For instance, student tuition fees and maintenance support has been extended to students with discretionary leave to remain (DLR). On the other hand, with the increased use of loans for HE funding, the total student loan balance has risen significantly in all parts of the UK. The non-repayment rate, however, is over 30%, which may cause some concerns about the sustainability of the current funding framework.

1. Financing dynamics of higher education across the European Union

1.1 Financing systems in European higher education

One of the main effects of the economic crisis was the increasing pressure on education system by both demand and supply side. Regarding the former, rising unemployment and a poor economic worry have led people to look for additional qualifications and skills, resulting in boosting demand for education. Regarding the latter, Member States was asked to lower their overall public expenditure to reduce public deficits.

Despite the above mentioned background, since 2007 all European countries have at least maintained constant the share of GDP envisioned for education, and some of them have even increased it.[1] One interesting finding is that European countries prevented education from cuts (or education expenditure decreased at a slower pace than national GDP), indeed expenditure in education as share of GDP increased in those countries that suffered several consecutive years of crisis.

However, these circumstances were not sufficient to furnish an adequate support to education and, in particular, to tertiary education. On the one hand European countries did not cut on education, on the other most of them were not able to invest additional resources in modernising their education system, equipments and infrastructures.

The European Union does not have a direct competence on education and higher education, but reforms, public spending and policies in the field of higher education are responsibility of Member States. The EU help Member States by providing common goals to reach and by designing and suggesting possible solutions and pathways to undertake towards that objectives. To this end, the European Commission published in 2017 the

[1] European Commission/EACEA/Eurydice, (2013)

Communication on a 'renewed EU agenda for Higher Education',[2] that aims to ensure the EU's initiatives to support higher education modernisation are focused on issues that matter, while also helping to prepare for the next EU funding period.

In the Europe 2020 strategy and the strategic framework for European cooperation in education and training (ET 2020), the Council agreed that 40 % of young people should have a tertiary education qualification or equivalent by 2020. To this end, the EU concretely supports higher education through policy cooperation and funding programmes. Moreover, the European Semester is a key point of reference for policy reforms, also through education-related country specific recommendations and, since 2011, the Modernisation Agenda for Higher Education has provided strategic direction for EU and Member State activities.

If the EU can set goals and objectives, their achievement depends on adequate human and financial resources, incentives and rewards efficiently deployed by Member States. Governments are the most important funders of tertiary education in most EU Member States and play a key role in defining incentives, objectives and quality standards for the higher education system as a whole. As higher education is called on to do more, it becomes more challenging for governments and HEIs to determine the best ways to target and balance investment. At this point two main questions do arise: whether or not more private money should be used for higher education funding and how to design funding systems that encourage higher education to deliver the right services able to reach the EU goals and objectives.

Examples of EU funding programmes

Through its Erasmus+ and Horizon 2020 programmes, the EU "supports international exchanges for students, academic staff and researches, as well as structured cooperation between higher education institutions and public authorities in different countries. The objective is to create new opportunities for people in higher education to learn from one another across national borders and to work together on joint projects to develop good learning and teaching, undertake excellent research and promote innovation".

Erasmus+ is the European Programme for Education, Training, Youth and Sport in Europe. In addition to Erasmus+ funding, significant European Structural and Investment

[2] COM(2017) 247 final documents the 2017 Communication from the European Commission on a renewed EU agenda for Higher Education (see European Commission, 2017a

Funds have been allocated to support higher education in many parts of the EU, in particular in less developed regions

Erasmus+ Programme allows eligible financial intermediaries (banks etc.) to provide EU-guaranteed loans for university students to take a Master's degree abroad.

Such tool is managed and implemented on behalf of the European Commission by the European Investment Fund (EIF) through the Erasmus+ Master Loan Guarantee Facility.

Eligible organisations are public or private financial intermediaries authorised to carry out lending to individuals in accordance with the relevant legislation and regulations.

They must also be based in one of the Programme Countries, including countries in the European Union as well as:

- Iceland
- Former Yugoslav Republic of Macedonia,
- Turkey,
- Liechtenstein, and
- Norway

Through Erasmus+, the EIF provides guarantee cover on the portfolios of student loans to eligible financial intermediaries, allowing them to provide more loans to more students at a reduced risk, as well as at reduced interest rates for the students.

Erasmus+ Master Loans cannot exceed EUR 12,000 (or the equivalent in local currency) for a one-year Master's course, or EUR 18,000 (or the equivalent in local currency) for a course lasting more than one year.

The loans are designed to enable access to financing for students and, as such, certain terms and conditions apply, such as waivers of collateral (as the EU guarantees against default) or options to delay the payments up to two years after the end of the study period.

Students accepted for a full Master's programme must study in a country other than the one in which they obtained the qualification granting them access to the Master's course, and other than their country of residence.

1.2 A2F for higher education students

The renewed EU agenda for higher education recognizes that one of the key challenges in developing quality mass higher education systems is to ensure that university students have the necessary material conditions to study and fulfill their potential. This is pursued at national level by charging student fee and provide support systems, two important tools of national policies in the field of higher education.

Student fees and support systems are very different among the European countries and they are complex to compare at European level.

Fees and support are key elements to support (or discourage) access to HE and have a recognized impact on completion rates and, within the European Union, the same terms valid for national students shall apply to all EU nationals who want to study in an another Member State. This means that fee and support arrangements in place for home students are also applicable to all EU students.

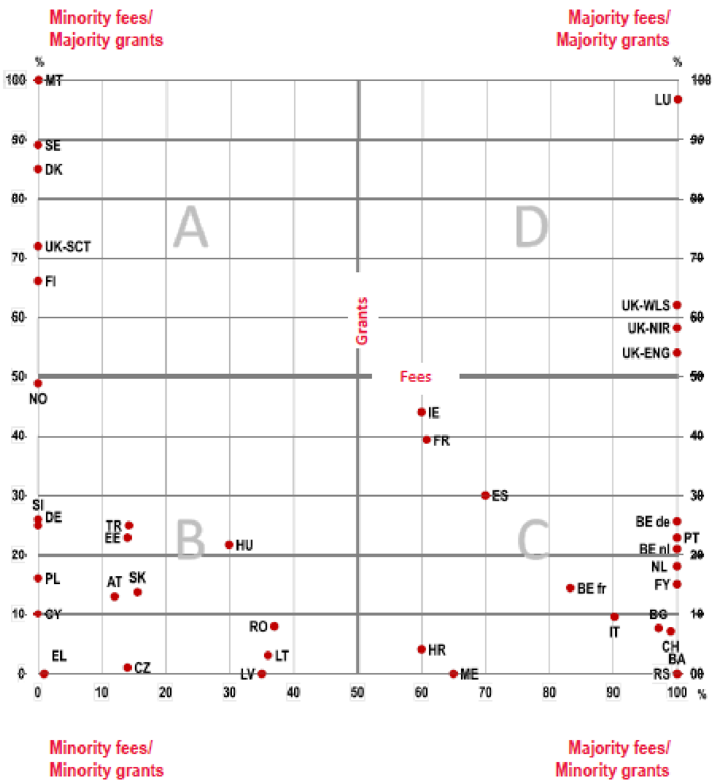
Since the expenditure in higher education is not centralised at European level, it results to be very different among European countries, that also follow several approaches to requiring contributions to students (or their families) as well as to the type and amounts of financial support to students. According to the European Commission/EACEA/Eurydice (2017) report, within the European countries, the common thing is that all 42 systems provide at least one type of direct support (grants and loans) and 21 also provide indirect support (family allowances and tax benefits).

Table 1.1 shows the percentage of fee-payers (2017/18) and percentage of beneficiaries of grants (2016/17) among full-time first-cycle students in European countries and detects four quadrants that are linked to four different policy approaches:

A) The public budget covers most (or all) the university fees, resulting in significant public investments in higher education: low percentage of fee-payers and high percentage of grant beneficiaries.

B) Similarly, the public sector strongly supporting higher education by reducing the amount of fees that students have to pay but not by providing grants.

On the other hand, countries in C) and D) charges fees to the majority or to all students.
Table 1.1: Percentage of fee-payers (2017/18) and percentage of beneficiaries of grants (2016/17) among full-time first-cycle students in European countries



	Grants	Fees		Grants	Fees
BE fr	14.4	83.3	AT	13.0	12.0
BE de	25.7	100	PL	16.0	0.0
BE nl	21.1	100	PT	22.0	100
BG	7.5	97.1	RO	7.8	37.0
CZ	1	14.0	SI	26.0	0.0
DK	85.0	0.0	SK	13.7	15.6
DE	25.0	0.0	FI	66.0	0.0
EE	23.0	14.0	SE	89.0	0.0
IE	44.0	60.0	UK-ENG	54.0	100
EL	0.0	:	UK-WLS	62.0	100
ES	30.0	70.0	UK-NIR	58.2	100
FR	39.2	60.8	UK-SCT	72.0	0.0
HR	4.0	60.0	BA	0.0	100
IT	9.4	90.2	CH	7.0	100
CY	10.0	0.0	FY	15.0	100
LV	0.0	35.0	IS	0.0	100
LT	3.0	36.0	LI	:	100
LU	96.8	100	ME	0.0	65
HU	21.8	29.9	NO	48.8	0.0
MT	100	0.0	RS	0.0	100
NL	18.0	100	TR	25.0	14.2

Source: European Commission/EACEA/Eurydice (2017)

C) The principle behind such systems is that everyone should pay fees, with the exception of financially disadvantaged students which are exempted and also eligible for need-based grants. In most countries in this group, less than a third of students obtain need-based grants. The low availability of grants tends to make students dependent on families or work, and make it difficult the access to higher education.

D) In this quadrant, all students pay (sometimes high) fees, and most of them receive grants. Here, the high level of public expenditure may compensate for a part of the high fees the student personally incurs. Nevertheless, students may also graduate with high levels of debt to be reimbursed after their studies.

Data also shows that students in countries in quadrants A) and D) are more likely to take out loans than those in quadrants B) and C).

On the contrary, most B) and C) model countries provide indirect support (tax benefits and/or family allowances) to students' parents, which are not often included in the policies of countries in the A) and B) quadrants.

Regarding the amount of fees charged to university students, they are documented as follows:[3]

- >EUR 100: Czech Republic, Poland, Slovenia and Slovakia
- EUR 101-1,000: Belgium, Bulgaria, France, Croatia, Luxembourg, Austria, Bosnia and Herzegovina, former Yugoslav Republic of Macedonia, Iceland, Montenegro, Serbia and Turkey
- EUR 1,001-3,000: Ireland, Spain, Italy, the Netherlands, Portugal, Switzerland and Liechtenstein, Hungary

The highest amount (EUR 10,028) is charged to students in the United Kingdom (England).

In almost all countries, the socio-economic situation of students influences the amount of fees that they pay.

In most countries, second-cycle fees are identical or very close to the first-cycle fees. In some countries, however, second-cycle fees can be significantly higher than first-cycle fees (Ireland, Spain, FYROM, Montenegro and Serbia).

Cyprus, Greece, Malta and the United Kingdom (Scotland) apply different fee policies for the two cycles: while students do not pay fees in the first-cycle, they are charged fees in the second-cycle. The most common amounts range from EUR 400 in Malta, to EUR 3,625 in Greece, more than EUR 5,000 in Cyprus and in the United Kingdom (Scotland) they may be higher still, as they are unregulated.[3]

[3] European Commission/EACEA/Eurydice (2017)

EU financial support systems

All European countries offer at least one type of direct support (a grant or a loan) to full-time students in first-cycle studies[4] (with the exception of Iceland). In most systems, both grants and loans exist but they are not linked and students need to apply through separate procedures. In contrast, in Germany, Luxembourg, Switzerland, Liechtenstein and Norway, direct support is available as a package. In Germany, Luxembourg and Switzerland, students are eligible for a non-repayable grant, a grant and loan, or only a loan depending on their own and/or their family's income.

Direct support to higher education can take the form of loans or grants. Grants may be need-based or merit-based (also called scholarships). Direct support is also usually accessible to full-time short cycle and second cycle students, while Part-time students cannot benefit from direct support in most countries.

In Spain, Croatia, Romania, Bosnia and Herzegovina and FYROM, grants are the only available form of student support. All the other countries offer grants and loans (even if loans are not always widespread, i.e. in Italy), and Iceland is the only country that does not offer grants to its students (even if it started a process to introduce them in the coming years).

Most systems offer need-based grants to facilitate the access to tertiary education of disadvantaged students. Eligibility depends by a set of socio-economic criteria that is usually based on family income, but can also encompass the following: whether students live with their families, parents' employment status and/or education, special educational needs or orphan status or whether students have dependent children.

Bulgaria, Greece, Ireland, France, Italy, Cyprus and Austria disburse grants to their students following a mixture of need- and merit-based criteria. Among them, the mixture rules changes depending on the weighting they give to financial situation/socio-economic condition and academic performance.

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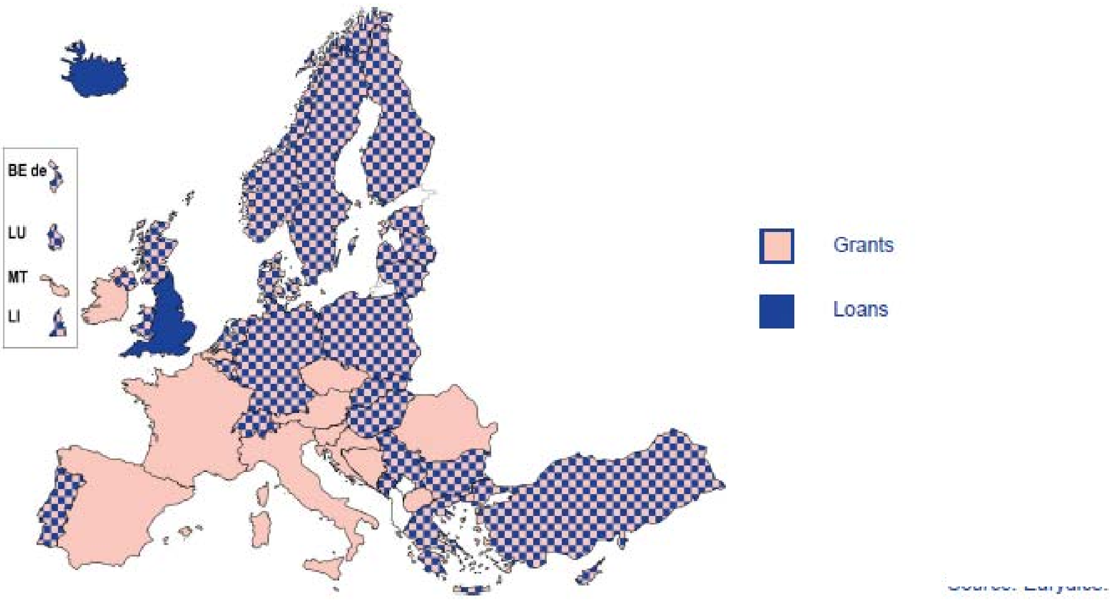
[4] Programmes of higher education in the European Higher Education Area (EHEA) are offered at three levels - undergraduate, graduate and doctoral studies - which are usually referred to as the three cycle system. The first cycle leads to a qualification (in many countries labelled Bachelor") which is obtained after successful completion of a study programme with 180 – 240 ECTS credits. Programmes of the first cycle last typically three years (European Higher Education Area - http://www.ehea.info/pid34438/three-cycle-system.html visited on 16/04/2018)

In Ireland, France, Cyprus and Austria, grants are disbursed according to academic performance (complemented by targeted need-based grants).

Figure 1.2: Main types of direct support to full-time students, first-cycle, 2017/18



Source: European Commission/EACEA/Eurydice (2017)

Bulgaria, Czech Republic, Germany, Estonia, Croatia, Latvia, Lithuania, Hungary, Poland, Portugal, Romania, Slovenia, Slovakia, Bosnia and Herzegovina, FYROM, Montenegro, Serbia and Turkey envisage merit-based grants based on educational outcomes (during higher education studies, secondary school results or according to performance in admission tests).

Concerning the amount per year provided to students, they are divided as follows:[5]

- > EUR 1,000: Bulgaria, Estonia, Latvia, Hungary, Slovakia, FYROM, Turkey
- EUR 1,000 – 3,000: Belgium, Czech Republic, Greece, Spain, Croatia, Cyprus, Lithuania, Luxembourg, Malta, Poland, Portugal, Romania, Finland, Sweden and United Kingdom (Scotland)

[5] European Commission/EACEA/Eurydice (2017)

- EUR 3,001 – 5,000: Ireland, Italy, Netherlands, Austria, United Kingdom (Northern Ireland), Norway
- > EUR 5,000: Germany, United Kingdom (Wales), Switzerland

In terms of student loans, the European Commission/EACEA/Eurydice (2017) report provides the following data and statistics if a national student loan system do exist and at least 5% of students take out a student loan. All over the Europe, 29 over 42 education system encompass loans for students who wish to finance their tertiary studies and/or living costs. Actually, only in the following countries at least 5% of students take out a loan to finance their tertiary studies:

- Denmark
- Estonia
- Latvia
- Luxembourg
- Hungary
- Netherlands
- Sweden
- United Kingdom: England, Wales, Northern Island and Scotland
- Iceland
- Montenegro
- Norway
- Turkey

The range is from 7% of students in Estonia to around 92% in the United Kingdom (England).

The eligibility may be universal or restricted according to the following criteria: study intensity (loans available only to full-time students), family income, student age, academic performance.

Maximum borrowable amounts primarily depend upon the context of study fees: they range upwards from EUR 450 per year in Montenegro to over EUR 7,500 in Sweden.

The maximum borrowable amounts may also be income-dependent (Scotland and Iceland).

Since loans have to be paid back, repayment conditions are a key factor to take into consideration when assessing the attractiveness of loans systems. In most cases, student loans have four characteristics:

- the government guarantee for loans
- favorable interest rates are applied (1-2%)
- repayments start one-two years after the graduation with some exceptions: Serbia (immediately upon graduation), Hungary (four months after graduation), Sweden (six month), Norway (seven month), Germany (four years) repayment period may be linked to legal length of the study programme, to a maximum age of the student or set in years

Other than direct supports offered to higher education students, governments also offer family allowances and tax benefits as indirect supports.

Two approaches do exist, the former considers the student as an individual subject and targets it with only direct support, the latter considers the student as a member of a family and provide support to higher education also via students' families (indirect support).

The two main forms of indirect supports are family allowances and tax benefits, both usually linked to students' nationality/residence, age and financial status.

The student should usually not perceive a personal income and should live in the family home. Other conditions may be: number of dependent children in the family, income threshold, parental income.

Summary of the support systems in countries involved in the SHIFT project

Italy

A direct support system based upon both economic need and academic merit is applied in Italy. The amount of grant allocated depends on whether the student lives with his/her family and is defined by the regional authorities (education competence is transferred to Regions) within a range set by the Ministry of Education each year (for the academic year

2017/18 the range is EUR 1,929 - EUR 5,118; 9.43% of first and second cycle full-time students received a grant).[6]

The student loans system is based upon 'honour loans', disbursed to students in the framework of agreements between universities and banks (however, less than 1% of students take out loans in Italy).

Concerning indirect support, tax benefits in Italy are applicable as long as the student is tax dependent on his/her parents, and there are no family allowances.

Poland

Direct support system in Poland take the form of both need-based and merit-based grants provided by the Ministry of Education and managed by universities.

Eligibility criteria of need-based grants take into consideration personal/family income (2016: 13.9% of students received grants due to their socio-economic status) and disabilities (2016: 1.71% of students received grants due to their disabilities). Grants are available for both first and second cycle full-time and part-time and the average amount in 2016 was PLN 5,300 per year.[7]

Merit-based grants are also available to full-time and part-time students and disbursed according to academic performance (2016: 7.9% of all students received grants for their merit). The average amount of the merit-based grant is about PLN 4,740 per year.[8]

Student loans are only available for students whose personal income is below net PLN 2,500/month (2016/17), they are entirely guaranteed by the Government in case of family income below net PLN 600/month per person and they are guaranteed at 70% in case of family income of PLN 1,000. Repayment begins two years after graduation and until this moment interest is paid by the State, while after this moment they are paid by the student at an interest rate that is currently 1.75%. Student loans is mixed with merit incentive according to which the best-performing 5% of graduates may obtain the cancellation of 20 % of their loan. In the academic year 2016/17, banks made 3,603 agreements with students.[9]

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[6] European Commission/EACEA/Eurydice (2017)
[7] European Commission/EACEA/Eurydice (2017)
[8] *ibidem*
[9] *ibidem*

Indirect support take the form of both tax relief and family allowances. If the income is below a certain threshold and the student does not earn a taxable income exceeding PLN 3,089/year, a tax relief of PLN 1,112 per student per year is available to families. In addition, family allowances are based on low income of the family or disability of the student.

United Kingdom

Since 2016/17, new entrants in both first cycle and short cycle full-time no longer receive a need-based maintenance grant but may receive a maintenance loan for living costs.

The grant awarded until the academic year 2016/17 depended on household income and the maximum available amount was GBP 3,387. In 2016/17, 40% of maintenance grant eligible applicants were awarded full maintenance grant support while 14% were awarded partial maintenance grant support.[10]

Concerning loans, the maximum borrowable amount depends upon the residential status of students: for those living at home is GBP 7,097, while for those living away from home is GBP 8,430 outside London and GBP 11,002 in London.

The loan repayment is income-contingent and set at 9% of earnings above the threshold of GBP 21,000; interest rates are Retail Price Index (inflation) plus 3%.

In the academic year 2014/15, more than 89% of those eligible in public providers took out a maintenance loan.[11]

Students with dependent children/adults or with disabilities are eligible for extra support and a number of individual institutions offer supports (mainly scholarships) to students from underrepresented groups or suffering from financial hardship as well as to students with high academic performance.

Taking out a loan for part-time students (both first and second cycle) to cover the tuition fee is possible only for students studying a course of at least 25% intensity while since 2016/17 a new system of loans for full- or part-time students on taught or research-based postgraduate master's courses was introduced (set amount GBP 10,280 for fees and living costs).

[10] European Commission/EACEA/Eurydice (2017)

[11] *ibidem*

Indirect support such as tax benefits for parents and family allowances are not relevant in the student support system.

1.3 Financial Literacy among EU University students

Due to the recent growing complexity in innovative financial products and services as well as pensions reforms who lead to a greater responsibility to the individuals in taking care of the way they finance their retirement, during the last year more and more countries are designing/implementing national strategies for financial education. 21 over the 48 European countries considered in the survey envisage national strategies for financial education, even if they sometimes encounter difficulties in their actual implementation (OECD, 2016).

Many European countries accepted the challenge of tackling low financial literacy by developing a national strategy for financial education, following the OECD project on financial education launched in 2009 (OECD, 2015), National Strategies for Financial Education: OECD/INFE Policy Handbook). In particular, at European level the situation is the following:

Status of the national strategy (NS) for financial education	**Number of countries**	**Countries**
A NS is being revised or a second NS is being implemented	5	CZ, NL, SK, ES, UK
A (first) NS is being implemented	9	BE, HR, DK, EW, IRL, LV, P, SLO, S
A NS is being actively designed	3	F, PL, RO,
A NS is being planned	2	A, IT

Source: OECD (2016)

Most European countries, in designing and implementing their national strategies, identified young people and/or students as a key target group to reach. Universities students are not a specific target group, but the initiatives are usually addressed to school-aged students and are aimed at:

- Complementing formal school curriculum with financial education programmes
- Introducing pilot projects of financial education in schools
- Developing innovative collateral programmes and tools (social media, videos, educational games etc.)

Furthermore, various countries developed financial education resources available to school teachers through online platform and leaving them free to embed them in their lectures on a voluntary basis. Such initiatives derives by the European Commission website called "Consumer Classroom" (https://www.consumerclassroom.eu/), that make teaching resources available for teachers in a number of consumer topics, among which financial education.

A recent study by Ergun (2018) analysed the level of financial literacy among university students in Estonia, Germany, Italy, Netherlands, Poland, Romania, Russian Federation and Turkey. The study was aimed at determining the level of financial literacy among university students and finding out the relationship between financial knowledge and demographic characteristics of students.

Overall, university students showed a medium level of financial literacy (72.2% of correct answers on average). Results indicate that male students, business major students, PhD students, those who live in a rental house, those whose parents have high level income, those who get advice on financial matters from their friends, those who took financial course before, those who get financial information about financial issues from university education, and students from Poland have a greater financial literacy.

The study also spotted that bachelor degree students were more likely to be less knowledgeable than PhD students (consistently with the literature review findings showed in the study).

In addition, Chen and Volpe (1998) surveyed undergraduate and graduate students, and they found that lower class ranked students demonstrated lower levels of financial knowledge. Jorgensen (2007) found significant linear effect between class ranks. Master's students demonstrated highest levels of financial knowledge as a result of performing regression analysis.

Predictably, students from non-business departments are less financial lettered than students from business department (being enrolled in finance-related courses have a significant impact on financial literacy of university students.

Moreover, students who did not take any finance course before were less knowledgeable than those who took a finance course previously, meaning that providing finance course at every level of education results in greater financial literacy.

Interesting overall recommendations in the field of Financial Literacy initiatives in Europe come from the EDU-FIN (2015) project; they can be summarised as follows:

- The importance of national strategies for ensuring impact
- The importance of financial education competencies being identified more
- measuring need in countries
- The need to evidence financial education's contribution to social justice
- The need for better co-ordination of programmes to maximise resources and
- impact
- The need to identify and secure funding as part of strategic co-ordination, and
- The need for quality criteria to be standardised for assessing best practice in financial education programmes.

1.4 Summary

The renewed EU agenda for higher education recognizes that one of the key challenges in developing quality mass higher education systems is to ensure that university students have the necessary material conditions to study and fulfill their potential. This is pursued at national level by charging student fee and provide support systems, two important tools of national policies in the field of higher education.

In Europe, each country is free to allocate financial resources to higher education as they consider appropriate. There is not a centralised competence of the European Union and this also results in fragmentation in policy approaches toward support to higher education and financial education among countries.

It is possible to divide European policies in the field of higher education in 4 different approaches:

A. Minority fees/Majority grants
B. Minority fees/Minority grants
C. Majority fees/Minority grants

D. Majority fees/Majority grants

In countries in categories A) and D), in addition to grant provision, a comparatively high proportion of students are likely to take out loans. This tends to make students more financially independent in comparison to their counterparts in type B) and C) countries where loans are generally a minor feature of the support package. In most B) and C) model countries, however, indirect support such as tax benefits and/or family allowances paid to students' parents are available support tools, which are not often included in the policies of countries in the A) and B) quadrants.

In Spain, Croatia, Romania, Bosnia and Herzegovina and FYROM, grants are the only available form of student support. All the other countries offer grants and loans and Iceland is the only country that does not offer grants to its students.

Eligibility depends by a set of socio-economic criteria that is usually the family income, but can also encompass the following: whether students live with their families, parents' employment status and/or education, special educational needs or orphan status or whether students have dependent children.

Bulgaria, Greece, Ireland, France, Italy, Cyprus and Austria disburse grants to their students following a mixture of need- and merit-based criteria.

All over the Europe, 29 over 42 education system encompass loans for students who wish to finance their tertiary studies and/or living costs, but student loans are not always the favourite choice of students to finance their studies. There is a high variability of students taking out loans among countries; indeed, the range is from 7 % of students in Estonia to around 92 % in the United Kingdom (England).

All European countries (with the exception of Iceland) offer at least one type of direct support (a grant or a loan) to full-time students in first-cycle studies.

According to EU rules, students coming from an EU Member State have the right to study in another Member State with the same conditions of national students: amount of fees to be paid and number and type of support received.

Concerning Financial Literacy, 21 over the 48 European countries considered in the report envisage national strategies for financial education, even if they sometimes encounter difficulties in their actual implementation.

At European level a number of policy initiatives on financial consumer protection have been taken after the financial crisis to tackle the low-financial literacy among Europeans. In particular, such policy initiatives are particularly urgent due to the recent introduction of complex financial instruments and services as well as pensions reforms who make for individuals harder to understand financial products and how to finance their retirement, making them more expose to possible fraud form financial institutions.

Most European countries, in designing and implementing their national strategies, identified young people and/or students as a key target group to reach. Universities students are not a specific target group, but the initiatives are usually addressed to school-aged students.

The literature reviewed showed that European university students have a medium level of financial literacy, with some discrepancies among different countries, and that providing finance course at every level of education results in greater financial literacy among university students.

2. SHIFT Country Report - Italy

2.1 Background

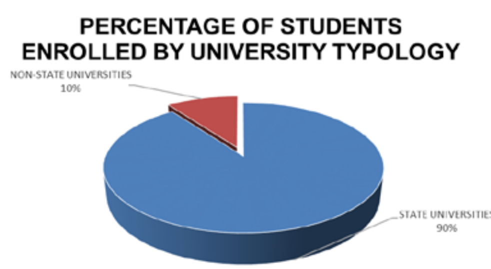
Just as in many other Member States, in Italy the economic downturn led to a decrease in public funding for education. This led in recent years to an increase in tuition costs for Higher Education, confirming the trend captured by the European Commission in "Modernisation of Higher Education in Europe: Funding and Social Dimension" that the financial burden is increasingly being shifted to students.

The Italian tertiary education presents three main academic cycles:

1. "Laurea Triennale", corresponding to a bachelor degree, which lasts 3 years, allowing access to a second cycle degree (sometimes restricted by merit barriers);
2. "Laurea Specialistica/Magistrale" corresponding to a master degree, lasting 2 years;[1]
3. Doctorate programmes and specialization courses.

The total number of university students in Italian universities for the Academic Year 2014/2015 was 1,756,846, the majority of which (90%) enrolled in state universities.

Figure 2.1: Percentage of students enrolled in a.y. 2014/2015 distinguished between state and non-state universities



Source: adopted from Ministero dell'Istruzione dell'Università e della Ricerca (MIUR)

[1] The Italian tertiary education also presents the so-called "Laurea Magistrale a ciclo unico", corresponding to a single-cycle degree, which includes both "Laurea Triennale" and "Laurea Specialistica/Magistrale", lasting 5 or 6 years.

The State funding, in addition to being insufficient, is not defined in time to allow management bodies to plan their interventions. In Italy, therefore, there is not only insufficient resources, but also other problems:[2]

▪ heterogeneity in access requirements between the regions and between universities in the same region (55 institutions for the system of right to university study, excluding the bodies dedicated to the system for the Higher Musical and Coreutical Artistic Training). Since the constitutional reform of 2001, the right to education falls within the regions' remit which issued specific laws on the subject. The right to university study is strongly different among the regions also because of the three sources of financing and their uncertainty in both the amount and the timing of disbursement:

- the State Integrative Fund (FIS), granted on a historical basis and on the basis of a mechanism that rewards the regions that invest most in the right to university study, determining for each region significant changes from one year to the next.
- the funds allocated to the right to university study by the regions. According to the Law (Decree 68/12) this fund should be equal to at least 40% of the State Integral Fund; however, this percentage has rarely been respected by regions due to the lack of implementing regulation that defines criteria and methods of allocation of the state fund.
- the regional tax for the right to university study paid by the students, steadily increasing in recent years and not in all regions determined on the basis of income (as required by Law).

▪ final rankings of eligibility and award published, in some cases, after the beginning of the academic year.

▪ scholarships supplied during the academic year (in some cases after August of the year following the enrolment).

▪ uncertainty about the permanence of the support due to the changes, from one year to the next, of the requirements for access the benefits.

Scholarships are the main form of support given to "deserving but without means" students. Scholarships are assigned through a local competitive exam held by regional authorities or universities and on the basis of income and merit requirements. Scholarship amounts vary depending on the student's income and residence (off-site, commuter, in-house).

[2] ANVUR - National Agency for the Evaluation of Universities and Research Institutes (2016).

The Italian educational system provides different types of subsidies to higher education students. The access to tertiary education is mainly encouraged and assisted by scholarships and tuition fees reductions rather than student loans, which have been introduced in the 1990s but have not yet met the interest of university students.

Scholarships are assigned on the basis of achievement (high-school and academic) and are means-tested to income, while student loans are applicable depending on the level of academic credits achieved so far.

Italian students who meet academic achievement (measured in number of credits in relation to enrolment year) and economic requirements (disadvantaged economic condition as proved by low ISEE and ISPE values),[3] can get financial support in either of the three forms of intervention:

- total exemption from tuition fees
- scholarship
- subsidised lodging in the university accommodation at preferential prices

There appear to be considerable differences between regions and, within the same regions, between universities, in the access requirements and in the times of disbursement of benefits, uncertainty about the permanence of support from one year to another:[4]

- 47.3% of regional expenditure for student support is covered by regional taxes paid by students. In most regions such taxes were considerably increased. Some regions have also used the funds allocated to scholarships for deserving students for other purposes.
- the average amount of fees paid for enrolling in a state university is just over € 1,000 (€ 1,071), but with considerable geographical differences: enrolling in a state university in a Southern region may be 50% less expensive than enrolling in the North (about € 700 against about € 1,400).

[3] ISEE and ISPE are two indicators of the household socio-economic situation, taking into account the family composition.

[4] ANVUR - National Agency for the Evaluation of Universities and Research Institutes (2016).

Furthermore, the Budget Law 2017 initially foreseen an increase of 30 million for the State Supplemental Fund (FIS - Fondo Integrativo Statale) for scholarships. Nevertheless, during the Law approval process, the increase was reduced to 20 million. This results in a cut of about 3,500 scholarships.

Public Higher Education Institutions are funded by the national budget. The national budget also supports legally recognized non-state universities, to a lesser extent. Regarding funding for students, the main item of expenditure is the scholarship fund, aimed at integrating the regional resources for the right to education and the fund for the student mobility.

In 2015, the resources allocated for the HE system operation amounted to little more than € 7 billion and those for the right to study (scholarships) to about € 200 million, with a decline in overall budgetary allocations from 2014 and 2013, and a considerable decline of € 1.2 billion (-21%) compared to 2009.[5]

University students contribute to financing the universities through the payment of fees which, according to the Presidential Decree n 306 of 25 July 1997, are autonomously established by universities and are generally organized for income brackets. Furthermore, universities are required to exempt certain categories of students from paying the fees and can autonomously decide to exempt other subjects. In other cases the contribution is not foreseen (specific conventions) or is paid by other institutions (non-paying students).[6]

According to "Education at a Glance 2015" OECD Report, spending in tertiary education in Italy is lower than the OECD average, both in relation to the number of students enrolled and in relation to GDP. The share of financing from the public sector has fallen below OECD average, diverging significantly from the European average:

- in 2015 the sums earmarked by MIUR (Ministry of Education, University and Research) for the financing of the university system and for the support to students

[5] ANVUR - National Agency for the Evaluation of Universities and Research Institutes (2016).

[6] *Ibidem*

and the right to study amounted to € 7.25 billion, far from the maximum achieved in 2009 of 8.44 billion;[7]

- from the analysis of state universities budgets, it appears that in the two-year period 2012-2014 the gradual decline in revenues continued, both in real and nominal terms. After increasing by about 25% between 2000 and 2008, revenue decreased by 18% in the following period. In the last period the decline is mainly due to the decreasing transfers from the central government, which fell in real terms to levels lower than those of 2000, and to a lower fall in the other components of revenues.[8]

Regional disparities among Northern, Central and Southern Italy also affect funding for HE. The income difference among the universities of the different areas of the country in relation to the number of regular students decreased in the last five years because of the contraction in the number of students in the Southern part of the country. In 2014, in the universities of Southern Italy the income per student was 11% lower than the national average, while the Center and North universities were at 8% and 3% above average. A large part of the gap is due to territorial differentials in income coming from duties and to additional funding sources beside the government funds.[9]

In Italy the share of expenditures by the public sector has fallen to levels below the average of the OECD countries. During the '90s, the share covered by public funding was above 80%. Successively, it progressively decreased to 66% in 2012, against an average of 69.7% for the OECD countries and 78% for the UE countries. By contrast, the share of expenditure directly incurred by families for university studies (26.5%) is in Italy the highest among the European Union countries after Portugal [nota], a sign that in Italy the cost is being shifted towards students and their families.[10]

[7] *Ibidem*

[8] ANVUR - National Agency for the Evaluation of Universities and Research Institutes (2016).

[9] *Ibidem*.

[10] *Ibidem*

2.2 Student loans in Italy

The student loans landscape in Italy is rather fragmented. In some instances, regional governments promote student loan programmes by brokering agreements with local banks and universities. The Italian market for student loans presents a diversified supply of contract types that involve three parties: student, university and bank. Alternatively, some schemes involve a fourth stakeholder, the Regional Institutions for the Rights to University Studies, when the program is promoted through a regional administration.

The contract features vary depending on the negotiated agreement between the university and the bank, which also establishes the share of loan to be covered by the two parties in case of missing loan repayments. Universities may take part of the risk and certify eligible students after tracking their merit requirements. After universities approval, banks disburse the loan opening a personal bank account for the student. So far, default rates have been negligible.[11]

However, the "intangibility of human capital investments" resulted in a rather conservative approach of banks in providing loans without requiring a suitable collateral. To correct for this market imperfection, since the introduction of student loans in Italy in 1991, the government created an *ad hoc* guarantee fund for student loans.

Student loans programmes have been formally introduced in Italy by the framework law on the Right to University Study (Law n. 390/91), in 1991. In some respects, it was an innovative regulation it provided:

- interest-free loan for students entitled to scholarship;
- instalment repayment not before employment;
- repayment tranches not larger than 20% of the beneficiary's income.

Notwithstanding those favourable conditions of access and repayment, student loans have never picked up in Italy due to a combination of factors such as relatively low enrolment

[11] Official data on default rates are not available. However, in building the Guarantee Fund for Student Loans the Ministry of Youth Policies assumed a default rate of 10%.

fees, availability of public funds for scholarships. In addition, a “cultural” factor of generalised aversion to debt could have played a role in the low intermediation of student loans.

In 2010 the Ministry of Youth Policies launched the initiative “DiamogliFuturo” (“Let’s Give Them Future”): a Guarantee Fund of €19 million for deserving students. The Gurantee Fund was targeted at undergraduate or post-graduate students, for a maximum amount of €5,000 per year. Under this scheme, students can accumulate up to €25,000 of debt to be repaid after two and a half years from the last loan instalment, at a controlled interest rate applied by the financial intermediary. To this end, a Memorandum of Understanding was signed between the Ministry of Youth Policies and the Italian Bank Association (ABI).

Unfortunately, there are no data publicly available on disbursements and intermediation stemming from the “DiamogliFuturo” guarantee fund. IDP reached out to the agency tasked with the implementation of the fund: notwithstanding continued contacts and solicitations, it was not possible to obtain relevant information.

One of the main reason for low demand for student loans in Italy could be the low tuition fees to enrol at Universities. In spite of recent increases in tuition, the cost of post-secondary education is relatively modest in the Italian state university system[12] and the proliferation of universities across the country greatly reducing the students’ housing and mobility costs.

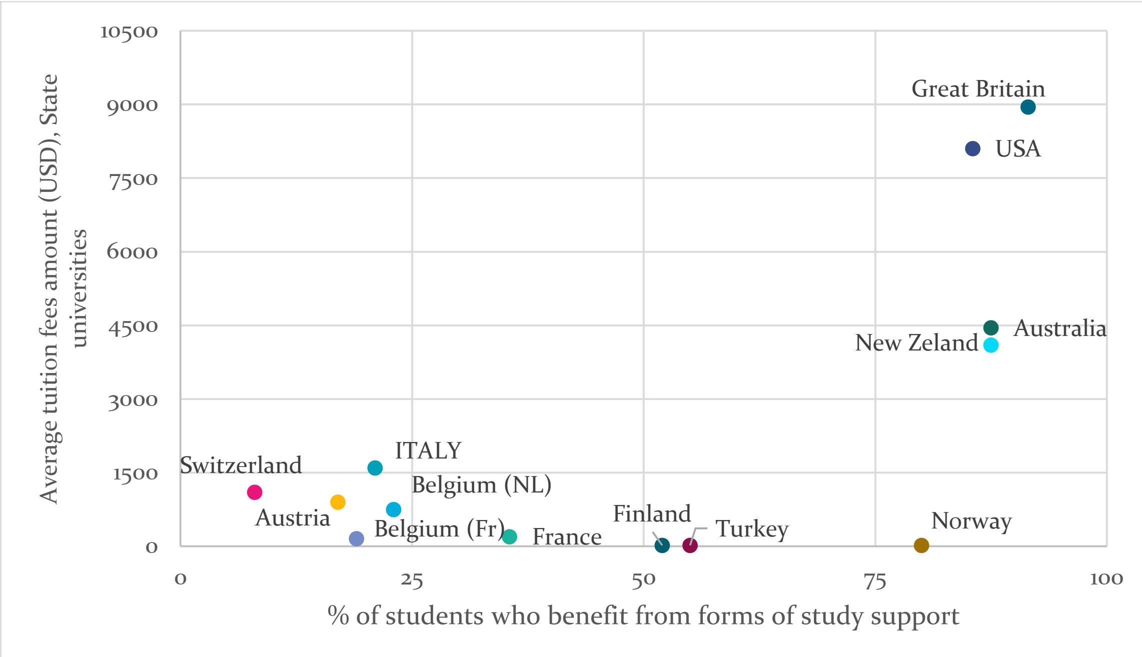
Considering that state Italian universities apply tuition fees affordable for the large majority of families, access to higher education may not be affected by liquidity constraints. Loans then would not serve the purpose of equalizing the access to tertiary education.

The 2015 OCSE Report “Education at a glance” confirms that Italy is characterized by a tuition level that might seem low (around USD 1,500) if compared to the Anglo-Saxon

[12] European Investment Bank (2011), *Equity and Access to Tertiary Education: Demand for Student Loans in Italy.*

countries, but higher than other European countries which are characterized by low percentages of students who receive facilitations to support their studies.

Figure 2.2: Average tuition fees amount with respect to % of students who benefit from forms of study support



Source: ANVUR - National Agency for the Evaluation of Universities and Research Institutes (2016)

Another factor limiting demand for student loans may be structural issues such as the low employment prospects of students. Students may expect difficulties in paying the loans back due to relatively high unemployment rates among young graduates. The transition from a high education degree to the labour market is relatively difficult in Italy and is reflected in the predominance of temporary and fixed-term contracts for recent graduates. Wage premia to higher education are among the lowest in Europe, especially for women.[13] The difference in wages with respect to non-graduates is negligible both for the bachelor and master degree especially in the first years after graduation.[14]

[13] European Investment Bank (2011), Equity and Access to Tertiary Education: Demand for Student Loans in Italy.

[14] *Ibidem*

A recent Report of the European Investment Bank, Equity and Access to Tertiary Education: Demand for Student Loans in Italy (2011), gauged the demand for student loans. In the sample of high school leavers, 42% would consider taking a loan, 37% are loan averse and 21% state not needing loans. University students show a similar pattern, with almost 38% in principle in favour of loans, 39% averse and the remaining 23% can do without loans.

As expected, willingness to take up a loan is negatively correlated to income. About 53% of high school students and 58% of college students declare that they would use the loan to have greater financial autonomy from their families; 21% of high school leavers and college students declare that they would use a student loan to be full-time student and stop working.

The most recent trends indicate that Italian students are starting to get into debt to finance their studies. The phenomenon is still relegated to small numbers (only 1% of total loans is for studies), but the trend is growing, according to the data collected by Prestiti.it, a comparison portal that put together the various financing offers proposed by banks and financial institutions. From January to May 2017 there has been an increase of 10.2% of the amounts requested, with almost one million Italians (890,000) who have asked for a loan to finance their studies.[15]

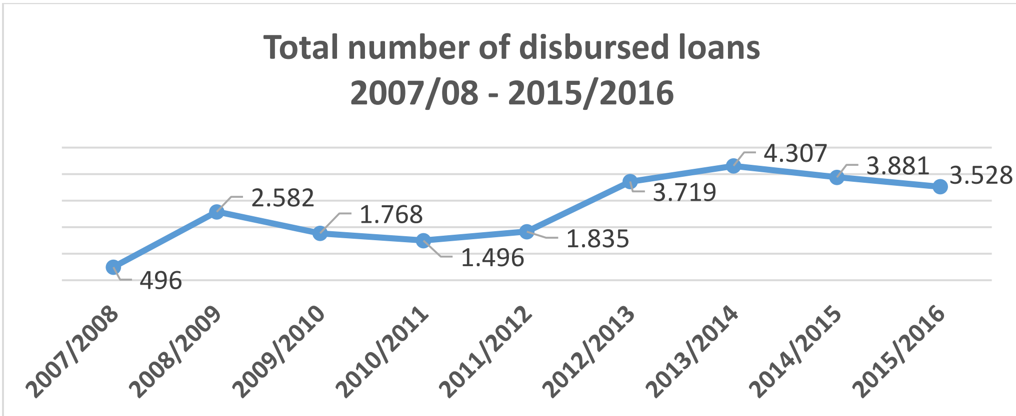
According to students' stated preferences the quality of the package can be improved by incorporating the following desired characteristics:[16]

- providing the possibility to obtain a loan in the first academic year;
- repayment amounts should be proportional to income;
- loan conversion into scholarship on a merit-basis.

[15] Riccio S., *In Italia Crescono i Mutui per lo Studio. Ma a Pagare sono Mamma e Papà*, La Stampa, 02/09/2017, http://www.lastampa.it/2017/09/02/economia/in-italia-crescono-i-mutui-per-lo-studio-ma-a-pagare-sono-pap-e-mamma-KT1BoNt2Lk52b5BUEC6WoL/pagina.html, Accessed on 14/02/2018.

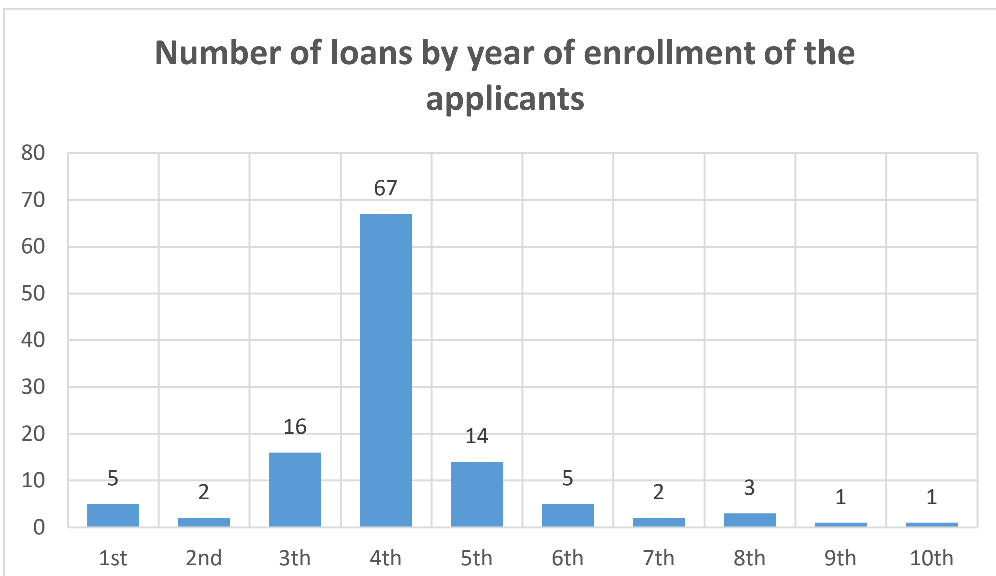
[16] European Investment Bank (2011), *Equity and Access to Tertiary Education: Demand for Student Loans in Italy.*

Figure 2.3: Total number of disbursed loans for the period between a.y. 2007/2008 and a.y. 2015/2016



Source: adopted from Ministero dell'Istruzione dell'Università e della Ricerca (MIUR)

Figure 2.4: Number of loans disbursed by Università Cattolica del Sacro Cuore in relation to the year the students were enrolled in when applying for the loan (PhDs excluded)



Source: EDUCatt – Ente per il Diritto allo studio dell'Università Cattolica, Internal report

2.3 Financial literacy in Italy

During the last decade, Financial Education in Italy suffered from the lack of a National Plan able to coordinate interventions and to define a common set of needs, priorities and criteria. Financial Education has been left to the initiatives of a plethora of both public and private bodies.

In Italy, school curriculums do not entail Financial Education. The Central Bank of Italy and the MIUR (the Italian Ministry of Education) have been implementing a financial education programme in interested schools since 2007; financial education is taught by classroom teachers, trained by Bank of Italy staff. However, the number and the extent of such interventions remain relatively poor.

In 2017, the Ministry of Economy and Finance established the "Committee for Programming and Coordinating Financial Education Activities", which is in charge of programming and promoting initiatives of awareness and Financial Education to help citizens in improving their financial competences (savings, investments, pensions, insurances etc.).

The report of the Bank of Italy[17] confirms the fragmentation of Financial Education initiatives, which are most of the times addressed to a relatively low number of participants (25% of initiatives involved less than 100 people in the period 2012-2014, 65% involved less than 1,000 people and only 10% involved more than 10,000 people).

There were two types of initiatives: Financial Education (with a structured training programme) and Financial Awareness (sharing of information packages). Financial Education initiatives are oriented towards educational objectives through structured training programmes, while Financial Awareness ones are more focused on building

[17] Bank of Italy (2017).

economic citizenship, primarily by distributing information material and organizing events. 32% were Educational initiatives while 68% were Awareness raising initiatives.

Main promoters of financial literacy and awareness initiatives were representatives of the financial sector, schools and associations. Though, most of those actions did not entail a Monitoring and Evaluation component, making it difficult to capture impact on financial competences or awareness of participants. The Bank of Italy report distinguishes between initiatives towards students and adults; they are almost equally distributed between these two main target groups.

Regarding students, there is a lack of common and consistent actions among schools, territories and study cycles. Students have access to these initiatives only thanks to individual actions of teachers or school principals. A key shortcoming appears to be in the lack of a transversal integration into curricula and available hours to deal with financial education in formal educational settings.

Regarding adults, the main difficulty is to address the needs of a very wide and heterogeneous target group and interventions to be effective should be tailored on the several needs of recipients, both in terms of contents and delivery means. In Italy, the offer is mainly addressed to the generic public and materials and tools are not adjusted according to specific needs of beneficiaries.

During the last years, both public and private institutions increased the number and quality of financial education activities in Italy. Almost all actors and stakeholders in the consumer protection field are involved in designing and delivering financial education programmes, providing them at least at basic level. Furthermore, also the private sector in Italy, represented by banks, networks, trade associations etc. have implemented some kind of educational programmes in the financial field.

This positive attitude towards financial education may derive from the Bank of Italy approach, that considers financial education as a mean to achieve financial stability and consumer protection. Indeed, consumer protection is enhanced through better financial education as well as by regulating competition and improve transparency; unless financial literacy reaches at least minimum levels, even good rules on transparency may not be effective in ensuring adequate consumer protection.[18]

The PISA Financial Literacy Survey

The Programme for International Student Assessment (PISA) carried out by the OECD defines Financial Literacy as "[...] knowledge and understanding of financial concepts and risks, and the skills, motivation and confidence to apply such knowledge and understanding in order to make effective decisions across a range of financial contexts, to improve the financial well-being of individuals and society, and to enable participation in economic life". (OECD, 2017b)

Table 2.1: Italian Students' Proficiency in Financial Literacy

	Level 1 or below	Level 2	Level 3	Level 4	Level 5	Total
Italy	19.8	25.2	29.3	19.2	6.5	100
OECD average-10	22.3	21.8	24.9	19.2	11.8	100

Source: OECD (2015)

On the other hand, Italian students who score Level 5 (the top level of proficiency) in Financial Literacy are only 6%; half then the average of 12% observed in OECD countries and economies. This niche represents the best students who are able to understand and analyse complex financial products and to solve uncommon financial problems.

According to the PISA 2015 results, Italian students who score at least Level 3 in Financial Literacy are more incline to complete the tertiary education. This shows that Financial Literacy in Italy is associated with understanding the importance of investing in human capital and that those who perform better in Financial Literacy are also those who choose to invest in their education for a better future.

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[18] EDU-FIN: Financial Literacy for Young Adults at Risk (2015).

Furthermore, differently from what observed at global level, only 5% of the performance variation in Financial Literacy is related to the socio-economic status of students (against the 10% average across OECD countries and economies). This may highlight a less marked role of families and cultural background and the major influence that school and external inputs may have on youngsters. Specifically, considering those in the highest and in the lowest 25% of socio-economic status, the advantaged students score 60 points higher in Financial Literacy than disadvantaged ones. The OECD average difference is 89 points. In addition, advantaged students have the same likelihood to perform below Level 2 in Financial Literacy of disadvantaged ones, also taking into consideration student characteristics and performance in mathematics and reading.

Financial Literacy is only one of the field assessed by the PISA test and, in the case of Italy, it results to be weakly correlated with mathematics and reading with respect to the OECD average. Indeed, the OECD average of Financial Literacy score that reflects factors that can be measured in the mathematics and/or reading assessments is 62%, while in Italy it is only 52%. Moreover, for similar scores in mathematics and reading, Italian students scored worse in Financial Literacy than other students. This, also considering the weak correlation of Financial Literacy results with students' socio-economic status, may be interpreted as a weakness of the Italian school system that, being mathematics and reading equal, do not let students able to use the wide skills acquired at school to score higher in Financial Literacy.

Italian student survey results

EDUCatt ran the questionnaire based survey in the period between 27 February and 15 March 2018. The questionnaire was submitted to around 35,000 students through direct mailing.

At the closing date of 15 March, EDUCatt collected 1,067 questionnaires, of which 804 duly completed.

From the responses of the students participating in the survey, the following findings can be extrapolated:

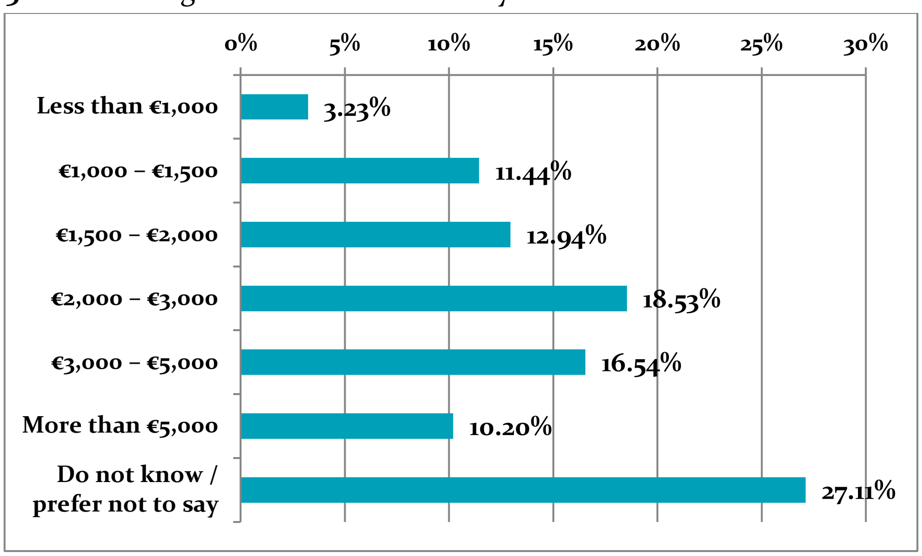
1. Student Loans are not widely used: a mere 1% reported to having a loan to finance their studies
2. Scholarships are the main means of financial support
3. Of those not benefiting from a scholarship, the income requirements appear to be the main reason for not being eligible for/not getting a scholarship

4. The main source of information for daily financial-decision making is represented by family members, followed by media (print, internet, Social Media)
5. There appears to be a generalized low level of information about financial support mechanisms

A first interesting finding relates to the eligibility for a student loan or grant: 35% of the respondents reported lack of awareness about their eligibility for financial support. This may be an indication of low understanding of the eligibility requirements, hence of low financial literacy and/or need for financial support. Almost half of the respondents, 48%, are students in the fields of economics and finance.

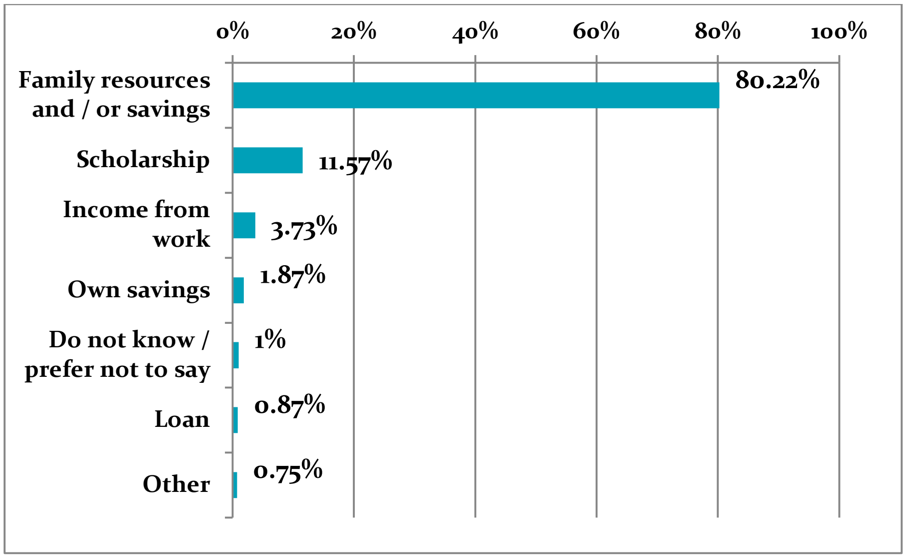
When asked about their income / income of their household on a monthly basis, the majority answered "Do not Know / Prefer not to say", while approximately 14% reported a low income (below 1,500 €/m), approximately 30% are in the mid-range (between 1,500 and 3,000 €/m) and slightly more than 25% are in the high-income bracket (between 3,000 and 5,000 €/m or above).

Figure 2.5: Income ranges of the students' family unit



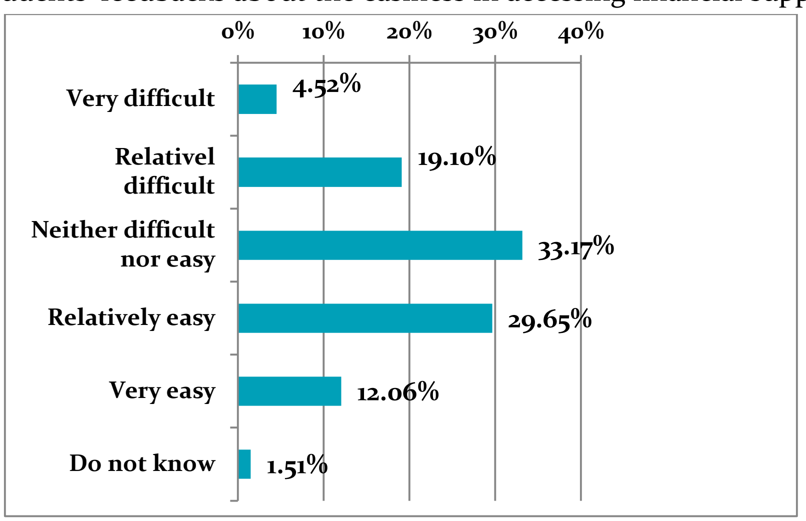
A considerable majority of respondents (80%) reported support from their families as the main source of financing for their university studies, approximately 12% rely on a scholarship while just 7 respondents (less than 1%) reported a loan.

Figure 2.6: Students' main form of financial support



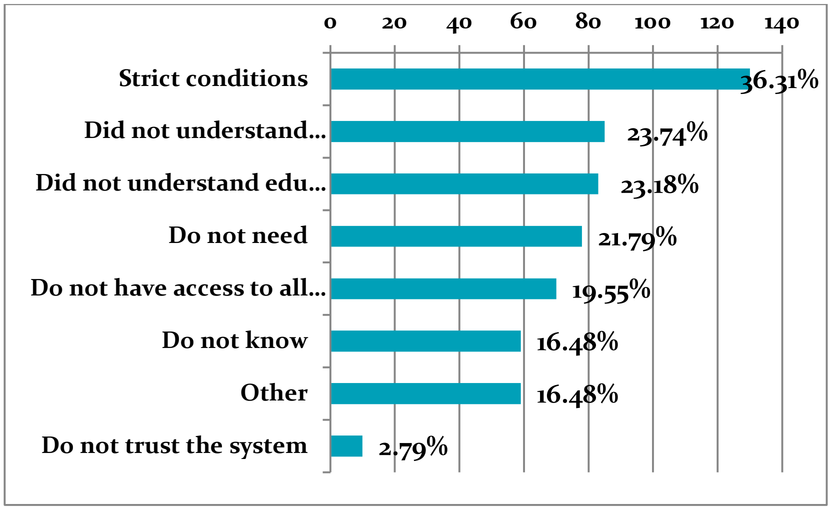
Only 199 students provided an answer to the question about the procedures to apply for financial support (scholarship / loan), reporting a neutral or positive response: 33% of respondents claim that the process was neither difficult nor easy, and more than 40% reported that the process was relatively of very easy.

Figure 2.7: Students' feedbacks about the easiness in accessing financial support



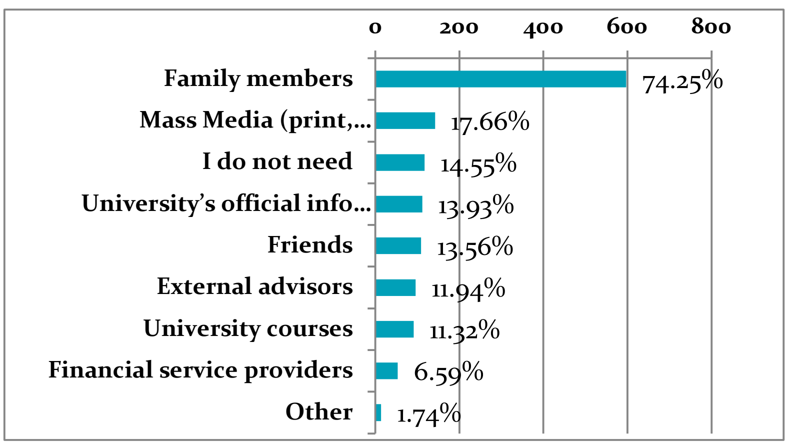
When asked why they did not apply for financial support (scholarship or loan), 358 students provided answers. A large share of respondents (47%) reported a low understanding of income and educational performance requirements for financial support; 36% claimed that terms and conditions were too restrictive; lack of information was reported as a key deterrent by 20% of respondents while 3% was not comfortable with the current system.

Figure 2.8: Reasons why students did not apply for financial support



Most of the respondents (80%) indicated their family members as the main source of information for their daily financial decisions, followed by media, while 15% of respondents claim that they do not need information or guidance in support of their financial decision-making.

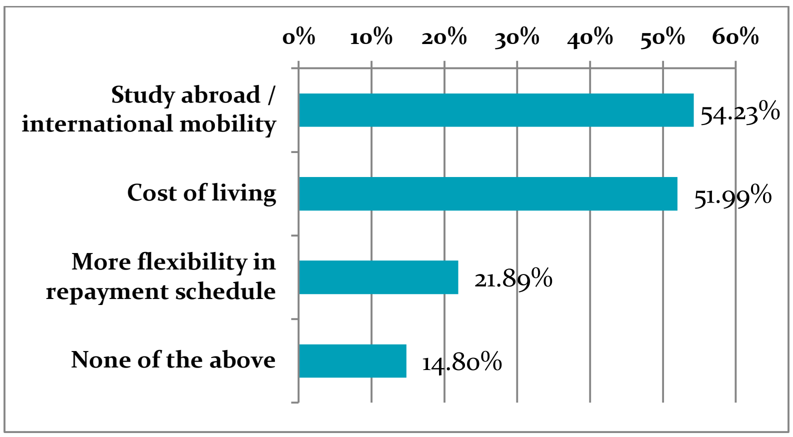
Figure 2.9: Students' source of information for daily financial decisions



When asked about features of a student loan mechanism, respondents provided the following answers:

- 54.23% would like to access financial support for a period of study in another country
- 51.99% would use financial support to cover living expenses
- 21.89% indicated that a longer repayment schedule would be welcome
- 14.80% of students responded “none of the above/other”

Figure 2.10: Features of the desired student loan



A closing remark pertains to the gender unbalance of the respondents, with the majority of responses from female students (75% of responses).

2.4 Summary

The total number of university students in Italy for the Academic Year 2014/2015 was 1,756,846, the majority of which (90%) enrolled in state universities.

Student Loans in Italy have been formally introduced in 1991, but demand has never picked up for a combination of affordability of tuition fees and cultural aversion towards debt. In 2010 due to a combination of increasing tuition fees and contraction in financial intermediation, the Government launched a Guarantee Fund to promote Student Loans. While statistics for this fund are not available, the analysis of official data from the Ministry of Education show an increasing demand for Student Loans.

The student loans landscape in Italy is rather fragmented. In some instances, regional governments promote student loan programmes by brokering agreements with local banks and universities. The Italian market for student loans presents a diversified supply of contract types that involve three parties: student, university and bank.

Student loans programmes have been formally introduced in Italy by the framework law on the Right to University Study (Law n. 390/91), in 1991. In some respects, it was an innovative regulation providing:

- interest-free loan for students entitled to scholarship,
- instalment repayment not before employment, and
- repayment tranches not larger than 20% of the beneficiary's income.

Notwithstanding those favourable conditions of access and repayment, student loans have never picked up in Italy due to a combination of factors such as relatively low enrolment fees, availability of public funds for scholarships. In addition, a "cultural" factor of generalised aversion to debt could have played a role in the low intermediation of student loans.

In 2010 the Ministry of Youth Policies launched the initiative "DiamogliFuturo" ("Let's Give Them Future"): a Guarantee Fund of € 19 million for deserving students. The Gurantee Fund was targeted at undergraduate or post-graduate students, for a maximum amount of € 5,000 per year. Under this scheme, students can accumulate up to € 25,000 of debt to be repaid after two and a half years from the last loan instalment, at a controlled interest rate applied by the financial intermediary. To this end, a Memorandum of Understanding was signed between the Ministry of Youth Policies and the Italian Bank Association (ABI).

Total financial intermediation of Student Loans reached 11,347,827 € in the Year 2015. An interesting finding is that students of non-state universities are more prone to Student Loans, most probably related to the higher placement of those universities compared to state HEIs.

One of the main reason for low demand for student loans in Italy could be the low tuition fees to enrol at Universities. In spite of recent increases in tuition, the cost of post-secondary education is relatively modest in the Italian state university system. Most probably, this represents the reason why in other countries it is more common to apply for loans to face the costs related to the university.

Another factor limiting demand for student loans may be related to structural issues such as the low employment prospects of students. Students may expect difficulties in paying the loans back due to relatively high unemployment rates among young graduates. The transition from a high education degree to the labour market is relatively difficult in Italy and is reflected in the predominance of temporary and fixed-term contracts for recent graduates. Wage premia to higher education are among the lowest in Europe, especially for women. The difference in wages with respect to non-graduates is negligible both for the bachelor and the master degree especially in the first years after graduation.

A recent Report of the European Investment Bank, Equity and Access to Tertiary Education: Demand for Student Loans in Italy (2011), gauged the demand for student loans. In the sample of high school leavers, 42% would consider taking a loan, 37% are loan averse and 21% state not needing loans. University students show a similar pattern, with almost 38% in principle in favour of loans, 39% averse and the remaining 23% can do without loans.

The most recent trends indicate that Italian students are starting to get into debt to finance their studies. The phenomenon is still relegated to small numbers (only 1% of total loans is for studies), but the trend is growing, according to the data collected by Prestiti.it, a comparison portal that put together the various financing offers proposed by banks and financial institutions. From January to May 2017 there has been an increase of 10.2% of the amounts requested, with almost one million Italians (890,000) who have asked for a loan to finance their studies.

EDUCatt ran the questionnaire-based survey in the period between 27 February and 15 March 2018. The questionnaire was submitted to around 35,000 students through direct mailing. At the closing date of 15 March, EDUCatt collected 1,067 questionnaires, of which

804 duly completed. From the responses of the students participating in the survey, the following findings can be extrapolated:

1. Student Loans are not widely used: a mere 1% reported to having a loan to finance their studies
2. Scholarships are the main means of financial support
3. Of those not benefiting from a scholarship, the income requirements appear to be the main reason for not being eligible for/not getting a scholarship
4. The main source of information for daily financial-decision making is represented by family members, followed by media (print, internet, Social Media)

There appears to be a generalised low level of information about financial support mechanisms.

3. SHIFT Country Report - Poland

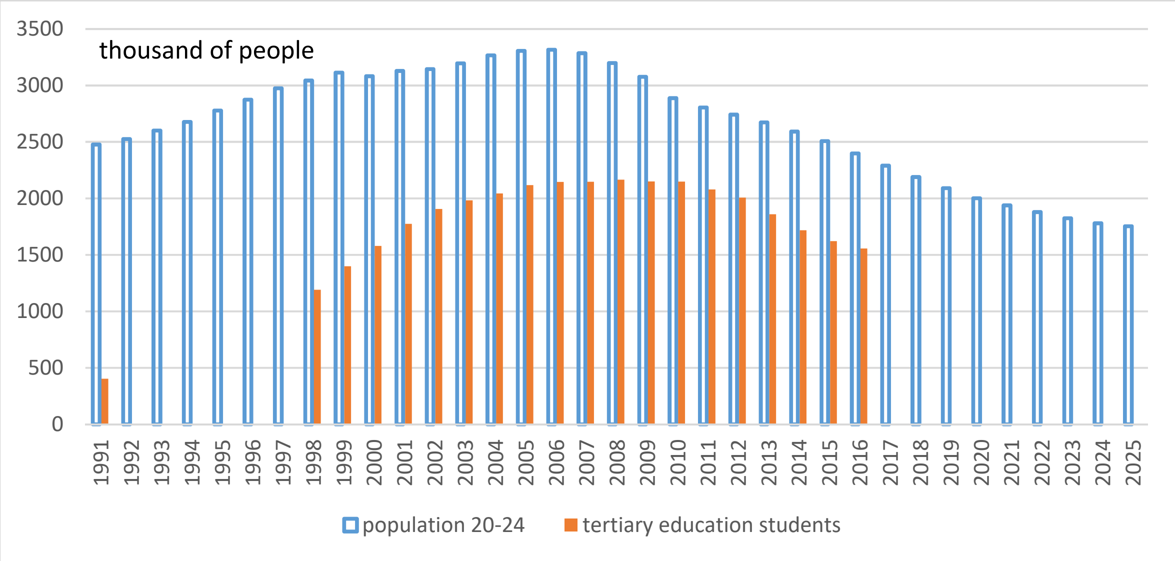
3.1 Key higher education trends

Poland's transition from the communist system began in 1989. Since then, the country has been very successful in ensuring stable and fast economic growth - averaging about 4 percent per year – and rapid catching-up of income levels with the more developed parts of the EU. Robust economic growth and ensuring prosperity was widely shared, in comparison to other countries undergoing such rapid growth periods (World Bank, 2017). The income inequality Gini coefficient, while undergoing certain fluctuations, has remained broadly stable throughout this period with a tendency to decline in recent years.

Tertiary education was one of the areas that experienced massive changes during the early years of transition from the communist system after 1989. In 1991 there were some 400 thousand students studying for tertiary degrees in higher education institutions. As shown in Figure 3.1 the period between 1991 and mid 2000s was marked by a massive increase in participation in tertiary education. The share of students in respective age cohorts roughly quadrupled from some 10% in 1990 to around 40% by 2007. More recently, the tertiary education participation rates first declined slightly and then stabilised (37% in 2016).[1] This coincided with a substantial fall in the size of cohorts in the age at which most people choose to participate in tertiary education. As a result, the number of students, after increasing more than fivefold between 1991 and 2008, started to decline so that between 2010 and 2016 the number of student fell by close to 30%. Given the demographic outlook for the next decade this downward trend is expected to continue.

[1] The reported percentages are the so-called net participation rates defined as the ratio between the number of students in the age nominally assigned to respective education stage to the total population in such age brackets. The other often reported figure is the so-called gross participation rate defined as the ratio of all students (i.e. irrespective of their age) to the total population in the age nominally assigned to a respective education stage.

Figure 3.1: Demography and tertiary education boom in Poland, 1991-2025



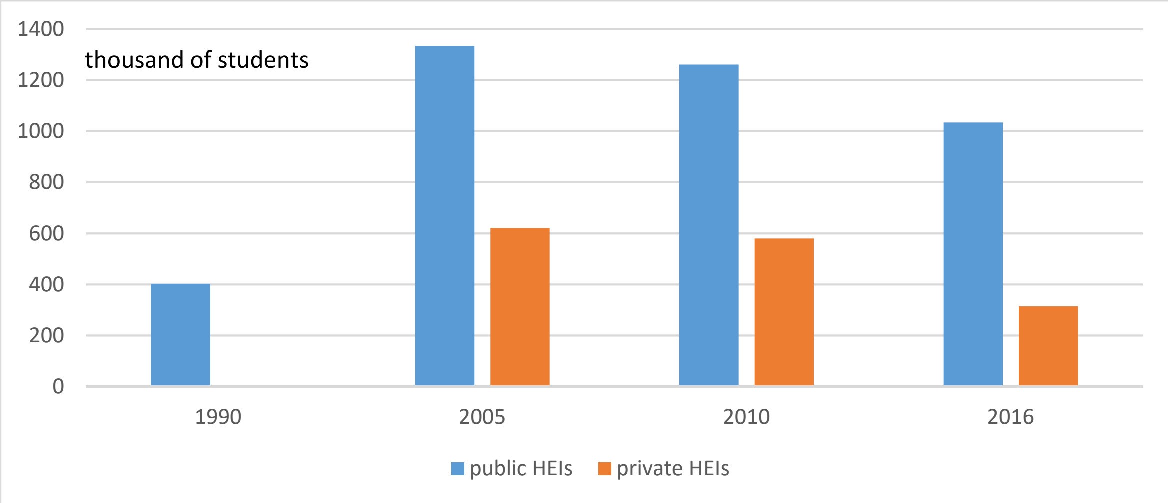
Note: The data on the number of student for 1991 and 2013 onwards are not fully comparable with 1998-2012 data. Population projections (2018 onwards) according to central Eurostat scenario

Source: PL Central Statistical Office and Eurostat

These massive changes were accompanied by changes in higher education institutions and dominant models of studying for tertiary degrees. The boom in the number of tertiary students in 1990s and into early 2000s spurred a growth on non-public HEIs. Close to 400 such institutions were created that in mid 2000s provided education services to some 600 thousand tertiary students, one third of the total student population (Figure 3.2).

Meanwhile, public HEIs also expanded their capacity massively. A substantial part of this expansion was in fee-paying programmes. Given that the law (including the norm enshrined in the constitution) prohibits public HEIs from charging tuition fees for full-time students, the expansion at public HEIs occurred partly by widening the offer of part-time programmes. One consequence was that in the 2000s the majority of students (a substantial one by mid 2000s) paid tuition fees (Figure 3.3).

Figure 3.2: Students at public and private HEIs, 1990-2016



Source: PL Central Statistical Office, Higher Education Institutions and their Finances, various editions

This rapid expansion of tertiary education had implications for quality. As discussed e.g. by O'Brien and Paczynski (2006), several factors played a role that particularly affected fee-paying students. The relevant factors included the physical HEIs' infrastructure lagging behind the rising needs, peer effects with lowering average skill levels of tertiary education entrants, a tendency for some students to focus on qualifications (i.e. obtained diplomas rather than skills and competences) that led some HEIs to respond by offering poorly taught and undemanding degrees in popular and cheap-to-run fields of studies.

Figure 3.3: Students studying without fees and those paying tuition fees, 1990-2016

Source: PL Central Statistical Office, Higher Education Institutions and their Finances, various editions

The situation started to change with the demographically-induced decline in the number of students since late 2000s. It has now become easier to obtain a place at public HEIs full-time programme offering free education. As illustrated by Figure 3.3 over the last 10 years (until 2016/2017 academic year) the number of students at courses charging no fees has remained broadly stable. At the same time the number of students in fee-based tertiary education programme has shrank by around half since 2005. This has had an impact on the HEIs offering fee based courses leading to closing of some of private institutions. This could offer an opportunity for more quality-based competition between HEIs, but the resulting picture is probably more nuanced.

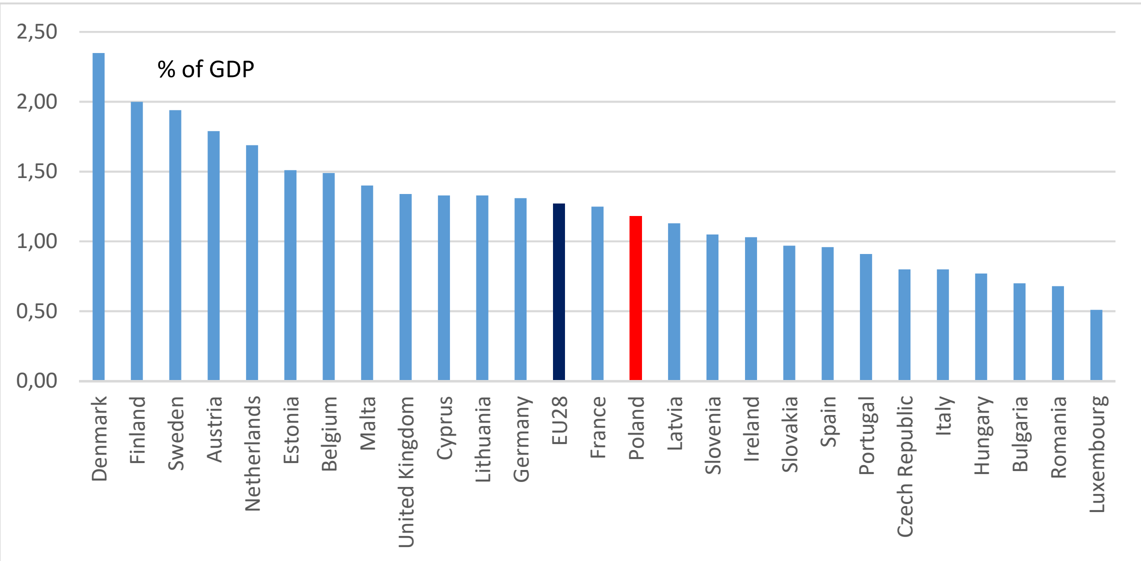
Interviews with private HEIs representatives suggest that changes in the HEI funding formula introduced in 2017 may have led to lowering of the number of students at public HEIs and as a result an increase in fee paying courses offered by private HEIs. The official data are not yet available.

The adjustment of student demand and HEI offer in terms of fields of studies does indeed appear to be taking place with labour market relevance of fields of studies arguably being an increasingly important consideration. At the same time, the inherent difficulty in revealing information on actual teaching quality and learning outcomes at individual HEIs (and specific programmes) may still prevent quality improvements in some circumstances.

Importantly, access to information on teaching outcomes (an issue highlighted in particular by O'Brien and Paczynski (2006)) appears to have improved in recent years. One relevant example is the availability of information on labour market outcomes per HEI and fields of studies based on administrative (social insurance) data (see Pracownia Ewaluacji Jakosci Kształcenia (2014); the results are available on-line at http://ela.nauka.gov.pl/). The challenge of improving quality of tertiary education has been widely recognised by analysts and policy makers (see e.g. European Commission, 2017b, 2018). Some reforms e.g. of the HEI financing formula introduced in 2017 aim directly at addressing this challenge. Further policy measures are being contemplated by the Polish government. It remains to be seen to what extent the combined effect of demographic changes and quality enhancing efforts will bear fruit.

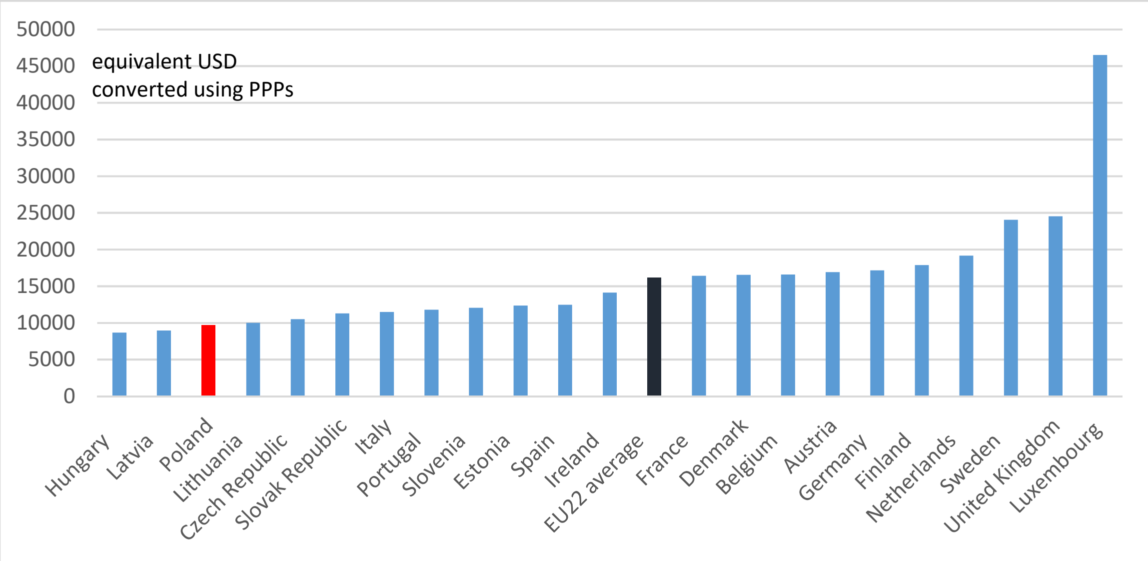
Public spending on tertiary education in Poland expressed as a percent of GDP are only slightly below the EU average (Figure 3.4). However, if expenditures are expressed in monetary terms per student a different picture emerges in which Poland has one of the lowest expenditures (Figure 3.5). The difference between signals from these two indicators stems from several factors. First, Poland has a relatively large number of students relative to its population, compared to the EU average. Second, despite substantial gains over the last quarter of century, Poland's GDP per capita still remains well below the EU average. Finally, the share of private spending on education in Poland is close to the EU average.

Figure 3.4: Public expenditure on tertiary education, % of GDP (2014)



Source: Eurostat

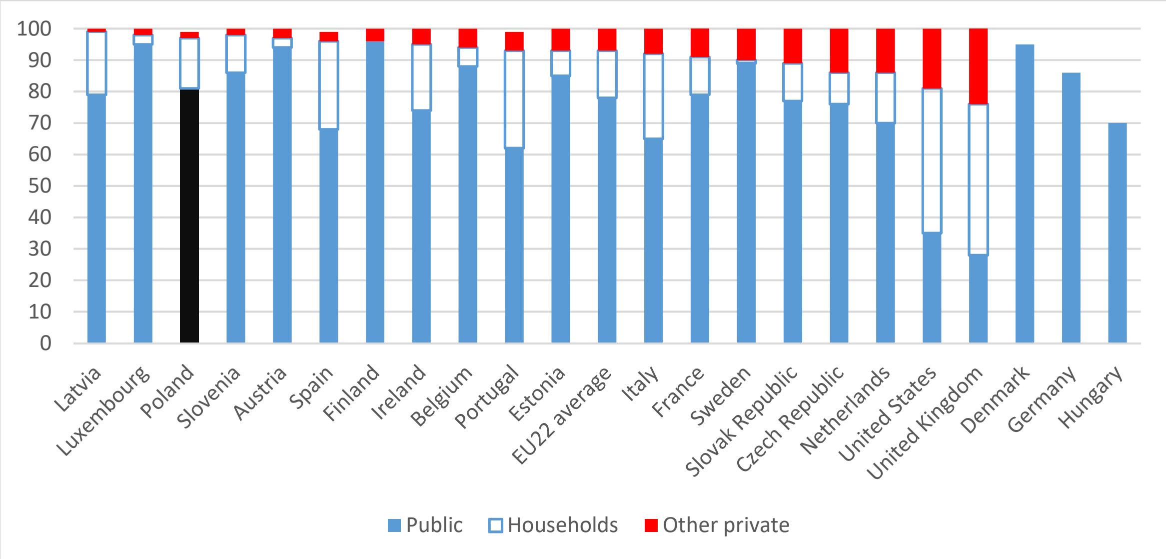
Figure 3.5: Annual expenditure per student in tertiary education for all services, equivalent USD, (2014)



Source: OECD (2017a)

Figure 3.6 points to another feature of private spending on higher education in Poland that is particularly interesting from the perspective of this report. Namely, households account for almost all private spending on higher education in Poland. In contrast, non-household private expenditures (e.g. by the corporate sector) are minimal. In 2014, the latter account of just 11% of total private educational expenditure in Poland, in contrast to some 32% average for the EU22 group. In relation to the total (i.e. public and private) expenditure, non-household private expenditure accounted for just 2% in Poland, compared to the EU22 average of 7%. Put differently, one can see that while households' share in total tertiary education expenditure in Poland is minimally above to the EU22 average, other private sector entities hardly at all participate in financing higher education in Poland.

Figure 3.6: Percentage shares of total expenditure on tertiary educational institutions (2014)

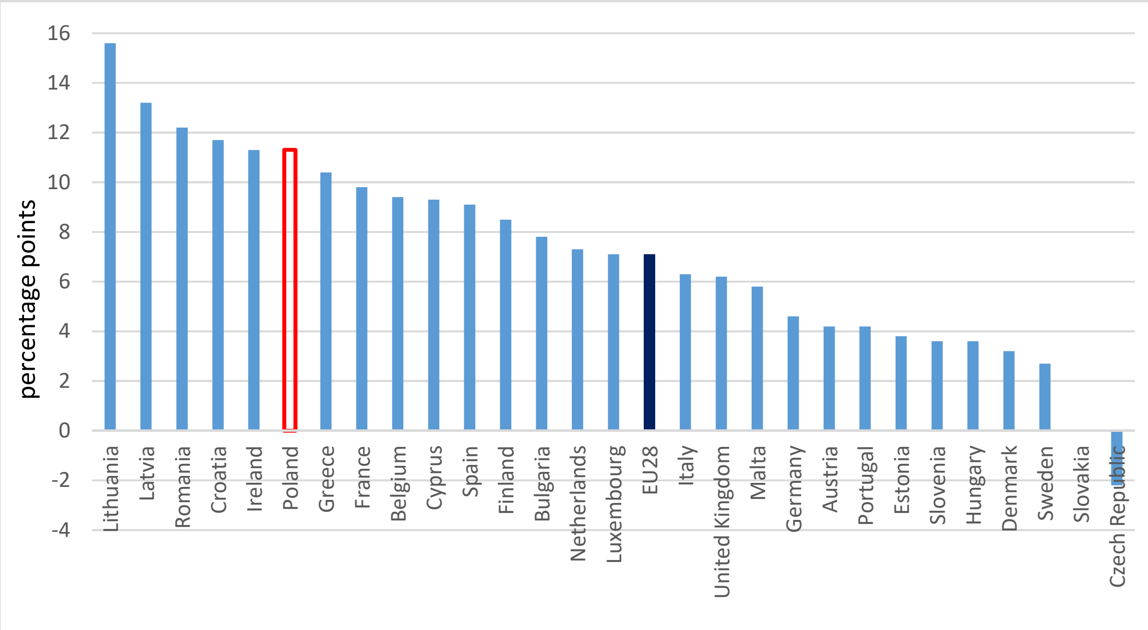


Source: OECD (2017a)

As well documented in both theoretical and empirical literature, higher education has positive socio-economic spillovers, i.e. it benefits the societies at large, not only tertiary graduates (see e.g. Moretti, 2004). However, it is also associated with significant private gains. The understanding of them is important in any analysis and design of the models of HEI funding and support for students.

Private gains from tertiary education, include, but are not limited to different labour market outcomes. These are easy to measure. As in most other EU countries, tertiary graduates in Poland have higher average employment rates and higher wages. Based on these two indicators Poland emerges as a country with relatively high private gains from tertiary education in the EU (Figures 3.8 and 3.7). This is because the gap in employment rates between people with tertiary and upper secondary education is among the highest in the EU and the gain expressed in terms of a difference in average wages is also above the EU average.

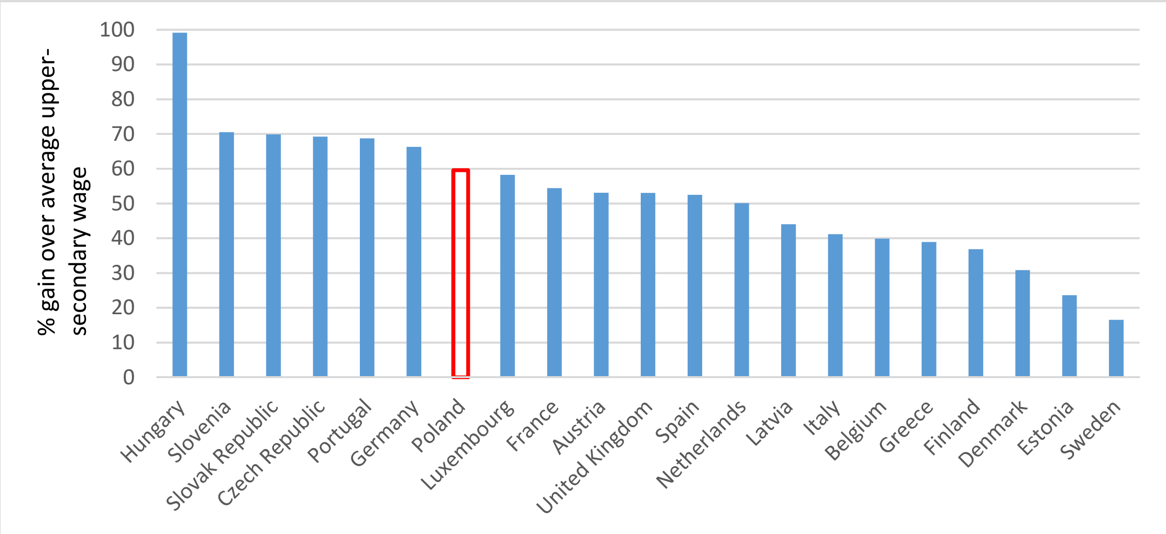
Figure 3.7: Difference in employment rates between people with tertiary education and those with upper-secondary and post-secondary non-tertiary education, 2016



Source: Eurostat

Interestingly, the calculations based on data that distinguish between bachelor and master degrees suggest that favourable labour market perspectives are associated with master degrees, but not really with bachelor degrees. The rate of return on investing in tertiary education leading to a master degree was found to be five times larger than the rate of return from investing in tertiary education leading to a bachelor degree (Czapiński, 2015).

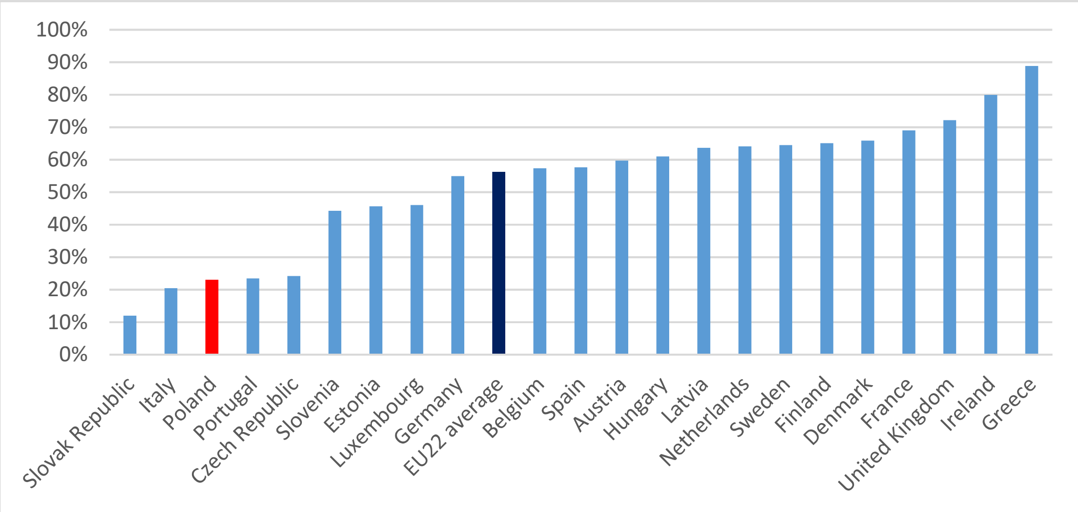
Figure 3.8: Percentage gain of average earning by tertiary workers over upper-secondary workers, 2016



Source: OECD (2017a)

Poland is characterised by typically rather long tertiary education duration. Short-cycle tertiary education programmes – that are popular in countries such as France, Spain or Austria hardly exist in Poland. In 2016, just some 6.5% of the Poland's population aged 25-64 had a bachelor degree, among the lowest rate in the EU. At the same time some 21.6% had a master degree, among the highest rates in the EU. As illustrated in Figure 3.9, the share of adults with bachelor or short-cycle degree in the total population with tertiary degree was among the lowest in the EU. The ensuing long average period of studies also implies a relatively lower labour force participation in the young population (aged 20-24). This has further implications in terms of necessary planning of financial means to finance tertiary education that in typical cases lasts around 5 years.

Figure 3.9: Percentage share of population aged 25-64 with tertiary education who completed bachelor or short-cycle studies, 2016



Source: OECD (2017a)

3.2 Students' financial situation and support system

This section examines the financial support systems available to students. The research revealed existing work and data related to higher education system in general as well as on the financial dimension. Key data sources include Central Statistical Office in Poland (GUS) and the Polish Ministry of Science and Higher Education.

Additionally, the students' experience of financial support and access to finance was captured through the SHIFT student survey conducted in Poland. The student survey was carried out using an identical questionnaire as in other SHIFT countries. The questionnaire was translated into Polish. Both on-line and off-line data collection was used. The student survey was launched in the middle of January 2018 and lasted 1.5 months. The off-line (paper) version was distributed at two large universities: University of Warsaw and University of Gdańsk. An invitation to participate in an on-line survey was sent to students at public and private universities situated in different cities in Poland. In total 342 replies were received, out of which 132 via an online tool.

Interviews were carried with several stakeholders representing different groups: policymakers, banking sector, public and private universities and students' association. Interviews were in particular carried with the representatives of the Ministry of Science and Higher Education, bank experts, including from state-owned Bank Gospodarstwa Krajowego, who run the governmental programme of student loans and from PKO BP, the largest Polish bank and the largest provider of student loans in Poland, experts responsible for financial support and scholarships at universities and students parliament.

Costs of studying

Poland is an example of country with dual system of financing higher education. As mentioned above, on the basis of a constitutional principle full-time high education study programmes offered by the public universities are free of charge.[2] Part-time studies offered by the public universities are subject to tuition fees. Courses in English (and other languages), postgraduate studies and repetition of classes are also paid.[3]

There is a large variation in the level of tuition fee, depending on the type of a course and a school. For example, medical studies at the Medical University of Warsaw cost around PLN 42,000 (ca. EUR 10,000) per annum[4] while law studies at the University of Warsaw cost PLN 7,000 (ca. EUR 1,700)[5] yearly and information technology at the Polish-Japanese Academy of Information Technology, private HEI based in Warsaw – only PLN 1,000 (ca. EUR 240) per year.[6] In addition, various additional fees can be charged such as admission fee, re-assessment fee, or a fee for repeating an academic year. At the end of studies, students pay for obtaining a diploma and for a graduation ceremony, among other fees.

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[2] Constitution of Poland, article no 70, http://prawo.sejm.gov.pl/isap.nsf/download.xsp/WDU19970780483/O/D19970483.pdf, [access 2/7/2018]

[3] Act of 27 July 2005 Law on Higher Education, article no 99, http://prawo.sejm.gov.pl/isap.nsf/download.xsp/WDU20051641365/T/D20051365L.pdf, [access 2/7/2018]

[4] Medical University of Warsaw, https://rekrutacja-info.wum.edu.pl/sites/rekrutacja-info.wum.edu.pl/files/rekrutacja2017/zarzadzenie_rektora_87-2017_zalacznik_zalacznik_1.pdf, [access 9/1/2018]

[5] Faculty of Law and Administration, University of Warsaw, tuition fees, http://www.wpia.uw.edu.pl/studia/prawo/oplaty/#, [access 9/1/2018]

[6] http://www.pja.edu.pl/en/, [access 9/1/2018]

Students' financial situation

Typically a student's budget is composed of transfers from family members, student's job earnings and (sometimes) from scholarships. There are substantial differences in financial situation depending on whether students live with parents (around 40% in the case of Poland)[7] or independently, whether they live in a large city or outside them and whether they pay tuition fees or study for free.

The median monthly income of students in Poland was around EUR 450 in 2016, with a high standard deviation indicating large differences in the financial situation within the entire student population (Eurostudent, 2018). Interestingly, there was hardly any difference in median incomes between groups that declared facing financial difficulties and those that declared lack of such difficulties. Given that for expenditures this difference also does not appear to be particularly high, this may indicate that perceived financial difficulties may be related to specific circumstances or peer effects (comparing oneself with others) rather than directly resulting from differences in financial situation defined by available monetary means and actual expenditures.

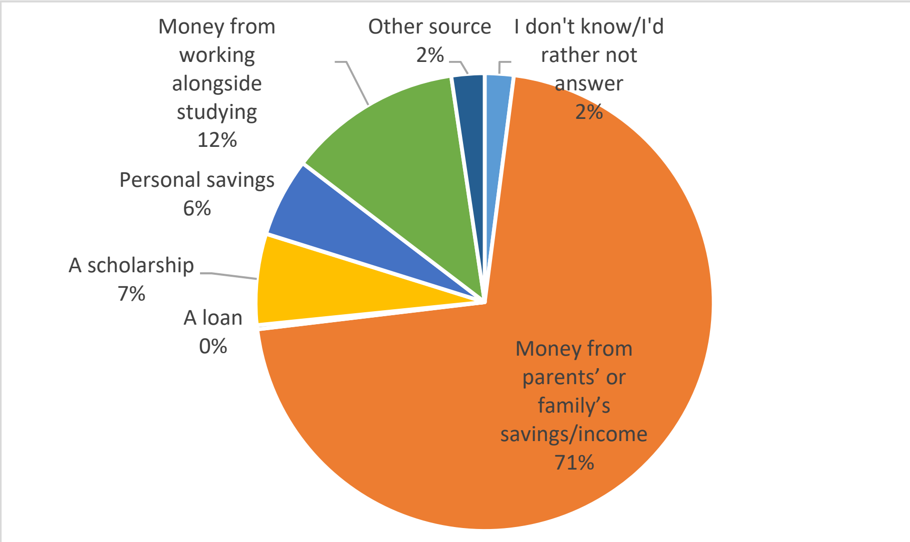
On average, part-time employment (up to 20 hours per week) does not appear to significantly increase the disposable income. The median income in the group not working at all was around EUR 305, while the median for those working up to 20 hours per week was around EUR 370 per week. This may result from differences in household financial situation affecting the decisions to engage in employment.

Student expenditure data, also taken from Eurostudent VI survey (Eurostudent, 2018) also indicate a large heterogeneity of expenditure patterns. Median monthly expenditure was around EUR 350. Somewhat surprisingly, in terms of medians, there is no significant difference between expenditures of students leaving with parents and not living with parents. This may be partly explained by the fact that the group of students not living with parents is very heterogeneous and includes e.g. students who have set up their own families and those living on their own in student accommodation.

The outcomes of the student survey conducted within the SHIFT project provide an evidence for the above. When it comes to the main source of funding the studies the majority of respondents (above 70%) pointed to families revenues. About 12% of respondents answered that they finance studies with their work income and 7% claimed that their studying is primarily financed from a scholarship (Figure 3.10).

[7] Based on Eurostudent VI edition data in most cases referring to 2016 (Eurostudent, 2018).

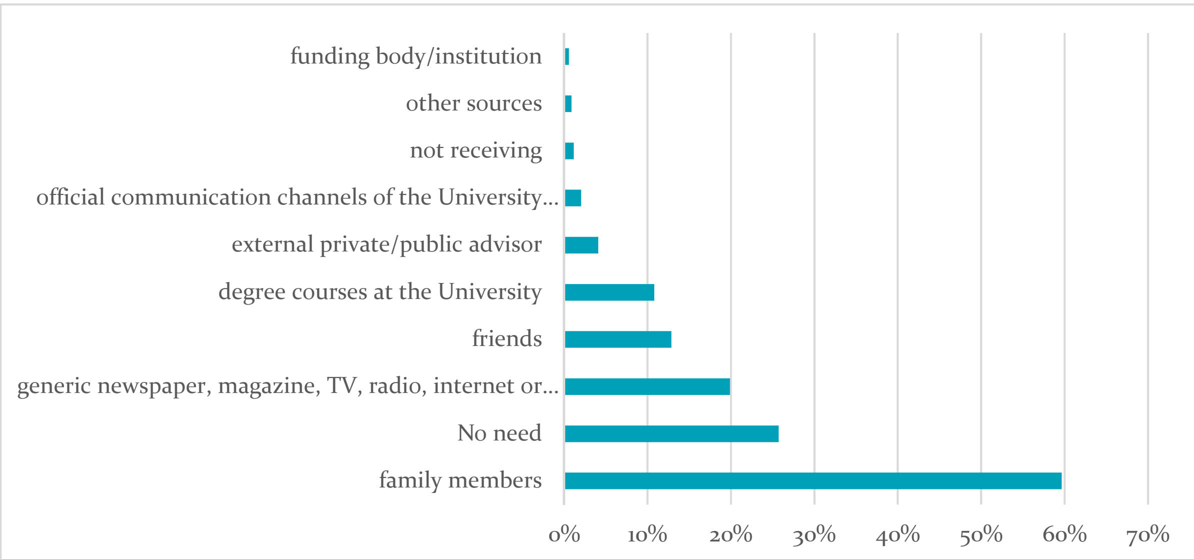
Figure 3.10: First main source of funding studies



Source: SHIFT Survey Poland, N = 342

It is interesting to see the sources of advice on day-to-day finances. The survey shows that the majority (about 60%) of students count on the expertise of family members. Another 20% follow media and social media to get such an advice and about 12% take it from their friends. Nearly 25% of all respondents claim they do not need any advice (Figure 3.11).

Figure 3.11: Sources of advice on managing day-to-day finances



Source: SHIFT Survey Poland, N=342. Respondents could mark multiple responses, hence the total exceeds 100%

Financial support system – an overview

The key elements of the financial support system consist of various scholarship systems and a student loan scheme. In addition, there exist private support schemes run by some non-governmental organisations. Of these, scholarships are received by a significant share of all students (around 20% as of October 2016), whereas student loans play only a marginal role with minimal take-up. No overview data is available on the various additional private and local support schemes, but their reach appears limited.

Scholarships

Different types of scholarships available for students in Poland. Some are based on means-testing, some on conditioned on specific life circumstances, while other ones on academic results. Table 3.1 provides and overview. Public funds including EU structural funds provide the bulk of the funding for these schemes. There is also a degree of discretion in application of existing schemes by HEIs.

Table 3.1: Scholarships for HEI students: key statistics, 2016

	Social scholarships (thousand)	Scholarships based on learning outcomes (thousand)	Scholarships for disabled (thousand)	All scholarship recipients (thousand)	All scholarship recipients (% of all students)
TOTAL	175	100	22	267	20%
public HEIs	147	78	15	216	21%
private HEIs	29	21	6	50	16%

Note: The sums of various scholarships do not add to the total (column 5) due to the possibility of simultaneously receiving several different scholarships.

Source: PL Central Statistical Office (2017), Higher Education Institutions and their Finances 2016

According to the Law on Higher Education in Poland[8] scholarships in form of monthly financial support are available for all students in a difficult financial situation. HEIs have a

[8] Law on Higher Education. http://prawo.sejm.gov.pl/isap.nsf/download.xsp/WDU20051641365/T/D20051365L.pdf

freedom to define an applicable income threshold within limits defined by the Ministry. In 2017/2018 allowed monthly income threshold (per capita in a household) had to remain within the band of between PLN 668 (ca. EUR 160) and PLN 1,052 (ca. EUR 250) per month.[9] For comparison, this is above social assistance (family benefit) threshold, while the eligibility threshold for child benefit for a first child in a household was set at PLN 800 (ca. EUR 190). In certain circumstances social scholarships can also be granted without carrying an income test. In 2016/2017 academic year nearly 150 thousand students benefitted from this form of support. The level of support varies, depending on the conditions set up by HEIs. In many cases the funding formula sets the scholarship at a level aimed at increasing the student's income to a certain amount (e.g. slightly above EUR 250 per month).

Another important type of a scholarship is awarded to students with best academic results. The level of support depends on the internal regulations of the HEIs but usually it does not exceed 1,000 PLN per month. In 2016/2017 about 78 thousand students were granted this scholarship. A similar programme with a much more limited coverage was operated by the Ministry of Science and Higher Education. In 2017/2018 645 students were awarded a one-time grant of PLN 15,000 (ca. EUR 3,600) for outstanding academic results.

Separate type of scholarships is available to all students with disabilities. In 2016/2017 nearly 14 thousand students received such support. The amounts varied from PLN 450 to PLN 600 (ca. EUR 107-143) per month depending on the type of disability.

In addition, a one-time financial support can be offered to a student facing a difficult situation related to a natural disaster, death of a family member or other accidents. In the academic year 2015/2016 close to 16 thousand students were granted this type of financial aid.

In addition to the above publically funded schemes with framework rules defined at the central level, other private ad local financial support schemes are available. Some HEIs have their own scholarships schemes.[10] Some NGOs e.g. Stefan Batory Foundation, Dzieło Nowego Tysiąclecia Foundation or Polish American Freedom Foundation offerfinancial support for students coming from disadvantaged places or families.[11] Some local

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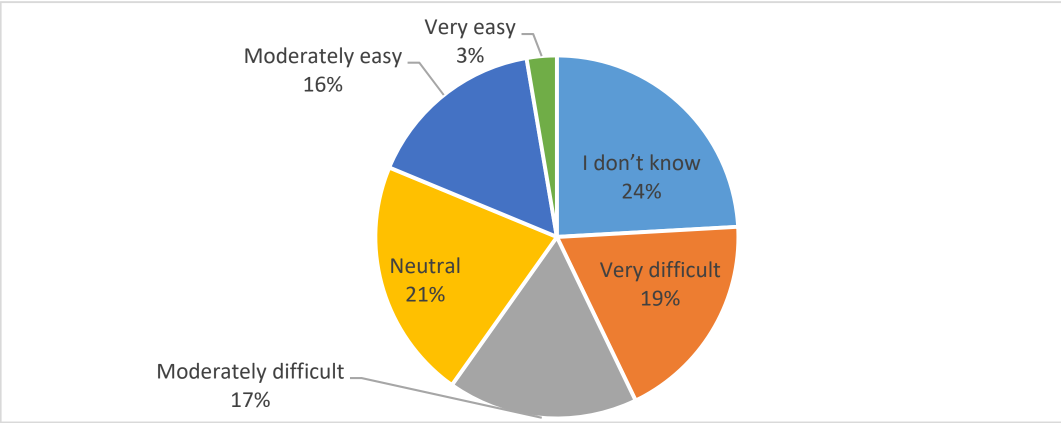
[9] http://www.nauka.gov.pl/komunikaty/dochod-uprawniajacy-do-ubiegania-sie-o-stypendium-socjalne-w-roku-akademickim-2017-2018.html
[10] Regulamin własnego funduszu stypendialnego Akademii Górniczo-Hutniczej. http://www.dss.agh.edu.pl/fileadmin/default/templates/css/j/dss/system/Regulamin-wlasnego-funduszu-styp-2015.pdf

[11] Fundacja im. Stefana Batorego http://www.batory.org.pl/fundusze_powierzone/rozwin_skrzydla; Polsko Amerykańska Fundacja Wolność https://www.stypendia-pomostowe.pl/jak-zdobyc-pieniadze-na-studiowanie/#post-170

governments also sponsor scholarships, e.g. the city of Poznan.[12] No aggregate data is available in such schemes but their total coverage appears to be limited.

The student survey conducted within the SHIFT report has shown that students find applying for a scholarship rather difficult. In total 36% answered that applying for a scholarship is “very difficult” or “moderately difficult” and only 19% said it is “moderately easy” or “very easy” (Figure 3.12).

Figure 3.12: Difficulty to apply for a student loan/scholarship

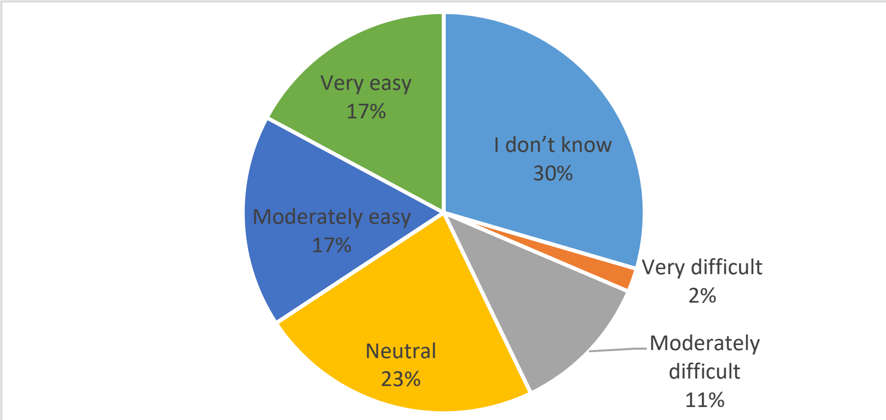


Source: SHIFT Survey Poland; N=107

The survey, however, does not provide an answer to the question on what students consider to be difficult in the grant application process. It is not the complication of terms and conditions, as nearly 40% answers that these are “very easy” or “moderately easy” to understand and only 13% says it is “difficult” (Figure 3.13).

[12] Program “Akademicki I naukowy Poznań” http://www.poznan.pl/mim/studia/wsparcie-miasta,p,16033,16521.html

Figure 3.13: Understanding terms and conditions of student loans/scholarships

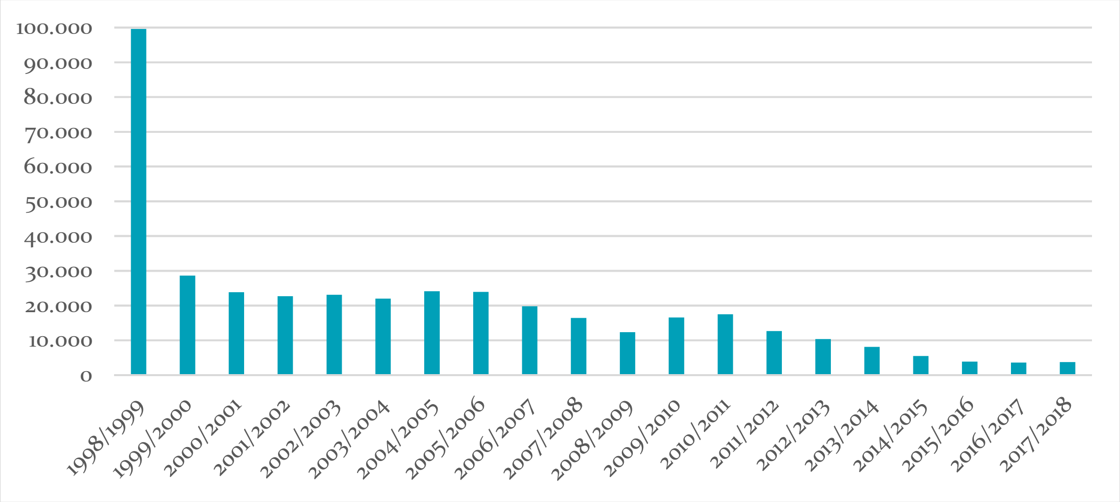


Source: SHIFT Survey Poland, N=112

Student loans

While the student loan system has been in place for almost two decades it only plays a marginal role. In the academic year 2016/2017 about 3600 credit agreements have been signed which means that below 0.3% of the student population in Poland receives this type of support. The general regulations for student loans have been introduced in 1998 but since then, with the exception of the very first year of operations, the take-up has remained very low and in the declining trend (Figure 3.10).

Figure 3.14: Number of student loans, 1998 - 2018



Source: Ministry of Science and Higher Education, Poland 2018

The student loans are provided on conditions that are significantly more favourable than commercially available consumer credit. At the same time, the maximum amounts available are limited. The money can be paid in monthly tranches of PLN 400, 600, 800 or 1,000 (i.e. up to ca. EUR 240) for 10 months during an academic year for a period of not exceeding 6 years. The repayment begins 2 years after graduation and until that time no interest is charged. After that time the interest rate is set at half of the rediscount rate decided by the National bank of Poland (0.875% in early 2018). For comparison, in early 2018 the average interest rate on newly signed consumer credit was around 7.5%.

Students are eligible for loans regardless the type of university (public, non-public) and the type of study (full-time, part time). However, they have to fulfil three conditions: (1) have a Polish citizenship (there are some exceptions with regards to a legal status of a person), (2) having started studying before the age of 25, and (3) household income cannot exceed PLN 2,500 (net) per person. For the moment only four banks in Poland have student loans in their offer: two largest universal banks PKO BP S.A. (77% of all loans in 2016/2017) and PEKAO S.A. as well as two co-operative banks SGB-Bank and Bank Polskiej Spółdzielczości.

The state covers the differential between interest paid by the students and the rediscount rate. The loans are guaranteed by the state-owned BGK development bank. In addition students with best academic record and those in particularly difficult situation can ask for partial (and sometimes full) annulation of a loan.

The reasons for low take-up are likely multiple. Partly it might be risk-aversion of young people to borrow as well as fear of market-failure and transactions-cost problems that may result from a lack of credit-worthiness and burdensome paper work involved (loan application is not digitalised). Another possible reason pointed out by some interviewees is a relatively easy access to scholarships.

3.3 Financial literacy of tertiary education students

Financial literacy is defined somewhat differently in the literature, but in broad terms it can described as knowledge, skills and competences related to making informed decisions on financial planning, and managing financial resources throughout the life for financial security (see e.g. Lusardi, Mitchell, 2011).

There are several studies looking at various aspects of financial literacy among university students, in both national context and aimed at international comparisons (Lusardi, Mitchell, 2011; Ergün, 2018; Frączek et al., 2017). Several factors were found to potentially influence the level of financial literacy, such as age and sex (Chen and Volpe, 1998), educational attainment level (Atkinson and Messy, 2012), or country-specific factors (Frączek et al., 2017:5-25), among others. Lusardi and Mitchell (2011) stress the differences between countries related to the level of mathematical education (proxied by math tests), and a role of financial challenges that populations of various countries had to undertake. Two opposing factors may be at play. On the one hand, as Lusardi and Mitchell (2011) put it '*people are more knowledgeable about inflation if their country has experienced it recently*'. On the other hand it can be the case that '*financial illiteracy is widespread even when financial markets are well developed*'.

One methodologically very robust study, but carried a few years before the start of tertiary education, for 15-year old students is the 2015 edition of the PISA survey (OECD, 2017a). PISA results show that mean financial literacy results of Polish students aged 15 are in the middle of the group of 10 OECD countries participating in this survey. Poland's mean results were lower than in the Flemish provinces of Belgium and in the Netherlands, same as in Italy and better than in Spain, Lithuania and the Slovak Republic. The share of low performers i.e. students that do not possess the baseline level of proficiency in financial literacy that is required to participate in society, was minimally below the OECD average, but so was the share of top-performing students.

Level of financial literacy of Polish university students were measured in both international, comparative studies (Ergün, 2018; Frączek et al., 2017) as well as in national studies (Piotrowski, 2011; Frączek, 2016). The representativeness of samples used and the quality of survey design differences between these studies and hence their results need to be interpreted with caution. One general finding is that students of Polish HEIs are characterised by stronger financial literacy results than the population at large. The latest studies (Ergün, 2018; Frączek, 2017) show that Polish students achieved the best results (77% of correct responses to numeracy questions) among all the participating countries (Estonia, Germany, Italy, Netherlands, Romania, Russian Federation and Turkey). These results are however, based on very small and not representative samples.

Several factors beyond educational attainment are found to also affect financial literacy. For example, Chen and Volpe (1998) note that business students tend to have higher levels of financial literacy than students in other fields.

The analysis of a student survey conducted within the SHIFT project revealed substantial differences in financial literacy levels. Some students did not answer any of the questions correctly (13%), while others were able to answer all of them (12%).[13] Eight percent of students marked 'I don't know' in all the three questions. This finding was also confirmed by an interviewee from a commercial bank. He in particular noted that there are some financially smart students who obtain student loans, despite not needing the money for living. Instead, they take advantage of preferential rates and invest the borrowed money to make up a profit on this.

[13] Sample size of 342.

3.4 Summary

In recent years tertiary education has been undergoing profound changes in terms of the number of students, the choices of the types of studies and HEIs (public vs private). The share of students paying tuition fees has been declining but the most recent changes in the funding formula for HEIs may slow down or even partly reverse this trend (at least in the short term).

Tertiary education takes several years as hardly anyone finishes studies with a bachelor degree. In popular understanding only a master degree provides "real" tertiary qualifications. This is also reflected in labour market outcomes. While in general financial returns from education (in terms of a wage premium) are rather on the high end in EU comparison, these are much lower for those with bachelor degrees. High rates of participation in tertiary education combined with long studying period leads to low labour force participation of the young people in Poland.

In the macroeconomic perspective the share of private spending on higher education is close to the EU average. However, Poland clearly stands out from other EU countries in that almost all private spending on higher education comes from households (predominantly in the form of tuition fees and other similar payments), whereas the business sector involvement is minimal. This low private sector financial involvement is a result of a broader phenomenon – generally very weak co-operation between HEIs and the business sector. This is widely seen as a challenge for promoting innovation and increasing the labour market relevance of tertiary education (European Commission, 2017b and 2018). The government appears determined to encourage stronger business-HEI communication, in particular in the research area. This may create an opportunity also for greater business engagement in financial support schemes for students.

Tuition fees differ considerably between HEIs and study programmes. In most cases they are rather low, and while adding to the overall costs of studying (i.e. accommodation, food, etc., as well as foregone work income) in most cases they do not require a recourse to bank credit to finance studies.

The financial situation of students differs significantly, but on average does not appear to be particularly problematic. At present the majority of students (ca. 60%) do not pay tuition fees. Around 20% of all students receive some form of scholarships. The social scholarships appear to be relatively effective in supporting the least affluent students and those with special needs (e.g. disabled students).

The student loan system is well established having been in place for almost two decades now, but its importance has been very low and has continued to decline in recent years, so that at present each year loans are being taken by below 0.3% of the total student population. The calls for widening the provision of student loans are not really visible in the public debate. In fact, several stakeholders (including the interviewees for the SHIFT project) believe that existing support system is sufficient.

4. SHIFT Country Report – United Kingdom

4.1 Background

According to practitioners, scholars, and mass media, Higher Education (HE) may generate pecuniary and non-pecuniary benefits to their recipients. In spite of these potential benefits, the fraction of students aiming to apply for HE courses in the UK has plunged to its lowest level since 2009.

The main explanation for this phenomenon is, allegedly, the increase in tuition fees and/or living costs for HE students. There is also some evidence that the current financial support for students in HE is inadequate. The current system could deter students with a high degree of debt aversion (that is, students who dislike debt) to apply for HE courses, ultimately leading to unequal access to HE. Unequal access to HE is especially likely for those students from lower-income households and limited financial literacy.

Eligibility requirements and inefficiencies in the repayments' system may exacerbate the degree of inequality in access to HE: according to the student-support regulations currently in force, students classified as either UK students or EU students may be eligible to financial support, covering both tuition fees and maintenance costs. Students who do not fall into these two groups are ineligible for financial support, even if they have been resident in the UK for an extensive period of time. Recently, as a result of legal challenges (e.g. Tigere Judgement and New Castle judgement), the UK-government has considered adopting new and revised requirements for financial support.

The current regulatory framework imposes a repayment system based on two conditions: a temporal condition (nine months from graduation), and an income threshold (in April 2018, the income threshold is expected to reach the amount of £25,000).

Recent estimates bring to light an increasing non-repayment rate among HE students, mainly related to the income threshold. In other words, the number of graduates that does not earn enough to be able to repay student loans is increasing.

In the section below we provide a brief commentary on the Higher Education system in the UK, highlighting recent changes in the regulatory framework.

Higher Education Funding and Student Finance Pre-2012

Between 1962 and 1990 all UK domiciled full-time undergraduate students at higher education institutions (HEIs) paid no tuition fees and could receive a non-repayable grant for living costs (i.e. maintenance grant). Student loans (for living costs) first became part of the student support package in 1990/91 across the UK. In that year, students could take out a maximum of £420 or around one sixth of the maximum amount of public support. Over the following years their value was increased at the expense of grants and stood at just under 50% of the maximum support level in 1996/97 (DfEE, 2000). Student loan interest rates for those loans and all those to pre-2012 students are set in line with inflation and hence have a zero real interest rate. Repayments of loans taken out before September 1998 were made on a 'mortgage style' system. They became repayable from the April after the student finished higher education when their gross income exceeded the threshold of 85% of national average earnings. If their income stayed above the threshold then repayments were made in 60 equal monthly repayments (i.e. 5 years).

In September 1998 a means tested tuition fee (of £1,000) was introduced for all full-time undergraduate students in the UK. The UK government gradually introduced new arrangement for students starting in autumn 1998. In the first year new entrants received support through loans and grants. The maximum maintenance grant available was £1,000 less than that for existing students. This was compensated for by a matching increase in loan entitlement. From 1999 new entrants and those who started in 1998 received all maintenance support as loans which were partly income-assessed. An income contingent repayment system was also introduced from 1998 where graduates repay 9% of gross income annual above £10,000. This threshold was raised to £15,000 in April, 2000.

Further changes in the student finance system were introduced in 2006/07 when new students attending HEIs in England and Northern Ireland could be charged variable fees of up to £3,000. New students could take out a tuition fee loan to cover the cost of these fees, which means that upfront payment of tuition fees would effectively be abolished for new students. New lending from 2006/07 was subject to a 25-year maximum term after which they are written off. Previously the age related write-off was at 65. New students in England were also eligible for a new income-assessed Maintenance Grant of up to £2,700.

Further Reforms since 2012/13

The UK government set out its plans to reform higher education funding and student finance in England in November, 2010 based on the Browne review (BIS, 2010).

Alongside an increase in the fee cap to £9,000 and a related cut in direct public funding for tuition, there were a number of changes to student loans:

- An increase in the earnings threshold to £21,000
- The interest rate will be inflation plus 3.0% for students while they are studying and up to the repayment date (April following graduation)
- After the graduation, a real interest rate will be charged when income is above the earnings threshold reaching a maximum of 3.0% above inflation when earnings reach a new higher earnings threshold of £41,000
- The length of time before all debts are written off is extended from 25 years to 30 years
- Extension of fee loans to part-time students

As a result of these changes, English, Scottish and Northern Irish domiciled students who opt to study in another country of the UK, face the tuition fee charges – up to a maximum of £9,000 per year. Scottish domiciled full-time undergraduate students who study in Scotland are not required to make a financial contribution towards the cost of tuition, while tuition fees are currently capped at £3,925 for Northern Ireland home students who study in Northern Irish universities. Welsh domiciled students, on the other hand, are liable to pay fees up to £9,000 wherever they study in the UK. The Welsh Assembly government, however, provides a fee grant for tuition fee charges (currently of £4,954 in 2017/18).

In 2015, the UK government announced that maintenance grants would be replaced in full by loans for new students in England from 2016/17. Repayment threshold at £21,000 would be frozen from April 2016 for all existing and new borrowers for five years. Moreover, the UK government introduced the Teaching Excellence Framework (TEF) in 2016 - a new scheme for recognising excellent teaching for HEIs in the UK and helping prospective students choose where to study. Universities and colleges in England that have a TEF award have been able to increase their tuition fees in line with inflation, up to a maximum of £9,250 for the 2018 entry cycle. After the Diamond review, Welsh Assembly government also announced in 2016 that the grant towards tuition fees would be replaced by loans starting in 2018/19 in Wales.

Table 4.1 illustrates the tuition fees in four different countries in the UK for UK and EU students who start their undergraduate study in 2018/19.

Table 4.1: Tuition fees by country for courses starting in 2018/19

Student's home region	Studying in England	Studying in Scotland	Studying in Wales	Studying in NI
England	Up to £9,250	Up to £9,250	Up to £9,000	Up to £9,250
Scotland	Up to £9,250	No fee	Up to £9,000	Up to £9,250
Wales	Up to £9,250	Up to £9,250	Up to £9,000	Up to £9,250
Northern Ireland (NI)	Up to £9,250	Up to £9,250	Up to £9,000	Up to £4,160
EU	Up to £9,250	No fee	Up to £9,000	Up to £4,160

Source: The Universities and Colleges Admissions Service (UCAS)

Financial Literacy and Higher Education in the UK

Financial literacy refers to the ability of properly processing financial information and formulating back-grounded decisions necessary to their economic well-being (Braunstein and Welch, 2002; Lusardi and Mitchell, 2007; Meier and Sprenger, 2013; Lusardi and Mitchell, 2014) and to allow participation in economic life (OECD's PISA, 2013).

Since the late 1980s, technology and financial innovation have required individuals be more involved in the management of their finances, since the late 1980s (Agnew and Harrison, 2015). These forces, combined with demographic changes and other socio-economic trends have contributed to an increased demand for financial services and a more complex scenario for individuals, leading to debates among policymakers about individuals' ability (or lack thereof) to make financial decisions. In particular, financial literacy may affect day-to-day finance management, savings for lifelong purposes, such as the purchase of a home. For instance, Mottola (2013) and Scheresberg (2013) argue that financial literacy is negatively correlated with the cost of borrowing. For this reason, financial literacy training has become important (Braunstein and Welch, 2002).

Financial literacy among young people is considered as one of the most debated topics across European countries and, particularly, in the UK. Despite a number of educational initiatives aimed at increasing the level of financial literacy and financial education among young people in Europe (e.g., promotion of financial education courses into school curricula and private financial education programmes funded by financial institutions), they continue to be ill-informed about financial practices (EDU-FIN, 2015). Developing an adequate degree of financial independence may help prospective students to have better access to post-secondary education. This explain why the UK-government has become engaged in enhancing the level of financial literacy.

In fact, financial literacy plays a particularly important role for students in HE institutions in the UK, because of the introduction of governmental schemes in the United Kingdom for supporting students. The introduction of student loans generates a trade-off between the opportunity to benefit from HE (funded by student loans) and the expected future return on the amount of money borrowed. Demographic characteristics (e.g. gender, ethnicity, and religion) (Lusardi and Mitchell, 2014; Agnew and Harrison, 2015) may correlate with the level of financial literacy. For example, Agnew and Harrison find that female students tend to underperform their male counterparts in financial literacy quizzes, and they are also more likely to underestimate the benefits of attending HE courses. Some studies argue that the levels of financial literacy impinge on the students' attitude to debt and, thus, their access to HE. Specifically, it may be argued that a lack of financial literacy may encourage debt avoidance strategies, resulting in a lower probability that a person applies for HE courses and worse academic achievement (Harrison and Agnew, 2016). This may be particularly critical in England, where the fraction of students relying on student loans is around 95%[1] (Harrison and Agnew, 2016). There is evidence suggesting that prospective students tend to be ill-informed about student loans, and they tend to underestimate the benefits of HE and overestimate its costs (Barr, 2004).

[1] Statistics refer to 2014 (Harrison and Agnew, 2016)

4.2 A2F for Higher Education students

University student finance and support systems vary in different countries in the UK, which are illustrated in the following four sections.

England

Higher Education students apply to Student Finance England for a tuition fee loan to cover tuition fees that is paid directly to the university and maintenance loan for living costs that is paid directly into students' bank account at the start of term (see Table 4.2).

Table 4.2: Higher education student support in England, UK – tuition fee loan and maintenance loan

Panel A: Tuition fees

Full-time student	Tuition fee loan 2016/17	Tuition fee loan 2017/18
Full-time	Up to £9,000	Up to £9,250
Full-time at a private university or college	Up to £6,000	Up to £6,165

Panel B: Maintenance costs

Full-time student	Maintenance loan 2016/17	Maintenance loan 2017/18
Living at home	Up to £6,904	Up to £7,097
Living away from home, outside London	Up to £8,200	Up to £8,430
Living away from home, in London	Up to £10,702	Up to £11,002

Source: Gov.uk; Student Loans Company (SLC)

Scotland

Scottish domiciled students do not pay tuition fees. They, however, need to apply to Student Awards Agency Scotland (SAAS) to have their tuition fees pay to their HEIs in Scotland. Scottish students who wish to study elsewhere in the UK will be charged the standard tuition fees by their chosen course provider, but may apply for a tuition fee loan to cover the costs through SAAS. Scottish students also have access to two different types of bursaries (non-payable) as well as maintenance loans to cover their living costs: Young Students' Bursary (YSB) and Independent Students' Bursary (ISB). All bursaries and maintenance loans are means tested. YSB is an annual payment for students aged 25 or younger who are classed as 'dependent', while ISB is an annual payment for independent students. Table 4.3 shows how much maintenance support 'Young' students and 'Independent' students can receive in the combination of one type of bursaries and maintenance loans based on their household income respectively.

Table 4.3: Higher education student support in Scotland, UK – bursary and maintenance loan

Panel A: Young students' bursary (YSB)

Household income	Bursary	Maintenance loan	Total
£0 to £18,999	£1,875	£5,750	£7,625
£19,000 to £23,999	£1,125	£5,750	£6,875
£24,000 to £33,999	£500	£5,750	£6,250
£34,000 and above	£0	£4,750	£4,750

Panel B: Independent students' bursary (ISB)

Household income	Bursary	Maintenance loan	Total
£0 to £18,999	£875	£6,750	£7,625
£19,000 to £23,999	£0	£6,750	£6,750
£24,000 to £33,999	£0	£6,250	£6,250
£34,000 and above	£0	£4,750	£4,750

Source: Student Awards Agency Scotland (SAAS)

Wales

For Welsh students who start their study in 2017/18, they can apply to Student Finance Wales for a tuition fee loan and a fee grant to help pay for the tuition fees charged by their university or college. Students also get a mixture of loans and grants to help pay for their living costs. The amount they can get as a full-time student depends on their household income and where they live and study. However, most full-time students will get a grant of at least £1,000 (see Tables below).

Table 4.4: Higher education student support in Wales, UK – tuition fee loan, fee grant and maintenance loan

Panel A: Tuition fees

Full-time student	Tuition fee loan 2016/17	Fee grant 2016/17	Tuition fee loan 2017/18	Fee grant 2017/18
Studying in Wales	£3,900	£5,100	£4,046	£4,954
Studying in England, Scotland and NI	£3,900	£5,100	£4,296	£4,954
Full-time at a private university or college	£6,000	No grant	£6,165	No grant

Panel B: Maintenance costs

Full-time student	Maintenance loan 2016/17	Maintenance loan 2017/18
Living at home	Up to £4,786	Up to £5,358
Living away from home, outside London	Up to £6,183	Up to £6,922
Living away from home, in London	Up to £8,662	Up to £9,697
Studying overseas	Up to £7,372	Up to £8,253

Source: Student Finance Wales; Student Loans Company (SLC)

For Welsh students who start their study in 2018/19, however, maintenance grants will be means tested to support those who need them most. Table 4.5 shows that students from homes with lower household income will receive the highest grant – up to £10,124 in London and £8,100 in the rest of the UK. Full-time undergraduates could be eligible for up to £11,250 a year towards their living costs if they live away from home and study in London and £9,000 per year in the rest of the UK. Every student will receive a minimum grant of £1,000 regardless of household income. They will also get up to £1,500 towards reducing their maintenance loan when they make their first loan repayment under the Welsh Government partial cancellation scheme. It is estimated that a third of full-time students will be eligible for the full grant.

Table 4.5: Changes to higher education maintenance support in Wales, UK from 2018/19

Household income	Living at home		Living away from home, outside London		Living away from home, in London	
	Grant	Maintenance loan	Grant	Maintenance loan	Grant	Maintenance loan
£0 to £18,370	£6,885	£765	£8,100	£900	£10,124	£1,126
£25,000	£5,930	£1,720	£6,947	£2,053	£8,643	£2,607
£35,000	£4,488	£3,162	£5,208	£3,792	£6,408	£4,842
£45,000	£3,047	£4,603	£3,469	£5,531	£4,174	£7,076
£59,200 or over	£1,000	£6,650	£1,000	£8,000	£1,000	£10,250

Source: Student Finance Wales

Northern Ireland

For students who live in Northern Ireland and study at a Northern Irish HEI, the maximum tuition fee is capped at £4,030 in academic year 2017/18, and they can apply to Student Finance Ireland for a tuition fee loan to cover this cost. Likewise, if they choose to study elsewhere in the UK, they can apply for a tuition fee loan, but the costs will be higher. A repayable maintenance loan is available to full-time students to cover accommodation and living costs. The loan is means tested and will vary on where you live/study and the length of your course.

Northern Irish students can also apply either the Maintenance Grant or the Special Support Grant (but not both). The Maintenance Grant is based on students' household income. If it's £41,065 or less, students will be eligible to receive all or some of the support. The Special Support Grant, on the other hand, is based on students' eligibility for income support or other means-tested benefits such as Housing Benefit.

Table 4.6: Higher education student support in Northern Ireland, UK – tuition fee loan, maintenance loan, maintenance grant and special support grant

Panel A: Tuition fees

Full-time student	Tuition fee loan 2016/17	Tuition fee loan 2017/18
Full-time	Up to £4,030	Up to £4,030

Panel B: Maintenance costs - Maintenance loan

Full-time student	Maintenance loan 2016/17	Maintenance loan 2017/18
Living at home	Up to £3,750	Up to £3,750
Living away from home, outside London	Up to £4,840	Up to £4,840
Living away from home, in London	Up to £6,780	Up to £6,780
Studying overseas	UP to £5,770	UP to £5,770

Panel C: Maintenance costs - Maintenance grant and Special Support Grant

Household income	Grant 2016/17	Grant 2017/18
£0 to £19,203	£3,475	£3,475
£19,204 TO £41,065	Partial grant	Partial grant
Over £41,065	No grant	No grant

Source: Student Finance NI; Student Loans Company (SLC)

4.3 Challenges for Higher Education Students' financing

There is a widely established belief among practitioners and scholars that HE may generate pecuniary and non-pecuniary benefits to their recipients (Carneiro et al., 2011; Hout, 2012). For instance, Greenaway and Haynes (2000) find that graduates have higher salaries than non-graduates. Bynner and Egerton (2000) find a positive correlation between participation in community affairs and HE. In a similar vein, Bynner et al. (2003) suggest that participation HE benefits not only the individual participants but also society as a whole.

However, in spite of the pecuniary, social and cultural benefits, the percentage of students who intend to apply for HE courses has reached its lowest level since 2009. According to the Sutton Trust, 14% percent of the overall surveyed students were unlike to apply for HE courses (as compared to 8% five years before).[2]

One of the main reasons for this result is believed to be the increase in tuition fees over the last decades. Among those who said they were likely to apply for HE programmes, 51% percent were worried about HE costs linked to growing tuition fees (Independent, 2017).[3] Tuition fees have become an increasingly debated issue among practitioners, especially after the cap for UK/EU students was increased to £9000 on students, making prospective students more and more reliant on student loans in order to fund their studies. During the period between 2002 and 2015, tuition fees climbed by 553% after adjusting for the inflation (Callender and Mason, 2017).

Although tuition fees represent are the largest cost item for students, Harrison et al. (2015) underline that one-third of the surveyed HE students experienced problems in dealing effectively with living expenses during their studies. Some of the participants were even more worried about this type of expense than they were about their repaying their student loans, because of their immediate, inevitable and pressing nature.

This view is confirmed by Daniel Kendrick, Business Development Manager at Little Business Loans, who highlights that people going to the university in the UK can find it hard to manage their living costs, because these costs tend to be highly volatile and therefore hard to predict in advance. Along the same lines, Miss Helene Bevilacqua, Vice President of the Spanish Society at Aston University, underlines the living costs are the main barriers to HE. This is particularly important in England, where the cost of living tends to be higher than elsewhere in Europe. This problem has been exacerbated by the fact that she is not a UK national (she comes from an EU country), and thus she has been unable to apply for a maintenance loan. She also points out that the need to work has also had a detrimental effect on her ability to focus on her studies.

Because of the increase in tuition fees and living expenses, HE students have become increasingly dependent on loans with an estimated average debt exceeds £40,000 (Crawford and Jin, 2014). Nevertheless, there is some evidence that financial support for students may be considered inadequate for prospect and non-prospect students (Callender and Wilkinson, 2003) because of a scarcity of resources of the UK universities and an unequal

[2] https://www.suttontrust.com/wp-content/uploads/2017/08/Ipsos-MORI-young-people-omnibus-survey-2017.pdf.
[3] Pells R. (2017). "Number of young people planning to go to university falls to lowest level in eight years". http://www.independent.co.uk/news/education/education-news/number-of-young-people-planning-to-go-university-falls-lowest-level-eight-years-students-tuition-a7884901.html.

access to the HE. On one hand, such a lack of appropriate financial support is likely to endanger students' access to HE (Bachan, 2014). On the other hand, for students already enrolled in any course program in HE, insufficient financial support may worsen their performance and experience and it may also have negative repercussions on their future career choices (Bachan, 2014).

Under the current framework, it may take up to 30 years for HE students to pay back their loans. This concern may deter students from participating in HE, and it is likely to be particularly severe for students from lower-income households or for students with limited financial support from their own family. These students are likely to be more sensitive to fear-of-debt. Fear-of-debt has been found to be a major issue in affecting the demand of student loans because it leads to worse student experience (Usher, 2005; Harrison and Agnew, 2016), lower life satisfaction and anxiety (Moreu and Leathwood, 2006).[4]

Barr (2004) provides some evidence that access to HE is unequal across students with a different household background. For example, in 2002, 81% of pupils from professional families enrolled in universities, while for lower-income families the percentage is around 15%.[5] On this regard, Prof. Les Ebdon highlighted that prospect students from lower-income families need more support in order to allow them to apply for HE. In fact, according to a recent survey, 64% of students experienced financial concerns (Independent, 2017).[6]

Harrison and Agnew (2016) report a drop in the demand for student loans for HE courses and ascribe it to students' debt aversion. Some studies (Callender and Jackson, 2005; Eckel et al., 2007; Maringe et al., 2009) suggest that debt aversion is mostly related to cultural and gender differences among students. Conversely, in providing a classification of students based on their attitude towards debt,[7] Harrison et al. (2015) underline the debt aversion is a more complex element depending on student's personal expectations, information available (*financial literacy*), and stimuli received from her/his social environment (Becker, 1994).

[4] For instance, in England the graduate students have an average debt of more than £50,000 (Institute for Fiscal Studies, IFS). Whilst, the student from families with lower level income reach level of indebtedness over £57,000 after interest rates are raised on the Government-funded student loans, IFS reports.
[5] UK Education and Skills Select Committee, 2002.
https://publications.parliament.uk/pa/cm200102/cmselect/cmeduski/cmeduski.htm
[6] Pells R. (2017). "Number of young people planning to go to university falls to lowest level in eight years".
http://www.independent.co.uk/news/education/education-news/number-of-young-people-planning-to-go-university-falls-lowest-level-eight-years-students-tuition-a7884901.html.
[7] In this study, the scholars identify six differents students, such as debt-positive, debt-savvy, debt-resigned, debt-oblivious, debt-anxious, and debt-angry.) pp. 93-100.

Policy initiatives in support of HE students

The HE sector in the UK has experienced a period of reform since the early-1990s, when its rapid expansion required the introduction of student loans to replace public subsidies for student maintenance costs. This process was further boosted in 1997 when the UK prime minister declared the intention to broaden HE participation of young adults (17-30 age category) to 50% by 2010.[8] In 1998, this system was further replaced by an income-assessed loans system linked to the introduction of means-tested tuition fees. This framework requires students to pay back both components related to tuition fees and living costs after graduation once an income threshold of £21,000 has been triggered.[9-10] Moreover, students are supposed to contribute to the costs related to student loan, because they are the main beneficiaries of the financial support and this facility is likely to increase their future earnings (Barr, 2004).

According to current regulations, students classified as either home (UK) students or EU students may be eligible to benefit from student support schemes, such as education fee and maintenance support. Students are asked to satisfy two requirements – an *immigration status* and a *residency requirement* – in order to be classified as eligible.

The *Education (Student Support) Regulations SI 2011/1986* provides for the classification of students in two categories - *home* and o*verseas*. This regulatory framework requires students to satisfy a "settled status" condition: applicants must have either the right of abode or the indefinite leave to remain in the United Kingdom. Additionally, the applicants must also satisfy a temporal residency requirement of three years before the first day of the first academic year of the course.

Therefore, the same regulation allows for two possible exceptional categories including respectively refugees (their families) and people with humanitarian protection.[11]

Students with Discretionary Leave to Remain (DLR)

[8] In 2010/2011 the participation rates of young students in HE sector reached the peak of 47%.
[9] In April 2018, the threshold for student's repayments will be further increased to £ 25,000
[10] https://www.slc.co.uk/students-and-customers/loan-repayment/interest-rate-and-threshold-changes/threshold-changes.aspx.
[11] Council Directive 2004/83/EC and then transposed into The Refugee or Person in Need of International Protection Regulations 2006.

In addition, by 2011, students with discretionary leave to remain (hereafter, DLR) and with particular awards of leave to remain in the UK were eligible to benefit from maintenance support and education fee support. The entry into force of the Education Regulations 2011 SI 87 tightened the rules on students with DLR by removing their eligibility for student loans. These changes, thus, increased the cost of studying in HE for DLR holders by limiting their access to public funds for HE.

Between 2013 and 2015, attention developed around DLR holders' conditions, because of two famous litigation cases – the *Newcastle Judgement* and the *Tigere Judgement*.[12] The Newcastle Judgement involved two Ethiopians with DLR asking for assistance with tuition fees from the local competent authority. After two sets of proceedings, the judges stated that the local authority had a duty to provide funds for tuition fees and living costs. This case bore important implications for local authorities because it charged them with the duty to cover the tuition fees and living costs of young people with DLR or to provide them with loans.

In mid-2015, the Tigere Judgement boosted further developments in the regulation about students with DLR. Particularly, the young student Beaurish Tigere challenged the refusal of student loans because of her immigration status. Although she arrived in the United Kingdom when she was only six years old and attended both the primary and secondary schools with excellent grades, her application for student financing was rejected because she did not satisfy the "settled status" requirement. The UK-Supreme Court stated that the rule breached any students' right established in accordance with Article 2 and Article 14 of Protocol 1 of the European Convention on Human Rights.

As a result of this judgement, the development of new eligibility requirements has been required. In fact, in response to the Tigere judgement, Department for Business Innovation & Skills launched a consultation to promote new provisions for students, who are not settled on the UK territory. Shortly after, the Student Loans Company (SLC) amended the *Student Support Regulations* for the year 2015 and the following year. The UK-government created a new category of students without settled status which can be eligible for student loans, as long as they have been lawfully resident in the United Kingdom for a long period of time and have demonstrated their connection to the UK.[13]

[12] "Support for higher education students in England with discretionary and limited leave to remain in the UK". Briefing Paper Number 7421, 8 December 2015.
[13] For further details, see "Support for higher education students in England with discretionary and limited leave to remain in the UK". Briefing Paper Number 7421, 8 December 2015, pp.10-11.

Loan Repayments

Student loans in the United Kingdom are based on a repayment system which starts after two of conditions are met: a temporal condition and an income threshold. The repayment of the loan starts nine months after the student's graduation, provided that the income threshold requirement has also been triggered. If the graduate has an income below the threshold, however, the repayment is deferred. Additionally, in April 2018, the threshold is expected to change to £25,000 a year.[14]

Once the threshold is reached, the student is supposed to pay 9% of her/his annual earnings above the threshold until they have paid the loan back (Harrison, et al., 2015; Callender and Mason, 2017). The repayment is done via HMRC: for employees, the employer will deduct the repayments from the graduate's salary, while self-employed graduates pay after completing a tax return.[15] Until 2007, the interest rate charged on student loans equalled either to Retail Price Index (RPI, hereafter) or to the Bank of England rate plus 100 basis points, if lower. Starting from 2012, the real interest was further adjusted in order to reduce government costs and set equal to an interest between RPI and RPI plus 3%, with a charge that is based on students' earnings.

Recent estimates suggest that one-third of all student loans are not repaid (Crawford and Jin, 2014). There are two potential reasons for such a high non-repayment rate. First, the increased threshold is set above the average entry-level salary for graduates, which allows students to not repay back their loans for some years (Harrison et al., 2015). Second, the student loan usually extends over a long duration (up to 30 years), meaning that potentially many students can avoid paying back their student loan for a very long period of time (Callender and Mason, 2017).

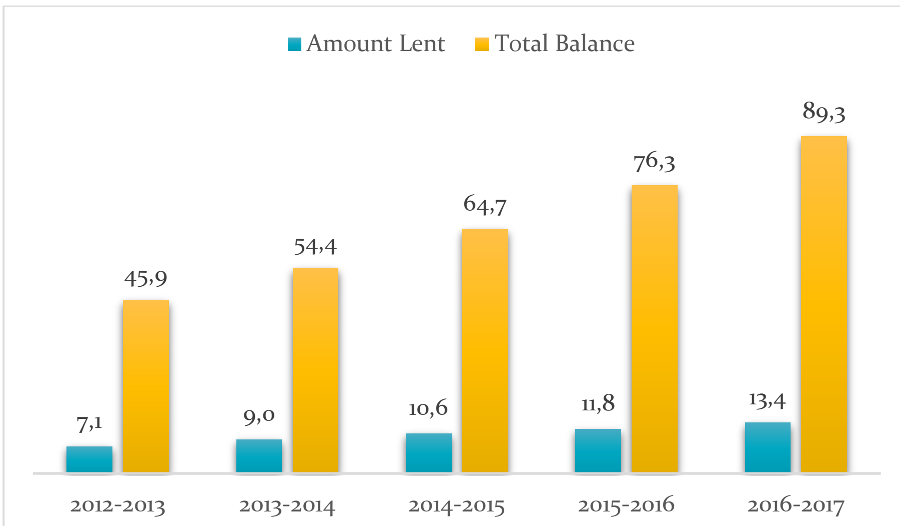
England

In Figure 4.1 we report a graph plotting the time trend of the aggregate amount of SLC loans, both in terms of total amount lent and total loan balance, or "*amount paid to borrowers plus interest added whilst they were studying minus any voluntary repayments made by borrowers prior them becoming liable to repay*"[16]. The figures are reported in billions of pounds.

[14] The threshold was previously raised in 2012.
[15] https://www.gov.uk/repaying-your-student-loan/how-you-repay.
[16] Student Loans for Higher Education in England, Financial Year 2016-2017, pp. 10.

In the financial year 2016-2017, the overall amount lent to HE students was around £13 billion. According to the official Statistics produced by the Student Loans Company (SLC),[17] this is a moderate increase (13.9%) when compared with the previous year (2015-2016). However, the increase is substantial (87%) when compared with the academic year 2012-2013. Total loan balance, increased by 94% over the same sample period (from 2012-2013 to 2016-2017), according to SLC's statistics.

Figure 4.1: Amount lent Vs Total balance in England (Billion £)



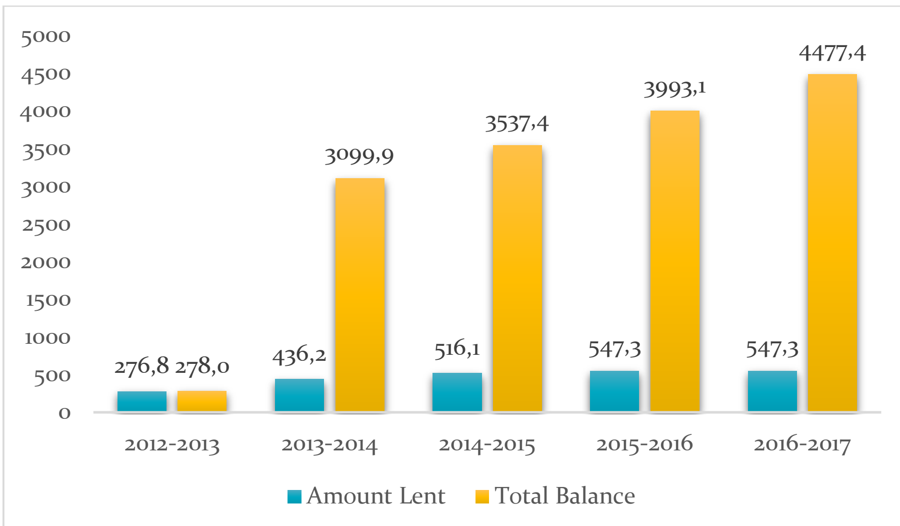
Source: Authors' elaboration on Student Loans Company website, "Student Loans for Higher Education in England, Financial Year 2016-2017"

[17] http://www.slc.co.uk/official-statistics/financial-support-awarded/england-higher-education.aspx.

Scotland

Similarly, the amount lent to HE students in Scotland grew during the period from 2012 to 2017 by reaching the total amount of £576.7 million, as shown in Figure 4.2.[18] Unlike in England, the tuition fee loans in Scotland represent a smaller fraction of the maintenance loans. This is likely to be a result of the zero-tuition fee system in force in Scotland. The total loan balance reaches a peak of 4.5 billion resulting in an increase of around 12% when compared with the 2015-2016 financial year.

Figure 4.2: Amount lent Vs Total balance in Scotland (Billion £)



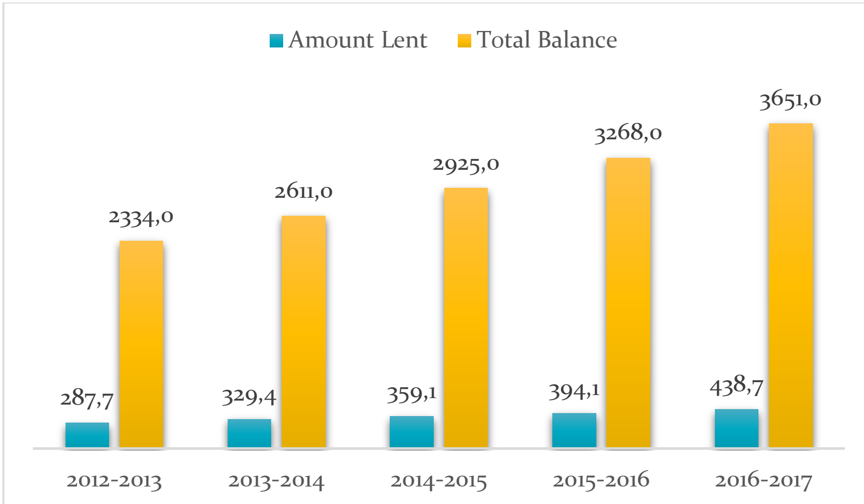
Source of data: Authors' elaboration on Student Loans Company website - "Student Loans for Higher Education in Scotland, Financial Year 2016-2017"

Wales

As shown in Figure 4.3, the SLC statistics for Wales exhibit a similar pattern to the ones for England and Scotland. Although the results underline an increase in the level of lending to HE students combined with an increase of the fraction of repayments, the loan balance has increased by 11.7% when compared with the previous year, and by 56% when compared with the financial year 2012-2013.

[18] Student Loans for Higher Education in Scotland, Financial Year 2016-2017, pp.4.

Figure 4.3: Amount lent Vs Total balance in Wales (Billion £)

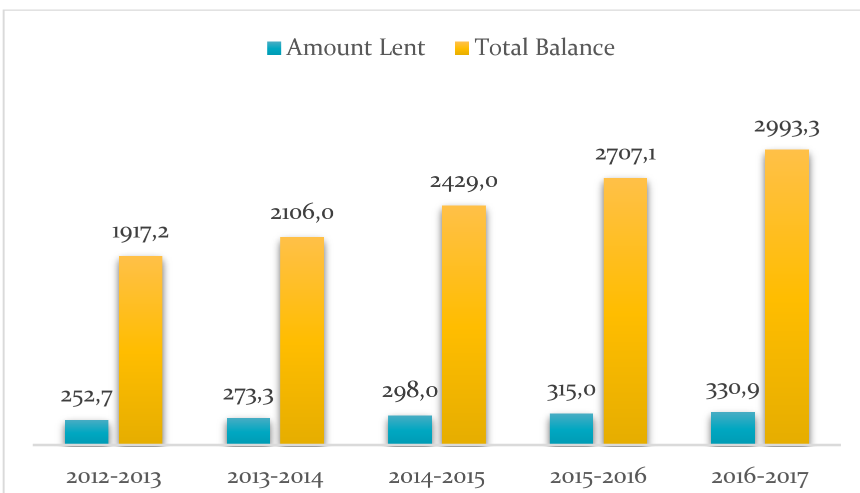


Source: Authors' elaboration on Student Loans Company website, "Student Loans for Higher Education in England, Financial Year 2016-2017"

Northern Ireland

Figure 4.4, showing the aggregate amount of student loans for HE students in Northern Ireland, reveals similar results to the other countries.

Figure 4.4: Amount lent Vs Total balance in Northern Ireland (Billion £)



Source: Authors' elaboration on Student Loans Company website, "Student Loans for Higher Education in Northern Ireland, Financial Year 2016-2017"

4.4 UK survey results

In this section, we report the results of HE student surveys and HE alumni opinion surveys conducted by SHIFT partners in England and Wales.

Results from HE students' survey in England and Wales

Tables 4.7 and 4.8 report the sample demographic composition and the main results for the students' survey conducted in England and Wales. The evidence from England was gathered by surveying the students from Aston University and the evidence from Wales was gathered by surveying the students from Swansea University. These dip surveys provide indicative evidence of students' experience with higher education funding; however the results from the survey should not be generalized for the countries, as the surveys were not designed to capture representativeness. The survey questions are reported in Appendix B. The demographic composition of our sample (reported in Table 4.7) reveals that most of the participating students are from the UK (78% and 88% for Aston and Swansea University respectively). Our sample is relatively balanced in terms of gender, whereas the average age of participants in both institutions is around 19. The majority of the students, if they did not decline to answer, indicate that their monthly household income is over £3500.

Table 4.8 reports the main results with respect to the primary and secondary source of funding for HE studies for undergraduate students at Aston and Swansea University. Overall, the survey results from Aston University are consistent with the ones from Swansea University. Most students pay with student loans (around 60% for students in both institutions as the first source). Money from family savings/income, on the other hand, is the most popular choice for students in both universities (about 30%) as their second source of income for studies.

We also report some graphs for questions related to how students feel about Terms and Conditions (T&C) attached to their student loans, financial counselling, and financial needs. In short, we find that:

- Most students do not think it is particularly hard to apply for a loan and understand the T&C. As reported in Figure 4.5, only 12% and 17% of the respondents at Aston and Swansea say that it is moderately difficult or very difficult to apply and Figure

4.6 and 4.7 show that the majority of the respondents say that it is not difficult to understand and meet the requirements of the T&C;

- There is evidence that students would like to have more money for maintenance and living costs (39% and 44% in each institution, see Figure 4.8);
- Most students (32% and 47% of the respondents at Aston and Swansea University) rely on family members for advice about managing day-to-day finances (see Figure 4.9).

Results from HE Alumni in England and Wales

Alumni from Durham University and Swansea University, as stakeholders of these two HE institutions in the UK, are surveyed to examine what they think the possible barriers to enter HE for prospective undergraduate students are in the UK. In total, 34 alumni participate in the study (23 alumni from Durham University and 11 from Swansea University respectively).

First of all, they are asked to select all possible barriers from a list of total 12 factors. Figure 4.10 shows that nearly 90% of the participants all agree that 'Large amount of debt' may deter prospective students from studying HE degrees. Both 'Low value for money (in terms of learning experience in HE)' and '(Prospective students) wanting a job to earn money as soon as possible' are chosen as possible barriers by over half of the participants. On the other hand, less than third of the alumni think 'High interest rates on student loans', 'Limited/poor advice and guidance offered on the subjects or qualifications' and 'Parents' educational level' may adversely affect students' decisions to obtain HE qualifications.

Next, all participants are required to rank the top three possible barriers to enter HE, which may present a clear picture what the determinant obstacles are. Table 4.9 and Figure 4.11-4.13 below show that 'large amount of debt' is ranked predominantly as the top one barrier, which echoes the concerns among prospective as well as current students regarding the relatively high costs of completing an HE degree in the UK. Opinions are somewhat diverse in terms of the No. 2 top barrier. Only 'Large amount of debt', 'High interest rates on student loans' and 'No clear career prospects after HE' manage to attract less than 20% of the votes. The results seem to suggest again the overall costs and greater demand for future financial returns play a significant role in determining whether a prospective student choose to study an university degree. The results regarding the No. 3 top barriers appear to focus more on the learning experience in HE ('Low value for money') as studies suggest that students charged with higher tuition fees tend to raise their expectations for learning experience in HE (Jones et al., 2016).

Finally, a number of participants also suggest few other possible barriers, which are not mentioned in the surveys. The other possible barriers include 'Quality of high school', 'Lack of transferable, employable skills obtained in HE' and 'Misunderstanding of student debt'.

4.5 Summary

After several major reforms of higher education funding and student finance since the 1990s, mainly driven by the changes in England and Wales, UK HE students may face up to a maximum of £9,250 tuition fees from 2018 and only loans-based living cost support instead of maintenance grants. As a result of these changes, the number of students intending to apply for HE courses in the UK have been negatively affected. There are concerns, therefore, whether these reforms and existing student support may lead to unequal access to HE.

Unequal of access to HE is especially likely for those students from lower-income households and with limited financial literacy. Financial literacy plays an increasingly important role for students in HE institutions in the UK as a result of changing HE funding framework. Studies generally find that developing an adequate degree of financial independence may help prospective students to have better access to post-secondary education. There is, however, evidence suggesting that UK prospective students tend to be ill-informed about student loans, and they tend to underestimate the benefits of HE and overestimate its costs.

University student finance and support systems vary in different countries in the UK. Studying in an English HE institution for British and EU students tends to incur relatively the highest tuition fees and least living cost support. Studies find that while most of the public debates have been focusing on the increase in tuition fees in the UK in recent years, student maintenance support may deserve more attention as one-third of the HE students experience difficulties due to high living expenses during their studies. Moreover, debt aversion may continue to serve as a deterrent to prospective HE students.

To broaden HE participation of young adults and reform the HE funding, the UK government has introduced a number of policy initiatives in support of HE students. In particular, the eligibility requirement for student finance support has been redefined and relaxed to some extent. For instance, student tuition fees and maintenance support has been extended to students with discretionary leave to remain (DLR). On the other hand, with the increased use of loans for HE funding, the total student loan balance has risen significantly in all parts of the UK. The non-repayment rate, however, is over 30%, which may cause some concerns about the sustainability of the current funding framework.

Our student survey of over 250 undergraduate students in two British universities show that student loans and family savings are the first and second source of income for studies. Students generally do not find applying for a loan and understanding Terms and Conditions of the loan contract difficult. Financial advice, however, usually comes from students' family members, which suggests a relatively low level of financial independence and literacy. Our alumni's survey in two universities, on the other hand, is designed to examine what they think the possible barriers to enter HE for prospective students are. The survey finds strong and consistent evidence that the size of debt may act as a deterrent to entering HE.

Tables and figures from the student surveys in England and Wales

Table 4.7: Students' survey: Demographic composition – results from England and Wales

Panel A: England

Country	Frequency	Percentage	***Gender***	Frequency	Percentage	***Age***	Frequency	Percentage	***Household income***	Frequency	Percentage
UK	113	78%	Male	64	44%	18	63	44%	Less than £500	3	2%
EU	15	10%	Female	79	55%	19	62	43%	£500 – £1500	8	6%
NON-EU	16	11%	N/A	1	1%	20	10	7%	£1500 – £2000	6	4%
N/A	0	0%				21	1	1%	£2000 – £2500	11	8%
						>21	5	3%	£2500 – £3500	7	5%
						N/A	3	2%	More than £3500	33	23%
									N/A	76	53%
Total	144	100%		144	100%		144	100%		144	100%

Panel B: Wales

Country	Frequency	Percentage	***Gender***	Frequency	Percentage	***Age***	Frequency	Percentage	***Household income***	Frequency	Percentage
UK	106	88%	Male	72	60%	18	35	29%	Less than £500	2	2%
EU	15	12%	Female	47	39%	19	47	39%	£500 – £1500	16	13%
NON-EU	0	0%	N/A	2	2%	20	12	10%	£1500 – £2000	5	4%
N/A	0	0%				21	14	12%	£2000 – £2500	4	3%
						>21	11	9%	£2500 – £3500	3	2%
						N/A	2	2%	More than £3500	35	29%
									N/A	56	46%
Total	121	100%		121	100%		121	100%		121	100%

Table 4.8: Students' survey: Source of funding for HE studies – results from England and Wales

Panel A: England

First source	Frequency	Percentage	***Second source***	Frequency	Percentage
Money from parents' or family's savings/income	33	23%	Money from parents' or family's savings/income	53	37%
A loan	91	63%	A loan	18	13%
A grant	5	3%	A grant	3	2%
Personal Savings	3	2%	Personal Savings	13	9%
Money from working alongside studying	7	5%	Money from working alongside studying	24	17%
Other source	3	2%	Other source	2	1%
N/A	2	1%	I don't have a second main source	27	19%
			N/A	4	3%
Total	144	100%	Total	144	100%

Panel B: Wales

First source	Frequency	Percentage	***Second source***	Frequency	Percentage
Money from parents' or family's savings/income	28	23%	Money from parents' or family's savings/income	32	26%
A loan	70	58%	A loan	30	25%
A grant	10	8%	A grant	17	14%
Personal Savings	3	2%	Personal Savings	10	8%
Money from working alongside studying	8	7%	Money from working alongside studying	15	12%
Other source	1	1%	Other source	0	0%
N/A	1	1%	I don't have a second main source	16	13%
			N/A	1	1%
Total	121	100%	Total	121	100%

Table 4.9: Possible barriers to high education in the UK

Possible barriers	Agreed	% agreed
Large amount of debt (to cover tuition fees & living costs)	30	88%
High interest rates on student loans	10	29%
Attractive alternative education (e.g. apprenticeship schemes, vocational education)	14	41%
Wanting a job to earn money as soon as possible	19	56%
No clear career prospects after HE	17	50%
Lack of funding opportunities or lack of information on HE funding	9	26%
Low value-for-money (in terms of learning experience in HE)	20	59%
Limited/poor advice and guidance offered on the subjects or qualifications	10	29%
Poor aspirations to attain a HE degree	11	32%
Poorer socio-economic background	13	38%
Parents' educational level	10	29%
Low attainment at school	11	32%
Other. Please specify____	8	24%

Figure 4.5: Responses for students' survey question: How easy/difficult was it to apply for this financial support (grant and/or loan)? (Q7)

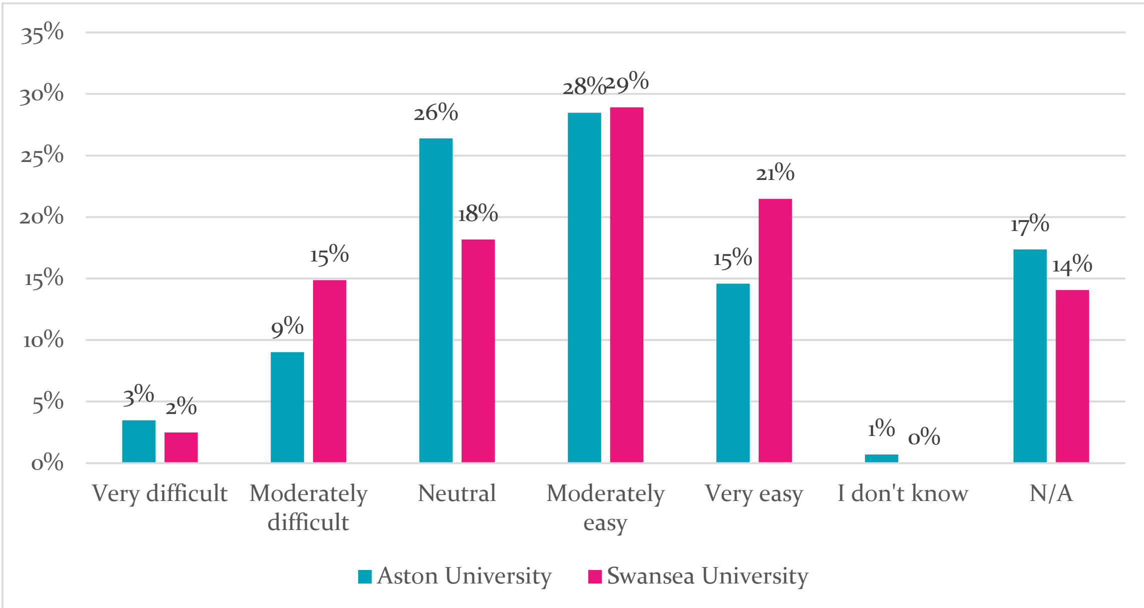


Figure 4.6: Responses for students' survey question: Once you were successful with the financial support (grant and/or loan), how easy/difficult was your experience with understanding the important terms and conditions of the grant and/or loan agreement? (Q8)

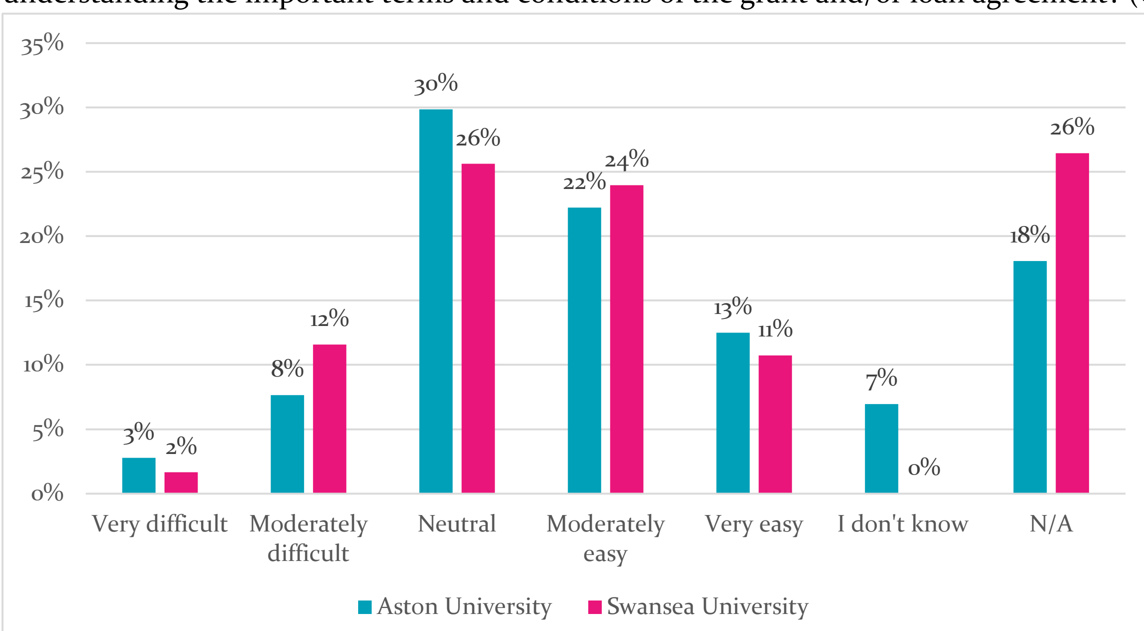


Figure 4.7: Responses for students' survey question: How easy/difficult is it to meet the important terms and conditions of the grant and/or loan agreement? (Q9)

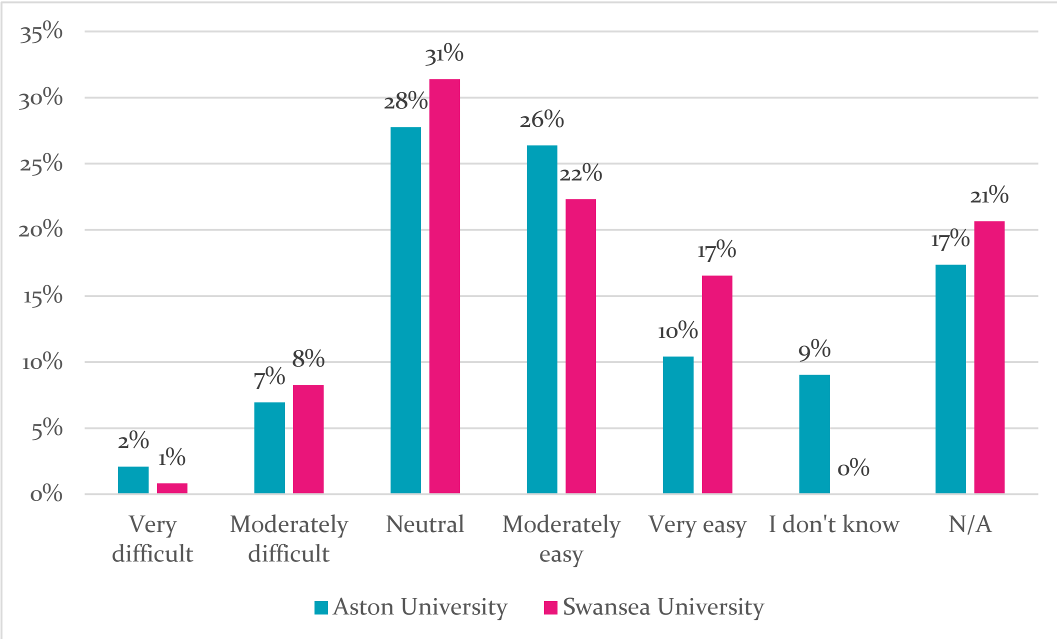


Figure 4.8: Responses for students' survey question: Loan/Grant design: If we design a student's loan/grant fund, would you prefer any of the following optional features, for an additional cost? (Q11)

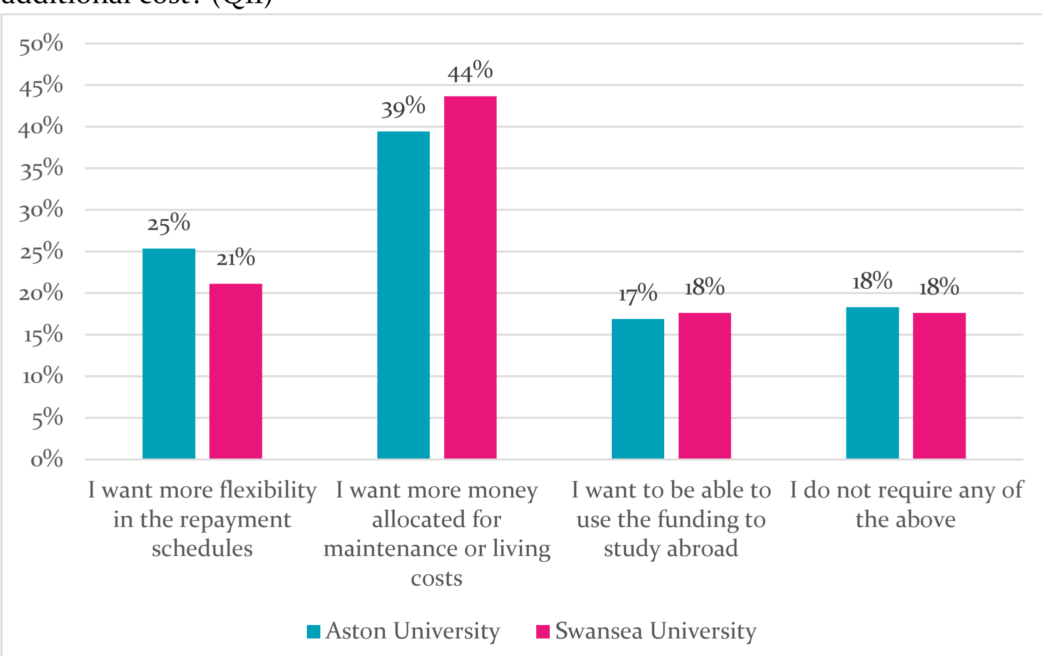


Figure 4.9: Responses for survey question: where do you get your effective financial counselling for managing your day-to-day finances? (Q10)

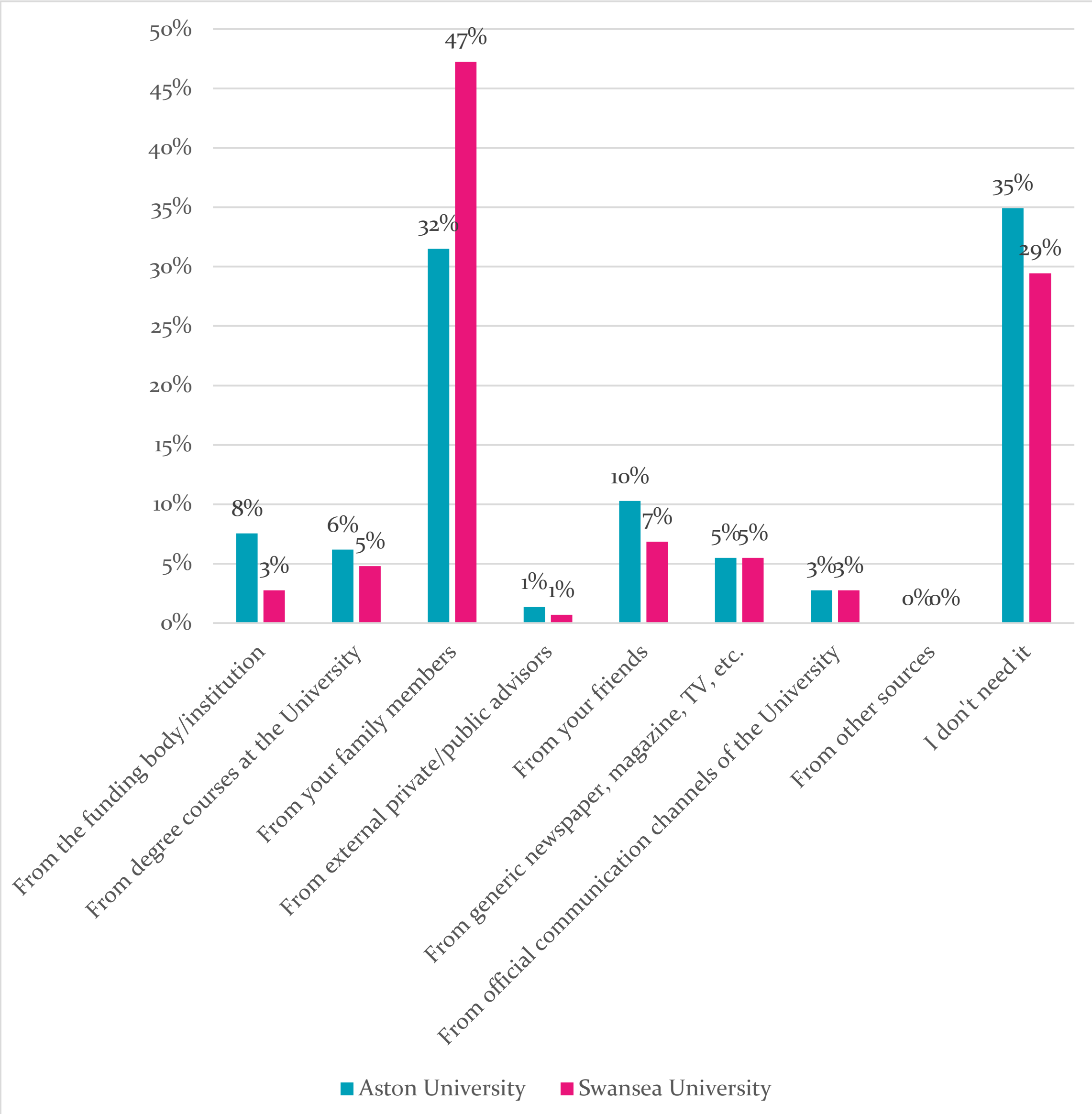


Figure 4.10: Possible barriers to access HE

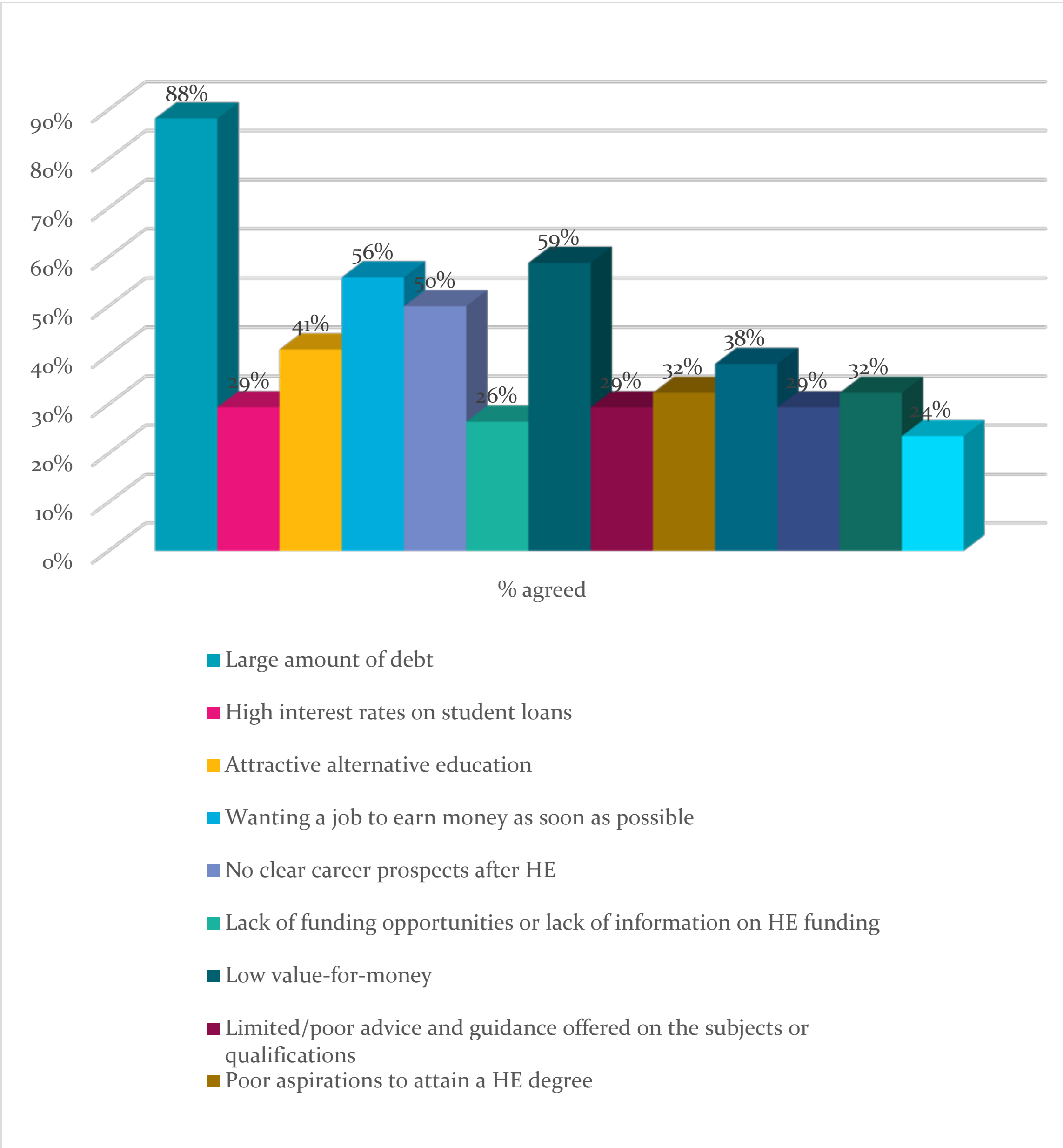


Figure 4.11: Possible barrier ranked as No. 1 (%)

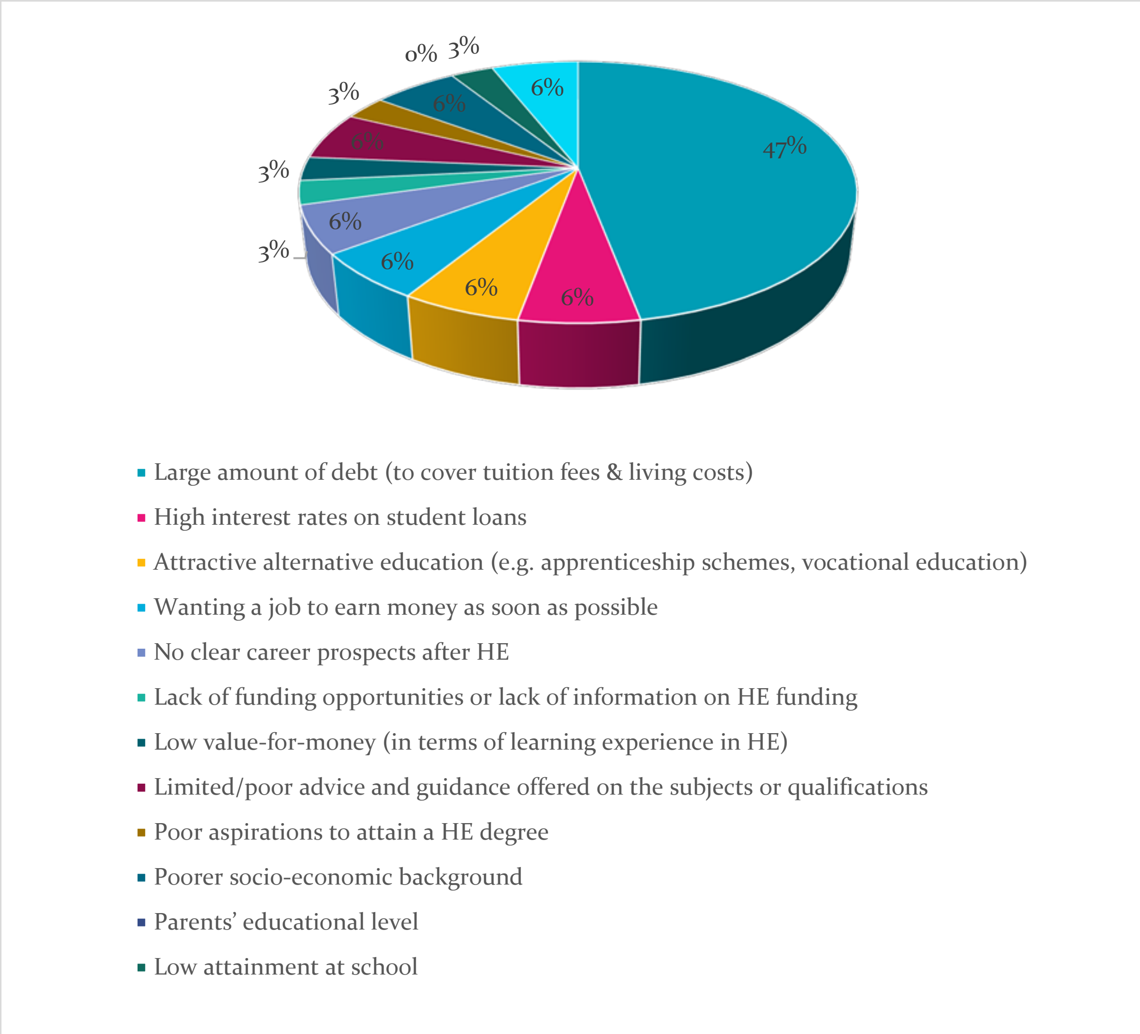
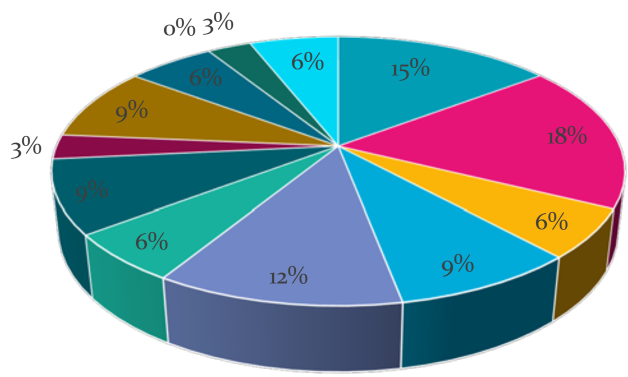
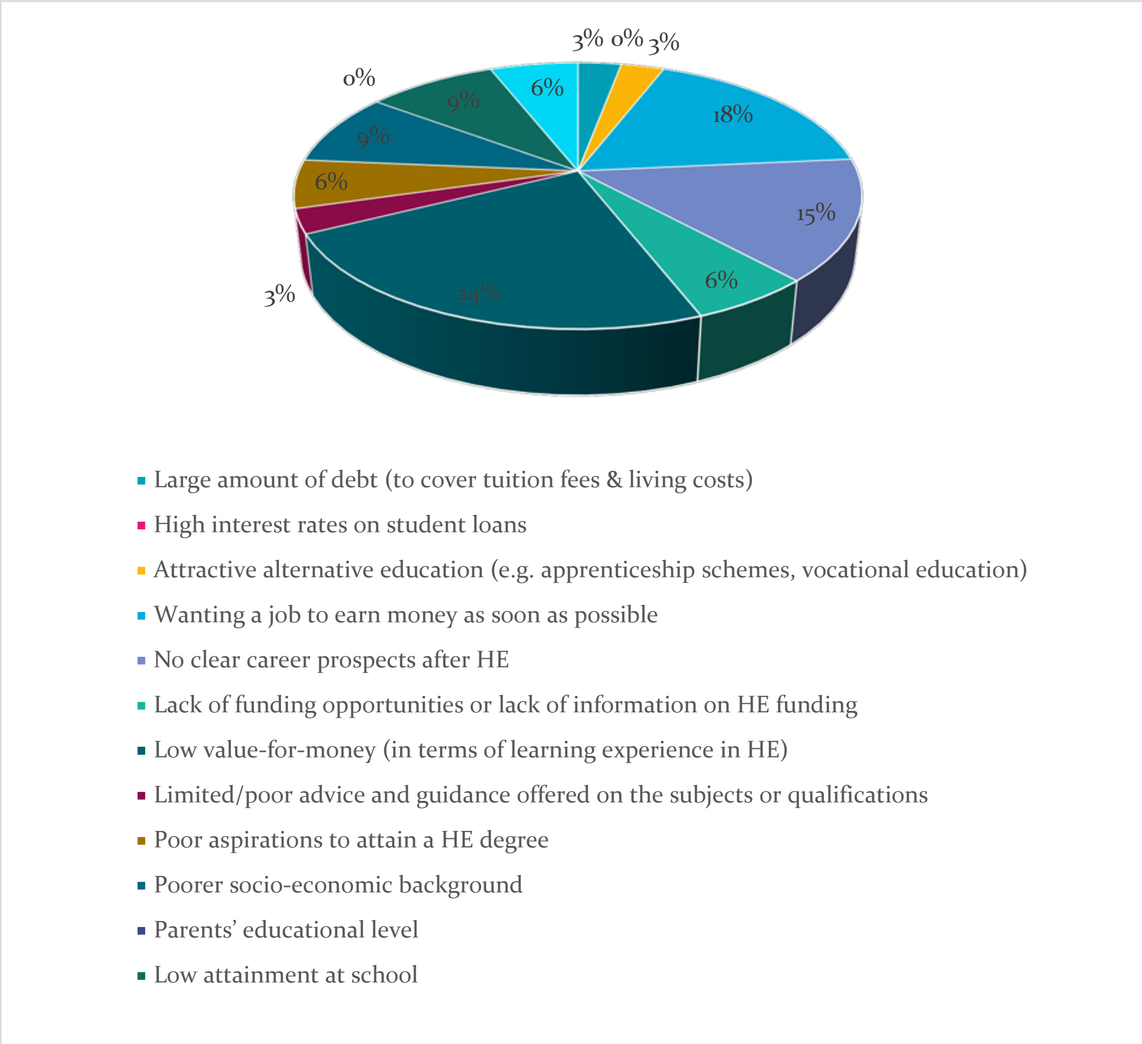


Figure 4.12: Possible barrier ranked as No. 2 (%)



- Large amount of debt (to cover tuition fees & living costs)
- High interest rates on student loans
- Attractive alternative education (e.g. apprenticeship schemes, vocational education)
- Wanting a job to earn money as soon as possible
- No clear career prospects after HE
- Lack of funding opportunities or lack of information on HE funding
- Low value-for-money (in terms of learning experience in HE)
- Limited/poor advice and guidance offered on the subjects or qualifications
- Poor aspirations to attain a HE degree
- Poorer socio-economic background
- Parents' educational level
- Low attainment at school

Figure 4.13: Possible barrier ranked as No. 3 (%)



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6. Appendices

Appendix A: SHIFT university students' survey questionnaire circulated in Poland

Część 1: Wszyscy uczestnicy badania są proszeni o odpowiedź na pytania z tej części.

Pytanie 0a. Podaj swój status w Polsce.

a) obywatel Polski

b) obywatel państw członkowskich Unii Europejskiej, państw członkowskich Europejskiego porozumienia o Wolnym Handlu (EFTA)

c) cudzoziemiec posiadający status uchodźcy nadany w RP, cudzoziemiec korzystający z ochrony czasowej na terytorium RP

d) cudzoziemiec, któremu udzielono zezwolenia na pobyt stały

e) inne

Pytanie 0b. Czy dochód w Twojej rodzinie jest mniejszy niż 2500 zł netto na osobę?

a) Tak
b) Nie
c) Nie wiem
d) Może

Pytanie 1. Płeć

a) Mężczyzna

b) Kobieta

c) Wolę nie podawać

Pytanie 2. Wiek

a) Proszę podać wiek________

b) Wolę nie podawać

Pytanie 3. Jaki jest Twój kierunek studiów? (Można podać więcej niż jeden)

a) Sztuka

b) Geografia, historia, języki i literatura, filozofia, teologia

c) Antropologia, ekonomia, psychologia, socjologia

d) Fizyka, chemia, biologia, nauki o Ziemi

e) Inżynieria, informatyka, matematyka, statystyka

f) Medycyna i nauki o zdrowiu

g) Prawo i nauki polityczne

h) Biznes, finanse i rachunkowość

i) Inne, proszę podać jakie ___________________

j) Wolę nie odpowiadać

Pytanie 4. Jaki jest całkowity, <u>miesięczny</u> dochód Twojego gospodarstwa domowego (w przybliżeniu, netto)? Całkowity dochód gospodarstwa domowego to dochód Twoich rodziców lub partnera / partnerki zsumowany razem z Twoim dochodem.

a) Mniej niż 1500 PLN

b) 1500 PLN – 2000 PLN

c) 2000 PLN – 3000 PLN

d) 3000 PLN – 5000 PLN

e) Więcej niż 5000 PLN

f) Nie wiem / Wolę nie podawać

Pytanie 5. Jakie jest <u>pierwsze, główne źródło finansowania</u> Twoich studiów (czyli np. opłat uniwersyteckich, kosztów zakwaterowania i kosztów utrzymania)?

a) Pieniądze z oszczędności / dochodów rodziców / rodziny

b) Kredyt studencki

c) Stypendium (naukowe, sportowe) / wsparcie socjalne

d) Własne oszczędności

e) Wynagrodzenie z pracy

f) Inne

g) Wolę nie odpowiadać

Pytanie 6. Jakie jest drugie, główne źródło, jeśli w ogóle, finansowania Twoich studiów (czyli np. opłat uniwersyteckich, kosztów zakwaterowania i kosztów utrzymania)?

a) Pieniądze z oszczędności / dochodów rodziców / rodziny

b) Kredyt studencki

c) Stypendium (naukowe, sportowe) / wsparcie socjalne

d) Własne oszczędności

e) Wynagrodzenie z pracy

f) Inne

g) Nie mam drugiego, głównego źródła finansowania

h) Wolę nie odpowiadać

Część 2: Jeżeli w pytaniach 5 i 6, zaznaczyli Państwo, że pierwszym lub drugim źródłem finansowania Państwa studiów jest „kredyt studencki" lub „stypendium / wsparcie socjalne", proszę udzielić odpowiedzi na pytania z części 2. Jeżeli nie, proszę ominąć część 2.

Pytanie 7. Jak łatwe / trudne było ubieganie się o wsparcie finansowe (kredyt studencki i / lub stypendium / wsparcie socjalne)?

a) Bardzo trudne

b) Umiarkowanie trudne

c) Ani trudne, ani łatwe

d) Umiarkowanie łatwe

e) Bardzo łatwe

f) Nie wiem

Jeżeli chcesz skomentować to pytanie, proszę wpisz swój komentarz w tym miejscu:___________________

Pytanie 8. Kiedy już udało Ci się uzyskać wsparcie finansowe (kredyt studencki i / lub stypendium / wsparcie socjalne), jak łatwe / trudne było zrozumienie kluczowych warunków umowy kredytowej / warunków otrzymania stypendium / wsparcia socjalnego (np. szczegóły spłaty kredytu, minimalne wymagania dotyczące ocen uzyskanych podczas studiów)?

a) Bardzo trudne

b) Umiarkowanie trudne

c) Ani trudne, ani łatwe

d) Umiarkowanie łatwe

e) Bardzo łatwe

f) Nie wiem

Jeżeli chcesz skomentować to pytanie, proszę wpisz swój komentarz w tym miejscu:___________________

Pytanie 9. Jak łatwe / trudne jest spełnienie kluczowych warunków umowy kredytowej i / lub warunków otrzymania stypendium / wsparcia socjalnego?

Kluczowe warunki odnoszą się do ocen umożliwiających ubieganie się o wsparcie finansowe oraz warunków i harmonogramu spłaty kredytu.

a) Bardzo trudne

b) Umiarkowanie trudne

c) Ani trudne, ani łatwe

d) Umiarkowanie łatwe

e) Bardzo łatwe

f) Nie wiem

Jeżeli chcesz skomentować to pytanie, proszę wpisz swój komentarz w tym miejscu:___________________

Część 3: Jeśli w pytaniach 5 lub 6, nie zaznaczyli Państwo „kredytu studenckiego" lub „stypendium / wsparcia socjalnego" jako pierwszego lub drugiego źródła finansowania, proszę odpowiedzieć na pytania z części 3.

Pytanie 10. Dlaczego nie otrzymałeś / otrzymałaś wsparcia finansowego w postaci kredytu studenckiego lub stypendium / wsparcia socjalnego? Proszę zaznaczyć wszystkie odpowiedzi, które Cię dotyczą (odnosi się do zakresu od i-viii).

a) Ubiegałem / ubiegałam się o stypendium / wsparcie socjalne, ale ich nie otrzymałem / otrzymałam

b) Ubiegałem / ubiegałam się o kredyt studencki, ale go nie otrzymałem / otrzymałam

c) Potrzebuję wsparcia finansowego w postaci kredytu studenckiego / stypendium / wsparcia socjalnego, ale nie ubiegałem / ubiegałam się o nie

d) Nie ubiegałem / ubiegałam się o wsparcie finansowe w postaci kredytu studenckiego / stypendium / wsparcia socjalnego, ponieważ:

i. Nie spełniam kryteriów merytorycznych
ii. Nie spełniam kryteriów dochodowych
iii. Zbyt wymagające warunki do spełniania (np. w zakresie minimalnych ocen zdobytych podczas studiów, warunków spłaty kredytu)
iv. Nie mam dostępu do informacji lub dostęp ten jest utrudniony
v. Nie postrzegam obecnego systemu jako wiarygodny lub niezawodny
vi. Nie potrzebuję go
vii. Inne powody, proszę podać jakie___________________________
viii. Nie wiem

Część 4: Wszyscy uczestnicy badania są proszeni o odpowiedź na pytania z tej części.

Pytanie 11. Skąd / od kogo otrzymujesz EFEKTYWNE doradztwo finansowe w zakresie zarządzania bieżącymi finansami? Proszę zaznaczyć wszystkie odpowiedzi, które Cię dotyczą.

a) Od instytucji finansującej

b) Podczas zajęć na uczelni

c) Od członków rodziny

d) Od zewnętrznych prywatnych / publicznych doradców

e) Od znajomych

f) Z gazet, czasopism, telewizji, radia, Internetu czy mediów społecznościowych

g) Z oficjalnych informacji przekazywanych przez uczelnię za pośrednictwem czasopism, Internetu, mediów społecznościowych

h) Z innych źródeł, proszę wskazać jakich_____________________________

i) Nie potrzebuję tego

Pytanie 12. Projektowanie wsparcia finansowego dla studentów. Gdybyś mógł/mogła skorzystać z wsparcia finansowego (kredytu, stypendium lub zapomogi) za dodatkową opłatą, to na co zwróciłbyś/zwróciłabyś przede wszystkim uwagę.

a) na większą elastyczność w harmonogramie spłat rat kredytowych

b) na to, czy mogę więcej pieniędzy przeznaczyć na wyżywienie i koszty utrzymania

c) na możliwość wykorzystania środków na studia za granicą

d) nic z powyższych

Pytanie 13. Załóżmy, że wpłacasz 100 PLN na konto oszczędnościowe „bez opłat", „bez podatku" z gwarantowaną stopą procentową w wysokości 2% rocznie. Nie dokonujesz żadnych, innych wpłat na to konto i nie wypłacasz z niego żadnych pieniędzy. Ile środków będzie na koncie po pięciu latach?

a) Więcej niż 110 PLN

b) Dokładnie 110 PLN

c) Mniej niż 110 PLN

d) Nie wiem

Pytanie 14. "Proszę wyobrazić sobie, że oprocentowanie Twojego konta oszczędnościowego wynosi 1% rocznie, a inflacja 2% rocznie. Czy po 1 roku będziesz mógł / mogła kupić z pieniędzy z tego konta:

a) Więcej niż dzisiaj

b) Dokładnie tyle samo co dzisiaj

c) Mniej niż dzisiaj

d) Nie wiem

Pytanie 15. Załóżmy, że masz dług na kwotę 3000 PLN na karcie kredytowej. Spłacasz go w najmniejszej racie – 30 PLN miesięcznie. Przy stopie procentowej w wysokości 1% miesięcznie, ile lat zajęłoby spłacenie długu na Twojej karcie kredytowej, jeśli nie zaciągniesz nowych zobowiązań?

a) Mniej niż 5 lat

b) Między 5 a 10 lat

c) Między 10 a 15 lat

d) Nigdy

e) Nie wiem

Pytanie 16. Czy masz zamiar uczestniczyć w międzynarodowym programie studiów, takim jak Erasmus?

a) Tak

b) Nie

Appendix B: SHIFT university students' survey questionnaire circulated in England

Section 1: Please answer all the questions in this section.
Q0) Report your nationality a) UK b) EU (but not UK) country c) non-EU country
Q1) Report your gender a) Male b) Female c) I'd rather not answer
Q2) How old are you? a) AGE_____________ b) I'd rather not answer.
Q3) What are your main subjects included in your field / course of study? a) Accounting for Management b) Business Computing & IT c) Business & Management d) Economics & Management e) Finance f) Human Resource Management g) International Business and Economics h) International Business & Management i) Other j) I'd rather not answer
Q4) What is your household total monthly income (approximately)? Your household total income is your parents' or partner's income, plus yours. a) Less than £500 b) £500 – £1,500 c) £1,500 – £2,000 d) £2000 – £2,500 e) £2,500 – £3,500 f) More than £3,500 g) I don't know / I'd rather not answer
Q5) What is your <u>first main source</u> of funding for your study costs (e.g. university fees, cost of accommodation and living expenses)? a) Money from parents' or family's savings/income b) A loan c) A grant d) Personal savings e) Money from working alongside studying f) Other source g) I'd rather not answer
Q6) What is your <u>second main source</u>, if any, of funding for your study costs (e.g. university fees, cost of accommodation and living expenses)? a) Money from parents' or family's savings/income b) A loan c) A grant d) Personal savings e) Money from working alongside studying f) Other source g) I don't have a second main source h) I'd rather not answer
Section 2: If in Q5 or Q6, your first or second main source of funding is "a loan" or "a grant", answer the questions in this section. If not, go to Section 3.
Q7) How easy/difficult was it <u>to apply</u> for this financial support (grant and/or loan)? a) Very difficult b) Moderately difficult c) Neutral d) Moderately easy e) Very easy f) I don't know If you wish to add any comments, please add here:___________________
Q8) Once you were successful with the financial support (grant and/or loan), how easy/difficult was your experience with <u>understanding the important terms and conditions</u> of the grant and/or loan agreement (e.g. repayment details, minimum grade requirements)? a) Very difficult b) Moderately difficult c) Neutral d) Moderately easy e) Very easy f) I don't know

If you wish to add any comments, please add here:___________________
Q9) How easy/difficult is it to <u>meet the important terms and conditions</u> of the grant and/or loan agreement? **Important terms and conditions refer to minimum grade requirements and repayment terms/schedules in the case of a loan.** a) Very difficult b) Moderately difficult c) Neutral d) Moderately easy e) Very easy f) I don't know If you wish to add any comments, please add here:___________________
Q10) Where do you get your EFFECTIVE financial counselling for managing your day-to-day finances? Please TICK ALL THAT APPLY. a) From the funding body/institution b) From degree courses at the University c) From your family members d) From external private/public advisor e) From your friends f) From generic newspaper, magazine, TV, radio, internet or social media g) From official communication channels of the University (magazine, internet or social media) h) From other sources, please specify_____________________________ i) I don't need it
Q11) Loan/Grant design: If we design a student's loan/grant fund, would you prefer any of the following optional features, for an additional cost? Please TICK ALL THAT APPLY: a) I want more flexibility in the repayments schedules b) I want more money allocated for maintenance or living costs c) I want to be able to use the funding to study abroad d) I do not require any of the above
Section 3: If in Q5 or Q6, your first or second main source of funding is NOT "a loan" or "a grant", please answer the questions in this section.
Q12) Why did you not receive financial support in the form of a grant or loan for your education? Tick all that apply. a) I applied for a grant but I did not get it b) I applied for a loan but I did not get it c) I need financial support (grant/loan) for my study but I did not apply d) I did not apply for the financial support (loan or grant) because: ix. I don't meet the merit-based criteria for applying x. I don't meet the income-based criteria for applying xi. Too demanding terms and conditions (e.g. in terms of minimum grades, repayment conditions) xii. I don't have access to all information or it is difficult to access the information xiii. I don't find the current system trustworthy or reliable xiv. I don't need it xv. Other reasons, please specify___________________________ xvi. I don't know
Q13) Where do you get your EFFECTIVE financial counselling for managing your day-to-day finances? Please TICK ALL THAT APPLY. a) From the funding body/institution b) From degree courses at the University c) From your family members d) From external private/public advisor e) From your friends f) From generic newspaper, magazine, TV, radio, internet or social media g) From official communication channels of the University (magazine, internet or social media)

h) From other sources, please specify______________________________ i) I don't need it
Q14) Loan/Grant design: If we design a student's loan/grant fund, would you prefer any of the following optional features, for an additional cost? Please TICK ALL THAT APPLY: a) I want more flexibility in the repayments schedules b) I want more money allocated for maintenance or living costs c) I want to be able to use the funding to study abroad d) I do not require any of the above

Appendix C: SHIFT England - Alumni opinion questions

In your opinion, what are the key barriers preventing students from going on to higher education (HE) in the UK?

Mark (x) for all that apply	**Provide rank for the top three (1,2,3)**	**Possible barriers**
		Large amount of debt (to cover tuition fees & living costs)
		High interest rates on student loans
		Attractive alternative education (e.g. apprenticeship schemes, vocational education)
		Wanting a job to earn money as soon as possible
		No clear career prospects after HE
		Lack of funding opportunities or lack of information on HE funding
		Low value-for-money (in terms of learning experience in HE)
		Limited/poor advice and guidance offered on the subjects or qualifications
		Poor aspirations to attain a HE degree
		Poorer socio-economic background
		Parents' educational level
		Low attainment at school
		Other. Please specify____