

Student loans in Russia

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Structure of the presentation

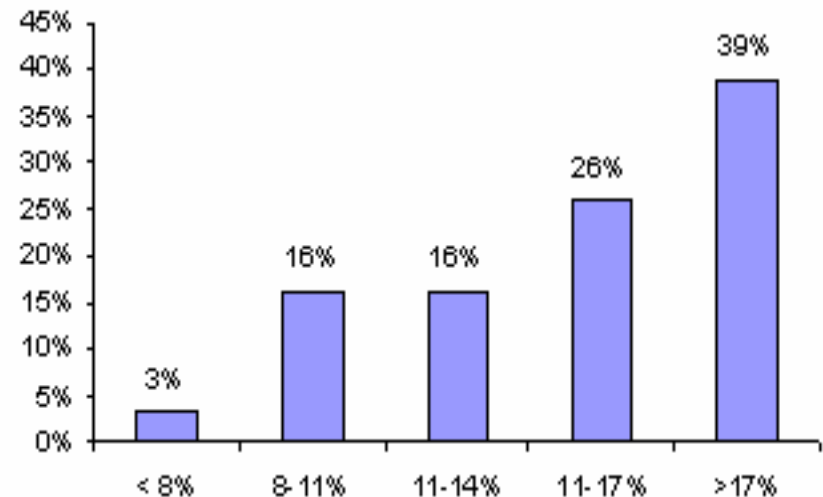
- Reforms of Higher Education (tendencies)
- Student loans 2000-2007
- Goals of our research
- Research methodology
- Results

Reforms of Higher Education

- Main trend:
 - Introducing/stimulating competition among universities
- Means of stimulating competition:
 - Standardized examination system to be used for matriculation decisions (USE)
 - Voucher-like system of state support for students (SNFL)
 - Contraction of bulk budgetary finance of IHE
 - Governmental support for student loans system

Student Loans 2000-2007

- General description:
 - 2000 – 1 program by Sberbank
 - 2006 – 15 programs by commercial banks
 - 18-20% per year
 - 1-10 years
 - obligatory warrantors
 - cover only tuition
 - 2007 – 32 programs
 - 8-14% per year
 - 1-15 years
 - obligatory warrantors
 - cover tuition and/or costs associated with HED



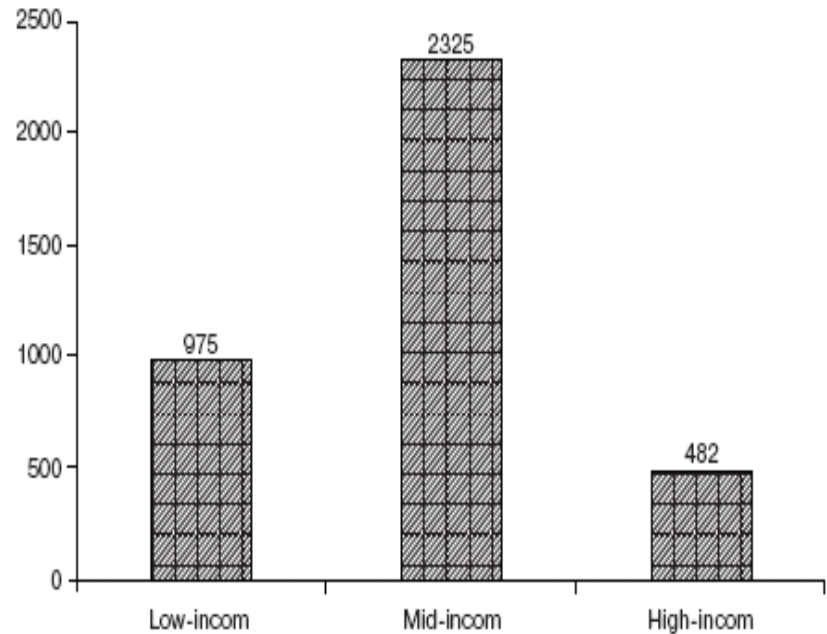


Goals of the research

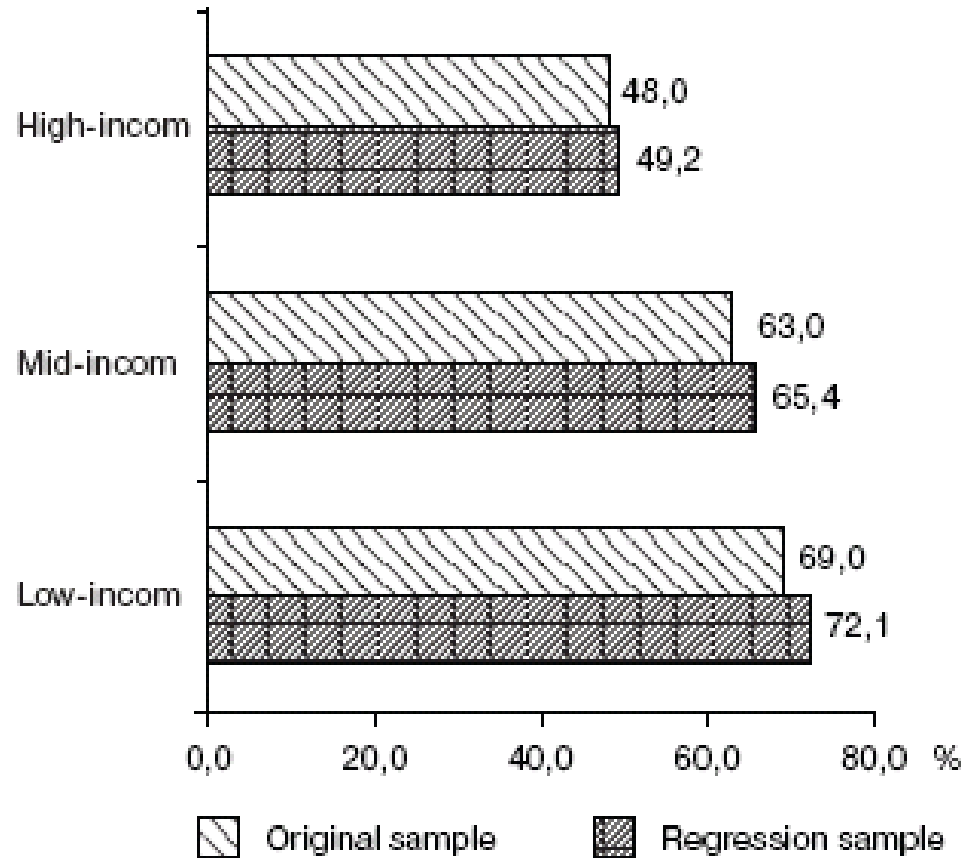
- What is the role of student loans for universities?
- Hypotheses
 - Student loans can help universities to attract low income students
 - Students from well-to-do families would use student loans to pay for higher education
- Factors of propensity to apply for student loans

Research methodology

- Propensity to take student loans
 - Would you take a student loan in case you need to pay for HED?
- Sample
 - 3782 households with school-age kids all over Russia
- Three independently estimated logit regression models for
 - Low-income family students
 - Mid-income family students
 - High-income family students



Results



Results

	Low - income	Mid- income	High- income
Higher education helps to find a well-paid job	0.080**	---	---
Higher education helps to make a good career	-0.065*	---	---
Important to have higher education in any case	---	0.068***	---
In 2005 the child attended school	0.084***	---	---
In 2005 the child attended preparatory courses, private lessons, etc. to apply to a college or university	---	-0.139*	---
In 2005 the child attended a university	---	-0.061**	---

	Low - income	Mid- income	High- income
In 2005 the child attended foreign language courses	---	0.194***	---
In 2005 the child attended driving courses	---	---	-0.309*
In 2005 the child was on maternity leave	---	-0.256*	---
Income in thousands of U.S. \$	---	-0.279***	---
Parent's occupation — Specialist	---	---	0.171***
Parent with the highest income works in financial sector	-0.414**	---	---
Parent with the highest income currently doesn't work	---	-0.433***	---
Households' financial experience - Currency exchange	---	-0.094***	---
Households' financial experience - Used internet payment systems	---	---	-0.190***
Households' financial experience - Resorted to consumer credit	0.174***	---	0.240***
Households' financial experience - Invested into own business	-0.268***	---	---
Households' financial experience - Nothing	0.107**	---	---
Household did not need to borrow money during the last 3 years	-0.105**	---	---
Loans experience - Applied to commercial bank offices or to their representatives in malls	---	0.236***	---
Loans experience - Asked friends/relatives	-0.224***	---	---
Loans purpose - Home appliances with the help of consumer credit	0.166***	---	---
Loans duration - Less than a year	-0.148**	---	---
Loans duration - more than 3 years	---	0.119**	---
Cox-Snell R-squared	0.127	0.094	0.101
*** 1%, ** 2.5%, * 5%.			

Results

- Perceptions of the role of HED
 - 6.5-8 pp
- Current occupation of the child
 - 6.1-30.9 pp – driving courses for high-income families
- Economic factors
 - 17-43 pp – parents do not work
 - 2.8 pp per additional US \$100 (mean – 221 for mid-income)
- Financial experience and prior borrowings
 - 9.4-26.8 pp – own business

Conclusions

- Student loans can be used to attract both low- and high-income family students
- Dominance of income-related variables influence...
- Prior borrowing has less influence although is still quite strong...
- Significant, but weak influence of perceptions of higher education...

... on propensity to take student loans

Need to study the influence of borrowing conditions