

# **Designing Practical Diversified Model For Student Loans Repayment in China**

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# 1. Government-Subsidized Student Loan



- 1) In 1999, the “Old Policy”
  - 4 years repayment period
  - 50% interest subsidize in total period
- 2) In 2004, the “New Policy”
  - 6 years repayment (2 years graces) period
  - interest free just during study period



## 2.Repayment Burden Ratio

Year	The old policy	The new policy
1	23.29	19.05
2	20.79	17.01
3	18.56	15.19
4	16.58	13.56
5	-	12.11

- **“the New Policy” greatly relieves the students’ prime repayment pressure**
- **the repayment burden ratio in China is very high, total ratios are greater than 10%**

# 3. Difference of Graduates' Income

- **Data**

  - 1765 borrowers graduated in 2004

  - 1118 students working characteristics

- **Analysis of variance and Ordinal regression**

  - 1. **working location**: eastern [Ordinal Regression.doc](#)

  - 2. **working units**: foreign-invest enterprises

  - 3. **industries**: 5 kinds

    - electricity, gas & water supply

    - transportation, post & telecom

    - financing & insurance, etc.

# 4. Geometric Proportion Model

$$N = \frac{\ln\left[1 - \frac{AD \times L}{AS \times RBR} \times (i - p)\right]}{\ln\frac{1+p}{1+i}} \quad \text{when } \frac{AD \times L}{AS \times RBR} \times (i - p) < 1$$

Category	Starting salary	Repayment Period	
Low-income	13,717	36	<b>14</b>
Mid-income	24,910	16	<b>9</b>
High-income	45,407	7	<b>6</b>

## 5. Compare ICL to the GPM



- Amortization model
- Repayment periods
- Annual repayment amount
- Repayment default
- Employment information



# 6. Conclusion



- 1) the repayment burden ratio is too high
- 2) income differences exist in working region, working units and industries
- 3) shorten high-income repayment period and extend low-income repayment period
- 4) comparing to ICL, information collecting through higher education institutions,



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Thank you

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