



JORDAN STUDENT AID REFORM: OPPORTUNITIES FOR A NEW GENERATION

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Introduction: The Arab Spring underlined the importance of the youth/education/employment nexus. In many MENA countries, financial considerations play an important role in constraining educational opportunities for youth, especially for those with limited means. This is the case in Jordan and this Quick Note is based on a study² to better inform decision-makers on policy options regarding the development and expansion of student aid programs in Jordan. The focus was on better understanding the views and attitudes of students, parents, and non-students towards student loans generally, and specifically with regards to the proposed Jordan Student Aid Bank (JSAB) model. The goal was to give voice to primary stakeholders and allow them to participate in the process, express their views and concerns and thus become active partners in the programs rather than passive recipients to pre-determined activities.

Issues/Questions Addressed by the Study: The specific objectives of the study were to assess: (i) how university undergraduate students finance their higher education and the extent to which they and their families take out existing (student or consumer) bank loans; (ii) how secondary students in their final year of study plan to finance their higher education; (iii) the demand for student loans

among university and higher education students and the potential demand among secondary students; (iv) the degree to which financial barriers keep eligible students from continuing on to higher education or on to their institution of choice; and (v) the degree to which access to loans or other types of educational finance would influence students' decision to go on to higher education or to study in a higher cost discipline.

How and Where: To answer the above questions, ten focus groups were conducted in six geographical areas across Jordan, covering a total of 178 participants ranging from university students, secondary school students (last year), parents, community college students, and recent secondary school graduates who did not continue on to post-secondary education; or those who started and could not continue due to financial constraints. The areas/institutions were identified with the purpose of diversification in mind. This in turn illustrated multiple realities and represented a wide range of views/experiences related to the issues this research aimed to enquire about.

Main Findings: The findings of the study showed that if such a loan model existed, 70 percent of participants would apply for it. Below is a synthesis of their preferences:

Study Synthesis

Grace Period	The majority (60 percent to 70 percent) said the grace period should be 1 to 2 years
Restrictions on Hours of Study	The loan should not restrict the student to set hours, study hours will vary.

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² The Student Aid Focus Group study is undertaken as part of the Jordan Higher Education Technical Assistance project.

Guarantor	Almost 90 percent of the participants identified the requirement for a loan guarantor as a barrier and stated their preference that the government should guarantee the loan and that this requirement should be dropped. If absolutely necessary, certain exceptions should apply to requirements made on parents who are self-employed or to orphans, etc.
Loan Amount	The loan amount should vary according to discipline. The median number is 5,000 JDs over 4 years for a BA and 2,000 JDs over 2 years for a diploma
Interest	Absolutely no interest! For religious and cultural reasons, more than 80 percent of all participants would not take loans with interest. If the government pays the interest, some 60 percent would apply for the loan. Some suggested seeking a <i>fatwa</i> (a religious interpretation) on what ruling is if the government itself pays the interest. 40 percent of the respondents who would apply for loans expressed willingness to pay inflation, so long as it is not interpreted as interest (i.e. Halal).
Shariaa Compliant Loans	General perception of so-called "Islamic loans" was equally negative, only an

	additional 20 percent of participants suggested that having the loan dispensed through an "Islamic" bank would make any difference
Percentage of Salary	For the vast majority of participants, the average percentage of salary for repayment was 20-25 percent . Only a small minority suggested that the percentage should be as low as 5 or 10 percent
Bank Dispensation	The vast majority of participants had no problem with the banks being the primary dispensers of the loans. <i>In fact, most preferred the banks to dealing with government offices to eliminate the perception of favoritism and because of the "convenience" in having bank branches in the most remote areas</i>
Use of the Loan	There was near unanimous consensus amongst all focus group participants that the loans should be used to pay tuition fees as the number one priority . The family or work can cover any additional costs
Loan Forgiveness	Most participants suggested that loan repayment should be tied to employment. Many suggested that there has to be a mechanism in place for loan forgiveness or delayed repayment for the unemployed .

Links to Previous Studies: The findings of this qualitative research complement and affirm the results of previous quantitative studies, demonstrating that *the demand for student aid in Jordan is high*. The demand will grow even higher with the bulge of young students entering post-secondary education in the coming few years. *Financial constraints were cited as the primary barrier facing students and their families when decisions on education are to be made*, widening existing gaps and inequalities in the education system. Almost 95 percent of focus group participants suggested that costs of academic hours are biggest factor in choosing the discipline, thus influencing employment prospects (see table below on affordability of higher education in Jordan).

Affordability of Higher Education in Jordan

Affordability of Higher Education in Jordan	Average Annual Tuition	Minimum Monthly Household Income	Share of Households in Jordan Able to Afford Higher Education	
	(JD)		Official Statistics	Adjusted Income Levels
Public Community College	150	100	92%	96%
Private Community College	500	300	52%	80%
Regular University Program	1,000	600	18%	16%
Parallel University Program	2,300	1,300	7%	10%
Private University Program	3,500	1,500	7%	10%

Sources: Government of Jordan, Department of Statistics of Jordan, International Finance Corporation, *Study for Student Financing*, July 2007.

While key education decisions such as to continue post-secondary education or not, going to college vs. university, choice of discipline, etc., are all influenced substantially by financial constraints, it

was also shown that *other profoundly personal aspects such as motivation, aspirations, and individual prospects are highly affected by financial situations*. Students indicated that if they knew early enough in high school that financial aid would be available, they would have made more informed decisions and their prospects would have been different, influencing their choice of stream-chosen at high school, their motivation to study and to achieve higher grades for admission as well as their fields of study and subsequent career aspirations.

Perceptions of the Existing Student Aid Program:

The existing student aid program in Jordan seemed to have little visibility among focus group participants. Knowledge about the program was weak, and its conditions were seen as very difficult to meet, particularly the guarantor requirement. In addition, the degree to which the financial needs of students and families are met through the program is low, with a corresponding low coverage rate. *It was commonly agreed across all focus groups that there is a need for far-reaching financial aid for post-secondary education in Jordan*. Therefore a *re-thinking and re-designing* of the current student aid model, its conditions, and its parameters is clearly needed.

Cultural and Religious Aspects: While the findings of the study showed that the demand for the proposed indirect model (JSAB) would be high, cultural and religious aspects must be factored in. *Most participants indicated their preference for an indirect model, proclaiming that banks will be more accessible and neutral as opposed to government institutions*.

Linking Student Aid and Employment Programs:

One important aspect that needs to be highlighted is the *establishment of close linkages between student aid and employment programs in Jordan*. The reason behind aversion to loans among participants who were **not** in favor of student loans is the low employment opportunities in the labor market. *Policies that aim to integrate placement, internships, volunteering, and other programs with education are crucial, and student aid programs need to be closely aligned with such policies*. This is also interlinked with the findings on choice of discipline and parallel programs that are detailed in the report. It is vital to consider all these factors

when such programs are developed in order to adopt a holistic approach in tackling education and employment problems altogether.

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