

An Analysis and Evaluation of Thai Student Loans Scheme Implementation and Deferred Debts

Sakulrat Talasophon*

Abstract

This research is conducted mainly in order to analyze and evaluate the implementation of the Thai Student Loans Scheme (SLS). Since 1996, the government has launched a policy to increase educational opportunities for poor Thai students. However, the number of students from poor families studying at higher educational levels has not increased.

This research study finds that some Thai SLS policy implementation factors show policy failure, particularly regarding deferred debts. The five main theoretical factors for successful policy implementation are 1) clear policy objectives / consistency with market demands and the national education plan; 2) budgets and resources; 3) characteristics of implementing agencies and the right organizational structure; 4) inter-organizational relationships; and 5) monitoring and evaluation. The author discovered that these factors impeded good performance of the Thai SLS. The author also discovered the main causes of the deferred debts, a serious management problem for the Thai SLS at the moment. So, the author have recommended many solutions to solve the deferred debts as well as to implement Thai SLS policy better. Finally, there are critical suggestions for policy implementers and policy makers, which is a call for Thai SLS policy reform.

Keywords: *Thai Student Loans Implementation, Deferred Debts*

* Ph.D. Candidate in Development Administration (International Program)
Graduate School of Public Administration, National Institute of Development Administration
(NIDA) 118 Seri Thai Road, Klong-Chan Bangkok, Bangkok 10240, THAILAND.

การวิเคราะห์ การประเมินผลความสำเร็จ ในการดำเนินงานของกองทุนเงินให้กู้ยืม เพื่อการศึกษาและปัญหาหนี้ค้างชำระเกินกำหนด

สกุลรัตน์ ตาละโสภณ*

บทคัดย่อ

การศึกษาวิจัยเรื่อง “การวิเคราะห์ การประเมินผลความสำเร็จในการดำเนินงานของกองทุนเงินให้กู้ยืมเพื่อการศึกษาและปัญหาหนี้ค้างชำระเกินกำหนด” มีวัตถุประสงค์ที่จะวิเคราะห์และประเมินผลการดำเนินงานของนโยบายกองทุนเงินให้กู้ยืมเพื่อการศึกษาที่ดำเนินการมา 10 ปี และในปัจจุบัน หากนโยบายดำเนินการสำเร็จจำนวนเด็กนักเรียน / นักศึกษาที่มาจากครอบครัวยากจนและได้รับการศึกษาสูงจะต้องเพิ่มขึ้น เนื่องจากนโยบายนี้ต้องการเพิ่มโอกาสให้เด็กยากจนได้มีโอกาสเข้าถึงการศึกษามากขึ้น

ผลการวิจัย พบว่า นโยบายนี้ล้มเหลว และยังก่อให้เกิดปัญหาหนี้ค้างชำระเกินกำหนดในปัจจุบันอีกด้วย เนื่องจากปัจจัยห้าประการตามแนวคิดการนำนโยบายสาธารณะไปปฏิบัติ ได้แก่ วัตถุประสงค์ของนโยบายที่ไม่ชัดเจน ไม่แน่นอน และไม่เป็นที่ตรงความต้องการแรงงานและแผนการศึกษาชาติ ถึงแม้งบประมาณและแหล่งเงินอุดหนุนพอเพียง แต่โครงสร้างและคุณลักษณะของหน่วยงานที่นำนโยบายไปปฏิบัติ ความสัมพันธ์ระหว่างหน่วยงานที่ปฏิบัตินโยบายไม่มีศักยภาพและความพร้อมที่จะปฏิบัติตามนโยบายอย่างมีประสิทธิภาพ การขาดการตรวจสอบและประเมินผลการดำเนินงานที่ไม่รัดกุม นอกจากนี้ จากการศึกษายังค้นพบปัญหาหลักจากการบริหารจัดการ ได้แก่ หนี้ค้างชำระเกินกำหนด ซึ่งผู้วิจัยได้เสนอแนะแนวทางแก้ไข ทั้งนี้ทางแก้ที่ดีที่สุด คือ การปฏิรูบนโยบายกองทุนเงินให้กู้ยืมเพื่อการศึกษา

คำสำคัญ: การดำเนินงานของกองทุนเงินให้กู้ยืมเพื่อการศึกษา หนี้ค้างชำระเกินกำหนด

* นักศึกษาปริญญาเอกสาขารัฐประศาสนศาสตร์ (หลักสูตรนานาชาติ) คณะรัฐประศาสนศาสตร์ สถาบันบัณฑิตพัฒนบริหารศาสตร์ 118 ถนนเสรีไทย คลองจั่น บางกะปิ กรุงเทพฯ 10240

Introduction

Many countries face the problem of how to help disadvantaged students obtain an adequate education. While the Thai national budget is meager, the government has attempted to increase its spending on education. Thus, it has introduced a student loans scheme and also rushed into formulating the Thai Student Loans Scheme (SLS) in 1996. Without good policy design and a well-planned implementing process, the “The Student Loans Act B.E. 2541” was promulgated in March 1998. The policy has been carried out with unclear targets, inept implementing agencies, bad communication, loose inter-organizational relationships, and no proper monitoring and evaluation.

During the first few years of implementation, policy performance showed that poor students still faced inequity in accessing higher educational levels. After a decade, this policy’s implementation has also led to a large number of defaults, called “Deferred Debts”, which have emerged as a huge burden to the national budget. At first the solutions to the deferred debts were the usual practices of filing lawsuits and debt restructuring. These actually worsened the budgetary burden, however, as only a few of these graduates were earning enough to pay back their loans.

So, this qualitative research has been conducted by analyzing all published and non-published data, in-depth interviewing, and observation; it aims:

1. To explore and evaluate Thai SLS performance;
2. To explain the Thai SLS process and its operations;
3. To find factors contributing to the performance of Thai SLS, particularly the problem of deferred debts;
4. To analyze and evaluate the deferred debts, including their causes, management, and possible solutions, and
5. To recommend alternatives to the student loans policy and to strengthen policy making decisions.

International SLS Experiences

Since 1954, there have been 70 countries implementing more than 80 various student loans schemes. Ziderman (2004, p. 29) classifies five general objectives for student loans schemes, which in turn influence the design and operation of the scheme as a whole, as well as its financial sustainability. These are:

1) *Cost recovery (income generation)*. This is to recover the cost of the educational institutes in teaching the students, as most universities are underfinanced.

2) *Facilitating the expansion of higher education*. This is indirectly complementary to the growth of private universities, where students bear heavier financial burdens by paying full costs.

3) *Social objectives (improving equity and access for the poor)*. This aims to increase enrolment of poor and disadvantaged youth.

4) *Meeting specific manpower needs*. The loans can indirectly guide students to learn in fields and levels that the market needs.

5) *Easing student financial burdens*. Even when tuition fees are minimal, students (including the non-poor) may face considerable financial burdens. This may affect students' motivation and performance, and reduce their future earnings.

In this research, seven countries - the United States, the United Kingdom, Australia, Japan, India, the Philippines, and Malaysia - are explored. None of them succeeded in meeting all five objectives, but most implemented comprehensive programs. They achieved 75 to 85 per cent of total student demands, except for India and the Philippines. None of them are 100 per cent government supported, but most receive partial support for their interest rate losses. It can be seen that their hidden grants do not exceed 25 per cent, which means that their repayment ratios are higher than 75 per cent, except for the Philippines and Malaysia.

All student loans schemes in the seven countries are also implemented by either independent agencies or Public Private Partnerships (PPP), and some also allow private banks to compete in lending. In the four developed countries, there are central agencies to control the amounts of loans, fields of studies, and schemes' financial viability. In addition, the loans are distributed directly to students,

and repayment is mostly handled through handled revenue or tax departments. Some such as the U.S., Japan, and India, let recipients' banks handle what the students have been lent.

However, all four developed countries have already reformed their SLS because of persistent concerns regarding financial viability and either high hidden grants or low repayment ratios. Both India and the Philippines have also recently reformed their SLS in the year 2007. At the moment, all seven have also shortened grace periods, struck down compassionate exemptions, and referred deferred debtors to credit bureaus besides filing lawsuits against them. So they are now being operated like real student loan revolving funds.

Thai Student Loans Scheme

For the Thai SLS, the only objective mentioned in the Act itself is:

“to lend money to poor students for tuition, educational expenses and other expenses necessary for living during studying”

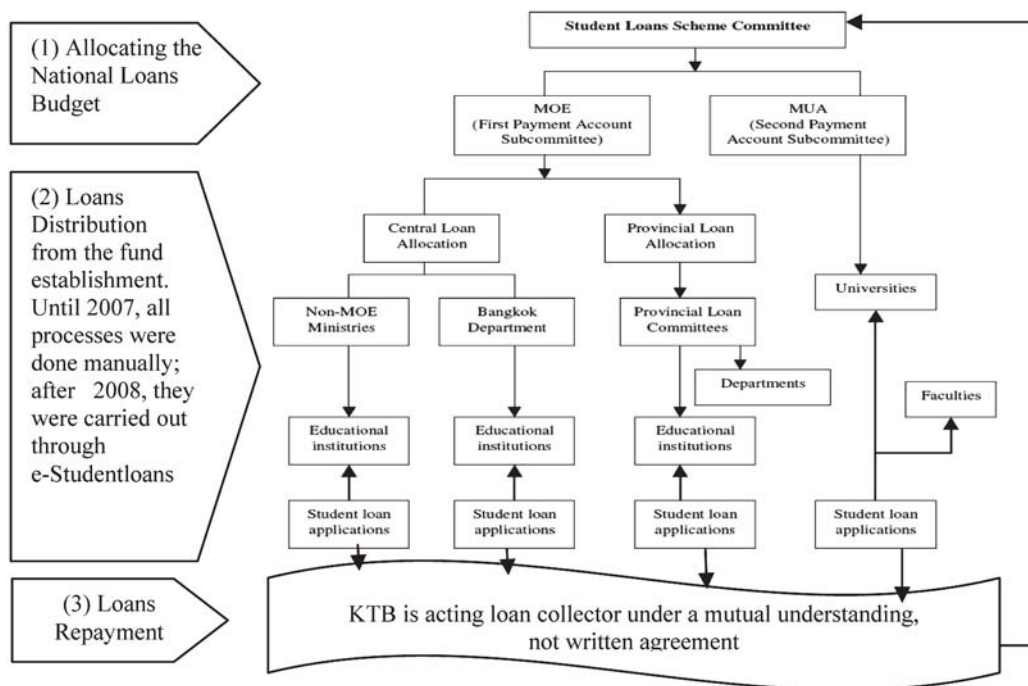
(The Student Loans Act B.E. 2541, Clause 5).

The cabinet which promulgated the Act intentionally added an explanation to the Act that:

“... there is a need to develop human resources in order to achieve economic growth and to increase the competitive capacity of the country. Given these needs, educational development needs to be accelerated. Existing problems of educational inequality within society can be solved by enlarging the educational opportunities of students from low-income families. This will play a major part in improving general living standards. To achieve these goals, it is necessary to establish the Student Loans Scheme”.

In 1998, the policy was fully implemented by a board of seventeen members to manage, regulate and investigate some suspicious aspects of policy implementation. Figure 1 shows how the Thai SLS administers their lending processes. The administrative process in Figure 1 is divided into three main stages: 1) National loans budget allocation, 2) loans distribution, and 3) loans repayment. However, the national loans budget is allocated by the SLS committee

with no regard to national labor demands or the national competitiveness enhancement plan.



Source: Developed by the author

Figure 1: The Overall SLS Administration Process

Next, loans distribution is processed directly through two sub-committees that use different practices. At first, all application documents were recorded manually, but in 2008, e-Student loans was introduced to replace most paper processes. Last, policy makers did not prepare a good long-term plan in advance for collecting loans. And a recommendation is needed as to who should handle loan collection effectively so to ensure sufficient revolving funds in the future. A mutual understanding between the Thai Student Loans Fund Office (SLF) and the Krung Thai Bank (KTB) was initiated in 1996. Yet, the KTB has rarely been able to efficiently manage all loans disbursement and repayments during the past ten years.

As a result, many researchers have noticed four interesting and obvious characteristics of Thai SLS implementation, as follows.

Firstly, the Thai scheme usually covers Grades 10-12 as well as tertiary-level education, while schemes in other countries are related solely to tertiary education. Yet when the scheme for G 10-12 was implemented, the enrolment rates for the G 10-12 level have fallen off drastically, and the risk of drop-out has still increased.

Secondly, Thai SLS loan repayment conditions are extremely generous. The repayments pattern is spread over 15 years following a two-year grace period, with the repayment percentages fixed at very low rates. Thus, it results in an overly large loan subsidy that not only brings the whole financial viability of the scheme into question, but it may also indicate that the government's grant regime to Thai SLS is not cost-effective. Thus, the government injects extensive loan subsidies into the scheme.

Thirdly, there are many that the scheme was introduced with haste and minimal planning. Effective implementation requires careful preparation and planning spread over a period of time. The scheme functioned in its initial years of operation on an *ad hoc* basis, without a formal Act, without full-time management or senior staff, and without premises.

Finally, the quick decision on policy implementation may account for the scheme's distorted characteristics. The scheme's operational guidelines are set by the Ministries of Education (MoE) and Ministry of University Affairs (MUA) (currently the Office of Higher Education Commission: OHEC). The system works to ensure that, as it was, a 'fair share' of the loans budget is received at each level of the ministry's organizational hierarchy, down to the level of the educational institution itself, which actually distributes the loans to students. But in fact, the complicated distribution channels distort the SLSC's plan, and essentially ignore the scheme's targeting of the poor. In the end, the system achieves horizontal inequity.

Performance of the Policy

Thai SLS equity has been frequently measured by many researchers. In this research study, only efficiency and effectiveness will be emphasized. William

N. Dunn (1994, p. 282) classifies effectiveness and efficiency as criteria for policy recommendations and describes them. He states that:

Efficiency refers to the amount of effort required to produce a given level of effectiveness. Efficiency, which is synonymous with economic rationality, is the relationship between effectiveness and effort, with the latter often measured in terms of monetary costs. Efficiency is often determined by calculating the costs per unit of a product or service. Policies that achieve the greatest effectiveness at the least cost are always said to be efficient.

Furthermore, public services need more indicators to identify whether a policy is successful in allocating insufficient resources or not. Boyne (2003, p. 16) divides efficiency into two types: allocative efficiency and technical efficiency. Allocative efficiency is the match between such outputs and public preferences, while technical efficiency is the ratio of service 'inputs' (e.g. spending) to 'outputs', the good or services actually produced by an organization.

According to this definition and application of efficiency and effectiveness, Thai SLS efficiency can be roughly measured by the number of student loan borrowers (outputs) over the amount of budget (monetary resources input) in regards to its objectives: the number of students who access each level of education in comparison to the budget plan; and the number of students whose financial burdens are eased. However, it is obvious that Thai SLS implementation hardly meets the criteria for effectiveness. There is no evidence either that the Thai SLS has determined that the availability of student loans would lead to greater educational opportunities for the poor, higher living standards, a greater degree of equality in the population, and enhanced national competitiveness.

Moreover, financial viability is another key performance measurement of every recently-established loans scheme operation. It is about being able to generate sufficient income to meet operating payments, debt commitments, and where applicable, to allow growth while maintaining service levels. Assessment of financial viability is an integrated process involving a review of a provider's audited financial statements, financial performance reports, business plans, and other information that supports financial analysis (www.rch.nsw.gov.au). This is usually

used in private loans projects.

Salmi (2003) and Ziderman (2004) identified and analyzed three factors affecting the financial viability of all public loan schemes. The first is comprised of heavy subsidies, fixed interest rates, and generous grace periods with lengthy loan repayment periods. Second, there are other uncontrolled situations from outside factors such as economic downturns and political turmoil that reduce borrowers' ability to repay their debts. The last is a low level of managerial efficiency, especially in public agencies, which results in high administrative costs.

Thus, Shen and Ziderman (2008, p. 317-319) set out three ratios. The *loan repayment ratio* measures how much of a loan an average borrower is required to repay: it is defined as the ratio of the required repayment to the loan size received, both measured in terms of present values. *The hidden grant ratio* (how much of the loan does not need to be repaid) is equal to 100% minus the repayment ratio. And *the recovery ratio* is measured by the ratio of total (discounted) repayment to total (discounted) outlays. Nevertheless, Thai SLS has not yet taken these ratios seriously in terms of its financial viability.

Policy Implementation Theory

Pressman & Wildavsky (1974) and Van Horn & Van Meter (1975) define policy implementation as the outcomes of policy decisions and the implementation process, including activities of both the government and private sector. However, Mazmanian & Sabatier (1983) bring the various facets (more actors and more emphasis on implementers' behaviors) of the implementation process together and depict it as a highly dynamic process. Each of these factors is linked to the others so that as one changes, there is a ripple effect throughout the system.

In addition, the study of Pressman & Wiladavsky (1974) shows that inter-organizational relationships have a substantive affect on policy success. Modern organizational theory proposes that poor organizational structure can also worsen performance (Henry Mintzberg, 1979; Robbins, 1990; and Tippawan, 2006). Moreover, Patton & Sawicki (1993), and Dunn (1994) insist that monitoring and evaluation are crucial instruments of social scientists for measuring either performance or the implementation of every policy.

Thus, there should be ex-ante and ex-post policy evaluation, besides ongoing policy monitoring, in order to reduce the risk of unexpected policy outcomes. This can also prevent external negative effects from distorting policy implementation (Sombat, 2000).

Recently, some policy management theories have suggested employing quality evaluation methods to prevent and solve problems related to policy implementation failures. Self Assessment Rating (SAR) is one form of internal organizational quality evaluation. The UK Department of Education and Skills specifies that the self-assessment process must be effectively led and managed, and should be an integral part of the organization's management. The nature of self-assessment will vary according to the scale and nature of the provision for which each provider is responsible. The self-assessment report results form a basis for action to improve the organization.

So this research study will scrutinize Thai SLS policy implementation factors, which according to the literature and theoretical reviews are 1) clear policy objectives / consistency with labor market demands and the national education plan, 2) budgets and resources, 3) characteristics of implementing agencies and the right organizational structure (i.e. less bureaucratic with more professional workers, open communication, effective leadership, teamwork, a goal-oriented organizational culture, and a feasible strategic plan), 4) inter-organizational relationships including dependency, compatibility, tolerance of differences in opinion, and written agreements based on law, and 5) monitoring and evaluation, including public performance evaluation.

Methodology

This research utilizes qualitative methods by exploring the existing data (both published and non-published), conducting in-depth interviews, and observing interactions and relationships between individuals and groups who implement the Thai SLS. It is not, however, phenomenology. It is coordination of "hermeneutics": rich in understanding of the context and data, with an open dialogic process of returning again and again to a more complete interpretation as the researcher is more involved and intruded into the context and data.

With “ethnographic” inquiry, the researcher must have maximal detachment and immersion in the subject matter and is more concerned with holistically understanding an organization, community, and society, and with using descriptive, interpretive, inductive, and deductive knowledge to help respondents make sense out of their lives at last (Rudestam, 2000, p. 37-44).

The thick descriptive approach will show different facets of all the data obtained here. Deductive literature and theoretical reviews were carried out first, and then inductive in-depth interviews, the researcher’s working experience, and observation were added to the conceptual framework. This knowledge-making process was cross-checked for validity to be more reliable. The main interviewees are at the Thai SLSC and some key persons at the Thai SLF and KTB, about 20 persons. Twelve persons from the Thai SLSC were interviewed in depth, and the rest were questioned at informal meetings and via telephone discussions regarding the relevant issues.

Evaluation of Thai SLS Performance

Ziderman (2003) and Somkiat Tangkijvanich & Ariya Manusbunpermpun (2006) say that the Thai SLS should not strictly allocate loans to old recipients first, but should carefully screen for really poor students and help them get new loans to increase equity of educational access for the poor. However, Jaroonsri, Chuanchanok & Ubonwan (2006) found that borrowers who finished senior high school in 2002 come from families with low incomes, even lower than 4,700 Baht per month. And all borrowers have to spend their incomes on family expenses before paying back their student loans, which generates defaults on their debts.

Most interviewees agree that the Thai government should divide the scheme into at least two schemes: the first is grants for the poor who are unable to return the loans after their graduation, and loans for the rest who wish to expand their educational level beyond what they could otherwise afford, but have the capacity to earn and pay them back after graduation.

Vichit & all (2004) studied the Thai SLS distribution process before 2004 and found that 59.8 per cent of his sample agreed with the family income criteria.

Nevertheless, Somkiat Tangkijvanich & Ariya Manusbunpermpun (2006) also disagreed with the conditions and criteria for loans eligibility. They found that the Thai SLS has set income level criteria for loans eligibility too high. Some loans applicants are not really poor and in need of loans, and take loans away from the real targets.

Similarly, almost all of my interviewees agree that the loan eligibility criteria and conditions are not suitable to reality nor practical, which worsens the inequality of Thai SLS implementation. Besides that, the number of loan recipients at the undergraduate level from 1996-2010 was always higher than that of those at the G 10-12 and vocational levels. Thus, tertiary education enrollment data confirms that more loans are distributed to not-too-poor students, who are already able to study in universities¹.

Besides the criteria and conditions, the loans distribution process should pay more attention to labor force demand requirements in regards to what levels of education should be recruited. According to the interviewees, loan distribution should be consistent with labor market demands and the level of education that prepares borrowers for the right fields so that – after graduation – they can obtain enough salary to pay back their loans.

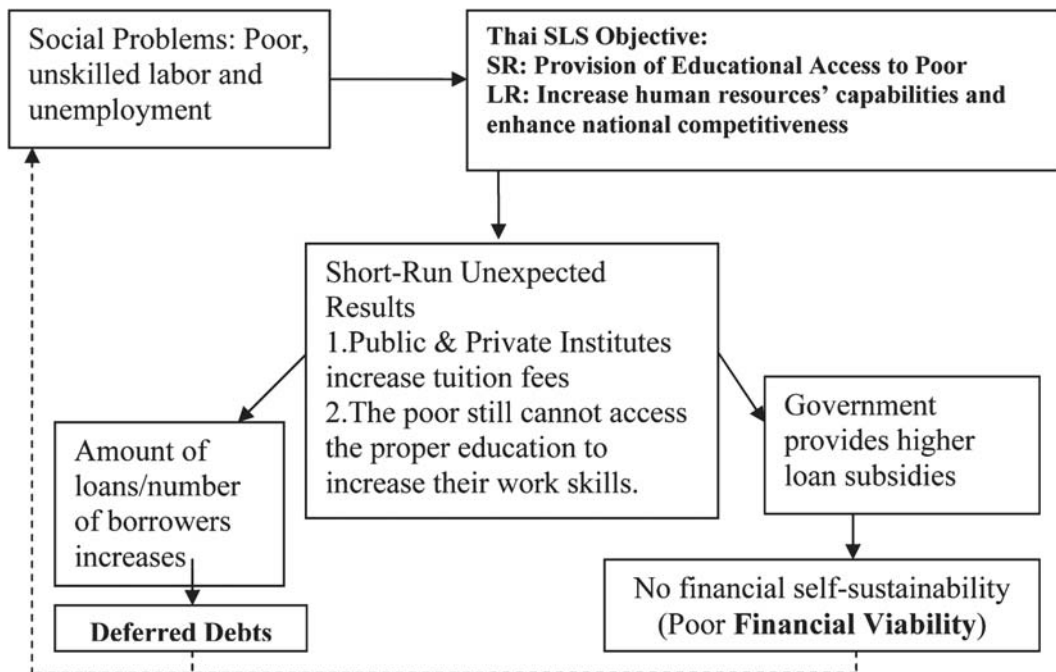
Some findings regarding loans repayment are found in SLSC report at the end of F.Y. 2010, which noted that the cost of loan repayment management is about 34.7 per cent. The SLF has spent almost 2,227,000,000 Baht, and the fund has received debt repayments of 3,000,000,000 Baht. This means that the SLF received only 773 million Baht in return to revolve to new borrowers during the ten years of loan repayments. This is not even enough for the SLF staff salaries of about 800-900 million Baht per annum. Thus, the Thai SLS requires an efficient loan repayment channel or effective loan collectors. Most interviewees insist on the need for an efficient loan collector. Some of these keep saying that

¹ Readers who are interested to know more about a study of the relationship of level of education and family income, please see Dilaka Lathapipat, 2011 Schooling Access Inequality and Educational Wage Trends in Thailand 1986-2009; Thai Development Research Institute (TDRI); Thailand.

it must be the Revenue Department. This was not part of the original Thai SLS design.

As a result, unpaid debts have accumulated as the amount of loans and number of borrowers has increased. Some of these have become deferred debts, as the borrowers are unable to pay back their debts on time. Currently, deferred debts are more than 50 per cent of the total debts due, amounting to 222,253.25 million Baht. Furthermore, this generates debt management costs to the Thai SLF, which are deductible from the amount of loans repaid to the fund. So, the plan for this to be a revolving fund has a smaller and smaller chance of being realized. It also worsens the financial viability of the Thai SLS.

The above findings as roughly depicted in Figure 2 show that unexpected results are high subsidies (poor financial self-sustainability), high deferred debts (unpaid debts), and the poor are getting poorer. Consequently, all interviewees indicate that major reforms are required.



Source: Developed by the author

Figure 2: Thai SLS Performance during Ten Years of Implementation

Factors Affecting Thai SLS Performance

The results of in-depth interviews identify five main factors affecting Thai SLS implementation: 1) clear policy objectives / consistency with labor market demands, 2) budgets and resources, 3) characteristics of implementing agencies with the right organizational structure (i.e. less bureaucratic with professional workers, open communication, leadership, teamwork, organizational culture, and strategic plan), 4) inter-organizational relationships including dependency, compatibility, differences in opinions, written agreements, and law, and 5) monitoring and evaluation including public performance evaluation.

All interviewees overwhelmingly agree with the public policy implementation scholars, Ziderman (2003) along with Somkiat Tangkijvanich & Ariya Manusbunpermpun (2006) that Thai SLS objectives must be more clear and consistent. It has been suggested, that – in accordance with the real situation – the government should provide grants for the really poor, while soft loans should be furnished for lower middle class families.

Budget and resources do not impede policy implementation. Sometimes more is given than is needed for the real outputs of the Thai SLS, as a large amount of cash is left over for some years. The interviewees also urge the Thai government to continue supporting the Thai SLS, but only at a partial level to cover interest rate losses, and to no longer provide full financial support. Some respondents suggest applying the financial viability ratio, but some do not, as this is a social welfare policy.

Moreover, the Thai SLSC and Thai SLF – as the main implementing agencies investigated here – are not suitable expeditors to encourage good performance by the Thai SLS. The board is too bureaucratic, it does not communicate clearly with implementers, leading to frequent misunderstandings, its top-down strategic planning is ineffective, and its leadership is even worse. These problems are compounded by incompetent human resources. The other factors – i.e. organizational culture and teamwork – seem to not have much impact on its performance.

Next, the cooperation of all organizations should be strengthened, starting from the top at the Ministry level with integration of national outcome indicators of the Ministry of Finance, since it is the supervising agency of the SLF and the MoE, which are the operational units. This cooperation must extend to the lower levels of faculties, local educational institutions, central loan allocations, provincial loan committees, other Ministries, and the Bangkok Department. This also requires a good understanding by all implementers such as student loans officers, students, KTB, and other authorities concerned with loans allocation, distribution, and repayment.

Thus, interviewee suggestions call for strict regulation and screening, restructuring loan distribution channels, use of local networks for selecting students, and more development of e-Studentloan to improve Thai SLS performance in terms of inter-organizational relationships.

The last important factor is monitoring and evaluation. Obviously, it has never been taken seriously in Thai SLS policy implementation. All interviewees recommend an official monitoring and evaluation plan for ex-anti and ex-post policy implementation, including ongoing process monitoring, too, as suggested by Ziderman (2003), Somkiat Tangkijvanich & Ariya Manusbunpermpun (2006). Goal orientation evaluation seems inadequate for satisfactory evaluation of implementing processes, and comprehensive evaluation is needed.

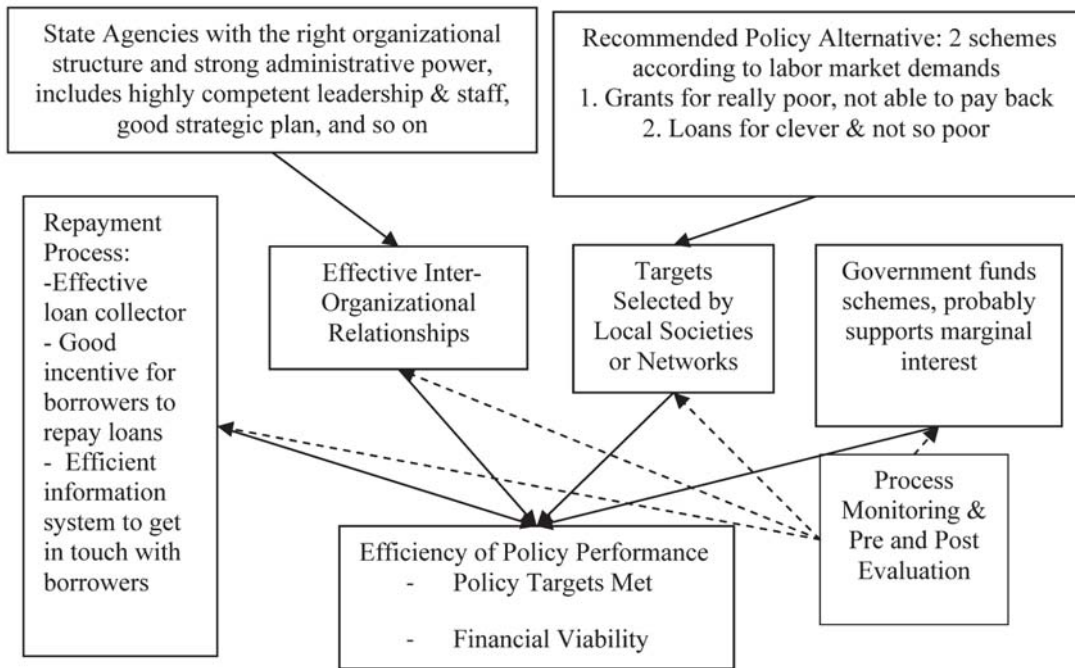
Findings Framework

According to all the findings, the framework that should be proposed is shown in Figure 3. First, clear policy objectives and consistency are primary concerns for all policy researchers and analysts. Even my interviewees agree that Thai SLS policy targets are neither clear nor responsive to labor market demands. Some interviewees suggest that local networks or societies identify or select loan targets, as they know well whether the students really need the loans and are able to pay back their debts later on.

In addition, the single scheme should be divided into two schemes. The first scheme should be loans for students who are not really poor, but have

received good grades. It provides opportunities for all students who want to expand their ability to work for higher earnings after graduation and are then able to pay back their student loans. Another is grants for the really poor students who have good grades.

Second, an adequate budget or resources for implementing the Thai SLS should always be provided by the Thai government. But it can only provide support for the marginal interest rate. This resource sufficiency is on the valid grounds of financial viability, so that an excessive budget is not required to support the scheme. Thus, the financial viability plan means that the SLF must be able to obtain debt repayments on time so that this amount of money can flow back as loans for lending to new students of the scheme.



Source: Developed by the author

Figure 3: Proposed Framework for Thai SLS Implementation Improvement

Next is the capability of implementing agencies that are mainly the Thai SLF, and partly the MoE and OHEC. Either Thai SLF located at MoE or MoF is no matter. The matter is The Thai SLF must be a professional organization and has to be guided by the right leadership, so that it may act as a highly capable secretary to the SLSC and create a feasible and efficient strategic plan, effective intermediate policies, and regulations for all levels of implementers. Then, a less bureaucratic SLSC should be composed of the right committee members that can bring benefits for society, and not for themselves.

Good and open communication is needed among the SLF, KTB, MoE, OHEC, and educational institutes. This will build good inter-organizational relationships, the fourth factor of policy success. The right information in the strategic plan, policy targets, implementing regulation transfers, and so on is the key success factor for implementers to operate the Thai SLS in the expected direction.

Another factor is a good repayment process. This starts with suitable loan collectors. The pattern of debt repayment seems generous enough, but the right information is needed so collectors can get in touch with the borrowers. Thus, the SLF must provide incentives to attract debtors to pay back their loans. This will be more analyzed and discussed in the next section.

Last but not least, process monitoring and pre-post evaluation applied to each factor are essential instruments to inform all stakeholders that the Thai SLS has been implemented in the right direction, and to point out what should be done to achieve better results of policy performance.

Deferred Debts Analysis

The problem of Deferred Debts emerged with the first batch of debts due in the year 1999, with 253,579 persons who owed 276 million Baht. However, the real percentage of debts paid to debts due has steeply declined from almost 100% to 30% within ten years of loan repayment operations (Thai SLSC reports, several years). I discovered that out of 2,310,529 deferred debtors, 866,455 persons (37.50%) tried hard to pay some of their debts, while only 427,096

persons (18.48%) made the normal compulsory payments. And only 20.36% can pay more than the required installment. The 37.50% may possibly turn into bad debts, as some of them might disappear. Thus, the debt data indicates less revolving funds and high administrative costs for deferred debts management.

In regards to student loan debt characteristics, there are some DD that show no movement, neither making required payments nor turning in reports to indicate that they are still alive and their living status. To solve these deferred debts, it is necessary to classify DD according to their causes.

The in-depth interview findings – together with my observation and work experience – revealed that there are four types of deferred debtors in two main categories which are I) intentional and II) unintentional debtors as shown in Table 1. The first main category includes three sub-types; these debtors are willing to pay, but not able to pay as 1) they are unemployed (waiting for jobs and not qualified for jobs) and 2) underemployed or must feed their families first. Another group is able to pay, but doesn't intend to pay, which is 3) “strategic delinquent debtors” who do not comply with payment requirements. The last group is composed of those who 4) forgot to pay, do not really understand that they must pay their debts, or are dead.

The “strategic delinquent debtors” is the worst type, and must be identified as soon as possible by the Thai SLF to compel them to pay. The reason is that they are a big portion of Thai SLS, about 45-50% of all debts due in each year. Research indicates that the identifying characteristics of strategic delinquent debtors education level, type of education institutes (private or public), quality of education institutes, and field of study.

Furthermore, it is clear that higher degrees in fields with less market demand from low quality institutes, mostly private ones, have high levels of strategic delinquent debtors. The research findings are summarized in Table 1.

Table 1: Summary of Types and Characteristics of Deferred Debts

Types of Behavior			Causes of "SDD"	
(I) Intentional Behavior	Willing to pay, but not able to pay	(1) Unemployed	(a) Education Level	- The higher the degree, the more deferred debts
		(2) Underemployed or must feed their families first	(b) Private vs. Public	- Private have more deferred debts
	not willing to pay	(3) <i>"Strategic Deferred Debts"</i> driven by	(c) Quality of Ed. Institutes	- The lower the quality of institutes, the more deferred debts
(II) Unintentional Behavior		(4) Forgot to pay, do not really know that they must pay their debts, or are dead	(d) Fields of Studies	- Fields with less market demand have more deferred debts

Source: Developed by the author

Suing is the typical direct solution to the existing strategic delinquent debtors. It takes time and is expensive, at 6,500 Baht each. Currently, the Thai SLF spends more than 800 million Baht to hire lawyers every year. Debt restructuring is another good solution with low costs, but the exact returns cannot be predicted.

Many non-legal solutions, both for existing and future DD, have been used, such as broadcasting information regarding loan repayment timing either by television or radio. The internet and other electronic media present other ways to make the borrowers aware about their debt-related duties. Home visitation by many parties such as SLF staff, other SLS borrowers, and department of local administration staff members are another way, besides sending letters of debt notification.

In the long term, an effective solution may be asking other implementing agencies such as the Social Security Office and employers to provide SLS delinquent debtors' salary information data. The last but highly effective method is to authorize the Thai Revenue Department to collect SLS debt payments for the government.

Policy Recommendations

This research also provides some more recommendations into three categories: recommendations for existing deferred debts, recommendations for prohibit the new deferred debts, and other recommendations.

Recommendations for existing deferred debts:

- 1) Training the staff members who implement Thai SLS policy in many institutes, to give them a good understanding of how to carry out the SLS process properly,
- 2) Increasing the channels through which borrowers can easily pay back their loans,
- 3) Changing the loan repayment duration from 15 years to life-long repayment without being sued, but sending delinquent debtors' names to credit bureaus if they have not made payments for more than ten years.

Recommendations for forbidding the deferred debts occur:

- 1) Reducing loan allocations to educational institutes with high DD numbers, and making this linkage a regulatory requirement,
- 2) Only students with good grades will be allowed to borrow to continue their studies at higher educational levels,
- 3) Appoint Thai SLS representatives at education institutes,
- 4) All implementing agencies must be legally responsible for their lending practices in all processes,

Other Recommendations:

- 1) Giving grants to the poor, or students at the G 10-12 level,
- 2) Development of IT and IS to better facilitate policy implementation,
- 3) Recruit highly competent SLF staff with strong professional skills and reform the organizational structure, and
- 4) Restructure the national loans budget so that the ratio allocated to professional studies: general studies is set at 70:30.

Conclusion

According to all the data that was compiled, the Thai SLS has failed in both its allocative and technical efficiency. It cannot provide student loans with the right characteristics to match its targets' preferences, especially those of the really poor. Its performance is also worse in delivering cost-effective loan

distribution and loan repayment processes.

In addition, its financial viability is problematic after ten years of implementation. Low repayment ratios, high hidden grants, and low recovery ratios characterize its performance year after year. However, some interviewees do not agree that the SLS should be measured with financial viability ratios, as it is a policy designed to bring social benefits. Many believe that measurable financial ratios that can be used as KPIs for Thai SLS management are still needed.

Thai SLS implementation has also failed because of five main factors: faulty policy targets and uncertain policy objectives that are unresponsive to labor market demands and the national education plan; too generous a budget and lack of caution in using resources; inefficient implementing agencies with wrong organizational structures; loose inter-organizational relationships; and artificial / out-of-date monitoring and evaluation.

After discovering the critical existing problem of DD, termination of the Thai SLS might be the only way out unless major policy reforms are seriously considered. For the future, the Thai SLS should first change its target-setting practices, and draft a clear targets definition. Many schemes like loans and grants are suitable. Next, the right criteria and conditions are needed to obtain capable borrowers, who will be able to pay back their loans after graduation. Then, the loans distribution channels should be clearly stipulated by law and controlled so that they deliver them correctly according to policy, with monitoring and evaluation reports. Finally, a better organization should be recruited to oversee the loans repayment process and collect debts. Most respondents say that the Revenue Department is the best candidate. But let this matter be carefully considered, as commercial banks might do this job better, because it is already part of their routine work.

References

- Boyne, George A.; Farrell, Catherine; Law, Jennifer; Powell, Martin and Walker, Richard M. (2003). *Evaluating Public Management Reforms: Principles and Practice*. Buckingham: Open University Press.
- Dunn, William N. (1994). *Public Policy Analysis: An Introduction*. 2nd ed. Prentice Hall International Editions. N.J.
- Jaroonsri Madilogkovit, Cheanchanok Kovin and Ubonwon Hongvitayakorn. (2006). *Study of Employment and Underemployment of Thai Student Loans Funds: case study of borrowers in 2002*. the report funded by the Student Loans Office.
- Mazmanian D.A. and Sabatier P.A. (1983). *Implementation and Public Policy*. Scott, Foresman and Company, Dallas Tex, U.S.A.
- Mintzberg, Henry. (1979). *The Structuring of Organizations: A Synthesis of the research*. Englewood Cliffs, NJ: Prentice-Hall.
- Patton, Carl V. & Sawicki, David S. (1993). *Basic Methods of Policy Analysis and Planning*. Englewood Cliffs, N.J.: Prentice Hall.
- Pressman, Jefferey. L. & Wildavsky, Aaron. (1974). *Implementation: how great expectations in Washington are dashed in Oakland*. University of California Press.
- Robbins, Stephen P. (1990). *Organization Theory: Structure, Design, and Applications*. 3rd ed. Englewood Cliffs, NJ: Prentice-Hall.
- Rudestam, K.E. & Newton, R.R. (2000). *Surviving Your Dissertation: A Comprehensive Guide to Content and Process*. Sage Publications, Inc. the U.S.A. 2nd ed.
- Salmi, Jamil. (2003). *Student Loans in an International Perspective: The World Bank Experience*. Education Department, Human Development Network, The World Bank.
- Shen, Hua. & Ziderman, Andrian. (2008). *Student loans Repayment and recovery: International comparisons*. Publish Online at Springer Science Business Media B.V.
- Sombat Thamrongthanyawong. (2000). *Public Policy: Concepts, Analyze and Process*. Bangkok: National Institute of Development Administration. (in Thai).

- Somkiat Tangkijvanich & Ariya Manusbunpeampun. (2006). *The Student Loan Policy Evaluation*. Thai Development Research Institute (TDRI).
- Tippawan Lorsuwannarat. (2006). *Modern Organization Theory*. 6th ed. Bangkok: Ratanatri Publishing. (in Thai).
- The Student Loans Act. B.E. (2541). *Rajakijja-Nubegsa*. Vol. 115, Section 15A, pp. 16-31.
- Van Horn, Carl E. & Van Meter, Donald S. (1975). *the Policy Implementation Process: A Conceptual Framework, Administration and Society*. Vol. 6, No. 4, pp. 200-217.
- Vichit Lorjirachunhakul PhD., Jirawan Jiratavet PhD., Vena Chasinrungreong, Pachichanan Siripanit PhD. & Deunpen Tirawanwiwat PhD. (2004). *The study of the Student Loans Scheme*. Consulting Center, National Institute of Development Administration, Thailand.
- Ziderman, Adrian. (2003). *Student loans in Thailand are they effective, equitable, sustainable?* United Nations Educational, Scientific and cultural Organization UNESCO Bangkok, International Institute for Educational Planning.
- _____. (2004). *Policy Option for Student Loans Schemes: Lesson from Five Asian Cases Studies*. United Nations Educational, Scientific and cultural Organization UNESCO Bangkok, International Institute for Educational Planning.
- www.rch.nsw.gov.au (accessed on November 22th, 2010)