



## **INTRODUCTION**

On June 12, 2023, the Student Loans (Access to Higher Education) Act, 2023 was passed with the assent of the President, Bola Ahmed Tinubu. The law aims to create a legal framework for the provision of loans to poor or low-income Nigerians to facilitate payment of their school fees. This ensures that poor Nigerians can easily access higher education because they will be able to pursue higher education. benefit of interest-free loans from the Nigeria Education Loan Fund established under the Act.

The legislative importance, as outlined in its explanatory memorandum, centers on "facilitating accessible higher education for Nigerians through student loans, aiming to make education available to all Nigerians." This policy brief on the Student Loan Act offers an analysis of the Act, emphasizing key findings and addressing significant issues. It also provides a recommended action plan to guide government interventions in Nigeria's higher education sector.

## **HIGHLIGHTS OF THE ACT**

**Repealment:** The Student Loans Act repeals the Nigeria Education Bank Act 2004. Therefore, all assets, funds, and immovable properties vested under the repealed Act shall be transferred to the Student Education Loan Fund established by the Student Loans Act of 2023. Article 21 (1) (2).

**Scope:** THE Law applies to all matters relating to the application of loans to Nigerians seeking higher education in institutions of higher learning in Nigeria via the Nigerian Education Loan Fund.

**Nigerian Education Loan Fund:** The law established Nigerians that the student Loan Fund will be located, and managed by the Central Bank of Nigeria through deposit money banks in Nigeria. See Article 5 (1), (2)

**Fund Channel:** The Fund will come from many different sources such as education bonds and endowment funds. Additionally, the fund will receive 1% of all federal taxes, fees, and duties collected by the Federal Inland Revenue Service (FIRS), Nigeria Immigration Service, and Nigeria Customs Service. The fund will also collect 1% of all profits from oil and other

minerals. Donations, gifts, and any other potential sources of income will also contribute to the Foundation. See section 12.

**Equal Rights to Access the Loan:** The law asserts that irrespective of gender, Position, tribe, religion, or any form of disability, all students irrespective of their social status, seeking higher education in any public institution across Nigeria should have equal rights to access the student loan. Nevertheless, this requirement is equally subject to the provisions of any act which is clearly stated in Section 2 of the Student Loan Act.

**Purpose of the Loan:** The Student loan to be granted to students under this Act is specifically for the payment of tuition. See Section 3 of the Student Loan Act.

**Special Committee:** The CBN Governor will set up a special committee to oversee the functions of the funds allocated to the student loan act. This committee will be responsible for establishing regulations and procedures for the administration, disbursement and management, and repayment of the Student Loan Act. See section 5 (3), section 6.

**Members of the special committee:** The Members of the special committee shall include the governor of the Central Bank of Nigeria (as Chairman), Fund Secretary, Minister of Education, Rector of National Universities, Committee, representatives of the All-Nigeria Deputy Prime Ministers Forum Universities, representatives of the Nigerian Principals Forum Polytechnic Forum and Principals of all Colleges of Education in Nigeria, Minister of Finance, Auditor General of the Federation, Academic staff representative.

### **PROS OF THE STUDENT LOAN ACT**

Access to education, flexible repayment terms, and low interest rates on government-backed loans. With rising commodity prices in Nigeria, including tuition fees, student loans can help in the long run. Pros of the Student Loan Act include:

- It allows students to focus on their studies without the immediate financial burden.
- It significantly improves students' learning experience but also increases their chances of academic success.
- It provides students with access to higher education, which plays a vital role in building a skilled workforce capable of driving innovation, entrepreneurship, and economic development.

## **CONS OF THE STUDENT LOAN ACT**

Some of the cons of the Student Loan Act include:

### **MINIMUM INCOME:**

The annual income set at ₦500,000 in order to access these loans seems unrealistic, there is a need to increase this amount. The reason is not far-fetched, approximately, the applicant or his parents must be receiving less than ₦45,000 per month to qualify for this loan. For example, it is practically impossible for a student from a family of 5 whose parents/guarantor earns a combined N100,000 per month to be a sustained beneficiary of these loans, because it is expected that this law will lead to an increase in tuition fees by most tertiary institutions

### **FAILURE TO ACKNOWLEDGE OTHER FEES**

The Act only focuses on tuition fees but instead should extend the same to other needs such as Housing, Meals, books, laptops, and transportation in school. The demand for student loans far exceeds available resources, leaving many deserving students without access to financial aid. This student loan act tends to favor students from wealthier backgrounds, who can access quality education without resorting to loans. Furthermore, the need to provide two guarantors demonstrates a disconnect between the target audience and the nature of the guarantors required. Low-income households with an annual income of less than N500,000 are less likely to have strong enough relationships with guarantors who are likely to put their careers on the line to access the loan.

### **DELAY IN GRADUATION:**

Before implementing the student loan system, the federal government must urgently address the issue of unstable academic programs in Nigerian higher education institutions. Students often face delays in graduation due to factors such as strikes, project delays, and thesis-related issues.

Delays in graduation are a widespread problem across all universities in Nigeria, influenced by various personal and institutional factors. Personal factors contributing to these delays include conflicts with academic work, dissatisfaction with program organization, and difficulties taking time off from school. Supervisors note that students often lack adequate knowledge about research work. Institutional factors that hinder timely graduation include poorly equipped libraries and heavy teacher workloads.

Additionally, there is a significant workload burden for students juggling both undergraduate and graduate programs, often leading to delays. Moreover, academic programs in Nigerian universities are often criticized for their lack of relevance to the modern workplace. The curriculum content is considered outdated and not aligned with

the needs of students and the job market. The quality of higher education is also influenced by the completeness and relevance of program content. While resources and accreditation affect the quality of university processes and outputs, academic content quality remains largely unaffected.

To improve student satisfaction and employment rates, offering a wider range of courses that align with students' interests and real-world needs is crucial. Streamlining curriculum content and making it more meaningful can help address these issues and make higher education in Nigeria more responsive to societal demands.

### **COMPARATIVE ANALYSIS (STUDENT LOAN IN NIGERIA VS. THE ADVANCED COUNTRIES)**

In advanced countries, students still cannot repay their loans, not to mention Nigeria, where the system has many loopholes and students with physical disabilities are among the most vulnerable. In the United States, the Education Data Initiative shows that 1 in 10 Americans are in default on their student loans and 5% of all student loans are in default. Recently, the U.S.

Supreme Court blocked President Joe Biden's student debt relief plan, saying his administration does not have the authority under the HEROES Act to cancel student debt for each borrower at 20,000 USD. The relief plan aims to provide up to \$10,000 to individual borrowers earning less than \$125,000 per year or couples earning less than \$250,000, and up to \$20,000 to need-based Pell Grant recipients during their university studies. In the United States, 43.

6 million people owe \$1.6 trillion in federal college loans, more than they owe on auto loans, credit cards, or any consumer debt other than debt. Mortgage. All 43.6 million people could have participated in the debt relief plan. In 2016, The Institute for Fiscal Studies reported that only 175 of UK graduates earned enough money in 30 years to repay their student loans in full. Ultimately, the government canceled more than 50% of student loans, in whole or in part, certain conditions must be met before loans can be forgiven based on any of the five student loan plans. Even though student loans in the US and UK carry interest, while ours do not, how can a needy person get N500,000?

Furthermore, according to section 7(2) of the Nigerian Student Loan Act, the committee appointed in charge of the funds consists of 11 people, the last 3 are representatives of the Nigerian Labour Congress (NLC) and the Nigerian Bar Association as well as members of the teaching staff of Universities (ASUU). However, there is no one representing who benefits from the loans.

## **RECOMMENDATION**

The future of the student loan system in Nigeria brings forth a blend of challenges and opportunities. To establish a more comprehensive and sustainable loan program, it's imperative to take proactive steps to address the prevalent issues in higher education institutions across the country. The implementation of student loans can inadvertently lead to increased tuition costs, rendering many families incapable of affording these fees, and their children ineligible for loans due to stricter eligibility criteria.

One solution is to revise the qualifying annual family income threshold, shifting it from N500,000 to approximately N5 million, which could help alleviate the financial impact of rising tuition fees. Beyond tuition, students face additional expenses, particularly in the context of soaring living costs attributed to the removal of fuel subsidies and an inflation rate of about 25.8%. These financial strains often result in missed classes and hinder academic engagement.

Expanding the scope of student loans to cover living expenses can provide more comprehensive coverage of student costs. While student loan programs have a track record worldwide, they are not without their shortcomings. In Nigeria's case, there are pressing issues related to unemployment that the government ought to prioritize. For instance, by 2022, the country is projected to have approximately 90 million unemployed graduates. Addressing this unemployment crisis should take precedence, as implementing the student loan act before addressing unemployment could potentially exacerbate the joblessness problem.

Although there is a call for extending student loans to all Nigerians regardless of their financial backgrounds and institution types, a more prudent approach for now is to keep the loans accessible to public institutions. Additionally, strengthening loan repayment mechanisms, such as introducing income-driven repayment plans and loan forgiveness programs, can alleviate the burden on borrowers. The current stipulation in the act, which requires loan beneficiaries to commence repayment two years after completing their NYSC program, is often unrealistic, given the high unemployment rate among recent graduates.

By adopting these recommendations, Nigeria can build a more equitable student loan system that reduces loan defaults and creates a brighter future for its students.

## **CONCLUSION**

The student loan system in Nigeria grapples with challenges and criticisms, yet it holds the potential for transformative change. Regrettably, the Student Loans Act caters to only a minority of Nigerian university students, while strict deadlines mandated by these laws underscore the necessity of technology for loan origination, tracking, and collection. An admirable aspect is the absence of interest on these student loans. However, the annual income cap of five hundred thousand naira for students or families remains low. While data compilation may pose challenges, it is worth noting that most families considering university education in Nigeria often have an annual income surpassing this threshold, particularly when considering the national monthly minimum wage as a benchmark. This situation presents security and social risks, given the difficulty of finding parents earning less than 42 thousand naira per month.

To enhance inclusivity and sustainability, the system must address issues such as high default rates, limited loan capital, and bolster financial education efforts. Exploring alternative strategies, such as income-sharing agreements and vocational pathways, can further improve access to education. However, sustained efforts are imperative, including increased funding, improved reimbursement mechanisms, and collaborations with private entities. By embracing these recommendations, Nigeria can establish a student loan system that empowers students, mitigates disparities, and fosters educational and socio-economic development within the nation.

In this pursuit, it's crucial to link student loans with future employment, where insurance can serve as a safeguard against job loss, reducing the likelihood of borrowers defaulting on employment-related loans. The Chairman of the special committee overseeing the Student Loans Act must proactively address these inevitable challenges for the betterment of Nigerian students.

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