THE ANALYSIS AND EVALUATION OF
THAI STUDENT LOANS SCHEME
IMPLEMENTATION AND
THE DEFERRED DEBTS

Sakulrat Talasophon

A Dissertation Submitted in Partial
Fulfillment of the Requirements for the Degree of
Doctor of Philosophy (Development of Administration)
School of Public Administration
National Institute of Development Administration
2011
THE ANALYSIS AND EVALUATION OF
THAI STUDENTS LOANS SCHEME
IMPLEMENTATION AND
THE DEFERRED DEBTS

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October 2011
The Thai Student Loans Scheme (SLS) operation has been questioned for many years regarding its implementation performance. It satisfies many clients, but some not all. A critical problem was discovered when deferred debts (DD) were found as a cause of rising administrative costs at the SLS. So the Thai SLS still requests increasingly high national budget allocations year after year. What actually is the performance of Thai SLS operations, what are the key success factors in implementation, and what causes the DD? These questions are analyzed and evaluated in this study.

Policy implementation theory identifies many main factors affecting policy success in general, such as policy targets, resources, and so on. By conducting a literature review, I found some significant factors for Thai SLS performance, which are clear policy objectives/consistency of the policy with market demands for labor and the national education plan, sufficient budgets and resources, a highly effective implementing agency, strong inter-organizational relationships, and good reports of monitoring and evaluation. Moreover, organizational theory suggests that policy performance can be shaped by organization structure as well as administrative style (top-down or bottom-up), which often means more to the success of the policy. These would lead to efficiency in Thai SLS policy implementation and financial viability.

In my findings I found that the DD is a side effect of ineffective performance resulting from bad target setting by policy makers, which are not clear to the implementing agencies, and the uncertainty of policy objectives. There is also weak
and loose monitoring and evaluation control of internal implementing agencies, and by the central agency of other agencies, which causes inefficiency in both the central and implementing agencies in loans distribution and repayment processes. The weak and loose controls lead to mistakes in screening for capable and eligible borrowers, causing DD later on.

Furthermore, I classified the DD into four categories; they are (1) the unemployed; (2) the underemployed or those who must feed their families first; (3) strategic DD; and (4) those who forgot to pay, do not know their obligation to pay, or have died. The strategic DD particularly cause high accumulated debts to the Thai SLF, as deferred interest and fines multiply year after year.

However, past DD management performance—suing, debt restructuring, broadcasts, and holding seminars—are not cost effective and are too time consuming, as the evidence shows. So, I have suggested some better solutions that should start with clear policy objectives, divided into grants for the poor with good grades and loans for others with good grades, and so on.

Therefore, this research has shed light on Thai SLS policy implementation, performance analysis, and evaluation which contributes to a better understanding of what has been happening from its establishment until the present. Modern organization theory also points out the right organizational structure for recruiting staff with a two-way administrative style, good leadership and effective open communication, which can certainly keep administrative costs low and improve lending efficiency.

The research also makes suggestions for future research studies regarding Thai SLS operations, especially more study of who should be the right Thai SLS targets, how many schemes exactly should there be; what is the most effective loans pattern, and in what ways should the Thai SLF be reorganized. Other potential topics include who would be the best loan collector for the Thai SLS, how could the Thai SLF works efficiently for the best national benefit in terms of its organizational development, with the goal of delivering good output, and what is the best way to monitor and evaluate Thai SLS performance in order to make it work properly.
ACKNOWLEDGEMENTS

I would like to express my deepest appreciation to Professor Sombat Thamrongthanyawong, my ever kindly sympathetic supervisor, who always devote his times for consult and substantive develop my knowledge to complete this research.

Moreover, this dissertation could not have been completed without the consistent support and assistant of the other two: Professor Boonserm Weesakul, the Chairman of the Committee who also spend most of his time to help me improve this research, and Professor Direk Patmasiriwat, the Committee.

My special thanks to all my interviewees, every committee of Thai SLSC for providing their limited times, all inside unexposed information, and encouraging me to pursue challenging goals of my research conduct.

My gratitude also goes to all Professors and guest lecturers of the Ph.D. international program who have given the knowledge and inspiration needed to complete the program.

Aside from those who helped provide knowledge and expertise, there are also the Ph.D. International program staffs and all secretaries of the committees'. They help keep my channel of communication active and coordinated all necessary meeting.

There are also some friends of mine at the Budget Bureau, Thai SLF, and the others who know me well and always support me mentally. They must be remember. The final but always fully unconditional support me is my parents, whom I deeply indebted to. They totally understand, contributed, and encourage me not to give up my Ph.D., particularly during this tough time as I also keep working full time at The BB.

Sakulrat Talasophon
October 2011
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<tr>
<td>BB</td>
<td>The Budget Bureau</td>
</tr>
<tr>
<td>CGD</td>
<td>Comptroller General Department</td>
</tr>
<tr>
<td>DD</td>
<td>Deferred Debt</td>
</tr>
<tr>
<td>F.Y.</td>
<td>Fiscal Year</td>
</tr>
<tr>
<td>G 1-6</td>
<td>Pratom 1-6 is 6 years of Thai educational level equals to primary level.</td>
</tr>
<tr>
<td>G 7-12</td>
<td>Matayom 1-6 is 6 years of Thai educational level equals to secondary level.</td>
</tr>
<tr>
<td>ICL</td>
<td>Incomes Contingent Loans</td>
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<tr>
<td>KTB</td>
<td>Krung Thai Bank</td>
</tr>
<tr>
<td>MoE</td>
<td>Ministry of Education</td>
</tr>
<tr>
<td>MoF</td>
<td>Ministry of Finance</td>
</tr>
<tr>
<td>MoL</td>
<td>Ministry of Labor</td>
</tr>
<tr>
<td>NESDB</td>
<td>National Economic and Social Development Board</td>
</tr>
<tr>
<td>OHEC</td>
<td>Office of Higher Education Commission</td>
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<tr>
<td>PBB</td>
<td>Performance Based Budgeting</td>
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<td>SLS</td>
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<td>SLSC</td>
<td>The Student Loans Committee</td>
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INTRODUCTION

The Royal Thai Constitution of B.E. 2550 and the Royal Decree of Thai National Education of B.E. 2542 state that all Thai citizens have the right and possibility to access the 12 year of education provided by the Thai government. Besides that, the 10th National Education and Social Development Plan of B.E. 2550-2554 states that all Thais will have knowledge and capacity for well living. This plan stipulates that Thais must have at least 10 years of education and Thai labor productivity must be increased by more than half.

To reach this level of national output, the Thai government must spend more on providing necessary educational levels as best it can. As financial resources are scarce, supply side budget allocation system has not been efficient way to serve education policy. A demand side driven policy approach is the only alternative for financing Thai education policy. Thus, this research will look at the implementation of a demand side driven educational finance policy.

1.1 Statement and Significance of Problem

As economic and social development demand high competency of human resources, the Thai Government began to invest in education for years without any hesitation. It was believed that the huge amount of budget will directly increase the nation’s capacity. However, the truth was unexpected. Many unintended results occurred such as increasing unemployment of higher education graduates, low quality of skilled labor, and so on. Here, there will be facts revealed for finding the sources of problems.


1.1.1 Thai Financing Education

Like other countries, the Thai government has supported the education sector by gradually increasing its budget year by year, as is suggested by new growth economic theory. The investment in human resource development will sustain national growth.

Table 1.1 2004-2008 Average Monthly Income

<table>
<thead>
<tr>
<th>Education Level</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>Average 5 yrs</th>
</tr>
</thead>
<tbody>
<tr>
<td>G 1-6 and Lower</td>
<td>3,967</td>
<td>4,127</td>
<td>4,414</td>
<td>4,577</td>
<td>5,368</td>
<td>4,491</td>
</tr>
<tr>
<td>G 7-9</td>
<td>5,950</td>
<td>6,188</td>
<td>6,452</td>
<td>6,586</td>
<td>7,101</td>
<td>6,455</td>
</tr>
<tr>
<td>G 10-12</td>
<td>11,171</td>
<td>12,253</td>
<td>12,863</td>
<td>12,291</td>
<td>12,295</td>
<td>12,175</td>
</tr>
<tr>
<td>Vocational/Certificate</td>
<td>11,055</td>
<td>11,700</td>
<td>12,345</td>
<td>13,062</td>
<td>13,228</td>
<td>12,278</td>
</tr>
<tr>
<td>Undergraduate</td>
<td>17,529</td>
<td>18,810</td>
<td>19,129</td>
<td>24,843</td>
<td>27,605</td>
<td>21,583</td>
</tr>
<tr>
<td>Others</td>
<td>8,144</td>
<td>6,998</td>
<td>7,921</td>
<td>6,444</td>
<td>8,613</td>
<td>7,624</td>
</tr>
</tbody>
</table>


Table 1.1 displays the average monthly income by education level for the years 2004-2008. The data from this table is based on research conducted by the Department of Employment (DoE), Ministry of Labor. It indicates that the highly educated can earn higher income. Phusit Wiwat and Chonlatan Karndee (2008) also studied the relation of the education level and income. They found that employees who graduated from higher education earn more than those with lower education levels. However, they discovered that if the employees expanded their education qualifications, for example, from the vocational level to university level, they will be able to increase their income. So, Thais should invest more financial resources in education.

Table 1.2 shows the amount of the national education budget in comparison to the national budget from 1996 to 2009. The portion of this education budget increased from 19.9 to 21.8 per cent of the national budget within 15 years. Implicitly, it is approximately 4 per cent of GDP, which is not much. But it was what the Thai government can afford, as the national budget is constrained. It has shown the high effort to put more resources into the education sector, even during the economic
crisis in 1998. The numbers of the educational budget increased in proportion to the national budget, at 23.1 per cent, in that year.

The result of the government investment in the education sector seems fine as the GDP figure gets back on track if the endogenous growth (new growth) economic theory is right.

In terms of the Thai educational system, the Thai Compulsory Education Act has adjusted the years of required education for Thai students from 6 years (in 1980) to 9 years (in 2002). Even now, the Thai Constitution of B.E. 2550 insists on 12 years of free education for all Thai.

Table 1.2 Comparisons of Gross Domestic Product, National Budget and Educational Budget in Fiscal Year 1996 – 2009

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Gross Domestic Product (G.D.P.)</th>
<th>National Budget (N.B.)</th>
<th>Educational Budget (E.B.)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>% (+ Decrease)</td>
<td>Amount</td>
</tr>
<tr>
<td>1996</td>
<td>4,684,000.0</td>
<td>14.3</td>
<td>843,200.0</td>
</tr>
<tr>
<td>1997</td>
<td>5,302,000.0</td>
<td>13.2</td>
<td>984,000.0</td>
</tr>
<tr>
<td>1998</td>
<td>4,729,384.0</td>
<td>-10.8</td>
<td>982,000.0</td>
</tr>
<tr>
<td>1999</td>
<td>4,937,476.0</td>
<td>4.4</td>
<td>825,000.0</td>
</tr>
<tr>
<td>2000</td>
<td>5,174,475.0</td>
<td>4.8</td>
<td>860,000.0</td>
</tr>
<tr>
<td>2001</td>
<td>5,288,313.0</td>
<td>2.2</td>
<td>910,000.0</td>
</tr>
<tr>
<td>2002</td>
<td>5,568,594.1</td>
<td>5.3</td>
<td>1,023,000.0</td>
</tr>
<tr>
<td>2003</td>
<td>5,913,847.0</td>
<td>6.2</td>
<td>999,900.0</td>
</tr>
<tr>
<td>2004</td>
<td>6,263,700.0</td>
<td>8.0</td>
<td>1,028,000.0</td>
</tr>
<tr>
<td>2005</td>
<td>7,123,710.0</td>
<td>13.7</td>
<td>1,200,000.0</td>
</tr>
<tr>
<td>2006</td>
<td>7,878,500.0</td>
<td>9.5</td>
<td>1,360,000.0</td>
</tr>
<tr>
<td>2007</td>
<td>8,399,000.0</td>
<td>8.8</td>
<td>1,566,200.0</td>
</tr>
<tr>
<td>2008</td>
<td>9,232,200.0</td>
<td>11.0</td>
<td>1,660,000.0</td>
</tr>
<tr>
<td>2009</td>
<td>9,813,800.0</td>
<td>9.0</td>
<td>1,835,000.0</td>
</tr>
</tbody>
</table>

Moreover, it has been proved in terms of economics that the 12 years of primary and lower secondary education should be free for all, but another 3 years of upper secondary education can only be partially state-supported. The main reason is the benefit principle. The whole society benefits from more 12-year graduates while bearing more marginal costs of upper secondary and tertiary graduates. In fact, the Thai government should not totally finance tertiary education.

Table 1.3 shows the education budget split into levels of education: kindergarten with G 1-6, G 7-12, undergraduate, not allocated by level of education, services and support to education, and other types of education. In this table, it seems that the Thai government has granted more support to the first 12 years of education. In the year 2002, the budget for the G 1-6 had no difference from previous years. And it was not significantly increased from that of the other levels. There was a huge increase in the year 2004 after an announcement was made to increase the per head budget supporting students.

Table 1.3 Education Expenditure in Fiscal Years 1997 – 2008 by Function

<table>
<thead>
<tr>
<th>Education Function / F.Y.</th>
<th>Total</th>
<th>Kindergarten and G 1-6</th>
<th>G 7-12</th>
<th>Undergraduate</th>
<th>Not Allocated by Level of Education</th>
<th>Services and Support to Education</th>
<th>Other Types of Education</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>215,161.9</td>
<td>96,424.5</td>
<td>55,880.2</td>
<td>38,092.5</td>
<td>3,835.7</td>
<td>15,145.4</td>
<td>5,783.6</td>
</tr>
<tr>
<td>1998</td>
<td>226,609.8</td>
<td>96,379.5</td>
<td>57,988.2</td>
<td>40,926.9</td>
<td>3,656.2</td>
<td>21,747.5</td>
<td>5,911.5</td>
</tr>
<tr>
<td>1999</td>
<td>208,614.1</td>
<td>90,898.4</td>
<td>50,325.9</td>
<td>36,471.9</td>
<td>2,940.4</td>
<td>22,305.4</td>
<td>5,672.1</td>
</tr>
<tr>
<td>2000</td>
<td>221,051.1</td>
<td>96,064.1</td>
<td>51,843.1</td>
<td>35,289.1</td>
<td>2,903.2</td>
<td>28,488.5</td>
<td>6,463.1</td>
</tr>
<tr>
<td>2001</td>
<td>221,591.5</td>
<td>98,465.2</td>
<td>52,460.4</td>
<td>32,761.5</td>
<td>3,170.6</td>
<td>28,092.2</td>
<td>6,641.6</td>
</tr>
<tr>
<td>2002</td>
<td>222,940.4</td>
<td>97,923.0</td>
<td>53,805.8</td>
<td>32,008.3</td>
<td>3,372.9</td>
<td>29,048.1</td>
<td>6,782.3</td>
</tr>
<tr>
<td>2003</td>
<td>235,444.4</td>
<td>98,228.0</td>
<td>64,769.9</td>
<td>33,347.9</td>
<td>3,377.1</td>
<td>28,868.0</td>
<td>6,853.5</td>
</tr>
<tr>
<td>2004</td>
<td>251,233.6</td>
<td>111,836.3</td>
<td>67,884.8</td>
<td>33,480.4</td>
<td>3,352.3</td>
<td>29,445.5</td>
<td>5,234.3</td>
</tr>
<tr>
<td>2005</td>
<td>262,938.3</td>
<td>184,454.9</td>
<td>40,308.3</td>
<td>3,558.7</td>
<td>30,706.9</td>
<td>3,909.5</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>294,954.9</td>
<td>203,246.2</td>
<td>48,152.3</td>
<td>334.2</td>
<td>33,654.1</td>
<td>9,568.1</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>355,241.1</td>
<td>245,488.8</td>
<td>58,444.3</td>
<td>143.8</td>
<td>39,947.1</td>
<td>11,222.5</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>363,164.2</td>
<td>251,785.8</td>
<td>67,266.8</td>
<td>157.4</td>
<td>33,328.3</td>
<td>10,625.9</td>
<td></td>
</tr>
</tbody>
</table>

1.1.2 School Attendance

The numbers of students enter classes can also support the performance of Thai government expenditures in figure 1.1, which shows the percentage of students attending classes in the 1992 – 2006 Educational Years. Both budget educational expenses and student attendance show a positive relationship, and they move up together. The budget for each education level can explain the attendance trend of each level, too. This trend seems to indicate good performance.

Figure 1.1 The 1992-2006 Percentage of Students Attending Classes


Kesorn Chinmethepipat (2006) studied the relationship between the burden of education expenses and family income levels. She says only 20 per cent of total education expenses consists of tuition fees, while the rest are "other expenses" related to education. The latter is the main burden to low income families who support their children in school. These expenses are always charged in order to support the cost of education institutes in providing the classes, which the government does not pay for.
Further, the higher the level of education, the more expensive the other expenses are, and the less government support for the classes, which leads to a heavy burden to families. How do the students from low income families finance 80 per cent of their education expenses if the Thai government finances only tuition fees?

1.1.3 Labor Skills

Empirically, Dilaka Latapipat (2011) studied the educational attainment of the Thai labor force in time series. He found that the average years of schooling among the labor force in Thailand increase from 5.3 years in 1986 to 8.2 years in 2009. This means the Thai labor force has an educational level of less than Grade 9 (G. 9). In other words, this is the unsatisfactory result of the changed Thai government compulsory education policy from 6 years to 9 years. If the compulsory education act worked, the labor force would have more years of education.

He furthermore found that socioeconomic factors such as household income and where the family home was situated were the most influential, not the government budget. While children from rural households were clearly at a great disadvantage in the mid-1980s compared with their urban dwelling counterparts, those disadvantages became less important in the ensuing decades and by 2009 they had become statistically insignificant. His study strongly attributes this result to the continuing strong government support for mass education by providing free education up to high school, and by building more schools and colleges throughout all regions.

However, the results over the study’s duration still remain constant - high income families can still access higher education, while their counterparts get less education. So, Dilaka Latapipat says if his finding is right, government needs to address the schooling quality issue seriously and provide a more equitable platform to give students from socioeconomically disadvantaged backgrounds a level playing field to prepare for a college education, not build more schools and colleges. But what would be the best implementation for the policy to finance the poor given the situation of budget constraints?
1.1.4 A Call for Thai Student Loans

Regarding the two above-mentioned aspects concerning Thai education, the Thai government needs to invest more budgets in education to secure competitive advantages. In an attempt to ease the burden on public budgets and to provide funds directly to the poor, a number of countries have introduced Student Loans Schemes (SLS), hoping to recover costs and increase the revenue base for the expansion of education, while at the same time providing opportunities for poorer segments of the population to access higher levels of education. This scheme is mostly, later, called the Student Loan Fund in Thai.

Consequently, Thai government had done several studies of the pros and cons of financing education with individual student loans. These feasibility studies, confirmed that student loans would be the appropriate choice for both the government and learners. The demands of employers and employees will lead the government to provide the right type of education. The budget will also be efficiently spent on national education and all will receive the same educational foundation. Besides that, there will be equity in access to education for all. Lastly, debt repayments will allow funds to smoothly flow back in a manner that creates the least burden on government budgets, and in the end, the fund will be financial sustainable with no government subsidies. It sounds good for Thai policy makers and all.

On January 16\textsuperscript{th}, 1996, the Student Loans Scheme (SLS) or policy began its operation, under the autonomous authority of the Ministry of Finance, in order to ease the financial burden on students which ultimately aim to increase educational access to upper secondary and tertiary education for the poorer section of the population, leading to increased equality of educational opportunity and greater social equity. It was seen as playing an important role in maintaining student enrolments and in countering student drop-out from the education system. The Thai Cabinet (under the Democrat Party) promulgated the Student Loans Fund Act in March 1998 for its administration. With great plans and good intention policy, the Asian Development Bank (ADB) had funded the starting grant of US$100 million to the Ministry of Finance.
The Thai SLS was first implemented in 1996 under an administrative committee that was designed to receive funds from the national budget allocation, along with another two implementing agencies for loans distribution with the mutual agreement of Krung Thai Bank to manage all loan transactions.

1.1.5 Is the Thai SLS Implemented Well?

After its fourth full year of operation, many policy analysts analyzed the Thai SLS. Ziderman (2003: 33-34) found that SLS operations were unsuccessful because of slow progress in approving loans to students, too kind a Thai government policy of providing a 2–year grace period with an interest rate of 1% per annum and a 15-year repayment period, which causes an unreasonable burden to SLS self-sustainability. Other factors include the lack of a well-defined operation plan or regular monitoring, no good information management system, and the misunderstanding on the SLS goal achievement by education institutions themselves as policy implementers.

Vichit Lorjirachunhakul (2004: i-xix) studied the SLS administration system and discovered that students and heads of education institutions have some degree of satisfaction with the launch of SLS, but they must have a good understanding of the complicated procedures by which loans are transferred through the Krung Thai Bank (KTB), causing some delays. However, the SLS clients are still satisfied with KTB’s services. Nevertheless, these might lead them to be unable to recover their costs on time and further raise the number of student who drops out in the future.

Somkiat Tangkijvanich and Ariya Manusbunpeampun (2006: ex 3-5) evaluated the SLS operation and found that its operation cannot fulfill its established objectives: education cost recovery for institutions, easing students’ financial burdens, increasing access for the poor to education, and facilitating higher education expansion. Furthermore, it cannot increase the educational institutions’ quality through enhance competitiveness. Besides that, there is no evidence of government budget burdens relief after its 10-year operation. Thus, it seems that the SLS has less and less financial self-sustainability, becoming the big burden to the Thai budget. The cost of administration increased while efficiency decreased.
Most studies about the SLS implementation were done before 2006 and recommended renovation of the information management system to reduce red tape, streamline and expedite loan approvals, and provide timely information to the customers. As a result, the SLSC, under Chairman of Suparut Kawatkul, the permanent secretary of the MoF at that time, revolutionized the SLS clerical work into an electronic system, called e-Studentloan, in 2008. The system was believed to facilitate the whole lending process for students in time without any defaults.

In addition, it will generate reliable data for borrowers. This new system will also make the SLS more self-financially sustainable by increasing its ability to recover loans on time with low administrative costs. However, the system cannot provide all services in one e-Studentloan yet until now.

From the year 2004, most research about Student Loans (i.e Ziderman, 2004; and Shen and Ziderman, 2008 and so on) are related to the "Financial Viability" as a performance measurement, as most schemes have experienced more budget creep than expected; in particular, every government has born either more or less debts, deferring even big losses. For example, the Philippines have a high repayment ratio and a low recovery ratio, with high hidden grants, while India has a high recovery ratio and less hidden grants.

Furthermore, the Ministry of Labor displays the percentage of labor in each education level during the years 2005-2008 in figure 1.2. This shows approximately 25 per cent of the Thai labor force have an education level that is lower than primary. Secondary level (G 7-12) and tertiary level undergraduates are at 10 per cent each.

If the Thai SLS has been implemented successfully, why do the labor markets always lack the high and higher skilled workers as technologies constantly evolve?. Figures 1.1 and 1.2 also reveal the problem of a lower number of highly educated students in G 10-12 and undergraduate programs as compared to kindergarten and G 1-6. All lines in figure 1.2 have no signs of increasing the amount of educated labor at the higher levels for their better skills.

Thus means that all the budgets expended either directly to education sector or indirectly through Thai SLS did not efficiently increase the number of years of education of the Thai work force. Many unskilled laborers, presumably 70% of total labor force, will be left as a burden for society. In other words, the capacity of Thai
laborers, in fact, has not been improved by receiving more education as written in the 10th National Economic and Social Development Plan.

**Figure 1.2 Education Level of Thai Labor Force**

![Education Level of Thai Labor Force](image)

**Source:** Ministry of Labor, 2009.

Now, in Thailand the SLS has lent more than 339,036 million Baht (approximated on March 30th, 2010 and excluding the grant from ADB) to almost 3.5 million students for thirteen years. Till now, there are 2,129,904 borrowers whose loans are due and only 1,598,572 debtors (equivalent to 75.05%) who have turned up to pay their debts according to the 2011 budget proposal paper presented to the budget committee on 22/06/10. The rest, 24.95%, generate the compulsory cost to Student Loan Scheme Office to hire the KTB not only to manage but also to collect the debts. A few cases from this amount have become deferred debts and Non-Performing Loans (NPL) at last. Many outside researchers have seen that the Thai SLS has a very low repayment rate with a high cost of hidden grants.

So, the Thai SLS requires the well plan and administration as the demand for free education increases and it becomes an unavoidable foundation policy provision.
of the Thai government to their citizens. Thai government should adjust the way of operating the SLS or find the right channel to manage the loans and deferred debts efficiently and effectively.

For example, some countries use the accumulated grades and performance of each borrower for screening his or her eligibility to borrow for the next semester. This approach is based on the belief that students with good grades will certainly earn enough salary to repay their debts. Some governments such as the U.S. apply a high interest rate with the short repayment period in order to make sure they will not keep the risk of NPL themselves. These will conceal the loans from deferred debts in the future. Some countries i.e. the U.K., the U.S., Canada, and Australia have swopped to partial student loans in the year 2007. For example, the loans must be repaid if the students study in the non-demanded fields and have potential to pay them back, and they can be free student grants for those with good grade records in fields of with strong labor market demand, and those who are unable to repay them.

Therefore, this paper is looking for the factors, at the present time, that contribute to efficiency and provide recommendations to the Thai SLS to answer how to operate the Thai SLS well, without more debt burdens for the government.

### 1.2 Objectives of the Research

Because this study intends to analyze and evaluate the Thai SLS implementation, the paper will:

1.2.1 Explore and evaluate the performance of Thai SLS.
1.2.2 Explain Thai SLS process and its operation.
1.2.3 Find factors contributing to the performance of Thai SLS, particularly in solving the deferred debts.
1.2.4 Analyze and evaluate deferred debts, including causes and management.
1.2.5 Recommend alternatives to the student loan policy and to strengthen policy making decisions.
1.3 Scope of the Study

This study will mostly concentrate on the SLS implementation from its first stage, with closer scrutinized given to the period after 2008 when the electronic system, e-Studentloan, hasfacilitated the processing of student loan data. The available data of loan recipients makes the study more valid and reliable to measure and evaluate the success of policy implementation. There is also an emerging phenomenon, the high increase of deferred debts causing huge administrative costs.

Next, the investigation of Thai SLF operation of the administrative process of loans is a part of this research. The agencies implementing all loan processes are concerned, as their main role involves evaluating Thai SLS implementation.

Third, the focus of the study not only going concentrates on the efficiency of the policy implementation, but also its future delayed repayment as a current significant problem of Thai SLS. The high operating costs from the management of deferred debts is a point of focus as well. This research will not search for Thai SLS equity, as Thai SLS has been proved by many researchers (Ziderman, 2003, 2004; Medhi Krongkaew, 2004; Somkiat Tangkijvanich and Ariya Manusbunpeampun, 2006, and Direk Patmasiriwat, 2008) that it is not the policy for redistributing income or generating equity, unlike tax policy. I feel that it seems to be a populist policy rather than a redistribution policy.

Furthermore, another student loan fund, called Income Contingent Loans (ICL), will be mentioned as a part of policy unsettlement, but not included in the main scope of this study. The study also excludes the Free Funds (or grants) for Students, too.

The analysis factors will be broadly framed by the policy implementation, policy evaluation models, and an emerging organizational theory. For example, the policy of clear objectives, budgets and resources, the inter-organizational relationships such as the SLS officers, KTB, the implementing agencies' capacities (i.e. leadership, teamwork, and etc.), and monitoring of lending processes are measured for their significance. Other factors outside the conceptual framework such as the external conditions i.e., social, economic, and political might not be scrutinized due to time and resource limitations.
1.4 Limitations of the Study

This study will not scrutinize all schools and institutions as loan distribution channels. It will emphasize the MoE and OHEC as authorities’ hubs of distributing loans. As there is little time, the study is, firstly, done through documentary analysis. Then, in-depth interviews will be applied from some recognized members of the Student Loans Scheme Committee (SLSC), KTB, and some professional academics who remarked on the past SLS performance, before moving to the qualitative analysis of finding the significant factors contributing to those performance of policy implementation, in particular, to the deferred debts management.

Another limitation is that the data concerning all the lending processes is not always available. This data in particular is the deferred debts, which has never been recorded before. The data must be taken from various sources such as the KTB and the two payment accounting sub-committees. For example, the amount of loans for each loan recipient, and the due date of each were manually collected by the researcher. However, some recent data from the year 2008 was used to trace back the past performance of the policy as well.

1.5 Benefits of the Study

As mentioned earlier, all previous studies on SLS performance were before the year 2006. Up to now, there are several changes regarding recommendations from those papers, for example, the borrowing operation has been done through the electronic processes, known as e-Studentloan, beginning with the application forms for the student-loan, accessing the information of clients’ eligibility, receiving the news about the schedule of loans, and so on. Some unsatisfactory performances, like the inequity of loan lending and the inefficiency of the lending process, indirectly cause another further remarkable result, as the deferred debts with high cost of debts management to Thai SLS. This deferred debt problem will be emphasized here.

Therefore, this study will include the analysis and evaluation of policy implementation with e-Studentloan. Together with some changes affected by the high
administrative costs of loan repayment, the concept of financial measurement might be brought into the Thai SLS investigation here.

Consequently, the study will, firstly (1) find some new key success factors of SLS implementation that have never been completely understood before; (2) propose some recommendations regarding theoretical aspects and some guidelines for the future policy implementers to successfully carry out the Thai SLS; and lastly (3) provide some suggestions to researchers and policy decision makers on what reforms should all the Thai SLS to achieve better results.
CHAPTER 2

LITERATURE REVIEW OF STUDENT LOANS SCHEME

The first chapter pointed out that this research must explore and explain Thai SLS process and its operation. To do so, this chapter will provide some knowledge that must be understood such as reviews of student loans schemes, the rationale, objectives and characteristics of the Thai SLS, its organizational structure and administration together with e-Studentloan. These explorations and explanations will also create a good understanding of what will be studied next.

2.1 Reviews of Student Loans Schemes

It has been known that education is the best factor for investing in human resource development. In an age of scarce financial resources, many governments have been inspired to invest fewer financial resources in education but get more returns. The best way is to use resources from the future and hope that the returns will be worthwhile and enough for the next generation.

2.1.1 New Growth Theory

Since the late 1970s, many economists have rethought how to give rise to Gross Domestic Product (GDP) as all land, capital, and labor has been exploited. Then they found that “human capital” development is a new independent factor that generates national long-term growth; this is known as “New Growth Theory or Endogenous Growth Theory”.

The New Growth Theory holds that policy measures can have an impact on the long-run growth rate of an economy. For example, subsidies for research and development or education increase the growth rate in some endogenous growth models by increasing the incentive to innovate. Rosen (1972), and Mincer (1974),
substantiate the returns of educational investment both to individuals and society by their empirical studies in several publishers. Thus, the outcome of educational investment is long-run returns which will generate more capital and more activities in the future.

Dutta, Sefton and Weale (2003: 121) state that “Education generates higher income for private individuals; it is generally believed that the whole is more than the sum of its parts and that the social returns to education exceed private returns. Better educated workers are likely to be more productive at their own jobs; they may, at the same time, raise the productivity of their colleagues, by demonstration, discussion or dissemination.”

If so, should the government always support education to all for the sake of itself? Although education is a merit good to society, it generates much more returns to the private sector than to the public sector. However, students from the poor families still reserve the right to acquire a proper education in order to achieve a better living standard. The last reason forces the governments of many developing countries to finance the education of children from families who cannot afford further studies. This increases the benefits to the nation, and all parties are better off.

### 2.1.2 Education and National Benefits

Barro (1997) believes that "the right policy" and "government activities" are significant factors in economic performance. He empirically proved the new growth theory as the expansion of neoclassical theory in 100 countries from 1960 to 1990. Barro focused on human capital as a determinant of economic growth and strictly analyzed the distinction between the quantity of education — measured by years of attainment at various levels — and the quality — gauged by scores on internationally comparable examinations.

Barro's finding was that an additional year of schooling has an opportunity cost equal to 2.5% per capita GDP, then coverage turns out to imply a real rate of return to schooling of 7% per capita GDP. However, he discovered that the quality and quantity of schooling both matter for growth, but that quality is much more important. His empirical results show that a one-standard-deviation increase in the attainment variable (increase of 0.002) would increase the growth rate by only 0.2
percent per year. In contrast, a one-standard-deviation increase in scores — by 0.08 — would raise the growth rate on impact by only 1.0 percent per year.

In addition, Hanushek and Kimko (2000) find that scores on international examinations — indicators of the quality of schooling capital — matter more than years of attainment for subsequent economic growth. The main problem is how to increase the right quality of education that directly increases economic growth.

Moreover, Psacharopoulos and Patrinos (2002) used the econometric technique to reaffirm the human capital theory in 42 countries and found that the return will vary according to the selective efficiency of government education investment pattern. The reason is many studies found that the private returns to higher education are higher than public returns. They nevertheless suggested that the division of returns depend on "the externalities management for incentives" and the educational finance mechanisms developed by governments. They must design policies and craft incentives that both promote investment and ensure that low-income families join in as well as their counterparts. Thus, the returns of governmental investment in education to the public sector will increase.

Therefore, investment in education can increase economic growth. It can also give returns to either the public or private sectors. The point is that the policy for financing education must be based on knowledge of where to finance and how to provide incentives for some to partially finance their own educations, or even force them to make some contributions since they can earn benefits after achieving an undergraduate education. Thus, proper policy design for financing education seems essential.

2.1.3 Financing Education through Student Loan Funds

Chapman and Christ (2003), Barr (2003), and Ziderman (2003, 2004) are agreed that government investment patterns in education are varied and yield different results. The design of educational financing must rely on the learners' benefits. In other words, there must be private responsiveness in what is received during times of governmental budget constraints. “Soft” loans for students seem to be the answer.

First of all, student loan funds are able to relieve pressure on national budgets to directly finance education by facilitating greater cost sharing though the raising of
funds for tuition and other university fees. They both enable students to avoid the burden of up-front payments of increased tuition fees, as well as enabling them to delay loan repayment until they receive the higher salaries that generally accrue to university undergraduates.

Furthermore, greater cost recovery can provide additional funds for the expansion of the university system, to accommodate increases in the social demand for tertiary education. Targeted at the disadvantaged, subsidized loan schemes may lead to greater access to university education for the poor and minority groups, thus contributing to social equity. And loans offered at favorable conditions for study in particular fields can lead to a loosening of skilled manpower bottlenecks that inhibit social, economic and industrial development.

As a result, innovative loan schemes for students were developed particularly in countries with less fiscal space to generously subsidize students. The first student loan scheme was the United States Education Act in 1974, which was put into actual practice in 1989 at Yale University.

Currently, there are Student Loans Schemes operating in more than 70 countries around the world. Considerable differences are evident in loans schemes across countries. Schemes differ not only in the underlying objectives pursued, but also in such parameters as organizational structure, sources of initial funding, student coverage, loan allocation procedures, and collection methods.

However there is one element that is common to almost all government-sponsored loans schemes: they are highly subsidized by governments. This means that, unlike commercial loans, a sizeable proportion of the total loans outlay by the loans body, be it government department, loans scheme authority or commercial bank, will not be received back in repayment. This gap between total loan disbursements and overall loans recovery is accounted for by two elements. First, there are built-in interest rate subsidies, incorporated into the design of the loans scheme. And, second, there are inefficiencies in running the scheme, in terms of substantial repayment default and high administrative costs.

Like other countries, most countries in Asia are experiencing a dramatic increase in demand for higher levels of education at a time of both severe public budget constraints and profound overhaul of education systems aimed at significantly
increasing their impact and relevance. In an attempt to ease the burden on public budgets, a number of countries have introduced student loan schemes, hoping to recover costs and increase the revenue base for the expansion of education, while at the same time providing opportunities for poorer segments of the population to access higher levels of education.

In sum, Ziderman (2004: 29) classifies five different sets of objectives for student loan schemes, which in turn will influence the design and operation of the scheme as a whole, as well as its financial sustainability. So, 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. All students not only bear the costs of tuition fees but also the living expenses. Students who cannot afford to pay may turn to private bank loans which add more trouble to students. In turn, the market may fail as they are not able to pay back loans, and so the government must intervene.

2) Facilitating the expansion of higher education. Less support for state universities is indirectly complementary to the growth of private universities, where students bear a heavier burdens by paying full costs with a minimal burden on the public purse. Here, student loans can play a role.

3) Social objectives (improving equity and access for the poor). In many countries, the relatively low enrolment of poor and disadvantaged youth in non-compulsory education is a cause of social concern; increasing access to schooling among these segments of the population has become a major element in educational and social policy. There is a broad consensus that clear financial incentives need to be offered, not only to overcome the burden of fee payments and living expenses but also to offset parental resistance to reductions in family income and the risk that the benefits of the educational process may not be sizeable.

4) Meeting specific manpower needs. Loans can indirectly guide students to study in fields and at levels where market needs exist.

5) Easing student financial burdens. Even if tuition fees are minimal, students (including the non-poor) may face considerable financial burdens. This may affect students’ motivation and performance, and cause a reduction in their future earnings.
Therefore, student loans are a reasonable form of government policy intervention but the implementation in each country may not result the same. The appropriate design and proper management will result in their effective use.

2.2 Rationale, Objectives and Characteristics of Thai SLS

Like other policies, the Thai SLS has its own objectives in response to societal needs or problems ascribed to the education sector that it must solve. In this part, there will be explanations about the rationale of Thai SLS, objectives of Thai SLS, and characteristics of Thai SLS. These will give all readers the same picture of why the SLS was established, its purposes, and how it operates.

2.2.1 Rationale of Thai SLS

In Thailand, the initial reason to establish student loan funds for Thai students is not much different from the rest of the world. Mainly, it is for social objectives (improving equity and access for the poor) and easing student financial burdens.

2.2.1.1 Relieve Budget Crisis

Ziderman (2003: 17) synthesized that student loan schemes in Thailand should be viewed in the context of the financial and economic crisis that hit the Thai economy in mid-1997. This event exerted a toll on economic activity. The growth rate fell about 6 percent and became negative in 1998. Unemployment and underemployment increased, which affected family incomes and welfare. The ability of families to finance tuition fees and other educational costs also declined. Poorer families were particularly hard hit.

However, Thai government has generously financed the education sector more than other sectors and even more than other Asian countries for years. On average, government spending on education accounted for 3.16 per cent of GDP over the period 1987-1997 (Ziderman, 2003: 20). This number was 20 per cent of the total budget in 1996 and increased to 25 per cent of the total in 1998. But the crisis in 1997 has put more pressure on the budget allocation to focus on solving the economic downturn. The squeeze of the economic crisis made the cabinet agree on setting up the Fund for poor students.
As a result, the Thai SLS was promulgated as the Student Loans Act of 1998 and set in full motion in 1999; it was seen as playing an important role in maintaining student enrolments and in countering student drop-out from the education system. However, this does not fulfill current demands for educational training as the situation has changed. The economy requires more skilled labor, and the Thai government still doesn’t have enough budgets to finance free tertiary and graduate level education for all Thai students. Although the returns on these education levels are economically beneficial i.e. increased national revenue is generated and lifetime earning is lengthened, the learners should be responsible for their own learning costs according to the benefit principle.

2.2.1.2 Increase Quantity without Quality Higher Education

Boonserm Weesakul (2004: 1-18) found that the cost of undergraduate level education per student was high in the year 2001, and that this expenditure of public finance was not reasonable given the portion of students attaining degrees in each type of institute. Figure 2.1 shows the percentage of students attending each type of institute and the level of government financing provided to each. The Thai government supported only public universities, not private ones. Even for public institutes, it financed those that a smaller number of students attend. For example, it supported autonomous universities more than limited admission universities and open universities, though the latter two have high numbers of students attending their classes.

He also studied the quality of institutes. Boonserm discovered that in the ranking of higher education institutions in 49 countries by the Institute of Management Development (IMD), Thailand ranks 47th and 46th in the overall competitiveness of education system and quality of higher education respectively, while universities in Singapore and Taiwan come in 4th and 14th respectively in the university education ranking.

In addition, he warned policy makers that a major proportion of university undergraduates are not sufficiently competent in their fields of study and that while there is a surplus of under graduates in the field of social sciences, there is a lack of qualified under graduates in the technological and professional fields. So, the quality of institutes should be taken into account.
2.2.1.3 Income Contingent Loan Innovation

In 2006, Thaksin Shinawatr’s government introduced Income Contingent Loans (ICL) to cover lending to all higher education students, particularly undergraduate students, and plan to reduce the SLS operation because of its loan recovery problems. These ICL had been in operation for a year when after General Surayuth’s coup d’etat, the government halted this program in the following year. This makes the great experience for “uncertainty of policy objectives and implementations” (Direk Patamasiriwat, 2008: 4). So the loan fund objectives have been expanded from social objectives, together with easing students’ financial burdens, to meeting specific man power needs. They also facilitate the expansion of higher education, and fulfill budgetary objectives such as income generation or cost recovery.

Source: Boonserm Weesakul, 2004: 8, 14.
ICL in Thailand are loans for anyone who wants to study at the higher education level, particularly at university level. The loans provide only tuition fees with no living allowance. But the loan ceilings are related to the average of tuition fees from each field as indicated by the OHEC. They were regulated by the Thai SLSC and implemented by the SLF. The ICL will be directly transferred to the universities after the loan application contracts are approved. The loan collector was at first defined as the Revenue Department. Borrowers will begin repayment whenever their earnings are equal to 15,000 Baht. As time passed, it was changed in 2009 to be like the Thai SLS in regards to both the loan collector and no minimum earnings, but 2 years as a grace period instead. In the year 2011, the first batch of Thai ICLs will begin to repay their loans.

However, this situation did not last long. The nation still faced the uncertainty of the policy objectives and implementation. The ICL was suspended for one year (in 2007), and then implanted again in 2008 and 2009 for the same reason of changes in the government. Unfortunately, Prime Minister Abhisit Vejjajiva’s government stopped the ICL once again from lending to new borrowers until now.

In general, there are costs and benefits of ICL. First, the scheme is universal with an efficient loan collector. There is no problem of inability to repay as the loans are repaid from their earnings. However, Chapman and Lounkaew (2009: 6) argue that the minimum conditions for a successful income contingent loan seem to be:

1) accurate record-keeping of the accruing liabilities of students;

2) an effective collection mechanism with a sound, and if possible, computerized record-keeping system; and

3) an efficient way of determining with accuracy, over time, the actual incomes of former students.

Whether it is fortunate for Thai SLF or not, Thai ICL have never really been implemented.

Therefore, the rationale for Thai SLS and ICL is not driven by real economic demand, but the political choices of different governments; this is although the policies themselves have good foundations and rationales. The politicians’
interventions always interrupt their implementation. As would be expected, the outputs and outcomes will be delivered at a later date. This would probably worsen if the policy objectives are changed frequently.

2.2.2 Objectives of Thai SLS

The broad configuration of the Student Loans Scheme (SLS) was set out in a Cabinet document prepared by the Ministry of Finance in March 1995 (Ministry of Finance, 1995); the Cabinet adopted the document, both the general concept and the details of the Student Loans Scheme. The Scheme was to be put in place in the 1996 academic year, under the responsibility of the Ministry of Finance. The Scheme had been operated under the Cabinet regulation until the promulgation of the Student Loans Act in March 1998. A note to the Act explains its purpose:

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 the Act itself, the only objective mentioned is “to lend money to poor students for tuition, educational expenses and other expenses necessary for living during studying” (The Student Loans Fund Act, 1998, Clause 5).

From these and other citations, it is seen that the written objectives of the Scheme are too short and meaningless for the policy implementers. It only lends money to the poor for their learning costs without any definition of how poor they should to be eligible to get loans, and what the Thai government is expecting for long-term results.
Unluckily for Thai poor students, the policy implementers ignored critical cabinet suggestions when promulgating this Act. These are that the availability of student loans would lead to greater educational opportunities for the poor, higher living standards, and a greater degree of equality in the population. The longer-run objectives – of enhancing the nation’s human capital, competitiveness, and development – are economic; but the human capital development will be secured through targeting the needy. No other objectives were recorded.

However, the exclusive concentration on social objectives is surprising given that most student loan schemes are, in fact, multifaceted, with due emphasis placed on economic outcomes – particularly enhanced cost recovery through higher tuition fees and lower public expenditures. The declared aim of the Thai loans scheme to increase the access of the poor to upper secondary and tertiary education – through the targeting of loans to needy students under extremely favorable repayment conditions – has been complemented, de facto, by other objectives.

As a result, the Thai SLSC members themselves mistakenly defined the meaning of “poor” and eased the financial burdens of the non-poor instead. For example, they set the upper limit on parental income for loan eligibility at 300,000 Baht/year/family until 1999. In practice, the MOE has reduced this to 150,000 Baht, still a sizeable income, for loans administered by that ministry, which has meant that many non-poor university students are receiving loans.

Unfortunately, the Thai SLS is not seen as a vehicle for extensive cost recovery while there was also an unexpected occurrence upon its launching. The introduction of the scheme in 1996 was accompanied by increases in tuition fees at many public educational institutions, though not all. Upper-secondary school fees, stable for many years, were raised by over 70 per cent, placing them on a par with fees at public vocational schools. Tuition fees at Rajabhat institutions were also raised sharply; fees at RIT institutions and public universities have shown a steady upward trend over recent years.

While tuition fees at public universities are now three times higher than some eight years ago, they still represent only a small proportion of unit costs. It appears to be government policy to encourage the growth of private education institutions (particularly universities) as a means of increasing the number of student places, at
low public cost. The average amount of loans given to students at private institutions exceeds by a considerable margin those for students enrolled at public institutions, because of sizeable differences in tuition fee levels. Since all student loans are highly subsidized, the availability of loans to students enrolled at private education institutions results in the subsidization of the costs of private education.

In 2000, some 38 per cent of all private university students were in receipt of loans. Encouraging the expansion of private education implies a growing commitment to providing highly subsidized loans; how far this represents a cost-effective method of increasing university enrolments will depend in part on the average size of loan subsidization.

In 2004, Thaksin’s government was still struggling to increase man power needs as a means of boosting the economy. By doing so, he had to sufficiently provide support for the costs of higher education on behalf of students who could not afford them, not only on behalf of the poor. Nevertheless, budgetary constraints limited his ability to do this.

Medhi Krongkaew (2004: 43-71) presented a draft paper for discussion on “The Promise of the New University Financing System in Thailand: the Income Contingent Loan (ICL) Scheme” Seminar, organized by the School of Development Economics, National Institutes of Development Administration (NIDA) that offer a way to partly finance university access to all Thais through revolving funds. It is also based on the demand side educational financing. This alternative concept of Medhi Krongkaew was adapted from Australia, where it has been successfully implemented since 1989, and was reviewed by Bruce Chapman in 2002.

The ICL feasibility study suggested that to finance low fixed-interest loans to students to help them be able to afford their tuition fees, the direct and indirect costs of teaching one student per one subject must be precisely calculated. This correct calculation will identify the exact amount of what one student should pay to the university for teaching costs and what the government should pay for researching and supporting costs i.e. investing for buildings, teaching equipment costs, and so on. Students must be responsible for the teaching costs that generate private benefit to each student, while the remaining costs will be borne by the government budget.
However, the ICL will give an alternative loan to all students who wish to study but cannot afford the expenses so that they will be able to pay those amounts to the universities first. And after they earn enough income to repay their loans, they will pay them back to the ICL office. Thus, this method sounds like a good approach.

After that, the Thai ICL were established under the Ministry of Finance (2006) Regulation B.E. 2549 after the cabinet agreed in July, 2005. Its operation started immediately in the B.E. 2549 (2006) education year. All students who wished to learn in eligible education fields was allowed to borrow money to pay their tuition fees. The eligible education fields were to be set based upon labor market demands. But after its launch, the program was still pending for a year as the government wanted to lend money only to poor students. All of the former loan recipients who were not poor would be able to get loans until their graduation, while the poor parties could also still get loans under the SLS program instead.

So, implementation of the Thai SLS moved out of an efficient track. As a result of higher tuition fees at both public and private institutions, the Thai SLS failed to support poor students and to recover educational costs. Besides that, it failed to relieve the government budget burden and was not financially sustainable after ten years of implementation because the provision of loan subsidies to SLS had to be increased because of higher tuition fees.

Even though, the government had diversified the loan to ICL for only cost-recovery proposes. But ICL operation was not consistent as the government frequently changed. The expanded objectives of student loan funds from the secondary level to all tertiary and undergraduate levels signifies the good intention of the Thai government. However, co-operation in transferring students from the secondary to the tertiary (undergraduate) level requires clear direction as to what the labor markets need rather than what the politicians like.

Bear in mind that ICL would be effective if the cost of teaching in each study field has been clarified accurately and acceptably fair for all. The government should also inject some living allowance grants for really poor students with outstanding records. So, the politician must consider bringing back ICL, as the coin always has two sides.
In the next subsection, the characteristics of both SLS and ICL will be scrutinized in order to find how the two existing funds are operated and affect borrowers.

### 2.2.3 Characteristics of Thai SLS

The last subsection saw a strong emphasis on social objectives rather than others. According to Ziderman (2003, 2004), Vichit Lorjirachunhakul, Jirawan Jiratavet, Vena Chasinrungreong, Pachichanan Siripanit, and Deunpen Tirawanwiwat (2004), Medhi Krawkeaw (2004), and Somkiat Tangkijvanich and Ariya Manusbunpeampun (2006), researchers explain four particular characteristics of the Thai SLS.

First, the scheme usually covers upper-secondary schooling, as well as tertiary education. Student loan schemes almost exclusively relate to tertiary education; but in Thailand, the loan element in the total aid package available to these students is very small. Yet while loan schemes for upper-secondary schooling are unusual, it is at this level of non-compulsory schooling that enrolment rates fall off drastically and the risk of drop-out increases.

Eventually, the poor students are particularly still at risk, because of the effects of opportunity costs of studying rather than working. For this reason, government subsidy of the private costs of upper-secondary education, particularly of the poor, is seen as an important element of social policy. Another reason is written in the Thai Constitution of B.E. 2550 (code no. 49: the Thai government must provide twelve years of education for all without charge). The question is whether subsidized loans targeted at the poor (rather than grants) constitute the best instrument for achieving the desired outcome.

Next, the loan repayment conditions are extremely generous, implying an extensive loan subsidy. Repayments are spread over 15 years following a two-year grace period, with the repayment percentage fixed at very low rates initially and rising progressively over time; repayments are in nominal terms and the rate of interest charged is only 1 per cent. The introduction of these soft repayment terms may have resulted from the conception of the loans scheme as one that has essentially social objectives, in accordance with the Thai Constitution of B.E. 2550 and the generosity...
inherent in Thai culture, with considerably less weight given to the financial aspects of the scheme. The open issue, however, is the resulting size of the loan subsidy; an overly-large subsidy not only brings the financial viability of the whole scheme into question; it may indicate that a regime of grants offers a more cost-effective alternative.

Third, it can be said that the Thai SLS has been set up without competent provisions to guide policy implementation. There are all the signs that the scheme was introduced with haste and minimal planning. The obvious evidence is that the first batch of Thai SLS began in the year 1996, two years before the Thai Student Loans Act was promulgated in the year 1998. Then, the Act was written without any clear objectives for all implementers. Thus, a dilemma is always generated that must be faced when introducing needed social changes. Whenever there is a change, a problem occurs if there is no capacity to respond in time.

Effective implementation requires careful preparation and planning spread over a period of time; but this will mean delaying the supply of the needed service, during what might be a lengthy preparation period. If there was such a trade-off between more effective implementation and swifter implementation in the setting up of the loans scheme, the path taken veered towards the latter course. Thus the scheme functioned in its initial years of operation on an ad hoc basis, without a formal Act, full-time management or senior staff, and without premises. Even today, no monitoring system is in place, so that it is not known how far the scheme is achieving its objectives of adequately reaching the poor.

Finally, the decision in favor of quick implementation may account for another characteristic of the scheme: the decision to use existing administrative and organizational structures rather than design new ones aimed directly to achieve the purposes of the scheme. Thus while the guidelines for the operation of the scheme are set by the new Central Loans Committee (known as Thai SLSC and The SLF under the MoF), its actual operation, and particularly loans budget allocation, is in the hands of the Ministries of Education and University Affairs (currently the Commission of Higher Education: OHEC). The system works, in the plan, to ensure that, as it were, 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 practice, with the partial exception of MOE loans budget allocation to the provincial offices, this loans budget allocation system essentially ignores the scheme’s central objective of targeting the poor. In the end, the system achieves horizontal inequity.

It can be concluded that Thai SLS cannot reach its goals because of four faults. First, it failed to protect poor students from dropping out of compulsory educational levels. Next, the kindness of loan repayment conditions prohibit it from being a cost-effective policy alternative. Third, the haste and poor planning of the scheme puts the Thai SLS in a difficult position when facing socially-needed changes, and worsen the situation by lacking a monitoring system, which has led the scheme far away from achieving its objectives of adequately reaching the poor. Last, its loan distribution decisions do not ensure a “fair share” in practice, because the loan budget allocation at provincial levels always ignores the scheme’s central objective of targeting the poor.

Like the SLS, the ICL has its own characteristics: first, all students can access universities whether they are from poor families or not. Next, the gap between the tuition fees of private and public universities will be narrowed as the government will limit financial support to public universities and increase direct loan subsidies to students. Last, all universities will compete with one another to be more attractive to their clients by increasing the quantity and quality of teaching.

However, the ICL has some weaknesses as well. Policymakers and ICL administrators must know exactly what the costs of courses in study fields are and what types of labor skills the market needs at the time that students are under graduates. Second, the under graduates must repay their debts based on the rate of inflation, not the fixed interest rate, unlike the SLS. Last, the borrowers might not anticipate the right amount of debt they will have on the day that they graduate as university tuition fees can be raised at any time. Nevertheless, the more efficiently the government invests in education, the more taxable income will there be according to the endogenous theory.

Therefore, this study will either find a better way of implementation to reach the objectives, or more probably suggest that the policy objectives be changed in order to achieve better loan performance for both the SLS and ICL. Before doing so,
this study should present the organization and administration of Thai student loans fund in the following subsection.

2.3 Organizational Structure and Administration of Thai SLS

This part will describe the current organizational structure and administration of the SLS in comparison to the past in the year 1999.

2.3.1 Organizational Structure

The central institutions operating the student loans scheme since 1996 – both the SLS and the ICL in Thailand – are: the Student Loans Scheme Committee (SLSC) and its administrative office, called the Office of the Student Loans Fund (SLF) as shown in chart 2.1. There are also cooperating organizations, which are the Krung Thai Bank (KTB); the Ministry of Education (MoE) as the first payment accounting sub-committee and Commission of Higher Education (OHEC) as the second payment accounting sub-committee, and the individual educational institutions themselves. Central control of the SLS lies with the SLSC; the KTB is responsible for banking arrangements based on a mutual memorandum of understanding, not a legal written contract.

A telephone conversation was held with Ms. Muchalint Kamchai, the director of the financial and accounting division who has eleven years work experience with the Thai SLF. She explained to me that at the start, the Thai SLSC set up 17 committees, and these committees are still exactly the same in the present time. She said that this was based on the Student Loan Fund Act of B.E. 2541, and some MoF regulations for the establishment of Funds.

At that time, the Thai SLF consisted of one manager, one assistant manager, and three main divisions as shown in chart 2.2: administrative; financial and accounting; and planning and development. This comprised three persons per division.

In 1999 on the date that she began her job with the Thai SLF, the internal audit division was set up with one director. Implicitly, the number of the total Thai SLF staff was only 12 persons.
**Figure 2.2** The Organizational Chart of Thai Student Loans in 1999 and 2009

![Organizational Chart](image)

**Source:** Muchalint Kamchai, 2011.

In addition, our telephone discussion revealed that the changes in administrative structure of Thai SLS during the past ten years (1999-2009) have
mostly been done only at Thai SLF as its mission was expanded: i.e. the public relations division, information technology division, and coordinating division. The number of Thai SLF staff increased to 180 persons. She insisted to me that the Thai SLSC, which wields power and is the backbone, or central power structure of the SLF program, has never been adjusted. Authority is totally held by and tied to the Thai SLSC and its manager.

During the past five years, there have been more offspring as an increasing number of sub-committees from the two payment accounting sub-committees have been added such as the internal audit subcommittee, etc. She also complained to me that from October 1st, 2010, the structure is unnecessarily complicated. There are currently three vice-managers and eleven divisions as the debt division, loans distribution management division, executive management division, and loans follow-up at education institutes division were set up.

Unfortunately, there is no positive effect on the managerial development as Thai SLS still needs some sub-committees to solve critical problems that occurred from the weak work routines. Only more salaries are paid as the annual budget burden increases. More details about the Thai SLF efficiency are discussed in chapter 6. Similarly, these facts are confirmed by Sermkhat, one of assistant managers, who has twelve years of working experience.

Therefore, the structure of authoritative power has been set out from the beginning by law and has not changed. Only the Thai SLF has horizontally differentiated its structure into many divisions according to new aspects of its mission which occurred from lending processes during a decade of implementing policy, while the Thai SLSC has strictly controlled everything in a bureaucratic manner. Now, let's move into the details of Thai SLSC and examine how it runs Thai SLS policy.

**Student Loans Scheme Committee:** The SLSC is the central body exercising overall control of the scheme; it is responsible for policy and the general working of the scheme, as well as for overall supervision and monitoring. The scheme started operations in 1996 under a cabinet regulation; the Student Loans Scheme Act was passed only in March 1998 (The Student Loans Fund Act, 1998) formally
establishing the Student Loans Scheme as a legal body under the jurisdiction of the Ministry of Finance (MoF).

Under the Act, the SLSC consists of the following members:

1) Permanent Secretary, MoF (Chairman)
2) Permanent Secretary, MoE (Deputy Chairman)
3) Secretary-General, OHEC (Deputy Chairman)
4) Director, Budget Bureau
5) Secretary-General, NESDB
6) Secretary-General, National Education Commission
7) Director-General, Revenue Department
8) Director, Fiscal Policy Office
9) President, Private Higher Education Association
10) President, Private Education Association
11) Director-General, Comptroller-General’s Department (Secretary)
12) Manager, SLF (Assistant Secretary).

In addition, up to five additional committee members who are experts in one of the fields of information technology, finance, accounting and law, may be appointed by the Minister of Finance.

2.3.1.1 Duties of the SLSC

The duties of the Student Loans Scheme Committee include: setting general policy and controlling the overall operation of the Student Loans Fund; assessing the annual budgetary needs of the fund and preparing the annual budget proposal; setting the regulations, criteria and conditions for granting student loans and for loan repayment. It is also responsible for two appointments: that of the Loan Fund Manager, in charge of the Student Loans Office and the day-to-day running of the scheme, and of the Loan Managing Director, responsible for maintaining individual loan accounts. At the outset, the Krung Thai Bank (KTB) was appointed to undertake the latter function.

2.3.1.2 Functioning of the SLSC

Given its responsibility for setting general policy and controlling the overall operation of the SLS, the central student loans committee should constitute the
linchpin of the system. But for the SLSC to operate in accordance with its defined role, two conditions need to be satisfied.

First, the appointed members of the committee should meet regularly and, as a team; assume full control of the steering of the scheme through proactive decision-making. Second, the SLSC needs to be served by an office and full-time professional staff, both in order for it to receive the necessary information on which to base decisions and to ensure that its decisions are fully implemented.

For the SLS, the SLSC apportions the annual student loans budget between the MoE and OHEC mostly on an arbitrary basis, though there is a rule for allocating budget to the poor and students in the particular zone i.e. southern Thailand. Using rather different allocation procedures, the two education ministries allocate loan budgets to institutions within their purview (the MoE, mainly via its provincial offices) and have overall responsibility for loans distribution to students enrolled in their institutions. The MoE also allocates loan budgets to educational institutions falling under the control of other ministries. The actual allocation of loans to students is in the hands of the educational institutions themselves – secondary schools, the colleges and the universities.

For the ICL, the SLSC apportions the annual student loans budget directly to the institutes according to the number of students who register in their courses. Please be reminded that the ICL is still being implemented for the old loan recipients in the batches of the years 2006, 2008, and 2009 until they all graduate.

Therefore, there are two tiers of practice in one structure; first, the tier between the ICL and SL scheme, and second the tier inside the SL scheme between the MoE and OHEC. This means that there is different implementation though they are under the same SLSC. The worst part is the hidden tier inside the SLS of the MoE and the OHEC, which discriminates against students with the same level of education regarding loan eligibility. Moreover, these unfair practices have not been evaluated in terms of which are better for policy implementation.

2.3.2 The Administrative Process

After the SLSC has agreed on loan allocation standards, the administrative body will process the loan requests as authorized by the SLSC. Three administrative
processes (allocating the national loans budget, loans distribution, and loans repayment) are shown in figure 2.3. The overall SLS process starts from the secretariat of Thai SLSC acting by the head of Comptroller General Department (CGD) presents the total SLS annual budget request, which has been approved by the meeting of the two payment accounting sub-committees already, for the coming year to all committees. In this process, the Budget Bureau (BB) has to give some recommendations whether that amount of budget request is proper or not. After the Thai SLSC agrees, the manager will present it to the Thai Parliament.

**Figure 2.3 The Overall SLS Administration Process**

Source: Adapted from Thai Student Loans Fund, 2011.

Then the approved SLS national budget will be distributed by passing through the two payment accounting sub-committees' channels as shown in figure 2.3, called loans distribution process. In this process, the Thai SLSC regulates the criteria and conditions for the implementing agencies to screen their loans applications. It also publically announces the implementing schedule to all parties, particularly the policy targets.
When the time begins, all submit their applications to the institutes. These institutes have already been given their annual loan allocations. They will judge their students according to established eligibility guidelines. However, many errors occur as they always use human judgment rather criteria, besides their misunderstanding or misinterpreting the criteria.

After all loans have been disbursed, the loans repayment will take place by the KTB action and the repayment will be sent back to Thai SLF as displayed in figure 2.3. The KTB has to send all notice letters to the SLS debtors and also sue them after the students who have graduated, used up their two years grace period, and exhausted five years of warning to repay their debts.

A drawback of this process is that the two payment account sub-committees provide no official feedback to the Thai SLSC from the educational institutions. If there are good regularly published reports to all policymakers, there will be some good adjustments in time to meet changes in labor demand. Thus, the loans will not produce unemployment and inability to repay the loans.

The following subsections reviews many articles in the literature along with actual facts compiled by the researcher, including some alluded to by SLS staff, and working experiences about these three processes with description in deep detail that have never been revealed anywhere before.

2.3.2.1 Allocating the National Loans Budget

The Thai government formally commits an annual provision to the SLS loans budget as stated in the Student Loans Act of 1998 that the government will subsidize enough budget to the fund annually. This commitment is approved by two Houses of Parliament for allocation in each fiscal year to the Student Loans Fund, the revolving fund concerned with the SLS.

Practically, the BB estimates the budget allocation required for old recipients on the basis of the previous year’s allocations, first, and then for the new recipients later. The ‘old recipients’, who are student loan recipients in the current academic year and who mostly apply for an additional loan to finance study in the coming academic year are regarded as constituting a fixed charge on the fund. The old loans tend to be renewed at the same amount as the previous year.
The BB and the SLSC anticipate the new recipients from: first, the number of student finishing the primary schools; the demand for vocational school graduates from labor markets; and adding some special educational policies i.e. the Peace Keeping Policy in 2009, giving more privileges and opportunities to students from southern of Thailand to access all levels of education.

After predicting the total number of borrowers, the calculations will be done by using the average tuition fees of each education level plus the living costs of one student as the multiplier.

Table 2.1 shows the accumulated budget allocations as written in the Budget Acts for several years. The government has regularly supported the SLS funds according to the target numbers.

**Table 2.1 Accumulated Amount of Budget Provided for both the SLS and ICL and Targets**

<table>
<thead>
<tr>
<th></th>
<th>SLS Budget</th>
<th>SLS Target</th>
<th>ICL Budget</th>
<th>ICL Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal year 1996 - 2006</td>
<td>238,680,303,000</td>
<td>2,863,421</td>
<td>Fiscal year 2006</td>
<td>6,453,732,200</td>
</tr>
<tr>
<td>Fiscal year 2007</td>
<td>31,323,787,000</td>
<td>1,075,959</td>
<td>Fiscal year 2007</td>
<td>4,445,129,400</td>
</tr>
<tr>
<td>Fiscal year 2008</td>
<td>24,218,557,100</td>
<td>1,064,091</td>
<td>Fiscal year 2008</td>
<td>4,333,338,800</td>
</tr>
<tr>
<td>Fiscal year 2009</td>
<td>25,675,397,000</td>
<td>946,970</td>
<td>Fiscal year 2009</td>
<td>3,142,672,400</td>
</tr>
<tr>
<td>Fiscal year 2010</td>
<td>20,068,841,100</td>
<td>893,353</td>
<td>Fiscal year 2010</td>
<td>-</td>
</tr>
<tr>
<td>Fiscal year 2011</td>
<td>18,000,000,000</td>
<td>997,939</td>
<td>Fiscal year 2011</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>357,966,885,200</strong></td>
<td><strong>Total</strong></td>
<td><strong>18,374,872,800</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** The Budget Bureau, 1996-2011.

Somchai Richupan and Chollatan Visaruthvont (2001: 20) found that the budget allocations for the SLS had been raised in the first seven years of its operation, the years 1996 – 2001, starting from 3,000 million Baht in the first year until 28,000 million Baht in 2001. The budget allocation to the funds kept rising until 2007 at 31,323.7870 million Baht, and the target number of students to receive loans was also increased.
In 2006, the Budget Bureau had to subsidize the ICL more than policymakers had designed. The amount of the budget came from the calculation of the subject costs multiplied by the number of students in that subject, as approximately expected from the previous year’s demand. The loan per head is quite generous for some students, but it is only partially fair. The 325,000 students reaped the budget of up to 6,453.7 million Baht.

In the next year, after the government changed, the number of ICL borrowers was merged with the SLS according to the eligibility criteria of borrowers. It can be seen in table 2.1 that the number of ICL borrowers has dropped (new borrowers in the educational year 2007 were not allowed to borrow); nevertheless, the number of SLS borrowers has not increased much. Furthermore, the SLS budget would have declined if the implementation was as usual. The SLS and ICL are always seen as supplementary to each other.

Surprisingly, the situation in table 2.1 has been quite odd in the years 2010 and 2011. The number of budgets allocated to Thai SLS dropped down. Actually, the economy has not grown smoothly on account of the political turmoil during last four years. Policy analysts expected that students should return to the Student Loans Fund for their costs of living and learning. The data in table 2.1 shows in contrasting ways the declining number of students in both the SLS and ICL. The latter can be explained by the halt in lending to new borrowers, but how can the reduction of the former program be explained.

The reason for the declining budget allocation to Thai SLS, firstly, is from the design of the fund itself in that it is a revolving fund that can indirectly reduce the budget burden of financing educational institutions. Though, the fund act did not say so, the fund will become self-sustaining eventually.

Next, the scarcity of national budget meant that all government agencies must be allocated funds based on their performance. The Performance Based Budgeting (PBB) was introduced in 1999 and fully implemented in Thailand in 2003, with the requirement of several performance indicators to prove the rationale of the budget supporting the programs/projects. Otherwise, there must be budget phasing, suspension, and termination. As a fund, the Thai SLS must also report their financial
balance sheet to the BB as one of the performance indicators in order to get a new budgetary allocation every year.

As a result, these reasons caused the Thai SLS budget to decrease since their performance has not been so good. In table 2.2, it can be seen that huge amounts of budget are retained at the fund.

The cash left over at the closing date in table 2.2 is the budget allocated in the previous year. For example, in the year 2007 there was 12,739,8270 million Baht left over, which means that the fund could not utilize the total amount of budget given in the Fiscal Year (F.Y.) 2006. In terms of accounting, this amount is composed of the real amount of the budget left over from the previous year, and the interest rate minus all operating cost expense during the past year.

**Table 2.2** Cash left over the Annual Closing Date and Expected Debt Repayment

Flow in

<table>
<thead>
<tr>
<th>The Fiscal Year</th>
<th>Cash left over at closing date</th>
<th>Expected debt repayment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>12,739,827,000</td>
<td>N.A.</td>
<td>12,739,827,000</td>
</tr>
<tr>
<td>2008</td>
<td>10,268,822,500</td>
<td>4,507,000,000</td>
<td>14,775,822,500</td>
</tr>
<tr>
<td>2009</td>
<td>21,897,911,200</td>
<td>8,070,000,000</td>
<td>29,967,911,200</td>
</tr>
<tr>
<td>2010</td>
<td>31,331,639,600</td>
<td>9,682,270,000</td>
<td>41,013,909,600</td>
</tr>
<tr>
<td>2011*</td>
<td>42,256,266,000</td>
<td>9,230,267,500</td>
<td>51,486,533,500</td>
</tr>
</tbody>
</table>

**Source:** Thai Student Loans Fund Office, 2007-2011.

Although this left over money cannot be used for other purposes (except for lending to eligible borrowers), they are deposited in KTB accounts and automatically still receive the deposit interest regularly for another enormous figures. Reasonably, the BB do not need to allocate much budget to Thai SLS in recent years and force Thai SLS manger to efficiently disburse the left over budget and current budget more rapidly to the borrowers waiting in line.

Implicitly, the default of the national loan allocation is from management rather than the fault of the allocation system according to the
performance based budgeting. The resources are financially abundant to both Thai SLS and ICL. But the method of allocating funds into the loan system and also the cash management of Thai SLF are pitfalls. This factor of the implementing agencies’ capabilities and influence in the success of the policy will be further explored in the next section.

2.3.2.2 Loans Distribution

This section is concerned with the distribution of SLS loans; firstly the criteria and conditions of borrowers, and the application process for loans to be distributed. This shows whether the Thai SLS intends to help the poor access education. Besides that, the e-Studentloan system was established to facilitate an efficient lending process.

1) Criteria and Conditions

Besides being a Thai citizen, the main eligibility for a loan as defined by the SLSC is that an applicant must be from a disadvantaged family measured in terms of absolute household income. For the SLS, the ceiling defining low family income was set at 120,000 Baht in 1996; since unallocated funds remained at the end of the first year of the scheme, the ceiling was raised to 300,000 Baht in 1997. It was reduced to 150,000 Baht in the year 1999. After ten years, it was again raised up to 200,000 Baht. For the ICL, there is no family income criteria set. The loan applicants themselves must not be permanently employed either.

In addition, the loan applicants should not hold any degree certificates. They must have good grade records. The most important criteria is they must be less than 43 years old, because on the date of signing SL contract, their ages plus two years of the grace period and fifteen years of installment payments must not exceed sixty years of age. All SLS applicants need guarantors.

Thai SLS provides secondary schools with 27,200 Baht per head annually, including a living allowance of 13,200 Baht per head per year. The first vocational level receives annual loans that vary from 37,500 Baht to 47,400 Baht per person (include 16,500 to 26,400 Baht per head per annum for living allowance). The second and the third vocational levels obtain loans from 25,400 to 30,400 Baht per head in one year with 26,400 Baht for living expenses, while the pre-undergraduate certificate and undergraduate annually get 86,400 till 226,400 Baht for a
person including 26,400 Baht annual cost of living. (www.studentloan.or.th, retrieved on 31st October 2010) The loan recipients can choose either to get only the living allowance or both.

These loan ceilings are from the nationwide average of tuition fees calculated together with the living standard and inflation rate. These have been adjusted sometimes, not according to the change in any variable. It always depends on the Thai SLSC. This causes the lending limits to not reflect the real partial financial support to the disadvantaged.

2) Loans Application Process

All SLS applicants submit an application form together with: a statement of family income (certified by a government official, at least level 5, or the village head); a statement of guaranty, countersigned by the guarantor (the student’s parent or guardian); a copy of the household record; the student, the parents’ and the guarantor’s identification cards; and the school grades transcript. Subsequently, loan recipients must sign a loan contract with their educational institutions and deliver a copy to the Krung Thai Bank (KTB), for vetting and approval. Approximately 60 days after delivery of the contract to the KTB, the student should receive the first payment (credited to a KTB bank account) for the monthly allowance and accommodation expenses; tuition-fee loans are paid directly to the educational institution. These requirements are the same for ICL applicants, except there is no need for guarantors.

Thai SLS usually plans a similar schedule for each semester loan process. It opens for students to register in e-Studentloan one and a half months before the term starts. After the eligibility of new applicants is certified, within a month the living allowance is directly issued to new borrowers while the old recipients do not have to have their eligibility checked. Then after the education institutes confirm their student status and the real amount of the tuition fees, within a month the KTB will transfer the money to the institutes. In total, students have to wait for at least two months to get all the processes done after their online registration. Before e-Studentloan was applied, the loans distribution process took a longer time.

However, the loan application process has been the source of many problems, including time-consuming activities on the part of parents and
students, delays both in obtaining loan approval and in the receipt of allowances. The Committees of the First Payment Account (MoE) and the Second Payment Account (OHEC) have made efforts to solve these problems. The MoE and OHEC organize meetings of key institutional loan officers and visit schools/institutions to help clarify the administrative process. But overall, these efforts have been largely ad hoc and reactive, rather than sufficiently proactive and planned ahead of time.

3) The e-Studentloan

In 2008, Thai SLS launched the “e-Studentloan” for reducing the red-tape and operation costs on paperwork. This electronic loans system has been developed from 2006 on the basis of cost-benefit effectiveness. The system is at www.studentloan.or.th and may be accessed by all applicants. Figure 2.4 shows the work process after the use of the e-Studentloan.

In Figure 2.4, the applicants only apply for the access password and key in all required information for loans approval, and then wait for the online process to be finished. The e-contracts will be handed to the applicants, and they will wait for the money transferred. This sounds so convenient and only a little time is consumed.

As long as the loan applicants can access the internet, the e-Studentloan process works fine. But if applicants are really poor and cannot even access the internet easily or face many obstacles to get online, how will the e-Studentloan facilitate their participation.
2.3.2.3 Loans Repayment

Following a two-year grace period after completion of studies, borrowers are required to begin repayments. The KTB is the central organ for debt collection. Due borrowers are required to report job and salary status to the KTB within 30 days after starting employment. The KTB informs borrowers of amounts to be paid a month before the due date. Follow-up by mail and phone is made of borrowers who fail to repay.

The first round of repayments began in July 1999, following the two-year grace period. Then the beginning of loan repayment was on July 5th, 2001. If the borrowers have not shown up for paying back the principal and interest for longer than five installments, the office of the Student Loans Fund can sue those debtors. However, many exemptions are possible such as died; handicapped; unemployed because of natural disasters; crises; and so on, in the manner of Thailand’s generous native culture.

In order to sue debtors, the office normally hires the lawyers and the charge for each case is 6,000 Baht. This does not include the costs of following or...
searching for debtors, a process which may cost the office more about 500 Baht each. Now, the office has changed from hiring lawyers to contracting the KTB to collect the debts for the whole process. This does not make much difference in the administrative costs of collecting the debts, but it is more convenient, not complicated and reduces internal corruption too.

**Deferred Debts** are delayed payment of debts. After ten years of Thai SLS performance, the unpaid debts have accumulated as the amount of loans and borrowers increased. Table 2.3 shows the number of them. This data is unofficial from a staff member preparing an SLSC meeting presentation. The number of debtors not willing to pay back the loans and interest is high.

In Table 2.3, the highest number was 72.16 per cent of the total debts in the year 2004. These deferred debtors seem to not be lower than 50% of the total due debtors.

**Table 2.3** The Accumulated Number of Borrowers who have not Repaid their Loans

<table>
<thead>
<tr>
<th>Due Years</th>
<th>Debtors on Due (1)</th>
<th>Debtors came in to pay (close a/c+more than due+equal due) (2)</th>
<th>Deferred Debtors (partly+all) (3)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Numbers</td>
<td>%</td>
<td>Numbers</td>
</tr>
<tr>
<td>1999</td>
<td>18,590</td>
<td>6,525</td>
<td>12,065</td>
</tr>
<tr>
<td>2000</td>
<td>66,339</td>
<td>24,023</td>
<td>42,316</td>
</tr>
<tr>
<td>2001</td>
<td>134,747</td>
<td>45,434</td>
<td>89,313</td>
</tr>
<tr>
<td>2002</td>
<td>205,999</td>
<td>63,412</td>
<td>142,587</td>
</tr>
<tr>
<td>2003</td>
<td>224,820</td>
<td>63,998</td>
<td>160,822</td>
</tr>
<tr>
<td>2004</td>
<td>244,495</td>
<td>68,074</td>
<td>176,421</td>
</tr>
<tr>
<td>2005</td>
<td>278,120</td>
<td>82,693</td>
<td>195,427</td>
</tr>
<tr>
<td>2006</td>
<td>270,810</td>
<td>90,527</td>
<td>180,283</td>
</tr>
<tr>
<td>2007</td>
<td>291,947</td>
<td>132,233</td>
<td>159,714</td>
</tr>
<tr>
<td>2008</td>
<td>290,566</td>
<td>151,178</td>
<td>139,388</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,026,433</strong></td>
<td><strong>728,097</strong></td>
<td><strong>1,298,336</strong></td>
</tr>
</tbody>
</table>

**Source:** Thai Student Loans Fund Office, 2007-2011.

Table 2.4 shows the accumulated amount of the deferred debts that finally turn out to be Non-Performing Loans (NPL). Until October 2008, 51.70 per
cent of debts are unpaid, with a value of up to 10,362.92 million Baht. These bad debts can be a good indicator of the SLS implementation. As loans have been given to 3.748 million students, worth over 357,966 million Baht for fourteen years (1996-2010), the debt amount in each year has not been better, but worse year after year. Now the total number of debtors is over 2 million persons with 20,045.19 million Baht of accumulated debts due, with an expected loss of 51.7 per cent.

Table 2.4 The Accumulated Amount of Non-repaid Loans

<table>
<thead>
<tr>
<th>Due Years</th>
<th>Debts (Mil. Baht) (1)</th>
<th>Debts Due (Mil. Baht) (2)</th>
<th>% accumulate pay (3) = (2)/(1)X100</th>
<th>Debts paid (all+more than due+on due+partly) (4)</th>
<th>Deferred Debts (partly+all) (5)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mil. Baht</td>
<td>%</td>
<td>Mil. Baht</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>1999</td>
<td>463.00</td>
<td>45.00%</td>
<td>153.35</td>
<td>73.60%</td>
<td>89.91</td>
</tr>
<tr>
<td>2000</td>
<td>2,681.61</td>
<td>37.00%</td>
<td>707.53</td>
<td>71.31%</td>
<td>437.80</td>
</tr>
<tr>
<td>2001</td>
<td>7,258.13</td>
<td>30.00%</td>
<td>1,487.91</td>
<td>68.33%</td>
<td>994.27</td>
</tr>
<tr>
<td>2002</td>
<td>13,745.04</td>
<td>24.00%</td>
<td>2,067.86</td>
<td>62.69%</td>
<td>1,740.64</td>
</tr>
<tr>
<td>2003</td>
<td>19,213.28</td>
<td>19.00%</td>
<td>2,084.02</td>
<td>57.09%</td>
<td>2,032.35</td>
</tr>
<tr>
<td>2004</td>
<td>22,328.58</td>
<td>14.50%</td>
<td>1,806.18</td>
<td>55.79%</td>
<td>1,801.70</td>
</tr>
<tr>
<td>2005</td>
<td>27,673.84</td>
<td>10.50%</td>
<td>1,680.50</td>
<td>57.83%</td>
<td>1,584.73</td>
</tr>
<tr>
<td>2006</td>
<td>27,833.15</td>
<td>7.00%</td>
<td>1,261.33</td>
<td>64.74%</td>
<td>973.43</td>
</tr>
<tr>
<td>2007</td>
<td>29,867.33</td>
<td>4.00%</td>
<td>1,754.09</td>
<td>146.82%</td>
<td>529.61</td>
</tr>
<tr>
<td>2008</td>
<td>28,764.40</td>
<td>1.50%</td>
<td>391.08</td>
<td>90.64%</td>
<td>178.48</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>179,828.36</strong></td>
<td><strong>20,045.19</strong></td>
<td><strong>13,393.85</strong></td>
<td><strong>66.82%</strong></td>
<td><strong>10,362.92</strong></td>
</tr>
</tbody>
</table>


Annually, the SLS has had a serious situation with the deferred debts. Figure 2.4 identifies how the deferred debts take a big stake of non-loan-repayment. It takes 49.37 per cent of all non-repaid loans (178.48 million Baht) in October 2008, which is equal to 88.11 million Baht. So the NPL in 2008 are about 20.42 per cent of the due debts.
Figure 2.4 Loans Repayment on Oct. 31st, 2008 Classified by non-payment types


The deferred debts mean the borrowers have no capacity to pay back their due debts in time, which is usually taken seriously in every lending financial institute. The problem of Thai SLS seems not to stop only at the increasing number of the deferred debts. It is also the multiplier on the cost of managing the loan repayment and debts collections as each deferred debt will lead to a charge to the Thai SLF for 6,500 Baht for recalling and collecting the debts.

Jaroonsri Madillogkovit, Cheanchanok Kovin and Ubonwon Hongvitayakom. (2006) conducted an evaluation studying the Thai SLS and employment rate of undergraduate borrowers, which mostly implied the stakeholder approach. They used in-depth interviews after they had investigated the resumes of some undergraduates to find the tendency of employment and underemployment effect of Thai SLS. Moreover they could find information about what made the debtors able or notable to pay back loans. Mostly, it is not because they earn less salary, but because they have to be financially responsible for other members in their families before paying back loans.

The problem caused by deferred debts is not unimportant, as it increases administrative costs on the SLF to recover debts, and it also becomes a
financial burden to the government and the borrowers, too. In other words, it can be seen that the less the deferred debts, the more efficient the SLF is. The less deferred debts, the more budget space to support new recipients. And the less deferred debts, the freer the borrowers are financially.

Fortunately, the first ICL have just become due in 2009. The problem of deferred debts and NPL might not yet show up. Anyway, it will be in the phase of following up debts in the year 2011, and four years later it will be in the phase of filing lawsuits. However, the problem is that the amount owed by per each debtor is not clear, and total accumulated loans are higher than the SLS figures.

2.4 International Experience of SLS

Reviewing some outstanding international experiences of other SLS will give a broad perspective of how they operated in various forms to policy decision makers and those who are concerned about how/what direction to improve and develop Thai SLS for a better future, and provide recommendations and suggestions.

2.4.1 The Selective Countries Broad Features

In this section, the student loan development of three major well known countries will be reviewed: the United Kingdom, the United States, and Australia. Another four Asian countries are Japan, India, the Philippines, and Malaysia. All are following the new growth theory to invest in human development for sustainable national growth. Somehow, the results are different.

The reasons for choosing these countries are that the first three (the U.S., the U.K., and Australia) are very well known in implementing the SLS successfully, and all are developed western culture countries. Their age structure diagrams are constrictive pyramids: the countries have long life expectancy, a low death rate, but also a low birth rate. There are few young people, but many of older ages. This population characteristic means that the government has less of a supportive burden to those of learning ages than those who are older. In other words, they can furnish better quality or full education to the younger generation. Besides these demographic factors, they have created high technology economies with high standard living.
They have high but stable consumer price indices that can be applied as opportunity cost indicators for the price of social welfare services.

Another three (India, the Philippines, and Malaysia) are Southeast Asian nations that have adopted the SLS in different ways with outstanding results. The demographics of these countries are expansive pyramids, with high birth rates and death rates. This feature makes their government expenses high in terms of social welfare policies. In addition, their economies are not so productive that they can generate much growth and revenue to the nations. Though the living standards are not really high, the price indices are always too flexible to use as an indicator for calculating the opportunity cost of all public welfare.

Japan is an exception. She is a mixture of being a developed country with an Asian culture. The age structure is an intensively constrictive pyramid, an almost nil birth rate, with long life expectancy. All government policies are social welfare. However, the economy is stable stagnation comprised of high interest rates and an expensive living standard. The best characteristic is the high discipline of all citizens in their daily lives, which makes the SLS successful.

So the different national characteristics will briefly guide how Thai SLS can be adjusted to fit Thai culture, demographics, and economy as sometimes scientific assumptions might not explain all phenomena. Now, the research will explore each nation’s SLS implementation in detail.

2.4.2 The United Kingdom

The U.K. student fund was initially established by the Education Act of 1962, which made it a legal obligation to give full-time university students a maintenance grant. In regards to the scarce government budget, the student loans scheme was introduced by the Education Student Loans Act of 1990 and Education Student Loans Northern Ireland Order of 1990. The Student Loans Company (SLC) was founded for the 1990/91 academic year to administer this scheme within the policy context together with the legislative framework laid down by the government, and to provide students with additional help towards living costs in the form of low-interest loans. It was incorporated as a private limited company in 1989 and started trading in 1990. In
its first year, the SLC gave loans to 180,200 students. This represented a take up rate of 28% of eligible students, with an average loan of £390. (www.slc.or.uk)

2.4.2.1 Administrative Process

The Student Loans Company (SLC) administers government-funded loans and grants to students throughout the United Kingdom. It is responsible, in partnership with Local Authorities in England and Wales, the Student Awards Agency for Scotland, the Education and Library boards in Northern Ireland, the Higher Education Institutions and HM Revenue & Customs, for student support delivery in the UK. And its primary roles are to:

1) Deliver financial support to eligible students pursuing higher education;
2) Pay to Higher Education Institutions the public contribution towards tuition fees for England, Wales and Northern Ireland;
3) Supply information needed by HM Revenue & Customs (HMRC) to ensure repayments are collected on time from all those due to repay under the Income Contingent Repayment Loan Scheme;
4) Manage the direct collection of repayments for loans granted under the former Mortgage Style Loan Scheme.

SLC also undertakes specific tasks for individual Devolved Administrations such as payment of Education Maintenance Allowances. In addition, it carries out the administration and payment of bursaries and scholarships to higher education institutions throughout the UK.

Types of help for new full-time higher education students include:
1) Tuition fee loans to cover the full cost of tuition fees
2) Maintenance loans to cover the cost of living expenses
3) Grants for living costs to cover the cost of living expenses
4) Bursaries and scholarships from universities and colleges
5) Students can also get extra help if they have children or adult dependents, or have a disability or specific learning difficulty.

2.4.2.2 Loans Distribution

SLC distributes the tuition fees directly to the educational institutes according to the eligible student enrollments. For the majority of students, a loan will
be comprised of the tuition fee loan plus a maintenance loan, and this will be paid
directly at the start of each academic term. Everyone on an eligible course qualifies
for 72% of the maximum loan, regardless of income, and the rest is income-assessed.
These loans accrue interest at the rate of inflation, which means that the amount
repaid has the same value as the amount borrowed.

SLC becomes responsible for the administration of financial support
after the award authority has completed the income assessment and eligibility
elements of the application process.

2.4.2.3 Loans Repayment

Before the year 1998, the repayment was directly paid to the SLC. Since
1999, the repayment of loans is repaid through the tax system, and only begins after
the student has left higher education and is earning over £15,000. This system of
collection is known as Income-Contingent Repayment (ICR) by Her Majesty’s
Revenue & Customs (HMRC), because it tapers the repayment obligation according
to the gross income of the account holder. The amount to be paid back will depend on
the amount borrowed plus the interest charged.

Interest is linked to the rate of inflation and is adjusted each year in line
with the Retail Prices Index (RPI). Student Loans Company will apply a 1.5% interest
rate from 1 September 2010 across the UK. Between 1 September 2010 and 31
August 2011, the interest rate may change because it is linked to the rates charged by
high street banks. The rate will be the lower of the Retail Price Index (RPI) in March
2010, or 1% above the highest base rate of a nominated group of banks. The maximum rate of interest that may be charged between 1 September 2010 and 31
August 2011 is 4.4%; this was the RPI in March 2010. There is no fixed rate, taken
out in 1998, as it is not attracted. The fixed-rate had been varying from 9.8% in 1990
and down to 1.2% in 1993, with many rate fluctuations according to the governing
political party.

However, the SLC’s customers monthly repayments are unaffected by
the rate of interest. Borrowers repay 9% of their income over £15,000 towards the
loan. Loans enter repayment status in the April after borrowers finish their course.

A repayment is taken in any weekly or monthly period in which the
gross salary exceeds the current applicable threshold (£288 per week, £1,250 per
month or £15,000 equivalent). This continues until the loan is either entirely repaid or until the remaining balance is written off under the rules of the scheme.

There is no maximum monthly repayment, so that an account holder with an arbitrarily high income may repay an entire balance in a single installment. This is distinct from the previous mortgage-style scheme in which the monthly repayments were fixed and account holders whose incomes exceeded the deferment threshold were required to repay the entire installment each month.

In terms of grants for maintenance, students from low-income households are also entitled to a maintenance grant, which does not have to be repaid. Like the extra maintenance loan, the precise threshold for qualifying as a low-income household varies depending on which country of the UK the student resides in, and is set between two bands, with very poor students receiving the full grant and less-poor students receiving only a partial grant. For the 2009/2010 academic year, students from England and Wales were entitled to a grant of up to £2,906; students from Scotland £2,105; and students from Northern Ireland £3,406.

In 1998, the program was criticized because the tuition fee loans had been fixed at too low a rate for many years, and finally in 2004 the fees rate was raised by the government. Besides that, in the summer and autumn of 2009, many students experienced delays in being assessed for and granted student loans and grants. As courses began in September and October 2009, the Student Loans Company said that up to 116,000 students would have to begin the term without their funding in place. As a result, the heads of customer services and information and communication technology at the Student Loans Company resigned, and the senior management team was restructured. However, the board of the Student Loans Company warned it could be another two years before the service was running properly.

2.4.3 The United States

In the United States, the student loans are regulated under the Higher Education Act of 1965. It is a federally guaranteed student loan program to help college students pay for their education. The program allows students to borrow money at a reduced interest rate and defer payment until they are no longer in school. It is also available to parents with higher limits, and they can start at any time.
A counterpart, private student loans, is not guaranteed by a government agency and are made to students by banks or finance companies. They are always provided as a supplement to federal student loans, as the latter are not sufficient for covering all costs of higher education. Advocates of private student loans suggest that they combine the best elements of the different government loans into one: they generally offer higher loan limits than federal student loans, ensuring the student is not left with a budget gap. But unlike federal parent loans, they generally offer a grace period with no payments due until after graduation (this grace period ranges as high as 12 months after graduation, though most private lenders offer six months).

2.4.3.1 Administration Process

Federal student loans in the United States are authorized under Title IV of the Higher Education Act. The loans are generally offered as part of a total financial aid package that may include grants, scholarships, or work study opportunities. They may be subsidized by the U.S. government or may be unsubsidized depending on the student’s financial need.

Both subsidized and unsubsidized loans are guaranteed by the U.S. Department of Education either directly or through guaranty agencies. Nearly all students are eligible to receive federal loans (regardless of credit score or other financial issues). In that Act, the government describes what students may use the loan for:

You may use the money you receive only to pay for education expenses at the school that awarded your loan. Education expenses include school charges such as tuition; room and board; fees; books; supplies; equipment; dependent childcare expense; transportation; and rental or purchase of a personal computer.

In some cases, students who have more expenses to pay can apply for private education loans. There is no obligation for these. However, the private loans may charge higher interest rates with many repayment installations. At the time being, federal loans have strong penalties for those who do not return their student loans as
well as the private ones. The administrative process may not differ much between federal and private loans.

2.4.3.2 Criteria and Conditions

Both types have a fairly modest annual limit. The loan limits are varied from $5,500 per year for freshman under graduate students, $6,500 for sophomore under graduates, and $7,500 per year for junior and senior under graduate students. For independent undergraduates, the limits are higher: $9,500 per year for freshman undergraduate students, $10,500 for sophomore undergraduates and $12,500 per year for junior and senior undergraduate students.

Subsidized federal student loans are only offered to students with a demonstrated financial need. Financial need may vary from school to school. For these loans, the federal government makes interest payments while the student is in college. For example, those who borrow $10,000 during college will owe $10,000 upon graduation.

Unsubsidized federal student loans are also guaranteed by the U.S. Government, but the government does not pay interest for the student, rather the interest accrues during college. Nearly all students are eligible for these loans regardless of demonstrated need. Those who borrow $10,000 during college will owe $10,000 plus interest upon graduation. The accrued interest will be "capitalized" into the loan amount, and the borrower will begin making payments on the accumulated total. Students can choose to pay the interest while still in college; however, few students choose to exercise this option.

Federal student loans for under graduate students have higher limits: $8,500 for subsidized Stafford and $12,500 (limits may differ for certain courses of study) for unsubsidized Stafford. Many students also take advantage of the Federal Perkins Loan. For under graduate students the limit for Perkins is $6,000 per year. Another interesting loan type is the federal loans to parents who cannot obtain the grace period, and the limit is also not high. It is just enough to cover the cost of education.
2.4.3.3 Loans Distribution

The loans are distributed every 1st of July, through a channel that begins with the U.S. Treasury Department and from there passes through the U.S. Department of Education, then to the college or university, and then to the student.

According to the U.S. Department of Education, more than 6,000 colleges, universities, and technical schools participate in Federal Loans, which represents about 80% of all schools, which account for 75% of all federal student loan volume.

However, there are many private banks providing, approving, and transferring loans to their clients in many different times. For the loans given to parents are directly issued according to their needs and eligibilities. So, this is more flexible for the students as they can get loans at any time and any price.

2.4.3.4 Loans Repayment

Both types offer a grace period of six months. The last, but not least, feature of the U.S. student loans is that borrowers can be discharged from their repayment obligation by the bankruptcy court when they face “undue hardship”. But in general, it is difficult to meet the discharge criteria.

After the passage of the bankruptcy reform bill of 2005, student loans are not wiped clean during bankruptcy. This provides a risk free loan for the lender, but interest rates remain high, averaging 7% a year.

2.4.4 Australia

The original student loans in Australia started in 1940 because the government wanted to increase the number of undergraduates. Australia has been known as the most successful in financing loans to their students. Before this was achieved, there were many struggles after which the SLS implementation finally evolved and became suitable for its targets.

2.4.4.1 Administrative Process

The loan gradually expanded to the post graduates and the researchers. In 1989, the Hawke Labor Government set up the Higher Education Contributions Scheme (HECS). Tertiary student places in Australia are usually funded through the HECS-HELP scheme. Australian citizens and (with some limitations) permanent
residents are able to obtain interest free loans from the government under the Higher Education Loan Program (HELP) which replaced the Higher Education Contribution Scheme (HECS).

Currently, the Department of Education, Science and Training (DEST) and the Australian Taxation Office (ATO) administer HELP under the Higher Education Support Act of 2003. The Act forces the Commonwealth to give financial support for higher education: (a) through grants and other payments made largely to higher education providers; and (b) through financial assistance to students (usually in the form of loans).

2.4.4.2 Criteria and Conditions

In the year 2007, under the original HECS, a $1,800 fee was charged all university students, and the Commonwealth paid the balance. This funding is in the form of loans that are not normal debts. A student could defer payment of this HECS amount (in which case it was called a HECS debt) and repay the debt through the tax system, when the student’s income reached a certain level, using a sliding scale based on taxable income. As a consequence, loan repayments are only made when the former student has income to support the repayments. The debt does not attract normal interest, but grows with CPI inflation.

Moreover, students can obtain subsidized FEE-HELP, an option that is only available for post graduate students, eligible fee-paying students with a loan to cover their post graduate fees from the Government up to a lifetime limit of $100,000 for medicine, dentistry and veterinary science programs, and $80,000 for all other programs. Discounts are available for early repayment. Students cannot borrow any more than $50,000 even once the debt is repaid. Besides these, means-tested scholarships for living expenses are also available. Special assistance is available to indigenous students.

2.4.4.3 Loans Distribution

The Department of Education and DEST and ATO work as the "Body" of HELP to select and assign the "Providers" to distribute loans according to the Higher Education Support Act 2003, Chapter 2.

An institution generally has to be approved as a higher education provider before it can receive grants, or its students can receive assistance, under this
Act. Listed providers (universities and certain self-accrediting providers) have that approval upon commencement of this Act. Bodies that do not have that automatic approval, or whose approval has been revoked, have to apply for approval. Higher education providers are subject to the quality and accountability requirements. A body’s approval as a higher education provider may be revoked in circumstances such as breach of a quality and accountability requirements. These providers must be qualified and regularly report their key performance indicators set by the body to Department of Education.

Concerning the loan distribution process, the provider must determine a student contribution amount for a place in the unit that is to apply to all students who may enroll in the unit during the year. After determination, they must certify and send all records to the Ministry.

After the Ministry sets the number of annual loan allocations, the amount of the grants will be payable to the providers according to the clusters i.e. law, accounting, and so on, and the national priority. The Ministry reserves the right to change the amounts of these grants in situations such as excess places and grants.

2.4.4.4 Loans Repayment

For the loan repayment, HELP account debtors can make voluntary repayments. These repayments attract a 10% bonus for repayments over $500. This means that if a person voluntarily repays $1,000, the debt is reduced by $1,100. If the remaining debt is less than $500 the bonus still applies on repayment of their balance of the debt. As making voluntary repayments does not exempt the person from compulsory repayments, if the person intends to pay off the total debt voluntarily, it is financially advantageous for them to do it before lodging the tax return. This will attract the 10% bonus on the repayment, and there would be no balance on the debt to which the compulsory repayment provisions can apply. Better still, if the voluntary repayment is made before the indexation date of 1 June, the avoiding of the indexation adjustment is an additional bonus. If a person with a HELP debt dies, any compulsory repayment included on their income tax notice of assessment relating to the period prior to their death must be paid from their estate, but the remainder of their debt is canceled.
HELP debts are administered by the Australian Taxation Office (ATO) and will be repaid compulsorily over time through the taxation system. If the HELP Repayment Income (HRI) of a person with a HELP debt exceeds a certain threshold, which for the 2007/08 financial year is $39,825, compulsory payments will be deducted from the person's tax for the year. To work out the HRI, the ATO will add back to the person's taxable income any net rental loss claimed against that taxable income and add fringe benefits and exempt foreign income received, which have not been included in the taxable income. The ATO has set the rate of repayment according to the rank of taxable income.

However, there has been criticism that the HECS-HELP scheme creates an incentive for people to leave the country after graduation, because those who do not file an Australian tax return do not make any repayments.

2.4.5 Japan

In Japan, most education institutes are private. The government finances all state institutes' tuition fees. Private institutions are, in principle, self-financed by tuition, application and entrance fees, donations and income from auxiliary services.

2.4.5.1 Administrative Process

Subsidies are granted by the national government through the Promotion and Mutual Aid Corporation for Private Schools of Japan with respect to current expenditures, mainly to maintain and improve educational and research conditions and ease the financial burden of the students.

The Corporation also provides long-term low interest loans for funds necessary to improve facilities and equipment in private higher education institutions. In addition, the national government provides direct grants to private institutions of higher education for the purchase of educational and research equipment so that their distinctive education and research can be promoted.

In 2004, the new student loan system was introduced under the Independent Administrative Institution Japan Student Services Organization (hereafter JASSO), formerly known as the Japan Scholarship Foundation. This scholarship loan system provides loans for school expenses to outstanding students who are having difficulty with their studies due to economic reasons. Eligible students
include those attending educational institutions such as undergraduate schools, universities, junior colleges, colleges of technology, and professional training colleges, established based on the Japanese School Education Law. (www.jasso.or.jp)

2.4.5.2 Criteria and Conditions

Under the new system, there are two types of student loans, both of them means-tested, for Japanese students. The JASSO First Class loans have a zero rate of interest and are academically selective. They are meant to cover maintenance costs only and provide about US$315/month for public university students living at home and $360/month for those who are not. Higher loans ($380 and $450 respectively) are also available to students attending private universities. The JASSO Second Class Loans are interest bearing (prime rate currently at 3% maximum) and not as academically selective as the first class loans. They can be used for both tuition and living expenses. Under graduate students may borrow a maximum of $720/month and an additional $2,160 for just the first month.

2.4.5.3 Loans Distribution

Japanese student submit the loan application forms to the education institutes in which they are currently enrolled. In principle, there will be a notification for application every spring. The application can be accepted anytime, but the normal time is in July. Guarantors are always required for all types of loans. They can be institutional guarantors, which is Japan Educational Exchanges and Services, but students have to pay a certain amount of monthly insurance to the institutions.

2.4.5.4 Loans Repayment

Both loans have a grace period of six months after leaving school and a maximum repayment period of 20 years. The JASSO decides the individual repayment periods based on each student’s total amount of indebtedness. When they apply for the loans, students choose between a personal guarantee or an institutional guarantee. If they choose the latter, the Japan Educational Exchanges and Services (JEES) will cosign the loan, but students have to pay a certain additional amount of monthly insurance to the institutions. Applications for scholarship loans are accepted anytime if the necessity arises because of a sudden change of circumstances in a household's main income provider, such as unemployment, personal bankruptcy,
company bankruptcy, sickness or death, or sudden changes of financial situations due to disasters such as fire, storm, or flood damage.

In principal, repayments are automatically deducted from the recipient's bank account after graduation, in monthly or both monthly and semi-annual installments (half of the total amount is paid monthly and the remainder in semi-annual installments). These are called "Relay Accounts" to signify that the money returned is handed on for use by other students. The number of repayment installments depends on the size of the loan. Additional charges will be imposed on overdue repayments. A 10% annual interest penalty will be added to the overdue installment (excluding interest) as an overdue charge, prorated by the number of days delayed.

Loan repayments can be postponed for the following cases if a postponement request is submitted. Firstly, if a repayment has become difficult due to a reason truly unavoidable, including a disaster, sickness, injury, economic difficulties, and so on. Secondly, if the student is still pursuing his/her studies at school.

Exemption from repayment will be granted upon request if the conditions are met. For the borrowers under the 1st loan category (interest-free loans), this is for those who are unable to repay the loan due to death, physical or mental disability; and they have achieved particularly outstanding results during their academic years. For the borrowers under the 2nd loan category (low-interest loans), this is if repayment becomes impossible due to death, physical or mental disabilities.

### 2.4.6 India

A student loan program is not a new phenomenon in India. The National Loans Scholarship Scheme has been in operation since 1963 with a view to improving access to higher education without the government bearing the total burden of financing higher education. The loans provide interest-free loans to needy and able students to help them finance full time higher education in India, starting from the post-matriculation level to the completion of higher education; loans are renewable on an annual basis.

It was originally anticipated that student loans would help to establish a revolving fund in 5-10 years, so that the scheme would become self-financing in the
long run. It was also advocated on the grounds that such a scheme would prevent wasteful expenditure, as only the needy students would borrow from the government for their further education. Students would also become more serious in making educational and career choices, because of the need to repay their debts. Moreover, it would increase the value of education in the eyes of the consumers, as anything provided free tends to be less valued than goods or services sold at a price. Finally, advocates of loans argued that students would become more cost-conscious, and know how much society invests in their education, which would increase the internal efficiency of higher education.

2.4.6.1 Administrative Process

The scheme is funded by the national (central) government, but administered through the provincial governments. The loans are actually paid through higher education institutions.

However, the national government fixes the number of loan scholarships (presently around 20,000), and the regional allocation is based on the population. In each state the allocation is made in proportion to the number of different qualifying examinations, subject to a minimum of one for each educational level.

2.4.6.2 Criteria and Conditions

The value of the loan-scholarship ranges between Rupees (Rs) 720 per annum (for pre-university and under-graduate courses) and Rs. 1750 per annum (for doctoral or for post-second degree education in professional courses such as medicine, engineering, technology, etc.) depending upon the nature and type of higher education. All those who secure marks of 50 per cent or above in qualifying examinations, and whose parental income does not exceed Rs. 25,000 (the limit was Rs. 6000 until 1987-88), and who do not receive any other scholarship, are eligible for the loans.

Parental income is not taken into account in the case of post undergraduate studies (second degree and above), for which merit forms the sole criterion for final selection among the eligible applicants.

2.4.6.3 Loans Distribution

In India, the student loan segment is viewed as a vast untapped potential. Citibank and ICICI Bank are offering equally competitive schemes. Almost every prominent bank in the country has a student loan scheme in some form. What matters
the most to an individual is obviously the cost of credit according to the terms and conditions of the education loans. These, like any other loans, vary among banks.

Besides pricing of the product, the most important things are the documentation requirements, the quality of services offered by the bank, and the speed at which loans are approved. Some banks, such as State Bank of India, also give you a choice between fixed and floating interest rates. Whereas, private and foreign banks offer loans with a fixed interest rate, some banks charge interest on a daily or monthly reducing balance.

Recently, the Indian Banks’ Association (IBA) has formed a working group to address the issue of student loans and the rising rate of default. The group has submitted its findings to the Reserve Bank of India and the main suggestion is to make it mandatory for parents or guardians of the students receiving loans to be co-borrowers, thereby making them liable for repayment.

2.4.6.4 Loans Repayment

The repayment course period is 1 year or 6 months after getting a job, whichever is earlier. The students are expected to repay the loan in easy monthly installments, equal to one-tenth to one-sixth of monthly income, subject to a minimum of Rs. 25 per month. Borrowers, who earn no income, including housewives, have to pay the minimum, i.e. Rs. 25 per month. The repayment is expected to start one year after the scholar begins to earn an income (excluding any paid practical training), or three years after termination of the scholarship or studies, whichever is earlier.

Generally the loan becomes recoverable about 8-10 years after commencement of the loan award, and full recovery of the loan takes around 10 years. This scheme was applied to a mass population, about 9.2 million in 1988, and a high recovery rate of the loans was expected, but it did not occur during the 26 years of operation. The nationwide recovery rate average was only 6%, and the write-offs were high. The Indian government has been searching for a new form of student loans.

Currently, the government has adjusted the form of the SLC. It is quite different from the others as it is provided mostly by the public banks. There are two Student Loans categories. First, students can borrow up to Rs 400,000 without providing any security or margin. Another category is the loan amount of Rs 400,000 to Rs 750,000, which can be availed against a third-party guarantee. This
loan comes with a five percent margin (this means that a borrower will get five percent less the amount sanctioned as a loan; the borrower will have to put together the rest of the money). The third-party guarantee can come from an uncle, neighbor, or friend standing guarantee for the full amount.

2.4.7 The Philippines

As regards Asian cultures, parents want their children to access the highest education for which they can provide support. Thus, the Philippines government has been always forced to finance the universities and provide free education for all. So the student loans scheme in the Philippines has a really long story that begins in 1976.

2.4.7.1 Administrative Process

“Study Now Pay Later (SNPL)”, started in 1976, is the oldest system-wide means-tested student loan scheme. The loans, which are only for poor students and cover tuition and means tested allowances, were originally funded and operated by five Government Financing Institutions (GFIs). The GFIs displayed active resistance to the scheme: over the period from 1976 to 1986, they disbursed only 40 per cent of assigned loan funds and, given government default guarantees, collected only about 40 per cent of due loan repayments.

In 1989, the Commission of Higher Education Department (OHECD) began administering the SNPL. However, these new bureaucratic arrangements both lacked administrative capacity and incentives to operate a viable loans scheme. Stringent budgets continued to restrict coverage to a few thousand new borrowers each year, and loans are often insufficiently large to cover tuition fees. With a disinclination to collect loan repayments and negative borrower attitudes towards repayment, the repayment rate has now dropped to a mere 2 per cent.

Under the operation of the OHECD, the SNPL divides slots equitably among regions and the total number of slots are determined by the budget allocation; however the total number of students availing of the loan has been quite limited with questionable success. No clear plans are afoot to develop any nationally based scheme of broad coverage and sizeable impact in the foreseeable future.
2.4.7.2 Deferred Debts

The repayment rate of SNPL dropped from 41 per cent in the 1970s-1980s, to 3 per cent, in the process of GFI's disengagement in 1988-1992, to only 1.9 percent in 2003.

Reasons for the low repayment rate included lack of information on the whereabouts of defaulters; unemployment or low income of defaulters; absence of legislation compelling loan guarantors to pay off the “bad” loans of defaulters; lack of capacities to track and prosecute defaulters by both implementing and funding agencies; absence of an SNPL databank; absence of a specialized unit in charge of loan collection; and rapid turnover of personnel in charge of SNPL without proper delegation of responsibilities.

2.4.7.3 Recent Reforms

To survive, the government has created additional student loan programs by implementing the Public Private Partnership (PPP) in 2006. It is the PGMA Higher Education loan program for needy 3rd and 4th year students in private higher education institutions via partnerships between the OHECD and the individual private institutions. As part of the program, the participating higher education institution agrees to establish a Student Financial Assistance Unit to administer the program. The loans, which carry an interest rate of 6 percent (compounded from loan disbursement), are only for tuition fees, and the maximum amounts are determined by the individual higher education institutions.

In 2007 new legislation was passed to reform the student loan system. The Study-Now-Pay-Later Fund was created along with a body to administer it, the Educational Loan Fund Authority under the OHECD. The legislation also revised the terms of the loan and set the maximum annual loan amount. It is equivalent to the prevailing cost per academic unit at the University of the Philippines multiplied by fifty academic units, at an interest rate ranging between 5 and 10 percent as determined by the Educational Loan Fund Board (governing body of the Authority). Repayment begins five years after graduation, and must be made in five equal annual amortizations starting from the date the first loan payment becomes due.
2.4.8 Malaysia

The Malaysian education system mostly started in local or native forms. Islamic schools were the earliest available for Malaysian students. Western style education entered Malaysia during the colonial era. Many secular schools provided language and religious study at the same time. Chinese and Indian schools became dominant after independence as they are main groups of immigrant workers in Malaysia. In the 1950s, there was a reform of the Malayan government and the establishment of a real education system. The first education decree was in 1956 for independent Malaya, and a national education act was promulgated in 1961. The central structure of education (12 years of schooling and 4-5 years for the first degree) was established, and the government must provide state education as far as possible.

However, it has been known that tertiary education is highly subsidized in Malaysia, as the government wants high capacity human resources for reaching a knowledge economy. This was a result of the New Economic Policy (NEP) implemented in 1971. The government expenditure on tertiary education was 2.7% of GDP in 2005, while Sweden’s was only 2.2%, Thailand’s was 1.0%, , and South Korea’s was 2.4% (The World Bank, 2007). Nevertheless, public institutions always get higher levels of financial support than private ones. Inadequate budgetary support makes the fees of higher education expensive. High tuition fees are one main problem for all. This is the main reason why a student support mechanism is required.

2.4.8.1 Administrative Process

In 1997, the government of Malaysia created the National Higher Education Fund Corporation (NHEFC) as a semi-autonomous body under the authority of the MOHE with the purpose of offering subsidized loans to help students meet the high tuition fees charged by the newly established private higher education institutions.

However, equitable patterns of participation have not come with access. Data from the study show that the public university admissions quota system overwhelmingly supported one ethnic group - the Bumiputeras: Malays and other indigenous groups (Singh; 2011). The non-Bumiputeras are only 10-11%.
The PTPTN Education Loan Scheme was set up on March 1, 2007, with the aim of providing education loans to all Malaysian students pursuing their studies in local institutions of higher learning (IPT). These loans will enable students to fully or partially pay their fees and their subsistence for the duration of their studies in the IPT. Thus, this scheme provides greater opportunities for students to continue their tertiary education. (www.ptptn.gov.my)

2.4.8.2 Criteria and Conditions

Eligibility for NHEFC loans was extended a few years later to students in public universities, despite the prevailing level of subsidy provided to Bumiputeras students. NHEFC management has been very effective in expanding the program and in running the agency in an efficient manner.

Recently, all non-Bumiputeras (most are Chinese and Indian) have become eligible for PTPTN loans, making the whole education system equally accessible nationwide. Other eligibility requirements are: age on date of application not exceeding 45 years of age; passed Malaysia Certificate of Education (SPM) or passed SPM for Community College Certificate and Polytechnic Diploma under graduates with a CGPA of 3.0 or above; IPTA/IPTS/Polytechnic students must register to pursue courses approved by the IPT Management Department (IPTA/IPTS)/Polytechnic Management Department and Community College of the Ministry of Higher Education; and IPTS students must obtained the Accreditation Certificate from the Malaysian Qualifications Agency (MQA). The course and Accreditation Certificate approval period must still be valid on the date of application.

Furthermore, all students must possess entry requirements determined by the Ministry of Higher Education to pursue the course. For students with qualifications that differ from those stipulated, verification that the said qualifications are equivalent to the required qualifications must be obtained from departments or agencies specified as above. The remaining period of study upon application must exceed one year, and lastly, an applicant must have no other sponsor.

Lastly, loan disbursement is different according to the type of institution, level of studies and courses, and also depends on the parent’s monthly income.
2.4.8.3 Loans Distribution

The approval for the loan period will be based on the current semester, i.e. when the complete application is received by PTPTN. The loan offer is valid for only 1 month from the date of approval. Should the loan agreement not be completed within this period, the offer will be cancelled. The loan agreement will be deemed complete only if the document is sealed with a revenue stamp.

The loan payment is credited directly to the student’s account. The first loan payment is released only after the completed agreement is received by PTPTN. Subsequent payments will be made after PTPTN receives confirmation from the IPT that the student is successful in continuing studies and has obtained a GPA of 2.0 or above with no deferred study.

2.4.8.4 Loans Repayment

There are many channels to pay back the debts: by bank cheque; through the internet; counter payment; and deduction via Inland Revenue board.

The period of loan repayment is based on the total loan taken as follows:
(1) RM10,000 and below - 60 months; (2) RM10,001 to RM22,000 - 120 months; (3) RM22,001 to RM50,000 - 180 months; and (4) RM50,001 and above - 240 months. The borrowers must pay administrative costs of 4% annually which will be charged on the date of loan repayment up to 31st December 2003. From 1st January 2004, the administrative cost is reduced to 3% annually on the remaining monthly loan.

However, administrative costs will be calculated 6 months after completion of study or termination of loan as specified in the signed agreement. No reduction is given in administrative cost.

Deferment of repayment can be considered for borrowers who continue their studies or who are not yet working by submitting an application. However, the administrative cost will be charged during the period of deferment. The administrative costs will be waived for full repayment of the loan within 6 months.

Exemption of repayment will only be considered for borrowers who obtain first class honors for loans that were approved prior to 1st July 2005, and only by submitting an application.

Currently the CIMB bank, a major implementing agency in loan disbursement, has partly lent the PTPTN RM 1.5 billion from July 14th, 2011, which
is 50 per cent of the total fund planned by the Malaysian government of RM 3.0 billion. (Malaysian Student Loans Fund, 2011).

It could be said that Malaysia is another example of a high level of government intervention as regards the SLS policy, like the Philippines. But it has also strictly controlled all implementing processes elaborately, from who can borrow (in detail), how to apply, when to get loans, and the compulsory rule to pay back. However, its financial performance was not so good in terms of long-term viability due to the large number (about 350) of staff in the implementing agency, which reduces the capacity for efficient management (The World Bank: 2007).

2.5 The Analysis of Strength and Weakness of International SLS

It can be said that the Student Loans Policy has almost typically been established on the same five rationales: cost recovery for educational institutions, facilitating expansion of higher education, improved equity and access for the poor, manpower to meet market demands, and help for student finance.

In general, all seven countries implement the student loan policy in three main stages: the loan allocation, loan distribution, and loan repayment. The loan allocation is mostly concerned with administrative process (who centrally manages loans). The loan distribution always discusses the criteria and conditions of the policy targets. Then, the loan repayment usually discusses how the scheme receives their debt payments, which implicitly means its financial viability.

In my international comparative studies, all countries have provided loans for the poor as the first priority. Or, they want to make equity for the disadvantaged. However, the way to classify and screen "who are the poor or the disadvantaged" varies depending on the economic situation and the administrative policy. In Australia, the U.S. and the U.K. seem to provide loans for all as there are more than one scheme. They are open to high competition with private loans to survive financially rather than depending solely on government budgets. This makes them serve more clients, too.
In addition, this subsection will analyze these seven countries, reviewing their strengths and weaknesses. Table 2.5 shows the differences in SLS performance in selected countries regarding aims, processes, and financial aspects.

Before doing so, there are three financial viability ratios: repayment ratio; recovery ratio; and hidden grant ratio that need to be understood. The last ratio is recognized by the World Bank as an indicator of financial viability and SLS efficiency.

Shen and Ziderman (2008: 317-319) give definitions of 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.

These can be rewritten into formulas below.

\[
\begin{align*}
\text{Repayment Ratio} & = \frac{\text{Repayment}}{\text{Loan Size}} \\
\text{Recovery Ratio} & = \frac{PV_{\text{recovery}}}{PV_{\text{disbursement}}} \\
\text{Hidden Grant Ratio} & = (1 - \text{Loan Repayment Ratio}) \times 100\%
\end{align*}
\]

Usually, the loan recovery ratio focuses more widely on the scheme as a whole, rather than on the individual borrower. In addition, the three calculations have shown that the recovery ratio is always lower than the repayment ratio, because the latter takes no account of the probability of repayment default and does not include general administration costs.

---

1 Ziderman & Shen (2008) give the definition of the three ratios as follows:
- The loan repayment ratio measures how much of a loan an average borrower is required to repay: it is defined as the ratio of required repayments to the loan size received, both measured in terms of present values.
  \[
  \text{Loan repayment ratio} = \frac{PV_{\text{repayment}}}{PV_{\text{disbursement}}} = \frac{\text{Repayment}}{\text{Loan Size}}
  \]
- The hidden grant ratio (how much of the loan does not need to be repaid) is equal to 100% minus the repayment ratio.
  \[
  \text{Hidden grant ratio} = (1 - \text{loan repayment ratio}) \times 100\%
  \]
- The loan recovery depends not only on the total of all individual cash repayments. It takes account also of administrative costs that are not passed on to the student borrowers and of the extent of repayment default.
  \[
  \text{Loan recovery ratio} = \frac{PV_{\text{recovery}}}{PV_{\text{disbursement}}} = \frac{(PV_{\text{repayment}} - PV_{\text{administration costs}})}{PV_{\text{disbursement}}}
  \]
Table 2.5 Summary of Factor Affecting SLS Performances in Selected Countries

<table>
<thead>
<tr>
<th>Law/Regulation for Establishment</th>
<th>The U.K</th>
<th>The U.S.</th>
<th>Australia</th>
<th>Japan</th>
<th>India</th>
<th>Philippines</th>
<th>Malaysia</th>
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</thead>
</table>

<table>
<thead>
<tr>
<th>Objectives Met</th>
<th>Cost recovery</th>
<th>Facilitating expansion of higher education</th>
<th>Improve equity &amp; access for poor</th>
<th>Meet market demands</th>
<th>Help student finance</th>
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<tbody>
<tr>
<td>The U.K</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
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<tr>
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<td>✔</td>
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<table>
<thead>
<tr>
<th>Budgets/Finances</th>
<th>PPP</th>
<th>Subsidized &amp; Unsubsidized</th>
<th>Common wealth 25%</th>
<th>75% of Gov’t Subsidized</th>
<th>Mainly Private Banks</th>
<th>Gov’t and PPP</th>
<th>Gov’t Subs. + CIMB</th>
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<tbody>
<tr>
<td>The Student Loan Company</td>
<td>Federal Loan Fund vs. Privates</td>
<td>Through Tertiary Admission Center</td>
<td>JASSO Independent Agency</td>
<td>Indian Bs Association addresses guideline only.</td>
<td>Educational Loan Fund Authority</td>
<td>NHEFC- a semi-autonomous body</td>
<td></td>
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<table>
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<th>Type of Scheme</th>
<th>Loans &amp; Grants</th>
<th>Loans &amp; Grants</th>
<th>Loans &amp; Grants</th>
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<th>Loans</th>
<th>Loans</th>
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<table>
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<th>Loan distribution</th>
<th>Direct to Inst. through Ed. D</th>
<th>Direct to lender</th>
<th>Direct to lender</th>
<th>Direct to lender</th>
<th>Through Ins</th>
<th>Direct to lender</th>
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<tbody>
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<table>
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<th>Loan Repay.</th>
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<th>7% for Federal Loan</th>
<th>CPI inflation</th>
<th>Vary and 3% max.</th>
<th>Fixed and floating at 5% on average</th>
<th>5-10%</th>
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<th>Australian Taxation Office</th>
<th>Taxable inc.</th>
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<th>Recipients’ Banks</th>
<th>Educational Loan Fund</th>
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<th>≥ £15,000</th>
<th>6-12 mth.</th>
<th>Taxable income</th>
<th>6 mth</th>
<th>1-6 mth</th>
<th>5 yrs</th>
<th>6 mth</th>
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<td>✔</td>
<td>✔</td>
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<th>Depend</th>
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<table>
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<tr>
<th>Fin. Viability*</th>
<th>Recovery Ratio</th>
<th>75.0</th>
<th>75.0</th>
<th>60.2</th>
<th>1.3</th>
<th>51.3</th>
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<th>- Repayment Ratio</th>
<th>87.8</th>
<th>82.5</th>
<th>74.3</th>
<th>85.0</th>
<th>80.23</th>
<th>66.0</th>
<th>56.6</th>
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<th>- Hidden Grant Ratio</th>
<th>12.19</th>
<th>18.5</th>
<th>25.7</th>
<th>25.0</th>
<th>19.7</th>
<th>33.99</th>
<th>43.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>The U.K</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>The U.S.</td>
<td>N.A.</td>
<td>✔</td>
<td>✔</td>
<td>N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
<tr>
<td>Australia</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
<tr>
<td>Japan</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
<tr>
<td>India</td>
<td>N.A.</td>
<td>✔</td>
<td>✔</td>
<td>N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
<tr>
<td>Philippines</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
<tr>
<td>Malaysia</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
</tbody>
</table>

Source: Adapted from Shen and Ziderman, 2008.
From table 2.5, the Australia performs very well overall and is able to complete all five objectives, as it is a loan scheme that is totally funded by the central government with a strong organizational structure and good task division. The loan distributions are at the Tertiary Admission Center while the loan repayment is perfectly done through the ATO with the perfect citizen database on taxable income. This job division makes the performance evaluation efficient, resulting in good targets met.

In regards to the Australian financial viability ratios, both the low hidden grants and high repayment rate ratio are good. However, the recovery ratio is not available. It is probably because this ratio must consider the administrative costs in the calculation. This high administrative cost might come from the lifetime lending of students in the health science study i.e. medical doctors, pharmacists, and so on. The strong loan collection system, however, makes undergraduate borrowers run away and prefer to earn salaries outside Australia.

The U.K. is another good example of a government that almost fully supports the SLS, but it currently let private institutions join as the PPP. By doing so it sets up a special purpose vehicle (spv) called The Student Loan Company. As a result, the government can still emphasize that poor students, particularly those with good grade records, will have the first priority. Those who are very poor will get full grants, while the partially poor with good records will get soft loans. The normal rate of interest is always referred to inflation. The ICR, as a loan collector, is also another player supporting the U.K. to always obtain the good performance both in targets met and financial efficiency. However the recovery ratio is not available with the same assumptions as Australia. The eminent problem is the late loan distribution to each borrower because of the SLC's red tape.

The last western success story is the U.S. The multiple student loans schemes in the U.S. are sound and good in general. The Federal government provides even student loans to parents. Consequently, it met three out of five objectives of the SLS with the good financial ratio of lowest hidden grants, medium high repayment ratio, and good recovery rate. The private banks are also allowed to compete with the state banks offering the better alternative loans to students, with longer grace periods or
higher maintenance loans, though the rates are also higher. Nevertheless, the debts of the private banks make more trouble to the overall repayment system.

Japan is another mixed scheme of loans and grants which gives a good performance. The mixture of both makes the government student loans meet four objectives and reach a 75% recovery rate, with a high repayment ratio as the really poor get grants which are deducted from the repayment rate calculation. Then, the hidden grants or losses on the loans seem to be lower than 25%.

The Indian SLS is the second best in terms of good financial viability. This can be said as a result of the SLS renovation in 2007 to allow a lesser level of government support. However, it cannot meet all SLS rationales. The scope of lending is still guided by the Indian Banks Association. Indian borrowers can get the lowest fixed rate loan repayment from the State Bank of India, but the amount of loans may not cover all needs. In general, Indian SLS cannot meet the targets.

The Philippines presents the worst case of the SLS as only three objectives are met, with the lowest recovery rate and a small repayment ratio that results in the highest hidden grants. It just renovated the SLS in 2007. The difference from the Indian SLS is the SPV implication in the Philippines, causing high hidden grants and an unacceptable recovery rate.

Lastly, Malaysia has somehow achieved equity after 2007 as a chance to borrow has been given to non-Bumiputeras. But this was diminished by making all economic classes eligible for the loans, which means the poor will obtain less chance to apply for the loans. PTPTN cannot provide sufficient support to students as the government of Malaysia fully finances the funds while the management of policy implementation is weak with a low recovery ratio of 1.8 (The World Bank, 2007: 41). This means that most of government budget for the loans is not capitalized into the economy. The long duration of repayment periods also worsens the PTPTN. So, the repayment ratio is only 25 per cent while the hidden grants are exceptionally high.

Therefore, all seven selected countries aim at facilitating the expansion of higher education, followed by helping students finance their studies. Implicitly, they applied the endogenous economic theory to enhancing and accumulating the high skilled human capital that is able to support endless national growth in return. Moreover, successful countries all applied either the CPI or the inflation rate as the
interest rate, not being too generous. But their generous features are the lengthy amortization periods, as they all have efficient and reliable loan repayment and collection systems, confirming their sustainability and low hidden grant ratios. However, the enforcement of law is strong enough to not make loan recipients ignore what they have to pay back after finishing their learning.

Obviously, they all have hidden grants of not higher than 25 or 26 per cent, except the Philippines and Malaysia, with 33 and 43 per cent respectively, as both just reformed their SLS in 2007. An eye must be kept on these two Asian countries for performance development. Australia is still an emerging case of an SLS, as the Commonwealth keeps operating, but reducing the volume of financing to 25 per cent. The others have less government support in their schemes, in order to preserve better performance in terms of both effectiveness and efficiency targets met and financial viability.

2.6 The Comparison to Thailand

This part will explore what the Thai SLS has in common with the selected countries from the previous sections. The Thai SLS was promulgated in the year 1996 and became the Student Loans Act in 1998, but implementation for the first batch of students began in 1996.

Its performance has been evaluated by many researchers during the first five years. Table 2.6 shows Thailand in comparison to seven international experiences emphasizing what has been implemented in three stages of the loan process. All researchers have confirmed that Thai SLS has not met the target of improving equity and access of the poor to education as written in the Act. This is the first different point from the seven selected countries and it can also be seen as theoretical invalidity.

In national loan allocations, Thai emphasizes loans to secondary schools, while the others mostly give grants to that level. The others have only ICL for the tertiary level, while the lower levels give grants or let parents borrow instead like in the U.S.. But the Thai government has diversified and provided more support to higher education through ICLs in 2006. No new loans were granted, however, after
2009. Conversely, the ICL aftermath worsened the Thai SLS financial viability and fewer targets were met as there is too policy uncertainty regarding changes in the government. And even now, some trouble can be seen awaiting Thai ICL loan collections starting in 2011, too.

<table>
<thead>
<tr>
<th>1. National Loan Allocation</th>
<th>Thailand</th>
<th>The U.K</th>
<th>The U.S.</th>
<th>Australia</th>
<th>Japan</th>
<th>India</th>
<th>Philippines</th>
<th>Malaysia</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Budgets/Finances</strong></td>
<td>100% Gov’t Subsidized</td>
<td>PPP Subsidized &amp; Unsubsidized</td>
<td>Common-Wealth 25%</td>
<td>75% of Gov’t Subsidized</td>
<td>Mainly Private Banks</td>
<td>Gov’t and PPP</td>
<td>Subsidized+ CIMB</td>
<td></td>
</tr>
<tr>
<td><strong>Central Administration</strong></td>
<td>Office of Thai Student Loan Funds (state organization)</td>
<td>The Student Loan Company : SLC</td>
<td>Federal Loan Fund vs. Privates</td>
<td>Admission Center</td>
<td>JASSO Independent Agency</td>
<td>Association addresses guidelines</td>
<td>NHEFC-semi autonomous</td>
<td></td>
</tr>
<tr>
<td><strong>Types of Scheme</strong></td>
<td>Loans &amp; Grants</td>
<td>Loans &amp; Grants</td>
<td>Loans &amp; Grants</td>
<td>Loans &amp; Grants</td>
<td>Loans</td>
<td>Loans</td>
<td>Loans</td>
<td>Loans</td>
</tr>
<tr>
<td><strong>Criteria</strong></td>
<td>all poor with fam. income eligibility</td>
<td>all</td>
<td>all</td>
<td>all</td>
<td>all poor</td>
<td>all</td>
<td>all poor</td>
<td>All tertiary students</td>
</tr>
<tr>
<td><strong>Ceiling</strong></td>
<td>/</td>
<td>/</td>
<td>/</td>
<td>/</td>
<td>-</td>
<td>/</td>
<td>N.A.</td>
<td>no</td>
</tr>
<tr>
<td><strong>Field of Study</strong></td>
<td>/</td>
<td>/</td>
<td>/</td>
<td>/</td>
<td>-</td>
<td>-</td>
<td>N.A.</td>
<td>/</td>
</tr>
<tr>
<td><strong>2. Loan distribution</strong></td>
<td>Through 2 payment acct.</td>
<td>Direct to Inst.</td>
<td>Direct to lender</td>
<td>Direct to lender</td>
<td>Direct to lender</td>
<td>Through Ins</td>
<td>Direct to students</td>
<td></td>
</tr>
<tr>
<td><strong>3. Loan Repay.</strong></td>
<td>1% i at inflation 4.4%in2011</td>
<td>7% for Federal Loan CPI inflation Vary and 3% max. Fixed and floating at 5% on average 5-10% Fixed and floating at 5% on average 1% for loans + admin. cost 3%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>- Interest Rate</strong></td>
<td>KTBC</td>
<td>Tax Rev.: ICR</td>
<td>U.S. Treasury or CBs</td>
<td>Australian Taxation Office</td>
<td>Recipients’ Banks</td>
<td>Recipients’ Banks</td>
<td>Educational Loan Fund</td>
<td>Financial Ins.</td>
</tr>
<tr>
<td><strong>- Collector</strong></td>
<td>2 years ≥ £15,000</td>
<td>6-12 months</td>
<td>Taxable inc.</td>
<td>6 months</td>
<td>1-6 months</td>
<td>5 years</td>
<td>6 months</td>
<td></td>
</tr>
<tr>
<td><strong>- Grace Period</strong></td>
<td>15 years No limit</td>
<td>Till no taxable income</td>
<td>Lifetime</td>
<td>20 years</td>
<td>Depend</td>
<td>5 years</td>
<td>20 years</td>
<td></td>
</tr>
</tbody>
</table>

Table 2.6 Thai SLS Implementation Process Compared to International Experiences

Under ICL, Thai state universities cannot recover their costs, while there is less facilitation of higher education expansion. Thus, ICL seem to compromise the
policy targets by expanding loans to both the poor and non-poor according to market needs, but they could not make the whole loans system financially viable.

Other governments use ICL for tertiary education, and grants are used for the lower educational levels. This allows the central or federal governments to be able to finance the loans, as it takes only 25 per cent of the total amount of loans. Many countries have taken the real demand for education seriously when planning budget allocations for loans. India, the Philippines, and Malaysia, however, have not done so, and had to rethink their schemes in 2007 and guide loans on the demand side to clients and also to the labor market, similarly to Thailand.

In the loan distribution process, Thai SLS self-operate under the hand of the first and second payment account sub-committees instead of giving loans directly to the education institutions or borrowers. These make an unfair distribution chain even worse, as both sub-committees use different practices. Originally, they both also had less capacity for fund financial management, and the flow of loans was carried out with a lack of central monitoring and auditing, which led to Thai SLS inefficiency. However, it is impossible to let the MoF work on its own as Thai SLS has an educational mission. This is the main distinguishing feature of Thai SLS.

Unlike the other seven international experiences, the Thai SLS is cutting management costs by disbursing loans directly either to the loan recipients or to the education institutes of those borrowers. The international programs however are more cost effective. The U.K. has been still faced with the delay of loans distribution in the past three years as loans must go to the institutes first. So the best way is to transfer loans forward into recipients' accounts.

Concerning loan repayments, the Thai scheme has weak financial viability, with a repayment ratio averaging 69.9 per cent, a hidden grant ratio that is higher than 30.1 per cent, and a low recovery rate (at 28.2 per cent) that accounts for enormous administrative costs, showing the need to renovate the administrative structure.

First, loan collection should not be done by Thai SLF and the KTB, but there should be a separate professional body to handle it. Most international experiences gave legalized authority to collect the loans to the revenue department. Next, the generosity of the 2-year grace period plus 5-year of delayed payments, many
repayment exemptions, and a low fixed interest rate of 1 per cent must be raised. Thailand should adjust the interest rate based on either the real inflation rate or the CPI to reduce the hidden grants. The cheapest SLS is only 3 per cent. Last, there should be a distribution of soft loans for only students with good grade and student grants to relieve the truly poor. The rest must bear some costs.

Last, Thailand and other Asian countries should change the recipients’ consciousness so that they will be responsible for what they borrow and pay back their loans from what they earn. Probably, the changing of the national culture to become more principled is needed.

2.7 Chapter Summary

To conclude, this chapter reveals the facts regarding the Thai SLS and also the international SLS implementation. The literature reviews, both local and international, have shown how to measure the main features of the SLS performance. The first measurement is regarding the objectives that have been met in terms of policy efficiency, and the second is of financial viability.

Objectives met means that the efficiency of a policy may be driven by many factors. First, clear policy objectives should be practical and measurable for the implementing agencies. The objectives need to be stable for a period of time so that they can be applied. Sometimes there should be one means to one goal. For example, grants should be given to really poor students, while loans are for students who are able to pay them back later. So, one scheme of student loans might hurt the overall program.

Under various schemes, financial support can also be varied based upon the loans’ characteristics. Sometimes they provide service that is too favorable for too many citizens. Of course, the implementing agencies must have the ability to accurately carry out their operations according to policy targets. This means the regulations, criteria, and conditions must be clear to all.

In the international experiences, the four developed countries have highly capable administrators to implement their loan programs. Other matters such as loan distribution and loan repayment may be problematic, so high efficiency is required
in lending to the right targets and getting back enough loans to pass on to new loan recipients in a revolving manner. Besides that, the loans need to have sufficient coverage targets so that the whole system is not inequitable.

Moreover, all six countries (except the Philippines) have direct loan distribution to students, which means that the money transfer must work accurately. Conversely, the loan collection systems are well implemented, too. Mostly use the revenue department as the loan collector. However, there are some DD, intentionally escape from repaying their loans. Thus, all programs sent reports to credit bureaus recently.

Eventually, the future trend will be to emphasize the financial ability of SLS as government budgets are scarce. If the loans schemes are not efficient, they will reform them without any hesitation. Good recent examples are seen in the Philippines, Malaysia, and India, which were just overhauled in 2007.

Regarding these, it could be concluded that some implicit factors emerging and obviously contributing to good performance can be seen as (1) the policy has clear objectives, (2) the types of financial support (either totally or partly from budgets), (3) implementing agencies or implementers of the policy, and (4) the lending and collecting process, including regulations, criteria, and conditions, and so on, which will be explained in the next chapter.
CHAPTER 3

THEORETICAL REVIEWS

In order to analyze and evaluate Thai SLS implementation, theories of policy implementation must be reviewed here. The purpose of the theoretical review was to construct a research framework, including specifying factors discovered from the literature reviewed in the previous chapter. Then, the derived variables were employed to construct the conceptual model for this study.

3.1 The Essence of Theories

Here, there will be three main theories: performance of the policy; policy implementation; and modern organization theory. First of all, the policy performance measurement must be identified. This is to measure the overview of Thai SLS implementation, whether it is successful or not. The performance concept will make it easier for the researcher to gauge each stage of implementation: for example, whether the policy is successful in its targets or not, and if the policy targets are correctly set.

Next, the policy implementation will be investigated in depth for each stage of the SLS implementation in a cross-sectional analysis of each factor. What factors impede the policy implementation and what factors expedite it? For instance, do the policy implementing agencies deliver the right policy outputs or not? What are efficient characteristics of implementing agencies?

Last but not least is the modern organization theory. It is essential to discuss the type of the organization in this research. As all SLS are usually implemented by Special Purpose Vehicles (SPV), the policy maker should establish the right organization structure and implant the proper administrative style for the organization to deliver the targets in effective ways.
So, now let's move to each theory for finding the measurements and factors in order to draw the conceptual framework later.

### 3.2 Performance of the Policy

The performance of public services is determined to a large extent by the spatial distribution of facilities and resources that provide the services (Savas, 1978: 800). Three measures of performance are always discussed: equity, efficiency and effectiveness.

However, in the 1980s the demands of citizens became more sensitive as the problems of society became more complicated. Kouzmin, Loffer, Kelmut and Korac-Kakabadse (1999: 122) says that whereas in the 1980s the focus was on the "three Es", equity, efficiency and effectiveness, in the 1990s, attention has shifted to quality and consumer satisfaction. He further discussed the OECD performance measurement trend, which is composed of: benchmarking, which uses comparisons of similar activities; customer satisfaction i.e. citizen surveys, number of complaints, and so on; and some lessening in the focus on the long-term impact of programs, particularly in evaluating such programs.

This performance-based approach developed the public sectors to a new era of public management. Nevertheless, the performance-based culture is not perfectly appropriate for public agencies, as the specific characteristics of public organizations, goods, and services are not similar to those of private ones. The typical 3Es are still in fashion for providing a foundation of public performance measurement.

Regarding the Thai SLS main objectives: to provide greater educational opportunities for the poor; to raise living standards; to foster a greater degree of equality in the population; and to develop national human capital and then enhance Thai competitiveness; the only expected output in the short-run of Thai SLS implementation is the equity of Thai students in accessing all education levels as they wish, even though their parents cannot afford to support them. Then, the following outcomes of Thai SLS implementation in the medium and long terms are equality in living standards and the national competitiveness of skilled human capital.
So, the performance of Thai SLS can still be measured by (1) the equity of access to education, (2) the efficiency of Thai SLS in processing loans to the right targets, which yields (3) the effectiveness of Thai SLS as seen in terms of borrowers’ abilities to repay loans. Regarding the literature reviews, it has been confirmed that if the Thai SLS reached the equity goal with the current less-efficient administration, the government would have had to enormously finance the loan funds. The first priority of implementation evolution of the SLF is to gain efficiency in lending and managing the cash flows in and out. Next, efficiency will be theoretically defined.

3.2.1 Efficiency of the Policy

The analysis of efficiency and effectiveness is about the relationships between inputs, outputs and outcomes. In the 1950s, Farrell (1957) already investigated the question how to measure efficiency and highlighted its relevance for economic policy makers. "It is important to know how far a given industry can be expected to increase its output by simply increasing its efficiency, without absorbing further resources"

Nevertheless, the measurement of efficiency and effectiveness of public spending remains a conceptual challenge. Problems arise because public spending has multiple objectives and because public sector outputs are often not sold on the market, which implies that price data is not available and that the output cannot be quantified.

In 1981, William N. Dunn classifies effectiveness and efficiency as criteria for policy recommendations and described them. He states that:

Effectiveness refers to whether a given alternative results in the achievement of a valued outcome (effect) of action, that is, an objective. Effectiveness, which is closely related to technical rationality, is often measured in terms of units of products or services or their monetary value. (Dunn, 1994: 282)

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 product or service. Policies that achieve the greatest effectiveness at the least cost are always said to be efficient. (Dunn, 1994: 282)

Dunn pictures effectiveness and efficiency as total separate, which is not the case in reality. Mandl, Direx and Ilzkovitz (2008: 3) links input, output, and outcome as shown in figure 3.1.

**Figure 3.1** The Framework of Efficiency and Effectiveness

From these links, he also presents the relationship between effectiveness and efficiency. The monetary and non-monetary resources also deployed (i.e. the input) produce an output. For example, education spending (input) affects educational attainment rates (output). The input-output ratio is the most basic measure of efficiency.

In figure 3.1, effectiveness relates the input or the output to the final objectives to be achieved, i.e. the outcome. The outcome is often linked to welfare or growth objectives and therefore may be influenced by multiple factors (not only outputs but also exogenous 'environmental' factors). Effectiveness is more difficult to assess than efficiency, since the outcome is always influenced by political choice.
When discussing efficiency, a distinction can be made between technical and allocative efficiency as shown in figure 3.1. Technical efficiency measures the pure relation between inputs and outputs, taking the production possibilities frontier into account. Technical efficiency gains are a movement towards this production possibility frontier (“best practice”). However, not every form of technical efficiency makes economic sense, and this is captured by allocative efficiency, which introduces costs and benefits. Allocative efficiency reflects the link between the optimal combination of inputs, taking into account costs and benefits, and the output achieved.

In addition, Boyne, Farrell, Law, Powell and Walker (2003: 16) clearly identifies and distinguishes between two concepts of efficiency: allocative efficiency and technical efficiency.

Allocative efficiency is the match between such outputs and the preferences of the public (e.g. whether the houses built meet the needs of families who lack suitable accommodation, whether the teaching reflects the demands of parents and pupils, whether priority is given to operations for the most urgent medical complaints).

Technical efficiency is the ratio of service ‘inputs’ (e.g. spending) to ‘outputs’, which are the goods or services actually produced by an organization (e.g. new houses built, teaching provided in schools, operations performed in hospitals).

According to the definition and application of efficiency and effectiveness, Thai SLS efficiency can be roughly measured by the number of student loans borrowers (outputs) over the amount of the budget (monetary resources input) according to its objectives: 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. For example, there is an annually increasing number of borrowers, which assures the efficiency of Thai SLS.

In addition to factors mentioned in literature review, there are five reasons/objectives of the policy that can be applied here as good benchmarks of policy efficiency. First, easing student financial burdens is an issue that all six selected
countries are aware of, and is followed by facilitating the expansion of higher education, cost recovery, improved equity and access for the poor, and meeting market needs.

Easing student financial burdens can be seen as students’ demand for loans. Then policy efficiency is the government’s ability to provide loans according to needs. In other words, the scheme can be efficient if it can increase the number of undergraduates in fields that the market needs using the same or less financial resources when budgets are scarce. These can also result in long-term effectiveness.

In fact, Ziderman’s study in 1999 found that the formal loans scheme rules require that priority should be given to the poorer students. Practically, loans are distributed by educational institutions, whose loans budgets are not fixed in proportion to the number of poor students; thus there is considerable difference in the cut-off point for household incomes across institutions (Ziderman, 2003: 87).

Obviously, Thai SLS implementation hardly meets the criteria for effectiveness. The reason is that Thai SLS has set as outcomes that the availability of student loans would lead to greater educational opportunities for the poor, higher living standards, and a greater degree of equality in the population. There is no evidence of this yet. Thus, it is better not to mention Thai SLS longer-run objectives – of enhancing the nation’s human capital, competitiveness and development – as evidence of economic rationality (or effectiveness), while human capital development will be another goal secured through targeting the needy. This fault occurs in the policy implementation process.

If so, how does Thai SLS provide effective policy implementation? What are the factors affecting Thai SLS implementation efficiency and effectiveness? The study will look for the answers to these questions and suggest best practices for Thai SLS implementation in next subsections.

**3.2.2 Financial Viability**

Before moving to theoretical reviews of factors affecting policy implementation, financial viability is another key performance measurement of every loans scheme operation in recent times. What is financial viability and how it is accounted for?
Financial viability 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 plan, and other information that supports financial analysis. (www.rch.nsw.gov.au)

The initial focus of the financial viability assessment is a provider’s audited financial statements for the previous financial year. The results are assessed with the budget and financial projections in the business plan. The trends in actual results over a three-year period are then assessed and projected forward over one to three years (depending on the registration class of the provider). In a broader context, the project managers use this analysis in order to understand their future plans as well as their perspective on the project’s growth (where applicable) and risks. So the financial viability analyses are used in loan projects i.e. insurance, and mortgages.

Salmi. (2003: 5-7) studied an international perspective in student loans for the World Bank experiences and found that all loan schemes have three factors affecting the financial viability in common. The first is heavy subsidies, fixed interest rates, and generous grace periods with long amortization of loan repayment. Second, other uncontrolled situations from outside factors such as economic downturns and political turmoil generate less 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. For Western countries, loan schemes operated by private financial agencies will have operating expenditures of not more than one per cent of their portfolio. Some Latin countries have operating expenditures at 25 per cent of their portfolio.

Ziderman (2004: 71) states that the financial viability of any loan program depends on the extent to which loan outlays are recovered by the lending body. There are two groups of factors that hinder full recovery of loans. First, built in design factors are below market interest rates, interest free study and grace periods, repayment in nominal terms, and long amortization periods. The second is administrative factors which are payments in arrears, intended non-repayment, or evasion and the cancellation of individual repayment obligations (‘forgiveness’) for
such reasons as physical disability and the encouragement of undergraduates to enter occupations with labor shortages, and administration costs.

Shen and Ziderman (2008: 317-319) give definitions of 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 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. These can be rewritten into formulas below.

Repayment Ratio = Repayment/Loan Size

Recovery Ratio = \( \frac{PV_{recovery}}{PV_{disbursement}} \)

Hidden Grant Ratio = \( (1 - \text{loan repayment Ratio}) \times 100\% \)

Usually, the loan recovery ratio focuses more widely on the scheme as a whole, rather than on the individual borrower. In addition, the three calculations have shown that the recovery ratio is always lower than the repayment ratio, because the latter takes no account of the probability of repayment default and does not include general administration costs.

Therefore, the larger the built-in subsidies are, the less of the loan the borrower is required to repay; the difference between the original loan and the actual required repayment represents, effectively, a ‘hidden grant’ to the student taking out a loan. Even if student loans were not subsidized and the individual student was required to repay the loan in full, not all of the sums loaned would be recouped by the loan authorities. The extent of such a shortfall would be dependent on the level of administrative efficiency with which the loans scheme is run. Then, overall loan recovery depends not only on cash repayments but also on administrative costs that are not passed on to borrowers and on the level of repayment default. Thus, it is good to always monitor financial viability. The “hidden grant” is firstly seen whenever the borrowers start borrowing, followed by the “repayment ratio” when the borrowers graduate, and last at “recovery ratio” concern.
3.3 Policy Implementation

Pressman and Wildavsky (1974: xix) defined the term “implementation” as carrying out, accomplishment, fulfillment, production and completion. Like Pressman and Wildavsky (1974: xix), Van Horn and Van Meter (1975: 103) identify policy implementation as encompassing those actions by public and private individuals (or groups) that are directed at the achievement of objectives set forth in prior policy decisions. According to both, the policy implementation is the outcome of policy decisions and the implementation process, including activities of both government and the private sector.

As a result, Van Horn and Van Meter (1975: 66) adjust Easton’s static policy delivery model into two different categories of policy and performance, to be more dynamic. In linking these, the determinants of policy decisions may be examined and their impacts or consequences identified. For example, inter-organizational communication and enforcement activities, economic, social, and political condition are impacts or unexpected results of policy implementation.

So, the study of policy implementation of Van Horn and Van Meter (1975: 68) examines factors that contribute to the realization and non-realization of policy objectives. They also state that the implementation process is assumed to be a series of mundane decisions and interaction unworthy of the attention of scholars seeking the heady stuff of politics. Their variables are (1) policy standards and objectives, (2) policy resources (funds or their incentives), (3) inter-organizational communication and enforcement activities, (4) characteristics of implementing agencies (e.g. staff size, degree of hierarchical control, organizational vitality), (5) economic, social, and political conditions (e.g. economic resources within the implementing jurisdiction, public opinion, interest-group support), (6) and the implementers’ behaviors.

To translate a policy statement into successful implementation, the policy standards and objectives must be clear to all actors, as the implementation process is assumed to be a series of mundane decision and interactions (Van Horn & Van Meter, 1975: 70). Then, the resources must be in hand, ready to begin the implementation.

Moreover, Van Horn and Van Meter emphasized more on organizational theory for their policy implementation model. They explored what can be the factors
affecting the performance of all in organizations to deliver policy outputs. They found the change and control of the organization can either expedite or impede the policy implementation, which refers to the communication, enforcement, attitudes, and characteristics of agencies. This results in implementers’ performances, reflecting the policy performance at last.

However, this model is a slightly top-down approach. In reality, however, it is often difficult to define the relevant actors, and always concerns backward interaction from the bottom base. Furthermore, many of the variables needed to complete an implementation study are difficult to measure and evaluate.

Another top-down policy implementation approach, Mazmanian and Sabatier (1983: 19) says that an adequate understanding of policy implementation must also be based on the contribution which organization theorists and others have made concerning policy making within those bodies immediately responsible for implementation, that is, public bureaucracies. In particular, it is generally accepted that governmental agencies are concerned not only with legally mandated goals but also with organizational maintenance and survival. And while these agencies want to maximize their autonomy, tension is created by the fact that they are heavily dependent upon external institutions—notably their legislative, executive, and judicial sovereigns—for essential legal and financial resources. Mazmanian & Sabatier formally define policy implementation as:

Implementation is the carrying out of a basic policy decision, usually incorporated in a statute, but which can also take the form of important executive orders or court decisions. Ideally, that decision identifies the problem(s) to be addressed, stipulates the objective(s) to be pursued, and, in a variety of ways, “structures” the implementation process. The process normally runs through a number of stages beginning with passage of the basic statute, followed by the policy outputs (decisions) of the implementing agencies, the compliance of target groups with these decisions, the actual impacts – both intended and unintended – of those outputs, the perceived impacts of agency decisions, and, finally,
important revisions (or attempted revisions) in the basic statute.  
(Mazmanian and Sabatier, 1983: 19)

Van Horn and Van Meter (1975: 68) present the less dynamic effect of independent groups of variables on dependent variables of implementation policy. However, Mazmanian and Sabatier (1983: 39) bring the various facets (more actors and more emphasis on the 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.  

So, the following subsectors will discuss each component of policy implementation.

3.3.1 Clear Policy Objectives/ Consistency

Quiggin (2001: 12) states that it is necessary to distinguish between core and peripheral objectives and to set expenditure priorities accordingly, in all areas of public expenditure. In his paper he studied the objectives of Australian defence policy and suggested that the policy issues can and should be clarified by the explicit adoption of a single core objective, that of national self-defence, with other possible uses of defence forces being regarded as peripheral (Quiggin, 2001: 4).

Van Horn and Van Meter (1975: 84) state that standards and objectives elaborate on the overall goals of the policy decision. They move beyond the generalities of the legislative document to provide concrete and more specific standards for assessing program performance. Sometimes, they are easily measurable but sometimes they are not. The difficulty to measure performance is mostly from the ambiguity and contradictions in the statement of objectives.

Policy consistency and inconsistency is mostly always about discretionary purposes. It is frequently seen in financial policy such as interest rates and exchange rates. Here, Thai SLS is dealing with money and lending the country’s budget. The discretion of setting objectives can play a role.

Inconsistency can disturb the policy implementation if there are many implementers or several implementing agencies because when the policy changes its
objectives or standards, the implementers must understand all the new concepts and processes i.e. regulations, guidelines, and performance evaluation criteria.

Direk Patmasiriwat (2008) pointed out the uncertainty of Thai SLS policy objectives when the ICL’s emergence in 2006 expanded the delivery target from serving students with family incomes of less than 150,000 baht to any who want to study at the undergraduate level. Even though that was not the situation, implementation by the local officers has not been exactly as the law was written.

Quade (1982: 88) defines public policy objectives as usually the product of a political process, not an individual decision. Unfortunately, some policy goals are not clearly written or even fully perceived by the decision maker, and let alone unambiguous to the analysts. He helpfully further states that quantitative analysis can tell us whether some objectives make sense or not.

Dunn (1994: 261) defines a policy goal as an aim or purpose which is broadly stated, formally defined, unspecified as to time and target groups, and unquantified. Security, welfare, and justice are goals. The policy objective means an aim or purpose which is concrete, operationally defined, time- and target group-specific, and frequently measured with quantitative procedures.

### 3.3.2 Budgets and Resources

The policy statement cannot be complete as long as there is no budget injection. The emerging question when the implementers start the policy is “are there enough resources for implementing policy?”

Van Horn and Van Meter (1975: 85) insisted on available resources which facilitate their administration. The resources may include funds or other incentives in the program that might encourage or facilitate effective implementation.

Like Van Horn and Van Meter, (1975: 85) Bardach (1977: 70-77) also agrees that the diversion of resources - especially money - which have to be used in order to obtain or to create certain program elements, are a factor which effects policy implementation.

Moreover, Mazmanian and Sabatier (1983: 26) state that money is obviously a critical factor in any social services program. A threshold level of funding is essential if there is to be any possibility of achieving statutory objectives, and the level of
funding above this threshold is proportional to the probability of achieving those objectives. The basic policy decision established the general level of funding.

Furthermore, Quade (1982: 19) defines budgeting as the allocation of resources to tasks or to other agencies which also involves analysis if the allocation is to be in any sense an optimal one. It involves more analysis to see that actions are ordered properly in time, that resources are available when required, and so forth.

However, Fozzard (2001: 7) purposed in his study of basic budget problems that the implications for public sector resource allocation derived from this analysis are clear: ‘public expenditures should be concentrated first on goods and services that the private market will not provide or will provide too little, rather than merely substituting for or even marginally improving upon the private market outcome.’

So, resources and budgets are important. But whenever there is the basic problem of limited resources with countless number of policies awaiting them, policy makers must realize which public policy is a higher priority to be implemented. More budgets must be reserved for it first.

### 3.3.3 Characteristics of Implementing Agency

Van Horn and Van Meter (1975: 70-75) found the change and control of the organization can either expedite or impede the policy implementation, which refers to the communication, enforcement, attitudes, and characteristics of implementing agencies. Here, the SLF is the main central agency to implement the SLS.

Van Horn and Van Meter (1975: 90) also state that students of bureaucratic politics have identified many characteristics of administrative agencies that affect their policy performance: for example, characteristic norms, and recurring patterns of relations inside the executive agencies that have either potential or actual relation to what they do in the way of policy. These are seen as formal structural features of organizations and informal attributes of their personnel.

Moreover, Van Horn and Van Meter (1975: 91) present a list of characteristics that may impinge on an organization’s capacity to implement policy:

1) the competence and size of an agency's staff;
2) the degree of hierarchical control of subunit decisions and processes within the implementing agencies;
3) an agency's political resources (e.g., support among legislators and executives);

4) the vitality of an organization;

5) the degree of "open" communications (i.e., network of communication with free horizontal and vertical communication, and a relatively high degree of freedom in communications with persons outside the organization) within an organization;

6) the agency's formal and informal linkages with the "policy-making" or "policy-enforcing" body.

This shows that Van Horn and Van Meter are interested in implementing agencies ties to other participants in the policy delivery as well. Before moving further, there is a need to consider some factors influencing the implementing agencies: open communication, leadership, teamwork, organizational culture, and strategic plans as follows.

3.3.3.1 Open Communication

Scheirer (1981: 51-52) also states that "Open" communication channels are considered fundamental by the organizational development theorists. According to the "participation hypothesis" she further says that lower-level staff members' participation in decision facilitates acceptance and implementation of the decision and may have validity, because such participation requires open upward communication.

In turn, open communication can reveal to top-level decision makers the actual working conditions that might counteract implementation, can resolve misunderstandings and fears about the impact of a new program, and can provide feedback for problem-solving. Moreover, this communication can also build a group dynamic of commitment to the new program, to develop in staff members the persistence to overcome inevitable implementation problems. So, the effect of "participation" may thus derive from the availability of an open communication channel rather than from the power of an actual vote in a final decision.

3.3.3.2 Leadership

Furthermore, Mazmanian and Sabatier (1983: 31) cite the commitment and leadership skills of implementing officials, a non-statutory factor, which has an inherent dynamism driving the implementation process. Implicitly, the SLF manager
certainly is a cause of the SLF capability. Pugh (1997: 463-465) link leaders’ behavior to managerial behavior in organizations regarding two main aspects. First, leadership and followership are inextricably linked. Transactional leadership is seen as an exchange relationship between a leader and followers whereby compliance is agreed, explicitly or implicitly, through reciprocal exchange. Transformational leadership is a more uplifting process with high order goals. Second, Pugh links leadership behavior and firm performance. This affects questions and methods of performance outcome measurements.

Taking leadership into account for Thai SLS administration process, the manager, a top leader, of the SLF must always act as secretary to the SLSC. He is another key effect on policy implementation as the secretary must propose the essential agenda to the SLSC for making decisions on any policy regulations and evaluation concerns implementation. So here, the Thai SLS manager should act as both a transactional and transformational leader. This should be evaluated later.

3.3.3.3 Teamwork

Regarding organizational structure, the SLSC is a group of people who decide policy regulations together as well as the division of SLF working tasks. Effective teamwork can increase organizational productivity and job efficiency. It can also reduce human errors and promote job satisfaction.

There are certain characteristics of an effective team that should be ensured for optimum output (Veneeva, 2006). She argued that effective teams always have clear team goals that encourage team members to replace priority of individual goals with those of the team. Teams should also be comprised of people with relevant skills according to the context of goals. Mutual trust is also imperative among team members and can be facilitated through open, honest and collaborative organizational culture. It was further argued that such trust may give rise to unified commitment that is directly linked with a high level of intensity to achieve team goals. Similarly, good communication and negotiation skills through which members can understand each other is also imperative, and all these processes should be led by an effective team leader who can motivate team members even in difficult situations.

Hence, effective team work can be achieved through effective team building. Teamwork is always beneficial for organizations, as it increases flexibility
and speed as tasks are being done by more than one individual with different skills. Effective use of a diverse workforce is possible where more innovative ideas and efficient decision making is more probable due to heterogeneity in the team, and more importantly provided by the right set of motivation and support. It can increase productivity far more than what can be achieved on individual basis.

3.3.3.4 Organizational Culture

Organizational culture is patterns of basic assumptions held by members of an organization. Shafritz, Ott and Jang (2005: 353) say that these patterns of assumptions continue to exist and to influence behaviors in an organization because they repeatedly have led people to make decisions that "worked in the past". With repeated use, the assumptions slowly drop out of people's consciousness but continue to influence organizational decisions and behaviors even when the environment changes and different decisions are needed. They become the underlying, unquestioned, but largely forgotten, reasons for "the way we do things here" - even when the ways may no longer be appropriate.

Similarly, Hitt, Hoskisson, and Ireland (2007: 24) identify organizational culture as the complex set of ideologies, symbols, and core values that are shared throughout the firm and that influence how the firm conducts business. It is social energy that drives - or fails to drive - the organization. Therefore, the organizational culture can explain why SLF can or cannot implement the SLS per the SLSC regulations. Its behavior can also forecast future performance.

3.3.3.5 Strategic Plan

Besides the dynamic factors of implementing agencies' capacities, strategic plans are another essential aspect. Young (2003: 8) defines strategic planning as “a procedure for developing a long-term and policy-oriented device or scheme that ties together the present to a clarified image of the future” He also clarifies it into “what an organization intends to achieve and, secondly, how leadership within an organization will direct or utilize its resources to achieve its ends. This definition requires that decisions be made about:

1) The vision, mission, or goals an organization will follow;
2) Whom an organization (client, customer, stakeholder, etc.) will serve;
3) An organization’s position and responsibility within the community;

4) The types (and quality) of services and/or products to be offered;

5) The resources required to be successful and thrive (staff, equipment, facilities, etc.);

6) The best combination of above items 2 – 5 to achieve an organizational vision, including its mission and goals.

The good example of the characteristics of an implementing agency is Heward et al. (2007) which studied the Australian Health Promotion Program efficiency with implementing agencies' capacity building. The paper argues that organizational change is an essential but under-recognized function for the sustainability of health promotion practices and a necessary component of capacity-building frameworks. It argues that organizational change should be applied more purposefully to both types of frameworks, quality and capacity building, if health promotion is to be strengthened. Organizational change needs to be explicitly addressed in every organization involved in sustainable and effective health promotion practices.

Therefore, the Thai SLS should have developed these six capacities of implementing agencies before it started the policy, like the Australian Health Promotion Program.

### 3.3.4 Inter-Organizational Relationships

If there is only one organization implementing the policy, there is no dependency and there will be less possibility of failure. But in the reality of Thai SLS, there are many organizations concerned.

Pressman and Wiladavsky (1974) studied the results of the city of Oakland, California implementing policies from Washington. The failure of an Oakland program in the late 1960s was partly because of inter-organizational relationships between the Federal government, the State of California, and the municipal government of Oakland. They found six reasons why participants may agree with the
substantive ends of a proposal, and still oppose or merely fail to facilitate the means for effecting policy success (Pressman and Wiladavsky, 1974: 99-101) as follows.

1) Direct incompatibility with other commitments.
2) No direct incompatibility, but a preference for other programs.
3) Simultaneous commitments to other projects.
4) Dependence on others who lack a sense of urgency regarding the project.
5) Differences of opinion on leadership and proper organizational roles.
6) Legal and procedural differences.
7) Agreement coupled with a lack of power.

In addition, Mazmanian and Sabatier (1983: 30) analyzed hierarchical integration within and among implementing institutions. They discovered that most problems of policy implementation are particularly acute in the case of federal statutes which rely on state and local agencies to carry out the details of program delivery in a very heterogeneous system. The extent to which the heterogeneous system is loosely integrated will vary according to the degree of behavioral compliance among implementing officials and target groups. Thus, the degree of hierarchical integration is determined by:

1) The number of veto/clearance points involved in the attainment of legal objectives; and
2) The extent to which supporters of those objectives are provided with inducements and sanctions sufficient to ensure acquiescence among those who have a potential veto.

Besides the bureaucratic structure, the decision rules of implementing agencies are concerned not only with preventing vetoes but also with providing adequate incentives for compliance. Most of these rules are determined by the SLSC. This statute can further influence the implementation process by stipulating the formal decision rules of the implementing agencies.

Moreover, they also identify that in the context of inter-organizational relationships, there are two key factors: enforcement and follow-up. Technical advice and obtaining the physical and technical resources from subordinates are required to carry out the policy. Then, the follow-up is a supervisory function, conducted with
normative and remunerative powers. Some important techniques of influence are socialization, persuasion, and cooptation of state and local actors. Another way is to let them participate in the program with the good returns.

Panday (2006) studied Central-Local Relations, Inter-Organizational coordination, and Policy Implementation in Urban Bangladesh. He found that lack of cooperation and coordination between municipal governments, on the one hand, and special government bodies, special development authorities, and special purpose authorities, on the other, is due to the fact that the former are elected bodies while the latter are government agencies whose nature of operation and system of reporting decisions are different. The acute problem of a lack of coordination has made it difficult for the municipal governments to implement various policies and to solve the problems of their clientele (Panday, 2006: 42). This lack of coordination also creates a lot of problems, including a failure to meet project deadlines. As deadlines are not met, the costs of projects increase.

Therefore, performance of policy implementation is always mainly affected by: policy objectives, policy resources, bureaucratic structure or characteristic of implementing agencies, and relationships between agencies.

3.3.5 Monitoring and Evaluation

Monitoring and evaluation are crucial instruments of social scientists for measuring either performance or implementation of every policy. It is a way to confirm the displayed outputs and discover all outcomes in the long run, whether those outcomes are measurable or not.

3.3.5.1 Monitoring

Dunn (1994: 335) points out that monitoring is the policy-analytic procedure used to produce information about the causes and consequences of public policies. It plays an essential methodological role in policy analysis since it permits analysts to describe relationships between policy operation and their outcomes. It usually is the primary source of knowledge about policy implementation. When information about policy actions is transformed through monitoring into information about policy outcomes, there can be some problem situations.
Therefore, monitoring produces designative claims during and after policies have been adopted and implemented: that is, ex post facto. So, monitoring performs at least four functions in policy analysis: explanation, accounting, auditing, and compliance.

Patton and Sawicki (1993: 363) also mention that policy monitoring and evaluation are essential steps in the policy and planning process to see that the correct alternative is implemented, to assure that it does not haphazardly change form, and to determine whether it is having the desired impact, whether it should be redesigned or modified, or whether it should be terminated.

Such a monitoring process should also produce information that can be used in designing better alternatives for future policy analyses. As a part of feedback processes, policy monitoring and evaluation provides evidence about what will not work and helps us learn why policies fail as well as succeed. Table 4 summarizes policy analysis and policy evaluation into four continuums.

**Table 3.1** Policy Analyses – Policy Evaluation Continuum

<table>
<thead>
<tr>
<th>Ex-ante Policy analysis</th>
<th>The quantitative and qualitative analysis of problems, decision criteria, alternative pros, cons, and expected outcomes of implemented policies, and steps necessary for implementation and evaluation.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy maintenance</td>
<td>The analysis of the policy program as implemented to assure that it was implemented as designed and does not changed unintentionally during implementation.</td>
</tr>
<tr>
<td>Policy monitoring</td>
<td>The recording of changes after the policy or program is implemented.</td>
</tr>
<tr>
<td>Ex-post policy evaluation</td>
<td>The quantitative and qualitative analysis of whether the policy objectives were achieved and whether the policy should be continued, modified, or terminated.</td>
</tr>
</tbody>
</table>

**Source:** Patton and Sawicki, 1993: 369.

In table 3.1, Patton analyzes policy ex-ante and ex-post by using qualitative and quantitative analysis. This illustrates what the expecting outputs will be according to the policy statement, then what the real outputs are in comparison to what the policy maker anticipated. Another is policy maintenance, to check whether the implementers implement the policy as it is planned and designed, and to confirm that the policy is not changed unintentionally during the implementation.
The last is monitoring, to record the changes according to the policy implementation stage by stage for making reports, to support whether the policy should be adjusted, continued, or terminated later.

3.3.5.2 Evaluation

Evaluation is an instrument for evaluating any effect of any implementation/ process being able to reach the expected goal or not. It can be done at any part of public policy process: formulation; implementation; and evaluation itself. It can also give any real or artificial reflection of what it is evaluating on regarding to how to evaluate and what its purpose for.

Vedung (2000: 2) defines evaluation as the process of determining the merit, worth, and value of things. It is a key analytical procedure in all disciplined intellectual and practical endeavors which will be delimited to suit the demands of public service and governmental affairs. Thus, evaluation is a careful retrospective assessment of the merit, worth, and value of administration, output, and outcomes of government interventions, which is intended to play a role in future, practical action situations.

He also says that evaluation is analytical process, though it is not concerned with the entire policy cycle. Vedung (2000: 9) states that evaluation should include all retrospective or ex-post study of policies and programs, ongoing as well as terminated. This makes evaluation into the collection and presentation of data summaries for decision-makers to design programs and improve future programming.

Moreover, Sombat Thamrongthanyawong (2000: 493) states that reliable evaluation reports of policy implementation can reduce the risk of unexpected policy outcomes. It can also protect the external negative effects from distorting the policy implementation. The worthiest of policy evaluation is to develop the efficient use of scarce public financial resources.

Posavac and Carey (2007: 4) say that before evaluating any policy, the proper evaluation model or approach should be reasonably selected for the reliable result. Sombat Thamrongthanyawong (2000: 499-502) described several models: traditional evaluation model; social science research model; goal oriented evaluation model; goal free evaluation; black box evaluation; fiscal evaluation; accountability and audit model; and so on.
All of these approaches have been categorized into four eras of evaluation by Guba and Lincoln (1989: 21-48). Briefly, evaluation aims to measure the goals in the first era. Next, it needs to describe the project plan, strengths and weaknesses of the plan for project development. In the third era, evaluation wants to judge the social problem solvability or suitability of project. Latest, it aims to respond in a way that focuses on the project stakeholders.

Furthermore, Dye (1981) divided policy evaluation into four broad categories. The first is an evaluation of policy results based upon its objectives. Second, two projects are evaluated in comparison. Third, evaluation aims to measure policy delivery outputs and outcomes. Lastly, evaluation measures side effects or impacts of policy unless no goal has been set.

Owen (1993: 21-25) classified five forms of evaluation, briefly described as: pre-evaluation; on-going evaluation; post-evaluation (or output evaluation); outcome evaluation; and evaluation for policy development. This looks similarly to Patton’s four continuum of policy evaluation. Owen was more concerned with policy formulation evaluation to assure the efficiency of formulating policy.

Nowadays, Vedung (2000: 36) classifies three substantive evaluation models: effectiveness models, economic models, and professional model. Effectiveness models consist of the (1) goal attainment model, (2) side effect model, (3) goal-free evaluation model, (4) comprehensive evaluation model, (5) client-oriented model, (6) stakeholder model, and (7) policy commission model. Economic models include the (1) productivity model, (2) cost-effectiveness model, and (3) cost-efficiency model, while the professional model addresses (1) peer review. In this study, there will be only theoretical concepts of evaluation applied: the goal attainment model and comprehensive evaluation model as described now.

First, “goal attainment model” can be done at all administrative levels. In addition, all types of government programs can be evaluated for goal attainment. It is reasonable and more typical of measurements that people demand. Posavac and Carey (2007: 499) stated that the evaluators implement the goal–oriented evaluation aim to investigate the target achievement. Sometimes, they look for ignored targets and find the reasons why project or policy failed. Ziderman (2003), Somkiat
Tangkijvanich and Ariya Manus bunpeampun (2006) criticized the Thai SLS for not fixing equality for the poor as a goal, as was stated in the Policy objectives.

However, there are some weaknesses of goal attainment which are, first, the goal can be indeterminate or it has no end. Ambiguity is probably quite exceptional in political and bureaucratic language, and always bothers evaluators. As a result, goal catalogues are produced and become another problem of goal haziness, which is misfit between the requirements of the goal attainment model and the way public policies and programs are usually composed. Third, unintended effects can occur when politicians deliberately control programs, which invariably leads to consequences that were not foreseen in the original decision situation. The fourth is hidden agendas in public policy making.

Another evaluation model, being proposed here, is “comprehensive evaluation”. The model is rooted in a conviction which should be more extensive than in the all-too narrow goal-attainment model. It includes other component parts such as planning, implementation, and a feedback system in which results other than outputs and outcomes are valued. This is the difference between the comprehensive model and goal-attainment model, as the latter concentrates on only the intended and actual results.

The comprehensive model uses the description of intents and criteria, then observations and judgments. It starts by comparing intents with actual goals, and describes both the pre/post condition of intents and actual consequences to judge the result of the policy intervention. This aims to find whether the policy was carried out as intended and specified. Next, the criteria and judgment must be compared from one intervention to another. So, in this model, the evaluators must firstly describe the events, activities, and conditions that exist before, during and after the adoption and implementation of the intervention. Last but not least, the distinctive feature of this model is its emphasis on the specification of the criteria, fully explicit, to be used in passing of judgment. Therefore, the essence of this model is that value achievement is measured in several stages of the system under investigation.

However, there are some drawbacks for policy evaluators during every evaluation process, such as purpose problems, problems of organizing, conversion problems, results problems, criterion problem, and utilization problems. These all
must be taken into consideration at each evaluation stage. So evaluation must be
designed to suit each stage of policy.

3.3.5.3 Quality Evaluation in Public Management

Recently, some policy management theories have approached quality
evaluation methods to relieve, solve and protect the problems of organizing, resulting
in failure of policy implementation. In many developed countries, there is a proposal
of quality reporting into public management. Thailand has followed this trend, too.

In Thailand, there are many emerging quality evaluation tools, both
external and internal organizational evaluations. External evaluations mostly imply
expert auditors or professional evaluators, while internal evaluations need the
cooperation of all staff at all levels to rate and report their self assessment.

The Self Assessment Report (SAR) is one form of internal
organizational quality evaluation. The Department of Education and Skill (2005: 7) in
the U.K. states that the self-assessment process must be effectively led and managed,
and should be an integral part of the organization’s management. This requires the
creation of a climate of trust in which the members of a provider’s staff are
constructively self critical about their performance. Governors, boards of directors,
trustees, chief executives and senior managers should be committed to the aims of
self-assessment and actively involved with it.

Administrators will demonstrate leadership by example in this self-
assessment of their performance. Management at all levels will actively participate in
the self-assessment process as part of their responsibilities for raising standards and
improving the overall effectiveness and efficiency of the provision. They will approve
the final self-assessment report and will continue to evaluate the effectiveness of the
self-assessment in securing improvement.

The nature of self-assessment will vary according to the scale and nature
of the provision for which each provider is responsible. Providers will need to
demonstrate understanding of what they do well, what needs improving, and how
improvement can be monitored, achieved and evaluated. Whatever the precise
approach, the key test of the resulting self-assessment report is its ability to
demonstrate how high quality is sustained and improvement is ensured.
The outcomes of the self-assessment are a basis for action. Effectiveness will need to be measured by the regular monitoring and evaluation of progress against objectives. The self assessment report should include an evaluation of the extent to which actions identified in the previous report have secured improvement.

3.4 Modern Organization Theory

It is not possible to ignore contemporary organization theory, as I have mentioned the capacity of implementing agencies as factors probably affected in Thai SLS policy implementation. It has been discussed in the review literature of the Thai SLS organization structure and administrative process as well.

3.4.1 Dimensions of Organization Structure

Robbins (1990: 81-92) discussed the complexity, formalization, centralization, and dimensions of organization structure. He defines complexity as the degree of differentiation that exists within an organization. There are three differentiations: first, Horizontal Differentiation considers the degree of horizontal separation between units; another is Vertical Differentiation, which refers to the depth of the organizational hierarchy; and last is Spatial Differentiation, which encompasses the degree to which the location of an organization's facilities and personnel are dispersed geographically. An increase in any of these will increase the complexity of the structure.

Furthermore, Robbins (1990: 84) states that specialization and departmentalization are clear evidence of horizontal differentiation. They refer to particular groups of activities performed by an individual. There are two: functional specialization by division of labor; and social specialization with outside professionals who are hired to work on a specific mission.

In contrast, vertical differentiation is seen in tall structures which are boss-oriented, but more difficult for managers to oversee. The spatial differentiation in the form of span of control, normally used in organizations with many plant sites, always leads to high performance if the monitoring and evaluation works properly.

The last point of Robbins is that Formalization is the degree to which jobs within the organization are standardized. Where formalization is low, employees'
behavior would be relatively non-programmed, and vice versa. However, the standardization not only eliminates employees' engaging in alternative behaviors but also removes the need for employees to consider alternatives. Thus, formalization is always written in terms of rules and regulations for all employees. It is a lower cost method to motivate employees to a more effective performance.

3.4.2 Type of Organization

In more recent times, Tippawan Lorsuwannarat (2006: 76-79) classified modern organization structures into seven types. The first is Weber's bureaucratic structure, a typical pyramid structure with a highly vertical, strict, and standard environmental authorities. The second is an organization that is controlled by a group that exercises executive authority. Next is the organization with a board that externally authorizes all policies and regulations, which are passed on the manager of the organization for implementation. Currently, there are many new public agencies set up in this category.

Fourthly, the organization demands that other executive teams outside of itself help or support their operation. Here, the problem is always that the team cannot fit into this organization perfectly, so it is hardly successful in improving organizational performance. The fifth is the matrix organization, across functions or divisions to efficiently use resources.

Next is the teamwork organization composed of many teams, and each team works flexibly to deal with a new outside situation, such as capturing new market demand, or preventing competitors from gaining market share. Each team is not officially controlled by the top person, and they always coordinate with each other regularly. The last type of organization is networking style; most are sub-contracting relationships to other outside agencies. This type consists of a few staff, but they always change their legal relations with other suppliers or sellers for to achieve high benefits.

3.4.3 Main Components of Organization

Robbins (1990) and Tippawan Lorsuwannarat (2006) agree with Mintzberg (1979) that organizations in general consist of five main components: the operating
core; the strategic apex; the middle line; the technostructure; and the support staff. Mintzberg (2011) set more parts into this components as seen in figure 3.2.

**Figure 3.2** Six Basic Parts of the Organization

![Six Basic Parts of the Organization](image)

**Source:** Mintzberg, 2011.

In figure 3.2, the operating core is employees who perform the basic work related to the production of products and services. The strategic apex is the top level managers, who are charged with the overall responsibility for the organization. The middle line managers connect the operating core to the strategic apex. The technostructure is analysts, who have the responsibility for affecting certain forms of standardization in the organization; the support staff provide indirect support services for the organization. The ideology is a halo of beliefs and traditions; norms, values, and culture of the organization.

Managing each part of these six makes organizations different from each other, with six valid coordinating mechanisms in organizations:

1) Direct supervision (typical for entrepreneurial organizations)
2) Standardization of work (typical for machine organizations)
3) Standardization of skills (typical for professional organizations)
4) Standardization of outputs (typical for diversified organizations)
5) Mutual Adjustment (typical for innovative organizations)

6) Standardization of norms (typical for missionary organizations)

So, the effective organization pattern is a matrix structure with high capacity, several flexible operating units that work under a middle-level supervisor who is able to report regularly to the strategic apex. However, this in fact cannot be realized for all organizations, especially Thai SLS.

Therefore, the researcher will evaluate all aspects of Thai SLS, from the policy target setting with its formulation, implementation process, outputs rather than outcomes (as time consuming), and impacts on some groups of stakeholders i.e. the SLF staffs, program manager and directors, regional agency managers (institutes’ executives and bank managers), its structure both in Thai SLF and administrative level at Thai SLSC, and so on. To be more reliable, the Thai SLF must be scrutinized by internal organizational quality evaluations, as preferred by other scholars.

In conclusion, this chapter has tried to draw out the scope of this research. Please remember that it is not a deductive approach, as qualitative methods are not mainly applied here. It is a quantitative analysis. All of the factors above from the theoretical review can be only clues for my in-depth interview questions, which will be represented in the next chapter.
CHAPTER 4
THE CONCEPTUAL FRAMEWORK AND RESEARCH METHODOLOGY

This chapter will explain how the study goes through social science research accurately and properly step by step. It starts with a conceptual framework derived from a deductive knowledge of performance factors from literature and theoretical reviews. Next, the in-depth interview questions are determined in response to the research objectives for inductively searching for factors contributing to Thai SLS implementation. Last, using a qualitative method, there is a need to understand the explanation approach, research setting, and the data collection in order to analyze and evaluate the research findings.

Although the research is mainly done by using qualitative methodology, there will be field work and survey data. I certainly aim to discover and to find all facts that happened in the Thai SLS implementation. So, this research has been based on two fundamental assumptions: a holistic view seeking all phenomena to understand what exists; and an inductive approach with the specific data, interviews, and unstructured participant observation of the cases under Thai SLS policy environment to discover the targeted approach which is required in a new age of qualitative research.

Most readers might think the qualitative method is acceptable for ethnographic and field study traditions of anthropology and sociology. Rudestam and Newton (2000, 37-44) suggests three specification dimensions to make it systematic and important in a new age of conducting qualitative approach in the social sciences, which are (1) the problems and concerns of the researcher, (2) the nature of knowledge, and (3) the relationship between the researcher and the subject matter. These three dimensions represent three qualitative approaches: phenomenology; hermeneutics; and ethnographic inquiry.
The first, phenomenology, is free from theoretical description of lived experience, no causal knowledge, and subject matter generated by the researcher as the co-creator. The second, hermeneutics, is rich in understanding of the context and data with an openly 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. For the last, ethnographic inquiry, the researcher must have maximal detachment and be immersed in the subject matter to foster a more holistic concern for an organization, community, and society with descriptive, interpretive, inductive, and deductive knowledge to help them make sense out of their lives.

The second and the last approach will be used in this research. I, the researcher, can be more detached as regards the Thai SLS implementation in all aspects (Thai SLSC, its organization, and workers' society) in order to get richer context and data for making a holistic understanding by using descriptive, interpretive, inductive, and deductive knowledge to make sense out of Thai SLS policy implementation and the problems of deferred debts.

So, I classify this chapter into two main parts: the conceptual framework of my deductive description of Thai SLS policy implementation (includes all the factors that might be concerned with Thai SLS policy implementation), and the research methodology describing the research setting and data collection (includes the semi-structured questions for conducting inductive in-depth interviews) for the best results in interpreting rich data and context.

4.1 The Conceptual Framework

In regards to the SLS significant problems in chapter 1 and the literature review in chapter 2, the unexpected outcomes are affected by inefficiency and ineffectiveness of SLS implementation at many stages such as policy setting, transforming or implementing. So I have deductively scrutinized this policy performance along with the concept of policy implementation and modern organization structure to find what factors can contribute to the efficiency and effectiveness of Thai SLS operation.
Briefly, the success of most policy implementation has been discussed by many scholars. Initially, Williams (1971), and Pressman and Wildavsky (1973) said that policy implementation means the capacity of government organizations to exploit all their resources, both human and financial, to continually integrate operations and deliver outputs and outcomes as national goals. This meaning of policy implementation requires many factors, but here I pointed out only the factors that really influence Thai SLS implementation according to the reviewed literature.

Besides good implementation of the SLS, policy evaluation plays a part in supporting good SLS performance. The essential monitoring and evaluations are believed to develop SLS targeting and make implementation better day after day.

Anderson (1979) defined the early concept of evaluation as an essential stage indicating the success and failure of public policy. It is an analysis of the processes which should start with the policy formation, and continue during adoption and implementation. This evaluation intervention can aim to develop policy efficiency.

Sombat Thamrongthanyawong (2000: 493) also states that reliable evaluation reports of policy implementation can reduce the risk of unexpected policy outcomes. It can also protect external negative effects from distorting policy implementation. The worthiest goal of policy evaluation is to develop efficient use of scarce public financial resources.

In fact, these are the most valuable for the Thai SLS, which currently is allocated less and less government budget. If there is no performance report on policy improvement, it means a smaller increase in the budget to support it. However, policy evaluation has rarely been done seriously for the Thai SLS. This should be reconsidered in order to improve the success of SLS implementation.

Last but not least, the structure of the Thai SLF and the administrative process certainly impact how the Thai SLS has been implemented. The administrative power of the Thai SLS is currently from the board, which designs regulations and issues top-down commands for the Thai SLF and other concerned agencies. While the Thai SLF structure is typical for machine organizations, only work is standardized, not skills. It has been required to recruit many professionals for all positions in order to be the sole professional organization with a mission to issue government student loans.
Now let’s put the theoretical reviews together with the literature reviews; this study can be mapped out as in figure 4.1.

**Figure 4.1** The Preliminary Framework of Concepts

Figure 4.1 gives a broad framework to guide the research setting on Thai SLS. This conceptual framework will also help the researcher to find factors contributing to the performance of the Thai SLS, and might suggest some alternatives and recommendations to Thai SLS policy makers and implementers.

In this preliminary framework, the focus in efficient policy performance consists of policy targets met and financial viability, which results from Thai SLS policy alternative implementation. There are five main factors contributing to proper alternatives. First, the target of the policy should be coverage or selective. Second, Thai SLS should be a unitary scheme or universal scheme responsive to many types of demands. These two should be responsive to labor market demands and the national education plan so that the schemes and the targets will be effectively set. Next, budgets and resources for Thai SLS implementation can be either 100 per cent private or totally public finance, and it can even be called both a public and private partnership.
Fourth, the characteristics of implementing agencies are to be official agencies, including establishing the authority of the manager. The structure of the organization itself should be adjusted to that of a professional organization rather than a machine organization. This is because there is a requirement for many professionals to be recruited into the Thai SLF at the middle level, while the policies and regulations should be more efficiently transmitted through the administrative process of a bureaucratic committee control style. Moreover, should there be only one agency or more than one? If more than one, what should the relationship between the organizations be? Last, the existing Thai SLS repayment pattern is so loose and generous that it can make the policy less financially viable.

Besides that, policy monitoring and evaluation that will support the choice of alternatives is the best practice. Regular monitoring and proper evaluation will provide information for policy formulation in adjusting the appropriate implementation of the Thai SLS.

Thus, all factors confirm that alternative policy implementation will yield efficiency in both targets met and financial viability. Next, I will explain the research methodology used in finding out the factors contributing to policy implementation.

4.2 Research Methodology

This section explains how I conducted my research. It will provide the research setting, how the research was conducted, and why particular approaches were used. The research method that will be mainly applied is a qualitative method. The data collection, coding, and analysis will be also described here.

4.2.1 Research Setting and Data Collection

This part will explain the setting of the research and how the data are collected. These data will be used for answering all research objectives. The data development will be clearly explained here.

4.2.1.1 Research Setting

The research is mainly qualitative. The meaning to construct this research is firstly reviews of all documents concerned with all aspects of the student
loans policy implementation and performance evaluation. Most documents were written in the 1980s for reasons of implementing the SLS. Then, from the 1990s until 2006, all documents look at the success of the policy in regards to policy targets such as equity, efficiency, and effectiveness, but found unexpected results instead. So, this stage of the study will emphasize the process efficiency of Thai SLS policy implementation.

After a documentary review has built the research norms, the case study will focus on seven interview questions and search for the best alternative to particularly reduce deferred debts. This will lead to a decrease in the administrative costs, particularly the cost of managing the debts. So the in-depth interviews and all data collection will utilize another instrument that searches for what would make the Thai SLS perform well.

These interviews are semi-structured in order to assure the reliability of information to fill some gaps in the documentary data. According to specific aspects in some documents, some SLSC meeting reports may not show all tangible objectives such as informal drafting of regulations, and the researcher cannot turn back the time to recollect this data. Thus, this unavailable data can limit data analysis, which must be done through qualitative methods to penetrate the truth of all factors influencing the Thai SLS performance.

The interview questions will be bounded by the conceptual framework presented in the following subsection. The documentary reviews were done from the beginning of Thai SLS formulation, implementation, and include the policy outputs/outcomes studied by many previous researchers. These help to structure the in-depth interview questions. There are 23 sub-questions of seven main questions regarding what can be seen as the factors contributing to Thai SLS implementation. The questions are divided according to the three main parts of the policy implementation process: the allocation of national loans, loan distribution, and loan repayment.

4.2.1.2 Data Collection

There are two types of data collected in this research. First, data is abstracted from documentary reviews as secondary data, and data was collected from interviews, discussions, and participant observation. I would classify the data into published and non-published data.
1) The Published Data

Besides research documents, all documents from the student loans committee and sub-committee reports were reviewed in order to discover policy and regulatory issues related to the efficient implementation of concerned agencies. Other written data such as the Budget Acts from the Budget Bureau and reports of budgets presented to the budget committee of the lower house of parliament were also explored. Some numerical data such as the amounts of budgets, balance sheets, and the number of debts were extracted from many staff members, officials and my own resources as I, a budget analyst at the BB, was responsible for the Thai SLS budget preparation from the years 2007 until 2010.

However, most documents might contain some limitations and researcher bias as has been the case in different times and situations. I have solved this problem by reading more documents from different researchers on similar aspects of research focus, such as reading Ziderman (2003), who explored the effectiveness and efficiency of the Thai SLS in comparison to Somkiat Tangkijvanich and Ariya Manusbunpeampun (2006), who did almost the same. This can yield more reliable documentary data.

The validity of the type of data is conducted through interview sessions and also by cross-checking. For example, some interviewees give different opinions on inequitable policy results because they say that policy targets do not aim to facilitate access to higher education for those who are really poor. This certainly shows in borrower statistical records as well.

2) The Non-Published Data

Besides published data here, I will interview some key persons to find out the effect Thai SLS policy implementation has had on deferred debts.

(1) In-depth Interviewees

The semi-structured in-depth interviews will be done with all key persons directly concerned with Thai SLS implementation during the years 2008 to 2010. These persons have experience in both policy implementation process and policy statement transition into implementation.
Each person has given me approximately forty-five minutes to one hour for an in-depth interview. This duration is long enough for discussing all the in-depth interview questions as listed below.

(2) In-depth Interview Questions

There are seven main semi-structured questions for in-depth interviews. These are open questions but set in the order of the policy implementation process. The sequence of the questions intentionally shows the interconnected meanings of research. Here, the seven questions are briefly presented. (Please see all clear questions in appendix A.)

(2.1) Is Thai SLS policy implementation successful in your opinion? Is the target setting effective? Please explain more.

(2.2) Are the policy conditions and criteria suitable for all? Should there be only one scheme? Please give your opinion

(2.3) Are the budget and resources sufficient? What do you think about the budget allocation?

(2.4) Does the loan distribution process offer a "fair share" to all?

(2.5) Does the implementing agencies' capacity facilitate the policy implementation? What type of capacity do the implementing agencies need?

(2.6) Is the loan repayment appropriate? What do you prefer? Please explain.

(2.7) Is regular monitoring and evaluation part of Thai SLS policy implementation? Is it necessary? If so, in what aspects?

(3) Observing and Snowball

In addition, I can be a useful observer as my routine job is attending every board meeting. Suchart and Kanikar (2008: 200-204) classify two types of observers: participant and non-participant. They further explain that participant observation is unstructured observation whereas non-participant observation is structured observation. The structured approach is well-planned and more penetrating and selective as to the information that the researcher wants.
I classified myself as both a participant and non-participant observer at different times. I was a participant observer while I was responsible for Thai SLS budget preparation. Now, I consider myself as a non-participant observer, as I only follow my boss to attend the Thai SLSC meetings. So this study can access many special concealed data which never has been revealed to anyone before. This produces advantages to my research which cannot otherwise be found.

Another sampling method that will be easily applied is the snowball sample, as most interviewees have high positions, so that I can go to the right person for the right additional information that is needed.

These snowballs and the observation method will also provide good interconnection of each factor contributing to good performance of the Thai SLS. This means that I can certainly present rich data for analysis that assures validity and reliability. Besides that, a benefit of my special data collection to all readers is that some information beyond the fixed interview questions will be included, and this might be valuable to use in supporting the analysis.

Therefore, my research setting is qualitative with triangulation methods, consisting of documentary analysis, observation and interviews. This means I have built a system of interconnected data, which enables triangulation between different aspects of the same thing. Holliday (2002: 43) states that data interconnection within the core setting is strengthened through triangulation at the periphery, but equally with interconnected data collected in a wider setting. This is a kind of intellectual effort identified as thick description by Holliday (2002: 81). The elaboration of descriptions from many angles indirectly provides validity of an integral element, which becomes largely a quality of the knower and forms of knowing. Thus, my research setting presents my managerial skill of analytical movement between fieldwork and theory.

4.2.2 Data Analysis

Here in-depth interviews are suggested to confirm the Thai SLS problematic situation discovered by several scholars. These check for the validity of the independent variables and their reliability on the dependent variable, performance of
the Thai SLS according to the literature review. This is to assure that the factors which contribute to Thai SLS efficiency are suitable for theoretical review.

Then the qualitative analytic technique is used because it explains the phenomenon under study in terms of causal effects and the relationships of the phenomenon in their actual situation. Patton (1987: 17) states that the advantage of qualitative portrayals of programs in a holistic setting is that detailed attention can be given to nuance, setting, interdependencies, complexities, idiosyncrasies, and context.

Denzin and Lincoln (2000: 3) identified qualitative research as a situated activity that locates the observer in the world. It consists of a set of interpretive, material practices that makes the world visible. It turns the world into a series of representations, including field notes, interviews, conversations, photographs, recordings, and memos. It also involves the studied use and collection of a variety of empirical materials -case study; personal experience; introspection; life story; and so on that describe routine and problematic moments and meaning in individuals’ lives.

In addition, Maxwell (2008) states that in a qualitative study, research design should be a reflexive process operating through every stage of a project. In addition, the researcher may need to reconsider or modify any design decision during the study in response to new developments or to changes in some other aspect of the design.

Therefore, the study was conducted through in-depth interviews of target populations and telephone interviews. The snowball sample will be exploited here, too, if data is insufficient. I, the researcher, applied the five components of Maxwell qualitative design as follows:

1) The goal of the in-depth interviews is at least twelve key persons to find out what the actual main recent problems of Thai SLS have been, what should be done to solve the deferred debt problem, and increase performance of Thai SLS.

2) The conceptual framework that supports the above goal - such as goal attainment evaluation - can prove whether the Thai SLS has achieved the policy target or not must be checked again.

3) The purpose of the interview questions is to find answers to the questions posed by my research objectives i.e. what are the factors contributing to Thai SLS performance
4) The methods are to collect and analyze my data, and how these constitute an integrated strategy.

5) The validity check is that if my preliminary conceptual framework was wrong, what should be the alternative or suggestions for future studies. If right, what would I suggest to policy makers? The validity and credibility application is discussed next.

4.2.2.1 Validity: Data Coding

The art of social science measurement is such that a number of desirable outcome measures still elude precise measurement. Patton (1980: 75) says that it is a matter of judgment to believe that quantitative measurements in a particular instance and for a particular variable are useful, valid, and reliable.

Where outcome measurements have not been carefully developed, it is more appropriate to gather descriptive information about what happens as a result of program activities than to use some scale which has the merit of being quantitative, but whose validity and reliability are suspect. He suggests the application of rival explanations, negative cases, and triangulation to reconcile quantitative and qualitative data differences.

In a further step of my qualitative research, a data coding methodology for the data collected will be used to provide validity, in addition to the use of published data. This data coding makes it easier for me to see more rival explanations and negative cases.

The data coding after the in-depth interviews will make my research more academic by introducing systematic data management. Holliday (2002: 60-61) points out how data collection, research hypotheses, and curriculum events were related to each other chronologically. A catalogue of the data is a data catalogue table, listing all the items of data collected chronologically. It becomes a centerpiece for several aspects of information about data.

Bourque (2004: 132) says coding data is the process by which verbal data are converted into variables and categories of variables using numbers, so that the data can be entered into computers for analysis.

Similarly, Lockyer (2004: 137) defines data coding as a systematic way in which to condense extensive data sets into smaller analyzable units through
the creation of categories and concepts derived from the data. He also identifies three stages of data coding in qualitative methods: (1) break down, compare, and categorize data; (2) make connections between categories after open coding; and (3) select the core category, relate it to other categories, and confirm and explain those relationships.

The coding stages can be applied into my research as shown in appendix F. First, I break down the in-depth interview information into each point of each question as shown in appendix F. Every in-depth interview (according to each person's name) will be put nearby one another in order to easily see the differences of each.

Next, twelve in-depth interview cases can be categorized into five main groups of people concerned with overall Thai SLS implementation. The first is a group of SLSC chairmen during my study period (2008-2010). The second group represented is the acting SLF executives. Third, the committees play a role in supporting the budget and recommendations regarding economic factors. The fourth group is academic commentators on Thai SLS and ICL policy. The third and the fourth group seem to be middle men, who have no benefits from Thai SLS implementation. Last but not least are the heads of implementing agencies, except the Thai SLF, from the Educational Sectors, delivering budgets together with all regulations and rules of the SLSC to individual institutes.

These five main groups of interviewees are interrelated to one another by Thai SLS policy implementation and processes. The repeated discussion points and questions with the same direction of agreement will be cited and, then, confirmed as generalizations.

The data coding table in appendix F displays the data coding matrix of in-depth interviews according to the data analysis method. The row items show the names of interviewees while the columns are questions divided into two matrixes of Thai SLS implementation processes and theoretical reviews. The coding is translated from the answer of each interviewee to each question, which can vary from one another. However, the researcher has tried hard to code it correctly.

Moreover, some interviewees seem to answer using particular key words from their minds, which I put in directly in short form, and some interviewees are not interested in answering or intentionally do not answer some questions. For
example, academic persons did not want to answer two main questions on loan distribution that are related to inter-organizational relationships and implementing agencies' capacities, as they probably do not have much experience regarding them although they both used to be in the Thai SLSC.

4.2.2.2 Credibility

Last but not least, the credibility of research must be presented although this research using qualitative methods. There are two techniques: triangulation and non-identity cross checking.

1) Triangulation

Triangulation is a technique used in my research. It is used to check the credibility of my research results in regards to what factors that I found really contribute to the success of policy implementation. Patton (1990: 461) pursues the credibility issue for qualitative inquiry, which depends on three distinct but related inquiry elements:

   (1) rigorous techniques and methods for gathering high-quality data that is carefully analyzed, with attention to issues of validity, reliability, and triangulation;

   (2) the credibility of the researcher, which is dependent on training, experience, track record, status, and presentation of self; and

   (3) philosophical belief in the phenomenological paradigm, that is, a fundamental appreciation of naturalistic inquiry, qualitative methods, inductive analysis, and holistic thinking.

Firstly (triangulation of sources), the philosophical belief has been proved for a decade that the Thai government should provide or invest in education as long as it wishes to sustain national growth.

Secondly (triangulation of the investigator), the credibility of the researcher is not in doubt. The reasons are that I can certainly act as a skilled and experienced moderator and analyst, as I have been working as the Budget Analyst at the Budget Bureau on Thai SLS Budget preparation for five years. On that chance, I have been assigned to attend many meetings of the Thai SLS, from Thai SLSC meetings, auditing sub-committee meetings, manager evaluation subcommittee meetings, and the meetings of many special subcommittees.
Lastly, the rigorous techniques and methods for gathering high-quality data are applied through triangulation and reconciling the qualitative data and quantitative data in the case of the deferred debts later in the next two chapters.

2) Non-Identity Cross Checking

Besides that I will conduct "Non-Identity Cross Checking". The findings are validated by cross-checking with other questions and information from other informants (Mayoux, 2011). This will be undertaken based on what I found by asking some reliable persons who are knowledgeable regarding Thai SLS implementation to read them. So there will be no bias in their analysis.

By doing the non-identity cross checking, these people will not know whose opinion is reflected in my summary paper submitted to them. Moreover, the main reason that I invited them to give me feedback on what I discovered from in-depth interviews is that first two persons are in intermediate government organizations, and do not benefit from Thai SLS implementation. Besides that, they have been with the Thai SLS committee since it was first set up. Though they are not the main representatives of their organization, but their bosses have put them in charge for keeping all issues and situations of the SLSC.

Another is a middle-level staff member of the Thai SLF, who has been working there for almost ten years. She has given me much domestic knowledge of the Thai SLF at the implementation level. So, these three persons can be reliable for double checking my in-depth interview results.

4.3 Chapter Summary

In this chapter, I present my preliminary conceptual framework and qualitative research methodology. The conceptual framework is driven by chapters 2 and 3. It points out the possible factors contributing to Thai SLS policy implementation. After that, my research methodology plan is explained. The research setting for qualitative data collection and management are described here. The deductions from previous research projects and inductive data from my research interviews will uncover the facts regarding Thai SLS performance. The interviews and observation will be triangulated to fill the gaps of existing data.
Therefore, the application of qualitative methods with triangulation in my research setting will make the research more complete. The interviews can support what I discovered in documentary reviews and the theoretical reviews will guide me the right direction of my understanding in what I am looking for. The results of these processes will be shown in the next chapter.
CHAPTER 5

AN EVALUATION OF THAI SLS PERFORMANCE

This chapter will undertake an in-depth analysis to evaluate Thai SLS performance, and to understand the current situation of Thai SLS performance problems in policy implementation from both an operational efficiency and a financial viability perspective, according to the conceptual framework.

So, this chapter will evaluate Thai SLS implementation and performance with a documentary data analysis and then by cross-checking concerns and issues raised in interviews as follows. In order to do so, the interviewees’ answers to questions number 1 and 6 will be mostly described here.

5.1 Efficiency of Thai SLS Implementation

This section will evaluate Thai SLS implementation and is divided into three main parts: allocating the national loans budget; loans distribution; and loans repayment regarding to Thai SLS processes described in the last chapter.

5.1.1 The Implementation and Performance in Allocating the National Loans Budget

In this process, policy makers should be aware not only of the limited budgets given by the BB, but also the demands of labor markets in order to efficiently use limited budgets for the best outcomes. Although the BB has reasonably financed Thai SLS regularly, there are still some scholarly critiques as follows.

Ziderman (2003: 40) notes that the annual budgetary allocation for current borrowers (‘old recipients’) is taken largely as given; these loans are
automatically renewed, as long as the old recipient remains eligible. Thus the majority of the loans cannot go to new recipients if the budget is limited. In other words, the scarce budget will restrict loan redistribution to others. However, the old recipients still continuing their studies should deserve their right to loans on a “first come first served” basis.

Furthermore, Somkiat Tangkijvanich and Ariya Manusbunpeampun (2006) use Propensity Score Matching (PSM) to compare the result of loans between students who receive loans and those who do not. They found that poor loan recipients have a more significantly greater chance to continue their education, but that there is not a significant opportunity for those who are not poor. In addition, if the poor have a chance to get loans, a significant number of them will certainly continue their studies. However, they suggest that if Thai SLS can give loans to its real policy target (the really poor students), there will be more equity in financing Thai education.

The data in figure 5.1 confirms all the above literature reviews by showing the increasing trend of students and borrowers who attended classes from 2008 to 2010 according to data available from the e-Studentloan. Unfortunately, there is no data recorded by type of educational institute before the year 2008.

**Figure 5.1** 2008-2010 Numbers of Loan Recipients in each Level of Education

![Figure 5.1](image)

**Source:** Thai Student Loans Fund, 2011a, 2011b, 2011c.
In figure 5.1, each set of bar graphs presents data of attendance at institutes for three years. Every education level shows an increasing trend, particularly in the public institutes. The rising trend of attendance at public universities shows that the borrowers can afford the rest of expenses only for state tuition fees and their living costs. This assumes that most SLS clients are from families that are neither rich nor poor. If we allow supposing back to the past performance, the trend should not be much different than these three present years as there has not been any change in criteria and condition of eligible borrowers. But this data cannot precisely present the economic status of borrowers' families, whether they are really poor or just in the lower-middle class.

However, eleven of my interviewees say that the "Thai SLS has completed about 85 – 90 percent of its task in comparison to the targets set in Budget Acts every year." So it can be perhaps be said that the Thai SLS has reached its output targets. Thai SLS has never mentioned labor market demands in its target plans either.

By from my own observation and working experience as a budget analyst at the Thai SLS during the F.Y 2007-2010, under the PBB, the BB can only allocate a budget according to the results and monitoring reports of the past two years’ performance. The output results reported to the Thai SLSC always are 80 - 85 per cent of targets who may access loans as shown in table 5.1. Table 5.1 presents the lending plan in comparison to lending results. The results have not been lower than 68 per cent of the established plan.

Table 5.1 2007-2010 Comparison of Number of Loans Lending in Plans and Results

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Lending Plans for 2 semesters (persons)</th>
<th>Lending Results for 2 semesters (persons)</th>
<th>% of lending</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>1,678,396</td>
<td>1,299,369</td>
<td>77.42</td>
</tr>
<tr>
<td>2008</td>
<td>2,137,560</td>
<td>1,457,318</td>
<td>68.18</td>
</tr>
<tr>
<td>2009</td>
<td>1,791,744</td>
<td>1,584,224</td>
<td>88.42</td>
</tr>
<tr>
<td>2010</td>
<td>1,688,384</td>
<td>1,542,603</td>
<td>91.36</td>
</tr>
</tbody>
</table>

It could be said that Thai SLS has performed fairly well in terms of goal attainment evaluation. However, the Thai SLS itself has not done any performance monitoring yet. The only report that can measure the fund’s operation is the balance sheet or financial statements of previous years. Nevertheless, this cannot be the indicator of all outputs of Thai SLS performance. Fortunately, from 2008 real time reports of the number of student applications for loans from e-Studentloan are available, indicating the scope of demand for funds.

So, allocations from the national budget to the Thai SLS cannot be the actual figures, correctly calculating from the unit cost (of previous years) times to the real targets delivered. This mostly depends on current assumptions and the analyst’s perception of the past. Thus, the targets set and exact financial support are actually invisible in many respects.

In terms of outcome equity, “the Thai SLS can reach this goal if and only if it has been well managed in terms of loan distribution and repayment. That way it will get enough cash back to relend to the new generation of recipients, and not only rely on government budget support,” said Miss V. in her interview. This seems similar to the opinion of others, who agree that this system reflects the low efficiency of the Thai SLS. And to reach that many targets, interviewees like Sw. and K. insist on lending to high capability borrowers who can pay back their loans after graduating. When the fund has become self-sustaining, the amount of loans will be enough for all the poor.

In terms of outcomes measurement, Jaroonsri Madilogkovit, Cheanchanok Kvin and Ubonwon Hongvitayakorn (2006) studied undergraduate borrowers’ employment or unemployment situation in 2002 and found that the numbers of borrowers from Bangkok, Central, and Eastern Thailand declined while those from the lower North Northeast, and Southern Thailand increased. Most of these borrowers earned more than 4,700 Baht per month after their graduation. Borrowers who graduated from secondary school have a lower rate of unemployment, while those from vocational and tertiary level institutes have higher rates of unemployment.

However, they discovered that those borrowers who finished senior high school come from families with low incomes, even lower than 4,700 Baht per month.
And all borrowers have to share their incomes to cover their families’ expenses before paying back their student loans.

The findings of Jaroonsri Madilogkovit, Cheanchanok Kovin and Ubonwon Hongvitayakorn do not surprise me, as the data in figure 5.2 shows that the number of unemployed undergraduates is higher than that of G 10-12 graduates. Figure 5.2 displays the unemployment index from the MoL. The MoL analyzes this data for presenting trends of labor demand and supply as a guide for national plans. The index is calculated as following:

Unemployment by Education Level Index (%) = (unemployed by education level*100)/total labor force

This data indicates that the higher the level of education, the greater the chance of unemployment. The main reason is that demand for employees with an education level of G 10-12 is greater than for those with tertiary level education. So, Thai SLS target setting should seriously rely on demand and supply of the labor market.

**Figure 5.2** The Unemployment Index by Education Level

Source: Ministry of Labor, Division of Plan and Strategic, 2009.
**Figure 5.3** 2012-2019 Demand and Supply of the Labor

![Graph showing demand and supply of labor by level](image)

**Source:** Nuannoi Trirat and Parinya Nutalai, 2010.

Furthermore, figure 5.3 displays the study of Nuannoi Trirat and Parinya Nutalai. (2010) which found the demand and supply of labor during the years 2012-2019 after the Thai Khem Khaeng Plan 2012 is finished. This plan is three years of economic restructuring with the government injecting money in order to boost Thai growth. There will be demand for labor that has graduated from lower than tertiary level as shown in figure 5.3. However, the figure shows an excess supply at the tertiary level while there will be a scarcity of labor from G 10-12, 1st vocational, and 2nd vocational levels.

So, these two figures indicate that Thai SLS should offer loans to the G 10-12, 1st vocational, and 2nd vocational levels. But in figure 5.2, the Thai SLF did the opposite. As a result, Thai SLS borrowers are unemployed after graduation. Probably the national loan allocation targets should be reformed.

At a New Year’s lunch on the 6th January 2011 with Th., an assistant manager of the Student Loans Fund, she explained that the Thai SLS should not only emphasize extending loans to reach the target numbers that have been set. The Thai government should also do better at giving away funds to the really poor students.
mostly at secondary schools, along with loans with interest rates linked to the consumer price index (rather than a flat fixed rate at 1 per cent) at the tertiary level. However, she does not really like to use the CPI to replace a fixed interest rate as the CPI is unstable in Thailand, and it will bring problems to all the poor later.

The reason Th. gave to the researcher is that students from poor families mostly enter SLS from secondary schools and after graduation, earn income less than the standard of living, so they eventually cannot pay back the amount of their SLF loans. They must spend their salaries to support their families’ living expenses first. Th.'s opinion seems to support Jaroonsri's research results as well. She also says that "If the government still insists to finance all students, it not only finances the Thai SLS as regards the increasing targets which have been set, but it also has to bear the administrative costs of deferred debts or many losses due to bad debts lately."

Moreover, if compared with the situation of no student loans, the Thai SLS can financially facilitate some Thai students to bear their tuition and living fees, which is better than none. But there are some faults in the lending system and administration that yield bad outcomes, such as inequity of lending to the really poor and graduates are not able to live on their salaries and wages.

As a result, most interviewees, except M. and D., have agreed that the Thai government should divide the scheme into at least two categories: the first is grants for poor that have no potential to return the loans after they graduate, and loans for the rest who wish to expand their education level beyond what they can afford, but have the capacity to earn and pay back their loans after graduation.

By contrast, M. insists that the Thai SLS policy design was totally misplanned, and not just some parts. He points out some reasons. First, he said that "how can new graduates repay such large loans to the Thai SLF within seven years (2 years grace period plus 5 years of no-repayment)" For wage earners, it certainly takes longer than a decade to be able to pay their debts. He also insists that Thai SLS policy makers should take the demand of labor into account. If the market does not need those laborers, how will the unemployed loan recipients pay back their debts?

Moreover, M. mentions that if the government wanted to reform educational financing by applying demand side driven budget allocations rather than supply side, the ability of students to learn and also their ability to earn enough money to repay
loans must be the primary concern in setting up the student loans scheme. Some graduated in fields with low demand i.e. geologists, religious studies, historians, and so on, and might not be able to earn adequate income pay back their loans, though they are willing to. He also suggested “delayed financing” as the design for Thai SLS rather than partial loans, which mean that all borrowers must return all their debts after they earn some salary.

Similarly, K. says that the Thai SLS system has not been formulated to provide total financial support to all Thais. Linking this program with the Thai constitution’s mandate that the state finance all Thai compulsory education for free for 15 years is wrong. The policy design was a partial support to the education system. However, he feels that these loans are too generous - not only the low rate of interest and long installments, but it also provides loans even for living allowances for all. In many countries, governments provide only loans for either tuition fees or living allowances, but not for both.

Therefore, performance at the level of allocating the national loans budget aimed at social objectives (improving equity and access for the poor) and easing student financial burdens cannot be completely achieved, as some mistakes have been noted:

1) horizontal inequity of old and new recipients;
2) vertical inequity of the poor and those who are not poor, but eligible for loans;
3) inefficiency in budget preparation at both the fund office and the BB (without mentioning approval by the budget committee assigned by parliament); and
4) ineffectiveness as shown by high unemployment and underemployment rates of undergraduate borrowers.

Thus, results are caused by inefficient policy design and planning at the national level according to my interviews. Thai SLS policy has not been elaborately designed for long-term implementation, but it was based on a snapshot that Thai politicians saw of other countries' successful experiences, leading to a waste of scarce resources.
5.1.2 Implementation and Performance in Loans Distribution

Now, let us move to evaluate student loan distribution. After loans are prepared and preliminary allocation takes place at the central level for old and new recipients, the SLSC will apportion the loans again into two main lump sums, which are then approved and given with further distribution authority to the two subcommittees (each includes both old and new recipients, with the number of old recipients fixed).

Now, let’s consider the minority of loans for new borrowers if the distribution of loans is equitable. The line of loan budget allocation for new borrowers is illustrated in chart 5.1. The SLSC is assigned an annual budget for new borrowers by the Budget Bureau. It decides on the eligibility criteria and maximum loan ceilings and on the allocation of the budget between the First Payment Account Subcommittee (at the MoE) and the Second Payment Account Subcommittee (at the OHEC).

**Figure 5.4** Student Loans Distribution System

In loans distribution, both the MoE and OHEC have set criteria of loans disbursement approved by Thai SLSC. These are in table 5.2. This table shows the criteria for allocating the budgets of each payment account subcommittee. It also compares the different treatment criteria of the first payment account subcommittee and the second payment account subcommittee. "The rationales of these are certainly based on the National Economic and Social Development Plan and the economic situation expectations of that moment", Sw. said during her interview. These criteria have been approved by Thai SLSC for longer than five years, while many situations have changed.

**Table 5.2 The Criteria for Loans Distribution by MoE and OHEC**

<table>
<thead>
<tr>
<th>(Permanent Secretary of MoE is the chairman)</th>
<th>(Secretary General of OHEC is the chairman)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) 55% weighted on number of G 10-12 and</td>
<td>1) 82.5% weighted on 2-year average of new loan</td>
</tr>
<tr>
<td>undergraduate students</td>
<td>recipients</td>
</tr>
<tr>
<td>2) 20% weighted on students from poor areas</td>
<td>2) 5.5% weighted on students from poor areas</td>
</tr>
<tr>
<td>3) 5% weighted on special and border areas or any</td>
<td>3) 2% weighted on special and border areas or any</td>
</tr>
<tr>
<td>particular targets linked to government commands</td>
<td>particular targets linked to government commands</td>
</tr>
<tr>
<td>4) 5% weighted on number of deferred debts</td>
<td>4) 5% weighted on number of deferred debts</td>
</tr>
<tr>
<td>5) 10% weighted on lending performance of institutes</td>
<td>5) 5% weighted on lending performance of institutes</td>
</tr>
</tbody>
</table>

**Source:** Thai Student Loans Fund Office, 2007-2011.

The situation in the past 7 or 8 years required an increasing number of students to enter higher education at the undergraduate level, according to the plan to enhance laborers' skills and raise the number of skilled laborers for national competitiveness.

As a result, the broad frame of the criteria are quite similar, with the priorities given to: (1) the existing number of new loan recipients; (2) the poor; (3) particular or urgent commands from the government; (4) numbers of deferred debts; and (5) the lending performance of institutes, but the weighting percentages are different according to the decision making of the policy makers at that time.

Eventually, Thai SLSC funds are used for relieving the poor, for expanding their knowledge at the secondary level (G 10-12), which includes the 1st and 2nd
vocational schools while it provides more loans to the not really poor to enter the undergraduate level according to table 5.2. Remarkably, cumulative GPA is not a criterion for loan applicants. And there is no field of studies demanded by the labor market. This means that the Thai SLS is open to risk of inability to repay loans if those borrowers have low capacity to earn enough income or are unemployed. However, in practice there are many more comments and facts that were found, as discussed in the following section.

Within the MoE, there are two allocation subcommittees; the Central Loan Allocation Committee is responsible for the allocation of loans budgets to each department in the Bangkok Metropolitan Area and to other ministries; and the Provincial Loan Allocation Committee allocates a loans budget to each of the 75 Provincial Offices of the MoE.

In turn, these organizations allocate loans budgets to the educational institutions under their control. In some provinces, the provincial loans budget is allocated to the provincial specialist departments, which in turn allocate the institutional loans budgets. Loans Committees at each educational institution/school distribute the loans budget amongst eligible applicants; these committees work closely with local KTB branch offices in processing the loan applications.

For the other part, the OHEC allocates a loans budget to universities within its purview – public, private and open. Loans committees at the universities are responsible for the administration and distribution of loans to students enrolled at their institutions.

At some universities, an additional budget allocation stage is in place at the level of the faculty; at this level, loans are distributed in practice, though the institution’s loans committee must formally approve these loans decisions.

Empirically, the small units of policy implementers like universities, schools, faculties, and colleges take advantage of these loans distribution rules by submitting huge numbers of loans applicants from their units in order to present high performance, to get the enough budget to finance their unit in return.

Two real examples here are the Ayodaya Technology Institute and Rajabhat Chaiyapoom University, shown in appendices H and I. Early in 2011, both of these institutes advertised that any student can learn free of charge at their institutes. But in
fact, they are all forced to sign the Thai SLS loan contracts without any information before. Other cases will emerge sooner or later, as there are many student protests to the MoE and OHEC. If so, this can mean the weak monitoring and evaluation by the Thai SLSC of implementing agencies.

It can be said that the power to distribute loans is at the intermediate and local implementing agencies, rather than the central bodies of the SLS. So the goal of equity cannot be easily monitored as implementing is highly decentralized. In addition, the policy goals have been distorted year after year as the loan distribution rules allow the implementing agencies to cheat on their real lending performance. In contrast, the ICL loans are directly allocated to the institutes and use a “first come first served” basis for distribution in each institute.

Accordingly, Ziderman (2003) criticized the dramatic expansion of the number of student loans, largely uncontrolled from the centre, that has resulted from insufficiently tight criteria for loan eligibility and weak targeting; and the scheme has now also grown considerably beyond original plans.

A good example from the researcher’s work experience is that the target set as an approved plan by the BB and the SLSC can be changed by an appeal submitted to the SLSC, or indirectly by a petition from eligible students who have been given the right but have not received loans. These situations always cause the SLSC to automatically increase the ceiling of the borrower numbers in each educational year, and totally affect to the amount of the budget, too. So, the target distributed is not efficient.

Besides that, Ziderman (2003) has found in practice that the two education ministries have adopted different policies with regard to eligibility. The OHEC used the SLSC ceiling, but asked universities to give priority to students with family income falling below 150,000 Baht. The MoE formally set a maximum income ceiling of 150,000 Baht (though for the year 1999, the MoE requested institutions to give priority to students from families with an income ceiling of 120,000 Baht). So, these income ceilings were not defined objectively in terms of poverty incidence, as is necessary for equity and effective targeting of the poor.

Vichit Lorjirachunhakul, Jirawan Jiratavet, Vena Chasinrungreong, Pachichanan Siripanit and Deunpen Tirawanwiwat (2004) studied Thai SLS
distribution process before 2004 through documentary analysis and in-depth interviews of key persons to discover the weaknesses and find alternatives for the fund operation. Only 59.8 per cent of the educational institute executives agreed with the 150,000 Baht/family salaries as the ceiling for loan eligibility, while current borrowers and undergraduate borrowers have the same opinions, with 88 and 89 per cent in agreement.

Further, they have tested the lending process capacity. They found that educational institutes could record only 70.7 per cent of borrowers’ data, and could transfer only 66.3 per cent of that data to the central lending system for processing. Besides that, 84.2 per cent of those sampled agree that there should be only one contract per one borrower for the whole lending time. There should not be separate contracts, as it takes time to approve the contracts and creates more confusion for the students themselves.

Somkiat Tangkijvanich and Ariya Manus bunpeampun (2006) also disagree regarding the conditions and criteria of loans eligibility. They found that Thai SLS has set too high income criteria for the loans eligibility. Some loans applicant are not really poor and in need of loans. This makes the annual available budget for lending to new recipients insufficient. Moreover, they said that 150,000 Baht/ family income as the ceiling of the eligible applicants’ family income is higher than the poverty line. It is not a strong filter to screen so that the really poor get loans. Thus, the loans are not efficient and effective either.

In support of the findings expressed above in the literature, facts that serve as corroborating evidence may be seen in the data collected by the National Statistic Office (NSO) and shown in table 5.3. This shows the number of households that borrow for their families’ educational expenses. Unfortunately, the NSO first divided the student loan borrowers into groups in 2006, and there is no annual data collection. But this data can sufficiently expand the literature review.

The data in table 5.3 shows the results of lending that follows the established loans distribution rules, under which the poorest areas must get a bigger proportion of

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1 Numbers of household are projected numbers from the real sampling of 52,000 households in each year.
loans, followed by the poorer and the poor. During the years 2006-2009, the northeast, known as the poorest area in Thailand, has been the highest in numbers of households that borrow student loans, with about 50 per cent of total numbers of families with educational debts. The north, south, central, and greater Bangkok area is in respectively number of households that borrowed for education.

**Table 5.3** Household Borrowing for Educational Purposes Classified by Regions and Careers

<table>
<thead>
<tr>
<th>Regions</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>North</td>
<td>198,570</td>
<td>140,470</td>
<td>147,053</td>
</tr>
<tr>
<td>Northeast</td>
<td>300,850</td>
<td>220,133</td>
<td>234,340</td>
</tr>
<tr>
<td>Central</td>
<td>103,336</td>
<td>83,197</td>
<td>88,475</td>
</tr>
<tr>
<td>South</td>
<td>112,662</td>
<td>68,801</td>
<td>83,031</td>
</tr>
<tr>
<td>Greater Bangkok</td>
<td>81,808</td>
<td>85,497</td>
<td>70,621</td>
</tr>
<tr>
<td>Areas</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Municipal</td>
<td>549,232</td>
<td>403,388</td>
<td>424,406</td>
</tr>
<tr>
<td>Municipal</td>
<td>247,993</td>
<td>194,708</td>
<td>199,113</td>
</tr>
<tr>
<td>Careers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production workers</td>
<td>87,019</td>
<td>69,796</td>
<td>73,686</td>
</tr>
<tr>
<td>Sales/Services/Clerks</td>
<td>148,301</td>
<td>111,166</td>
<td>99,898</td>
</tr>
<tr>
<td>General workers</td>
<td>4,862</td>
<td>3,822</td>
<td>2,898</td>
</tr>
<tr>
<td>Farm workers</td>
<td>17,230</td>
<td>12,574</td>
<td>14,771</td>
</tr>
<tr>
<td>Professional/ administration</td>
<td>145,283</td>
<td>114,861</td>
<td>117,040</td>
</tr>
<tr>
<td>Own Business</td>
<td>109,106</td>
<td>78,688</td>
<td>102,534</td>
</tr>
<tr>
<td>Land Lords</td>
<td>137,590</td>
<td>105,406</td>
<td>97,538</td>
</tr>
<tr>
<td>Agricultural Services/ workers</td>
<td>11,102</td>
<td>8,754</td>
<td>9,321</td>
</tr>
<tr>
<td>Non-economically inactive</td>
<td>99,019</td>
<td>69,553</td>
<td>85,011</td>
</tr>
</tbody>
</table>

**Source:** National Statistic Office, 2011.

Furthermore, the NSO shows that clerks, sales and service worker families have the highest educational debts at 18 per cent of the total, followed by professional and administrative families at about 15 per cent. This means that the families which access the loans are not poor groups of general workers, agricultural workers, and farm workers, which in turn utilize less than 5 per cent of all educational loans. A worse thing here is that landlords and business owners take about a 10 per cent share of all student loans as shown in table 5.3.

So, the loans distribution implementers have spread out loans to every class of income. However, they did not do so in the direction desired by the Thai SLS. The rule of loans distribution certainly needs to be revised.
Th. gives a board member’s opinion about the criteria and conditions that were established regarding conflict of interests among committee members of the SLSC. This is the default manner of decision making on Thai SLS policy implementation, as the representatives from the first and the second payment account subcommittees try to set policies that benefit their educational institutions. Besides that, there are another two parties from the private education association and the private higher education associations that always vote for what criteria and conditions give them the highest benefits. In fact, the final decision always belongs to the SLSC Chairman.

Similarly, almost all of my interviewees, except T., agreed that the criteria and conditions of eligible loan applicants are not suitable to the reality and not practical, which worsens the inequality of Thai SLS implementation.

Figure 5.4 displays the loans distribution performance during the past 14 years (1996-2010). The loans distribution sub-committee, meeting once a year, of the Thai SLS always divides loan funds equally among the two payment account subcommittees. However, the performance of loans is never the same.

**Figure 5.5 1996-2010 Loans Distribution**

![Bar chart showing loans distribution performance](source)

**Source:** Thai Student Loans Fund, 2011a, 2011b, 2011c.

In figure 5.5, the data shows that 65% is received by the second payment account subcommittee, while the other subcommittee receives only 35%. This might be a result of the expansion of free education of the Thai Government from 9 years in
1997 (according to the Thai Constitution B.E. 2540) to 12 years in the year 2007 (according to the Thai Constitution B.E. 2550). And now, 15 years of free education for all has been implemented.

Thus, the 15-year policy makes G 10-12 and 1st vocational level students require loans only for living allowances. However, the data indicates that more loans are distributed to undergraduate students, who are mostly from not-too-poor families.

Besides criteria and conditions, the loans distribution process should permit greater recognition of the demand side and market force requirements regarding the levels of education to be recruited. According to M. and other interviewees, the distribution of loans should be based on demand and the level of education that enables borrowers to graduate in the right fields where they can obtain sufficient income to pay back their loans.

In addition, there are many efforts to direct Thai SLF lending for the really capable targets, not being the poor, but also those who are able to be employed and pay back loans, by applying the national education plan and national demand for the labor force to the loans distribution process.

For example, there is an attempt to apportion loans between the two payment account subcommittees and also to limit the portion of some educational levels that will lead to graduate unemployment. And more efforts to persuade loan applicants to choose to study in highly employable fields such as industrial technicians, public health, commerce, or even as medical doctors. These fields always show low numbers of the labor force by the MoL (www.mol.go.th).

But what are the facts? Figure 5.6 shows data from the e-Studentloan lending records of the years 2008-2010. Unfortunately, there were no records of the study fields of borrowers before then. Hopefully, the trend of these present data can be traced back to reality in the past.
Figure 5.6 The SLS Borrowers Classified by the Fields of Studies and Institutes

In figure 5.6, most SLS borrowers are studying in the social sciences, both those studying in public and private institutes. Particularly those who study social sciences at the Rajabhut and private universities are always high in number during the three years of records. The following field is engineering in state universities and Rajabhut universities. The next is public health in private universities and the specialist institutes (not under the MoE). The community colleges and the Buddhist universities have only a small number of SLS borrowers.

Eventually, the data confirms the ineffectiveness of the loans distribution process. The SLS cannot prevent these batches of borrowers, who will graduate in fields less demanded by the market, from finally becoming a burden to the national budget after their SLS debts are not paid. If and only if the SLSC were aware of this would there be criteria to guide all G 10-12 with low GPAs to study in technical and professional fields, rather than easy learning in the Social Sciences.

As a result, all interviewees say that the two distribution channels, known as the first and the second account payment subcommittee, of student loans should either be reformed or their routine work restructured to bring about a more "fair share" and accountability for all loan applicants. Otherwise, they could be removed from the policy implementation process. Sp. strongly insists that "Currently, there is no need for two account payment subcommittees because the e-Studentloan can efficiently replace their work and it can probably re-distribute the excess loans left over at some institutes in time. This can also save administrative costs in many implementation processes, too".

So, the criteria and conditions include satisfied borrowers, but this is not all, and it certainly is not satisfied by the Thai key persons. The application process itself also has less capacity to serve clients’ demands, as it is too complicated. The technology used in the operation process has been criticized from its first implementation; however, it has gradually been improved. Currently, the application process has been integrated into an electronic system that is called e-Studentloan.

A Director of the Thai SLF Information Technology Division gives a brief and enlightening description of the birth of e-Studentloan. The SLF has developed an electronic lending system in order to serve ICL accounts, as its initial repayment concept must be implemented through e-Revenue in 2006. Whenever borrowers earn
income at a taxable level, a system must be established so that they will pay back their
loans. However, this electronic system was suspended and finally cancelled because
the government changed. The core system that was left over at the SLF was
transformed into the e-Studentloan in 2008.

A Director of the Thai SLF Internal Audit Division insists on the frequent use
of the e-Studentloan by educational institutions. So far, however, some students were
facing difficulties as they were unable to access it because computers and internet
access are not available. Till now, there has not been any full monitoring/evaluation
of the e-Studentloan yet.

Besides the electronic innovation for loans processing, another new electronic
system has been launched, known as e-Audit, in 2010. This was developed in mid-
2009 by the Director of the Budget Bureau. In addition, V. said that investigation of
where the budget has been less inefficient will help to prevent the loss of funds. This
auditing system should work together with e-Studentloan in claiming back redundant
funds left at educational institutions. These amounts must be returned in time for
reissuance to new recipients who are waiting for loans. This innovation should be
merged into the e-Studentloan after it runs properly.

Therefore, Thai SLS performance in loan distribution is not good according to
literature reviews, data records, and my interviews. The criteria and conditions
primarily cause Thai SLS implementation difficulties as the expansion of the family
income limit from 150,000 to 200,000 Baht per year covers non-poor students when
screening eligible applicants. Here the MoE and OHEC might not strictly select really
poor students into the scheme. Moreover, the distribution channels worsen the scheme
by unfair practices as the SLSC cannot completely control them all. Although the
Thai SLSC has approved a set of criteria for each agency to implement the policy
correctly, it has also distorted the national budget allocation for Thai SLS as loans
have not been given to borrowers who are capable of repaying them.

Hopefully, these problems can actually be solved now by the use of the e-
Studentloan, as it can report the lending figures. But this electronic system still needs
further development so that more real-time reports may be produced, and excess loan
funds at institutes can be recalled and re-distributed in time.
5.1.3 The Implementation and Performance in Loans Repayment

Next, loan repayment implementation is another main issue recently discovered by a few researchers. After 1999 was the first time that the number of debtors to repay their debts was counted. Some are repaying them in a good manner, but some are not. All are aware about deferred debts, NPL, and bad debts.

In general, many loans become NPL after being in default for three months, but this can depend on the contract terms (Financial & Business Dictionary, wikipedia.com, and answers.com).

In a telephone interview, the Director of the Thai SLF Law Department said that the SLF has no exact definition for NPL. NPLs are not defined in the operation regulations. He further explained that students will be sued when they have not reported to the SLF for more than five years after the end of their grace period. These are generally known as Deferred Debts (DD). In fact, the SLF can sue debtors after their loans are three months overdue in a manner similar to other financial institutes. But the problem is that the number of debtors would be too high to handle. Even after a year overdue, the numbers are enormous for the SLF to profitably control the suing process in the courts. Practically, the overdue period for all debtors is five years after the grace period.

Even if there are no NPLs, there are some costs to the SLF to legally force all debtors to pay back their principal and interest. The director further described how the SLF deals with debtors whose loans are overdue. Generally, the KTB always reports the amount of debts of each debtor regularly; for example, 90 days, 180 days, 300 days, and so on to the SLF. The SLF will select those debtors who fail to report to the SLF within five years and send their names to the contracted law firms to continue the suing process. This mechanism was before 2009 and cost the SLF 5,500 Baht per head, plus a thousand Baht per head as the cost of enforcement in regards to the court judgments.

In 2009, the SLF wanted to save the time required to make separate contracts step by step with law firms by making the Memorandum of Understanding with the KTB to manage these debtors, from suing to enforcing court verdicts. This costs the same to the SLF: 6,500 Baht per head. At first the costs of debt administration each year was about 100,000,000 Baht; it is currently up to 1,400,000,000 Baht (in 2011)
for this activity under the KTB. So the loans repayment management system is inefficient in terms of the cost per unit.

Is this system effective? The SLSC reported at the end of F.Y. 2010 that the cost-benefit of loan repayment management is about 34.7 per cent, as the SLO has spent almost 2,227,000,000 Baht (till the end of 2010) and will receive debts paid back to the fund of 3,000,000,000 Baht. This means that during ten years of loan repayments, the SLF got only 773 million Baht returned for revolving to new borrowers. This is not even enough for the cost of litigation, which is about 1,000-1,200 million Baht per annum.

Even though the debt management costs are not directly expensed from the government budget, it is interest from budget funds deposited in the account at KTB. If these expenses are less, the budget will be used more efficiently. Moreover, if there are less loan repayment expenses, this will lead to a higher return on debt payback and the program will be more effective.

This requires an efficient loan repayment channel or effective loan collectors. Most interviewees (Sp., Sa., Se., T., K., V., M., and D.) insist on the need for an efficient loan collector. Some of these keep saying that it must be the Revenue Department. This has not been designed in the first place with the Thai SLS, unlike the ICL.

Beyond that, K. brings local networks into the loan repayment system. This will have no charge as he encourages all retired teachers to visit all borrowers' homes and frequently request them to repay their debts so that the younger generation will be able to borrow again. At the same time, the pay-in system should be developed to facilitate repayment of their debts at any place, like paying bills. The Thai SLS should not limit themselves to only one bank.

Therefore, the loan pattern needs to be developed and moved out of the old framework. It would be done in a manner similar to other types of loans i.e. home mortgages that debtors can pay at any pay point whenever they are willing to repay their loans.
5.2 Financial Viability

Referring back to the international experience of seven selected countries implementing SLS, financial viability is another main indicator of performance measurement. Thai SLS should bring it into consideration. There are two main points: the pattern of loan repayment, and the problem of deferred debts. The first has been discussed by many researchers in regards to changes that will reduce the cost of loan administration, but has not yet been put into practice yet.

Ziderman (2003: 17) found that the recovery ratio can be enhanced by tightening the present liberal repayment conditions. He also calculated that raising the rate of interest on the loan from its present 1 per cent level, shortening the repayment period from 15 to 8 years, and fixing annual repayments in real (rather than nominal) terms can decrease the repayment burden on the individual borrower. Moreover, linking repayment to the inflation rate may raise the recovery ratio (the return of the funds) to 40-47 per cent, depending on the level of administration costs.

Vichit Lorjirachunhakul, Jirawan Jiratavet, Vena Chasinrungreong, Pachichanan Siripanit and Deunpen Tirawanwiwat (2004) also discovered the weaknesses and found alternatives for the fund’s loan repayment. They estimated when the fund will be able to stand on its own financial sustainability without government support. They pursued five models of repayment regulation that would be applied to borrowers (Vichit Lorjirachunhakul et al., 2004: ix).

The first is the current one, which has a two-year grace period, interest of 1 per cent a year, and 15 years for repayment. The second and the third are two years free before repayment, but the former has a 3 per cent interest rate and a ten-year repayment period. The latter has five years for repayment with no interest rate. The fourth alternative charges a one per cent interest rate for 15 years with various portions of the principal repaid and no grace period. The last alternative has no grace period either, but the payment period time is shortened to 12 years with zero interest rate for the first six years, then interest of 3 per cent from the seventh year on.

Vichit Lorjirachunhakul et al. (2004, viii) found that during the years 1996-2032, the fifth alternative will give the best results in terms of self-sustainability or less support from the government’s budget. This is because the third and fifth
alternatives give low negative cash flows, which means they require less government support. But the third will have zero cash flow in the year 2032, while the fifth will have 2,520 million Baht in that year. Though the third has shortest years of government financial support (three years shorter than the fifth), the fifth has better overall results such as a short period of negative cash flow, low accumulated negative cash flow, less accumulated debts, and medium high positive cash flow.

So, Vichit Lorjirachunhakul et al. (2004) believe that the loan repayment process can be efficient if its implementations have low negative cash flow, a short period of negative cash flow, and less accumulated debts, like Ziderman.

Moreover, my in-depth interviews confirm that loan pattern reform is essential. First, Sp. suggests adjusting the repayment pattern. Similarly, the other five informants say the same and insist that the repayment pattern be changed. For example, 1 per cent interest rate must be replaced by the CPI and no grace period, but borrowers start to repay their debts whenever their earning reaches the debt payable level. This payable level must be set by rank, while the deductible amount of their earnings will be responsive to their rank of earning.

Besides that Th., an assistant manager, does not totally agree that Thai SLS should not be measured by the financial viability ratio in comparison to other loans. Like the others, however, she prefers to move away from a fixed interest rate and even persuade other private banks to compete in granting student loans. But by doing so, Th. sets a condition of a clear record of the loan recipients' identification to the SLF when they first enter the SLS process. This can mean the strict use of citizen identification cards, or if not, there must be good I.D. for SLF clients. These can finally reduce the problem of deferred debts and indirectly decrease the administrative costs of Thai SLF, too.

Last, Sw. and K. always suggest to keep pursuing all borrowers to have social responsibility to pay back their loans in order to let others be able to borrow later.

Yet, the deferred debt problem is not discussed. It will be taken into deep consideration in the next subsection.
The Problem of Deferred Debts: From the 10-year cycle, Thai SLS performance generates a large number of unpaid or deferred debts. The unpaid debts are accumulated as the amount of loans and borrowers increases. Some of these become deferred debts as the borrowers have no capacity to pay back their due debts in time. Table 5.3 shows a worsening accumulated number of deferred debtors (overdue debtors and delayed payments) in comparison to the numbers in table 2.3. The number increased by more than 200,000 over a year.

Table 5.4 The Accumulated Number of Deferred Debtors on September 2009

<table>
<thead>
<tr>
<th>Due Years</th>
<th>Debtors on Due (1)</th>
<th>Debtors came in to pay (close a/c+more than due+equal due) (2)</th>
<th>Deferred Debts (partly+all) (3)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Numbers</td>
<td>%</td>
<td>Numbers</td>
</tr>
<tr>
<td>1999</td>
<td>21,466</td>
<td>9,069</td>
<td>12,397</td>
</tr>
<tr>
<td>2000</td>
<td>72,409</td>
<td>28,874</td>
<td>43,535</td>
</tr>
<tr>
<td>2001</td>
<td>141,316</td>
<td>49,618</td>
<td>91,698</td>
</tr>
<tr>
<td>2002</td>
<td>211,112</td>
<td>66,276</td>
<td>144,836</td>
</tr>
<tr>
<td>2003</td>
<td>228,223</td>
<td>67,224</td>
<td>160,999</td>
</tr>
<tr>
<td>2004</td>
<td>246,989</td>
<td>70,938</td>
<td>176,051</td>
</tr>
<tr>
<td>2005</td>
<td>279,897</td>
<td>75,889</td>
<td>204,008</td>
</tr>
<tr>
<td>2006</td>
<td>270,614</td>
<td>78,250</td>
<td>192,364</td>
</tr>
<tr>
<td>2007</td>
<td>261,221</td>
<td>85,586</td>
<td>175,635</td>
</tr>
<tr>
<td>2008</td>
<td>283,966</td>
<td>97,885</td>
<td>186,081</td>
</tr>
<tr>
<td>2009</td>
<td>238,197</td>
<td>109,698</td>
<td>128,499</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,255,410</strong></td>
<td><strong>739,307</strong></td>
<td><strong>1,516,103</strong></td>
</tr>
</tbody>
</table>


The problem seems not to stop only at the increasing number of deferred debts. The total accumulated deferred debts have increased from 64.07 per cent in 2008 to 67.22 per cent in 2009. This is not the end. This is also a multiplier of the cost of managing the loan repayment and debts collections. However, the number of deferred debts, in table 5.4, has slightly increased in recent years while that of previous years seems somewhat reduced, or is even still stable at the same figure.
Table 5.5 The Accumulated Number of Deferred Debtors on December 2010

<table>
<thead>
<tr>
<th>Due Years</th>
<th>Debtors on Due (1)</th>
<th>Debtors came in to pay (close a/c+more than due)</th>
<th>Deferred Debts (partly+all) (3)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Numbers</td>
<td>%</td>
<td>Numbers</td>
</tr>
<tr>
<td>1999</td>
<td>15,373</td>
<td>3,488</td>
<td>11,885</td>
</tr>
<tr>
<td>2000</td>
<td>57,794</td>
<td>16,346</td>
<td>41,448</td>
</tr>
<tr>
<td>2001</td>
<td>122,497</td>
<td>36,240</td>
<td>86,257</td>
</tr>
<tr>
<td>2002</td>
<td>191,984</td>
<td>57,236</td>
<td>134,748</td>
</tr>
<tr>
<td>2003</td>
<td>213,079</td>
<td>68,739</td>
<td>144,340</td>
</tr>
<tr>
<td>2004</td>
<td>234,211</td>
<td>80,867</td>
<td>153,348</td>
</tr>
<tr>
<td>2005</td>
<td>267,904</td>
<td>96,448</td>
<td>171,457</td>
</tr>
<tr>
<td>2006</td>
<td>261,806</td>
<td>91,594</td>
<td>170,212</td>
</tr>
<tr>
<td>2007</td>
<td>252,856</td>
<td>106,728</td>
<td>159,417</td>
</tr>
<tr>
<td>2008</td>
<td>268,292</td>
<td>112,809</td>
<td>155,607</td>
</tr>
<tr>
<td>2009</td>
<td>216,144</td>
<td>106,728</td>
<td>109,593</td>
</tr>
<tr>
<td>2010</td>
<td>207,924</td>
<td>133,330</td>
<td>74,594</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>2,309,864</td>
<td>897,627</td>
</tr>
</tbody>
</table>


Table 5.6 The Accumulated Number of Deferred Debts on December 2010

<table>
<thead>
<tr>
<th>Due Years</th>
<th>Debts (Mil. Baht) (1)</th>
<th>% accumulative pay (3) = (2)/(1)X100</th>
<th>Debts paid (all+more than due+on due+partly) (4)</th>
<th>Deferred Debts (partly+all) (5)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mil. Baht</td>
<td>Mil. Baht</td>
<td>%</td>
<td>Mil. Baht</td>
</tr>
<tr>
<td>1999</td>
<td>393.06</td>
<td>257.51</td>
<td>65.51%</td>
<td>130.52</td>
</tr>
<tr>
<td>2000</td>
<td>2,452.52</td>
<td>1,361.75</td>
<td>55.52%</td>
<td>751.81</td>
</tr>
<tr>
<td>2001</td>
<td>6,890.09</td>
<td>3,192.77</td>
<td>46.34%</td>
<td>1,815.82</td>
</tr>
<tr>
<td>2002</td>
<td>13,266.39</td>
<td>5,065.55</td>
<td>38.18%</td>
<td>2,788.98</td>
</tr>
<tr>
<td>2003</td>
<td>18,766.69</td>
<td>5,831.35</td>
<td>31.06%</td>
<td>3,140.10</td>
</tr>
<tr>
<td>2004</td>
<td>21,909.35</td>
<td>5,436.61</td>
<td>24.81%</td>
<td>2,970.36</td>
</tr>
<tr>
<td>2005</td>
<td>27,267.04</td>
<td>5,290.37</td>
<td>19.40%</td>
<td>2,863.01</td>
</tr>
<tr>
<td>2006</td>
<td>27,473.41</td>
<td>4,197.07</td>
<td>15.28%</td>
<td>2,195.29</td>
</tr>
<tr>
<td>2007</td>
<td>28,576.03</td>
<td>3,202.79</td>
<td>11.21%</td>
<td>1,761.28</td>
</tr>
<tr>
<td>2008</td>
<td>27,695.98</td>
<td>2,092.71</td>
<td>7.56%</td>
<td>1,265.55</td>
</tr>
<tr>
<td>2009</td>
<td>25,812.85</td>
<td>1,167.443</td>
<td>4.52%</td>
<td>763.83</td>
</tr>
<tr>
<td>2010</td>
<td>21,739.84</td>
<td>492.22</td>
<td>2.26%</td>
<td>360.25</td>
</tr>
</tbody>
</table>

Total 222,253.25 37,588.13 20,804.80 55.35% 17,295.12 46.01% |

For example, the number of debtors whose loans are due in 1999, in table 5.5, has decreased, but the percentage of deferred debtors increased in comparison to that number of table 5.4. The meaning of this is that there are some borrowers whose loans are due who do not really want to pay back their debts. This does not mean only the number, but also the amount of their debts. Take a look at table 5.6 in comparison to table 2.4 in chapter 2. For the same year of 1999, the amount of deferred debts increased from table 5.5 recorded in the year 2008 at 43.15 per cent to 50.46 per cent in table 5.6.

This phenomenon seems to happen again in the following year of 2000. If finally it occurs with all debtors in every year following, what will this mean to the Thai SLS? There will be a permanent loss of some loans given to students. These stubborn debtors can be called "strategic deferred debts", which means the borrowers do not want to pay back their loans even though they earn enough. Another factor is those borrowers who could not earn enough and could not be employed. What are the main reasons for this problem? These points will be discussed again in chapter 7.

Sp., suggested that the Thai SLS loan pattern should be reformed with more legislation. The Revenue Department must be authorized by the Thai SLS code and other laws to be the SLS loan collector. If the debts cannot be collected regularly as planned, no more SLS should be issued to the educational sector.

Besides that, "the administration of loan collection must be rethought" Sp. said. He also says that in general, there are both debtors who comply and those who do not comply in the repayment of their loans. His point is “how to make all Thai SLS debtors comply and repay their debts”. The Thai SLS must create "Voluntary Compliance" among Thai SLS loan recipients. Like Sp., Sw. encourages Thai SLS to build social awareness among Thai SLS borrowers to comply and repay their debts. This will reduce both the cost of loan collection and debts management. Conversely, it will make Thai SLS more self-sustainable, and not request more government budget.

In addition, K. insists on a strong penalty for "Strategic Deferred Debtors". For the others that have no jobs, the Thai government should generate jobs for them. However, those without jobs by their own intention should also be punished. He suggested adjusting the Thai ICL loan repayment pattern: using the repayable income ranking, to facilitate Thai SLF in following debtors. But the Thai citizen identification
Another interviewee who is more concerned with the failure of the Thai SLS loan pattern is M., insists that a deceptive image regarding current loan repayment patterns has been created. He said that "It will take at least seven years for government employees who graduated with a first degree in social sciences from university to repay Thai SLS. How about others who are in a worse situation? When will they be able to pay back their loans?"

Like K., M. suggested that the Thai SLS use the ICL loan repayment pattern and system for efficient loan collection. Further, he confirmed that the policy design of Thai SLS must be reformulated again, as there are many faults and financial viability is not included in it.

Therefore, the deferred debts are the fruit of the Thai SLS bad performance. It generates more incremental administrative costs to the SLF, which then indirectly reduces Thai SLS ability to sustain their own capacity, as indicated by the financial viabilities ratio. This results in more and more budget year after year.

5.3 Overall Thai SLS Performance

According to international efficiency evaluation trends, organizational performance evaluation is another criteria being widely applied for Thai policy success measurement.

In 2005, Thai SLF has signed an agreement with the Comptroller General Department (CGD) for the Thai Rating Information Services (TRIS) to undertake quality performance evaluations twice a year.

According to this agreement, Thai SLF must provide their Key Performance Indicators (KPIs) to get Thai SLSC approval and report their self assessment to TRIS. Together with CGD, the Thai SLF will be judged and the score for each KPI will be noted, and these results will be publicly published.

Table 5.7 shows the scores of Thai SLS performance assessment by main KPIs: financing; operating; stakeholders' responsiveness; and organizational development.
From the years 2005 to 2008, Thai SLF gets a worse and worse total score. Looking separately into each KPI, operating scores have a clear declining trend from 5.000 in 2005 down to 2.2263 in 2008. Stakeholders' responsiveness and organizational development have almost similar decreasing figures, but rebounded in some years, while the financing score fluctuates (down and up and down). This performance is getting better in the year 2010 for financing, operating, and organizational development, respectively, but not for stakeholders' responsiveness.

Looking in detail at each KPI, financing contains of: (1) Repayment Ratio = Repayment/Total DD; and (2) Over 1 year DD/ Total DD. The financing KPI is the most consistent KPI, while the others have always changed as the situation changes. This provides a clear view of how much worse the financial viability of Thai SLS has become. The fear of a declining mark in "Over 1 year DD/ Total DD" made Thai SLS change to "Over 1 year DD/ Total DD in 1 year". Thus it is a tricky change, and useful; the revised score was full.

The operating KPIs are mainly measurements of overseeing the institutes; the number of debtors who turn in reports of their living status, the e-Studentloan system development, and so on. Its KPI remarkably changed in 2008 as the e-Studentloan began. This change is clearly seen in table 5.7. The old KPIs (the measurements of overseeing the institutes, numbers of debtors turning in reports of their living status, etc.) are out of date. So, the operations that were undertaken regarding e-Studentloan have been good, but the number of debtors who need to restructure their debts before being sued should be watched. This will be the essential KPI on efficiency in loan repayment operation.

The KPI of stakeholder responsiveness is the only measure of stakeholder satisfaction and mostly measures borrowers from 2005 to 2008. In 2009, the quality services score improved on account of the additional satisfaction result. The score of the former suddenly declined while the latter score is stable and full. So there should be an external audit to really measure this performance of Thai SLS.
Table 5.7 The 2005 – 2010 Score of Thai SLS Performance Assessment by TRIS

<table>
<thead>
<tr>
<th>KPIs</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Financing</strong></td>
<td>4.2376</td>
<td>2.8184</td>
<td>3.3812</td>
<td>3.0480</td>
<td>2.5267</td>
<td>3.7200</td>
</tr>
<tr>
<td>- Repayment Ratio = Repayment/Total DD</td>
<td>-</td>
<td>1.2100</td>
<td>2.4500</td>
<td>2.0400</td>
<td>1.0000</td>
<td>2.4400</td>
</tr>
<tr>
<td>- Over 1 year DD/ Total DD (become / total DD 1 yr in 10)</td>
<td>-</td>
<td>2.7300</td>
<td>4.3900</td>
<td>4.1400</td>
<td>4.0533</td>
<td>5.0000</td>
</tr>
<tr>
<td>- Administrative Cost / 1 student</td>
<td>-</td>
<td>5.0000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>2. Operating</strong></td>
<td>5.0000</td>
<td>4.9135</td>
<td>3.0000</td>
<td>2.2263</td>
<td>3.4762</td>
<td>4.4519</td>
</tr>
<tr>
<td>- Overseeing the institutes</td>
<td>-</td>
<td>5.0000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Preparation for ICL operation</td>
<td>-</td>
<td>4.7500</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Number of Institutes in Network</td>
<td>-</td>
<td>5.0000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Numbers of debtors turn in to report their living status</td>
<td>-</td>
<td>-</td>
<td>5.0000</td>
<td>1.0000</td>
<td>1.0000</td>
<td>-</td>
</tr>
<tr>
<td>- Number of Debtors for debt restructuring b.f. suing</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1.0000</td>
<td>4.3011</td>
</tr>
<tr>
<td>- The research on SLS Distribution</td>
<td>-</td>
<td>-</td>
<td>1.0000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- e-Studentloan Deve. (08)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3.7250</td>
</tr>
<tr>
<td>- Timing of its operation (09&amp;10)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5.0000</td>
</tr>
<tr>
<td>- Success of Loan Distribution</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4.0700</td>
</tr>
<tr>
<td>- Satisfaction of stakeholders</td>
<td>4.6886</td>
<td>3.8500</td>
<td>3.0500</td>
<td>3.1100</td>
<td>4.3300</td>
<td>1.0000</td>
</tr>
<tr>
<td>- Services development regarding to satis. rank</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5.0000</td>
<td>5.0000</td>
</tr>
<tr>
<td>- Human resources management</td>
<td>-</td>
<td>2.7500</td>
<td>5.0000</td>
<td>3.0000</td>
<td>3.8800</td>
<td>3.1000</td>
</tr>
<tr>
<td>- Risk management</td>
<td>-</td>
<td>2.7500</td>
<td>3.0000</td>
<td>1.0000</td>
<td>5.0000</td>
<td>3.7000</td>
</tr>
<tr>
<td>- Internal monitoring</td>
<td>-</td>
<td>5.0000</td>
<td>5.0000</td>
<td>-</td>
<td>-</td>
<td>4.5000</td>
</tr>
<tr>
<td>- Internal audit</td>
<td>-</td>
<td>-</td>
<td>5.0000</td>
<td>-</td>
<td>-</td>
<td>4.8000</td>
</tr>
<tr>
<td>- Information technology management</td>
<td>-</td>
<td>3.4000</td>
<td>1.0000</td>
<td>1.9896</td>
<td>1.0000</td>
<td>3.6300</td>
</tr>
<tr>
<td>- Good governance (Cooperate Governance in 2010)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4.3890</td>
<td>4.6140</td>
<td>3.8800</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4.6438</td>
<td>3.7469</td>
<td>3.4403</td>
<td>2.6061</td>
<td>3.5389</td>
<td>3.8998</td>
</tr>
</tbody>
</table>

**Source:** Thai Rating and Information Services Corporation, 2006, 2008, 2010.

The last KPI is organizational development, which is composed of human resources management, risk management, internal monitoring, internal audit, information technology management, and good governance. The organizational performance slightly declined from 4.8400 in 2005 to 2.4175 in 2007, but it increased to 3.3950 in 2010. The reason is the improvement of risk management, and also the KPI changed from good governance to corporate governance of Thai SLSC in 2010.
Two other indicators that don’t have outstanding scores are human resources management and information technology management. This means that the Thai SLSC has improved their exercise of authority for Thai SLF operations, while Thai SLF human resources and information technology have less development.

Therefore, the overall performance of Thai SLS is in v-shape. The year 2008 is the turning point of its operation. Many key performance indicators have changed for the better as they adjust to the e-Studentloan application. The loan distribution process is the most obvious change, followed by financial viability and risk management. This is because all borrowers’ data will be kept as records at the Thai SLF, and this makes it easier to follow their borrowers. However, some key performances are still myths, such as the repayment ratio, number of Debtors who need debt restructuring before being sued and corporate governance of Thai SLSC. This requires reform for good management.

5.4 Discussion

It can be concluded that the performance of Thai SLS was not as expected or as planned. This is the result of not only inequity and inefficiency of policy outcomes, but also an inefficient system leading to delays in issuing loans. This hinders rolling over excess loans to eligible loan applicants waiting in the queue, together with a too generous loan repayment pattern that generates intentional non-compliance in paying back loans, which affects a high volume of deferred debts.

All these unexpected results reflect bad financial viability, and the Thai government has to inject more and more budget into the student loans system without any monitoring and evaluation of what has happened to the policy targets.

However, this is not the end of the Thai SLS. Many interviewees: i.e. Sa., Se., Th., K., V., A., D., and Sm.; positively perceive the future of Thai SLS and require some changes and adjustments to stop the vicious circle. Otherwise, the worse situation will go on as follows.
Thai SLS Performance Trend unless there are Implementation Adjustments: If the Thai government and responsible agencies do nothing, what will be the situation of the Thai SLS? In reality, as the Thai SLS still operates, social problems become a vicious circle because of its inefficient implementation, which yield the unexpected ineffectiveness as shown in figure 5.7 below.

**Figure 5.7** The Vicious Circle of Thai SLS Performance during the Past 10-year Implementation

Figure 5.7 shows the Thai SLS starting from a social problem, the policy formulation, its implementation, the results of policy, and outcomes of Thai SLS, which is not according to its plan or written policy. These unexpected results are high subsidies to the Thai SLS (financial non-sustainability), high deferred debts (unpaid debts), and then the poor are getting poorer.

It has been recognized that Thailand has been facing significant problems of poor, unskilled labor and unemployment for a long time. The Thai government established the SLS policy in order to increase human resources’ capacities and enhance national competitiveness in the long-run and provide educational access for
the poor in the short-run. But the short-run results are unexpected as indicated in the literature review: increases in tuition fees and the poor still cannot access proper education to increase their living standard, resulting in a high level of support from the government and unpaid debts. Even though some students accessed the loans, they cannot pay back their debts although they are employed.

The evaluation results in this chapter also indicate by presenting the real data of borrowers, debts, and bad performance measurements that the Thai SLS should start to gradually reform the loan system. The targets that are set need to be more compatible with the economic situation, the loans distribution process and authority must be changed for better implementation on account of changes in labor demand, and the loans collectors should be professionals at collecting debts, which could either be the revenue department or a financial institute belonging to the government.

Th., an assistant manager of Thai SLF, insists to the researcher in an informal meeting that the Thai SLS should certainly carry out "Real Reform" both in the operational bodies and authoritative bodies in order to recover its efficiency and benefit their clients, society, and country.

Similarly, K. agrees that the policy must be reformed at first the design to be more coverage for all types of students such as real poor with good grades, real poor with normal grades, good grades but not so poor, and so on. The local networks should have their role in selecting loan recipients and loan collection, too. In the future, if local society can finance their students efficiently, the whole Thai SLS performance will be financially viable automatically.

This participation of local networks is also suggested by Se.. According to his work experience, he totally agrees that local people can be an excellent e loan distribution channel in selecting and screening the right student loan applicants rather than the first and second payment account subcommittee. However, a problem with local authorities/ networks is that they are always slow at conducting their work in a bureaucratic process. And if there is not regular monitoring from the central organization, there might be some distortion from reaching their targets, too.

Therefore, the SLS in general has good theoretical validity for policy formulation. It can expand economic growth through human capital development. The rationale for the Thai SLS and ICL themselves are also proper, to lead Thai society to
have skilled labor with lifelong income-earning ability for private benefit at an affordable cost to society. However, many researchers have expressed some concerns and discovered as time passed that the policy design has some loopholes, leading to unexpected policy performance. As a result, some implementation faults must be scrutinized and ways found to improve. To do so, the factors affecting the Thai SLS must be analyzed and reviewed in the next chapter.
CHAPTER 6

FACTORS AFFECTING THAI SLS PERFORMANCE

From the previous chapter, the evaluation of the Thai SLS has confirmed the inefficiency and lack of financial viability of the Thai SLS. This chapter will analyze factors affecting those results. These factors are identified by the theoretical reviews in chapter 3, which guide the researcher to find the factors, together with some evaluation and interviews from chapter 5 that increase their validity. Now there is a need to investigate whether the pursued factors in the conceptual framework are really affecting the implementation performance of the Thai SLS or not. To do so, the answers to six main in-depth interview questions will be the main tools.

As a reminder, the main questions\(^1\) are:

1. Should the Thai government continue to totally provide only one type of student loans?

2. If budget scarcity causes inequity of Thai SLS implementation, should there be any financial partner to support loans such as some private financial companies or commercial banks?

3. Should the target of Thai SLS be high coverage to all students that come from families that cannot afford the level of education demanded?

4. Which agency should operate Thai SLS?” or “What type of organization should the student loans office be i.e., autonomous agency, independent administrative unit, or state enterprise?

5. What is the appropriate repayment pattern for efficient Thai SLS implementation?

6. Are the goal attainment evaluation and comprehensive model evaluation done properly in Thai SLS implementation? And who should undertake it?

\(^1\) There are many sub-questions of these six main questions in Appendix A.
The next sections will analyze the factors affecting Thai SLS performance according to the performance evaluation discussed in the last subsection. These factors are clear policy objectives/consistency with labor market demands and the national education plan, budgets and resources, characteristics of implementing agencies and the right organization structure, inter-organizational relationships, and monitoring and evaluation.

6.1 Policy Clear Objectives/ Consistency with Labor Market Demands and the National Education Plan

The SLS policy, firstly, is concerned with national human resources development. Rosen (1972) and Mincer (1974) insisted on the returns of education investment both to individuals and society by their empirical studies in several publications. Thus, the outcome of education investment is long-run returns which will generate more capital and more activities in the future.

In addition, Dutta, Sefton and Weale (2003) believe that better educated workers are likely to be more productive at their own jobs; they may, at the same time, raise the productivity of their colleagues, by demonstration, discussion or dissemination. Thus, this supports the belief that the Thai government should implement the Thai SLS for the positive outcome of higher capacity human resources in the near future.

As the Thai SLS is a public policy, it must be investigated under the policy implementation as usual. Briefly, Van Horn and Van Meter (1975), Quade (1982), and Dunn (1994) state that policy objectives are legislative documents based on political decisions, not those of individuals, written clearly about policy/program target groups and performance which are usually measurable in quantitative procedures. In some cases, however, this may not be so. The policy objectives should not discriminate by inconsistent purposes. Changing policy goals often can cause policy failure. Are Thai SLS policy objectives clear and consistent?

Ziderman (2003: 40) deeply analyzed that there is discretion with regard to new borrowers, as the old ones will deserve loans first. With the rapidly growing numbers of new loan recipients, annual demand exceeds the slow increases in
budgetary allocations to the SLS. This might seem to imply that the loans scheme is under-financed; however, in a real sense, it is the opposite. In other words, there is inequality of lending between old and new borrowers. The proportion of the old and new borrowers is fixed, first, by the SLSC annually; the budget allocation calculations come later. So the policy objectives should be standardized, not always changed. Though the government changed, they should be firmly adhered to by the SLSC.

Somkiat Tangkijvanich and Ariya Manusbunpeampun (2006) suggest the evaluation of targets set by the SLSC and the BB to see whether they are feasible to implement and if the targets are measurable. Without measurable targets and indicators, policy analysts cannot finalize whether the policy improves its performance year over year or time after time. So, it is useless to have a policy to solve social problems as there is no evidence to tell whether a policy is successful in reaching its goals. In fact, the lending goals are set too broadly, and so it is not obvious for implementers to carry them out correctly.

Besides the above theoretical and literature reviews, I have found from my qualitative research that clear and consistent policy objectives fixed in the right direction of labor market demand and the national education plan are a necessary factor for efficient Thai SLS implementation.

In regards to my in-depth interviews, no one thinks that only one type of student loan (or the existing scheme) is good. In addition, they all agree that the current Thai SLS is only "government partial support" to students who requires some extra financial help. It is not a hundred percent support of what they want. For example, in the 2009 education year, the living allowance is only 12,000 - 24,000 baht per head per annum. This is though tuition fees range from 14,000 Baht (for the secondary school) to 150,000 Baht (for health science degrees) per head per annum.

However, there is a suggestion that the Thai government should provide grants for really poor students with good grades as well as loans. In addition, this must be related to labor market demands and the long-term education plan. For the handicapped or those with special needs, none of them discussed these topics, and I recently discovered that there is already a fund for the handicapped in the Ministry of Education.
However, M. keeps saying to me that the Thai government should provide student loans in the form of "delayed finance". This means that it is a full amount of loan compatible to what the student must spend during their learning times, but they must repay all of it whenever they begin to earn income. He also puts the strong condition that this would be real if and only if the loans collector was fully operationally effective.

Further, M. and D. comment on the inconsistency of policy objectives after the change of government. This brings many ambiguous issues on the implementers, particularly on loans distribution and repayment, leading to deferred debts. For example, the quick swop of SLS to ICL makes for sudden changes in policy targets and a rush to distribute the loans without knowing borrowers’ names, which created a problem for the debt collectors later.

Therefore, most of my interviewees have agreed that the policy objectives are not clear enough and linked to the labor market demands and the long term education plan, which cannot be transformed into good implementation. This makes the fixed targets unresponsive to the real national situation, subject to misunderstanding, and misinterpreted by the implementers. The words "the poor can access higher education as they wish" create hope for all the poor that they will be able obtain an education without charge. This is even though they know that they will have to repay what they have received; they have less capacity to pay anyway.

6.2 Budgets and Resources

Money is obviously a critical factor in any social services program and must be available whenever required and so forth.

According to the Treasury Reserve Act. Of B.E. 2491, the fund for student loans will usually be disbursed from government reserves as a revolving fund. However, the Asian Development Bank gave 100 million Dollars (approximately 3,000 million Baht at that time) for its establishment capital. Formally speaking, the Thai SLS is still a revolving fund. But the main Act of the Thai SLS in B.E. 2541 stated that the BB must always provide sufficient finances to Thai SLS.
Somchai Richupan and Chollatan Visaruthvont (2001: 20) found that the budget allocations for the SLS had been raised in the first seven years of its implementation, the years 1996 – 2001, starting from 3,000 million Baht in the first year up to 28,000 million Baht in the year 2001. Budget allocations to the funds kept rising until 2007 at 31,323.7870 million baht, whereas the numbers of target students for loans were also raised.

From the researcher's working experience, the BB always fully finances the Thai SLS. The BB and the SLSC allocate the budget to the old recipients, and then anticipate the new recipients from first, the number of students finishing primary schools; labor force demands that lead students to enter vocational schools; and adding some special policies on education i.e. the Peace Keeping Policy in 2009, giving more privileges and opportunities to students from southern Thailand to access all levels of education. After predicting the total amount of borrowers, the calculation will be done by using the average tuition fees of each education level plus the living costs of one student as the multiplier.

Ziderman (2003) notes that old recipients receive loans before new recipients, leading to inequity in Thai SLS performance. Then the Thai SLS budget preparation undertaken by the BB should be able to access the details of how many old recipients are still in the process of studying, and what is the real demand of the new recipients. The SLSC should arrange portions of two payment accounts subcommittee relying on the real situation, and vertical and horizontal equity.

So, it seems that the budget and resources are not impeding factors in the case of Thai SLS. The management of resources received might be instead. In addition, it could be a conflict between the major authorities of the MoF (the owner of the funds) and the MoE (the fund immediate distributing manager).

Besides the above theoretical and literature reviews, I have found from my qualitative research that the proper amount of budget is a necessary factor for efficient Thai SLS implementation. But what is the proper amount of budget was discussed in my interviews.

Most of my interviewees do not agree with the idea of PPP or any private joint venture for increasing the amount of funds. However, T. has raised the idea of education bonds for financing the fund. With the same question, K. comments on the
self sustainability of local communities to select and finance their own offspring to be educated and return to develop their hometowns.

Although the idea is not to let any private financial businesses take advantage of students, all do not agree with the government totally supporting students, as they all agree that higher education produces more private than societal benefits. All interviewees suggest that the Thai government should support only the interest rate differential.

In contrast, Sw., deputy Secretary-General of the NESDB, and D. do insist that the Thai government totally support the Thai SLS, as they expect a high return from higher education graduates, about 18-19 per cent per head, to the Thai economy. But the condition is that loan recipients should be carefully selected. And both do not completely agree with the idea of letting local networks select students. But this position is another key success factor for the Thai SLS. If the selected borrowers are capable of repaying their debts in the near future, the Thai SLS will not bother the government for more and more budget.

So, the majority of my interviewees agree that the Thai SLS should be financed by Thai government continuously, but not totally. There is no suggestion of PPP or optional joint ventures, as this is a social welfare program not suitable for private operation. Ten of them agree that government can only support the interest margin, but they have no clear implementing concept on how that may be done. Moreover, two out of twelve still think that the Thai government can fully support Thai SLS with a good loans distribution condition.

### 6.3 Characteristics of Implementing Agencies and the Right Organization Structure

Presumably the effective organization structure for the Thai SLS should be a matrix structure with high capacity, several operating units flexible to work under the supervision of the middle level, and who are able to report regularly to the strategic apex. In fact, it is under a bureaucratic structure of organization of work, rather than organization of skill, with a vertical differentiation of administrative power (top-down only).
I have found from my qualitative research that these characteristics of implementing agencies are necessary factors for the efficient Thai SLS implementation.

Let's start with the Thai SLSC. Th. elaborately explained that the authoritative body of the SLSC is not well facilitated for transforming policy into efficient implementation. Some criteria, conditions and regulations are established for their committees' interests, probably the Chairman's interests, rather than social interests as per the intention of the policy. "It is too top-down bureaucratic" she said. A representative sometimes makes a decision easily without serious awareness of its effects i.e., the family income ceiling that is part of the criteria and conditions for eligible loan recipients. These also result in decision making of some executive bodies at the SLF, as they recognize that the SLSC do not take their duties seriously.

In addition, Th. explained that some staff members are not capable, as they do not really understand the policy objectives, and this makes them less motivated to do their jobs. Some claim that their monthly returns are not commensurate with the work that they have to do. Somehow, the manager has also put some middle level executives in the wrong places; this makes the performance of the SLF worsen. So this shows that Thai SLF is a typical organization of works rather than skills. It needs more professionals to run special loans missions for specific targets.

Four other respondents agreed with Th. They feel that the Thai SLSC is too bureaucratic. To make upper middle policy implementation decisions, Sw., Se., and D. want some new local participants at the SLSC meeting with ideas that are brighter, practical, and assessable. For example, they want people from the Ministry of Interior as representatives of local officers who can inform parents, students, and even institutes about the right way of implementing the policy.

As a result of the strong bureaucratic style of the Thai SLF, there is very little free-flowing, efficient, or open communication between the Thai SLSC and the SLF, or even in the Thai SLF itself. Th. has mentioned this while K., Sw., and V. strongly insist that effective open communication in Thai SLF and on its policy implementation processes is needed. The reason is that the open communication can reveal to top level decision makers the actual working conditions that might
counteract implementation, can resolve misunderstandings, and can provide feedback for problem-solving.

Moreover, open communication can also build a group dynamic of commitment to the new program, and develop staff members' persistence to overcome inevitable implementation problems. So, the effect of "participation" may thus derive from the availability of an open communication channel, rather than from the power of an actual vote in a final decision.

In addition, Sp. gave some different views, suggesting that some committee members be removed from the first and the second account payment sub-committees because the e-Studentloan can carry out their tasks. “However, the supervisory task of the committee should not be changed” Sp. also said.

In terms of human resources, only three interviewees think that Thai SLF staff are inefficient, while the other said nothing. This is a case that I explained earlier regarding coding my data – that some questions are not answered because the interviewees do not want to. It does not mean that they do not know the answer, but they choose not to respond.

Similar situations occurred with several other questions, such as the questions of the need of organizational structure reform, the organizational culture, and teamwork. This implies that my interviewees totally agree with the statement that the current organization of the Thai SLF as “a State Fund Administrative body under the supervision of the Ministry of Finance.”

Furthermore, efficient policy implementation needs the right strategic plan. It is “a procedure for developing a long-term and policy-oriented device or scheme that ties together the present to a clarified image of the future”. In regards to my interviews, Sw., V., D., and T. judged that Thai SLS strategic plan is dreadful, while A. and Sm. also required a good strategic plan for better policy implementation. This is not surprising as the strategic apex of Thai SLS is so strictly bureaucratic that it cannot plan feasible strategies for the whole organization.

Last but not least, the leadership seems to be a favorite topic of discussion for all interviewees. Mazmanian and Sebatier (1983: 31) cite the commitment and leadership skill of implementing officials, a non-statutory factor, which adds an inherent dynamism to the implementation process. Four of my interviewees: Th.; D.;
M.; and K. are not happy with the manager’s leadership style. The reason is the manager compromises with the educational institutes, as he was from that section. They also feel that the manager does not aggressively take action before the SLSC issues commands.

However, there are different opinions regarding the leadership. Su and Se have a favorable view of the manager’s leadership in terms of honesty, in comparison to the previous manager. For a decade of Thai SLS implementation, there have been one assigned manager and two selected managers. The first selected manager was from a financial state enterprise, and the other is from Chiang Mai University.

Therefore, the Thai SLSC and Thai SLF – as main implementing agencies investigated here – are not good expeditors for the good performance of Thai SLS. The board is too bureaucratic and a lack of skilled staffs with close communication leads to misunderstanding of the implementers and top-down communication, which generates less effective strategic planning, together with the poor leadership of the manager. The effect is cumulative because of less efficient human resources. Other factors, such as organizational culture and teamwork, seem to have no impact on policy performance. Thus, the characteristics of implementing agencies make Thai SLS implementation become worse and worse, year after year, and demand real policy reform.

6.4 Inter-Organizational Relationships

The policy implementation success depends on inter-organizational relationships. If there are many organizations i.e. central agencies and local agencies, the heterogeneous relationship system will lessen the degree of policy success.

Ziderman (2003) also recommends to the Thai SLS that the cooperation of all organizations should be strengthened from the top at the Ministry level (the integration of national outcome indicators of the Ministry of Finance as the command agency of the SLF, and the MoE as the operational unit) till the bottom level of faculties, local educational institutions, central loan allocation, provincial loan committees, non MoE Ministry, and Bangkok departments.
In addition, good understanding of all implementers, such as student loans officers, students, KTB, and other authorities concerned is required regarding loans allocation, distribution, and repayment. Not only understanding, but all implementers should also have good intentions and a strong commitment to deliver their complete lending service to all targets.

In regards to the above theoretical and literature reviews, I have found from my qualitative research that inter-organizational relationships are a necessary factor for efficient Thai SLS implementation. My interviewees' discussions are mostly about the results of poor inter-organizational relationships. For example they criticize different practices among implementing agencies regarding loan criteria and conditions.

Only Sw., T., and Sa. agree with the criteria and condition set for selecting the eligible loan recipients. Sw. also totally agrees with all the sub-factors that I have proposed here: the need for strict regulation and screening; restructuring loan distribution channels; use of local networks for selecting students; and more development of e-Studentloan that would probably affect the Thai SLS performance in terms of inter-organizational relationships.

Like Sw., Sa. and T. agree on the criteria and condition and some sub-factors of inter-organizational relationship. However, they do not answer some sub-question i.e. Does the Thai SLS need to restructure the local distribution channel, and does the Thai SLS need local networks to do a better job of selecting students?

Moreover, nine out of twelve want the Thai SLS to strictly screen students who receive loans, while half of my interviewees require the Thai SLS to restructure loan distribution channels, and also use local networks for selecting students. Furthermore, less than half think that more development of e-Studentloan will facilitate and make Thai SLS implementation more efficient.

Therefore, it can be said that the performance of the first and the second account payment sub-committees is not satisfactory. Then many suggest that the Thai SLS use local networks to select students and be the channel for loan distribution. Though the e-Studentloan has been developed for the use of loan administration, the birth of the e-Studentloan was not intended to be applied to the Thai SLS, but to Thai ICL instead.
6.5 Monitoring and Evaluation

Policy monitoring is an essential step and plays an important role in producing information about the causes and consequences of public policies. Monitoring is also to survey and record changes regarding policy implementation stage by stage, for making reports to support whether the policy should be adjusted, continued, or terminated later.

Moreover, evaluation is an instrument for assessing the effects of whether any implementation/ process is able to reach the expected goal or not. It can be done at any part of the public policy process: formulation; implementation; and evaluation itself. The reliable evaluation reports of policy implementation can also reduce the risk of unexpected policy outcomes.

In some literature reviews, Ziderman (2003: 40); Somkiet Tangkijvanich and Ariya Manusbunpeampun, (2006) suggest that the application process and distribution of loans throughout the First and the Second Payment Account Subcommittees to the educational institutions are highly decentralized, and should be monitored and evaluated regularly. These monitors and evaluation must be official monitoring plans for both ex-anti and ex-post evaluation and monitoring of the implementers’ behavior.

Lack of monitoring and evaluation results is the inefficient use of budgets because some institutes exploit SLS funds to invest for their own interests, such as building dormitories or buying new computers rather than returning funds to the fund office as the regulation requires. This fraud is usually hidden by using ghost borrowers’ names to fill in lending applications and get loans, which mostly occur at local official loan distributors.

I have found from my qualitative research that the monitoring and evaluation is a necessary factor for efficient Thai SLS implementation. Surprisingly, none says that there is internal monitoring of the policy implementation process in my interview. Four interviewees - Sa.; Sm.; A.; and V. - require it. Particularly, Sm. demands that the Thai SLS has internal monitoring of its implementation processes.

Sm. also says that monitoring and evaluation of the Thai SLS is not part of policy implementation processes. "Even self assessment of the Thai SLS manager is not for policy implementation efficiency" Sm. said. This is exactly similar to A., Sa.,
and V. Only three respondents did not point out the need of policy implementation process monitoring and evaluation, while V. did not answer the question about self assessment evaluation.

In addition, Sm. stated that good monitoring and evaluation should begin with evaluation of the education institutes as loan recipient selecting bodies of the Thai SLS, whether they are eligible to work in charge for the Thai SLS or not. Then the regular process monitoring and evaluation against the plan and timing should be done in every implementing agency of Thai SLS.

Therefore, no theoretically valid monitoring and evaluation has been applied, neither goal-attainment evaluation nor comprehensive evaluation in Thai SLS policy implementation, according to my in-depth interviewees. The strong suggestion of the interviewees is to do both ex-anti and ex-post evaluation and monitoring of the implementers. Object-orientation evaluation seems not enough for satisfactory evaluation of implementing processes, according to Sm..

6.6 Discussion

To make the best conclusion, I would like to check all factors regarding the theoretical and literature reviews in response to my in-depth interviews. Figure 6.1 shows all factors really affecting Thai SLS performance.

First, clear policy objectives and consistency are primary concerns for all policy researchers and analyts. Even my interviewees agree that Thai SLS policy targets are not clear. Some interviewees have suggested that local networks or society identify or pick loan targets, as they know whether students really need the loans and are able to pay back their debts later on.

In addition, there needs to be more than only one scheme. It could be divided into two. The first part is loans for not really poor students with good grades. It provides opportunities for all students who want to expand their ability to work for higher earnings after graduation, and will then be able to pay back their student loans. Another is grants for the really poor with good grades. These must be students from families with annual incomes less than the poverty line, and might not be able to pay back their loans, as their incomes must be spent for family living standards first.
Second, sufficient budget or resources for implementing the Thai SLS should always be provided by the Thai government. But it can only be support of the marginal interest rate. This need for resource sufficiency is on the valid grounds of financial viability, and not via excessive budget support for the scheme. Thus, this revolving cash means the SLF must be able to obtain debt repayment on time so that this amount of money can flow back as loans for lending to new students of the scheme.

Next is the capacity of the implementing agencies – mainly the Thai SLF – and partly the MoE and OHEC. The Thai SLF must have the right leadership to act as an extremely capable secretary to the SLSC to make a feasibly and efficient strategic plan, effective intermediate policy formulation, and regulations for all levels of implementers. Then, the SLSC should be composed of the right committees that can represent benefits for society, not for themselves.

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

Another factor is a good repayment process. This starts with choosing the right loan collectors. The right pattern of debt repayment seems generous enough, but information is required to get in touch with borrowers and collectors. Thus, the SLF must provide incentives to entice debtors to repay their loans. This will be more fully analyzed and discussed in the next chapter.

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

**Findings Validity by Non-Identity Cross Checking:** My above findings have been undertaken throughout the non-identity cross check for its validity. All of them agree with dividing the scheme into two: the first is grants for the really poor with good grades; and the second is loans for students from middle class families who have the capability to learn in fields demanded by labor markets and can earn a high enough salary to pay them back. Thus requires good screening for loan recipients, so that there will be less tendency for them to become deferred debtors.

The policy targets should be sustainable. Politician must stop intervening in the Thai SLSC so that its implementation can respond directly to real market demands. Political unintentional interventions always distort policy results. For example, the government always promises to voters that their children will all be able to enter universities. They never know what cost they have to bear after graduation.

In other words, the Thai SLSC should be strong enough to suggest to the Thai government what fields’ graduates will be needed in and why. There should be freedom from politics. Then, there is a further suggestion that the Thai SLSC should be independent from a bureaucratic system.

On the other side, implementing organizations – which are the MoE and OHEC – should be more responsible and more concerned about what they do with loans distribution, and regularly remind students regarding loans repayment obligations. These are recommended to be made into written regulations for all implementing agencies.
In addition, the Thai SLSC and Thai SLF should develop themselves to work on their authority and capacity, as there are many electronic systems i.e. e-Student loan, e-Audit, and so on – to facilitate them. At the same time there are too many sub-committees in charge of the Thai SLSC, and a large number of bankers also work on behalf of the Thai SLF. So, what really are the Thai SLSC and Thai SLF responsible for?

Moreover, the managers are spineless as they earn high salaries with few responsibilities. The leadership is weak and human resources have no compass to direct their performance. They became unprofessional in their jobs, and intend to work routinely to serve someone’s benefit rather than endeavoring for societal gains. Sometimes they fit themselves in with bureaucratic systems. Probably, this is the fault of being a government agency. The SLF is perhaps better than some state enterprises or other organizations.

Consequently, my cross references also suggest building in strong monitoring and evaluation systems, both internal and external, into the Thai SLSC and Thai SLF at all levels. They seem not so happy with the Self Assessment Report, or SAR by TRIS, because it colludes with the Thai SLS in setting the KPIs for its own benefit. So, these evaluation reports such as SAR by TRIS should be regularly open to the public, as money for all loans comes from taxes league.

Referring back to the international experience reviews, the Thai SLS should be reformed for better implementation. First, one scheme should be divided into two or more according to Thai student demands. The implementing agency, Thai SLF, should recruit new highly capable staff and even new managers who have far vision to move for better operations. The regulations for controlling other implementing agencies, which are the MoE and OHEC, must be strong throughout, with good communication and teamwork for delivering exact policy outputs, so that they can stop wasting national budgets and finally reach financial viability.

To conclude, there are five main factors contributing to better Thai SLS performance in terms of policy targets met and financial viability: the two schemes of loans and grants; selective targets by using local networks; full funding from the government; the right repayment process; and good monitoring and evaluation. Each factor must cooperate with the others to bring about a complete cycle of policy
implementation. For instance, the right targets must be set and selected, and then loans distributed to those targets with the least amount of defaults, followed by good borrower information records in order to get back the debts on time and as much as possible. This circle of good policy implementation will yield great results only if there is an efficient monitoring and evaluation system in the Thai SLS policy implementation. Unexpected problems, like DD, will occur less and less in the future. However, the existing DD must be solved at the same time as we tailor-make recommendations for the Thai SLS.
CHAPTER 7

DEFERRED DEBTS ANALYSIS

In order to reach research objectives number three and four, the researcher needs to roughly scrutinize the causes of Deferred Debts (again, hereafter called DD). According to the literature review and some interviews, there can be more than one reason for the ineffective loan collection system at Thai SLF or at KTB. It can be either because of the borrowers themselves or the institutions' capabilities in selecting the loan recipients who have little opportunity to return the loans after their graduation.

In this chapter, I first present all DD from Krung Thai Banks' records as credible data from 2008 till 2010. Then I classify them in a manner that allows their causes to be identified. And what has been done to solve the DD problem? This research can provide a way out of the DD problem, leading to financial viability and sustainability.

7.1 All Debts

As written in the Thai SLS regulations, after two years from the ending date of being a Thai SLS borrower, the debtor must return money equal to the amount of their loan received at an interest rate of 1%. They are obligated to return the loan until it is completely paid off.

However, the longer that they do not pay back the loan, the higher is the interest rate. For example, the first year they must pay 1% interest. If they do not repay the loan during the first year, they must pay the higher accumulated debt with 1% interest during the second year. The third year will be the same, and so on. Table 7.1 shows the 15-year installment percentages that debtors must pay. If they pay regularly every 12 months, they pay 1.5 per cent of principal, and the next year they
pay 2.5 per cent of the remaining principal, the year after next they pay 3.0 per cent, and etc.

**Table 7.1** The Annual Percentage of Principal Due for the 15 Year Installments

<table>
<thead>
<tr>
<th>Year</th>
<th>% of Debts</th>
<th>Year</th>
<th>% of Debts</th>
<th>Year</th>
<th>% of Debts</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1.5</td>
<td>6</td>
<td>4.5</td>
<td>11</td>
<td>9.0</td>
</tr>
<tr>
<td>2</td>
<td>2.5</td>
<td>7</td>
<td>5.0</td>
<td>12</td>
<td>10.0</td>
</tr>
<tr>
<td>3</td>
<td>3.0</td>
<td>8</td>
<td>6.0</td>
<td>13</td>
<td>11.0</td>
</tr>
<tr>
<td>4</td>
<td>3.5</td>
<td>9</td>
<td>7.0</td>
<td>14</td>
<td>12.0</td>
</tr>
<tr>
<td>5</td>
<td>4.0</td>
<td>10</td>
<td>8.0</td>
<td>15</td>
<td>13.0</td>
</tr>
</tbody>
</table>

**Source:** Adapted from The Student Loans Fund Act, 1998.

If debtors do not pay during the first year but begin in the second year, the total amount of accumulated principal due would be 4% plus 18% for fines, and 1% annual nominal interest. If the debtor defers payment for additional years, these will be accumulated into the debt principal.

This accumulating amount of DD creates a heavy burden to individuals and also to the Thai SLF and national budget, as mentioned earlier. If so, why are there many do not return and pay their debts?

Before searching for the answers, the real debt situation should be analyzed here. Table 7.2 presents all debts due from the first year by collecting real data from all Thai SLSC meeting reports, and then running a regression to predict the future of the Thai SLS debts situation.

Two years after the first lending, the first batch of debt due was 15,373 persons with loans of 258 million Baht, as shown in Tables 5.2 and 5.3. There were 3,488 persons who made payments, or 23 %. After five years, payments were made on 32 % of debts due in the year 2004.

In terms of money, the repayment trend of debts due is not as good as it should be. In Table 7.2, the percentage of paid in debts to due debts has sharply declined from more than 51% to 44% after ten years.

In this study, I have used polynomial regression to predict the debt situation from the batch of borrowers in 2004 and onwards. The data from 2004 and previous
years are more stable than that in 2011. Then, I have predicted the trend of declining debt payments and loan costs in the diagram below.

Table 7.2 The SLS Debts Due and Expected Payments from 1999

<table>
<thead>
<tr>
<th>Edu. Year</th>
<th>No. of Due Debtor (1)</th>
<th>No. of Paid-in (2)</th>
<th>(2)% of (1) (No.)</th>
<th>Due Debts (mil. $) (3)</th>
<th>Accu. Due Debts (mil. $) (4)</th>
<th>Paid-in Debts (mil. $) (5)</th>
<th>% paid in</th>
<th>Accu. Paid-in Debts (mil. $) (6)</th>
<th>Rate (7)</th>
<th>Total Paid-in (6) + (7)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>1</td>
<td>15,373</td>
<td>3,488</td>
<td>23</td>
<td>258</td>
<td>258</td>
<td>131</td>
<td>131</td>
<td>18</td>
<td>148</td>
</tr>
<tr>
<td>2000</td>
<td>2</td>
<td>57,794</td>
<td>16,346</td>
<td>28</td>
<td>1,362</td>
<td>1,619</td>
<td>752</td>
<td>55</td>
<td>882</td>
<td>50</td>
</tr>
<tr>
<td>2001</td>
<td>3</td>
<td>122,497</td>
<td>36,240</td>
<td>30</td>
<td>3,193</td>
<td>4,812</td>
<td>1,816</td>
<td>57</td>
<td>2,698</td>
<td>121</td>
</tr>
<tr>
<td>2002</td>
<td>4</td>
<td>191,984</td>
<td>57,236</td>
<td>30</td>
<td>5,066</td>
<td>9,878</td>
<td>2,787</td>
<td>55</td>
<td>5,485</td>
<td>196</td>
</tr>
<tr>
<td>2003</td>
<td>5</td>
<td>213,079</td>
<td>68,739</td>
<td>32</td>
<td>5,831</td>
<td>15,709</td>
<td>3,140</td>
<td>54</td>
<td>8,625</td>
<td>313</td>
</tr>
<tr>
<td>2004</td>
<td>6</td>
<td>234,211</td>
<td>80,867</td>
<td>38</td>
<td>7,280</td>
<td>22,989</td>
<td>3,827</td>
<td>53</td>
<td>12,452</td>
<td>462</td>
</tr>
<tr>
<td>2005</td>
<td>7</td>
<td>267,904</td>
<td>96,448</td>
<td>41</td>
<td>8,447</td>
<td>31,436</td>
<td>4,318</td>
<td>51</td>
<td>16,770</td>
<td>665</td>
</tr>
<tr>
<td>2006</td>
<td>8</td>
<td>277,940</td>
<td>91,594</td>
<td>33</td>
<td>9,524</td>
<td>40,960</td>
<td>4,719</td>
<td>50</td>
<td>21,489</td>
<td>835</td>
</tr>
<tr>
<td>2007</td>
<td>9</td>
<td>282,447</td>
<td>93,002</td>
<td>33</td>
<td>10,510</td>
<td>51,470</td>
<td>5,030</td>
<td>48</td>
<td>26,519</td>
<td>974</td>
</tr>
<tr>
<td>2008</td>
<td>10</td>
<td>278,423</td>
<td>112,809</td>
<td>41</td>
<td>11,406</td>
<td>62,876</td>
<td>5,251</td>
<td>46</td>
<td>31,770</td>
<td>1,247</td>
</tr>
<tr>
<td>2009</td>
<td>11</td>
<td>265,869</td>
<td>106,728</td>
<td>40</td>
<td>12,211</td>
<td>75,087</td>
<td>5,383</td>
<td>44</td>
<td>37,153</td>
<td>1,493</td>
</tr>
<tr>
<td>2010</td>
<td>12</td>
<td>244,784</td>
<td>107,221</td>
<td>44</td>
<td>12,925</td>
<td>88,011</td>
<td>5,424</td>
<td>42</td>
<td>42,577</td>
<td>1,766</td>
</tr>
<tr>
<td>2011</td>
<td>13</td>
<td>215,169</td>
<td>104,657</td>
<td>49</td>
<td>13,548</td>
<td>101,559</td>
<td>5,376</td>
<td>40</td>
<td>47,952</td>
<td>2,062</td>
</tr>
<tr>
<td>2012</td>
<td>14</td>
<td>177,024</td>
<td>100,053</td>
<td>57</td>
<td>14,080</td>
<td>115,640</td>
<td>5,237</td>
<td>37</td>
<td>53,190</td>
<td>2,381</td>
</tr>
<tr>
<td>2013</td>
<td>15</td>
<td>130,348</td>
<td>93,410</td>
<td>72</td>
<td>14,522</td>
<td>130,162</td>
<td>5,009</td>
<td>34</td>
<td>58,199</td>
<td>2,723</td>
</tr>
<tr>
<td>2014</td>
<td>16</td>
<td>75,142</td>
<td>84,727</td>
<td>113</td>
<td>14,873</td>
<td>107,112</td>
<td>4,691</td>
<td>32</td>
<td>62,890</td>
<td>3,087</td>
</tr>
<tr>
<td>2015</td>
<td>17</td>
<td>11,405</td>
<td>74,005</td>
<td>649</td>
<td>15,134</td>
<td>122,766</td>
<td>4,283</td>
<td>28</td>
<td>67,173</td>
<td>3,474</td>
</tr>
<tr>
<td>2016</td>
<td>18</td>
<td>- 60,862</td>
<td>61,243</td>
<td>-101</td>
<td>15,304</td>
<td>139,493</td>
<td>3,785</td>
<td>25</td>
<td>70,959</td>
<td>3,883</td>
</tr>
</tbody>
</table>

Source: Thai Student Loans Fund, 1999-2011.
The regression data from Table 7.2 shows that the amount of debt payments will be less, while the amount of due debts will increase over time. However, the number of debtors who have reported their status has increased.

The regression diagram below Table 7.2 also indicates weak financial viability. The gap between due debts and accumulated debt payments – let's call this the loan-cost – is wider and wider year after year. The number of debt payments is becoming lower and lower than the accumulated payments. These loan costs are increasing from 33% in the year 2001 to about 46% in the year 2010. They will expand to 50% in a few years if the loan repayment management is not improved.

Referring back to Table 5.4 in chapter 5, the number of DD in 2010 was good at only 22%. But during the last ten years, DD are still high. For instance, in the year 2000, 46% of repayments are DD, and similar figures may be seen in the other due years in Table 5.4. This can also be interpreted as high DD and also high administrative costs of the Thai SLF. This problem must be solved as soon as possible. But to solve this problem, the rationale for DD must first be understood. So, the next section will describe the causes and types of DD.

Thus, the DD problem requires a solution for the Thai SLS to retain its financial viability by managing loan repayments efficiently. In reality will it be? A high repayment rate means low deferred debts. So to achieve good performance, the Thai SLS must reduce the gap of loan costs.

Another problem is debt data records. It may be said that the KTB has never managed the Thai SLS data effectively, as I cannot find separate figures for principal, interest rates, and fines which are paid in by each SLS customer. If these were available, I could predict future trends more accurately and also provide the right solution to the deferred debts problem.

7.2 Types and Causes of Deferred Debts

In regards to the student loan debt characteristics, there are some DD that have no movement, neither payments nor reports turned in to verify that the borrowers are alive and their status. To solve these DD, it is necessary to classify DD according to
their causes. According to my in-depth interviews, there can be many reasons why debtors do not repay their debts.

Until now, there are 2,309,864 debtors with loans due which are equal to 37,588.13 million Baht. Debtors who have made payments are 1.764 million persons, or about 76.37 per cent of the total, but the amount of money repaid is only 20,804.8 million Baht, which is equal to 55.38 per cent of the total.

The number of people who repay their loans seems to be more than amount of debts that were repaid. What does this mean? Figure 7.1 shows data of all debts repaid from the KTB records for the years 1999-2010. From these records, I have divided the debtors in categories according to their repayment behavior: repaid more than the required installments, repaid what is required, repaid some of what is required, dead, and no repayments.

**Figure 7.1** The 1999 – 2010 Classification of Debtors

![Bar Chart](image)

This figure gives a broad view of all types of debtors (out of 2,310,529) whose loans are due. 525,809 persons (22.75%) never made any repayments or reported...
their status. A few (20,638 debtors (0.89%) are dead. There are 427,096 persons (18.48%) who have repaid the normal installments, while 866,455 (37.50%) have repaid some part of their loans. 470,531 persons (at 20.36%) have paid more than their required installments.

The largest numbers of debtors (866,455 persons) have repaid part of their loans, and so the reason for this must be discovered. It was difficult to find and interview some respondents who have repaid part of their loans. I used a sample group of debtors who had received a "home visit" to find out the reason for their behavior and to look for the reasons why they did not repay the full amount due. The data sample used here was from 2008.

The Thai SLF conducts “Home Visits” every year in late October to entice borrowers whose loans are due and who have not repaid more than 5 installments to repay their debts. In the year 2008, there were 96,154 due debtors from 10 provinces, and 22,063 of these were visited (22.9%). Most of them said that they will repay part of their debts. And 80% of them have repaid some because they do not want to be sued, but are unable to pay all of their debts (Thai SLF, 2008, p. 3-10). Half of this group does not have jobs, and the other half is underemployed; both groups earn less than their expenses.

Thus, the problem of most debtors who have repaid part of their loans is that their income is insufficient. The rest of them (20%) have various reasons, such as they have never studied in the institutes as written in their contracts, or they have not finished their studies yet. Those have no money to pay will finally be sued if they do not repay 5 installments of their debts at any time. It could be said that partial repayment is not end of the deferred debts problems. It only extends the time before they will be sued in court. It also another cost of suing that takes effect later on.

Therefore, the data suggests that the debtors whose loans are due or deferred debtors can be divided into specific categories. How can this be done? The data still contains the weakness that the amounts repaid have not been divided into principal, interest rate, and fines.
7.2.1 Types of Deferred Debts

In this subsection, I reviewed this classification scheme with my interviewees, who are well aware of the Thai SLS. Most of them have participated in many "home visits", a Thai SLF activity to visit deferred debtors' homes.

Th. and Sw. gave me good reasons why some graduates who are from very poor families cannot pay back their debts. Though they have jobs with, for example 8-9,000 Baht per month salaries, they must spend all of their incomes on family expenses first. For example, if his/her family is composed of parents with another younger brother or sister in primary school, their total incomes are often less than 16,600 Baht per month. And they have to pay for house rental, electricity, and food to eat. How can this debtor pay his or her income, firstly, to Thai SLS? This first category can be called intentional DD, according to Sp. and K. These intentional DD might be people who are underemployed, and also includes those who are unemployed. They are sub-categorized into (1) waiting for jobs, and (2) those that are not qualified for jobs.

Another category is unintentional DD who have graduated, and after two years are earning enough money to repay their loans. But they have lost touch with the Thai SLF, and then they forgot to repay their debts. For this category, Se., Sm., A., V., and Sw. have always insisted in many Thai SLSC meetings that the Thai SLF must inform all borrowers of this duty when they graduate, and keep updating their addresses so that they can be reminded regularly.

The last category is strategic DD; these are graduates who – after two years – have enough earnings and know of their obligation to repay their debts, but intentionally ignore it. All of my interviewees agree that this type of DD should be sued if it can be proved that they are earning enough money.

In my own observation and experience of participating in "Restructuring Fairs" in four provinces, I found that those who attend the fairs mostly do not want to be sued, but almost all of them are not able to pay their debts. Some came with their guarantors – parents or others – to ask them for help with their repayments. The worst cases are those who have never turned in reports to the SLF to show their living status, and no death certificates have been received either.
So it can be primarily assumed that there are four types of deferred debtors under two main categories, which are (I) intentional and (II) unintentional. This can be easily seen in Table 7.2. It shows the categories of Thai SLS deferred debtors.

The first main category includes three types. They are willing to pay, but not able to pay because (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 do not intend to pay, and are (3) "strategic DD" and do not intend to comply with payment requirements. The last groups is composed of those who (4) forgot to pay, do not really understand that they must repay their debts, or are dead.

So, the four types of DD are:

1) unemployed (waiting for jobs, and not qualified for jobs)
2) underemployed, or must feed their families first.
3) "strategic DD" who are able to pay, but do not intend to pay.
4) those who forgot to pay, do not really understand that they must repay their debts, or are dead.

Table 7.3 Classifications of Thai SLS Deferred Debtors' Behaviors

<table>
<thead>
<tr>
<th>(I) Intentional Behavior</th>
<th>compliance to pay but not able to pay</th>
<th>(1) unemployed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>not compliance to pay</td>
<td>(2) underemployed or prior to feed their family</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(3) &quot;strategic Deferred Debts&quot;</td>
</tr>
<tr>
<td>(II) Unintentional Behavior</td>
<td></td>
<td>(4) forgot to pay, do not really know that they must pay their debts, or die</td>
</tr>
</tbody>
</table>

From my observation of Thai SLSC meetings, many committees are always discussing how to solve the DD problem. These are briefly summarized here. The first type can be solved by providing them more job opportunities when they first graduate or before graduation as internships during their last semesters. The second type should not be in the loan scheme if they are from really poor families, which means that they are not able to repay their debts from the first and probably never will. Ideally, they should be shifted to student grants instead. The amount of their debts should probably be written off.
Thai SLSC members think that all debtors seem to easily adopt the fourth type of behavior, as they are probably busy with their studies and looking for jobs. The way out for the fourth type is to inform all borrowers that they must repay their debts on time; otherwise, their debts will accumulate high interest fees, which will put them under a huge debt burden later.

Last but not least, the "strategic DD" is the worst type and must be discovered as soon as possible by the Thai SLF, so that they can be forced to pay. The reason is that they are a big portion of Thai SLS, about 45%-50% of all due debts in each year, as shown in Table 5.3 in chapter 5. The longer time that the deferred debtors do not make loan payments, the higher the amount of accumulated debts that they have to pay.

It also results in wasteful administrative costs. So Thai SLS policy implementation should be to create a strategic plan to solve the DD as the first priority after efficient development of loan distribution. This plan can be accurately drafted if Thai SLS policy makers know the exact cause of the DD, and how to protect against them.

### 7.2.2 Causes of Strategic Deferred Debts

To solve the DD, I would like to narrow the scope to the strategic DD only. The operational definition of DD consists of eight lengths of time that the debts are overdue as follows:

<table>
<thead>
<tr>
<th>Rank</th>
<th>Description</th>
<th>Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1</td>
<td>Debt</td>
<td></td>
</tr>
<tr>
<td>A2</td>
<td>Debt Deferred 1-30 days</td>
<td>1-30 days</td>
</tr>
<tr>
<td>A3</td>
<td>Debt Deferred 31-90 days</td>
<td>31-90 days</td>
</tr>
<tr>
<td>A4</td>
<td>Debt Deferred 91-120 days</td>
<td>91-120 days</td>
</tr>
<tr>
<td>A5</td>
<td>Debt Deferred 121-150 days</td>
<td>121-150 days</td>
</tr>
<tr>
<td>A6</td>
<td>Debt Deferred 151-180 days</td>
<td>151-180 days</td>
</tr>
<tr>
<td>A7</td>
<td>Debt Deferred 181-300 days</td>
<td>181-300 days</td>
</tr>
<tr>
<td>A8</td>
<td>Debt Deferred more than 300 days</td>
<td>more than 300 days</td>
</tr>
</tbody>
</table>

**Source:** Krung Thai Bank, 2011.

In Table 7.4, there are eight loan rankings (A1 to A8) within 1 year of the debts being deferred by the KTB. Suppose within a year, how many DD are there?
These ranking terms represent borrower behavior because KTB usually keeps sending them debt notice letters every thirty days.

Now, let's see how many borrowers and how much money are represented by the DD in each deferred duration. Table 7.5 shows the DD data, from the KTB on 28/02/11, divided into installments and principal due, including fines, by rank. Suppose there are 20,638 dead; the total is almost the same as that shown in Figure 7.1, at 2.309 million debtors.

In Table 7.5, 46.63% of total overdue debtors are in A8, which means that their debts have been deferred for longer than a year. The amount of debts in A8 is about 119 million Baht (column 2 + 3 + 4), while the total is 220.62 million Baht, equal to 53.93%. Thus, the data shows that more than half of the deferred debt needs specific treatment to solve the problem of non-compliance with payment requirements (strategic deferred debt). What should be done? To find a way out, we need to know the characteristics of debtors in A8.

**Table 7.5 The Amount of Due Installments, Due Principals and Fines**

<table>
<thead>
<tr>
<th>DD Rank</th>
<th>persons (1)</th>
<th>(1) as % of total</th>
<th>The Due Installment left (2)</th>
<th>The Due Principal left (3)</th>
<th>Fine (4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1</td>
<td>954,855</td>
<td>41.83</td>
<td>-</td>
<td>77,356,109,230.63</td>
<td>19,319,596.02</td>
</tr>
<tr>
<td>A2</td>
<td>4,229</td>
<td>0.19</td>
<td>3,049,371.77</td>
<td>604,547,195.02</td>
<td>7,196,937.66</td>
</tr>
<tr>
<td>A3</td>
<td>3,557</td>
<td>0.16</td>
<td>6,344,279.01</td>
<td>463,914,196.06</td>
<td>4,860,501.80</td>
</tr>
<tr>
<td>A4</td>
<td>959</td>
<td>0.04</td>
<td>4,990,148.35</td>
<td>113,536,018.07</td>
<td>103,873.50</td>
</tr>
<tr>
<td>A5</td>
<td>961</td>
<td>0.04</td>
<td>6,218,060.32</td>
<td>116,740,642.63</td>
<td>158,889.34</td>
</tr>
<tr>
<td>A6</td>
<td>2,142</td>
<td>0.09</td>
<td>16,895,387.29</td>
<td>268,720,116.05</td>
<td>535,351.46</td>
</tr>
<tr>
<td>A7</td>
<td>251,716</td>
<td>11.03</td>
<td>577,441,945.65</td>
<td>22,035,167,776.49</td>
<td>38,419,118.49</td>
</tr>
<tr>
<td>A8</td>
<td>1,064,419</td>
<td>46.63</td>
<td>15,916,185,477.97</td>
<td>98,298,545,658.90</td>
<td>4,770,073,631.30</td>
</tr>
<tr>
<td>Total</td>
<td>2,282,838</td>
<td>100.00</td>
<td>16,531,124,670.36</td>
<td>199,257,280,833.85</td>
<td>4,840,667,899.57</td>
</tr>
</tbody>
</table>

**Source:** Thai Student Loans Fund, 2011a.

Next, I am going to further scrutinize the levels of education from which the strategic DD have graduated the ownership of institutes, quality of education institutes, and fields of graduates.
7.2.2.1 Education Level

In regards to the raw data of loan repayments from KTB, Figures 7.2 and 7.3 display the loans for which less than the required amounts have been repaid, and those for which no repayments have been made; these are classified by the debtors' education level during the years 1998-2010. Figures 7.2 and 7.3 are complementary in meaning to each other. This is to find out what educational levels have a high rate of DD.

If the endogenous growth theory is valid and Thai SLS policy formulation is right, the debtors must have enhanced earning ability (more than if they had not received student loans) and should at least be able to earn enough to pay back their student debts.

**Figure 7.2** Repayments Less Than Required

Source: Thai Student Loans Fund, 2011a.
Figure 7.3 No Repayments

![Graph showing number of students by level of education and years 1998-2010](image)

**Source:** Thai Student Loans Fund, 2011a.

Conversely, however, these two figures illustrate that undergraduate debtors represent the largest number of strategic DD. They are the largest number of both underpaid and never paid loans. The best category of debtors are those with 1st vocational level certificates, followed by the secondary school level, and the 2nd and 3rd vocational level certificate as shown in Figure 7.1 and 7.2. To briefly summarize, the higher the degree, the more DD there are.

To confirm this discovery, I referred back to my literature review. Jaroonsri Madilogkovit et al. (2006: 144) studied the employment statistics of SLS borrowers who graduated in 2003, and found that 77.8 per cent of state institute graduates were employed. And about 80 per cent of university graduates are employed. However, the graduates from the Rajabth Universities have the highest proportion of unemployment, followed by private universities and private colleges. Is this research result true, that undergraduates from public institutes have higher employment rates than those from private ones? And what is the impact on DD?
Unfortunately, Jaroonsri has no conclusion on what fields at the undergraduate level have high rates of DD, which I will explore next.

7.2.2.2 Private vs. Public

As a result, I asked for permission and went to the KTB headquarters several times from January till March 2011. I discovered the DD statistics from the KTB during the years 2008, 2009 and 2010 as shown in appendix J. The DD are classified by educational institute. The data is shown in terms of the number of undergraduates who have DD.

The data table in appendix J shows the fact that of the top fifty undergraduate education institutes out of one hundred fifty with high DD are mainly privately owned. Less than twenty per cent of the top 50 DD are state institutes. Moreover, the situation is worse year after year. Overall, these fifty institutes have higher percentages of DD year after year: from 46.52% in 2008, to 52.34% in 2009, and 71.93% in 2010. Let's focus on one university, for example Krirk University, and we note that in 2008, the DD was 64.12%, which became 73.84% in 2009, and turn worsed at 82.65% in 2010. This is not to blame this university, as others show similar patterns. Thus, this situation calls for a good recommendation or regulation from the second payment account sub-committee to improve policy implementation performance. This should apply to the first payment account sub-committee, also.

In addition, the data table in appendix K shows the fifty top DD schools and institutes. It confirms the literature review in that secondary and vocational schools have less DD compared to undergraduate level programs. This is probably because secondary tuition fees are nil, as the Thai government provide free school for 12 years (from G 1-6 and G 7-12). Thus, secondary school students require the least amount of loans, and students only need to borrow their living allowances.

In the data table in appendix J, most are private universities because there is no government support for these universities, which makes students bear all their actual study costs through tuition fees. The high tuition fees force almost all students in private universities to apply for Thai SLS, rather than to enter the market for high-interest loans. This makes the level of deferred debtors from private universities always higher than that of state institutes, except for Ramkamhaeng
University, the Open University for which student loans are available only for living allowances.

Furthermore, almost all institutes in appendix K are under state authority; there are also a few private ones. The numerical number of DD is not high, unlike higher education, but it looks frightening because nearly 100 per cent of all due debts are deferred. This is understandable because students at all state institutes are mostly from poor and lower-middle class families. The students are enthusiastic to borrow for their living allowances. As there are many state institutes at this level, they are of various quality levels. Does the quality of education institutes affect the capability of debtors to pay back their student loans?

7.2.2.3 Quality of Education Institutes

In order to formulate the right policy and implementation regulations, I recall that the regulations established by the Thai SLSC are too loose to ensure that good quality institutes are selected to receive loan quotas. Logically, these high quality institutes will at least allocate the loans to the right targets, who are able to graduate and have the social responsibility to pay back their loans, and earn enough income to repay their student debts.

In regards to The Office of the National Education Standards and Quality Assessment (ONESQA), none of the institutes from the first group (research-oriented universities) have a high DD ranking (except Ramkamhaeng University) in appendix J. All of the fifty are mostly in the second group (teaching-oriented universities), which is the largest one, and the third group (teaching, art and culture-oriented universities).

The external assessment of ONESQA for the years 2006-2010 is to assess the two broad quality areas: overall university quality, and the quality of subjects being taught. Each group of universities will be competing measured account to their group criteria though the assessment indicators are similar. Five is the full mark. Most universities in the first group hardly fall below 4.00; however, some universities in the second group receive scores higher than 4.00, such as Dhurakij Pundit University.

Moreover, ONESQA conducts external quality assessment for undergraduate education institutes. There are more than 34,500 schools and more
than 750 vocational institutes nationwide. And none of the fifty institutes in appendix K have good marks from ONESQA.

So, the quality premises in regards to higher education can also be applied to the secondary and vocational levels, in order to select capable borrowers who will be able to pay back their loans after graduation.

It can be said that the overall quality of institutes might be a partial criterion for judging the reasons of their graduates’ high DD percentages. In other words, I might need to carefully scrutinize the fields or subjects from which most DD have graduated.

7.2.2.4 Fields of Study

According to Thai SLSC meeting on 31/03/2011, a broad assumption was made that the field of study might possibly indicate whether graduates will be employed and able to pay their debts later or not. Thus, I started to further analyze the fields and subject of the deferred debtors.

At the same meeting, borrower statistics in 2010 from e-Studentloan were presented on the agenda. This data showed that over 60% of the borrowers were enrolled in social science programs, and the rest are in applied sciences, with a few in pure sciences and a few in health sciences. For the secondary and vocational levels, less than 40% are studying in vocational programs. Less than 10% of the 40% choose to specialize in mechanical and technical fields; the others prefer commercial sciences such as business, accounting, and commerce.

As a result, I discovered that this data dated back to the year 2008, and found that this trend already existed. It was even used as the main criteria of loan distribution in the two payment account sub-committees. Implicitly, the Thai SLS itself has supported loan recipients in non-vocational fields and social sciences, rather than in fields that are more productive after graduation.

Let's look back at earlier graduates who are also DD. Did these DD graduate from social science programs or G 10-12, rather than vocational fields? The data collected from the KTB is displayed in Figure 7.4, and can show the trends that will answer this question.
**Figure 7.4** Graduates Whose Payments are less Than Required from the 1st Payment Account Subcommittee: Classified by Field of Study

![Graph showing the percentage of graduates whose payments are less than required from the 1st payment account subcommittee, classified by field of study over the years from 1999 to 2010.]

**Source:** Thai Student Loans Fund, 2011b.

In Figure 7.4, the data show different trends of borrowers from the 1st payment account sub-committee whose repayments are less than required. It classifies the borrowers who graduated from G 10-12, and those from the first vocational schools by the years in which their loans are due from 1999-2010.

Figure 7.4 supports the conclusion that more graduates from G 10-12 have repaid less of their loans than required, while less of those from the 1st vocational level have this problem. This can also be interpreted to mean that the Thai SLS has given more loans to G 10-12, and the borrowers are finally not able to earn enough to pay back their debts. Now, I would like to know more about the real situation.

The DD sub-committee’s secretariat team (of which I was a member) sent out questionnaire surveys to find out that whether the DD are employed, and what fields or subjects they graduated from. The questionnaires were distributed to 1,000 deferred debtors at the Thai SLS debt restructuring fair, which was held in March 2010 at Muang Thong Thani.
Table 7.6 Data on Employment and Unemployment of the DD by Fields of Study

<table>
<thead>
<tr>
<th>Fields</th>
<th>Employ</th>
<th>Unemployed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lower than Bachelor Degree</td>
<td>Bachelor Degree</td>
</tr>
<tr>
<td></td>
<td>Grad. Level</td>
<td>Level</td>
</tr>
<tr>
<td>Accounting</td>
<td>28</td>
<td>15</td>
</tr>
<tr>
<td>Business Computer</td>
<td>27</td>
<td>13</td>
</tr>
<tr>
<td>Management</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>Political Science</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Marketing</td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>Nurse</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agri. &amp; Tech</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Computer Science</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary Edu.</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>English</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Electronics</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Law</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Mathematics</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Exercise</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Pharmaceutics</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Science-Math</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Engineering</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Others</td>
<td>43</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>171</td>
<td>39</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Thai Student Loans Fund, 2011a.

There were 295 persons who returned the questionnaires, but not all of these were completely filled in. 266 answered whether they were employed or not. Only 241 were answered the question about the fields that they graduated from, and of the 241, there were 171 who were employed and 70 who were unemployed.

Table 7.6 displays the partial results of this questionnaire. In Table 7.6, 22.8% of the sampled graduates from Accounting and Business Computer fields were
employed, but some of the graduates in these fields are unemployed, because they graduated from lower than the university level. This looks similar to other fields.

So, this table can also roughly confirm that among the deferred debtors, those who graduated from university level have higher employment rates when compared to the others. Unfortunately, these higher education graduates are deferred debtors, generating a burden to the national budget. It would be good if the Thai SLS keeps regularly collecting statistics of what borrowers do for their living after they graduate. These records should be kept individually for each person to followup their loan repayment performance, which will be useful for the repayment managerial strategy later.

To find out more relationships of what fields of study are really high in Thai SLS DD, the secretariat team of DD sub-committee and I went to conduct fieldsurveys at Rajabhat Pranakorn University, Prince Songklanakarin University, Rajamongkon Lanna University, and Khonkhen University to get in-depth data of 246 more selected samples from the DD records. These samples were adding to what I found about the level of education and employment status, and may be seen in Table 7.7.

**Table 7.7** The Fields of Undergraduates and Numbers of DD

<table>
<thead>
<tr>
<th>Education Levels / Fields</th>
<th>Employed</th>
<th>Unemployed</th>
<th>DD Selected Sampling</th>
</tr>
</thead>
<tbody>
<tr>
<td>G 10 -12</td>
<td></td>
<td>32</td>
<td></td>
</tr>
<tr>
<td>1st level Vocational Certificate</td>
<td></td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>2nd and 3rd level Vocational Cert. in Commerce</td>
<td>24</td>
<td>23</td>
<td></td>
</tr>
<tr>
<td>2nd and 3rd level Vocational Cert. in Mechanics &amp; Industrial</td>
<td>5</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>1st Degree in Social Sciences</td>
<td>81</td>
<td>15</td>
<td>103</td>
</tr>
<tr>
<td>1st Degree in Architecture</td>
<td>2</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>1st Degree in Engineering, Sciences and Technology</td>
<td>34</td>
<td>8</td>
<td>53</td>
</tr>
<tr>
<td>1st Degree in Agriculture</td>
<td>3</td>
<td>5</td>
<td>77</td>
</tr>
<tr>
<td>1st Degree in Nursing, Pharmacology etc.</td>
<td>6</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>1st Degree in Health Sciences i.e. Medical Doctors,</td>
<td>2</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>Veterinarians, Dentists etc.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>209</strong></td>
<td><strong>57</strong></td>
<td><strong>246</strong></td>
</tr>
</tbody>
</table>
In Table 7.7, the data shows that many graduates of 1st degrees in social science are DD, followed by the 2st degree in agriculture, and then in engineering, science, and technology.

This supports the premise that social science graduates are not productive, and so that they cannot pay back their debts. The other two fields might be real "strategic DD", as they graduated in fields where they can get employment with high returns, but they are still Thai SLS DD. The strategic DD portion counts for 52% of the total field surveys this time. Therefore, characteristics of strategic DD are education level, type of education institute (private or public), quality of education institute, and field of study. These factors have a major impact on the quality of graduates. In other words, they are the real reasons for Thai SLS deferred debtors. Each cause should be seriously dealt with, so that DD can be eradicated. How the Thai SLSC can deal with the existing DD will be discussed in the next section.

To sum up the types of debts and their causes, there are a few obvious causes shown here in Table 7.8 that I invented. In the SLSC board meeting, these causes were assumed to lead to high DD. But, I looked for more available data and analyzed it to support the truth of these assumptions. It is now clear that higher degrees in fields with less market demand from low quality institutes, mostly private ones, have high levels of SDD, as shown in the far right column of Table 7.8.

**Table 7.8** Summary of Types and Causes of the Deferred Debts

<table>
<thead>
<tr>
<th>Types of Behaviors</th>
<th>Causes of the &quot;SDD&quot;</th>
</tr>
</thead>
<tbody>
<tr>
<td>(I) Intentional Behavior</td>
<td>(a) Education Level</td>
</tr>
<tr>
<td>compliance to pay but not able to pay</td>
<td>- The higher degree, the more SDD.</td>
</tr>
<tr>
<td>(2) underemployed or prior to feed their family</td>
<td>(b) Private vs. Public</td>
</tr>
<tr>
<td>not compliance to pay</td>
<td>- The private ones are higher in the SDD.</td>
</tr>
<tr>
<td>(3) &quot;Strategic DD&quot; (SDD) driven from</td>
<td>(c) Quality of Edu. Institutes</td>
</tr>
<tr>
<td>(4) forgot to pay, do not really know that they must pay their debts, or die</td>
<td>- The less quality of institutes, the more SDD.</td>
</tr>
<tr>
<td>(II) Unintentional Behavior</td>
<td>(d) Fields of Studies</td>
</tr>
<tr>
<td></td>
<td>- The less market needed fields are high in SDD.</td>
</tr>
</tbody>
</table>
As mentioned above, these are not new issues to the Thai SLSC and SLF. There are even suggested solutions for all the DD. Now, I would like to scrutinize the SLF performance regarding DD management and results, which has been done in the next section.

7.3 The Deferred Debts Management and Results

In this section, I will scrutinize the Thai SLS DD management and results, as the first year of debts due was in 1999. Now, there are 11 due years. Broadly, there are two main means of managing DD: suing and debt restructuring.

7.3.1 Suing

In the past, the Thai SLF directly hired law firms to sue all debtors. This led to high operating costs and processing delays. Besides that, there are some hidden issues of hiring law firms each year, which – until now – are still being investigated by both internal and external audits.

From 2004, the SLS has informally assigned the KTB to manage all operating processes or act as loan administrator for distributing loans to students and getting loan repayments back from them, too. But in fact, KTB has sub-contracted this task to law firms, which means that high administrative costs are still the outcome of this assignment.

On October 1\(^{st}\), 2010, a formal agreement between the Thai SLF and KTB was signed and took effect. The administrative costs have not declined yet from 6,500 Baht per debtor. However, there is an attempt to negotiate an administrative cost reduction between the Thai SLSC and KTB, which could finally bring down the banking transaction fees for services such as making a file for each borrower, fees for transferring money to education institutes or students and fees for sending a letter of notice to deferred debtors (the SLSC meeting agenda on March 2011). These fees are normally less than 100 Baht each. Thai SLF can save only 10 -20 million Baht of overall KTB operation costs to follow the debtors. Nevertheless, the huge amount of
fees to cover the cost of (suing costs 6,500 Baht each) was not reduced. So there is not much difference between having a written agreement and not-having one.

Let’s find out, how much the DD costs the Thai SLF, and what are the returns of suing? Table 7.9 shows the costs and results of suing debtors from 2006 to 2010.

The data in Table 7.9 seems to support continuing to file lawsuits, as the repayments after suing show high returns. Over 90% pay back their debts according to the judgment. But the cost of hiring lawyers for suing is too high. The cost of debt administration in each year was about 100,000,000 Baht; it is currently up to 900,000,000 Baht for this activity.

The SLSC reported at the end of the F.Y. 2010 that the cost-benefit of loan repayment management is about 34.7 per cent, as the SLF has spent almost 2,227,000,000 Baht and received debt repayments to the fund of 3,000,000,000 Baht. This means during the ten years of loan repayments, the SLF got only 773 million Baht in return to revolve to new borrowers.

Beyond the costs of suing, the Thai SLF must keep on planning how to make the debtors pay their debts according to the court judgments. By telephone, the Thai SLF Director of Law division said that the Thai SLF never thought and planned what to do next after the court finalized the DD cases. He further explained that the SLF might have to ask a favor of the Legal Execution Department to handle the rest of the process of getting guarantors to pay or redeem their assets. These costs of law enforcement can cause some additional administrative expenses to the Thai SLF.

Table 7.9 The 2006-2010 Costs and Returns of Suing

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Due Debtors (persons) (1)</td>
<td>261,806</td>
<td>252,856</td>
<td>268,292</td>
<td>216,144</td>
<td>207,924</td>
</tr>
<tr>
<td>The Due Debts (mill. Baht) (2)</td>
<td>27,473.41</td>
<td>28,576.03</td>
<td>27,695.98</td>
<td>25,812.85</td>
<td>21,739.84</td>
</tr>
<tr>
<td>Total Void Contracts (persons) (3)</td>
<td>51,976</td>
<td>93,688</td>
<td>140,459</td>
<td>148,613</td>
<td>161,739</td>
</tr>
<tr>
<td>Proposed for Loan Restructuring (persons) (4)</td>
<td>1,206</td>
<td>4,083</td>
<td>12,515</td>
<td>30,187</td>
<td>32,508</td>
</tr>
<tr>
<td>(4) as % of (1)</td>
<td>0.46</td>
<td>1.61</td>
<td>4.66</td>
<td>13.96</td>
<td>15.63</td>
</tr>
<tr>
<td>Proposed for Loan Restructuring (mill Baht) (5)</td>
<td>76</td>
<td>477</td>
<td>1,032</td>
<td>3,142</td>
<td>4,869</td>
</tr>
<tr>
<td>(5) as % of (2)</td>
<td>0.27</td>
<td>1.66</td>
<td>3.72</td>
<td>12.17</td>
<td>22.39</td>
</tr>
</tbody>
</table>

Source: Modified from Thai Student Loans Fund, 2011a, 2011b, 2011c.
Beyond the costs of suing, the Thai SLF must keep on planning how to make the debtors pay their debts according to the court judgments. By telephone, the Thai SLF Director of Law division said that the Thai SLF never thought and planned what to do next after the court finalized the DD cases. He further explained that the SLF might have to ask a favor of the Legal Execution Department to handle the rest of the process of getting guarantors to pay or redeem their assets. These costs of law enforcement can cause some additional administrative expenses to the Thai SLF.

So, the Thai SLF has studied the 2003 batch of debtors’ potential to pay after the court judgments, and found that only 17.35 per cent will pay for their DD. This does not mean that their payments will be full. 6.02 per cent tend not to pay for the whole debts. The remaining 76.63 per cent have absolutely no capability to pay back their loans. This infers that the Thai SLSC has never established any strategic plans for managing debtors after court judgments, if this situation occurs. Thus, the Thai SLS might actually lose more than the cost of suing plus the cost of loan enforcement. The present value of the loan principal might be lost, and so on.

As a result, there are many recommendations from the committees to cut down costs, as all these lawsuit cases are similar and easy to sue, as the counterparts are student loan borrowers. The lawyers can just change the names of the people and the total amounts of assets being sued in the papers submitted to the court, while the other contents are similar. Thus, debt restructuring is a possible alternative for Thai SLF loan collection.

### 7.3.2 Debt Restructuring

In fact, before suing the Thai SLF usually held debt restructuring fairs before the 5th of July every year. This started in the year 2006. The researcher joined these fairs in the years 2010 and 2011, which are operating well under the coordination of Thai Provincial Courts.

Back to Table 7.9, the data presents increasing numbers of DD proposed for the loan restructuring from 1,206 to 32,508, which are from 0.46 % to 15.63 % of total due debtors. In terms of money, it increases more than 22.00%. The cost of debt restructuring is small, while the returns are large. The KTB is another policy
implementing agency which regularly restructures debts, particularly DD student loans. This seems to directly help the bank to efficiently control its costs.

Table 7.10 can confirm the better results of restructuring debts during the years 2010 and 2011. In only a few days of the events, debts of 64.5 million Baht were repaid in 2010. In the year 2011, the fairs have not finished yet on the reporting date. Although the number of people participating is not a large portion of the total number of DD, there were less operating costs.

So, debt restructuring can be an alternative for the Thai SLS to implement regularly. However, other solutions can be suggested here as well.

**Table 7.10** 2010 – 2011 Repayments after Restructuring at the KTB

<table>
<thead>
<tr>
<th></th>
<th>No. of Restructuring</th>
<th>Due Principal (1)</th>
<th>The Due Debts Left (2)</th>
<th>Paid-In (1) - (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2010</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paid all</td>
<td>32,361</td>
<td>4,448,140,729.32</td>
<td>4,383,564,029.05</td>
<td>64,576,700.27</td>
</tr>
<tr>
<td>Paid on installments</td>
<td>9,059</td>
<td>1,152,264,573.13</td>
<td>1,103,979,639.37</td>
<td>48,284,933.76</td>
</tr>
<tr>
<td>Paid some</td>
<td>17,172</td>
<td>2,344,047,651.64</td>
<td>2,331,033,129.07</td>
<td>13,014,522.57</td>
</tr>
<tr>
<td>Not paid</td>
<td>6,074</td>
<td>948,011,110.61</td>
<td>948,551,260.61</td>
<td>-540,150.00</td>
</tr>
<tr>
<td><strong>2011</strong></td>
<td>31,050</td>
<td>4,435,368,412.22</td>
<td>4,429,379,979.63</td>
<td>5,988,432.59</td>
</tr>
<tr>
<td>Paid all</td>
<td>17</td>
<td>1,849,303.35</td>
<td>0.00</td>
<td>1,849,303.35</td>
</tr>
<tr>
<td>Paid on installments</td>
<td>15,010</td>
<td>1,949,810,749.06</td>
<td>1,946,245,499.18</td>
<td>3,565,249.88</td>
</tr>
<tr>
<td>Paid some</td>
<td>8,443</td>
<td>1,275,747,217.17</td>
<td>1,275,173,337.81</td>
<td>573,879.36</td>
</tr>
<tr>
<td>Not paid</td>
<td>7,580</td>
<td>1,207,961,142.64</td>
<td>1,207,961,142.64</td>
<td>0.00</td>
</tr>
</tbody>
</table>

**Source:** Krung Thai Bank, 2011.

### 7.3.3 Other Solutions

Besides suing and debt restructuring, there are many non-legal methods used during 2008 – 2011, such as television and radio broadcasting, home visits with the cooperation of the Department of Local Administration, and so on.

Before that, in March 2004 there was a regulation of “no fines” for debtors who come in and pay any amount of the deferred interest. They will get the privilege not to pay for any fines until the last installment. The result was that 35,911 more debtors came in to pay 100.90 million Baht.
Another method is that “no interest will be charged equal to one installment” for debtors who come in to pay regularly for at least one year. This made 13,689 debtors came in to pay 30.97 million Baht. Lastly, certificates and rewards of more than 1,000,000 million Baht were given when debtors came in and paid the total amount of their debts. There were 2,339 persons for 88.53 million Baht who did this.

In addition, there were some solutions for the long term, similar to those in the present time. These were home visits by other Thai SLS borrowers, seminars, frequently input information on the website and homepage, coordination with other agencies to inform them of their employees who are Thai SLS debtors, and so on.

### 7.3.4 Efficiency of Thai SLS DD Management

The Thai SLF has attempted to solve the DD problems in the short term and long term by both legal and non-legal methods since 2004.

The short term means mainly broadcasting the information of loan repayment timing either by television or radio. The internet and other electronic media is another way to make borrowers aware of their debts duties. Home visiting by many parties such as the SLF staff, other SLS borrowers, and people from the department of local administration are another way, besides sending letters of debt notification. Lastly, the debt restructuring fairs are always held to encourage borrowers to join in order to receive some privilege offered in terms of repayment reduction i.e. omit interest for one installment, no fines on missed interest payments, rewards, and so on.

Nevertheless, the short-term operations to solve the DD face many obstacles that make them somewhat inefficient. First, suing leads to high returns, but less cost-benefit efficiency. It is also time consuming with unanticipated results if the debtors run away after court judgments. This might lead to other extra costs to follow up the debtors after court verdicts, too. Though debt restructuring enhances the returns of the loan repayment ratio, it recovers only a small portion of all accumulated DD. Last, public broadcasting costs are high, and it is difficult to measure their results.

The long term solutions are mostly legal methods, like asking other implementing agencies i.e. Social Security Office and employers to provide the SLS deferred debtors' salary information data. The last but highly effective method is a
legal commitment from the Thai Revenue Department to collect the SLS debts payment for the government.

However, all these methods of DD solution are not perfectly efficient. They can only be ways to support the loan collection process. A better approach is to find more effective ways to get some loans back. Many committees suggest that the Thai SLS does not need to be able to collect all debts from all debtors. In many interviewees’ opinion, gradually getting back a little is an acceptable compromise when compared with the high cost of administering lawsuits. But we must bear in mind that pursuing new methods to attract the DD to come and pay must be fashionable and suitable for the economic situation. For example, the rewards that are given to debtors who come in to pay must be highly popular so that they will want them. Or the interest rate privilege should be more attractive than paying fines later.

7.4 Discussion

In this section, the researcher will discuss finding some good methods to solve the Thai SLS DD. As we have understood, Thai SLS DD are mostly “strategic” debts. The main characteristics of strategic DD are education level, type of education institutes (private or public), quality of education institutes, and fields of study. The deferred debtors do not intend to pay for their debts although many notice letters were sent to them. The Thai SLF has used both “stick” and “carrot” approaches to solve the DD problem. Suing seems to waste time and money, but cuts to heart of the problem. In fact, debt restructuring seems reconciliatory to borrowers and gives the Thai SLF more returns. Nevertheless, there are different weaknesses as mentioned in previous sections. And there is no strategic plan for these unfruitful methods of suing and debt-restructuring.

Let’s think about a better strategy that can solve the DD. Here, I would like to suggest breaking the DD down into more detail according to the total debts of the borrowers. If we divide the total debts into ranks, we can match the right loan collection strategy with each. The total debt ranks should start from less than 100 Baht, as this amount equals the cost of sending the notice letter. If the DD is less than
100 Baht, there is no benefit to trying to collect the debt. Table 7.11 shows only total debts equal to and less than 100 Baht.

In Table 7.11, there are 869 debtors who owe the Thai SLF equal to and less than 100 Baht. There are 251 persons who have are just becoming deferred debtors to the Thai SLF, after 2 years grace period plus four year of receiving the debt notice letters. These persons still have one more year to come in and pay their debts; otherwise, they will be sent to court.

**Table 7.11 Total Debts Below 100 Baht**

<table>
<thead>
<tr>
<th>Duration</th>
<th>Debtors</th>
<th>The Due Installment left</th>
<th>The Due Principal left</th>
<th>Fine</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1</td>
<td>251</td>
<td>-</td>
<td>- 14,541.99</td>
<td>-</td>
</tr>
<tr>
<td>A2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A3</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A4</td>
<td>1</td>
<td>34.45</td>
<td>34.45</td>
<td>1.97</td>
</tr>
<tr>
<td>A5</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A6</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A7</td>
<td>222</td>
<td>7,239.69</td>
<td>5,167.14</td>
<td>566.48</td>
</tr>
<tr>
<td>A8</td>
<td>395</td>
<td>32,752.09</td>
<td>8,364.93</td>
<td>13,107.10</td>
</tr>
<tr>
<td>Excl. A1</td>
<td>618</td>
<td>40,026.23</td>
<td>13,566.52</td>
<td>13,675.55</td>
</tr>
<tr>
<td>Total</td>
<td>869</td>
<td>40,026.23</td>
<td>- 975.47</td>
<td>13,675.55</td>
</tr>
</tbody>
</table>

**Source:** Thai Student Loans Fund, 2011a.

The other 618 persons are in the fifth year of being warned to repay their debts. These should report themselves or come in to pay their debts before the 5th of July. If they do nothing, by the end of the fifth year, their names and the amounts of their total debts will be sent to court.

However, if the Thai SLF has to hire lawyers to sue these people, will it be economical? The answer is “of course not”. Then the Thai SLF should just write off their debts. It is better than wasting time and money. In reality, the total debts might occur without intention. These debts can be some fees or miscalculating the amount of loans or debts, which are not worth rechecking again by audits.
The second rank shown in table 7.12, which should be of concern, is 101-7000 Baht. 7,000 Baht represents the salary amount for the first vocational under graduate level, according to the wage and salary scale from the Department of Labor (DoL). The KTB itself also ranks the lowest amount of total debts from 7000 Baht and above. Thus, it is a benchmark.

Table 7.12 shows the number of total debts from 101 - 7000 Baht. There are 111,524 debtors falling into this category; 58,177 persons have not become DD yet, while 53,347 debtors have already obtained this status.

**Table 7.12** Total Debts from 101-7,000 Baht

<table>
<thead>
<tr>
<th>Duration</th>
<th>Debtors</th>
<th>The Due Installment left</th>
<th>The Due Principal left</th>
<th>Fine</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1</td>
<td>58,177</td>
<td>-</td>
<td>259,945,404.14</td>
<td>6,255.83</td>
</tr>
<tr>
<td>A2</td>
<td>9</td>
<td>2,127.13</td>
<td>31,239.94</td>
<td>21.76</td>
</tr>
<tr>
<td>A3</td>
<td>14</td>
<td>13,951.94</td>
<td>59,307.18</td>
<td>1,497.80</td>
</tr>
<tr>
<td>A4</td>
<td>7</td>
<td>10,072.78</td>
<td>23,428.84</td>
<td>338.07</td>
</tr>
<tr>
<td>A5</td>
<td>5</td>
<td>4,521.38</td>
<td>19,858.01</td>
<td>181.93</td>
</tr>
<tr>
<td>A6</td>
<td>11</td>
<td>19,362.07</td>
<td>51,029.85</td>
<td>730.84</td>
</tr>
<tr>
<td>A7</td>
<td>13,451</td>
<td>4,238,779.14</td>
<td>61,348,619.70</td>
<td>313,239.76</td>
</tr>
<tr>
<td>A8</td>
<td>39,850</td>
<td>42,019,545.29</td>
<td>197,053,013.52</td>
<td>12,906,363.75</td>
</tr>
<tr>
<td>Exclu. A1</td>
<td>53,347</td>
<td>46,308,359.73</td>
<td>258,586,497.04</td>
<td>13,222,373.91</td>
</tr>
<tr>
<td>Total</td>
<td>111,524</td>
<td>46,308,359.73</td>
<td>518,531,901.18</td>
<td>13,228,629.74</td>
</tr>
</tbody>
</table>

**Source:** Thai Student Loans Fund, 2011a.

If we calculate the cost of suing the debtors from Table 7.11, it will be 5,648,500 Baht (6,500*869). The Thai SLF will lose only 53,700 Baht if the debtors are not sued. Thus, since the losses from uncollected debts are lower than the cost of suing, this can be seen as beneficial for the Thai SLF.

Similarly to Table 7.11, the cost to sue those 111,524 debtors, who have total debts from 101 to 7000 Baht, will be 724,906 million Baht. But if Thai SLF does nothing, it will lose only 578.069 million Baht, as shown in Table 7.12.

Therefore, writing off these low debt amounts seems good. But there can also be a bad side of the coin. Suppose that the Thai government always loves to
implement populist policies to get votes, and raises the amount of DD that will be lost to the Thai SLS. Suppose that some debtors owe 20,000 Baht. If they know that 7,000 Baht debts will be written off, they will certainly come into pay only 13,001 Baht, and then leave or disappear. This is because they know that the rest of the 6,999 Baht will be written off soon. So, this method of reducing the cost of administering lower debts will turn into a high-cost method because it will generate more debts that must be written off later.

Suggestions: Doing nothing to the debtors is the worst solution to the DD. But if Thai SLF has encouraged them to come and pay some part of their debts, Thai SLF still earns some returns. So I would recommend some strategies for making the DD change their minds to pay as follows.

The short term solutions can be done immediately:

1) Public relations by broadcasting the information through many mass media channels i.e. leaflets, television, radio, and the internet. This is not only to let the borrowers know about the timing of the student loan process, but to build social responsibility consciousness to all, whether they are current or future SLS borrowers.

2) Campaigns held to encourage debtors to come-in and pay. Once they pay, they receive prizes. These campaigns can be held by both the Thai SLF and KTB.

3) Training the staff members who are implementing the Thai SLS policy in many institutes to give them a good understanding of how to properly work on the SLS process. And training them how to help their clients (or students) not to lose their chance to get high benefits from the loan scheme, and – more importantly – how not to be sued after graduation.

4) Use DD numbers to reduce the loan allocations to many educational institutes. When the Thai SLSC distributes loans through the first and the second payment account subcommittees, the number of loan repayments of graduates from each institute is used to measure loan allocations, and is given a 5% weight out of 100%. If an institute has a high number of graduates on DD lists, it will receive a reduced allocation for new loan recipients.

So, I would suggest increasing this weighting from 5% to 25%. If an institute has no graduates on the DD lists, it would receive a full 25% share. This makes
institutes more aware on what they do with the Thai SLS budget, and what they teach their students in regards to their duty to pay back their loans.

5) Raise the ceiling of the lowest income from which borrowers can receive a waiver from repaying their debts, from 4,700 Baht per month to 6,100 Baht per month, subject to changes in borrowers’ or the general economic situation.

6) Give some privileges to debtors who come in and pay, or who pay their debts regularly. For example, if a debtor comes to pay regularly, a deduction of his/her principal will be made that is equal to the interest of the last installment. In the case of debtors who never turn in reports, if they come to report, their fines will be deducted, too.

7) Conducting home visits to get in touch with loan recipients to remind them and also build their social responsibility consciousness to pay back their loans.

8) Increase the channels for borrowers to easily pay back their loans. Make the places to repay their loans more convenient and accessible is another method.

9) Sending their names to the Credit Bureau is the last resort after all methods have been done, but the DD do not pay back their debts.

The long term solutions need planning, and even legislative action:

1) The government should distribute written official regulations to all institutes that want to receive SLS indicating that all tasks concerned with this policy are their obligation, and must be implemented properly with auditable responsibility.

2) The government should make the Revenue Department the main loan collector of the Thai SLS process, if possible, as all loans given are from the national budget and should be collected back efficiently to the central agency.

3) The Thai SLS should be allowed to follow DD to their homes and their work places. Besides that, all employers who know that their employees are Thai SLS borrowers should remind them to repay their loans, and even be allowed to deduct SLS repayments from their salaries first.

Therefore, DD is a problem of administrative processes and costs which can be solved. First the causes must be recognized. Then all measures, particularly those in the short-run, must be conducted quickly to prevent new DD and to solve the current DD. How to prevent new DD from occurring will be recommended in the next chapter.
CHAPTER 8

CONCLUSION, POLICY IMPLICATIONS AND RECOMMENDATIONS

This chapter will give a comprehensive view of the whole research. I started this research with an extensive literature review to explore and explain what has been done in Thai SLS policy implementation, evaluate what have been the results, and follow the theoretical reviews used as guides to find the factors that have influenced Thai SLS policy success per the research objectives established at the beginning. This chapter will firstly explore and evaluate the performance of Thai SLS in brief.

Qualitative methods were used in this study, and interviewees were valuable and seldom reached by other researchers. I conducted genuine in-depth interviews from twelve well-known people in the field of Thai SLS policy about how the criteria and conditions were set, why the family income level for eligibility was often shifted, and so on.

Besides the in-depth interviews, I have gathering much personnel data from Thai SLF key workers from each division i.e. law, internal audit, and IT, which give me more inside details of why loan repayment does not work properly, how the e-Studentloan can be perfectly useful for Thai SLS, and etc. The last resource is my own observation in all Thai SLSC meetings, and many main events such as restructuring fairs. Thai SLS custom does not usually allow other researchers access to inside non-published information on policy performance analysis research.

Next, as a result of all these advantages, I found factors contributing to the performance of Thai SLS, particularly in solving the deferred debts, which help me to analyze and evaluate deferred debts, including their causes and management. Then, I can recommend alternatives to the student loans policy to strengthen policy making decisions.
In my findings, I have uncovered many shortcomings in previous research studies from policy formulation analysis till the policy performance, the real factors influencing efficient policy implementation, the causes of recent problems (the DD), and useful recommendations for policy decision makers in the future. All of these findings will be presented in brief from the next section until the end of the chapter.

8.1 Conclusion

Obviously, a feasibility study and some research was conducted before 1995 to support the Thai government’s establishment of the Thai SLS, as rationales from the international arena were applied in Thailand. This program was first implemented in 1996, followed by the launch of the Student Loans Act in 1998.

8.1.1 The Unsound Performance of Thai SLS Policy

I have explored and evaluated the performance of Thai SLS throughout the explanation of its process and operations. The rush and hurry in Thailand to follow international trends distorted the policy performance in accordance with policy implementation theory and modern organization theory. Thus, the distorted policy performance obviously impacted the bad debts.

Thai SLS implementation increased quantity without quality (Boonserm Weesakul, 2004: 8-14). The DD crisis is the best evidence of this statement. Thai SLS graduates have low earnings, not even enough to pay their debts. This bad phenomenon can be made worse by the generous loan repayment terms and inefficient loan collection.

Furthermore, the implementers cannot carry out the policy correctly as the targets always change when the government changes. Thai ICL were started in 2006, temporarily stopped in 2007, re-started in 2008 and continued through 2009, and then not given to new borrowers anymore, but were still given to existing recipients.

The last and obvious example of bad performance is ineffective loan distribution channels that do not function fairly among all loans recipients. The implementation is sometimes carried out without regards to the demands of the labor market.
Besides this, five more sub-sections explain and analyze what I have done in my research, both pro and con, in regards to previous research studies.

8.1.2 Policy Target Errors and Uncertain Policy Objectives

Ziderman (2003, 2004) and Somkiat Tangkijvanich and Ariya Manusbunpeampun (2006) judged that the Thai SLS implementation created more inequality in access to the higher studies and was not able to fulfill any other objectives, unlike other countries’ loan schemes. The SLS in the other countries’ meet either all or at least some objectives.

In my findings, Thai SLS policy targets were not really the truly poor, nor were they grants. Actually, a team to study feasible Thai SLS targets was appointed, but the policy targets were not as clearly written as they should have been.

In the policy formulation process, there were also many conflicts among stakeholders, such as a conflict over who will be the owner of the loans between the MoE and MoF, and a conflict over what education level should Thai be targeted between the MoE and OHEC. Other examples include conflict over effective loan distribution methods between direct transfer to institutes from the second payment account sub-committee or devolution of loans distribution powers to the provincial bodies of the first payment account sub-committee, and a conflict over who will be the best loan collecting agency between the KTB and others (some say the Revenue Department). I recognize that these tensions can still be seen clearly in the Thai SLSC meeting atmosphere.

Moreover, some evidence of such conflicts was found. Sw. said that the first discussion of policy targets was to help students from lower middle class families who wished to expand their educational levels, such as from primary school to secondary school or the second vocational level, and from secondary school to the tertiary level if possible. These student wishes can be possible if the government provides help for them. Remember that through many educational agencies and via many channels, the Thai government grants assistance to really poor students. Because of budget shortages, the SLS provides low interest rate loans to these students, which is better than free education. "The mixture of grants and loans can meet their demand, too", Sw. said.
Furthermore, Sm. and K. told me the same story in regards to distorted policy targets. The policy that was launched does not give clear instructions regarding the targets to all concerned. It would be a tough job for the Thai SLF to provide loans equally for the really poor. And they also insisted that with ineffective administration as is the present case, these loans cannot really be extended to all Thai poor students. Last, Sm. and K. said this loan policy was not planned for long-term implementation, as it does not depict how to develop high capacity distribution channels when demand increases, and how to collect debts efficiently.

It could be said that even the first targets were set amid conflict among the eight policy stakeholders: politicians; MoE; OHEC; MoF; BB; education institutes; students; and parents. Each process of Thai SLS also has conflicts of interest. Just to identify who should be the real targets was hardly a valid goal of SLS policy philosophy. The policy formulation ended up with no certain family income compatible with the real targets, which was also argued between the really poor and those not so poor who lacked sufficient money to conveniently pursue higher education. So, if targets were not set, how could Thai SLS policy makers think about medium and long-term plans for good performance policy implementation?

Beyond that, the targets and policy implementation criteria changed frequently because of government changes. This is called “uncertainty of policy objectives” by D. Thus, the fluctuation of policy objectives changed from for a policy for the poor to a policy whereby anyone can get student loans worsened the performance of the policy implementers.

Another flaw from my working experience was in 2006, when the Thai government agreed to close down the "grants for the poor's living allowances" and send the rest of money, only 100 million Baht, back to the national treasury. In reality, this grant for living allowances should have been continued to provide additional support to the really poor students.

So, flaws in policy targets and objectives were factors that decreased efficiency of policy performance. The targets should be specified correctly although there were many conflicts of interests. If one scheme is not adequate, there might be more than one. There can be loans and grants. Furthermore, it was not fair to judge
that the Thai SLS generated more inequity as long as the targets had not been clarified yet.

Last, if all policy makers favored international experiences, they should prefer loan schemes patterns of the U.S., Japan, and so on. Then, the aim of Thai SLS implementation should be expanded to cover not only access to education for more poor students, but also to enable them to continue learning to work with high ability after graduation.

8.1.3 Too Generous a Budget and Lack of Caution in Using Resources

Budget and resources are a critical factor in the successful implementation of all government policies. In regards to this factor, my findings look similar to other previous research, but they uncover slightly more in-depth details, as I was the budget analyst who prepared the draft Thai SLS budget for the parliament for several years.

For the Thai SLS, the BB fully supports its work as can be seen in the generous budgets in its first five-years of operation. The BB gave 238,680.303 million Baht for 2,863,421 borrowers in the first ten years (1996-2006). The inputs exceeded the policy outputs so that 12,739.827 million Baht was left over in 2007. What does this mean?

However, the lending allocation is not responsive to the demands of the labor market. The national budget allocation should signal the direction of labor market demand to the student loan applicants. For example, Thais need to have more second vocational graduates to enhance national competitiveness in the production sector. Conversely, the number of borrowers is higher in the social sciences, rather than for technicians and professionals.

In addition, it can be said that there is no economic benefit that results from administrative expenses. All administrative expenses for the Thai SLF policy implementation are from interest, government budgets, and loan repayments deposited in financial institutes for some returns. These amounts of returns do not have to be sent back to the Thai treasury, unlike other government agencies. The Thai SLF can spend this cash for all types of their administrative costs such as salaries,
wages, rentals, investment in information technology development, and buying office appliances, cars, and so on.

The evidence of uneconomical expenses is obviously shown in hiring lawyers to follow and sue debtors. Over ten years (1999-2009), the Thai SLF spent more than 2,227 million Baht for loan collections, while it received net loan repayments of only 770 million Baht. But how much did the Thai SLF lose on DD?

Another point is that the existing Thai SLS scheme should be adjusted so it provides only "partial support". The Thai SLS should also aim for "partial self-sustainability". It is impossible to be fully self-sustaining if Thai SLS is not reformed with a better management system.

Referring to international experiences, many countries have had to reform their loans schemes because of financial management failures. Most have low repayment ratios and high hidden grants ratios and cannot avoid total reform, as their recovery ratios are almost nil. Malaysia is an exception to this experience, as it places the administrative cost burden on students by charging an additional 3% above the nominal interest rate for loans.

It can be said that there is probably no fault in regards to budget and resource sufficiency, along with no need for the private sector to participate. However, inefficient budget and resource management is to blame, which is totally the responsibility of the implementing agencies.

8.1.4 Inefficient Implementing Agencies

None of the previous researchers have studied about this factor before. The purpose of Thai SLF requires organizational skills and many professionals should be recruited, but in practice this has not occurred. In regards to top-down and bottom-up management styles, the Thai SLS obviously practices one way communication management and decision-making. The Thai SLF has a mission requiring a high level of capabilities, but has adopted an incorrect organizational structure and recruited non-professionals. Its problems also start with the Thai SLSC’s highly bureaucratic style, its closed mindedness, one-way communication and decision-making, and inflexibility to make changes.
Moving down the administrative channels, good communication doesn’t even take place inside the Thai SLF either. For example, internal auditors cannot check data in the financial division and also in the law division to follow up some suspect borrower claims and deal with other disorderly operations. This caused the Thai SLSC to form an internal audit sub-committee to discover internal problems and report them directly to the board. This is the wrong management concept, and conversely, it shows the weakness of the SLF manager, who usually must have authority over all divisions. The manager should be able to ask internal auditors to scrutinize any issue that he wants and report it to him directly.

Consequently, the Thai SLF manager is not a strong leader. Why is the leadership so weak in managing administrative issues? Many interviewees say that he is probably from the educational sector, so he is not keen on loan processing managerial effectiveness. Some say that he was good, but that he has been changed by the bad organizational culture. He even sometimes distorted the loan process performance data in order to improve his self evaluation score. Some interviewees say that instead of building good organizational culture, he adjusted himself to be comfortable with it. Or perhaps he is the right one, but must work within the organizational structure.

Furthermore, the SLF organizational culture has been known as working in cliques rather than as a team. This is my own judgment of them, as no interviewees wished to comment on their working style. But my own judgment might be less biased as I keep in touch with all the clans, and I found some walls between them. My understanding of them allows me to provide more internal information for my readers here.

In addition, the manager’s weakness means that he is not an effective secretary to the Thai SLSC. These pitfalls - weak leadership, poor internal communication, and a cliquish working style without a work-oriented organizational culture - certainly have led to the creation and presentation of an ineffective strategic plan to Thai SLSC. As a result, the Thai SLSC has approved the wrong strategic plan and transformed it into ineffective regulations and unproductive annual implementation plans, which make it impossible to reach national output and outcome goals.
Therefore, how can the Thai SLF deliver the best policy performance to clients if the main implementing agency has limited capability? If so, it can be imagined that inter-organizational relationships will not be healthy, as Thai SLS policy must be implemented by another Ministry, not totally conducted by the MoF.

### 8.1.5 Loose Inter-organizational Relationships

In regards to this factor, Ziderman (2003, 2004) did a little exploring from an outside perspective. He saw that inter-organizational relationships only resulted in unfair distribution, whereas its impacts are actually on two processes, loan distribution as well as loan repayment.

First, I look at inter-organizational relationships as the main factor that influences loans distribution processes. These processes occur in the same educational sector, but within different organizations: the MoE and the OHEC. They act as the chairmen of the two payment account sub-committees. Both have implemented SLS policy under the same criteria and conditions, but distribute funds to different targets, probably because of insufficient communication between the Thai SLS and their own subordinate agencies (education institutes), their own misunderstandings, and loose monitoring and lack of central evaluation control.

Ziderman (2004) called this different implementation of both agencies as "unfair share". Actually, this makes borrowers - particularly those continuing their studies from the G12 to tertiary level - confused regarding their eligibility, and some may not apply for loans.

Besides that, the first and the second payment account sub-committee always compete with each other to get higher loans allocation by forecasting excessive demand from their students. This is for their own benefit, rather than considering actual national labor force demands.

On the other side, a weak manager who is secretary to the Thai SLSC cannot suggest any further information to committee members in board meetings as to the direction in which the Thai SLS should respond to national labor demands. And loan allocative power has also been given away to both payment account sub-committees.
Thus, the manager and Thai SLSC’s weakness is claimed to be delegation of authority, but in reality, it hurts all stakeholders: loans applicants, labor markets, the national budget, and even all Thais. In other countries, there is no need for such a sub-committee to allocate loans. They are under the strict control of national, central governments. And loans are always distributed and transferred directly to borrowers.

Another factor is that loose inter-organizational relationships are also a main influencing factor in the loans repayment process. No researchers have mentioned the unproductive inter-organizational relationship between the Thai SLF and the KTB. It could be said that the KTB is a top-five financial institution in providing banking services: granting loans, recording customer transactions, and collecting loans. But why cannot the KTB efficiency collect the SLS loans? Ordinary, the KTB can keep track of their own borrowers very well.

The cooperation between Thai SLF and KTB is based on a mutual understanding agreement for more than ten years. It was just formalized in 2010. This loose relationship has led to high administrative costs for loan collections, and in particular to the DD. And now, there is some hope that the high DD will decline. How can this be done?

So, it could be said that the most efficient inter-organizational relationships are tight, and that strict monitoring and evaluation systems are needed between the Thai SLF and the other implementing agencies.

8.1.6 The Artificial/ out-of-date Monitoring and Evaluation

This last factor of mine has not been much explored by any researchers before. It is mostly a suggestion or recommendation from my interviewees for successful Thai SLS operations.

I found this quite interesting. Not only has the SLS balance sheet never been submitted on time for an external audit, but also internal audits, performance monitoring, and evaluation have also not been properly presented to Thai SLSC. Good evidence of this is the publication of approved balance sheets online at www.studentloan.or.th updated only for the year 2008. These facts present the real monitoring and evaluation report situation of the Thai SLS, which I have gotten used
to. How does the SLSC know what Thai SLF improvements are needed for better operations if there are no up-to-date performance reports?

Nevertheless, there is an official performance evaluation report written by TRIS starting in 2008. This is only an deliberate performance report on the Thai SLF because of an agreement between the Thai SLF, CGD, and TRIS regarding the Good Governance Act of 2003, and the Good Governance Implementation Plan for the Public Sector (2008 - 2012). It sounds good, but it is still an artificial report because all KPIs are set by the Thai SLF at non-challenging levels for them to pass with a high score. However, the Thai SLF got an overall score of 3.4 out of 5.0. What is the meaning of this if it doesn’t reflect the real situation?

Consequently, the budget allocation from the BB has been distorted by out-of-date and artificial performance monitoring and evaluation reports. As mentioned before, the BB has calculated an annual budget for Thai SLF based on past performance. Only the number of targets met in proportion to overall targets set is used in deciding how much budget should be allocated to Thai SLS in the coming year.

There has been some ex-post policy evaluation by many researchers as part of the completion of higher degrees. However, there is not frequent or regular research for the main reports given to the Thai SLSC. Moreover, ex-ante policy evaluation has never been done. When Thai SLSC wants to change policy regulations or establish criteria and conditions, they never require any ex-ante policy evaluation, sometimes called simultaneous study, to test whether the results will be as expected or not. Without any real and updated monitoring and evaluation, it is difficult to say that the work of Thai SLS has been efficiently performed.

Therefore, these five main factors affect good and bad policy implementation performance. The unexpected outcomes are lending to the wrong targets generating more hidden grants, low repayment rates, and low financial viability. The clear evidence of this is the high DD and huge cost of DD management.
8.2 Policy Implications

It could be said that Thai SLS operations have some policy implication, especially regarding deferred debts. This section will present implications regarding how Thai SLS policy causes the DD, and which way to retrieve the DD.

The Deferred Debts: Now, the implication is that the Thai SLS must be highly concerned about the strategic deferred debtors. Policy implementation theory guidelines suggest a review of all possible factors influencing policy performance. However, my in-depth interviews indicate the actual factors leading to poor Thai SLS policy implementation, which are only one scheme that was unsuitable for the targets, abundant funding from the Thai government, but administered by inept state agencies with ineffective inter-organizational relationships, inefficient loan collectors, with little monitoring and evaluation. All these indicated factors led Thai SLS to high operational costs in the form of deferred debts.

The research findings pointing to the causes of the DD are firstly from the poor target setting in policy objectives, and the unclear interpretation of who are the really capable clients of Thai SLS operations, which makes the policy yield unexpected returns.

These borrowers who cannot repay their loans are mostly from poor families, with eligible family income to receive loans. But they mostly graduate from social science programs at either private universities or low quality universities, and owe high amount of debts in contrast to those borrowers who can repay their loans.

However, some debtors who are able to repay their loans graduated in study fields with high earnings from well-known and high quality universities who have DD, called the strategic DD. This type of debtor needs specific treatment, which will be recommended later.

Another fault of loans regulation that causes DD is weak regulations regarding the monitoring and evaluation of the institutes that receive loan allocations. If institutes must regularly report to the Thai SLF how they screen good quality eligible loan applicants and how their students are doing academically, good quality borrowers will be aware of and responsible for their debts in a timely manner.
The next problem is that the Thai government has set interest rates that are too generous. The Thai SLS 1% annual interest rate makes borrowers feel not enthusiastic to pay back their loans. In fact, I found that the rate is not 1% every year. In accordance with the nature of interest rates on any loan, Thai SLS interest accumulates year after year. Not only does interest and the principle due in each installment accumulate, but there are also annual fines of 18% that DD must pay. The longer the borrowers defer their debt payments, the higher the rates they must pay. The rates that deferred debtors must pay might not be really recognized by the borrowers. If they were recognized, they might not be able to make the repayments any more.

Last, no tough penalty for DD reduces debtors’ motivation to pay their SLS debts promptly. The lengthy grace period of two years plus another five years makes borrowers forget what they must pay, or they probably think that the SLF will not really take them to court.

To solve the DD problem, there have been many attempts both in terms of litigation and non-litigation. First, each batch of overdue debtors has been sued since 1999. However, the returns of suing did not cover it’s the costs. It is also time consuming, with unpredictable results if the debtors ran way after court judgments. This might turn out to be another extra cost of following debtors after court verdicts, too.

The second legal method used was debt restructuring, which seems more economical than the former method, but this helps only a small portion of all due debtors, as it depends on the willingness of deferred debtors to pay.

Others consist of are non legalized methods, which are spot advertisements and public relation channels through the internet, radio, and leaflets. These are costly and it is difficult to measure their results. Another is asking other implementing agencies i.e. Social Security Office and employers to provide data of the SLS deferred debtors' salary information, which is out-of-control.

In sum, the five main factors that led to the critical DD problem are unclear targets and unsustainable objectives; sufficient budgets and resources but weak financial management; inefficient implementing agencies; loose inter-organizational relationships; and artificial/ out-of-date monitoring and evaluation. When it was
recognized by the Thai SLSC, the typical immediate solutions like suing and debt restructuring were applied. The results were not economical, as they are costly and time consuming, with unreliable and hard to measure outputs.

8.3 Recommendations

I have found that every stage of Thai policy implementation will be successful if there are strict monitoring and evaluation. Salmi proposes some useful and effective monitoring and evaluation methods that policy makers and implementers should note. Salmi (2003: 22) states that to effectively monitor management performance and development impact and to be able to take appropriate measures whenever problems arise, every student loan institution needs to develop and apply three sets of comprehensive indicators: demand and targeting indicators; financial indicators; and institutional operation indicators.

The "demand and targeting indicators" should investigate the evolution of higher education enrollment rates, coverage (number of beneficiaries over student population), proportion of new beneficiaries accepted over the number of applicants, proportion of beneficiaries from low and medium income families, gender distribution of students and beneficiaries, geographical distribution of students and beneficiaries, distribution of students and beneficiaries by academic program, and academic results of beneficiaries (compared to the general student population).

The "financial indicators" which Salmi identifies are many: arrears and default rates (by socioeconomic group, gender, tertiary institution, academic discipline, and amount of loan), affected portfolios as a proportion of total portfolios, delayed payments as a proportion of affected portfolios, actual interest rates and subsidy levels, loan recovery ratios, administrative costs compared to overall portfolio (and distribution of main expense categories), cash flow projections, evolution of real value of assets, distribution of funding sources, dependency on government resources, mobilization of non-government resources, and return on investment (return on capital, return on assets).

In addition Salmi suggests "institutional operation indicators" are: management indicators (measuring the efficiency and quality of internal processes),
satisfaction of beneficiaries, turnover of personnel, and indicators of promotion of the student loan program (awareness of the program and understanding of the terms and obligations).

I personally insist that to be successful, the SLS should seriously consider adopting Salmi's indicators as the KPIs. However, these indicators are for a broad view of any SLS implementation. They are suitable for SLS which have not been facing crises such as DD, like the Thai SLS.

So I think for Thai SLS there should be more changes at the policy making level in regards to Salmi's measurement from the original policy targets. Starting to think about these issues from the first policy formulation - targets, prudent implementation, and monitoring and evaluation for the better outputs - might be easier than correcting some problems of each implementation process, but not all.

In regards to my research findings, I would like to suggest some recommendations regarding Thai SLS implementation and the DD problem as follows. My recommendations can be divided as follows: existing deferred debts, preventing the occurrence of new deferred debts, and others for making effective policies, and efficiency. I also classified them into recommendations for implementing the present policy and future policy design.

8.3.1 Recommendations for Existing Deferred Debts

First, I would like to suggest that the Thai SLSC pursue the following:

1) Allow Thai SLF and implementing agencies to follow the DD to their homes and their work places. Besides that, all employers who know their employee are Thai SLS borrowers should remind them to repay them, and can even deduct their salaries to pay back the SLS first.

2) Change the repayment duration from 15 years to lifelong installments. And the debtors are not sued, but their names will be sent to Credit Bureaus if they do not repay their loans for more than ten years.

3) Training the staff who implement Thai SLS policy in many institutes. These trainers will be able to correctly practice policy regulations and exactly explain the right things to their students.
4) Launch more campaigns with high privileges, using public relations, and more broadcasting to encourage debtors to pay. In the process of loans distribution, students should pass the pre-evaluation test to verify that they all know about the Thai SLS, and realize that they must repay their previous loans before new funds are transferred to their accounts.

8.3.2 Recommendation for Preventing the Occurrence of Deferred Debts

To prevent deferred debts from occurring, I would also like the Thai SLSC to pursue the following measures:

1) Set up many schemes for loans and grants. Policy makers should establish loans for highly capable students that want some money to relieve their financial burdens during their studies. No loans should be given to students with low grades. These low grades should suggest that they should learn according to what their educational capabilities allow, and loan rates should be set that are suitable for their family economic situations. And it should provide grants for all non-tertiary students if possible, as they are too young to know that they must be responsible to repay loans. But if this is not possible, provide them to those who have a high need for them.

2) Signal the right direction of demand for skilled labor, and draw the education plan in response to that. This must be taken to the Thai SLS for target setting. The ratio of professional studies to general studies must be fixed at 70:30 in the national loans budget allocations of the two payment account sub-committees.

3) There should be cooperation from all stakeholders: for example, the nominal demand for labor from the MoL, and entrepreneurs must be publicly informed. The MoE, MoF, OHEC, parents, and so on must be able to participate in Thai SLS target setting.

4) Sign agreements with the government to deliver to the targets in response to real policy objectives resulting from output and national outcomes. This is to make the implementing agencies seriously responsible for their performance.

5) There is a need to set up a representative unit of Thai SLF in the main education institutes to directly be responsible for and monitor policy implementation.
6) Set up official written regulations at all institutes which want to receive SLS allocation that all tasks concerned with this policy are their core duties, and must be implemented properly with auditable responsibility.

7) Use the DD numbers to provide reduced loans allocations to many educational institutes. I suggest increasing the portion of this weighting from 5% to 25%. For institutes that have no graduate on the DD lists, they will receive a full 25% share.

For example, institute A has deferred debtors as 15% of total graduates, while institute B has deferred debtors as 35% of total graduates. In the next education year, institute A will receive a higher student loans allocation than institute B.

8) The implementing agencies should recruit more professionals concerned with policy processes, such as economists to set the right targets in response to the demands of labor and the economic situation, and computer programmers or engineers to design and maintain a proper IT system for the best policy implementation, and so on.

9) The code of conduct of all implementers should be set out in all their job descriptions, along with penalties, rewards, etc, and it should also be strictly enforced. This will make them work more proficiently for the organization's and nation's benefits. They should not merely receive high salaries and let the subcommittee work for them instead.

10) There is a need to really develop the "Information System" not only for those in the e-Studentloan, but also for all data concern in the loan processes. The data is from policy operations at the two payment account sub-committees and at KTB. Drilling down for data needed at the micro level by implementing agencies is required, such as data of individual borrowers at each institute, the debtors' data at KTB, and so on must be taken into account.

11) Last but not least, PLEASE do not heavily advertisement that Thai SLS is the Populist Social Welfare Policy for all. Because in fact, this is not possible.

8.3.3 The Other Recommendations

Some interviewees suggested making local networks the legal approval body for eligible loans applicants, so that they may screen for the right capable borrowers,
who will tend to repay their debts after graduation. This might not be the way out for the Thai SLS, as Thai local authorities work slower because they are in remote areas.

Another critical suggestion is to legally authorize the Revenue Department to be the main loan collector of the Thai SLS implementing process. As all loans given are from the national budget, there should be an efficient collection system to return funds to the central agency. If this is not possible, then a well-performing commercial bank could do this. But there must be a more prudent review of what to do. In my opinion and experience with the Thai SLSC, the Revenue Department has legal authority to collect taxes, but not loans. It can just be a facilitator to indicate that these SLS borrowers have earned enough net income to pay back their SLS loans.

Actually, I would recommend a major overhaul of the Thai SLS, like other countries have done, if it wants to keep carrying out this student loans policy. Or should it be terminated for all new recipients? The only reason to terminate this policy is inefficiency and the low capabilities of implementers, which leads to high operational costs.

To do so, there should be more than one loan scheme for all. The really poor should be isolated from loan competition, and they should get grants instead. The lending targets established should be linked to labor market demands. For example, more vocational knowledge is demanded than professional or academic knowledge. However, knowledge of some specific professions i.e. accountants, lawyers, and so on, are an advantage.

Moreover, those who borrowed for higher education must have they duty to repay their loans on time implanted in their sub-conscious minds. Suing and enforcing court judgment are not cost effective at all. The reason comes back to poorly planned policies, as debtors are not really able to repay their loans.

Therefore, policy makers should rewrite the Thai SLS from the scheme’s pattern the targets, the implementation, and the monitoring/evaluation for better results in human resource development, efficient budget disbursement, and the national competitive enhancement.
8.4 Postscript

In conclusion, the Thai SLS has failed in both allocative and technical efficiency. It cannot provide the right characteristic student loans to match their targets' preferences, especially those of the really poor. Its performance is also worse in delivering cost-effective loans distribution and loan repayment processes.

In addition, it has caused itself financial viability problems as seen in its outcomes after ten years of implementation. The low repayment ratio, the high hidden grants, and the low recovery ratio were discovered during year after year of its performance. Some interviewees, however, do not agree to measure the SLS with the financial viability ratio, as it is a policy for social benefit. Many measurable KPIs are still needed, of which financial ratios for Thai SLS management are still possible.

The findings of the five main factors of Thai SLS policy performance evaluation make me think of the reforms suggested by eleven of the twelve interviewees. But another one suggests that the Thai SLS be terminated.

After I discovered the recent critical problem of the DD, I found that termination of the Thai SLS might be only the way out, as the best solution to the DD is not suing and always restructuring debts.

For the Thai SLS, the best solution of the DD is to change the targets, clearly define the targets, and set the right criteria and conditions to obtain capable borrowers who will be able to pay back loans after they graduate. Then, the loans distribution channels should be stipulated by law and controlled so that they deliver the policy correctly with monitoring and evaluation reports.

Finally, a better organization that is keen to collect debts should be recruited for the loans repayment process. Most respondents suggest that the Revenue Department is the best candidate. But commercial banks might do this job better, as it is their routine responsibility.

Therefore, the best way out for policy makers might be policy termination. I know that implementation of many policies is stopped without informing the public and there is no impact, but for Thai SLS, it cannot be done that way. There will be many losses from current loans recipients, so the best possible way should be a major reform of the Thai SLS. To do this successfully, there must be a deep analysis of how
to operate the Thai SLS successfully in a Thai way. And there must be many simulation tests of all criteria, conditions, and regulations of this policy in advance.

8.4.1 Contributions of the Study

The findings of this research contribute many new aspects to the “Theory of Policy Implementation”. First, organization management can comply with the classical policy implementation for better explanation while the policy cannot be implemented exactly as expected. A good example is when one implementing agency is totally different from another, and even from the ideal of the policy makers, so that the policy outcome is distorted and resources are abused.

Another contribution of my finding to the policy implementation theory is a new concept of performance evaluation, particularly in the public sector, which must be seriously taken into account in all policy implementation. The self assessment rating tool should be brought in from the first policy formulation. The set of KPIs should be framed properly, and then the implementing agencies will not design their KPIs in order to reach artificial output targets.

Last but not least, contemporary policy implementation should also highlight policy innovation. In this stage, policy engineers should be warned to carefully think about both short-term and long-term policy plans and outputs. These policies’ engineering can roughly predict what will happen later in policy implementation. And if policy makers provide better coverage, policy performance mistakes will be fewer and outcomes will be more efficient than anticipated, too.

So, this research exposed the faults of Thai SLS policy such as inequity, inefficiency, and particularly the DD of which policy makers were unaware at the first drafting of policy the objectives and targets. The unexpected result is that the policy was transformed into implementing regulations later, and then yielded the worse results of the DD. If Thai SLS would have set clear objectives along with specific policy intentions, there would not be many unfair sharing practices, disparities, and high DD although some unfair practices would still remain. If the policy was adjusted in time to solve the inequity problems or unexpected targets, the problem of DD would not have happened in the present.
8.4.2 Suggestions for Future Research

The fact that this research was an analysis and evaluation of the Thai SLS implementation and the deferred debts suggests to policy makers and researchers that the solutions mainly concern efficient policy management. The policy implementation paradigm was the study’s framework, with a particular search for a deferred debts solution. There should be simulation tests every time before presenting a proposal framework.

If and only if some future researchers want to study more about this Thai SLS policy, my research can be good review of past performance and present problems, the DD, and recommendation to them. My suggestion to future researchers or policy makers is, firstly, to study more as to what should be the correct Thai SLS targets, and exactly how many schemes should there be. Should Thai SLS be given only to tertiary level students? And should there be grants for G 10-12 with good education records but who are poor?

Secondly, a policy analysis study on the conflicts of Thai SLS policy formulation and implementation, as I have often mentioned that there are many stakeholder conflicts. It can be called a study of Thai SLS stakeholders' interrelationships. This type of study can be useful to the Education Committee of the Thai Parliament, to finalize a way to formulate a new Thai SLS policy.

Thirdly, what is an effective loans pattern, and who is the best loan collector for the Thai SLS is an interesting question for study. This can be a managerial system analysis for the Thai SLS.

Next, how the Thai SLF works efficiently for the best national benefit in terms of organizational development, with a goal of good output delivery. And what is the best way to monitor and evaluate Thai SLS performance to make it work properly is another critical issue to study.

Fifth, the future study of the Thai SLS information system development for better policy implication.

Last, the Thai SLS cash flow analysis or financial viability should be evaluated. This will be a good research study not only for the Thai SLS, but also for many revolving funds facing the same lack of capitalization problems.
Thus, all these suggestions for future researches can not only benefit future researchers, but also for the Thai SLF and the nation. Hopefully, I would be glad if my research can encourage the Thai SLS policy to make a big change for the future.


Muchalint Kamchai. Director of Financial and Accounting Division, Office of the Student Loans Fund. 2011 (June 26). Personal Communication


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APPENDICES
Appendix A

The Questions for In-depth Interviews in English

Question 1 Has the Thai SLS been successfully implemented in regards to its written targets? What should be the primary target of Thai SLS operation? Should it provide broad educational access to the poor, or should it emphasize financial viability, while allowing some of the poor greater access to education?

Question 2 is “Should the Thai government continue to provide only one type of student loan?” Are there any better ways to finance the poor to learn and be able to live their lives in the future?
Sub-questions are:
2.1 What if Thai students want to borrow part of their tuition fees or living expenses?
2.2 Will the Thai government provide more suitable loans to meet specific needs i.e. handicapped individuals who are still able to earn their living later on? Or should there be any zero interest rate loans for students with good grades who are studying in fields demanded by markets?

Question 3 is “If insufficient budgetary support caused inequity in Thai SLS implementation, should financial partners such as private financial companies or commercial banks be allowed to provide financial support?"
Sub-questions are:
3.1 How could private partners be allowed to join the SLC?
3.2 Are there any good examples of 3.1?
3.3 To relieve the burden on the Thai budget, what adjustments should the Thai SLS make for better financial viability? And why?

Question 4 is “Should the Thai SLS target be a high level of coverage to all students from families who cannot afford the level of education required?”
Sub-questions are:
4.1 If family income of less than 200,000 baht per annum is emphasized as a selection criterion, who can accurately screen all loan recipients for eligibility? Do you think this family income eligibility criterion is suitable?
4.2 What type of monitoring can be used in selecting really poor students?
4.3 How can institutions be evaluated in regards to fair distribution of loan funds?

**Question 5** is “Which agency should operate the Thai SLS?” It could be the MoF, MoE, Bank of Thailand, or a new organization. or “What type of organization should the student loans office be i.e., an autonomous agency, independent administrative unit, or state enterprise?”
Sub-questions are:
5.1 Should there be more than one agency implementing the Thai SLS?
5.2 How many staff should there be? Is the current size appropriate?
5.3 Should a vertical or horizontal organizational structure and communication pattern be used for efficient work? How many divisions should be there?
5.4 What the proper indicators for measuring the manager and executives of Thai SLS?
5.5 What are the linkages between the “policy making body”, the SLSC and the “policy enforcing body”? What are the inter-organizational relationships? How suitable is it for the representatives of each organization to be seated in the SLSC to make policy decisions and regulations for implementation?
5.6 How should their performance be evaluated in regards to efficient policy target delivery?

**Question 6** is “What is the appropriate repayment pattern for efficient Thai SLS operations?”
Sub-questions are:
6.1 When should borrowers return their debts? Should there be a minimum income level that borrowers earn before they must pay back their debts? Should there be any grace period?
6.2 How much should the interest rate be?
6.3 How long should the repayment period be?
6.4 How can administrative costs be reduced in the loans repayment process? How can the Thai SLS manage the deferred debts efficiently?

6.5 Who can best act as an efficient loan collection agent?

**Question 7**: “Are goal attainment evaluation and comprehensive model evaluation properly conducted in Thai SLS operations? And who should carry out this evaluation?"

Sub-questions are:

7.1 How many actual borrowers access the loans in comparison to the target plans during the past three years?

7.2 Is there any comprehensive study between the students who are able to obtain current loans and those who are unable? If so, are there any changes in Thai SLS operations in accordance with the research results?

7.3 Is there any comprehensive study before and after students receive the current loans, in terms of their ability to access higher education and to earn enough salary to pay back their loans? If so, how should the Thai SLS adjust that for better implementing according to the research results?

7.4 If the new reformed loans are implemented, what can be the expected results? Which would you prefer financial viability or policy targets met? And why?
Appendix B

คำถามสำหรับการสัมภาษณ์

การวิจัยเชิงคุณภาพเรื่อง "การวิเคราะห์และการประเมินผลการดำเนินงานของ
นโยบายให้กู้ยืมเพื่อการศึกษาเกี่ยวกับค่าของค่าที่เกินกำหนดเวลา"

เรียน ท่านผู้ให้สัมภาษณ์

จากการศึกษาผลการดำเนินการที่ค่าสูงของกองทุนฯ ประกอบกับการควบคุม
บรรษัทกรรมของทฤษฎีการดำเนินนโยบายสาธารณะไปปฏิบัติ (Policy Implementation) และ
ทฤษฎีการวัดและประเมินผลการดำเนินงานของนโยบายสาธารณะ (Policy Monitoring and
Evaluation) นั้น ทางผู้สัมภาษณ์ได้จัดทำคำถามทั้งหมด 7 ข้อใหญ่ ประกอบด้วย 23 ข้อย่อย
โดยสอบถามประเด็นตามขั้นตอนการดำเนินนโยบายเงินให้กู้ยืมเพื่อการศึกษาไปปฏิบัติ

เพื่อประโยชน์ของการวิจัยที่เพียงตรงและสามารถนำไปใช้ประโยชน์ได้ ขอ
ความอนุเคราะห์ท่านช่วยตอบคำถามทั้งหมดอย่างสมบูรณ์ จักเป็นพระคุณยิ่ง

นางสาวสกุลรัตน์ ตาละโสภณ ผู้ทัวร์วิจัย

นักศึกษาปริญญาเอก คณะรัฐประศาสนศาสตร์
สถาบันบัณฑิตพัฒนาบริหารศาสตร์

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คำถามเกี่ยวกับผลการดำเนินงาน

1. โดยส่วนตัวท่านคิดว่า การดำเนินนโยบายของ กยศ. ที่ค่าสูงมีประสิทธิภาพหรือไม่
   มาเน้นย่อมใจเป็นอย่างไร และในด้านใดที่ท่านคิดว่า กยศ. ควรจะดำเนินการให้ประสบ
   ความสำเร็จมากที่สุด 1) การให้ผู้ยืมมีประสิทธิภาพในมาในการจ่ายเงินหรือไม่ หรือ 2) ผล
   การดำเนินงานของ กยศ. มีความยั่งยืนทางการเงิน (Financial Viability) เพราะเหตุใด
ขั้นตอนที่ 1 การจัดสรรงบประมาณเงินกู้ของประเทศ (Allocating National Loans Budget)

2. รัฐบาลไทยควรจัดสรรงบประมาณเงินกู้เพื่อการศึกษาในรูปแบบปัจจุบันเพียงแบบเดียวหรือไม่ เพราะเหตุใด ท่านสามารถเสนอรูปแบบการจัดสรรงบประมาณเงินกู้เพื่อการศึกษาได้ เช่น ท่านอาจกินให้มีทุนการศึกษาแบบให้ล่ำสี่หรืออาจจะเป็นแบบให้ออกชน ดำเนินการแข่งขันกับธนาคารของรัฐ เป็นต้น

2.1 ถ้านักเรียน นักศึกษา ต้องการเงินกู้แต่คำสั่งเริ่มต้นอย่างไม่ถูกต้องและไม่ยั่งยืน หรือคำสั่งของรัฐบาลไทยควรอุดหนุนให้มีเงินกู้เพื่อการศึกษาในรูปแบบปัจจุบันเพียงแบบเดียวหรือไม่ อย่างไร หากเคยมีการดำเนินการดังกล่าวแล้ว มีผลต่อการจัดสรรเงินกู้เพื่อการศึกษาของประเทศหรือไม่ อย่างไร

2.2 รัฐบาลควรที่จะมีเงินกู้เพื่อการศึกษาแบบพิเศษ เช่น สำหรับคนพิการ ที่มีความสามารถในการประกอบอาชีพหลังจบการศึกษา หรือการให้กู้เพื่อการศึกษาที่มีคุณสมบัติพิเศษเอกชน ที่มีงบการเงินกู้นักเรียนที่เรียนดีในสาขาวิชาเด่น หรือไม่ อย่างไร

3. ถ้าจำกัดของการจัดสรรงบประมาณที่ได้รับขององค์กรที่เกี่ยวกับการศึกษา ไม่เพียงพอในแต่ละปี ถ้ามีการอุดหนุนให้กู้เพื่อการศึกษาขององค์กรที่เกี่ยวกับการศึกษา แต่ปัญหาของกองทุนฯ หรือปัญหาด้านการเงินของกองทุนฯ เจ้า รัฐบาลควรให้บริษัทหรือหน่วยงานที่มีความช้านทางการเงิน เช่น บรรษัทสินเชื่อ หรือธนาคารพาณิชย์ เป็นต้น ช่วยในการจัดสรรเงินกองทุนและดำเนินการให้กู้เพื่อการศึกษาได้หรือไม่ หากมีการจัดสรรเงินให้รัฐบาลไทยเป็นผู้จัดสรรเงินเพื่อให้ผู้ที่ต้องการศึกษาแต่แม่ไม่ได้เข้าถึง ไม่ได้รับ

3.1 หากจำเป็น ควรให้ภาคเอกชนเข้าร่วมดำเนินการ หรือปรับปรุงแบบการจัดสรรเงินของกองทุนฯ แต่จะยังไง

3.2 ท่านสามารถยกตัวอย่างงบประมาณความคิดเห็นข้อ 3.1 ได้ กรุณาขยายตัวอย่างด้วย

3.3 ท่านต้องการว่า ถ้าท่านจะปรับปรุงปัจจุบันวิธีการเงิน (Financial Viability) และเป็นการปรับปรุงทางเงินของประเทศ

ขั้นตอนที่ 2 การแจกจ่ายเงินกู้ (Loans Distribution)

4. ท่านต้องการว่าถ้าท่านขอให้การดำเนินงานของกองทุนควรครอบคลุมนักเรียน นิสิต และนักศึกษาทั้งหมดที่มาจากครอบครัวที่ขาดแคลนทุนทรัพย์ให้สามารถเข้าถึงการศึกษา
เป็นเป้าหมายที่เหมาะสมในการบริการป้องกัน หรือไม่อย่างไร ถ้าไม่ควรมีการปรับเปลี่ยนหรือไม่อย่างไร

4.1 ถ้าเน้นให้เด็กที่มาจากครอบครัวที่มีรายได้ต่ำกว่า 200,000 บาท/ปี ได้สิทธิ์ในการศึกษา ควรจะเป็นผู้ที่มีรายได้ต่ำกว่า 200,000 บาท/ปี หรือไม่ ควรเป็นสถานศึกษาหรือไม่ อย่างไร

4.2 ท่านคิดว่าควรใช้การติดตาม หรือการประเมินวัดผลแบบไหนในการคัดเลือกผู้ขอรับเงิน

4.3 ท่านคิดว่าควรเป็นผู้ที่มีรายได้ต่ำกว่า 200,000 บาท/ปี หรือไม่ อย่างไร

5. หน่วยงานไหน (อาจจะเป็นกระทรวงการคลัง กระทรวงศึกษา ธนาคารแห่งประเทศไทย หรือหน่วยงานอื่นที่ตั้งให้) ที่เหมาะสมที่จะดำเนินการแจกจ่ายเงินให้ตามหลักนโยบายการทำให้เด็กมีสิทธิ์ในการศึกษา และหน่วยงานนั้นควรมีลักษณะองค์กรแบบใดวัตถุประสงค์หน่วยงานในก่อน หรือหน่วยงานอื่นๆ

5.1 ท่านคิดว่าควรมีหน่วยงาน (เช่น 1 หน่วยงานใหญ่ หลายหน่วยงานย่อย หรือหลายหน่วยงาน) ในการดำเนินงานตามนโยบายเงินให้ผู้ที่มีสิทธิ์

5.2 หน่วยงานนั้นๆ ควรจะมีโครงสร้างหน่วยงานอย่างไร ถ้าจะมีค่าใช้จ่ายที่เหมาะสมหรือไม่ อย่างไร

5.3 โครงสร้างขององค์กรและการสื่อสารภายในควรมีลักษณะแนวทางหรือแนวโน้ม จึงจะทำให้การดำเนินการให้ผู้มีสิทธิ์มีประสิทธิภาพ

5.4 ท่านคิดว่าควรใช้ค่าใช้จ่ายประเภทการดำเนินงานของผู้ขอรับ หรือค่าบริหารที่ผ่านมาเหมาะสมและถูกต้องหรือไม่ ถ้าไม่ควรเป็นแบบใด กรุณาให้เหตุผลประกอบ

5.5 การเชื่อมโยง หรือตัวเชื่อมโยงระหว่างผู้กำหนดนโยบาย (คณะกรรมการกองทุนฯ) กับหน่วยงานหรือผู้ขอรับนโยบาย (Inter-Organizational Relationships) ควรเป็นอย่างไร ที่ปฏิบัติอยู่ในปัจจุบันคือให้มีผู้แทนของ
หน่วยงานนั้นเป็นกรรมการในคณะกรรมการ ท่านคิดว่าเหมาะสมหรือไม่ อย่างไร

5.6 ท่านคิดว่าควรจะมีการประเมินผลการดำเนินงานของพื้นที่และการดำเนินงานไปปฏิบัติอย่างมีนัยกับประสิทธิภาพในการทำส่งผลผลิตแบบใหม่ อย่างไร

ขั้นตอนที่ 3 การชาระหนี้เงินกู้ (Loans Repayment)

6. รูปแบบการชาระหนี้แบบไหนที่ท่านคิดว่าจะทำให้การดำเนินงานของกองทุนฯ มีประสิทธิภาพที่สุดและทำให้กองทุนฯ มีความยั่งยืนทางการเงินมากที่สุด

6.1 ท่านคิดว่า เมื่อไรผู้กู้ควรจะชาระเงินกู้ผู้ควรกำหนดเป็นระยะใดซึ่งอาจต้องการกำหนดให้ชัดเจนสำหรับเจ้าหนี้และผู้กำหนดนโยบายและผู้นำนโยบายไปปฏิบัติอย่างมีนัยกับประสิทธิภาพในการทำส่งผลผลิตแบบใหม่ อย่างไร

6.2 ท่านคิดว่าจะต้องมีความเป็นที่ไว้ เพราะอะไร

6.3 ท่านคิดว่าควรกำหนดระยะเวลาชาระหนี้หรือไม่ ถ้ามีควรจะกำหนดเป็นจำนวนปี เช่น 8 ปี หรือ 15 ปี เพราะเหตุใด

6.4 ท่านคิดว่ากองทุนฯควรจะชาระหนี้ตามที่กำหนดหรือไม่ และทางกองทุนฯห้ามชาระหนี้ที่กำหนดอย่างไร ควรจะกำหนดระยะเวลาชาระหนี้หรือไม่ ควรกำหนดระยะเวลาชาระหนี้ที่กำหนดอย่างไร

6.5 ท่านคิดว่า ใครเป็นผู้ติดตามและรับชาระหนี้ที่ดี มีประสิทธิภาพในการดำเนินงานที่สุด เพราะอะไร

คำถามเกี่ยวกับการติดตามและประเมินผล

7. ในความคิดเห็นของท่านควรมีการติดตามและประเมินผลในรูปแบบการบรรลุเป้าหมาย และการประเมินผลเชิงสรุปรวมหรือไม่ และใครควรเป็นผู้ทำการประเมิน

7.1 ท่านคิดว่าเป้าหมายการดำเนินงานที่ตั้งไว้ในช่วงระยะเวลา 3 ปีที่ผ่านมา
7.2 ท่านคิดว่าควรมีการศึกษาเชิงเปรียบเทียบระหว่างเด็กที่ได้กู้กับเด็กที่ไม่ได้กู้หรือไม่ ถ้าเห็นด้วยการศึกษานี้จะมีประโยชน์อย่างไรต่อการพัฒนากองทุนฯ

7.3 ท่านเคยทราบหรือไม่ว่ามีการศึกษาเชิงเปรียบเทียบสภาพของผู้รับเงินกู้ ก่อนที่ได้รับเงินกู้และหลังจากที่ได้รับเงินกู้ถึงการศึกษาที่สูงขึ้น และความสามารถในการหารายได้ให้เพียงพอต่อกำลังชีวิตนั้น ถ้าทราบท่านคิดว่าทางกองทุนควรนำผลการศึกษาที่สูงขึ้นมาพัฒนาปรับปรุงการดำเนินงานอย่างไร

7.4 ท่านเห็นว่าควรมีการปฏิรูปกยศ หรือไม่ ถ้าเห็นด้วย ท่านต้องการปรับปรุงตรงไหน อย่างไร ถ้าเห็นด้วยท่านจะมีความยั่งยืนรู้ผลหรือไม่ ถ้าท่านจำเป็นต้องให้ความสำคัญต่อกำลังการดำเนินงานจะบรรลุผลได้เพียงชัดเจนขึ้นนั้น ระหว่างดำเนินการให้ผู้เกี่ยวกับการที่จะปฏิรูปยูศให้เพื่้อมากมายมากขึ้นไปเพิ่มขึ้นและการดำเนินการให้ผู้เกี่ยวกับแต่ละการปฏิรูปที่มีความสำคัญต่อความสามารถในการเงินกู้และความสามารถในการเงินกู้เพื่อการศึกษาต่อไปจนถึงผลการศึกษาได้จริงที่จะให้กองทุนฯ มีความยั่งยืนรู้ผลการเงินดำเนินการที่มีอยู่อย่างหนึ่งให้กองทุนฯ บรรลุผลแบบใด เพราะเหตุใด
Appendix C

In-Depth Interviews' Names and Qualifications

1. Mr. Suparut Kawatkul is currently a Vice Chairman, Financial and Investment Committee, Charoen Pokphand Group Co., Ltd. He was a industrious Chairman of SLSC for five years (2005-2009) as he was the permanent secretariat to Ministry f Finance for long. He had been conducted the SLSC throughout both SLS and ICL. He also conducted the e-Studentloan into practices for better SLS clear work. His experience is so precious to this research.

2. Dr. Sathit Limpongpan is now acting a Chairman, Board of Directors Krung Thai Bank PCL. He was a prudential Chairman of SLSC, as his backgrounds are mostly in law, from second half of the year 2009 till the end of 2010. He seriously reconciles the mutual agreement between the SLF and KTB to be in formal written form (starting from October 1st, 2010) since there had not been any legal written contract for a decade.

3. Dr. (Med.) Tada Martin is a Director Manager of Student Loans Fund from August 2007 to July 2011. He has been assigned many important tasks for Thai SLS implementation by the SLSC. Dr. Tada is the second selected manager from the educational sector, Chaing-Mai University.

4. Mr. Sermkiat Thasanasuwan, Assistant Manager of Student Loans Fund (2001 - now). In the Fiscal Year of 2007, I, firstly met him as the assistant manager responding on planning and budgeting. Dealing with him made my job as the budget analyst responded on Thai SLS budget preparation, during the F.Y. 2007-2009, easily to understand the whole system and processes as Khun
5. Sermkhat started working with Thai SLF from the F.Y. 2001. He is a know-all person to me.

6. Dr. Thitima Vichairatana, Assistant Manager of Student Loans Fund (2004 - now). She is another kindness executive of Thai SLF for giving me all aspects about Thai SLSC (particularly in balance account of Thai SLS) as she was responding on SLF administrative system, accounting, financial, and debts management before shifting to assistant manager on operational, planning and budgeting in the F.Y. 2011.

7. Professor Medhi Krongkaew, Ph.D. is working as a Commissioner at The National Anti-Corruption Commission. He mostly work as lecturer at Thammasat University Faculty of Economics and National Institute of Development Administration Faculty of Development Economics. He recommended Thai government to implement ICL rather SLS and still insists till now.

8. Mr. Kritsda Udyanin, Financial Policy Advisor, Financial Policy Office. He keeps recommending on how the SLF manager work in Manager Evaluation Sub-committee. He also insists on the local participation in loan distribution processes. In further, Khun Kritsda believes that if SLS can totally be formulated by civil society, it will be last and highly benefit all.

9. Mrs. Suwannee Khamman, Deputy Secretary-General, Office of National Economic and Social Development Board. She is another bright and brilliant for giving the great history of Thai SLS policy analysis as she had chance to take a part in formulating Thai SLS since it was only on the paper of Tharin Nimmanhemin, the Former Finance Minister during 1992 to 1995 and 1997 to 2001. In further, she has joined Thai SLSC for almost seven years. These years of her experiences explained me many reasons of why Thai SLS criteria and condition is set above the poverty line. And why Thai SLS is success in Thai SLS policy implementation eyes.
10. Ms. Valairat Sriaroon is acting Director of Budget Bureau, Office of the Prime Ministers. She has been working hard to shape Thai SLS policy more efficiency and effectiveness to release the budget burden and to indirectly support Thai budget get back into balance. She makes me more concern and knows almost all about Thai SLS and SLF as I have been followed her every meeting of Thai SLS sub-committees and committees since she was the Assistant Director of Budget Bureau in October, 2008.

11. Professor Direk Patmasiriwat has been regularly criticized Thai SLS policy formulation and implementation with economics mind. He keeps insists to me on the benefit of government investment in education. The higher the education level the government invest, the more taxable income it can claim back from the high salary workers. So, he always supports Thai government to launch Thai SLS as alternative channel for financing higher education to citizen. But what went wrong might be from the design, plan, and implementation of Thai SLS according to his in-depth interviews.

12. Dr. SumateYamnoon is a Secretary General of Office of Higher Education Commission (OHEC). He is another valuable key person who allows me to get the in-depth idea and opinion of his on Thai SLS. He has been commanding the OHEC undertaking both Thai SLS and Thai ICL. He sees more aspect of financing education than others. And what he keeps saying to me on Thai SLS is system has no fault but human do.

13. Mr. Apichat Jeerawut currently is a Secretary General of Informal Education. He has joined Thai SLSC for eight years, the longest period among all committee members. He is also a chairperson of the First Account Payment Sub-committee. His kindness gives me a chance to explore on what the first payment account subcommittee has done and how it work hard to obtain the equity and efficiency for their clients.
### Appendix D

**In-Depth Interviews' Timetable**

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<th>No.</th>
<th>Date of Interview</th>
<th>Name</th>
<th>Position On Interview Data</th>
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<tr>
<td>1</td>
<td>17 January 11</td>
<td>Suparut Kawatkul</td>
<td>Vice Chairman, Finance and Investment Committee, Charoen Pokphand Group CO., LTD. Former Director General of Finance Ministry</td>
</tr>
<tr>
<td>2</td>
<td>24 January 11</td>
<td>Sermkiat Thasanasuwan</td>
<td>Assistant Manager, Student Loans Fund</td>
</tr>
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<td>4</td>
<td>28 January 11</td>
<td>Professor Medhi Krongkaew</td>
<td>Commissioner, The National Anti-Corruption Commission</td>
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<td>5</td>
<td>04 February 11</td>
<td>Thitima Vichairatana, Ph.D.</td>
<td>Assistant Manager, Student Loans Fund</td>
</tr>
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<td>6</td>
<td>07 February 11</td>
<td>Professor Direk Patmasiriwat, Ph.D.</td>
<td>Professor, School of Development Economics, NIDA</td>
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<tr>
<td>7</td>
<td>11 February 11</td>
<td>Dr. Tada Martin</td>
<td>Manager, Student Loans Fund</td>
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<td>8</td>
<td>14 February 11</td>
<td>Sathit Limpongpun, Ph.D.</td>
<td>Former Director General of Finance Ministry</td>
</tr>
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<td>9</td>
<td>17 February 11</td>
<td>Valairat Sriaroon</td>
<td>Direct, The Budget Bureau</td>
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<td>10</td>
<td>21 February 11</td>
<td>Sumate Yamnoon</td>
<td>Secretary General of Office of Higher Education Commission (OHEC)</td>
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<td>11</td>
<td>24 February 11</td>
<td>Apichat Jeerawut</td>
<td>Secretary General of Informal Education</td>
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<td>12</td>
<td>28 February 11</td>
<td>Suwannee Khamman</td>
<td>Deputy Secretary General of National Economic and Social Development Board.</td>
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</table>
บทสรุปการสัมภาษณ์ (ใช้ในการทำ Cross Check)

10 ปีของการดำเนินงานของ กยศ. ผู้ให้สัมภาษณ์เกือบทุกคนเห็นว่าเป็นไปตามแผน เนื่องจากนโยบายและวงเงินงบประมาณที่ กยศ. ได้รับ ไม่ได้มีการออกแบบให้ครอบคลุมนักเรียนที่ยากจนจริงทั้งหมดในระบบ โดยประมาณอาจทำได้เพียงร้อยละ 30 ของจำนวนนักเรียนทั้งหมด ซึ่งส่วนใหญ่มีความเห็นว่า จำนวนผู้ต้องรอดู ได้รับ ค. ประมวล 8-9 แสนราย จาก จำนวนทั้งหมด 1.6 แสนคนต่อปี มากพอสำหรับจำนวนงบประมาณนั้นๆ (ประมาณ 30,000 ล้านบาทต่อปีหรือ 2-3 ภาคการศึกษา) ด้วยความสามารถในการบริหารจัดการที่มีอยู่ในปัจจุบันของทางสำนักงานกองทุนให้ผู้เรียนเพื่อการศึกษา

แต่กว่ามีหลายนักวิจัยในช่วงปี 2548-2549 ก้าวกระเต็มการทำงานของสำนักงาน กยศ. ไม่เกิดผลตามที่นโยบายเขียนไว้ บางว่าไม่มีประสิทธิภาพเนื่องจากขาดความเท่าเทียมในการจัดสรรเงินกู้ยืม เพราะเงินกู้ยืมสำหรับใหญ่ไม่ได้ตกแต่เด็กที่จริง เนื่องจากการกำหนดเงินกู้ยืมได้ต่อครัวเรือนที่แรกเริ่มจาก 300,000 บาทต่อครัวเรือนต่อปีในปี 2543 ปรับลดลงเป็น 200,000 บาทในปี 2546 และ 150,000 บาท ในปี 2549 เพราะคาดหวังว่าจะเป็นการกันเด็กที่ไม่จริงจงออกไป แต่ยังไม่มีการปรับเปลี่ยนเงินกู้ยืมในปีการศึกษา 2552 มาที่ 200,000 บาทต่อเด็กในต่อปีธุรกิจ  จากการปรับเปลี่ยนเงินกู้ยืมนโยบายระดับกลางนั้นแสดงให้เห็นว่าผู้ร่วมนโยบายระดับปฏิบัติเอง (ในขณะนี้ได้แก่ คณะกรรมการกองทุนให้สัมภาษณ์ที่บอร์ด กยศ.) ได้มีการรับฟังผลวิจัยดังกล่าวและนำมาปรับหลักเกณฑ์การปฏิบัติ แต่ในความเป็นจริงเมื่ออัตราเงินเฟ้อเพิ่มขึ้นระดับรายได้ของครัวเรือนอยู่ในขั้นเดียวและเปลี่ยนแปลงอยู่ตลอด จึงไม่จำเป็นที่บอร์ด กยศ. ต้องรอผลการศึกษาวิจัยของชาติทางเศรษฐศาสตร์อ้างอิงในการพัฒนาหลักเกณฑ์ปฏิบัติ

อะไรเกิดขึ้นที่จริงซึ่งกับความมีประสิทธิผลและครอบคลุมเป้าหมายของนโยบายการให้ผู้เรียนเพื่อการศึกษา ผู้ให้สัมภาษณ์บางท่านได้ชี้ให้เห็นถึงการกระทำที่จริงการมีกองทุนนี้ (เพื่อให้ความรู้ฐานรากการกระทำแนวการคลัง คุณธรรม นิยมกับเจ้าหน้าที่ที่ทำการศึกษาชี้ว่า) เพื่อให้ความช่วยเหลือแก่ผู้ที่ขาดแคลนทุนทรัพย์และประสบการณ์ที่ใช้เพื่อเป็นการพัฒนาความให้เข้าสู่ตลาดแรงงานได้และสามารถมีอาชีพที่เริ่มต้นเองพร้อมทั้งใช้คืนเงินอยู่ที่ได้รับมาเพื่อให้คนรุ่น
ต่อไปสามารถใช้ประโยชน์จากกองทุนได้โดยช่วยเหลือกัน นั่นแสดงว่ากองทุนมีกลุ่มเป้าหมายที่มีได้ต้องมาจากครอบครัวที่ยากจนมากหรือยากจนจริง แต่เป็นนักเรียนนักศึกษาที่ครอบครัวสามารถช่วยให้เรียนได้ระดับหนึ่งของต้องการศึกษาในระดับที่สูงขึ้นและทางครอบครัวอาจจะล่าช้าที่จะส่งให้ศึกษาต่อจึงต้องการความช่วยเหลือบางส่วนจากภาครัฐในรูปแบบเงินที่ดอกเบี้ยต่ำกว่าการไปกู้จากท้องตลาด ทว่าการนำนโยบายมาปฏิบัติ (ในอด. มร. จุฬาลงกรณ์, จุฬาลงกรณ์เป็นรัฐมนตรีว่าการกระทรวงการคลัง) กลับออกมาในแบบที่มุ่งเน้นการขยายโอกาสแก่ผู้ยากจนที่ต้องการเรียนเพิ่ม

donnaนโยบายการให้ผู้อื่นเพื่อการศึกษาอาจเป็นเครื่องมือของฝ่ายการเมืองเพื่อจะได้มาเป็นตัวแทนของกลุ่มเป้าหมายยากจนและบางครั้งเป็นแบบเป็นอิสระโดยยุติคดีอย่างสุดสิ้นที่เคยเกิดแล้วในปี 2549 ก็คือ กรอ. (หรือกองทุนผู้พ้นเพื่อการศึกษาแบบที่ผูกติดกับรายได้ในอนาคต) ให้กับผู้ต้องการศึกษาในสาขาเฉพาะงานเพื่อรักษาการสร้างหวังของผู้สูญเสีย การเปลี่ยนแปลงนี้อาจนำไปสู่การให้สัมภาษณ์ 2-3 ท่านเห็นว่าเป็นการใช้ระบบพยายามจำนวนมหาศาล จวบจนทำให้ได้รับผลตอบแทนของผู้บริหารศึกษาต่อสังคมไทยโดยรวมนี้นอกเหนือ

ถ้ากล่าวถึงการใช้ระบบพยายามอย่างสมเหตุสมผลและผู้มีตำแหน่ง ประกาศเกราที่สู่ศึกษาด้วยทุนจากทางการสนับสนุนและต้องการสังคม ได้ งบประมาณที่สั่งให้จัดสรรจัดสรรให้เพื่อดำเนินนโยบาย มีมากเพียงพอที่จะยอมรับแผนการดำเนินงานและคือภัยทางของหน่วยงานที่รับนโยบายไปปฏิบัติ ดังจะเห็นได้จากผู้ให้บริการผู้ที่ทุนสำหรับผู้ที่มีรายได้สูงสุดสามารถปรับเป็นการจัดสรรส่วนของดอกเบี้ยแทนการจ่ายเงินที่ดอกเบี้ยแบบร้อยเปอร์เซ็นต์

รายการที่สองให้สัมภาษณ์ส่วนใหญ่ยังไม่มีความคิดถึงว่ามีการเสนอข้อเสนอที่มีต่อไปในการจัดหาหรือการบริหารจัดการงบประมาณและกระแสเงินสดที่มีอยู่ที่กองทุน ถ้างบประมาณของประเทศมีโมเดลที่จะวางระเบียบความในการจัดการได้ดีโอกาสทางผู้ที่ให้บริการผู้ให้บริการ (education bonds) หรือการระดมทุนของคนในท้องถิ่นเพื่อบุตรหลานในพื้นที่นั้นๆ เช่น student loans by civic society เป็นต้น
<table>
<thead>
<tr>
<th>Names of Interviewees</th>
<th>Eff. of Implementation</th>
<th>Objective</th>
<th>Budget</th>
<th>Interorganizational Relation</th>
<th>Loan Distribution</th>
<th>Loan Repayment</th>
<th>Financial Viability</th>
<th>Monitoring/Evaluation</th>
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<tr>
<td></td>
<td>Q1 Performance</td>
<td>Q 2 Allocation Pattern</td>
<td>Q 3 Sources of Budget</td>
<td>Q 4 Criteria &amp; Condition</td>
<td>Q 5 Implementing Agencies</td>
<td>Q 6 Repayment Pattern</td>
<td>Q 7 Monitoring &amp; Evaluation</td>
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<td>Suparat 17/01/11</td>
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<td>N.A.</td>
<td>Y</td>
<td>N</td>
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<td>N Y N</td>
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<tr>
<td>Tada 11/02/11</td>
<td>Y</td>
<td>Y N Y N</td>
<td>N Y N</td>
<td>Edu Bond</td>
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<td>N</td>
<td>Y</td>
<td>Y</td>
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<td>Krisda 24/01/11</td>
<td>Y</td>
<td>Y Pol</td>
<td>Y Sus</td>
<td>N A N.</td>
<td>Y</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>Suwannec 28/02/11</td>
<td>Y</td>
<td>Y N N</td>
<td>N A N</td>
<td>N.A.</td>
<td>Y</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
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<tr>
<td>Valairat 17/02/2011</td>
<td>Y</td>
<td>Y N A N</td>
<td>N Y N</td>
<td>N.A.</td>
<td>Y</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
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<td>Medhi 28/01/11</td>
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<td>N Y N</td>
<td>N Fin.</td>
<td>N.A.</td>
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<td>Direk 07/02/11</td>
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<td>Y Y Sus</td>
<td>N N B O T</td>
<td>N. A N.</td>
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<td>N</td>
<td>Y</td>
<td>Y</td>
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<td>N N N</td>
<td>N N N</td>
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<td>Y</td>
<td>N</td>
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<td>Y</td>
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<td>Sornate 21/02/11</td>
<td>Y</td>
<td>Y Y N N</td>
<td>N N N</td>
<td>N.A.</td>
<td>Y</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
</tr>
</tbody>
</table>

Y = Yes or Agree to the question  
N = No or Not Agree to the question  
B = Bad  
G = Good  
D = Demand  
N.A. = No information Available from the Interviewee. This does not mean unmeasurable as the interviewees have received the questions for some times. There is no answer because either the interviewees ignore or intend not to answer.

Source: Researcher's
There are six main simply codes, here:
1. Y = Yes, I agree to that issue.
2. B = Bad on that issue.
3. N = No, I do not agree to that issue
4. D = Demand for that issue.
5. G = Good on that issue.
6. N.A. = No information Available from the Interviewee. This does not mean non-measurable as the interviewees have received the questions for some times. There is no answer because either the interviewees ignore or intend not to answer.
Appendix G

**Non-Identity Cross-Checking**

1. Mr. Kaugool Tunwattana, Comptroller General Department
3. Miss Charunee Weawviriyakul, Thai SLF
Appendix H

The Cheating Case of Thai SLF

Source: www.thaischool.in.th accessed on July 1st, 2011.
Appendix I

The Students Claim on Thai SLS

### Number of Deferred Debts of The Second Account Payment Sub-Committee

<table>
<thead>
<tr>
<th>Institutes</th>
<th>The Year 2008</th>
<th>Due</th>
<th>Deferred</th>
<th>%</th>
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</thead>
<tbody>
<tr>
<td>1. แตกลงบัตร</td>
<td>2</td>
<td>2</td>
<td>100.00</td>
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<tr>
<td>2. มหาวิทยาลัยนอร์ทกรุงเทพ</td>
<td>144</td>
<td>104</td>
<td>72.22</td>
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<tr>
<td>3. มหาวิทยาลัยธนบุรี</td>
<td>385</td>
<td>72</td>
<td>17.17</td>
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<tr>
<td>4. มหาวิทยาลัยเซนต์จอห์น</td>
<td>4,442</td>
<td>3,006</td>
<td>67.67</td>
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<td>5. มหาวิทยาลัยลุ่มน้ำปิง</td>
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<td>105</td>
<td>67.31</td>
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<td>6. มหาวิทยาลัยบัณฑิตบริหารธุรกิจ</td>
<td>624</td>
<td>417</td>
<td>66.83</td>
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<td>7. มหาวิทยาลัยธนบุรี</td>
<td>516</td>
<td>209</td>
<td>40.14</td>
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<tr>
<td>8. มหาวิทยาลัยอินเตอร์เทคเตอร์</td>
<td>541</td>
<td>277</td>
<td>62.12</td>
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<td>9. มหาวิทยาลัยพระนคร</td>
<td>103</td>
<td>66</td>
<td>64.08</td>
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<td>10. มหาวิทยาลัยธนบุรีกรุงเทพ</td>
<td>424</td>
<td>267</td>
<td>62.97</td>
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<td>11. มหาวิทยาลัยธนบุรีกรุงเทพ</td>
<td>265</td>
<td>166</td>
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<td>363</td>
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<td>13. มหาวิทยาลัยมหาวิทยาลัยราชภัฏสุราษฎร์ธานี</td>
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<td>2,021</td>
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<td>491</td>
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<td>15. มหาวิทยาลัยธนบุรีกรุงเทพ</td>
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<td>16. มหาวิทยาลัยธนบุรีกรุงเทพ</td>
<td>1,153</td>
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<td>17. มหาวิทยาลัยมหาวิทยาลัยราชภัฏสุราษฎร์ธานี</td>
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<td>812</td>
<td>57.83</td>
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<td>19. มหาวิทยาลัยมหาวิทยาลัยราชภัฏสุราษฎร์ธานี</td>
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<td>470</td>
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<td>127</td>
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<td>21. มหาวิทยาลัยมหาวิทยาลัยราชภัฏสุราษฎร์ธานี</td>
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<td>51</td>
<td>57.30</td>
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<td>22. มหาวิทยาลัยมหาวิทยาลัยราชภัฏสุราษฎร์ธานี</td>
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<td>166</td>
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<td>23. มหาวิทยาลัยมหาวิทยาลัยราชภัฏสุราษฎร์ธานี</td>
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<td>367</td>
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<td>24. มหาวิทยาลัยมหาวิทยาลัยราชภัฏสุราษฎร์ธานี</td>
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### The Year 2009

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### The Year 2010

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หมายเหตุ: * หมายถึงสถานศึกษาที่มียอดผู้ค้างชำระในอับดับ 50 ในปีที่ก่อนมา
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รวม | 329,180 | 66.67 |

หมายเหตุ: ตัวเลขตามหน้ากระดาษที่มีตัวเลขย่อไปที่มากกว่า 1 ไม่ใช้ตัวเลข
BIOGRAPHY

**NAME**  
Miss Sakulrat Talasophon

**ACADEMIC BACKGROUND**  
- Master of Commerce in International Business  
  University of New South Wales  
- Postgraduate Certificate in International Economic Management  
  Birmingham University U.K.  
- Bachelor of Art in Economic Thammasat University Thailand

**PRESENT POSITION**  
- Budget Analyst Professional Level (2000 - now),  
  The Budget Bureau as a member of the Secretariat Team to the Budget Committee for budget approval process at Thai Parliament in 2010 - now

**EXPERIENCES**  
- Budget Analyst operational Level respond and prepared the Budget for Universities in 2000 - 2006  
- The Guest Lecturer for the Business Taxation at International Studies at Pranakon Si Ayutthaya Rajabhat University (State University) (2003 - 2004)  
- The Guest Lecturer for the International Comparison on Business Management at Sripatum University (Private University) (2000 - 2002)  
- Investment Supporter Official, Broad of Investment of Thailand (1997)  