

Unpacking the Modalities of Student Loan Recovery in Zambia: Evidence from Higher Education Loans and Scholarships Board

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DOI: <https://doi.org/10.51244/IJRSI.2026.1304000032>

Received: 24 March 2026; Accepted: 30 March 2026; Published: 27 April 2026

ABSTRACT

This study explored the modalities employed by the Higher Education Loans and Scholarships Board (HELSEB) to recover student loans in Zambia guided by the Human Capital Theory. A case study research design was adopted, with respondents selected through expert purposive sampling. The study involved one Ministry of Education official and seven HELSEB staff members. Data were collected using interview guides designed to capture both qualitative and quantitative information, with qualitative data analyzed thematically. Findings revealed that HELSEB recovers loans primarily by retrieving beneficiary records from NAPSA and ZRA databases and by leveraging payroll systems, including the Public Service Management Division (PSMD) and individual or private employers. Based on the findings, the following recommendations were made: HELSEB needs to insure the loans because loan insurance considerably reduces the educational debt's financial risk. In order to guarantee that these requirements are laid out explicitly in the agreement deed, HELSEB must make sure that borrowers are well-informed about their obligations to repay their loans at the time of application. To aid in the tracing down of beneficiaries whose loans have matured, HELSEB needs to establish closer relationships with higher educational institutions, student organisations/unions, and alumni networks. They should also work more closely with employing agencies and employers to ensure timely repayment and recovery of loans. In an effort to increase the employers' compliance levels, HELSEB management ought to devote additional resources to leading compliance visits.

Keywords: Modalities, Students, Beneficiary, Student Loans, Loan Recovery, Sustainable Financing and Higher Education

BACKGROUND

Student loan recovery lies at the heart of sustainable higher education financing. It is not merely an administrative exercise but a critical mechanism that ensures the continuity of financial aid systems by enabling the recycling of limited resources to benefit future generations of students (Marcucci and Johnstone, 2007). Without effective recovery systems, the long-term viability of student financing schemes and equitable access to higher education remain at risk.

Typically, student loan repayment begins after a borrower completes or exits their studies, often following a grace period. Repayment frameworks vary widely, ranging from fixed instalment plans to more flexible income driven models that adjust to borrowers' financial capacity. In some cases, borrowers may benefit from deferment or forbearance during periods of financial hardship, while interest structures whether subsidized or accruing further shape the repayment burden (Clark, 2019). These variations reflect broader attempts to balance financial sustainability with borrower affordability.

Despite these provisions, student loan recovery remains fraught with challenges. Economic instability, high unemployment levels, and limited earning opportunities can significantly constrain borrowers' ability to repay. In addition, administrative hurdles such as tracking beneficiaries who relocate or change contact details further complicate recovery efforts (BIS, 2011). These challenges often result in loan delinquency or default, undermining the effectiveness of loan schemes.

The consequences of default are far reaching. Borrowers may face damaged creditworthiness, legal enforcement measures, or restrictions on accessing future financial support. At a systemic level, high default rates weaken the financial base of loan programs, limiting their capacity to support new students. In response, governments across the world have adopted various interventions, including loan restructuring, forgiveness programs, and borrower rehabilitation initiatives. They also play a central role in underwriting or guaranteeing student loans to enhance both access and recoverability (Clark, 2019).

Globally, student loan recovery continues to spark policy debates, particularly around the tension between cost recovery and equitable access to education. While some stakeholders advocate for stricter enforcement mechanisms to ensure repayment, others call for more borrower friendly policies, such as reduced interest rates, expanded forgiveness schemes, and flexible repayment options (Joensen and Mattana, 2017). This ongoing debate highlights the complex interplay between economic realities, social equity, and policy priorities in higher education financing.

It is within this broader context that Zambia's student loan system operates. As demand for higher education financing continues to grow, the effectiveness of loan recovery mechanisms becomes increasingly critical. Against this backdrop, this study explores the modalities employed by the HELSB to recover student loans in Zambia, with a view to understanding their effectiveness, challenges, and implications for policy and practice.

Problem and objective guiding the paper

Recovering student loans remains a central challenge in sustaining higher education financing systems, particularly in contexts where resources are limited and demand for financial support continues to rise. While lenders, financial institutions, and government agencies globally employ a range of strategies to promote timely repayment and minimize default (Johnstone and Marcucci, 2010), the effectiveness of these approaches is highly dependent on contextual factors such as labour market conditions, administrative capacity, and policy design. In Zambia, where HELSB plays a pivotal role in financing students, concerns persist regarding repayment levels, enforcement mechanisms, and the overall sustainability of the loan scheme. Despite the importance of loan recovery for recycling funds and expanding access to future beneficiaries, there is limited empirical evidence detailing the specific modalities used, how they are implemented, and the challenges associated with them. This gap in knowledge constrains informed policy reform and the strengthening of recovery systems. Thus, the objective of this study was to explore the modalities employed by the HELSB in recovering student loans in Zambia.

Theoretical Underpinning and Review of related literature

This study was guided by the Human Capital Theory. According to Becker (1996), human capital theory is an investment that entails paying money in order to gain new knowledge through education. Individuals acquire human capital through schooling, post-secondary investment and on-the-job training (Almendarez, 2010). Parents put time and money into their children's education. Education improves a person's chances of acquiring better jobs with higher pay therefore money spent on education today is an investment that will subsequently yield higher returns in the future. Savings or borrowed funds might be used to pay for schooling. Students from low-income households frequently borrow money from HELSB to fund their education and they must repay the money.

Human Capital Theory promotes research into the factors that influence a person's propensity to spend in educational credentials and training that will result in a higher return or financial compensation. The assumption behind public subsidies is that when the advantages surpass the costs, academically capable but low-income students are driven to pursue tertiary education. According to this hypothesis, an individual will invest in human capital if the potential advantages outweigh the expense of schooling. The cost of schooling comprises the repayment of the principle amount borrowed as well as the interest associated with it. Investing in higher education increases the likelihood of finding work after graduation. When the student finds work, he will be able to pay off his/her loan (Almendarez, 2008).

With a lower default rate, more funds will be available to promote higher education by providing student loans to more deserving students (Nyahende, 2003). According to Chapman (2008), defaulters' characteristics that affect repayment are a major source of poor repayment, which can lead to a lack of funds to support the student loan scheme. Students' loans will encourage more students to pursue school by providing appropriate funding for students from low-income families. In order for the loan scheme to be able to give funding to other needy and qualified students, debt recovery from previous beneficiaries must be prioritized (Nyahende, 2013). To guarantee that loans are available to all loan applicants, obstacles to complete recovery of education loans from students must be addressed. According to the theory, costs must be incurred in order for someone to gain information and skills (education) and that by doing so, the bearer of education becomes more productive and therefore his or her wages improve. Direct costs such as monetary or out-of-pocket charges are included in the investment costs as are indirect costs such as forgone earnings (pay and any other perks associated with a job).

Higher education, according to the preceding postulates of the theory, is a type of investment in which individuals must commit fees in order to obtain it. Human capital theory suggests that people should invest in themselves by pursuing higher education. The costs must be borne by students, their families and the government. Despite the fact that the HCT does not specify where investment should come from, that is, who should invest, investment must be made based on the social and private benefits of higher education. Higher education, while immediately benefiting the bearer and so establishing the clear grounds for an individual to undertake the charges, does not ensure that the individual reaps the full benefits of their investment (Almendarez, 2010).

According to Walker and Mkwanzani (2015), more education can boost coworker productivity and improve social cohesiveness. As a result, the overall societal returns to education investment (that is, the social returns) may be greater than the sum of all private rewards. Thus, the three benefiting parties, namely students, parents, and the government, are expected to bear the costs of investing in one's higher education (the taxpayers). When it comes to the ability of students and parents to bear the costs of investment, there are times when some people are intellectually qualified for higher education but economically (financially) unable to do so. This reinforces the idea of fairness as a way for financially disadvantaged people to gain entry to higher education.

Numerous empirical studies show that more skilled and educated people are better at adjusting to change. They have the capacity to take advantage of new possibilities as they arise and to forge new ones on their own. In the workplace, they increase productivity. A higher level of competence also makes it easier for workers to move between jobs, industries, and geographies in response to new opportunities. Reallocating both physical and human resources to more advantageous chances and even being aware of them is made easier by it. A workforce with more education will be more adaptable. People with greater education levels are better equipped to learn new concepts, accept foreign technologies, advance local technologies, and comprehend and apply knowledge from other contexts to their own (Choi, 2014)

Student loans, which are free for eligible persons, have become an alternative to solve the complexity of equity and access to higher education. Despite the foregoing situation, some authors (Johnstone, 2002 and 2003) suggest that investing in one's education is becoming increasingly expensive. He also claims that many state governments around the world have historically borne practically all of the expenditures of higher education on behalf of individuals and organizations. Individuals must share the costs of higher education with the government due to the rising cost of higher education and the presence of many other socioeconomic sectors that require more or equal attention.

This type of loan scheme, in theory, is a source of finances for someone to invest in his or her higher education. Similarly, students obtain monies from loan providers and invest them in their higher education with the expectation of future returns. Students will eventually be able to repay their loans after graduating and having met their final expectations (returns) from higher education. A student loan program as a source of finances for those seeking higher education is anticipated to be reliable and long-term in order to give borrowers confidence and security (Johnstone, 2002). This is especially important when one of the primary goals of the loan program is to help impoverished students.

Zambia's loan system is one of the prominent local lending schemes. The acquisition of a loan, as a source of investment for disadvantaged students, is considered to be beneficial to them in every way. The procedures for

application, disbursement and repayment are all included. It is assumed that with convenient procedures, students will invest in themselves through further education and gain the information and skills that will enable them to earn greater wages providing that the job market will be on their side. In fact, repayment of the debt may not be an issue for those who decide to pay it back, let alone those who intentionally default (Mwanza, 2018).

Numerous global studies on loan recovery and collection strategies have been conducted. Engede (2015) aimed to determine the functions of different approaches used in debt recovery. The study came to the conclusion that strict follow-up procedures increased the amount recovered from previous recipients of student loans. Engede (2015) agrees with Ogolla (2012) that a bank may effectively manage its debt recovery strategy by implementing appropriate operational methods and having a highly empowered workforce. Additionally, results support the recommendation made by Onen et al. (2015) to employ thoughtful loan collecting practices in order to lower default rates.

Recoveries can be aided by strategically reminding debtors to return their loans. Reminding borrowers repeatedly to make loan payments has been shown to lower default rates (Migwi, 2013). This is in line with the findings of Musyoka (2014), who reported that close credit monitoring and reminders have decreased the number of defaults in Kenyan commercial banks. Rendleman and Weingart (2014) discovered that it is possible to get in touch with guarantors in order to pressure the principal borrower to pay back a loan that has fallen behind.

When lenders made decisions without having a formal record of the borrower's credit history, defaulters first flourished in an environment of information asymmetry. But according to Kenya's Credit Reference Bureau (CRB) laws, third parties are now permitted to access consumer credit histories, exchange data, and participate in credit decision-making. Lending institutions were not previously permitted to share consumer information, including credit history, but this is now possible thanks to the advent of CRBs, according to Tuwei et al. (2015). To consistently share the information about its defaulters, HELB collaborated with both governmental and non-governmental organisations. The CRBs are one of these, along with professional groups, alumni associations, and external debt collecting firms.

Osoro, Nyolei, Cheruto, and Odhiambo (2015) state that there is a substantial positive correlation between loan recovery and information accuracy. This is in line with Gitahi's (2013) findings that commercial banks typically assess their likelihood of recovering loans before granting them to borrowers. Examining the borrower's credit history as disclosed by other lenders is part of this analysis, which is crucial because loan repayment performance in the past and future are related.

Given less-than-full loans recovery in almost all loans schemes and, in many cases, very heavy losses, government subsidy will remain a continuing feature of student loans schemes as they are presently operated. The widely held view that student loans schemes can act as revolving funds - which, once capitalized, can finance themselves subsequently through repayments from earlier loans, is seen to be a myth. Governments will need to inject funds annually to cover the costs of the built-in loans repayment subsidies and to make up losses from non-repayment leakages. This is the case where the size of the higher education system is stable, but even more so when the system is expanding as is the case in very many countries.

However, the financial viability of loans schemes can be improved. Improvement may be achieved either by reducing the levels of built-in subsidies (hidden grants) or by improving the efficiency of loans schemes through containing administration costs and, particularly, in reducing repayment leakages due to default. The researcher noted that the main factor in accounting for the failure to recoup loans disbursements in most schemes is the level of built-in subsidies (hidden grants), rather than default or high administration costs (World Bank, 2010).

A number of studies have examined loans repayment and loans recovery in various country loans schemes. These studies take two forms: individual country studies and comparative studies. However, because these individual studies use somewhat different methodologies, it is difficult to draw any comparative conclusions from an examination of the differing results, across countries. A few comparative studies are available, each relating to a number of country, schemes. Each of the comparative studies employed a common methodology to examine the county loans schemes under scrutiny (World Bank, 2010).

The classic study by Johnstone (2010), which introduced the hidden grant concept, measured the size of the hidden grant in loans schemes in the Federal Republic of Germany, the United States and Sweden. Christensen (2002) compared loans schemes within Latin America and the Caribbean, while Ziderman (2004) reported the results from a comparative study of five loans schemes in South East Asia. However, all of these comparative studies have a limited coverage. Recovery of funds loaned out to university students by the Higher Education Loans Board (HELB) is one of the two main responsibilities of the Board. The other is disbursement of loans. Loans disbursement leans heavily on loan recovery because it is necessary to recover funds so as to be able to lend it to others. Therefore, the key question that comes to mind when one considers the institution's loan recovery portfolio is whether HELB has efficient mechanisms including strategies, in place to assist it in loan recovery. This is a major challenge to the Board.

An estimated 60,000 Kenyan students pursuing university education in foreign universities are also not eligible for HELB loans for the same reasons and yet the HELB Act empowers it to support all Kenyans pursuing higher education within and outside Kenya (Warue, 2013). In addition, HELB is expected to create a Revolving Fund from which it is expected to draw funds for lending to students and eventually cease to rely on support from the Exchequer for additional funding. At the moment, the Board gets Kshs.800 million per annum from the Exchequer and another Kshs.800 million from recoveries. All beneficiaries are required to start repayment after a period of one year on completion of studies, or within such a period as the Board may decide to recall the loan whichever is earlier (Section 15 HELB Act).

Williams (2018) observes that student loans have been widely advocated for, as a way of providing financial support to students, and as a way of sharing the costs of higher education in a manner that is both equitable and efficient. Several economists and other proponents of loans, for example, Warue (2013) argue that education is both a personal and a social investment. A loan programme financed from public funds will enable those who cannot afford to pay tuition fees, or to meet the costs of books and living expenses, to borrow and finance their higher education. The beneficiaries would later repay the loans when they enjoy better job prospects.

The problem of high repayment default may be less tractable. A wide range of measures to reduce repayment default are available for use in various loans schemes. These include the use of loans guarantors, moral suasion (publication of defaulter lists), barring access to further credit if in default and legal action against recalcitrant defaulters. However, it is frequently the case that these measures are not employed. In a number of cases, notably in developing countries; a general atmosphere of non-compliance has been created in which non repayment has become to be regarded as socially acceptable (Walker and Mkwanzani, 2015).

A subject of recent controversy is whether the type of repayments collection mechanism in place can affect the level of repayment default. Specifically, it has been argued strongly that income contingent repayments schemes are likely to ease the problem of repayment default, since an excessive repayment burden is avoided during periods of unemployment and low earnings. However, whatever the other relative merits of income contingent repayment and traditional mortgage loans schemes. Loans schemes are expensive for governments and very often highly subsidized. Given the tightness of public budgets in many countries, governments have a strong interest in containing overall loans scheme costs and, particularly, subsidy levels within appropriate and realistic limits. This will require a careful justification for the current levels of loans subsidies, the development of efficient loans repayment collection procedures and the continuous monitoring of the outcomes of the loan scheme to ensure that it is successfully meeting defined objectives (Ziderman 2004).

METHODOLOGY

Research Design: A case study research design was employed in this study. A case study is a detailed study of a specific subject, such as a person, group, place, event, organization, or phenomenon (Shona, 2019). Shona further adds that case studies are commonly used in social, educational, clinical, and business research. The researchers employed the case study research design because it is particularly useful to employ when there is a need to obtain an in-depth appreciation of an issue, event or phenomenon of interest, in its natural real-life context.

Population: The study population for this research consisted of key personnel directly involved in the administration, management, and oversight of student loan programs in Zambia. Specifically, it included staff members of HELSB, who are responsible for disbursing funds, monitoring repayments, and implementing recovery strategies, as well as officials from the Ministry of Education, who provide policy guidance, regulatory oversight, and strategic direction for higher education financing. This population was considered critical because their insights and experiences provide firsthand evidence of both the operational modalities employed and the systemic factors affecting loan recovery in Zambia.

Sample Size: The study sample comprised a total of eight participants, including seven staff members from HELSB and one officer from the Ministry of Education responsible for overseeing student loans. These participants were selected due to their direct involvement in the administration, monitoring, and recovery of student loans, making them well-positioned to provide detailed insights into the processes, strategies, and challenges associated with loan recovery.

Sampling techniques: Expert purposive sampling was employed to select the study respondents. This sampling technique is a form of purposive sampling that targets individuals who possess specialized knowledge, skills, or experience relevant to the research topic (Laerd, 2023). In this study, expert sampling was appropriate because the selected participants, staff members of HELSB and the Ministry of Education officer in charge of student loans, have direct involvement and practical experience in student loan administration and recovery.

Data collection tools: Qualitative data for the study was collected using interview guides. These guides provided a structured framework for engaging with participants, allowing the researcher to explore their experiences, perspectives, and insights in depth. Using interview guides, the study was able to ensure consistency across interviews while still allowing flexibility for participants to elaborate on issues they considered important, thereby capturing rich, detailed information on the modalities of student loan recovery in Zambia.

Data Analysis: Thematic Analysis was used to analyse qualitative data. The researcher used thematic analysis because it provides a highly flexible approach that can be modified for the needs of many studies, providing a rich and detailed, yet complex account of data. Along with employing member checking to review the data, its interpretation, and conclusions, the researcher established a connection with the participants to increase the credibility of the study.

Ethical consideration: Ethical considerations were central to the conduct of this study to ensure the rights, dignity, and well-being of all participants were protected. Participation in the study was entirely voluntary, and informed consent was obtained from each respondent prior to data collection. Participants were fully briefed on the purpose of the study, the nature of their involvement, and their right to withdraw at any time without any negative consequences. Confidentiality and anonymity were strictly maintained, with personal identifiers removed from transcripts and reports to protect participants' privacy. Additionally, data was securely stored and accessed only by the research team. The study also adhered to ethical standards in research by ensuring that questions were non-intrusive, respectful, and culturally sensitive, and that the findings were reported accurately and honestly without misrepresentation or bias.

FINDINGS

Modalities used by HELSB to recover student loans

Retrieving beneficiary records using NAPSA database

The study established that one of the key modalities employed by HELSB to recover student loans in Zambia is the retrieval of beneficiary records through the NAPSA database. This approach allows HELSB to access up-to-date employment and social security information of loan beneficiaries, facilitating the tracking of their repayment status and identifying those who are able to make payments. In view of this, one of the participants said:

36,104 beneficiary records in total were retrieved from the NAPSA database. HELSB had so far engaged 16,051 from the NAPSA records and was engaging the remaining 20,053. This leaves 33,217 beneficiaries from the

total 69,321 beneficiaries of HELSB database who may be working in the informal sector and needed to be found. Of the 69,321 beneficiaries, 15,779 were servicing their loans, 53,270 are yet to start repaying while 185 have paid off their loans in full. The National Pension Scheme Authority (NAPSA) records, shows that a total of eighty-seven beneficiaries passed away. The Committee was further informed that matured loan amounts have differing due dates depending on when a beneficiary accessed the student loan and the expiry of their grace period. The legal framework should be strengthened to mandate the HELSB to carry out the function of efficient recovery of loans. Further, HELSB needs to adapt best practices that have been successfully used by other countries such as Ghana and Kenya to recover loans. The HELSB should also improve on the tracking systems to ensure that former beneficiaries are monitored and that they pay back the loans (Key informant, 8th February, 2023).

Another key informant at Ministry of Education Headquarters added that the Board has been student loan beneficiaries through employee engagement with National Pension Scheme Authority (NAPSA). To substantiate this, the key informant affirmed that;

HELSB has captured over 11, 000 employees who benefited from the program since 2014. This year, 11,876 student loans scheme beneficiaries have been traced through the National Pension Scheme Authority (NAPSA) (Loan Recovery Officer, 7th February, 2023).

Retrieving beneficiary records using ZRA database

The study further established that the other approach put in place by HELSB to recover student loans from the beneficiaries in Zambia is by retrieving beneficiary records using ZRA database. In view of this, one of the key informants added that;

Firstly, we try to find out how much they owe us and where they are working using the ZRA database. When we find out where people are working, we usually send demand letters to their employers or companies. The employers or companies then send the demand letters to their employees. When the employees consent, we start deducting through the payroll system (Loan Recovery Officer, 13th February, 2023).

Tracing beneficiaries and recovering loans through Public Service Management Division (PSMD)

The study also disinterred that one of the modalities used by HELSB to recover the loans is by Tracing beneficiaries and recovering loans through Public Service Management Division (PSMD). In light of this, one of the key informants veiled that;

Employers through PSMD facilitates repayment of the loan by simply deducting the loan repayment amount directly from the employee's monthly salary and remitting it to the HESLB (Loan Recovery Officer, 8th February, 2023).

Similarly, another respondent hinted that;

The Loans Board through the Public Service Management Division has been able to trace beneficiaries of the Student Loan Scheme who are currently employed in various Ministries and Departments. Through PSMD, the Board has established that 4,870 beneficiaries of the Loan Scheme were initially employed by Government. Some beneficiaries have, however, left the government due to various reasons which include, deaths, resignations and dismissals (Loan Recovery Officer, 8th February, 2023).

Tracing beneficiaries using Individual employers' payroll systems

The other mechanism put in place by the board to recover student loans from the beneficiaries in Zambia is by tracing beneficiaries using Individual employers' payroll systems. In view of this, one of the key informants revealed that;

A total of 4,100 beneficiaries are employed in the private sector and are thus paying back through the individual employers' payroll systems bringing the total of those paying back through the payroll systems to 10,391 (Loan Recovery Officer, 8th February, 2023).

In addition to the foregoing, another key informant alluded that;

Since the commencement of recoveries in 2018 under the loan recovery programme, the number of institutions remitting on behalf of their employees who benefited from the student loan scheme had been increasing from one institution in 2018 to 13 by the second quarter of 2020 (Loan Recovery Officer, 8th February, 2023).

Another informant pointed out that;

HELSEB has partnered with key stakeholders through a memorandum of understanding (MoUs) and other modalities to ensure that the loan recoveries are effective and efficient. These backers include the Zambia Revenue Authority (ZRA), the Ministry of Foreign Affairs and International Co-operation, and, the National Pension Scheme Authority (NAPSA) (Key Informant, 3rd March, 2023).

The modalities used by HELSEB to recover student loans from the beneficiaries in Zambia are summarized using the figure below.

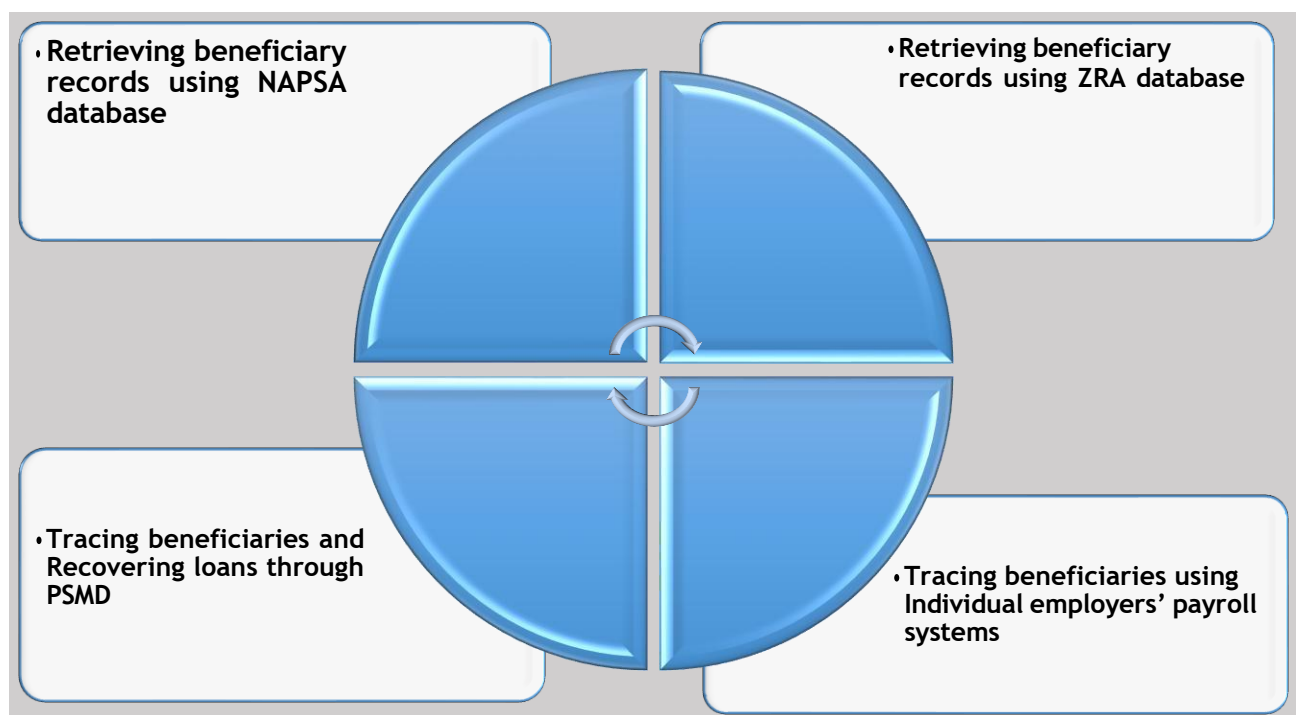


Figure 1: Modalities used by HELSEB to recover student loans

Repayment Methods

The study revealed that HELSEB employs two main methods to recover matured student loans. All key informants highlighted that these repayment strategies are designed to ensure that borrowers meet their obligations while maintaining the sustainability of the loan scheme. One of the key informants intimated that;

A recipient of a loan using the Monthly Deduction Method is required to repay the loan in equal monthly installments at a compound interest rate. A beneficiary's loan repayment begins one year after their studies are finished, or, if the board decides to recall the loan earlier, within that time frame. A beneficiary may, nevertheless, choose to lower the amount owed on their loan by making voluntary payments either before or after they finish their education (Key Informant, 3rd March, 2023).

In addition to the foregoing, another key informant added that;

The other way of repayment is the offset technique. It is anticipated that a beneficiary using this approach will repay the loan in large installments or pay off the entire sum at a flat interest rate for each repayment. Should a beneficiary choose to return over a longer period of time, the interest will compound at a rate of

fifteen percent. In the event that a beneficiary chooses to immediately offset their principle, this interest rate becomes simple interest. Repaying your student loan in Zambia is an important part of the process. After completing your education, beneficiaries are required to start repaying your loan to support the next generation of students. The terms and conditions for loan repayment are outlined by HELSB, and it's essential to understand your obligations fully (Key Informant, 3rd March, 2023).

The two repayment methods used to recover the matured student loans are illustrated using the figure below;

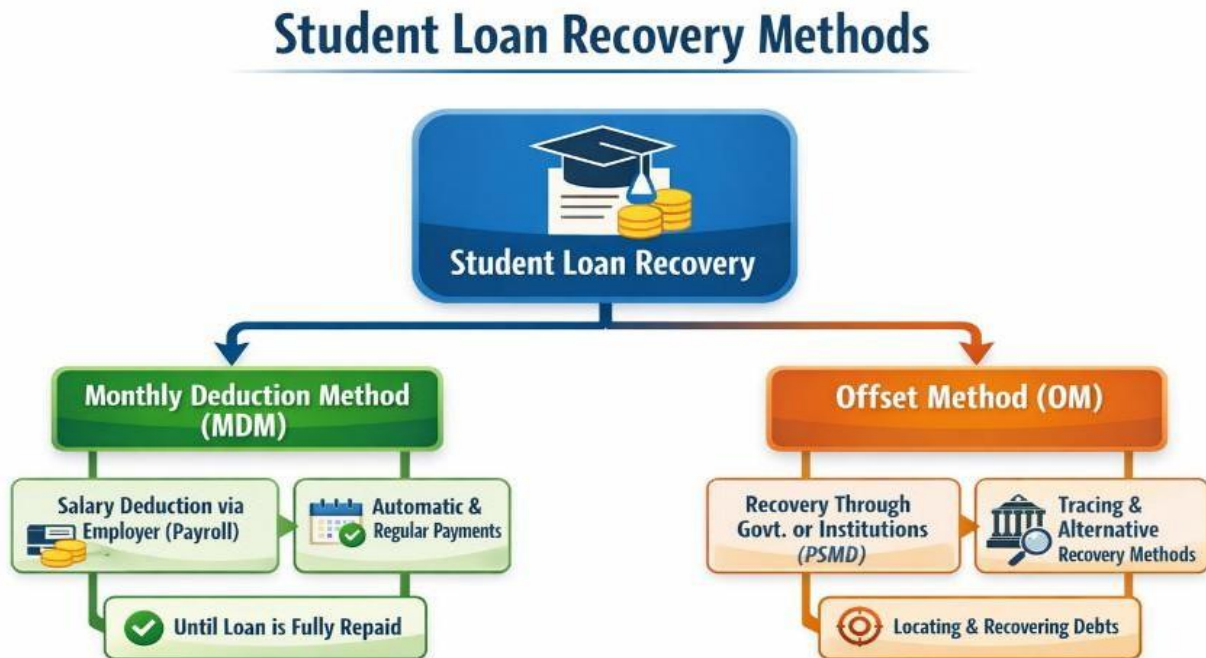


Figure 2: Repayment methods

Source: Field Data (2023)

The diagram illustrates the two primary methods used for student loan recovery. At the top is the central concept, Student Loan Recovery, which splits into the Monthly Deduction Method (MDM) and the Offset Method (OM). The MDM involves directly deducting loan repayments from the borrower's salary through their employer, ensuring automatic and regular payments until the loan is fully repaid. In contrast, the OM is used when direct payroll deductions are not feasible. It relies on government or institutional mechanisms, such as the Public Service Management Division (PSMD), and involves tracing beneficiaries and employing alternative recovery methods to locate and recover outstanding debts. The aforementioned methods collectively provide a structured framework for ensuring that student loans are repaid efficiently and systematically.

DISCUSSION

The study sought to explore the modalities put in place by HELSB to recover student loans from the beneficiaries in Zambia. The findings of the study revealed that one of the modalities put in place by the board to recover student loans from the beneficiaries in Zambia is by retrieving beneficiary records using NAPSA database. According to the findings of the study, 36,104 beneficiary records in total were retrieved from the NAPSA database. HELSB had so far engaged 16,051 beneficiaries from the NAPSA records and was engaging the remaining 20,053. This leaves 33,217 beneficiaries from the total 69,321 beneficiaries of HELSB database who may be working in the informal sector and needed to be found. Of the 69,321 beneficiaries, 15,779 were servicing their loans, 53,270 are yet to start repaying while 185 have paid off their loans in full.

The study findings further revealed that the National Pension Scheme Authority (NAPSA) records, shows that a total of eighty-seven beneficiaries passed away. The Committee was further informed that matured loan amounts have differing due dates depending on when a beneficiary accessed the student loan and the expiry of their grace period. The legal framework should be strengthened to mandate the HELSB to carry out the function of efficient recovery of loans. Further, HELSB needs to adapt best practices that have been successfully used by other countries such as Ghana and Kenya to recover loans. The HELSB should also improve on the tracking systems to ensure that former beneficiaries are monitored and that they pay back the loans (Azedongo, 2016).

Retrieving beneficiary records using ZRA database is the other modality put in place to recover student loans in Zambia by the board. Routinely, HELSB tries to find out how much the beneficiaries (graduates) owe and where they are working using the ZRA database. When the recovery officers find out where people are working, they usually send demand letters to their employers or companies. The employers or companies then send the demand letters to their employees. When the employees consent, HELSB starts making monthly deductions through the payroll system (HELSB, 2023).

The study further established that one of the mechanisms put in place by the board to recover student loans from the beneficiaries in Zambia is by tracing beneficiaries using government payroll and Individual employers' payroll systems. The findings revealed that a total of 6,291 are paying back through the government payroll. A total of 4,100 beneficiaries are employed in the private sector and are thus paying back through the individual employers' payroll systems bringing the total of those paying back through the payroll systems to 10,391. Since the commencement of recoveries in 2018 under the loan recovery programme, the number of institutions remitting on behalf of their employees who benefited from the student loan scheme had been increasing from one institution in 2018 to 13 by the second quarter of 2020 (HELSB, 2023).

Contrary to these findings, a study done in Kenya by Engede (2015) that the Kenyan HELB uses grand strategy to Strengthen Strategically relevant influences coming loan recovery that can sometimes have a high impact on organization situation and have a high impact on organization direction and strategy are resources skills or other advantage relative to competitors and the needs of the markets a firm serves or expects to serve, this gave HELB the firm competitive distinction. HELB has historically pursued long-standing unpaid student loans through a variety of methods. Nevertheless, despite the numerous steps made to improve loan recovery, former college students have shown an odd lack of motivation to pay back their debts. 21 years after the HELB Act was passed, which intended to create a self-sustaining, revolving students' fund, the revolving fund is still not self-sustaining. Only 41% of the board's budget can be paid for by the total annual amounts recovered from previous loans; the majority of the funding must be provided by the government through yearly allocations, which results in an excessive reliance on the exchequer.

According to Mbonyinshuti (2023) in Rwanda, the Development Bank of Rwanda is responsible for recovering student debts. In order to continue providing millions of francs in funding to academically deserving students who might require financial assistance for their higher education, the Rwandan government has stepped up its attempts to retrieve study loans from previous recipients. One of the latest initiatives is the implementation of a ministerial decree that establishes fines and penalties for both employers who neglect to take money from employees' salaries as a payment method and study loan recipients who have not repaid their loans on time. The other mechanism of recovering student loans employed in Rwanda is close engagement with employers. An employer, the order says, repays the employee's study loan by deducting 8% of his or her monthly gross salary, from the time the employee has been appointed. However, a student loan beneficiary willing to repay more than 8% of his or her monthly gross salary, signs a payment contract with the financial institution, the order explained.

A study done by Mbonyinshuti (2023) further revealed that in Rwanda, tight collaboration with companies serves as an additional means of recovering student loans. The ruling stipulates that an employer must withdraw 8% of an employee's gross monthly wage, starting from the date of appointment, in order to repay the study loan. However, the court clarified that a recipient of a student loan who is prepared to repay more than 8% of their gross monthly salary must execute a payment arrangement with the financial institution.

Like Rwanda, Zambia can embrace the strategy of recovering loans through commercial banks. When loans are past due and not repaid, banks start the loan recovery process, which involves taking certain recovery actions to

get the money back. The banking laws provide debt collection criteria to ensure prompt loan recovery. Various loan recovery procedures may be used by banks, depending on the cause of the default. They have the option of offering a longer moratorium or using collateral to recover the money (Team, 2023). The Zambian government through HELSB can recover student loans through close collaboration with banks. Through close collaboration with HELSB, banks can deduct the required amounts from their employees (beneficiaries whose loans have matured) on a monthly basis.

The best approach to manage student loans and arrange repayments is a topic of debate in the USA. Some argue that government student loan banks, like those in Sweden and Norway, would be a preferable option. In view of this, Hartman (2015) suggested that student loans be provided by a federal government bank in order to decrease the expenses associated with collecting repayments and to guarantee adequate liquidity. Hartman proposed that a national bank should employ the Internal Revenue Service to act as the collector, stating that "only the IRS could collect this type of loan with minimal costs".

When intermediary agencies such as commercial banks are used for student loan disbursement and collection, it is essential to build adequate incentives into the contractual arrangements between the Student Loan Institution and the Intermediaries, in order to minimize evasion and default. The Student Loan Bureau of Jamaica has experienced serious default and repayment delay problems in 1998 and 1999 (close to 68 percent of all outstanding loans), partly because of the deteriorating economic situation and partly because the commercial banks responsible for loan collection to have found it easier to invoke the Government guarantee rather than making sustained collection efforts. The banks have also claimed that the one-time 3.5 percent administrative fee they are paid for each new student loan is insufficient to cover their expenses (World Bank, 2014).

It should come as no surprise that banks handle collection in many situations. Commercial banks are in charge of collecting loan repayments for the three schemes (the Chinese schemes and the Korean MOE plan) in which they supply the loan capital. Borrowers in the Republic of Korea (Government Employees' Scheme) and Hong Kong pay back their loans straight to the central lending organisation. Repayments for loans in the Philippines are made to the decentralised organisation that manages student loans (Choi, 2014).

The effectiveness of schemes involving commercial banks that also provide the loan capital may be expected given the banking system's expertise in these areas. However, banks need to have an incentive to collect as well as a comparative advantage; in the case of schemes where governments act as guarantors against repayment default, the incentive to collect may be weakened, especially in cases involving individuals where collection costs are high (Warue, 2013).

Then, a delicate balance needs to be achieved between the two requirements of delivering a government guarantee against default as a last resort and of supplying incentives for strict collection. It's unclear how effective other self-collection techniques are. In the Philippine Study Now, Pay Later plan, when payback is essentially nonexistent, the failure of self-collection is especially noteworthy. The Commission for Higher Education's Office of Student Services, which oversees a wide range of grant and loan programmes, lacks the personnel and resources necessary to collect repayments; moreover, there is little motivation to do so because annual grant and loan subventions are legally protected (Walker, and Mkwanzani, 2015).

In addition, low repayment rates are a reflection of the mindset of parents and students, who view loans as freebies, which is actually the case in reality. Student loan institutions don't seem to be doing much to change these misconceptions. Due to their institution-based nature, which assigns participating institutions with responsibility for fund management, banking operations, and debt collection, the two new, essentially pilot loan schemes may provide superior outcomes. But their chances of success look slim. There are no signs that the institutions are capable of carrying out these tasks or that they are knowledgeable about them (Warue, 2013).

Successful repayment collection cannot be ensured by strong repayment collection entities alone. Public policy may work to dampen the incentive for those organisations to actively gather data. Private or public banks may be enticed to collect from the government rather than the debtor if loans are fully guaranteed by the government. For this reason, it is best to have a government guarantee that is less than 100%, with commercial banks bearing a modest portion of the risk (like in the Korean loan programme). In a similar vein, lending organisations' over-

reliance on government budgetary support may reduce their motivation to pursue delinquent borrowers (as in the case of the Philippine loan scheme); they may also have a tendency to rely exclusively on public funds to provide new loans rather than increasing their efforts to obtain repayment in order to finance loans for new borrowers (SLTF, 2010).

Repayment Methods

As regards the repayment methods, the study established that there are two repayment methods used to recover the matured student loans. The first repayment method is the Monthly Deduction Method. Repayment of a loan made under the Monthly Deduction Method must be made in equal monthly installments at a compound interest rate. Loan payback for a beneficiary starts a year after the beneficiary's studies are completed, or within that year if the board decides to recall the loan early. However, by making voluntary payments before or after they complete their study, a beneficiary may elect to reduce the amount owing on their loan.

The offset approach is the alternative payback method. When a recipient employs this strategy, it is expected that they will either pay back the loan in significant installments or in full, with a one-time interest rate. Should a beneficiary decide to come back over an extended length of time, fifteen percent interest will compound annually. This interest rate turns into simple interest if a beneficiary decides to instantly offset their principle.

In a similar vein, the Kenyan HELB stated in 2018 that when a beneficiary is being deducted, the monthly installments should not be greater than 25% of the beneficiary's base wage. After they are disbursed, loans to salaried students are supposed to be returned within 48 months. If monthly installments are increased, the beneficiary will be able to pay off the debt much sooner than expected and the repayment period will be shortened. One must return all loans simultaneously if they have benefited from the student loan scheme and the loans are still in effect (HELB, 2018).

HELB (2018) further indicated that beneficiaries whose loans have matured can give authority to HELB to make monthly debits or lump-sum payments directly from your bank account or credit card. This is done by signing the Credit Card Authorization Form (download from HELB website) and forwarding the same to HELB. In the event of an overpayment in your loan, you may apply for a refund or donate the overpayment towards a fund that will be used to assist another needy student.

Another study done by Anna (2023) is in unison with the findings of this study. The aforementioned study revealed that in the US, on the standard student loan repayment plan, you make equal monthly payments for 10 years. If you can afford the standard plan, you'll pay less in interest and pay off your loans faster than you would on other federal repayment plans.

Anna (2023) further revealed that income-driven repayment is the other repayment method used USA. Income-driven plans let you pay back your loan over a longer period of time—20 or 25 years, depending on what kind of debt you have—by setting monthly payments between 10% and 20% of your discretionary income. If you're unemployed or underemployed, payments can be as little as \$0 and can vary annually. Whether or not you should choose an income-driven repayment plan hinges on several factors, including what you're earning now and your future earning potential. Some students will enter the workforce immediately with a high-paying job, while others will work their way up. Other variables that come into play when making this decision include the amount of debt you owe and whether you plan to go back to school for a graduate degree at some point.

Chapman (2006) proposed income contingent loan repayment schemes as a much needed reform in the funding of higher education. Compared to mortgage-based loan repayment programmes, he discovered that income contingent schemes favourably boost education loan payback. He evaluated the various income contingent loan repayment systems in Yale, Sweden, Australia, Sweden, New Zealand, and the Republic of South Korea. When compared to mortgage-style repayments, borrowing is viewed as less risky and lessens the impact of loan aversion by participants in the income contingent loan repayment technique.

When it comes to repayment methods, income-contingent techniques are less stressful for borrowers than mortgage-based ones (Barr et al. 2009; Chapman and Dearden, 2017). Through a reduction in the repayment

load on borrowers, income contingent schemes were preferred over mortgage-based schemes in the context of Brazil (Dearden and Nascimento, 2019) and Ireland (Chapman and Doris, 2019).

In contrast to the loan repayment options found in Zambia, Anna (2023) demonstrated that students in the United States can take advantage of graduated student loan repayment plans. As a beneficiary, if you have a high income but would prefer smaller payments, a graduated plan might be a good fit for you. Graduated repayment lowers your payments initially, maybe as little as the interest you pay on your loan, then raises them every two years to pay it off in ten years. A beneficiary might initially pay less under a graduated repayment plan than under an income-driven plan if your income is high relative to your debt. In the short run, this could free up funds for other objectives, such as a down payment on a house, without incurring the same interest costs as an income-driven strategy. Compared to a conventional repayment plan, you would still pay higher interest. On the graded plan, the size of the initial payments may eventually triple. If they decide to go with this arrangement, beneficiaries must be sure they can afford the higher payments. If beneficiaries can afford it, it's generally advisable to go with the basic plan.

The researcher is of the view that If a person has an outstanding student loan debt, he or she must spend some time learning about the methods or alternatives for repayment. This should ideally be completed prior to graduation so that you can choose which repayment method to begin with. If you have selected an income-driven plan, it is imperative to review your financial situation annually to determine whether there is a better repayment alternative that would save interest.

Income-contingent loan programmes, often known as graduate taxes, are being adopted by an increasing number of nations. Under these programmes, loan repayments are set at a percentage of the graduate's yearly income. Such methods can theoretically achieve a better balance between effective cost recovery and borrower risk, despite the little experience to date. Since loan recovery is handled through already-existing collection systems, such as the social security or income tax administration, administration is typically easier and less expensive under such schemes. Since graduates' payments are directly correlated with their income, income-contingent loans are likewise more egalitarian and fully satisfy the ability-to-pay principle. For instance, Sweden's student support programme reduces the likelihood of student default by capping repayments at 4% of post-graduation income (Williams, 2019).

A similar initiative, which is funded by the national social security system, has been introduced in Ghana. Australia uses the tax system to collect payments for income-linked loans. Depending on how much a graduate makes, the repayment rate is two, three, or four percent of their taxable income. In Australia, cost-sharing, which accounts for up to 20 percent of unit expenses in public higher education, has made it possible to add student enrollment by 30 percent in a few years without having to significantly increase public subsidies. This achievement has been made possible by the establishment of a comprehensive student loan programme. New Zealand has instituted a comparable system. Parents in Singapore have access to educational loans from the National Social Security and Pension Fund, which they can pay back together with their regular contributions made to the Fund out of their take-home earnings (Azedongo, 2016).

It might be harder to solve the issue of poor student loan repayment. Various lending schemes can make use of a broad range of strategies to lower payback default rates. These include the employment of loan guarantors, the posting of defaulter lists as a kind of moral suasion, denying further credit if in default, and taking legal action against chronic defaulters. It is often the case, though, that these precautions are not taken. A pervasive climate of noncompliance has been established in certain instances, most notably in poor nations, where non-repayment has come to be seen as socially acceptable (Warue, 2013).

CONCLUSION

The study explored the modalities used by the Higher Education Loans and Scholarships Board to recover student loans from beneficiaries in Zambia. The findings revealed that HELSB employs several recovery approaches, including retrieving beneficiary records through the National Pension Scheme Authority database and the Zambia Revenue Authority database, as well as tracing beneficiaries through the Public Service Management Division and individual employers' payroll systems. These mechanisms reflect a structured effort to integrate administrative data and institutional collaboration in loan recovery.

However, the study concludes that despite the existence of these modalities, their overall effectiveness remains constrained by significant challenges, including limited tracking of beneficiaries in the informal sector, weak enforcement mechanisms, and low levels of repayment compliance. These gaps undermine the sustainability of the loan scheme and highlight the need for a more robust and coordinated recovery framework. The findings therefore point to the importance of strengthening legal provisions, enhancing data integration across institutions, and adopting more inclusive and efficient recovery strategies.

To address these challenges, the study recommends the development of a comprehensive legislative roadmap aimed at improving loan recovery outcomes. This should include amendments to the Higher Education Loans and Scholarships Act to introduce mandatory employer reporting and enforce payroll-based deductions, supported by clear compliance and penalty provisions. The establishment of a contributory loan insurance scheme is also critical to mitigate risks associated with default due to unemployment, disability, or death. In addition, stronger integration of HELSB systems with key institutions such as the Zambia Revenue Authority and the National Pension Scheme Authority would enhance tracking and data sharing. Crucially, the involvement of a broader range of stakeholders, including private sector human resource managers and employers, is necessary to ensure that the proposed measures are practical, enforceable, and responsive to real world compliance challenges.

RECOMMENDATIONS

Based on the findings and conclusions of the study, the following recommendations are being made:

1. HELSB must collaborate with commercial banks to help them recover the matured student loans
2. HELSB needs to insure the loans because loan insurance considerably reduces the educational debt's financial risk.
3. In order to guarantee that these requirements are laid out explicitly in the agreement deed, HELSB must make sure that borrowers are well-informed about their obligations to repay their loans at the time of application.
4. To aid in the tracing down of beneficiaries whose loans have matured, HELSB needs to establish closer relationships with higher educational institutions, student organisations/unions, and alumni networks. They should also work more closely with employing agencies and employers to ensure timely repayment and recovery of loans.
5. The student loans recovery officers at HELSB need to be outfitted with cutting-edge technology tools and applications to guarantee effective student loan recovery.
6. By working closely with Zambia Information and Communications Technology Authority (ZICTA) and Mobile Telecommunication Companies, HELSB should ensure that beneficiaries also make an online payment by credit cards and mobile money payments.
7. In an effort to increase the employers' compliance levels, HELSB management ought to think about devoting additional resources to leading compliance visits. Employers are forced to submit the deductions from the beneficiaries they hire to the Board through this method.
8. To encourage loan recipients to make repayments, penalty waivers ought to be implemented by HELSB where necessary.
9. In order to raise awareness among loan recipients on the need to repay the loans, a variety of media platforms should be used by HELSB, with a focus on social media, to which the majority of borrowers have regular access.

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