

Conference Paper

Factors Influencing the Intention of Recipient to Pay Back Education Loan in State Foundation

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Abstract

This paper explores the factors that influence the intention to pay back the education loan among students in a state foundation. Education loan is the primary source for the student in order to pursue their studies. The government has introduced many forms of financial assistance such as scholarship, grants and education loan. However, the loan recipients have faced difficulties in repaying the loan, which will affect the provider and future recipients. This is because, the loan provider will not be able to sponsor future students if they are not able to collect the loan from the loan recipients. This paper identifies attitude, parental influence, media awareness and perception of loan agreement towards the intention to pay back the education loan. Theory of Planned Behavior (TPB) is suggested to be the underpinning theory of this study. Findings of the study can assist the state foundations on setting strategies to collect payment from the loan recipients.

Keywords: theory of planned behavior, repayment loan, education loan, intention to pay back loan, attitude, parental influence, media awareness, perception of loan agreement.

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1. Introduction

Higher education in the world has become increasingly important not only for individuals, to enrich their lives and improve their status, but also for the greater society for economic prosperity, and the progress of good governance. Higher education improves the status and produces greater individual and community power through economic wealth, democratic progress and social justice. (Macmillan P. 2006). The Malaysian government has done many of initiatives in which to help the community especially the young generation to have a better education. As stated in the Budget 2018, that was presented by the 6th Prime Minister YBhg. Dato' Sri Najib Tun Razak, totaling RM 250 million is allocated for the educational purpose as overall to develop a Science, Technology Engineering and Mathematics (STEM) Centre which required the latest

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learning methods, enhance the module of Computer Science in secondary school and allocate about RM 190 million to upgrade almost 2,000 classes into to Century Smart Classroom.

Several studies have researched the impact of giving financial assistance. One of the studies of state and federal scholarship programs by Dynarski, (2008); Sjoquist & Winters (2012) found sizable effects on college enrolment but less evident effects on college completion. Therefore, the government has provided various type of financial assistance such as scholarship and loan, grants and work-study program in order to encourage the student to further studies and graduated from college. Scholarships are offered to students based on students' talents, skills and academic achievements. Grants are basically given to students who need financial assistance, but the grant is almost replaced by recent student loans. According to Feng (2009), the number of student loans must be sufficient to ensure students can rely on them. The student will be able to complete the study if there is an adequate amount of loans given (Liu, Cheng & Zhang, 2007) while if there is inadequate loan given, the students need to work as part-time to support their education or drop out of school during their studies. Therefore, financial aid program such as PTPTN, State Foundation, MARA, JPA, and MyBrain15 is needed so that they can pursue into the higher institution from an undergraduate level to a doctorate or professional courses. Malaysian Finance Minister mention that the budget allocation for education is one of the main financial sources for the students is by taking an education loan. Shen & Ziderman (2009), said that an about 70 countries across the world are offered educational loan's scheme to the students who would like to pursue higher education and the education loan is different for each country in term of their objectives, the firm structure, source of funding, targeted students, amount of loans allocated to each of recipients, disbursement process and the collection process (Ziderman, 2004). Even there is a difference, most of the educational assistance across the countries have similarities in term of given a higher subsidized from the government itself. The National Higher Education Fund Corporation (PTPTN) is one of the main contributors to financial assistance. As of February 2019, as allocated RM56 billion as of February this year to help more than three million students to pursue their studies at institutions of higher learning (World Time News, 2019). State foundation also helping the student to pursue their education by giving the loan to the higher education level that more focus on their state residents. However, the issue of education loan repayment becomes a growing problem. As the number of borrowers increased, the concern towards the ability of loan repayment also increased in which Educational institutions around the world today still struggle to cope with the education debt problem. This is

because in the study of Baum and O'Malley (2003), reported that most of the student feel burdened on education debt which leads to the repayment issue. According to Sarah & Rich (2018), 20% out of 8 million of the federal student loan borrowers in America are having difficulties in making the loan repayment. US Federal and state officials from both major political parties, researchers, advocates, and student loan provider acknowledge that the repayment and servicing systems have serious problems. In Malaysia, the Perak State Government are in debt of about RM17.5 million for education loan. In 2017, the former Chairman of Education, Science, Environment and Green & Technology of state government mentioned that about 4,632 recipients have failed to pay back their loan and 20 loan recipients (less than 1%) have been taken to court for action. It could be due to the low percentage of action taken against the loan defaulters that have made the issue of debt repayment a significant issue to be addressed. Most of the previous research studied the factors on why the recipient is not paying back the education loan but, the study on why the recipient intends to do the repayment still needs to be studied. Thus, this study will benefit to state foundation in term of knowing the right attitude that can influence the recipient to pay their loan while can keep maintaining the consistent payment by existing recipient.

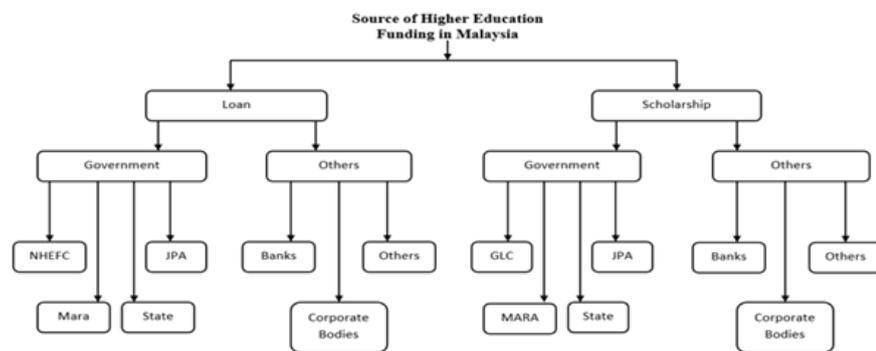


Figure 1: Sources Funding in of Higher Education at Malaysia (Source: Ismail S. (2011)).

2. Literature Review

The theory that is widely been used in the attitude study that explains the relationship of the factors influencing intention to payback loan is the Theory of Planned Behavior. TPB illustrates that a person's performance on behavior is determined by his intention towards that behavior. This study will use TPB to explain the relationship of the factors that influence intention among the recipient which measure students' attitude. If the individual has more favorable attitudes toward a particular behavior, he will have the

intention to make his/her loan repayment. Unlikely, for unfavorable attitudes of individuals towards a particular behavior, he will not more likely intend to perform his behavior. Subjective norms refer to the perceptions of the person and influence whether his behavior is affected by others or not. (Ajzen, 2006). This study will measure subjective norms through parental and awareness whether it influences the student intends to make a loan repayment. Perceived Behavioral Control (PBC) is a measurement of the people perceptions of performing a behavior of interest' Ajzen (2011). The extent that individuals could successfully transform their behavioral intention into actual behavior much depends on their perception. Perceived behavioral control in this study refers to a perceived agreement.

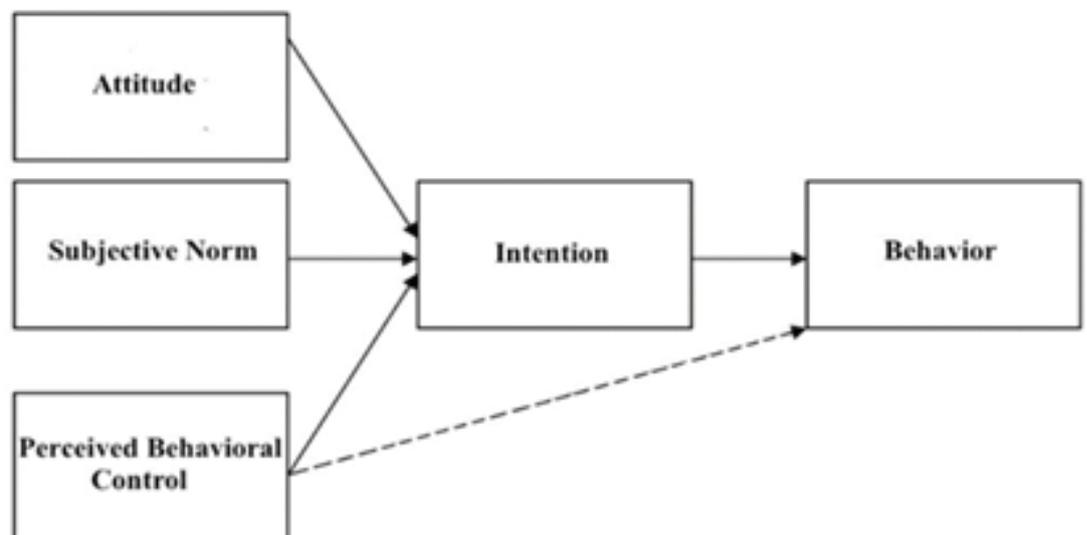


Figure 2: Theory of Planned Behavior (TPB).

2.1. Factors influencing the intention to pay back education loan

Several studies have examined attitudes toward educational loans and student debt in general (Chudry, Foxall, & Pallister, 2011; Davies & Lea, 1995; Haultain, Kemp, & Chernyshenko, 2010). A qualitative study, Chudry et al. (2011) explores the factors that influence the attitude of borrowing scholars and finds that students consider educational loans to improve their future, rather than the form of debt. Parents play a role in shaping student attitudes towards general debt (Chudry et al., 2011) and credit card debt (Norvilitis & MacLean, 2010). A study using a British sample found that students' debt levels rose sharply between the second and third years of college, and once students incurred debt, their attitudes toward debt became more tolerant (Davies & Lea, 1995). Although attitudes toward debt had been either positive or negative, a

psychological structure of attitudes toward debt and higher education was suggested to be multidimensional (Haultain et al., 2010). In three studies on New Zealand tertiary students, Haultain et al. found that two dimensions, fear of debt and debt utility, were associated with how debt was described. Zainal et al. (2012) has conducted a study and found that the student predicted to have negative attitudes on paying back their education loan. This is because most of the recipient does not take the education loan as their priority, but it was ranked at fifth after other types of expenses listed. Another study by O’Loughin et al. (2006) that tries to explore current perspective on the way of behaving related to student credit and debt consumption between the United Kingdom (UK) and Irish students found that students who are living in credit led environment to have effects on student’s perceptions and behaviors concerning credit and debt consumption.

TABLE 1: Factors affecting intention to do loan repayment.

Authors	Independent Variable	Methodology	Findings
Edward Wong Sek Khin, Ahmad Nasharuddin & Kamisah Binti Ismail (2015)	Attitude Awareness Perception of Affordability Perception of loan agreement	A questionnaire distributed to 300 participants who graduated from one of the public universities in Malaysia	Attitude towards education loan repayment has a positive relationship with the intention to repay PTPTN loan. Awareness of PTPTN issues created by the media has a positive relationship with the intention to repay PTPTN loan. Perceived affordability of repayment after graduating has a positive relationship with the intention to repay PTPTN loan. Perception towards loan agreement has a positive relationship with the intention to repay PTPTN loan
Safinar Ismail (2011)	Student Attitude Parental Influence Perception that loan repayment will affect quality of life after graduation Perception towards loan agreement is positively influence perception that loan repayment will affect quality of life after graduation	Mixed-Method Qualitative Approach Semi-Structured Interviews Purposive Sampling Quantitative Approach Survey	Students’ attitude has been found in this study to have a significant impact on the intention to repay the loan. Parental influence is associated significantly with the intention to repay loan. The relationships between perceived quality and the intention is significant Hypothesizes the relationship between perceived agreement and perceived quality, which is found to be significant

Authors	Independent Variable	Methodology	Findings
Siti Zulaikha Zolkeplee, Abu Bakar Hamed & Ahamad Faosiy Ogunbado (2018)	Anxiety, Parental Influence, Media awareness, Religiosity	The data was collected 359 from Universiti Utara Malaysia (UUM) Muslims' undergraduate students who had taken the National Higher Education Fund Corporation (NHFEC) financing during their studies.	the anxiety variable is not significant to the dependent variable of student's perception towards educational loan repayment. The parental influence variable recorded positive influence on student's perception towards educational loan repayment, but the relationship is not as strong as religiosity. Media awareness variable also showed a positive influence on student's perception towards educational loan repayment religiosity is the most influential variable on student's perception towards educational loan repayment.
Ahmad Harith Ashrofie Hanafi, Wan Rozima Mior Ahmed Shahimi, Muhammad Ashraf Anuar, Kuah Yoke Chin, & Shum Shen Hwei (2018)	Awareness created by media Human Interaction Attitude Repayment Alternatives	A total of 500 questionnaires were distributed to academic and non-academic staffs in the whole of Malaysia by using convenience sampling technique out of which 215 responses were collected.	The findings showed that the borrower's attitude, awareness from media and repayment alternatives but not human interaction were the factors that influenced the borrower's intention to repay PTPTN loan.

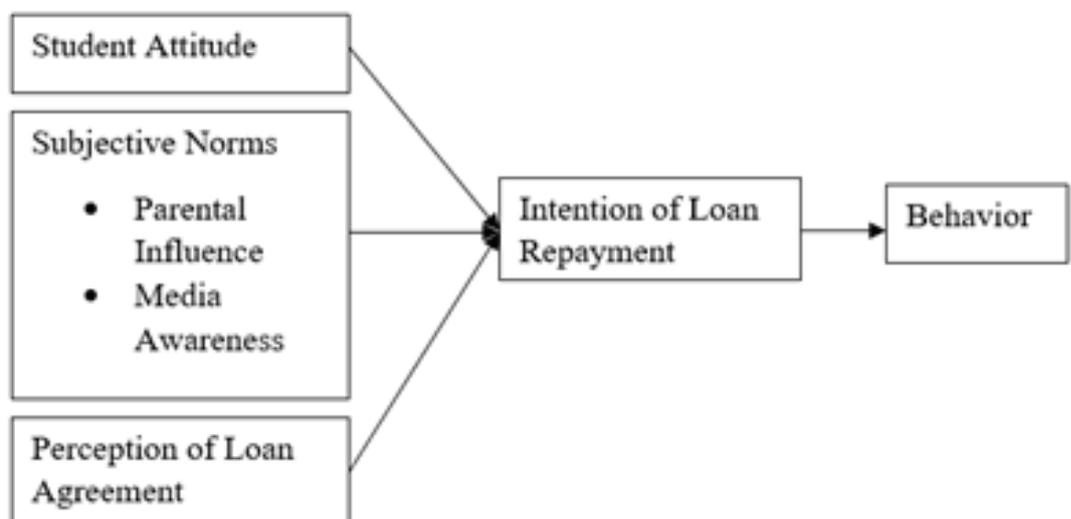


Figure 3: Conceptual Framework.

2.2. Hypotheses Development

A study by Khin E.N.S., Nasharuddin K., & Ismail K. (2015) stated that attitude towards education loan repayment has a positive relationship with the intention to repay PTPTN loan. Another study by Ismail S. (2011) also found that students' attitude has been found in this study to have a significant impact on the intention to repay the loan. The findings are also supported by studies from Hanafi A.H.A, Ahmad Shahimi W.R.M., Annual M.A, Chin K.Y & Hari S.S. (2018). Thus, it hypothesized that:

H1: There is a significant relationship between student attitudes towards intention to pay back education loan.

In many studies conducted in Malaysia (Ramayah et al., 2003, 2004; Yulihisri, 2004; Gopi and Ramayah, 2007) it has been shown that subjective norm is a significant predictor of intention to use in the Malaysian context. As found in Zolkeplee S.Z., Hameed A.B & Ogunbado (2018) study, it showed that parental influence variable recorded positive influence on student's perception towards educational loan repayment. Ismail S. (2011) also found that parental influence is associated with significantly repay a loan. Thus, it hypothesized that:

H2: There is a significant relationship between parental influences towards intention to pay back education loan.

Hanafi A.H.A, Ahmad Shahimi W.R.M., Annual M.A, Chin K.Y & Hari S.S. (2018) found that awareness from media influenced the borrower's intention to repay PTPTN loan. Thus, it hypothesized that:

H3: There is a significant relationship between media awareness towards the intention to pay back education loan.

A study carried out by Abu Bakar et al. (2006) stated that group of students who manage to get good results in their studies for example cumulative grade point average (CGPA) above 3.0 has better knowledge concerning loan agreements than those who obtained poor results or a CGPA lower than 3.0. Several studies in the USA found that senior students have better knowledge compared to first-year students regarding certain aspects of their education loan (Hira et al., 2000).

H4: There is a significant relationship between knowledge on loan agreement towards the intention to pay back education loan.

3. Conclusion

The past studies have shown that many factors can measure an individual's intention. Therefore, this study proposes to use TPB to explain the relationship of student's attitude, parental influence, media awareness and perception on loan agreement to measure students' intention to pay back their loan. Findings of the study will assist the state foundations on strategies to collect the loan.

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