

# **Higher Education Finance and Cost-Sharing in Thailand**

*(Updated 4/5/2010)*

## **I. Brief Description of the Thai Higher Education System**

The higher education system in Thailand is administered by the Commission on Higher Education in the Ministry of Education. Prior to this, it fell under the aegis of the Office of National Education Commission, the Ministry of University Affairs and the Ministry of Education. Higher education is provided at universities, technical institutes, colleges, vocational institutes and teacher colleges and includes both public and private institutions. These institutes are also divided into two levels – lower than degree level and degree level. As of 2008, there were 78 public universities and 89 private higher education institutions with more than 2.2 million students (approximately 40 percent of university aged students). Of these, more than half are in public institutions and 87 percent are in bachelor degree programs (Ministry of Education 2008).

Starting in 2006, admission to higher education is based on a student's grade point average and his/her performance on the O-Net exam, which tests his/her knowledge of general subjects, and on the A-Net exam, which tests special skills. Only some university faculties require that applicants take the A-Net exam. The Council of University Presidents has decided that starting in 2010 only the O-Net exam will be used as part of the centralized university admissions scheme together with accumulated grade point average and a standardized aptitude test (Noppakunthong 2007; The Nation 2009).

At present (2010), about one-third of the students in state-run universities come from this central admission system and the other two-thirds are screened directly by the universities.

## **II. Financing Higher Education in Thailand**

Since the 1997 economic crisis, Thailand has seen some far reaching reforms across sectors – including reforms in higher education such as deregulation and the granting of additional autonomy (Savatsomboon 2006). The government in Thailand spends about one-quarter of its total public expenditure on education, which translated to 4.3 percent of GDP in 2005. As of 2004, 15 percent of the education resources were allocated to higher education (World Bank 2006).

In the past 15 years, the student loan scheme in Thailand has gone through several incarnations. The Student Loan Fund (SLF) was designed by the Ministry of Finance and introduced 1996 (Ziderman, 2003). The objective was to ensure access for the poor to secondary and tertiary education by providing loans to needy students under extremely favorable repayment conditions (Ziderman, 2003). Repayments were spread over fifteen years following a two year grace period, with the repayment percentage fixed at very low rates initially and rising progressively over time. Repayments were in nominal terms and the loans carried an interest rate of 1 percent (Ziderman, 2003). The central institution for administering loans in Thailand was the Student Loan Scheme Committee (SLSC) and its administrative office, the Krung Thai Bank (KTB).

The eligibility criterion for loan recipients was household income; and the ceiling defining a low income family was set at 120,000 Baht in 1996. This was later raised to

300,000 Baht in 1997 and then reduced again to 150,000 Baht in 1999 (Ziderman, 2003). Repayment data of the first two cohorts (start of repayment from 1999 or 2000) indicates that while a quarter of the borrowers made payments considerably in excess of the amounts due, some even paying off the total loan and closing the account, another quarter of all borrowers failed to make a single repayment (Ziderman, 2003, p.65). In 2003 Matichon newspaper reported that 33 percent of the 464,565 students whose loans were due were not making payments (Cited in Savatsomboon, 2004).

According to Ziderman (2006), the scheme had a number of major shortcomings and was not effective in reaching adequately assisting the poor. One of the issues was with the official family income ceiling which was set at nearly three times the family income ceiling officially designated to define poverty; thus allowing many non-poor students to receive loans (Ziderman, 2006).

Another problem was in the allocation of loans to universities. Allocation was based on the number of students in the university rather than the socio-economic composition of the student body. Therefore, some institutions with large numbers of poor students received inadequate funds, while others with few poor students but a large number of aggregate students, received more than they needed (Ziderman, 2006). An added problem came with autonomy, as some institutions were able to determine the allocation of loans according to their needs. For example, some institutions provided loans only for tuition for a larger number of students in order to attract more students. This meant poorer students were still denied access because they were not able to cover their living expenses (Ziderman, 2006).

Yet another problem was that the loan scheme expanded very rapidly and eventually led to budgetary cutbacks. This led to a situation where institutions preferred spreading the allocated loan budget quite thinly to cover the maximum number of students. Consequently, the amount of loan that each individual received was below recommended levels, further affecting the economically disadvantaged (Ziderman, 2006).

In response to these problems and following much public debate and criticism, the Thai cabinet passed a resolution for a new loan scheme for Thailand in 2006. The new scheme, called the Thailand Income Contingent and Allowance Loan scheme (TICAL), was an attempt to move towards more cost sharing and was closely modeled on the highly successful Australian Higher Education Contribution Scheme (HECS). Under this format, repayment collection was to be assigned to the tax authorities and repayments were to be set as a percentage of current income, with a higher percentage being due on larger incomes (Ziderman, 2006).

Under the TICAL scheme the Government decided on the basic and reference fees for all subjects taught in public and private higher education institutes. The reference fees indicated how much the Government was willing to provide and how much the student was responsible for and were adjusted according to cost of the discipline or on a group of institutions having similar standards. The respective government/student breakdown was contingent on several factors such as demand for the profession, labor market demand, social benefits, and earning potential. For the academic year 2006, the breakdown was set at 50:50 for the government with the government bearing a larger portion for disciplines like medicine, science, history or archeology in order to encourage more students to enter

them. Poor students were eligible to receive financial assistance in addition to the loans to cover their living costs. The scheme guaranteed that institutions would receive the full tuition fees upfront whether the student paid the full amount or availed of discounts or income contingent loans.

The Department of Revenue was charged with keeping track of student borrowers, updating the status of their debts and collecting repayments when the threshold income was reached. All students were eligible to receive loans and guarantors were not required. Repayment began when the student reached the earning threshold level income (10,000 or 16,000 Baht per month) following graduation. If the student was unemployed, he or she could request a deferral on repayment. Generally there was no interest rate applied however the Government had the right to impose interest depending on the fluctuations in the rate of inflation.

**Thailand**  
**Higher Education Expenses Borne by Parents and Students**  
**First Degree, Academic Year 2008-09**

[National currency (Baht) converted to \$US by 2005 World Bank 2005 purchasing power parity estimate \$1 = 15.93 Baht]

		Public		Private	
		<i>Low Public</i>	<i>High Public</i>	<i>Low Private</i>	<i>High Private</i>
<b>Instructional Expenses</b>	Tuition	30,000 (US\$1,883)	140,000 (US\$8,788)	60,000 (US\$3,766)	140,000 (US\$8,788)
	Books & Other Educational Expenses	5,000	5,000	5,000	5,000
	<b>Subtotal Expenses of Instruction</b>	<b>35,000</b> (US\$2,197)	<b>145,000</b> (US\$9,108)	<b>65,000</b> (US\$4,080)	<b>145,000</b> (US\$9,108)
<b>Student Living Expenses</b>	Lodging	0	40,000 (US\$2,510)	60,000 (US\$3,766)	120,000 (US\$7,533)
	Food	30,000 (US\$1,883)	60,000 (US\$3,766)	80,000 (US\$5,022)	80,000 (US\$5,022)
	Transportation	3,000 (US\$188)	2,000 (US\$126)	2,000 (US\$126)	2,000 (US\$126)
	Other Personal Expenses	10,000 (US\$627)	30,000 (US\$1,883)	30,000 (US\$1,883)	40,000 (US\$2,510)
	<b>Subtotal Expenses of Student Living</b>	<b>43,000</b> (US\$2,699)	<b>132,000</b> (US\$8,286)	<b>172,000</b> (US\$10,797)	<b>242,000</b> (US\$15,191)
<b>Total Cost to Parent &amp; Student</b>		<b>78,000</b> (US\$4,896)	<b>277,000</b> (US\$17,388)	<b>237,000</b> (US\$14,878)	<b>387,000</b> (US\$24,293)

*Low Public*: low public tuition, living at home with parents.

*High Public*: high public tuition, living in a shared apartment.

*Low Private*: low private tuition, living in shared apartment.

*High Private*: high private tuition, living in a nice apartment.

Following the coup in 2007, the TICAL scheme was replaced with a new form of the Student Loan Fund managed by the Ministry of Finance, the Ministry of Education and the Commission for Higher Education that provides loans of up to 100,000 Baht (US\$6,277) per year to cover tuition fees and living costs to needy students whose family income does not exceed 150,000 Baht per year [US\$9,416] (Chapman et. al. 2009). The nominal interest rate is fixed at a very subsidized 1 percent and borrowers are not required to pay interest for seven years (in-school years plus two year grace period). Following the grace period, the borrowers have 15 years to repay according to a loan repayment schedule that ranges from a low proportion of the total loan in the early years (1.5 percent in year one of repayment) to higher proportions in later years (13 percent by year 15). The SLF has hired the Krung Thai Bank, a government-owned bank, to carry out loan approval and collection processes.

### **Online Sources:**

<http://www.unesco.org/iau/onlinedatabases/index.html>

<http://www.inter.mua.go.th/Database%20and%20Informations/ICL/Info.htm>

[http://stats.uis.unesco.org/unesco/TableViewer/document.aspx?ReportId=121&IF\\_Language=eng&BR\\_Country=7640&BR\\_Region=40515](http://stats.uis.unesco.org/unesco/TableViewer/document.aspx?ReportId=121&IF_Language=eng&BR_Country=7640&BR_Region=40515)

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