

Student loans were introduced to New Zealand in 1992. They made a huge impact on the number of students attending tertiary education institutions as they enabled many, who wouldn't have otherwise had the chance, the ability to study.

Prior to the introduction of student loans, the government paid the tertiary education provider's part of the fee costs so that they could reduce what students had to pay to study. However, this still did not attract many students. Statistics show that in 1990 before the introduction of student loans, only 141,450 students were attending universities, polytechnics and colleges of education. In 1995, three years after student loans were introduced, the numbers had increased to 210,298, an increase of 49%.

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The New Zealand government is responsible for all the political things that occur in the country. The sectors of government involved in student loans are the Ministry of Education, the Ministry of Social Development and the Inland Revenue Department. These sectors work together to create policies, paying out the loans and collecting loan repayments.

As at 31 October 2013 there were 700,000 people with a student loan who in total owed \$13b. This is projected to hit \$14b – the size of the annual health budget – by 2015. This large amount of money makes student loans a big issue for the government.

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New Zealand's student loan scheme uses taxpayers' money to provide students with the means to get through tertiary education but there is a loss of income for the government if borrowers do not repay their loans. This has influenced the decisions the government has made:

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- The government decided to make loans for students aged 55 and over able to cover only course costs
- The government decided to support fewer subjects
- In 2013 loan defaulters would be able to be arrested at the border

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Student loan defaulters have caused the government to enact legislation in parliament last year to tighten the criteria for getting student loans and toughen penalties for those who default.

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In summary, student loans have a huge impact on the decisions the New Zealand government has to make, especially decisions about the group of borrowers who have not repaid their loans and who have incurred large administration costs.

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