

Student Loan Repayment in Japan

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Introduction

- Student loans are an important educational policy to promote higher education opportunities for students with financial difficulties. The number of borrowers is increasing every year. In Japan, one in three students uses student loans to attend university.
- However, it has not been clarified how students repay their loans after graduating from university and how these loans contribute to their careers and lives.
- This study aims to understand the actual situation of student loan repayment and examines whether differences in awareness and information gathering about student loans at the time of application make a difference in the repayment.

Data

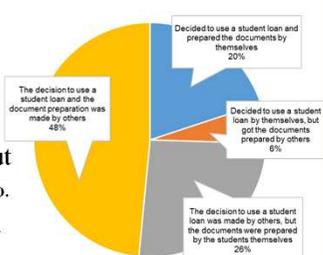
- We used data from the “Survey on the Attributes of Student Loan Recipients” for the analysis. This survey included individuals who had repaid their student loans (n=3329) and delinquent borrowers (n=2296).
- It was conducted by the Japan Student Services Organization in 2017.

Hypothesis

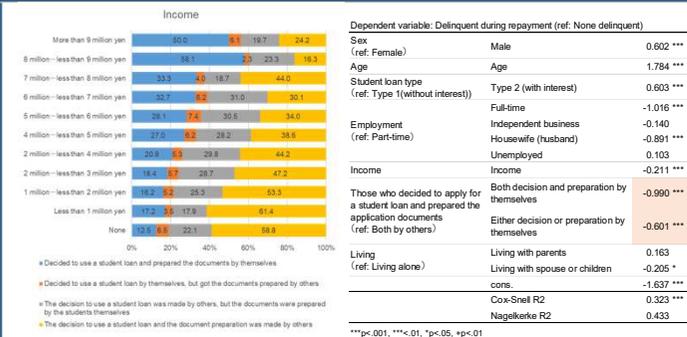
- Hypothesis 1: The higher the person's motivation and involvement in using a student loan during the application, the earlier the person becomes aware of student loan repayment.
- Hypothesis 2: Student loan repayment occurs more smoothly for those who have higher motivation and involvement using a student loan during the application.

Classification of Types

- We formed four categories depending on who recommended students to apply for a student loan and who prepared the documents for application.
- Those who did not decide themselves but prepared by themselves accounted for 48%.
- Those who decided and prepared by themselves accounted for only 20%.

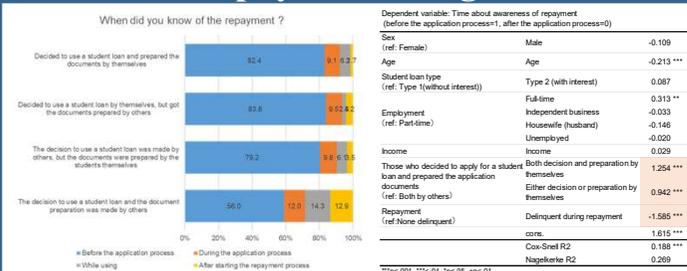


Who tended to be delinquent?



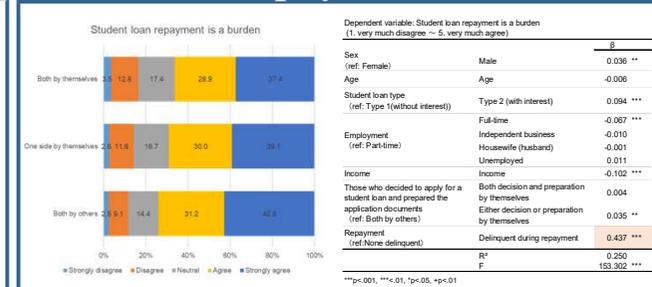
- Older males, Type2 student loan (requires interest payment) users, non-regularly employed, and low-income individuals tended to be more delinquent.
- Those who were encouraged by others to apply for the loan and were not involved in the document preparing process for application tended to be more delinquent.
- Those who lived alone tended to be more delinquent than those who were married and lived with their family.

When was the requirement for student loan repayment recognized?



- Those who were younger and employed full-time tended to be aware of student loan repayment before the application process.
- Those who decided to use a student loan sooner and were involved in the document preparation process for application tended to be aware of the obligation sooner.
- Delinquents became aware of the repayment much later.

How did borrowers perceive the repayment?



- Males, Type2 student loan users, non-regularly employed, and low-income individuals tended to perceive their repayment burdens as high.
- Those who decided to use the student loan or prepared the documents by themselves during the application, as well as delinquents, also tended to perceive their repayment burden as high.

Conclusion and Discussion

Conclusion

- In addition to work status and income, the factors that lead to delinquency include individuals' motivation to use the student loan and their involvement in the loan application process.
- Delinquent individuals tended to have a later recognition of their repayment and were also less involved in the decision-making and application processes.

Discussion

- Student loans are an important policy for ensuring equal educational opportunities, but in promoting their effective usage, efforts should be made to accurately disseminate related information.
- Students' understanding in terms of recognition of the "loan" as well as what it means to use a student loan to go to college should be enhanced before they apply for it.