



A Study on the Finance Transfer Payment of Government-Subsidized Student's Loan (GSSL)

Wei Huang (Corresponding author)

School of Economics and Management, Changsha University of Science and Technology

45 Chiling Road, Changsha 410076, China

Tel: 86-731-261-8127 E-mail: huangwei197517@163.com

Hong Shen

Institute of Education Science, Huazhong University of Science and Technology

1037 Yuluo Road, Wuhan 430074, China

Tel: 86-027-8755-6316 E-mail: hongshen@hust.edu.cn

The research is financed by National Education Science Plan of China No. EFA080317 and Ford Foundation of USA. No. 1075-0792

Abstract

Since the new system of Government-Subsidized Student's Loan (GSSL) was in function, each provincial government need to pay interest in finance and risk compensation fund. So it is inevitably for them to ask for the finance transfer payment from the central government. In this article, the author analyzes theoretically the finance transfer payment of GSSL, on the basis of this work, he takes foreign experiences as reference, designs the proposal on the finance transfer payment of GSSL combining our national conditions, then makes imitative operation and result analysis by using concrete data.

Keywords: GSSL, Finance transfer payment, Proposal designing

1. Introduction

Generally speaking, finance transfer payment is a kind of financial allowance that is given by superior government to the subordinated for special use when there is an indentation on financial capability as the subordinated governments provide public services or to-be public services. According to the requirement of the new mechanism of GSSL in China², the loan interest that the college students should pay is fully paid by finance, and the policy of risk compensation fund need to consider the issue of finance transfer payment. It is meaningful for theoretical research and reality to promote the optimization of the assistance system for poor college students.

2. The theoretical basement for the finance transfer payment on GSSL

Sound institutional arrangement can improve the polarization of the poor and the rich, at least the situation won't get worse. Institutional arrangement is a kind of way to dispose resources. The advantaged group who possesses the power to dispose resources is always inclined to control the flow of resources. Such cases happen not only among different communities in one country, but also among governments on various levels because the power of matter and the one of finance are not united. Speaking from the meaning, the finance transfer payment can be regarded as a technical issue for allotting the financial resources of higher education, and should be considered the humanism concern on the layer of value as well. Actually, it is also a kind of institutional innovation for the sustainable development of higher education in China.

2.1 Finance transfer payment is an effective measure to ease the unbalance between the central and local finance on the issue of student loans

After many changes on policies, GSSL of China has gotten more and more perfect. It can solve the problem of bank distributing the loan basically. However, the central government doesn't make concrete regulation on how to compensate those provinces and cities that indeed have difficulty in paying interest and risk compensation fund for student loans with proper financial policy. There is some vague one that central finance and local one takes the responsibility to pay for the interest and risk compensation fund of student loans in colleges subordinated to the central government and local government respectively. The problem is, many local finances have become the one just for living

since the reform on the system of tax distribution in 1994. As a result, their will and capability to give financial support to the student loans are discounted. In 2007, for example, the amount of the capital paid by finance on various levels for the interest of student loans and risk compensation fund added up to 1.35 billion RMB from academic year of 2006 to 2007. But the fund paid by the central finance for interest was only 95 million RMB and the risk compensation fund 66 million RMB. The other 1.189 billion Yuan was paid by local finance. If there is no corresponding finance transfer payment, the unbalanced situation will probably get worse.

2.2 Finance transfer payment is the operative way for the central government to promote the capitalization of talent current by student loans

According to human capital theory, the human capital effect of the student loans supported by local finance should be restricted locally. The cost of its exterior economic effect should be compensated from the outside. But the policy of replacing compensation by award we execute is a kind of after-compensation and it is much random and easy to be effected by personal activities. If it isn't changed to be more standard finance transfer payment, the enthusiasm of local government to promote student loans will be discounted greatly and enlarge the gap between acquirement and punctuality of loan for poor college students. And then it will be an obstacle for the balanced development of higher education in China. Therefore, applying finance transfer payment in student loans is not only a process of institutional innovation, but also a process of the capitalization of talent flow. To central government, there is no problem of the asymmetry between the investment body and benefit body. On the contrary, as the human capital saving increases, talent flow brings the effective redeployment to resources. This will enable our country obtain more investment benefit than before.

2.3 The central government can intervene the student loans by many means, but all of them have their dead space

For instance, tax is the main means to adjust economy. However, tax lever is hardly useful to student loans because the period from distribution to reimbursement is 10 years. And the policy that student loans were free of business tax many years ago was proved to be a failure. Interest rate is an effective financial lever. While, the social public hasn't acknowledged the fact that Chinese commercial banks are the main bodies in the market effectively yet. Neither interest rate neither makes the self-restriction mechanism to the micro activity bodies of commercial banks come into being nor becomes the lever to lead the supply and need of student loans.

Compared with other ways for adjustment, finance transfer payment is a kind of flexible financial expense. The central government can apply it appropriately and flexibly on the basis of taking both equity and efficiency into consideration. The government invests interest in finance and risk compensation fund to higher education in the form of transfer expense. The investment will be the compensation to the over-flow benefit of student loans and the indirect compensation to the competitive disadvantage of operation banks. This ensures the equally competitive position of micro main bodies and then improves the efficiency of overall financial assistance system.

3. Foreign experiences on finance transfer payment of student loans

From experiences of foreign countries, finance transfer payment is an important part of student loans proposal. It is related to the finance and higher education system of one country, and restricted by capital and finance market as well.

3.1 The United States

The finance transfer payment of student loans in the United States is accomplished by the mode of the top-to-bottom special allowance. The division of the scale of fiscal policy and higher education policy decides that the federal government applies to special appropriation that is allowance to college student loans instead of general transfer payment in common. The special fund federal government gives to states and colleges as student loans must be used for given purpose.

We can make a decision that student loans of the United States benefit from American Federal Financial Support for Education in Family, and the successful development of the plan mainly lies in that the federal government applies finance transfer payment to the student loans skillfully. In 1965, the federal government of the United States started federal loan program for family education. Nevertheless, many commercial banks and other loan organizations that dealt with student loans boycotted the plan till 1970. The chief reason was that the benefit of loan was much lower and the risk was rather greater. After that, federal government enhanced the financial assistance to banks taking responsibility to distribute loans by allowance for interest rate and special allowance, the two means to fulfill finance transfer to encourage commercial banks to distribute Stanford Loan. Allowance for interest rate means that the government paid the interest for students with economic difficulties during the period when they were studying in colleges and that of reimbursement. The federal government even paid special allowance to organizations distributing loans each 3 months to enable them get the lowest return from the market at least and inspire them to distribute loans. The special allowance floated according to the interest rate of 91-day exchequer bill or 3-month commercial note of the United States. The special allowance in 2005 was about 1.34-1.71 percent of loans.

3.2 Canada

The special finance transfer payment of student loans in Canada is fulfilled by two means, that is, equal allowance from finance and allowance for fixed program. The former is to make up for the shortcoming of provincial government on the financial capability to student loans. The latter is to supply the difference of fiscal expense besides the seed capital of student loans for all the provinces. The purpose of equal allowance is to enable the provincial governments provide reasonable and comparable services on student loans for residents on the premise that the interest rate level is not higher than the national average one. It's importance also lies in that the federal government can help the poor students living in underdeveloped provinces enjoy equal service on student loans according to different prosperity of different places and the different financial capability of each provincial government to provide service on student loans.

Generally speaking, finance transfer payment is used on student loans in both the United States and Canada. Though the forms are different, there are two advantages. On the one hand, is that utilizing fiscal capital to stimulate capital of banks can make best use of the capital under the promotion of maximum profit, avoid the situation that the efficiency is low if finance invests program directly. And the hidden risk of finance will be reduced and the effect of promotion. On the other hand, there is objective formula to calculate the transfer payment of student loans. That reduces the distortion of resource disposal caused by individual interference greatly and standardizes the educational fiscal activities of government on each level of our country under the condition of market economy strictly.

4. The proposal designing of finance transfer payment of student loans

Johnstone(2000)pointed out that : higher education should take great effort to build sound system. It can not only make up for the cost effectively but also protect those whose opportunity to study in colleges are threatened by cost sharing.² Therefore, it's necessary for the government to design a kind of scientific and reasonable, standard and transparent proposal for finance transfer payment of student loans on the premise of fixed target to bring the limited fiscal resource into full play effectively.

4.1 The target of the finance transfer payment of student loans

A The target of the finance transfer payment of student loans is to make the capability of each provincial government to give fiscal support to student loans equal and moreover, to promote the equality in higher education effectively. The history of the development of higher education proves that the fairness of student loans won't come true in a country with various capabilities on financial support. The finance transfer payment of student loans is to rectify the unbalance of market with the support of central finance. So all provincial governments are able to provide rather equal opportunity to get the financial assistance for students who are studying in colleges under their control. This will lead to the competition on human capital investment between underdeveloped provinces and developed ones. As a result, the overall efficiency of market to dispose human resources can get increased.

4.2 The main body to allot and main acceptor in the finance transfer payment of student loans

According to the principle C.F.Bastable put forward to divide the management right from expenditure of central and local governments, the central government should be in charge of national public products, while the local governments are responsible for local ones.³ The central government is the representative of the overall interests of the country and the general interests of the society, the local governments are on behalf of the interests of parts of the nation and special interests of some regions. Comparatively speaking, local governments are more unreasonable to great extent. They need a rational central government to harmonize and control them. In order to fulfill the goal of making student loans a national benefit, it is necessary for the central government to coordinate the benefit relationship among governments on different levels often, and control the tendency of local governments pursuing the local benefit excessively. Thus, only the central government can be the main body to allot the finance transfer payment of student loans.

During the process of the finance transfer payment of student loans, when the central government is the main body to distribute, the provincial governments are acceptors. For one thing, in the higher education management system in China now, the central government and provincial governments are on two levels of management and have different responsibilities. The provincial governments are mainly responsible for overall planning and coordination under the instruction of central macroscopic policies. The role of provincial governments in the field of higher education will be strengthened gradually and become the most important management authorities of higher education. At present, most colleges in China are subordinated to provincial government. The provincial government will take over colleges subordinated to central departments. Therefore, though the authority of macro-management on higher education belongs to the central government, the power of self-management of provincial governments is still very strong. For the other thing, provincial finance is the leading part in local finance, and the center of central and local finance. The provincial finance occupies the most proportion in the interest for student loans and compensation fund paid to commercial banks.

4.3 To make sure the mode for finance transfer payment of student loans

To the finance transfer payment of student loans, what kind of mode should the central government use to achieve the

expected goal with least expense? There are three kinds of choices practically: general allowance, symmetrical allowance and special allowance. The conditions for distribution and uses of these modes for transfer payment are various. So, their policy effects are also not the same.

As finance transfer payment is a kind of mechanism to make the right- responsibility and benefit relations among governments harmonious, applying special allowance to transfer payment in student loans is more effective. The reasons lie in the two aspects as follows. One is, special allowance can express the intention of policies of central government on supporting student loans more remarkably, and the effect of allowance is more obviously. The other is, during the process of finance transfer payment of student loans, the central government can decide the amount of transfer payment and how to allot among all provinces around the country. It is more flexible to satisfy the intention of central government to promote student loans.

4.4 Imitative calculation on finance transfer payment of student loans

4.4.1 Hypothetical conditions

Hypothesis 1: The finance transfer payment of student loans is a sort of conditional allowance. Its acceptor is provincial government and it can only be used to pay the interest of student loans and risk compensation shouldered by finance to establish a kind of automatic compensation mechanism for central finance to give support to student loans. Theoretically and practically speaking, the sum of fiscal capital for transfer payment should and can be calculated according to relative indexes, and change year by year.

Hypothesis 2: The finance transfer payment of student loans must take the possibility of central fiscal expenditure into consideration and be in accordance with the request of standard allotment relationship. On the relation of equality and efficiency, we should adhere to the principle of giving priority to equality and giving consideration to efficiency at the same time. However, giving the priority to equality doesn't mean to re-distribute financial resources among regions in the form of robbing the rich to help the poor, but a special allowance confirmed according to the principle of transfer payment. Giving consideration to efficiency is not fixed and unchangeable, but to adjust step by step basing on the situation that how student loans is carried out.

Hypothesis 3: The premise of finance transfer payment of student loans is to give subsidy to those who are lack of fund. That's to say, we assume that the expenses of provincial government for interest and risk compensation on student loans are all reasonable, and the capital indentation of higher education focuses on the capital to support to student loans. The hypothesis confirms to the fact. In the past, there was such item in the fiscal expenditure of provincial government on higher education, and the scale was rather small before 2004.

Hypothesis 4: Each province obeys the rule of new mechanism on student loans strictly to allow commercial banks confirmed by bid to distribute student loans according to 20 percent of local full-time college students. The interest rate of loan is 6.12 percent, the responsibility of colleges to shoulder 50 percent of risk compensation fund is cancelled, the risk compensation fund is 15 percent, the highest and totally borne by provincial finance.

4.4.2 Indexes

Index is key to design finance transfer payment proposal for student loans and related to whether the proposal designing is scientific and reasonable or not, it is also related to the cost of transfer payment because unreasonable indexes may cause the institutional leak of proposal, provincial government will take some dishonest activities in order to obtain the extra income. As a result, the institutional cost will be raised. Considering the obtainable data, the data of fiscal income, expenditure and financial situation of higher education of each province around China in Table 1 are all chosen from data of 2006.

Table 1. The data of fiscal income, expenditure and financial situation of higher education of each province around China

Region	D_i (Yuan/per capita)	G_i (Yuan/per capita)	I_i (per one hundred thousand people)	J_i (one hundred million)	K_i (one hundred million)	$M = J_i/I_i$ (Yuan/ per capita)	$N = K_i/I_i$ (Yuan/ per capita)
Shanghai	6361.43	5179.60	37.85	130.00	65.57	34346	17324
Tibet	5404.07	301.85	1.03	2.28	1.91	22135	18544
Beijing	5046.70	4068.54	45.45	216.63	130.61	47591	28737

Tianjin	3086.84	2023.05	24.52	41.53	23.32	16937	9511
Qinghai	2285.39	450.19	2.61	3.29	2.11	12605	8084
Guangdong	2131.80	1653.91	57.78	128.30	72.57	22282	12560
Zhejiang	1916.18	1509.74	48.41	98.99	38.21	20448	7893
Xinjiang	1905.22	662.98	14.76	17.63	6.47	11944	4383
InnerMongolia	1879.24	582.86	15.76	15.10	7.91	9581	5019
Liaoning	1863.14	1061.88	51.42	75.24	35.79	14632	6960
Ningxia	1823.79	517.76	3.51	4.28	2.61	12194	7436
Jilin	1513.42	569.53	31.95	42.86	22.66	13415	7092
HeiLongjiang	1480.76	652.32	39.22	64.92	24.64	16552	6285
Jiangsu	1414.64	1077.65	85.97	135.55	64.98	15767	7558
Yunnan	1342.21	523.31	17.53	22.53	13.30	12852	7587
Hainan	1299.63	632.80	4.35	5.29	2.68	12160	6161
Fujian	1296.73	873.60	25.74	47.91	23.55	18613	9149
Shanxi	1254.35	561.41	27.30	23.60	10.29	8645	3769
Gansu	1152.52	336.77	17.34	22.39	11.08	12912	6390
Shaanxi	1133.33	480.57	49.90	76.33	39.70	15297	7960
Shandong	1107.55	782.24	76.14	86.52	38.19	11363	5610
Chongqing	1091.31	516.17	24.05	39.26	17.15	16324	7131
Hebei	946.58	496.13	57.55	50.46	18.47	8768	3209
Guangxi	913.32	419.31	22.73	20.60	9.83	9063	4325
Hubei	900.43	432.79	72.15	100.59	43.44	13942	6021
Jiangxi	898.21	395.32	35.86	36.49	10.36	10176	2889
Hunan	861.10	403.20	53.72	65.65	23.22	12220	4322
Guizhou	858.79	321.86	14.94	14.18	6.35	9491	4250
Sichuan	841.72	386.89	51.27	73.70	30.05	14375	5812
Anhui	791.64	344.38	41.00	44.55	21.08	10866	5142
Henan	741.28	349.69	55.72	48.70	22.27	8740	3997
Total	55543.32	28568.30	1107.53	1755.35	840.37	476236	241110

Note: Data resources: The official website of National Bureau of Statistics. D_i =the sum of per capita fiscal expenditure of some province; G_i =the sum of per capita fiscal income of a province; I_i =the amount of college students of a province; J_i =the total sum of education budget for colleges in a province; K_i =national fiscal expenditure of colleges in a province; M_i =per capita national fund of colleges in a province; N_i =per capita national fiscal expenditure of colleges in a province

We can know from Table 1 that N_i is an important index. In addition, the capital for transfer payment of student loans

is fiscal capital, so it can also be regarded as national fiscal expenditure on higher education. As a result, in this article, the author introduces N_i as the basic index of transfer payment of student loans. Those provinces that are below the lowest standard of the basic index will be given transfer payment as special allowance. The more the differences are, the more the allowance is.

4.4.3 The calculation of how much the finance transfer payment of student loans should be paid

As a proposal designing for an institution, it's necessary for us to decide which provincial governments can get the money and how much from the finance transfer payment of student loans. In order to answer the questions, we have to design a basic model and calculate the finance transfer payment of student loans simulative according to the hypothetical conditions. The author carries on the mock calculation by using data of 2007, as Table 2 shows.

Table 2. Calculation on the need for fiscal Interest and risk compensation fund to student loans that each province should shoulder in 2007

Region	Q_i (per 10 thousand people)	R_i (per 10 thousand people)	S_i (per 10 thousand people)	T_i (10 thousand Yuan per unit)	U_i (10 thousand Yuan per unit)	V_i (10 thousand Yuan per unit)	W_i (10 thousand Yuan per unit)	x_i
Beijing	19.47	1.83	3.89	23340	1428.41	3501.00	4929.41	22
Tianjin	24.50	2.66	4.90	29400	1799.28	4410.00	6209.28	18
Hebei	50.57	6.94	10.11	60660	3712.39	9099.00	12811.39	6
Shanxi	27.60	6.54	5.52	33120	2026.94	4698.00	6724.94	16
InnerMongolia	18.25	5.85	3.65	21900	1340.28	3285.00	4625.28	23
Liaoning	44.41	3.14	8.88	53280	3260.74	7992.00	11252.74	8
Jilin	25.88	2.88	5.18	31080	1902.01	4662.00	6564.01	17
HeiLongjiang	32.79	3.37	6.56	39360	2408.83	5904.00	8312.83	13
Shanghai	31.59	1.22	6.32	37920	2320.70	5688.00	8008.70	14
Jiangsu	84.89	3.31	16.98	101880	6235.06	15282.00	21517.06	1
Zhejiang	52.70	3.50	10.54	63240	3870.29	9486.00	13356.29	5
Anhui	47.00	5.65	9.40	56400	3451.68	8460.00	11911.68	7
Fujian	24.01	2.58	4.80	28800	1762.56	4320.00	6082.56	19
Jiangxi	29.09	7.38	5.82	34920	2137.10	5238.00	7375.10	15
Shandong	67.80	4.49	13.56	81360	4979.23	12204.00	17183.23	2
Henan	55.70	6.34	11.14	66840	4090.61	10026.00	14116.61	4
Hubei	42.50	2.48	8.50	51000	3121.20	7650.00	10771.20	9
Hunan	36.05	3.93	7.21	43260	2647.51	6489.00	9136.51	12
Guangdong	60.19	2.17	12.04	72240	4421.09	10836.00	15257.09	3
Guangxi	23.81	6.13	4.76	28560	1747.87	4284.00	6031.87	20
Hainan	5.86	5.53	1.17	7020	429.62	1053.00	1482.62	28
Chongqing	22.50	3.32	4.50	27000	1652.40	4050.00	5702.40	21
Sichuan	39.91	3.37	7.98	47880	2930.26	7182.00	10112.26	10

Guizhou	16.67	6.65	3.33	19980	1222.78	2997.00	4219.78	24
Yunnan	16.24	3.10	3.25	19500	1193.40	2925.00	4118.40	25
Tibet	1.30	1.72	0.26	1560	95.47	234.00	329.47	31
Shaanxi	38.37	2.45	7.67	46020	2816.42	6903.00	9719.42	11
Gansu	15.63	3.58	3.13	18780	1149.34	2817.00	3966.34	26
Qinghai	2.99	3.60	0.60	3600	220.32	540.00	760.32	29
Ningxia	2.60	3.28	0.52	3120	190.94	468.00	658.94	30
Xinjiang	13.95	5.46	2.79	16740	1024.49	2511.00	3535.49	27
Total	974.82	175.20	194.96	1169760	71589.22	175194.0	246783.22	

Note: Q_i =the total number of local full-time college students; R_i =the number of local full-time college students who have financial difficulty; S_i =the maximum of applicants for student loans in local full-time colleges=the total number of local full-time college students×20%; T_i =the maximum of student loans to local full-time colleges=the maximum of applicants for student loans in local full-time colleges×6000 Yuan for each student; U_i =the sum of fiscal interest the local governments should pay for student loans=the maximum of student loans to local full-time colleges T_i ×interest of loans(6.12%); V_i =the sum of risk compensation the local governments should pay for student loans=the maximum of student loans to local full-time colleges T_i ×15%; W_i =the sum of fiscal support the local government should pay for student loans= $U_i + V_i$; X_i =the order of the sum of fiscal support the local government should pay for student loans W_i .

Firstly, to make sure the lowest standard of finance transfers payment of student loans. Taking N_i as the basic index of finance transfer payment of student loans. According to Table 2, the central government should carry out finance transfer payment of student loans to the finance of those provinces whose N_i/G_i are higher than or equal to 8.44. Secondly, to ascertain the average capability of each provincial finance to give fiscal support to student loans. Cost sharing in higher education has been executed in public colleges in China. But, more than 60 percent of fund of per student in most provincial colleges is paid by local finance. As for fiscal interest and risk compensation fund of student loans, for those provinces that need finance transfer payment of student loans, 60 percent of fiscal interest and risk compensation fund should be paid by central finance and provincial governments are responsible for the rest in order that the central government can shoulder more financial responsibility. Thus, we can have the opinion that the average capability of each provincial finance to give fiscal support to student loans is 40 percent; the breach of 60 percent is paid by finance transfer payment of the central government. Considering that Ningxia, Tsinghai, Gansu, Tibet, Yunnan and Guizhou, the 6 provinces are lack of self-fiscal capability 4 seriously; the central government will pay all the transfer payment. At the end, we can obtain the model for finance transfer payment of student loans by the train of thought as above.

$$C_i = W_i \times 60\%$$

$$\text{Among them: } W = U + V = T \times 6.12\% + V \times 15\%$$

By using the model, we put the data of Table 1 and Table 2 into it. Then we can calculate the amount of finance transfer payment of student loans each province can get. The results are in Table 3.

Table 3. Calculation on Fiscal Transfer Payment of Student Loans Central Government to Part of Provincial Finance in 2007

Region	W_i/W	G_i/G	N_i/G_i	W_i/G_i	$C_i = 10,000$ Yuan per unit)
Beijing	0.62	4.41	7.06	0.38%	
Tianjin	0.78	2.20	4.07	1.31%	
Hebei	1.61	0.54	6.47	8.04%	
Shanxi	0.84	0.61	6.71	5.40%	

InnerMongolia	0.58	0.63	8.61	4.40%	2775.17
Liaoning	1.41	1.15	6.55	8.88%	
Jilin	0.82	0.62	12.45	4.77%	3938.41
Hei Longjiang	1.04	0.71	9.63	5.38%	4987.70
Shanghai	1.07	5.62	3.34	4.02%	
Jiangsu	2.70	1.17	7.01	9.59%	
Zhejiang	1.68	1.64	5.23	5.27%	
Anhui	1.50	0.37	14.93	7.05%	7147.01
Fujian	0.76	0.95	10.47	4.22%	3649.54
Jiangxi	0.93	0.43	8.04	5.69%	
Shandong	2.16	0.85	7.17	13.39%	
Henan	1.77	0.38	11.43	11.00%	8469.97
Hubei	1.35	0.47	13.91	8.59%	6462.72
Hunan	1.14	0.44	10.72	6.86%	5481.906
Guangdong	1.92	1.79	7.59	9.81%	
Guangxi	0.76	0.46	10.31	7.08%	3619.12
Hainan	0.19	0.69	9.74	1.17%	889.572
Chongqing	0.72	0.56	13.82	3.37%	3421.44
Sichuan	1.27	0.42	15.02	9.46%	6067.36
Guizhou	0.53	0.35	13.20	4.58%	4219.78
Yunnan	0.52	0.57	14.49	5.19%	4118.40
Tibet	0.04	0.33	59.66	0.42%	329.47
Shaanxi	1.22	0.52	15.65	9.51%	5831.65
Gansu	0.50	0.37	18.97	4.00%	3966.34
Qinghai	0.10	0.49	17.96	1.41%	760.32
Ningxia	0.08	0.56	14.36	0.45%	658.94
Xinjiang	0.44	0.72	6.61	3.06%	
Total					76794.82

We can see from the result of Table 3 that the central finance should pay 0.7679482 billion Yuan of special allowance for student loans in 2007 according to the proposal for finance transfer payment of student loans we design. Among them, the special allowance to the fiscal interest and risk compensation fund for student loans in Ningxia, Qinghai, Gansu, Tibet, Yunnan and Guizhou 6 provinces was 0.1405325 billion Yuan, the allowance to other provinces in need was 0.6274157 billion Yuan . In these provinces, the transfer payment for student loans in Henan province was the

highest, which was 84.6797 million Yuan. The second highest was Anhui province, which was 71.4701 million Yuan. The least one is Tibetan Autonomous Region, which was 3.2947 million Yuan. The result almost reflects the truth of economic situation, higher education and the development of student loans of each province in China.

5. Conclusion

Somebody call the dilemma on ethic choices of student loans in reality the problem of dirty hands. It means that your hands will get dirty when doing something and it's impossible for you to do nothing. Seeing from all over the world, the government should do something on the matter of student loans. The central government and provincial governments need to continue to give substantial fiscal support to student loans. However, provincial governments may be lack of the capability to solve the problem because of limited resources. It's necessary for the central government to give help to provincial governments by the way of finance transfer payment.

References

- Adrian Ziderman. (1999) .The student loans in Thailand: A review and recommendations for efficient and equitable functioning of the scheme, ADB Social Sector program Loan, in the framework of the Education Management and Finance Study, Project,TA2996-THA.
- Adrian Ziderman. (2002).Financing student loans in Thailand: revolving fund or open ended commitment? *Economics of Education Review*, December, Vol. 21, No.3.367–380.
- Anna Kim and Yong Lee. (2003).Student loan schemes in the Republic of Korea: review and recommendations, UNESCO-Bangkok/IEEP, Asia and Pacific Regional Bureau for Education.
- Ann Harding. (1995). Financial higher education: an assessment of income-contingent loan options and repayment patterns over the life cycle, *Education Economics*, July, Vol. 3, No.2.173-179.
- Bernanke, Ben S. and Gertler, Mark. (1995). Inside the blackbox: The credit channel of monetary policy transmission, *Journal of Economic Perspectives*, Semptember, Vol.9, No. 4.27-48.
- Demirgüç-Kunt, A. and Detragiache, E. (2002).Does deposit insurance increase banking system stability? An empirical investigation, *Journal of Monetary Economics*.1337-1371.
- D. Bruce Johnstone.(1986).Sharing the costs of higher education student financial assisance in the United Kingdom, the Federal Republic of Germany, France, Sweden, and the United States, New York: the College Board.
- D. Bruce Johnstone. (1998).The financing and management of higher education: A status report on Worldwide Reforms, World Bank.
- D. Bruce Johnstone. (2000).Student loans in international perspective: promises and failures, myths and partial truths,The International Comparative Higher Education Finance and Accessibility Project,Center for Comparative and Global Studies in Education,Graduate School of Education, State University of New York at Buffalo.
- Hong Shen and Wenli Li. (2003).A review of the student loans scheme in China, UNESCO-Bangkok/IEEP, Asia and Pacific Regional Bureau for Education.
- Huangwei and Hong Shen. (2006) The institution innovation of GSSL based on financial 'functional paradigm,China, *Journal of China Soft Science*, October,Vol.20,No.10.74-81.
- Jane Sjogren.(1998).Equity for student borrowers connection, New England, *Journal of Higher Education & Economic Development*, May,Vol. 13 ,No.3.21-30.
- James Monks. (2001).Loan burdens and educational outcomes, *Economics of Education Review*, October, Vol.20, No.3.545-550.
- Levine,Ross.(1997).Financial development and economic growth: views and agenda, *Journal of Economic Literature*, Vol.XXXV.668-726.
- North,Douglass and Weingast,Barry.(1990).Constitutions and commitment: the evolution of institutions governing public choice in seventeenth-century England, *Journal of Economic History*, USA,Vol.XLIX.803-32.
- Tim Sale and Benjamin Levin. (1991).Problems in the reform of educational finance: A Case Study. *Canadian Journal of Education*.32-46.
- W. Lee Hansen. (1983).Impact of student financial aid on access. Proceedings of the Academy of Political Science,The Crisis in Higher Education,pp.84-96.
- Winter-Ebmer, Rudolf and Aniela Wirz. (2002).Public funding and enrolment into higher education in Europe. IZA Discussion Paper Series: 503.
- Yue Ping Chung. (2003). The student loans scheme in Hong Kong. UNESCO-Bangkok/IEEP.

Geoge Psacharopoulos and Harry Anthony Patrinos.(2004). Returns to investment in education: A Further Update. World Bank Policy Research Working Paper Series: 2881.

Gerald W.Sazama.(1992). Has federal student aid contributed to equality in higher education? A Method of Measurement.*American Journal of Economics and Sociology*.129-146.

Kane,Thomas J.(1995). Rising public college tuition and college entry: How Well Do Public Subsidies Promote Access to College? National Bureau of Economic Research Working Paper Series: 5164.