

Is the UK Government's Student Loan System an Effective Economic Investment or a Growing Fiscal Liability?

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Abstract:

This report aims at establishing whether the UK Government student loan system is a healthy economic investment or burgeoning burden on the government. This is analyzed with the assistance of the recent scholarly articles, governmental articles, and economic criticism with an intention of considering the two-fold nature of the loan system in motivating more people to pursue higher education at the price of the state spending a considerable sum of money. It is known that the scheme is currently positioned to increase access to higher education, human capital creation and competitiveness of UK in the global market.

Nonetheless, the report shows that there is an increasing fiscal issue, especially high non-repayments, long-term repayments and state write-offs all of them, burden budgets of states. This raises a query on the sustainability of the system whose economic gain in the long run might be covered with increased liabilities. The conclusions made show that in order to reach half-way position between the financial sustainability and the availability, new policy amendments, such as more favorable repayment schemes and alternative financing procedures should be mentioned.

Keywords: UK student loan system, higher education funding, fiscal liability, economic investment, repayment rates, higher education access, policy evaluation, student loan reforms, fiscal sustainability, higher education access, economic returns, key policy evaluation.

(i) Introduction

Introducing the research question and context
The UK system of student loans has been one of

the biggest policy interventions of higher education funding in the past 3 decades and has changed the way access to universities is paid, or costs allocated between individuals, institutions and taxpayer. Stu-

dent loans have since the early 90s, and other reforms, including the recent increase in the price of tuition fees, become an important component of the fiscal environment which could finance higher education (Department for Business, Innovation & Skills, 2010). The system will be structured so that students will have a possibility to cover the immediate costs of education in the future, when they will earn certain income, and in such a manner, the cost will be distributed proportionally among graduates based on their income levels (Department for Education, 2019). Nevertheless, there are growing concerns about the sustainability of this structure because the repayment rate continues to be very dynamic among different income populations and high percentage of loans are never completely paid back (Office for Budget Responsibility, 2022). It is against this backdrop that the research question of the current dissertation is as follows: Does the Student Loan System in the UK Government constitute an effective economic investment, or is it gradually becoming a growing fiscal burden?

The economic cost of the student loan system has become so entrenched in the national accounts as the system of student loans in the form of government lending has affected both Public Sector Net Borrowing (PSNB) and long-term fiscal liabilities (Office for Budget Responsibility, 2017). Although the structure of income-contingent repayments was meant to bring equity between access and affordability, ongoing alterations in terms of repayment, interest rates and write-off arrangements have created confusion among students and the fiscal planning of governments (House of Commons Library, 2025). To illustrate, the latest reforms, otherwise known as Plan 5, decreased repayment thresholds and repayment periods in theory decreasing the government subsidy at the same time raising the repayment burden on middle-earning graduates (Institute for Fiscal Studies, 2023). This two-sidedness, the contradiction between human capital investing and managing fiscal risk, is the core of this exploration.

Moreover, in addition to the financial factors, the student loan program has come under social equity and intergenerational justice. Factors show that low-socio-economic students are burdened more by significant debt levels, whereas repayment performance varies according to gender, ethnicity, and the institution attended (Britton, Dearden and Waltmann, 2021; Department for Education, 2021). Meanwhile, graduate labour market returns also change, and the research proves that they differ according to the choice of subjects and the prestige of the institutions (Walker and Zhu, 2018). These differences bring out the bigger picture within which the student loan system functions i.e. a system where access to higher education might be formally universal. Nevertheless, the economic

impact of participation is unfairly distributed among society. The knowledge about whether this system is a viable economic investment on the state, or whether it may jeopardize the worsening of fiscal and social disparities, offers a critical background of this dissertation.

Providing a rationale of the relevance of the topic.

The significance of the subject matter cannot be overestimated, because the student loan system is not just a huge fiscal investment on behalf of the government but is also a hallmark of the student life in higher education. Currently, excellent student loan debts in England have surpassed over 200 billion pounds and are destined to keep rising with a huge percentage of the loan portfolio anticipated to be impaired after 30 or 40 years (Department for Education, 2025). This exposure level causes student loans to be a central issue in fiscal sustainability debates, and concerns arose on whether the ultimate cost of the current system is superior to the rewards of having an educated workforce (House of Commons Library, 2025). The very fact that the loans are not conventional commercial goods but depend on the graduate income precondition the appearance of the risk that should eventually be transferred to the taxpayers (National Audit Office, 2018). This is causing significant worries in terms of opportunity costs, in an economic climate where limited public funds are already at stake, student loans may mean that resources would otherwise be allocated to other areas like health-care, infrastructure or housing.

Also, the student loan system is important in the determination of access to higher education and subsequently, the future labour force in terms of skills and productivity. The justification of higher education as a factor in economic growth is regularly supported, and the OECD indicators support the positive correlation between tertiary education attainment and national productivity (OECD, 2024). Loans are supposed to increase participation by making tuition fees initially affordable, but studies have revealed that the cost of perceived debt aversion and the lifetime cost of repayment has discouraged people of low-income status (Dearden, Fitzsimons and Wyness, 2011). This generates an endless conflict: on the one hand, loans can help the accessibility in the short term, but on the other hand, they can lead to the creation of psychological and financial obstacles, which will depress the social mobility in the long term (Department for Education, 2019). To measure the effectiveness of the system as an investment, thus, it would be necessary to not only look at the financial expenditures and paybacks but also to know how much it would boost fair access, and provide economic payouts in terms of increased output and income.

Furthermore, this subject matter is important because of the saliency it has on politics and the frequent reforms that

render it a disputed policy field. The continuous readjustment of repayment levels, adjusting the interest rates, and even the sale of loan books (Office for Budget Responsibility, 2018; National Audit Office, 2024) have created an atmosphere of uncertainty and controversy, which largely represents changing political priorities and not a long-term agreement on how to fund higher education. These frequent reforms lead to the students not trusting and being afraid of unfamiliar repayment conditions in the future (Student Loans Company, 2025). When it comes to the government, they point out what has become the pursuit of the affordability, accessibility, and fiscal sustainability. Accordingly, analyzing the effectiveness/ineffectiveness of the student loan process as an economic investment/economic penalty is not only a study of research/academic interest, but also of policy-making interest, as well as to students, and even to tax payers.

Aims and Objectives of the Research

The dissertation will critically evaluate the effectiveness of the UK student loan system as a form of economic investment and as well as the sustainability of the system in regard to the policy of higher education and public finance. In order to do this, the targeted objectives are:

1. To examine the historical progression and policy logic of the UK system of student loan.
2. To assess the financial consequences of student loans on government books, both long-term debts and write-off ratios.
3. To study the economic payoffs to higher education both to the individual and the state, in terms of productivity, earnings and tax contributions.
4. To examine distributional effects of student loan policies within each of the following socio-economic, gender, and ethnic groups.
5. To determine the flaws and shortcomings of the approach employed to predict student loan repayments and fiscal expenses.
6. To assess critically the extent to which the recent reforms (e.g., Plan 5) contribute to the sustainability of the system.
7. To find out whether the system is to be considered mainly as an economic investment or as a fiscal liability.
8. To give recommendations to the policymakers on how to design student finance in the UK in the future.

(ii) Literature Review

The discussion as to whether the system of student loans in the UK government should be considered an economic investment or an increasing fiscal burden has been contextualized by series of review of policies, starting with the Browne Review (Department for Business, Innovation &

Skills, 2010) and, subsequently, the Augar Review (Department for Education, 2019). Both reviews suggested the necessity of sustaining access to higher education and at the same time they should be fiscally viable although they differ in the aspects in which they gave more focus on the policy: Browne argued that they need more reliance on tuition fees made up of income-contingent loans, and Augar argued that they need less tuition fees and reallocation of repayment plans. Those opposing opinions indicate an old policy dilemma policy, it is whether student loans should be utilized as a means of facilitating higher education access, or should they be a means of budgetary restraint? It is on this basis that a great deal of scholarship and policy thought has been based and it demonstrates that there is no consensus regarding the position of investment and liability.

The most crucial part of this argument is the issue of whether or not student loans are fiscally viable, with the government reports recurrently noting the level of outstanding debts as one of their main concerns. According to the Office for Budget Responsibility (2017), it was challenging to predict the number of students and the repayment behaviours, and this makes it rather challenging to plan accurate fiscal policy. Most recently, the Office for Budget Responsibility (2022) emphasized that the reforms pushing to decrease the Resource Accounting and Budgeting (RAB) charge, which constitutes the percentage of student loans that are written off, could reduce expenditure by the government but transfer the burden to graduates. By comparison, the Department for Education (2025) forecasts have indicated that repayments introduced by the new Plan 5 reforms will enhance longer-term recoveries. Divergences between fiscal hawks and department forecasts indicate a continuation of refinements in a methodological issue of modelling uncertain graduate earnings over several decades.

Depending on the study, the effect of loan policies on graduate earnings and repayment results is mixed, with some finding no effects while others have found small but significant effects. Because the income-contingent loans qualify as progressive, the Institute for Fiscal Studies (2023) elaborated that the structure is designed to recoup more among the high earners and shield low earners. However, Britton, Dearden and Waltmann (2021) have instead found that repayment evolution is much different across socio-economic categories and ethnic groups, where the lifetime payoff and, therefore, repayment rates are lower among disadvantaged graduates. Complementary evidence from the Department for Education (2021) further demonstrated that background characteristics affect graduate returns, raising equity concerns about the distributional effects of loans. These results highlight one

of the main controversies: the system is supposed to be fair, however, as a matter of fact, the consequences of repayment continue to create an unbalanced situation.

The academic literature has also investigated the possibility of student loans being as an effective investment in human capital. According to the data provided by OECD, tertiary education raises the employment rate and productivity, which indicates that higher education brings extensive economic returns. On a comparable note, Walker and Zhu (2018) had discovered high returns to higher education, especially that of selective institutions, in the form of private returns. Nonetheless, Dearden, Fitzsimons and Wyness (2011) maintained that increasing tuition fee and debt load can deter enrolment among the low-income earners hence compromising in the long run inclusivity. These contrasting findings reveal a gap: while higher education generally delivers positive returns, the financing model through loans may unintentionally narrow access, especially for debt-averse students.

From a fiscal view, the literature also examines how the government has tried to offload risk by selling student loans to outside investors. Questions have been raised by the National Audit Office (2018) as to whether such sales were value for money, and the Office for Budget Responsibility (2018) complained about the difficulties of determining fair value, where repayment streams were uncertain. Such discussions show that although selling loans can have short-term fiscal benefits, it poses the risk of crystallising unrealized losses in the long run. Further, there have been criticisms of the failings of the control of student finance to franchised providers, being subject to criticism by the National Audit Office (2024), and a suspicion that the system might be encouraging inequality in low-quality provision. These issues suggest that the financial liability is not only in the loan defaults but also in the instance of systemic risks of governance.

The Student Loans Company (SLC) also has a role to play in the part of the debate since it has the responsibility of administering loans and collecting repayments. The annual reports of the Student Loans Company (2024; 2025) describe profits in the collection processes and system infrastructures and a loss due to the misuse of business by fraud, mis-payment, and waste. These use risks compound the doubt in repayment estimates and cast doubt on the institutional ability to address that extensive portfolio. These administrative aspects tend to be underexposed in academic literature in terms of administrative assessment of the academic literature as a gap; these aspects have been adopted in this study since it includes a measurement of performance within an organization and fiscal sustainability.

Political arguments affirm the controversial sense of the

student loan scheme. The 2025 briefing on higher education finance by the House of Commons Library shows that issues of affordability of student loans to the student and the burden to the taxpayer remain high in the concerns of parliament. In the same way, written parliamentary questions (UK Parliament, 2024) are used to show that there is continuous scrutiny of the loan conditions and the exposure of the government. The critics cite that continually changing the rules destabilizes and makes forecasting harder on the side of the borrowers, whereas the supporters say that they have to make changes because financial good sense demands it. This mismatch in political approach reflects the greater academic argument as to whether a student-to-higher-ed connection was a question of personal investment or a matter of socially good-deserving communal funding.

Another genre of literature is on intergenerational fairness. As the balance of student debt increases with the new Plan 5, and the repayment term has increased, the subsequent generations of students would be expected to repay more of their debt in their lifetime, compared with the previous generations (Department for Education, 2025). The Institute of Fiscal Studies (2023) reiterated that although reforms will result in less government subsidy, they will increase repayment commitments on middle earners and really constitute a redistribution of costs between generations. This has created a controversy on whether this system creates inequality between young and old taxpayers, because other generations enjoyed access to free or highly subsidized higher education. The generational gap has not been sufficiently used in most of the fiscal modelling, which makes it another gap to be filled by the dissertation. International comparisons also provide valuable insights, with OECD (2024) demonstrating that the UK has one of the highest average tuition fees in the OECD, yet repayment rates vary significantly across countries depending on system design. In contrast to such countries as Germany, which heavily depend on the state funding, the UK model puts large amounts of risk on students and still leaves large amounts of government-related liabilities on balance sheets. This is a hybrid model, where the high level of private contributions is combined with high level of publicity, a rather unique model and which has become the center of much international policy debate. Nevertheless, there is little systematic analysis of how the UK system has performed on fiscal grounds in the long-run in comparison to the international model, which would indicate another area where the dissertation will be of value.

Finally, in spite of the exhaustive nature of the research, there are still gaps in the knowledge regarding dynamically relating tax sustainability, social fairness and labour market outcome. Although the departmental analyses are

quite titanic on the question of how to project fiscal figures (Department for Education, 2025; Office for Budget Responsibility, 2022), the researchers can be highly labour market-minded towards the returns of values (Walker and Zhu, 2018; Britton, Dearden and Waltmann, 2021). Even fewer studies include a synthesis of these dimensions in order to provide the key question of whether the student loan system constitutes a net economic investment or a liability. This dissertation aims to fill part of that gap by integrating provisions of fiscal analysis with distributional and labour market views, which will provide a more comprehensive assessment of the system as a whole.

(iii) Discussion

1. The Economic Rationale for Student Loans

The UK student loan system is frequently defended as a human capital investment capable of delivering substantial returns for both individuals and the state. For instance, the Office for Budget Responsibility (OBR, 2022) estimates that policy reforms—like lowering repayment thresholds and extending repayment durations—will reduce Public Sector Net Borrowing (PSNB) by £35.1 billion over the period 2021–22 to 2026–27, while Public Sector Net Debt (PSND) will be reduced by about £3.7 billion by 2026–27 (OBR, 2022; “Fiscal impact of student loans reforms” box). These numbers confirm the argument that properly formulated loan policies could convert fiscal liabilities into more manageable liabilities. Furthermore, this stash of student financing as the loan assets over 2026–27, which will add to 32 billion or approximately 1.1% of GDP, will improve the quality of government assets (OBR, 2022). These predictions support the argument that the loan system is not an outlay but a long-term investment whose returns can be calculated.

However, the distributional implications and risks are not trivial and this undermines the viability of this economic justification. The OBR reforms presuppose a greater growth of graduate earnings and a sound labour market condition, though, in case of less earnings growth it will be found that the predicted streams of repayments will be worse. As an illustration, at the baseline assumptions, approximately 63 percent of the loan outlays will be repaid (i.e., approximately 37 percent will be written off), even under the updated conditions by 2026–27 (OBR, 2022). This implies that over a third of its funding is a fiscal expense. Moreover, an earlier repayment threshold (which will drop as low as 25000 to new borrowers in 2023–24) and inflation-related interest rate caps will lead to reduced initial payments but higher repayment liabilities in graduates over their life (Department for Education, 2025). In

this way, these policy changes reinforce the premises of investment, but at the expense of placing risks on graduates and the future of earnings projections, lessening the degree of certainty.

Critics have a public finance perspective that even after the reforms, student loans can still be latent liabilities. According to the National Audit Office (2018), the evaluation of the past loan book sales and transfers did not yield expected returns, which could lead to the assumption that the loan assets valuation can be considered optimistic. The OBR (2022) also advises that the gains of PSNB are high on an aggregate basis (35.1 billion within 5 years), but the cuts to the PSND are relatively low (3.7 billion), which suggests that the fiscal gains are not high when debt and long-term commitments are factored in. This difference suggests that the state might gain on the cash flow grounds in the short-to-medium-term, yet stocks of remaining liabilities will continue to exist in the decades. Overall, although the economical justification of student loans has been supported with factual forecast statistics, the same statistics illustrate some form of uncertainty in the structure and distributional compromises that soften the argument that the system is an unquestionable investment.

2. Fiscal Risks and Long-Term Liabilities

It was the increasing worries about the fiscal sustainability of the loan system that partly drove the government to reform the system in 2022 (OBR, 2022). Through the 40-year extension of repayment and lowering repayment rates, the projected government write-offs (RAB charge) will decrease to 37% in 2026/27 by 2021/22 (Department for Education, 2025). The changes immediately lower the fiscal liability of unpaid loans, which would mean that a larger percentage of graduates would contribute during their working years. Obviously, according to Table A below, OBR forecasts of fiscal effects will improve PSNB and PSND up to 2026/27.

Nevertheless, these changes are very costly to graduates. Keeping thresholds of £25,000 in constant money will require individuals that earn less and middle income to pay more lifetime repayment, which is essentially a form of tax throughout most of their lifetime (IFS, 2023). Critics claim that it will destroy the initial purpose of the policy, which is equitable risk-sharing between graduates and the state (BIS, 2010). In addition, current changes to repayment periods can also create intergenerational inequalities because young groups would have higher financial burdens than former graduates (House of Commons Library, 2025).

This also makes loans difficult to evaluate due to the fiscal accounting of loans. Although this reduces PSNB consid-

erably as write-offs are reduced by lower write-offs, the effect on PSND is small with the savings amounting to 3.7 billion by 2026 27 (OBR, 2022). This difference provokes the questions of whether fiscal gains are actually there or

are pure accounting changes. The NAO (2024) warns that there are still systemic risks that would reenact the situation where graduate incomes exceed the projections, thus shifting the long-term obligations back to the taxpayers.

Table 1. Fiscal Impacts of Policy Changes to the Student Finance System

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Annual change in PSND (a)	0.0	-0.1	-0.4	-0.8	-1.1	-1.2
Of which:						
Cash outlays (b)	0.0	0.0	-0.1	-0.3	-0.5	-0.5
Cash repayments (c)	0.0	-0.1	-0.3	-0.5	-0.6	-0.8
PSNB (d)	-2.3	-10.8	-3.7	-5.0	-6.2	-7.1
Of which:						
Transfers from new lending (e)	-0.3	-1.4	-2.6	-4.2	-5.6	-6.5
Transfers from existing lending (f)	-1.9	-8.6	-0.0	-0.0	-0.0	-0.0
Interest receipts (g)	-0.1	-0.8	-1.1	-0.8	-0.6	-0.6
Accruals adjustments (a-d)	2.3	10.7	3.3	4.1	5.1	5.9
Of which:						
Outlays (b-e-f)	2.2	10.0	2.5	3.9	5.2	6.1
Repayments (c)	0.0	-0.1	-0.3	-0.5	-0.6	-0.8
Interest receipts (-g)	0.1	0.8	1.1	0.8	0.6	0.6

3. Human Capital Returns and Labour Market Outcomes

The other aspect in the consideration of the student loan system is whether higher education is providing adequate economic returns to warrant government expenditure. Empirical studies show that graduates have better lifetime earnings than non-graduates, but these returns are dependent on degree subject, institution, and socio-economic background (Walker and Zhu, 2018; Britton, Dearden and Waltmann, 2021). The Department for Education (2021) goes on to emphasize that alumni of more selective universities are more likely to get higher paying jobs, which improves repaying rates and decreases the fiscal cost on the state.

However, opponents are arguing that the economic benefits of higher education are over-rated. According to the OECD (2024) the UK has one of the highest rates of graduate underemployment among the OECD countries, and indicates that a number of graduates are not getting the jobs that match their qualification. This discrepancy reduces their success in repaying loans and this undermines the argument that loans provide a very lucrative governmental investment. Moreover, there are some indications that sectoral evidence indicates that graduates in arts and humanities receive much lower earnings than STEM graduates, with the resulting significant differences in repay-

ment results (IFS, 2023).

One of the main faults of the use of average returns as a measure is that it conceals inequalities. Graduates of disadvantaged socio-economic groups have less access to labour-market returns, as demonstrated by Britton, Dearden and Waltmann (2021), despite having equivalent qualifications. This brings up issues concerning the possibility that the student loan system does not and in fact increases inequalities because people who cannot afford to pay them off may have them their whole lives. These inequality create doubts on the transparency and effectiveness of using the loan system as the main mode of investment.

4. Fiscal Analysis and Mathematical Model.

To make the debate formal, one may develop a mathematical model that will reflect on the net present value (NPV) in respect to the government student loans perspective. Let:

$$R = \sum_{t=1}^T \frac{p_t \cdot y_t \cdot r}{(1+i)^t}, C = L, NPV = R - C$$

Where:

$i \square R = \text{expected discounted repayments}$,

$i \square p_t = \text{repayment probability in year } t$,

$i \square y_t = \text{graduate earnings in year } t$,

$i^{\text{r}} = \text{repayment rate,}$

$i^{\text{d}} = \text{discount rate,}$

$L = \text{government loan outlay,}$

$T = \text{repayment term (40 years).}$

Assume: $L = £45,000$, $L = £45,000$, $L = £45,000$, repayment rate = 9% above 25,000, average graduate income growth = 2%/year, discount rate = 3.5 by using estimates provided by OBR (2022). When such is the case, NPV may be approximated at 5,000 pounds per borrower which is a net benefit to the government. Nonetheless, with work results that are below average (e.g. 1% growth), the NPV will have a negative value, i.e. it will be a fiscal liability.

The graduate earnings path sensitivity of fiscal results is emphasized in this model. As explained by NAO (2018), forecasting error in earnings growth is the most important factor contributing to uncertainty in loans repayments. Therefore, although potential fiscal gains may be observed based on the model, structural vulnerabilities that can make loans long-term liabilities may also be observed.

5. Balancing Policy Objectives: Investment vs Liability

The last problem is whether the student loan system is capable of balancing its two purpose as an economic investment and a tool of social policy. According to its advocates, the reforms are both fiscal responsibility and fairness because it narrows the taxpayer liabilities without affecting access to higher education (Department for Education, 2025). In this view, loans enable the government to finance the universities in a sustainable manner, not to mention that people who get the greatest benefits of the higher education make their contributions to it.

On the other hand, opponents point out that, the system is becoming more like a regressive tax, especially to the middle-income earners who will have to pay the rest of their working lives without clearing the balance (IFS, 2023). The long period of repayment brings into question the issue of deterrence effect on participation especially by the less fortunate students (Dearden, Fitzsimons and Wyness, 2011). The vision of the Browne Review (2010) of the higher education funding was fair and sustainable but the reforms currently being implemented seem to have a greater focus on fiscal savings rather than access.

The case study indicates that the student loan system does have significant fiscal and economic advantages but this system has long-term risks that make student loan system ineffective as a pure investment. Forecasts rely on unpredictable labour-market outcomes, whereas the fairness of repayment structures is disputed. The policymakers need to thus strike the trade-off between the approach that loans are treated as financial assets and the maintenance of the

broader social purpose of higher education.

(iv) Conclusion

The findings in this dissertation show that the student loan system by the UK Government has taken a debatable position on whether it is a good economic investment or an increasing fiscal burden. On the one hand, the long-term liabilities of the government on write-offs decreased dramatically due to reforms in 2022, increased number of repayment terms, lowering level of repayment, and changes in the interest rates where the Resource Accounting and Budgeting (RAB) charge has been brought down to between 37 per cent in 2026–27, compared to 57 per cent in 202122 (Office for Budget Responsibility, 2022). These reforms were successful in raising the repayment expectations, and hence it made the scheme a more fiscally viable model to the government. Still, the same reforms impose financial costs on the working lives of graduates, which makes it rather questionable whether such practices are fair and have long-term social implications (Department for Education, 2025). Therefore, the fiscal returns are visible, whereas the human capital- and social equity-related concerns are a problem.

The economist argument in favour of the loan system as a good economic investment has the advantage of the larger picture of positive higher education returns. Graduates have a greater lifetime earnings and, as shown by Walker and Zhu (2018) and Britton, Dearden and Waltmann (2021), a similar pattern of wage premiums exhibits across all socio-economic groups. In this light, the underwriting of the loan system is the investment in the skills of both individual and economical benefit, which enhances the productivity and the level of tax collection (OECD, 2024). Moreover, the government has also successfully transferred a significant part of the loan repayment burden to those graduates who earn more income, minimizing the financial impact of non-repayment on the budget (Student Loans Company, 2025). This further supports the argument that the scheme is a redistributive scheme whereby those who gain most out of higher education shoulder the greatest repayment costs, thus preserving the resources of taxpayers.

However, the argument made by the opposition, i.e., that the student loan system is turning into a fiscal liability, is still compelling. The long-run repayment assumptions are incredibly sensitive to graduate earnings, economic growth, and labour market volatility despite the accounting reforms (Office for Budget Responsibility, 2017). With the National Audit Office (2018) and OBR (2018) already forecasting minimal value-for-money results, the government has already been forced to review its student loan

sales assets. Also, as the current-day maximum loan repayment stretches up to 40 years, a good number of graduates are paying an extra sales tax over a lifetime, which raises the issue of repayment fatigue and discouragement over taking up education (Dearden, Fitzsimons and Wyness, 2011). All these dangers emphasize the weakness of the system as an economic model, in which the stakes of the fiscal gains are pegged on optimistic long-run repayment terms.

Considering it in connection to the main research question, it is obvious that, although the government has done quite much to decrease the short-term fiscal burden of the student loans, the efficiency of the system as the economic investment is not evenly distributed. The reforms will guarantee better public finance accounting results, a reduction in net borrowing by a factor of 35.1 billion in five years (Office for Budget Responsibility, 2022), but at the price of heightened graduate indebtedness and x-lifetime extension of repayment liabilities. This is a two-sidedness that raises a trade-off, that the scheme is economically effective to the state but socially retrogressive to many borrowers. This also means that the value of the investment case is compromised because the system is based on continuous improvement of graduate earnings, which is not certain due to economic uncertainty (House of Commons Library, 2025).

All in all, this dissertation has concluded that the UK student loan system is better described as a restructured liability than an economic investment that is cut and dry. Although government reform has minimized the number of short- and medium-term risks to the state budget, the system itself is structured in such a way that it exposes graduates to new risks on the scale of repayments, specifically, lower and middle-earners who may never pay their debts completely (Institute for Fiscal Studies, 2023). A more measured way out might be required in the future - one that will still safeguard fiscal sustainability but look at equity and equity in financing higher education. This project has revealed that the model used by the government is successful in establishing financial stability in the short run but has significant issues with long-term equity between generations, graduate welfare and the long run validity of student finance as an instrument of policy making.

3. Evaluation

This dissertation aimed to investigate whether the student loan programme by the Government of the United Kingdom is an economic investment or an increasing burden to the state exchequer. In general, the project fulfilled its main objectives because it touched upon the fiscal nature of student loan policies as well as the economic returns of higher education as a whole. The increase in fiscal pres-

ures in both the Department for Education (2025) and the Office for Budget Responsibility (OBR, 2022) evidence was reported, and Britton, Dearden and Waltmann (2021) and Walker and Zhu (2018) supported the labour market benefits of higher education. The research question could not be answered with any absolute certainties, since the long-term fiscal projections were based on uncertainty, but the analysis indicated that the system is currently inclined towards becoming a fiscal liability, but in the meantime it is bringing quantifiable economic and social benefits.

A number of limitations of the methodology were present. The study was a desk-based research and was mostly based on secondary data, in form of government reports, think tanks and scholarly studies. This guaranteed dependability but limited possibilities to original enlightenment. The research was not primary (survey or interviews with graduates, policymakers, or employers) so the knowledge about the actual experience of repayment and debt perceptions was also limited (House of Commons Library, 2025). Moreover, the credibility of the predictions like those done by the Student Loans Company (2025) is questionable because forecasts of repayments and write-offs are prone to alterations of the economic environment. The interpretation could also have been biased by personal bias especially with the media stories that put the loan system as unsustainable.

When looking through my performance in the stages of the project, I think that the planning one was an asset. The research question has been clearly formulated and based on the influential reviews like the Browne Review (Department for Business, Innovation & Skills, 2010) and Augar Review (Department for Education, 2019). The research phase was not weak enough as well, as the government data and external evaluation, such as the National Audit Office (2024) and OECD (2024) are effectively used. The analysis part could have been stronger, however, by incorporating cross-national comparisons which would have put the use of income contingent loans in the UK in the context of what was happening internationally. Both the writing and synthesis were challenging and rewarding and necessitated a balance between the economic, social, and fiscal considerations.

In case of repeating the study, I would use a mixed-method design since I will combine interviews with policymakers and graduates to supplement the forecasts offered by the OBR (2018) and Department for Education (2025). I would also take longitudinal graduate earnings data to give more detailed information about workforce returns that the Institute of Fiscal Studies (2023) points out by sector. According to the OECD (2024) comparisons in the international context would also contribute to better understanding of whether the UK system is a special prob-

lem or rather generally in line with the global models. There are several academic and professional skills that have been developed through this research process. I became more able to critically analyse complex fiscal data, handle referencing in a systematically organised way according to the Harvard style and synthesise evidence into a logical argument. This was essential to time management particularly balancing depth and word limits. One of the most important lessons was to deal with disputed evidence because reports like those by OBR (2017) and NAO (2018) tended to be rather different in their well-being, which needed careful consideration.

On the whole, the dissertation has developed my self-awareness as a researcher. I found strengths in organizing the arguments and being able to argue critically with the policy evidence and as well as weaknesses in methodological breadth. This experience helped me to better understand the significance of triangulating data, assumptions, and predicting uncertainty in policy analysis. In the future, the acquired skills of critical analysis, synthesis, and reflective evaluation will be very helpful in both academic and professional life as well in making evidence-based decisions.

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