

Comparative Analysis of Higher Education Funding Policies in China and the UK from the Perspective of Education Finance

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Abstract:

China and the United Kingdom have numerous similarities when it comes to higher education funding policies, and both have gone through a process from “single” to “diverse”. The purpose of this paper is to make a comparative study of the higher education funding policies in China and the UK from the perspective of education finance, and to expose the similarities and differences through an in-depth analysis of the higher education funding objects, funding methods, funding subjects, and repayment methods in the two countries, and to find that there are problems in China’s higher education funding, such as the limited scope of funding, the lack of coordinated student financial aid institutions, the imprecision of funding, and the imperfect repayment system. Learn from the successful experience of the United Kingdom and propose to integrate into the construction of a subsidized education environment for China’s higher education funding; Improve targeted funding and people-oriented; Establish a complete repayment system and extend the repayment period to ensure that more students graduate smoothly and promote educational equity.

Keywords: Higher education; funding policies; comparative studies; China; United Kingdom

1. Introduction

Higher education occupies an indispensable position in the personal development and growth of individuals, the progress of society, and the development of the country. Its development is inseparable from adequate financial support and funding policies. According to the latest statistics, From 1998 to 2020, the number of higher education schools increased from

1,022 to 2,738. Meanwhile, the number of students enrolled increased from 3,543,500 to 32,852,900. With the continuous growth in the number of students enrolled in higher education institutions, so does the cost of higher education, and the income of the general population cannot keep up with the growth rate of tuition fees, which increases the burden on some difficult families. The journey of higher education funding in the United Kingdom and China

is similar, from free plus bursary to today's system of fees and multiple funding methods. China can benefit from the United Kingdom's experience in enhancing the scientific nature of its higher education funding policy [1].

2. Compare the Higher Education Funding Systems of China and the UK

2.1 Comparison of Chinese and British Funding Recipients

In United Kingdom universities, Student loans are categorized into two primary types: tuition fees loans and living expenses loans. The funding is open to all students. Tuition loans are not only limited to students with financial difficulties but also open to students who do not want to rely on their families and other subjective reasons and can be applied for by all students of higher education, including not only full-time university students but also working students and full-time students of private universities. Other financial assistance such as living loans, bursaries, and other financial aid can only be applied for by full-time students, and part-time students can apply if they have 25% of the total course volume.

China's higher education funding is mainly for full-time freshmen and current students of colleges and universities with Chinese nationality, The group comprises students from both private universities and independent colleges, encompassing junior college students (which also include higher vocational students), students pursuing their second bachelor's degree, and graduate students. It is limited to students whose family financial situation is difficult and who can not afford the cost of study, living, and other expenses during the school period.

Both countries have funding policies that aim to help students succeed in their education and promote educational equity, but there are differences in the focus of the two countries. In China, higher education funding is mainly aimed at students from economically disadvantaged families, and most of the funding programs are only eligible for students who have been identified as poor students, and their scope is relatively limited, covering only full-time students. In the United Kingdom, tertiary education funding is mainly aimed at all students in need. It is open to all students at the tertiary level, and then different amounts and funding methods are determined according to factors such as the family situation of each student [2].

2.2 Comparison of Chinese and British Funding Entities

Higher education student funding in the United Kingdom

is primarily handled by the Student Loan Corporation and is a not-for-profit government agency. It is responsible for issuing all types of student loans to eligible students, including tuition loans, living expenses loans, etc., to ensure that students have access to the necessary funds to pay for education-related expenses and to help students cope with the financial pressures they face while pursuing higher education or vocational training so that they can focus on their studies. For example, college students are provided with a certain amount of annual tuition loans to cover the cost of college tuition. After the student graduates, he is responsible for the recovery management of the loan. Establish a repayment plan and process, urge students to repay the loan by the prescribed method and time, and ensure the return of loan funds to maintain the sustainable operation of the loan business. It can determine a reasonable amount and duration of repayment based on the student's employment and income. At the same time, through effective management and risk control measures, the risk of loan default is reduced and the stability of the student loan system is maintained. This enables it to cover all aspects of student financial aid in a more comprehensive way in the funding process and has clear responsibilities and operational procedures from the issuance of funds to the subsequent management and recovery [3].

In China, the National Student Financial Aid Management Center for Higher Education is mainly responsible for participating in the formulation, publicity, supervision, and management of education policies at all stages of the country, focusing on the work at the policy level, planning and guiding the national student financial aid from a macro perspective, and ensuring the scientificity and rationality of the financial aid policy. At the stage of higher education, it will promote the implementation of policies such as national scholarships, national inspirational scholarships, national grants, and national student loans for undergraduate and graduate students to help college students and graduate students complete their studies. Formulate and promote the implementation of norms and standards for student financial assistance in the whole school period, ensure that the funding targets are accurate, the funding standards are accurate, and the distribution time is accurate, so that students who need help can receive financial assistance in time and in full [4].

The United Kingdom has a dedicated third-party agency for higher education funding, which can better target the issuance of student loans and bursaries, and can also supervise the recovery of student loans. From the issuance of funds to the subsequent management and recovery, there are clear responsibilities and operating processes, forming a relatively complete closed loop. In China, the National Student Financial Aid Management Center is mainly

responsible for policy formulation and macro guidance, financial institutions such as banks are mainly responsible for the disbursement of funds, and recovery management is also mainly undertaken by banks and schools. This may lead to a lack of cohesion between the disbursement and recovery of funds, a certain lag in information communication and coordination, and the absence of an agency that coordinates student financial aid [5].

2.3 Comparison of the Main Funding Methods in China and the UK

In the 60s of the 20th century, United Kingdom higher education was in the “elitist” stage, and the policy of “free plus bursaries” was implemented. With the increase in enrolment and financial difficulties for the government, the United Kingdom has implemented “paying for university” and “loan plus bursary”. In 1998, the United Kingdom government adopted the recommendations of the Dearing Report, With tuition fees being the responsibility of students to pay themselves, Students who come from financially disadvantaged backgrounds are now eligible to apply for loans, making it possible for them to pursue their educational goals. Marking the end of the era of “free plus break” funding. In 2004, the United Kingdom officially introduced a new student financial aid policy - “go to school first, pay later, differential fees”. The policy entails the provision of a loan to all full-time college students, specifically designed to cover tuition fees, additional charges, and living expenses. The repayment of this loan is structured proportionally, taking into account the graduate’s earnings after they complete their studies. In addition to the government-led changes in funding methods, universities, enterprises, and social organizations in the United Kingdom will also provide various forms of funding such as scholarships [6]. The following is a list of some of the ways to finance higher education in the United Kingdom: student loans, which are divided into tuition loans and living expenses loans, the former is mainly used for tuition fees, and the amount of the loan is determined by the tuition fee, depending on the student group and the school attended. The latter is mainly used to support the student’s living expenses, and the amount of the loan is determined by the student’s family income, place of residence, school location, etc., only full-time students are eligible to apply for a living expenses loan, and part-time students can also apply if they meet certain requirements. Bursaries are divided into living grants special grants and social work grants. The living allowance is mainly to subsidize the living expenses of students, the amount is determined according to the student’s family situation, the student does not need to repay, the student receives the living

allowance will reduce the amount of the living expenses loan accordingly, and the living allowance is only for full-time United Kingdom students. Special grants are available in exceptional circumstances, such as for students with disabilities, students who are single parents, children or adolescents under the age of 20 who are responsible for their education, etc. Social work bursaries are available to full-time and part-time undergraduate and postgraduate students based in England studying social work education. Bursaries are used to cover the costs of their studies and living and do not need to be repaid [7].

In the early days after the founding of the People’s Republic of China, the student financial assistance system of Chinese universities was a compound funding policy carried out simultaneously by multiple funding methods, the country was in urgent need of university talents, but the people lived in general poverty, so two notices were issued in 1952, which clarified the standards and evaluation procedures for the issuance of people’s grants, and formed the higher education funding policy of “free university” and “people’s grants”. After the reform and opening up, higher education developed rapidly, and the state was unable to continue to implement the policy of “free and people’s grants”. In 1985, the “Decision of the Central Committee of the Communist Party of China on the Reform of the Education System” clearly reformed the people’s scholarship system, with special policies for special groups such as normal students, and the student financial aid system developed into a dual system of grants and scholarships. Due to the shortcomings of the people’s scholarship system, in 1986 it was decided to implement a system combining the “people’s scholarship” and the “student loan”. Since then, the subsidy policy has been continuously improved. By 2024, at the stage of higher education, a government-led, school-wide, and socially active participation of the government will form a comprehensive funding system of “awards, loans, grants, subsidies, exemptions, and attendance”. Here is a list of some of how higher education can be funded in China: bursaries. It is open to full-time students with financial difficulties. It mainly solves the problem of students’ living expenses, and the amount is divided into three levels, colleges and universities will select applicants according to national regulations. Student loans. It is divided into student credit student loans and campus student loans. According to the most recent document, the annual loan ceiling for full-time undergraduate and junior college students has been revised upwards from a maximum of 8,000 yuan to a maximum of 12,000 yuan. Similarly, the annual loan limit for full-time graduate students has also been increased from a maximum of 12,000 yuan to a maximum of 16,000 yuan.

Table 1. A comparative analysis of the funding mechanisms for higher education between China and the United Kingdom.

	Main funding methods				Other funding methods
	Non-reimbursable funding		Reimbursable funding		
Student financial aid system for Chinese universities	Scholarship	National Scholarship	Student loan	State students loan	Work-study program
		National Encouragement Scholarship			Tuition fee waiver
		School Scholarships		Student loans	State funding for education for military service
		Social scholarships			Publicly funded education for normal students
	Grants	State grants			Other types of student loans
		School Bursary		Hardship allowance	
		All kinds of social grants		„Green Channel“ for New Students	
United Kingdom’s financial aid system for higher students	Main funding methods				Other funding methods
	Non-reimbursable funding		Reimbursable funding		
	Scholarship	Government Scholarships	Student loan	Tuition loans	Disabled Student Allowance
		Social scholarships			Dependents’ Benefits
	Grants	Living allowance		Loans for living expenses	Travel grants
		Special grants			Charity
		Social Work Bursary			

As shown in Table 1, The funding policies for higher education in China and the United Kingdom are varied, with student loans as the main funding method. Bursaries in the United Kingdom are divided into living grants, special grants, and social work bursaries. The amount of the living allowance is determined according to the student’s family situation, and the special allowance applies to special circumstances such as disability, single parents, etc., and the target groups of different subsidies are differentiated. China’s bursaries are mainly for full-time students from ordinary undergraduate families with financial difficulties, and the amount is divided into tiers and is selected by universities according to national regulations, and the classification is relatively less detailed than in the United Kingdom. Student loans in the United Kingdom are categorized into two distinct types: tuition loans and living expenses loans. The determination factors of the loan amount are more complex, such as the amount of living expenses loan is determined by the student’s family income, place of residence, school location, etc., and part-time students can also apply for living expenses loan if they meet certain conditions. China’s student loans are divided into student credit student loans and campus student loans, with clear and unified standards for loan amounts,

full-time undergraduate students and full-time graduate students have their quota ranges, and the amount will be adjusted according to policies, and their is still some room for improvement in flexibly considering regional differences and personal special circumstances [8].

2.4 Comparison of Repayment Methods in China and the UK

The United Kingdom’s student loan support system is perfect, and the repayment measures are effective and have a strong binding force. In 2004, the United Kingdom officially introduced a new student financial aid policy - “go to school first, pay later, differential fees”. The policy provides all full-time college students with subsidized loans for tuition and fees and living expenses that are repaid in proportion to their earnings after graduation. Students will not start to repay their loans until they graduate with an annual income of more than £15,000, and the government will no longer pursue debts that have not been paid within 25 years. In 2010, the Brownie Report stipulated that the tuition fee loan repayment threshold was raised from £15,000 to £21,000, and students who had not repaid their loans for 30 years would be waived and repaid by the government on their behalf. On April 6, 2018, the latest re-

payment document in the United Kingdom officially starts when the annual income of graduates reaches £25,000, and students repay according to the proportion of annual income exceeding the repayment threshold [9]. The United Kingdom tax authorities are also involved in loan recovery, with student loan companies informing United Kingdom Revenue and Customs and providing details such as the lender's name and National Insurance number. The tax department will verify that they are working, and if so, they will inform the lender that the employer has a loan, if the lender's salary is above the loan repayment threshold, their employer will collect the repayment and pass it on to the tax department. The tax department will send this information to the student loan company, which will then update the lender's account. Therefore, the graduates' workplaces, tax departments, and loan companies have formed a benign operating system [10].

In China, the main responsible institutions for student loan repayment usually vary depending on the type of loan, and in many areas, student credit student loans are undertaken by the China Development Bank. For example, in Gansu, Jiangxi, and other places, the student and his or her parents (or other legal guardians) are co-borrowers and apply to the county-level student financial aid center where the family is located, and the China Development Bank is responsible for the follow-up loan issuance, interest calculation, repayment, and other related business. In some areas, student credit student loans may be handled by other financial institutions such as local rural credit cooperatives. National student loans on campus are generally the responsibility of the school's student financial aid management center and the handling bank. For example, the campus loan of Shanghai Foreign Chinese University is a national student loan handled by the Shanghai Branch of the Bank of China, and the Student Financial Aid Management Center will organize the student to sign an agreement with the bank and other related matters, and the student will repay the loan according to the bank's requirements. According to the latest documents, graduates can choose the time to start repaying the principal within 5 years after graduation according to their actual situation; The repayment period is 15 years after graduation and the maximum repayment period is not more than 22 years; From January 1, 2020, the interest rate of newly signed student loans will be implemented at the loan prime rate (LPR) of the same grade for the same period minus 30 basis points. For graduates who are in arrears or overdue in repayment, their default will be entered into the basic personal credit information database, and they will even bear relevant legal liabilities [11].

Compared to China, the United Kingdom's repayment method is more humane. The United Kingdom fully

considers the difficulties and pressures that students may face after graduation and effectively stands from the perspective of students. Upon graduation, students shall commence repayment solely when their income attains a predefined threshold, with the repayment being structured in direct proportion to their income. This framework is devised to ensure that students are capable of managing the loan within their financial means, thereby preventing them from encountering additional financial hardships. In addition, the recovery of higher education student loans in the United Kingdom is the responsibility of the United Kingdom Revenue and Customs. There are two major advantages to recovering loans through the tax system: first, the tax system can include all graduates, so that all graduates' income and loan repayment information are in the same system, thus ensuring the integrity of the information, the smooth process of loan recovery, and the source of new loan funds. Second, the system has been nationwide and makes it easy and convenient to find graduates who work anywhere, which greatly reduces the operating costs of loan recovery. The recovery of student loans through the tax department can avoid the occurrence of students' dishonesty or concealment of income to a large extent, and facilitate the management and effective reuse of loans by the state [12].

3. Enlightenment on the Higher Education Funding System for University Students in China and the UK

The scientificity and rationality of the higher education funding system are very important for the cultivation of national talent. The continuous enhancement of the higher education funding system is aimed at offering strong support for the growth and development of college students and the cultivation of national talents. Through the comparative analysis of the higher education funding systems of China and the UK, China can draw useful experience from them and provide ideas and directions for improving the higher education funding system.

3.1 Improve Precise Funding and Put People First

At present, China's higher education funding policy is not detailed and specific in terms of various regulations, and some policies have the problem of "one size fits all". Significant differences exist in the development of different regions in China. There are great differences in people's living standards in different regions, so it is unreasonable to let students with different living conditions follow a unified standard of funding policies. In contrast,

in the United Kingdom, the amount and type of student loans and bursaries are determined based on factors such as the student's tuition fee, family income status, family and school location, etc. Based on the actual situation of students, China should adhere to the principles of "people-oriented" and "seeking truth from facts", formulate more specific financial aid policies for higher education students, and implement targeted funding. On the one side, It can ensure that the financial aid funds allocated by the state and society for college students are utilized rationally, thereby maximizing their benefits and ensuring that they are fully leveraged; On the other side, it can also meet the needs of different types of students.

3.2 Establish a Complete Repayment System and Differentiated Repayment

According to the latest Chinese documents, graduates can choose the time to start repaying the principal within 5 years after graduation according to their actual situation. If a student fails to repay the loan by the deadline for repayment, the relevant situation will be counted on the personal credit report and will be classified as dishonest behavior. It is a huge pressure for college students who have just stepped into society. Therefore, this paper suggests that differentiated repayment starting points and ratios should be formulated according to the level of economic development and the income of graduates in different regions. For example, in economically developed areas, the repayment threshold can be appropriately raised, In economically less developed areas, the repayment threshold can be lowered to better meet the actual needs of students in different regions. They may be required to repay the loan when their income reaches a certain amount. The amount of the repayment will be determined according to the proportion of their annual income. When the repayer encounters special reasons or accidents, etc., he or she can explain to the relevant institutions and apply for a suspension of repayment. This can reduce the burden on repayers to a certain extent and promote a virtuous cycle of China's economic development.

4. Conclusion

Higher education funding policies are of great importance to individuals, societies, and countries. By comparing the higher education funding systems of China and the UK, it can be seen that there are differences between the two countries in terms of funding objects, funding subjects, main funding methods, and repayment methods. The

United Kingdom's experience provides many lessons for China, such as improving targeted funding, establishing a complete repayment system, and implementing differentiated repayment. China should take into account its actual situation learn from the successful experience of the United Kingdom, and continuously optimize higher education funding policies to better meet the needs of students, promote educational equity, and promote the sustainable development of national higher education.

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