

Differences in student loan policies between China and Japan: a case study of China's national student loans and Japan's JASSO student loans

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Abstract: This paper conducts a comparative study of China's national student loan policy and Japan's student loan policy administered by the Japan Student Services Organization (JASSO). The research reveals distinct characteristics in both systems: China's policy features strong government leadership coupled with commercial bank participation, achieving broad coverage of economically disadvantaged students but encountering challenges such as insufficient loan amounts and significant default risks. In contrast, Japan's JASSO system employs diversified funding sources and a refined tiered assistance approach, complemented by an income-contingent repayment mechanism that ensures high recovery rates. However, it struggles with substantial debt burdens stemming from Japan's higher education costs and uneven distribution of educational resources. Through analyzing these policy differences, the study investigates the underlying socioeconomic factors and institutional designs that shape each system, particularly focusing on how societal needs, economic conditions, and fiscal policies interact to influence student loan mechanisms. Based on this comparative analysis, the paper proposes targeted recommendations for enhancing the effectiveness and sustainability of student loan systems in both countries, with special attention to balancing accessibility, affordability, and repayment feasibility in different national contexts.

Keywords: student loan policy, China-Japan comparison, repayment mechanism, education finance

1. Introduction

With the acceleration of globalization, higher education, as a core component for a country's talent reserve and enhancement of innovation capabilities, the funding policies of higher education have a profound impact on educational equity, social mobility, and economic development. China and Japan belong to the same East Asian cultural circle, and both have a tradition of valuing education. However, there are significant differences in the policy orientation, social and economic background, and repayment mechanisms of their higher education student loan systems. Since 1999, when China implemented the national student loan policy, relevant government departments have been constantly exploring and improving it in an attempt to achieve the goal of poverty alleviation from the aspect of intelligence support. Japan established the Japan Scholarship Foundation, which was responsible for managing national student loans, in 1943 and renamed it the Japan Student Support Agency in 2004. Its student loan system has a history of over seventy years of development. Both in terms of the promotion of higher education and the funding of higher education, it has developed very well. However, with the increasing fiscal pressure against the backdrop of an increasingly severe low birth rate, the controversy over the efficiency of funding and educational equity has become prominent. This article will compare the national student loan policy of China and the student loan policy of the Japan Student Support Organization (JASSO), study the differences and causes of these two student loan systems, and provide ideas for policy optimization.

2. Literature review

China's national student loan system began in 1999 and has undergone an evolution from public education funding, coexistence of scholarships and grants, interest-free loans, diversified funding system [1]. After 2004, through reforms such as establishing a risk compensation mechanism and extending repayment periods, the coverage and funding intensity significantly increased, but there were still issues such as an imbalance in funds supply and demand and low recovery rates. Japan's student loan system

originated in 1943 as the Japan Scholarship Foundation, and was reorganized in 2004 as the Japan Student Services Organization [2]. Its development process can be divided into three stages: initially relying on social donations, in the mid-stage mainly relying on fiscal allocations, and in the later stage achieving diversified sources of funds through budgetary financing and bond issuance. There are many differences in the institutional design between the two countries, such as differences in funding sources and management institutions, loan types and conditions, and recovery mechanisms [1,3]. Japan's 2020 enrollment rate for low-income family students increased by 7-11%, the supply of science and engineering talents in private universities increased, and the channels for social class mobility were broadened, but its policy of non-reimbursability increased the fiscal burden and may weaken university autonomy [4].

Most existing studies focus on the research of single country policy systems, and have abundant achievements in describing the results of each country's student loan policies. However, there are few comprehensive comparative studies between the two countries, and most start from simply listing policy contents, with few studies starting from comparing the differences in the same type of policies. This study aims to compare the differences in current student loan policies between China and Japan from multiple dimensions, explore the differences in student loan funding policies between the two countries that are both in the East Asian cultural circle and their causes, and propose improvement suggestions.

3. Differences and causes of student loan policies in China and Japan

3.1. Institutional goals and coverage scope

Based on the respective political and economic systems of the two countries, the Chinese government plays a dominant role in the national social life and is influenced by the socialist concept of universal welfare. Under the eradication of extreme poverty strategy, education is regarded as a public good, and educational equity is included in the national governance goals. The degree of government intervention in education is relatively deep. The national student loan in China is part of the higher education funding system, including national awards, assistance, loans, diligence, exemption, and subsidy [5]. Due to the relatively low tuition fees in Chinese public universities, compared to providing student loans, the government prefers to directly issue scholarships and grants. Student loans are more often used to supplement students' living expenses and for a few high-tuition professional programs. Moreover, the national student loan in China is mainly oriented towards public welfare, with government financial support as the guarantee, aiming to increase the enrollment rate of impoverished students. The relevant loans covered pre-university students, undergraduate and graduate students, and all types of schools recognized by the Ministry of Education.

The Japanese government is influenced by neoliberalism and has limited intervention in the national social life. It adopts market-oriented resource allocation and advocates reducing public expenditure. Based on such a political and economic system, the design of student loans in Japan emphasizes individual responsibility, with the core concept being who benefits, who is responsible. The JASSO student loan in Japan aims to solve the contradiction between the high tuition fees of universities and the decline in family income under the current economic downturn. At the same time, influenced by the self-reliance culture in Japanese society, student loans are regarded as personal responsibility. Parents are less likely to take on debts for their children's education. As shown in the application conditions of the Japan JASSO student loan (Table 1), the requirements for interest loans are more lenient than those for non-interest loans regarding family conditions. According to the Survey on the Actual Situation of Scholarship Programs in the First Year of Reiwa by the Japan Student Services Organization, 41.5% of schools place greater emphasis on the academic ability and character of the applicants [6]. Overall, the Japan JASSO student loan places greater emphasis on students' academic ability and their willingness to study compared to the national student loan in China, which is not limited to assisting impoverished students. The coverage of student loans is wider.

Table 1. Application requirements for Japan JASSO student loan [6]

Undergraduate students		Graduate students / Doctoral students	
Interest-free scholarship	Interest-bearing scholarship	Interest-free scholarship	Interest-bearing scholarship
Academic standard	High school grades above 3.5 (1-year program); grades in the top 1/3 of the department for students of the same grade level (2-year program and above)	Graduate course grades are exceptionally excellent, suitable for becoming researchers or professionals with high levels of specialization in the future.	Graduate courses meet any of the following conditions: excellent grades, suitability as researchers in the future, and a willingness to learn with the potential to complete the course/ Those with excellent grades, a willingness to learn, and the potential to complete the course are eligible for doctoral courses
	Meet any of the following conditions: above average grades /excellent performance in a specific field, / Have a desire to learn.	Doctoral course grades are exceptionally excellent, suitable for becoming researchers.	Doctoral courses meet any of the following conditions: Excellent academic performance/a willingness to pursue a career as a researcher in the future/demonstrated potential to complete the program successfully.
Family standard	Based on family composition, for private school day students and salaried workers, the upper limit of income for a four-person family is approximately 8 million yen per year.	Based on the annual income of oneself (including spouse), the cost of a graduate program is approximately 2.9 million yen, and that of a doctoral program is approximately 3.4 million yen.	Based on the annual income of oneself (including spouse), the cost of a graduate program is approximately 5.3 million yen, and that of a doctoral program is approximately 7.1 million yen.

3.2. Funding sources and operating model

The Chinese student assistance agency is the national funding management center, which is under the Ministry of Education and is directly managed by the government. The funds for national student loans mainly come from national fiscal revenue, with banks, educational administrative departments, and universities jointly bearing the burden. In 2023, the China Development Bank issued 59.9 billion yuan in national student loans, accounting for over 85% of the total national issuance, supporting 5.63 million students. It has truly played the role of the main undertaking bank in the higher education assistance cause. However, the essence of national student loans is an administrative directive plus a fiscal guarantee, lacking market-oriented impetus.

In Japan's higher education, private universities are dominant. The tuition fees are high, and the government is unable to fully cover them. Moreover, in recent years, affected by the aging society and the phenomenon of low birth rates, Japan's social security expenditures and fiscal revenues have increased. The Japanese student support agency is operated by an independent administrative corporation, which is essentially a public welfare enterprise-run non-governmental organization led by the government. The government's influence on it is relatively weaker compared to China, but correspondingly, its funding sources are also more abundant. In addition to national fiscal grants, the government can issue bonds through JASSO to form a loan-recycling-reinvestment cycle, reducing reliance on public finance and maintaining the sustainability of the student loan program.

3.3. Repayment mechanism and default handling

Based on China's formal employment-oriented labor market, people are more inclined to repay debts in a fixed installment manner, such as equal principal or equal interest. If a student fails to repay the loan within the agreed repayment period to the bank, the bank can charge penalty interest on the defaulted amount. In severe cases, it can affect the borrower's ability to apply for other personal credit from financial institutions and also impose legal liability.

According to the Summary of the Employment Trend Survey Results in the Fifth Reiwa Era published on the website of the Ministry of Health, Labour and Welfare of Japan, in 2023, the number of non-formal employment employees in Japan was 4,003,900, with an employment rate of 27.5% and a turnover rate of 23.8%, both higher than those of formal employees [7]. The non-formal employment labor market is active. Based on this, the Japan JASSO student loan implements a repayment system based on income proportion. The loan repayment is linked to income. If the income level does not meet the repayment standard,

the borrower can indefinitely avoid fulfilling the repayment obligation. If the debtor is in a low-income or no-income state due to unexpected events or other circumstances, they can apply for loan extension repayment; for those debtors whose economic situation cannot be improved due to objective reasons (such as sudden severe disability, illness, or prolonged unemployment, economic downturn), the repayment can be made according to a certain income proportion. At the same time, Japan severely punishes loan defaulters. Personal credit records are linked to renting and job hunting, and professional debt collection companies are combined to have a strong deterrent effect on loan default phenomena.

4. Development limitations

4.1. China

4.1.1. Limited loan application amount

Starting from the autumn semester of 2024, the loan application amount for full-time ordinary undergraduate and junior college students (including second bachelor's degree students, vocational college students, and preparatory students) is no more than 20,000 yuan per person per year. The loan application amount for full-time graduate students is no more than 25,000 yuan per person per year. The national student loan applied for by students should be primarily used to cover tuition and accommodation fees during their studies, and the excess portion can be used for daily expenses. According to the data from the 2024 White Paper on Consumer Insights of Chinese College Students, among the 3,238 students surveyed, those living in first-tier cities, new first-tier cities, and second-tier cities accounted for a total of 68.1%, and the proportion of students with monthly living expenses ranging from 1,000 to 3,000 yuan was 77.4% [8]. Some students need to combine part-time jobs, school-based part-time jobs, and other means to cover their living expenses. Such part-time activities will occupy study time, resulting in a decrease in students' academic quality and a reduction in the time spent on research.

4.1.2. Existence of loan default risk

Although the income from formal employment is more stable, the income of fresh graduates is limited. The fixed installment model does not correlate with the income of graduates. Low-income graduates are prone to default. According to the notice released by the Student Financial Assistance Network of Gansu Province in February 2023 regarding the special rectification work for overdue principal and interest recovery of student source-based credit student loans in Gansu Province, the self-payment overdue principal and interest recovery rate of student source-based student loans in Gansu Province at the end of 2022 was 86%. The total overdue principal and interest amount of student loans in the province was 14.9829 million yuan, involving a total of 4,288 people with overdue repayments. Defaulting will be reported to the credit system to form a bad credit record, which hurts the personal credit rating of graduates.

4.2. Japan

4.2.1. High debt pressure

As mentioned above, university tuition fees in Japan are relatively high. The cost of higher education is mostly borne by families, and the differences in tuition fees are also significant. The specific fees vary depending on the selected school and major. For example, medical and dental students at private universities have to pay 5 million yen in tuition fees for the first year, which is approximately 250,000 RMB. This burden is quite heavy for students. To cover tuition and living expenses, students not only work part-time but also take on a considerable amount of student loans. Moreover, the application conditions for interest-free loans are strict, and the long-term debt burden after graduation is significant. Long-term debt can also cause young people to postpone marriage and childbearing, exacerbating the problem of low birth rates in Japan. Japanese writer Nakamura Jun'ichiro mentioned that after high school, young people have learned about the risks of student loans and, to avoid them or minimize the loan amount, they engage in improper jobs. The student loan program was originally intended to help students with excellent grades, strong academic aspirations, but poor family conditions, to enjoy education. However, it has had the opposite effect. Young people who take on debts too early may not have a correct understanding of borrowing, and the supporting educational measures of the student loan policy are not yet complete. These issues still need to be addressed urgently.

4.2.2. Fairness in access to student loans

The capacity of Japanese national universities is relatively close to each other and is not significantly affected by the local social and economic conditions. However, compared to national universities, the capacity of private universities in different regions varies greatly, being influenced by various local social and economic factors such as personal income, urbanization level, and

occupational structure [9]. Moreover, the cost of living in major cities in Japan is relatively high, putting more pressure on low-income family students. As a result, it is more difficult for them to access high-quality educational resources, putting them at a disadvantage when applying for interest-free loans.

5. Suggestions

5.1. Establishing a tiered loan model

When building and improving their student loan policies, countries can categorize loan types based on a comprehensive assessment of family income and academic performance. For example, they can combine interest-free basic loans with low-interest supplementary loans, and adjust the loan amount dynamically according to regional consumption levels and school tuition fees, promoting the precise allocation of educational resources and balancing the efficiency and fairness of higher education.

5.2. Introducing an income-related repayment mechanism

To alleviate the repayment pressure on graduates, in addition to fiscal interest subsidies for loan repayment, countries can also link loan repayment to graduates' income and set a minimum income threshold. For example, if a borrower's income is below 2,000 yuan for three consecutive months, they can temporarily not repay the loan, ensuring the basic living needs of graduates are met first.

5.3. Expanding social funding channels

Based on the experience of China and Japan in student loan policies, on the one hand, education is a major national issue. In the operation of student loan policies, the government should serve as the main pillar to provide support [10]. On the other hand, social funds should also be allowed to participate through various channels to share the fiscal pressure. For example, enterprises setting up student aid funds can enjoy tax deductions and establish a visualized public welfare platform to link with social crowdfunding.

6. Conclusion

This paper compares the differences and causes of student loan policies in China and Japan, and points out the existing deficiencies in both countries' student loan policies. For instance, although China has achieved an increase in the enrollment rate of the poor population with the government's financial support, the loan amount is still relatively low, and the risk of overdue repayments cannot be ignored. Meanwhile, Japan, due to its more developed higher education system, has more mature loan-related systems and policies. However, it still faces high educational costs, leading to significant debt pressure and issues regarding the fairness of obtaining student loans that need to be addressed. Based on the advantages and disadvantages of student loan policies in both countries, this paper proposes comprehensive improvement suggestions. When other countries draw on the experiences of others, they should take into account the local actual conditions as a prerequisite and continuously improve their student loan policies to make student loans an important engine for promoting educational equity, stimulating human capital, and social mobility.

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