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Abstract

This paper examines the feasibility of an income-contingent loan system to finance tertiary education in Indonesia. Using graduates' income data from the 2015 National Labor Force Survey, we modeled the life-cycle income distribution of university graduates using unconditional quantile regression. We used these estimates to simulate different income-contingent loan (ICL) schemes to observe the effect on the amount of repayment, length of repayment, government subsidy, and repayment burden of males and females in different quantiles of income. We simulated three loan schemes: without real interest, with a 25% surcharge on the total loan, and with 2% real interest. Implicit government subsidy was lowest with the 25% surcharge scheme. Results showed that ICL with a lower repayment burden is feasible in Indonesia and can increase access to tertiary education. We also discussed the administrative capacity among tax authorities. (HRK / Abstract übernommen)