

MINISTRY PAPER 72/08

**STUDENTS' LOAN BUREAU  
ANNUAL REPORT  
FOR THE YEAR ENDED MARCH 31, 2007**

**INTRODUCTION**

1. The matter for tabling in the Houses of Parliament is the Annual Report for the Students' Loan Bureau (SLB) for the year ended March 31, 2007.
2. The SLB began operations in 1970. However, in 1971 it was incorporated as a statutory body under the Students' Loan Fund Act to administer the Students' Loan Fund. The Bureau is committed to its goal of nation building and continues to be the beacon of hope that shines in the lives of many Jamaicans. The SLB's main function is to disburse loans covering up to 100% of tuition fees to Jamaican nationals to facilitate and enable their socio-economic mobility through tertiary education and training. This provides for an educated workforce and contributes to Jamaica's human capital formation.

**OPERATIONAL REVIEW**

3. At March 2007, the Bureau completed its twelfth year of lending under the World Bank Programme in which an injection of US\$28 million was made in 1996. Over the period, the interest rate fell significantly from 18% (1996-2002) to 12% (2006 to present). The SLB has also increased steadily the grants-in-aid to needy students from \$31.68 million in 1996 accumulating to \$795.59 million in 2007.
4. The Bureau achieved a significant milestone by disbursing approximately \$1,000 million in loans and grants to needy student for year ended March 31, 2007. This was an exceptionally good performance compared to previous years as it indicated that the SLB had succeeded in expanding its reach among its constituents.
5. The Bureau assists students from a variety of tertiary level institutions including universities, teachers colleges, community colleges and vocational institutions. The University of the West Indies consistently accounted for the largest portion and the trend was maintained at the end of 2006/07. The University of Technology, Jamaica (UTECH) ranked second, followed by Northern Caribbean University (NCU). The teacher's and community colleges were in fourth and fifth positions respectively.
6. During the review period, the Bureau successfully introduced state-of-the-art online web-enabled loan application system to receive the majority of loan applications and reduced the last minute rush on its services. The SLB noted that its achievements were based largely on prudent fund management, reduced delinquency level and improved operating efficiency. However, a major challenge for the Bureau was its on-going pursuit of delinquent borrowers. This was addressed through rigorous collection methods with the aid of an active call centre, "faces of delinquency" publication and third party collection agents.

**DISCLOSURES**

**Auditors' Report**

7. The independent audit performed by KPMG, Chartered Accountants for the period to March 31, 2007 resulted in the SLB receiving an unqualified report. The examination was conducted in accordance



with the International Standards on Auditing and the financial statements complied with the provisions of the Companies Act of Jamaica. The Report stated that proper accounting records were kept and noted that the financial statements prepared from the records were in agreement therewith and give a true and fair view of the state of affairs of the Bureau.

### Compensation Packages for Senior Executives

8. Pursuant to the Second Schedule Part (1) of the Public Bodies Management and Accountability Act, (2001) a summary of the compensation packages of senior executives is attached to the Annual Report. Emoluments for the nine (9) senior executives ranged from \$0.54 million to \$8.09 million in 2006/07. Two (2) positions remained vacant while the salaries for two (2) managerial positions were under \$1 million as the vacancies were filled during the year.

## FINANCIAL OVERVIEW

### Income and Expenditure Statements

**Table 1 Students' Revolving Loan Scheme (Old) and World Bank Project**

PARTICULARS	2006/07 World Bank	2006/07 Revolving Loan (old)	Total 2006/07 1	2005/06 World Bank	2005/06 Revolving Loan (old)	Total 2005/06 2	Variance (1&2)	
							\$	%
Income	658.73	62.22	720.95	641.43	77.32	718.75	2.20	3.0
Expenses	170.34	-	170.34	412.55	-	412.55	242.21	42.0
<b>Net Surplus</b>	<b>488.39</b>	<b>62.22</b>	<b>550.61</b>	<b>228.88</b>	<b>77.32</b>	<b>306.20</b>	<b>244.41</b>	<b>79.8</b>

### Profitability

9. From the World Bank Project and the Revolving Loan Scheme, the SLB recorded a net surplus of \$550.61 million at March 31, 2007. This was \$244.41 million or 79.8% above the \$306.20 million recorded in the prior year and resulted primarily from interest on student advances and investments and a reduction in administrative costs.

### Students' Revolving Loan Scheme (Old Scheme)

10. Under the Old Scheme, the operating results for 2006/07 yielded a net surplus of \$62.22 million, a reduction of \$15.1 million below the \$77.32 million for 2005/06. This was due to consistent reductions in the income sources specifically, interest on short-term investments and bad debts. The SLB has discontinued lending under this Scheme and is only collecting repayments on the old loans. No expense was allocated to the Scheme during the financial year.

### World Bank Programme

11. At March 31, 2007 the World Bank Programme which is the primary Scheme being operated by the SLB realised a surplus of \$488.40 million, an increase of \$259.52 million or 13.3% when compared to \$228.88 million earned in 2005/06. This resulted from significant reductions in total expenses to \$242.21 million or 42%, which were primarily bad debts. However, total income of \$658.73 million compared favourably to the \$641.43 million earned in 2005/06.

## Balance Sheet Highlights

### Liquidity and Solvency

12. SLB's operations remained viable as total assets increased to \$6,467.41 million, an increase of \$1,422.11 million or 28.18% over the \$5,045.30 million recorded in the prior period. The main contributors to the asset growth were advances and accrued interest, short-term investments and insurance fund investments. The SLB's liabilities totalled \$1,540.25 million at March 31, 2007 while net assets increased by \$0.314 million to \$4,927 million and indicated that the SLB's obligations could be adequately covered if the need arose.

### CONCLUSION

13. The ongoing challenges of increased tuition fees and numbers of applications as well as greater demand for assistance with living expenses (Grant-in-Aid) has not hindered the Bureau from implementing products and services which impact positively on the education of tertiary students. The SLB also streamlined and upgraded the application process and improved the delivery of services to its clients. Repayments are the chief source of funding and the SLB remains focused on reducing delinquency, the greatest threat to the sustainability of the revolving loan fund.



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