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Loan and Grant Support for Students in the Context of the Diversification of Funding Sources for Higher Education

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Abstract. This paper considers the mechanism of direct state support for students in European countries using loans and grants: their functions, forms, schemes, and conditions for provision. The peculiarities of the state preferential educational loan in Ukraine and the reasons for its curtailment since 2011 are determined. Nowadays, it is established that the main form of state support for Ukrainian students who receive higher education in public procurement comes with academic and social scholarships, whereas students who receive higher education under a contract of preferential state lending yet after the curtailment of the program are deprived of any state support. The necessity of restoring the program of preferential state lending for students and the directions of its improvement, such as the establishment of an interest rate on a loan based on the level of inflation, the establishment of a minimum amount of annual payments on a loan as a percentage of the minimum salary, the distribution of the risk of non-repayment of a loan between the state, the borrower and his parent, are all substantiated. This is done taking into account the financial capabilities of the Ukrainian state and the high levels of hidden income. We consider the establishment of conditions needed for the development of a system of commercial educational loans, by providing for the provision of a state guarantee on it and partial state subsidy of interest rates. We consider the areas of improvement of scholarship support of students and substantiate the necessity of introducing education at least for orphans, children deprived of parental care, and disabled children.
Keywords: classical or mortgage loan, income-driven loan, merit-based grants, need-based grants, scholarships.

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1. Introduction

Financial support for higher education cannot be limited to budget financing within the framework of a state-defined order. In the conditions of a budget deficit, it is expedient to diversify the sources of funding while tackling the problem of increasing the accessibility of higher education to households across different sectors of the population.

The need to diversify the sources of funding for higher education in Europe and the world can be explained with the following reasons: (1) the cost of higher education transforms it into one of the largest articles of consolidated budget expenditures in many countries, and as a result of accumulated issues in the field of public finances, countries are prompted to save budget funds and cut education funding; (2) social inequality is being maintained in spite of the increase in public funding for higher education (Guille 2002); (3) certain advantages of private education over state education.

The main advantages of the private financing of higher education in comparison with state funding are described in contemporary economic literature. First, it is a more cost-effective investment decision. Second, private investment in education increases the interest of students in obtaining quality educational services, creating preconditions for complementing state control over the quality of education and the efficiency of using resources under the control of the consumer. Third, the combination of public and private investment in higher education creates a competitive environment for the activities of educational institutions, which prompts changes in the educational process and promotes the quality of education (Масгрейв, Масгрейв 2009), while “the high level of state regulation of economic relations in education leads to irrational, in terms of society, decisions, strengthening the role of bureaucracy and ineffective spending resources” (Бьюкенен 1994).

The main disadvantage of private investment in higher education is the dependence on the financial capacity of households to pay for studies at universities, which affects the availability of higher education for low-income citizens. This reliance can be reduced using a developed system of state financial support for students, the main instruments of which are study loans, grants, and scholarships.

2. Review of Theory and Literature

Without a doubt, the most attractive for students and onerous for the state are grants and scholarships that are provided directly to students and not requiring a return. Nevertheless, educational loans come directly to universities, and require state subsidies (private loans) in varying degrees or are provided entirely at public expense (state educational loans) due to the obligation to be repayed by the borrower, which is less onerous for the state. Issues of direct state support for students using loans and grants are widely covered in the publications by M. Guille (2002), D. B. Johnstone (2007; 2013; 2015), A. Ziderman (2002), S. Harmon and I. Walker (2001), O. Yu. Yerforth and I. Yu. Erforth (2008) and others.

The purpose of this paper is to analyze the mechanisms of providing state support to students with the use of loans and grants in European countries and the possibility of using the experience of other states in Ukraine. The research, in this context, is aimed at achieving several goals. First, we aim to distinguish the features of providing various types of educational loans and grants, select, from the existing arsenal of state support, the instruments that are most effective and most acceptable for Ukraine due to its budgetary restrictions, historical experience, the standard of living of citizens, and the diversification of state support instruments for the country's students, while considering state-commissioned education (which is available only to the most gifted and trained children) and considering that the instruments aimed at fulfilling the social function have not yet been sufficiently developed. Furthermore, we aim to evaluate the improvement of the competitiveness of Ukrainian universities in the struggle for students who, in the circumstances of high international mobility, choose to study in countries where higher education is not only better but also cheaper or more possible through a grant.

3. Results of the Research

In global practice, a loan for higher education is provided in various forms and according to different schemes. However, due to its economic nature, lending to higher education has the features of a consumer loan with its targeted use and is characterized by the following peculiarities: it is provided at lower interest rates than other consumer loans, maintains a longer maturity, is distinguished by the possibility of using a preferential (interest-free) crediting period or paying only interest over a certain period (usually at the time of training), and it generally is provided by the state, which either itself carries out the role of the lender or is the guarantor of the financial transactions to the banks.

Foreign analysts note that state credit education is more widespread than its lending to commercial banks (Джонстоун 2013) due to the high risk of their non-returns, especially in view of the deferment of loan repayment before graduation and entering employment. When university graduates change their places of residence, it prompts banks to set high interest rates on such loans, which makes them unacceptable for borrowers. The situation can be changed by the inclusion of the state in the process of providing educational loans to commercial banks, where the state, as a participant of this process, can perform such functions. First, it assumes the risks associated with the possibility of non-repayment of the amount of debt. The state must become the guarantor of debt return in order for private banks to agree to give such loans. At the same time of providing a guarantee, the state, as the main guarantor, can assume the full risk of student loans or share it with the parents of the student, who may be co-sponsors and who can bear a portion of the risk. Second, the state can grant students' subsidies and may, for instance, take on the duty to cover a part of the debt in one form or another. Third, public participation helps to reduce transaction costs (Прахов, Савицкая 2008) as well as costs associated with the repayment of credit, in particular by obliging employers to contribute, in favor of the creditors, from the salaries of young employees who have not paid off their loans.

There are two main forms of student loans: the first is the mortgage-type loan, commonly known as a conventional loan and income contingent loan (that is, payments that are dependent on future borrower revenues). This type of loan involves the conclusion of a loan agreement, which sets the annual payment burden, or the percentage of future income that the borrower is required to pay, either until the loan is repaid at a contractual interest rate, until the borrower reimburses the maximum amount established by the law, or until the maximum number of years for payments has expired. The established burden of payments can be fixed at any level of income (fixed-line loans), fixed as progressive for income exceeding a certain threshold (progressive payments loans), and/or growing with higher income (loans with increasing payments) (Джонстоун 2013).

Loans caused by income are subsidized by the state. Loan subsidies can be provided in various forms – for example, by setting interest rates below the market level. Another form of subsidization for some student lending programs involves forgiving a part of the debt to low-income borrowers who have reached a certain age or are approaching the maximum payout period. In particular, the United States' loan system is designed as to forget a part of an unpaid student loan payment for those years when the borrower taught in schools in poorer city areas. The South African Student Financing Program forgives a part of the debt depending on the successful and timely completion of the program (Джонстоун 2013).

Income-based loans can provide a subsidy for all borrowers, or their size may be differentiated for borrowers with different income levels. For instance, for students who can repay a loan, the interest rate can be set at a level close to the market, while low-income students receive more government support.

Western scholars consider the tax of a graduate specialist to be one of the options for a loan-driven income. This is an additional tax that the student assumes responsibility to pay after graduation by returning to the state a subsidy which he received either in the form of a low pay, an absence of a tuition fee, or in the form of an additional student grant to cover the cost of living.

The student lending program can combine the features of loans with a fixed maturity curriculum after graduation with a payment obligation, the size of which depends on the level of the graduate's income. These are the so-called *hybrid loan plans*. They are characterized by the fact that the repayment of a loan with a fixed payment plan is discontinued if the monthly or annual payments exceed a certain maximum percentage of the monthly or annual earnings of the graduate. In this period, payments corresponding to the level of income may be made. The payment of a loan, unpaid according to a fixed calendar, is postponed until the borrower's income increases, which, in turn, allows them to continue to pay the debt within the maximum share of income.

The advantage of such hybrid loan plans, according to D. B. Johnstone, is that most borrowers, facing the problem of unemployment or the loss of high-paying jobs, will return the debt under an administratively simplified fixed-income scheme that does not require the verification of income information. The creditor can count on the stream of payments that can be collected when salaries are payed out by the employer if such a possibility is provided in the legislation (Джонстоун 2013).

Educational loan programs have their own national specifics across different countries. First of all, we note that educational loans are not available in some EU countries, namely Austria, the Czech Republic, Ireland, Spain, Croatia, Malta, Romania, and Slovenia. On the other hand, they have received the greatest development in Great Britain, Norway, Sweden, Denmark, Finland, the Netherlands, and Germany. Particularly in the United Kingdom, such loans were used by 92%, in Norway – 68%, and in Sweden and Finland – by more than 50% of students from the 6–8 levels of ISCED. These countries provide students with the highest level of state support. Less developed are student loans in countries located in Southern Europe. One of the reasons for this difference is in the differences in living conditions and the social role of students: students who live independently and who are considered young people investing in their future need state support, which is provided to them in the form of educational loans for living. Students living with parents and treated as children in the family system generally do not receive any state support for higher education, or its value depends on the income of their parents. Additional state support may also be provided to students who have children.

The share of borrowers in one or another country also depends on whether the right to obtain a loan is universal or whether it is somewhat limited. Such restrictions may include: the age of the borrower, their citizenship, financial and family status, form of education, academic performance, etc. For example, in France, the age of the borrower must not exceed 28 years, while in Bulgaria – 35, in Greece – 45, in the Netherlands – 55 years. In Lithuania, Poland, Slovakia, Sweden, and Norway, the intensity of education is not a relevant criterion for obtaining a loan, while in other countries, loans are available only to full-time students or to students with a defined course of study. In particular, part-time students in most countries can not receive direct state support. Direct support is usually available to short cycle students and masters of full-time education. In some countries, the right to receive a state educational loan or a state loan guarantee depends on the amount of family income.

The access to loans, and therefore the number of students who use them in one or another country, also depends on the terms of their repayment. Most countries require that students begin to repay loans from one to two years after graduation. Among the exceptions are Serbia (payments start immediately after graduation), Hungary (four months after graduation), Sweden (six months after graduation), Norway (seven months after graduation), and Germany (four years after graduation). In the United Kingdom (England, Wales, and Northern Ireland), a loan repayment begins when the graduate receives a job the salary of which is sufficient to start paying out a loan (higher than the “loan repayment threshold”). Regarding the maturity period, it may be related to the legal duration of the curriculum – for instance, twice as long as the program (Estonia and Finland) or equal to the duration of the program (Portugal and Turkey). As an alternative, it can be related to the maximum age (40 years in Hungary, 60 years in Sweden) or set in years (from 10 years in Bulgaria and Luxembourg to 35 years in the Netherlands).

According to the analysis, in countries where a model of mainly private or multi-channel funding for higher education involving student funds (USA, Australia, Japan, United Kingdom, Norway, Sweden) is used, lending programs can be massive and effective. They can be quite in demand in countries with free higher education for students (Germany), under attractive conditions of their provision. In other European countries (France, Italy), these did not find wide application. Among the post-socialist countries of the EU, where educational loans are provided and for which there is information that they were quite popular in 2004–2005, are Estonia, Hungary, and Slovakia. However, in 2014–15, the number of students benefiting from loans has decreased significantly (by 52% in Slovakia and 81% in Estonia). In Poland, the number of students who received loans has decreased from 100 000 in 1998–99 to 3700 in 2017–18, or by 96% (Wolniewicz-Slomka 2017).

In all countries, state-supported educational lending programs are cost-efficient for the state through subsidies but are characterized by significant amounts of debt and the non-repayment rates of loans, which is a problem in all countries where loans are provided. For example, in the United States, according to projections, 38% of students who have completed educational loans in the 2003–04 academic year will be ineligible to pay for them in 2023. The highest debt is among those who borrow relatively small amounts. In particular, the debt reaches 37% among borrowers of up to 6125 dollars, and 24% among borrowers of up to 24 thousand dollars (Scott-Clayton 2018). In the UK, the biggest problem is the debt of students from the EU member states, especially from the East European states, which has tripled in just two years and amounted to 38 million pounds. Indeed, students from the UK are three times less likely to evade debt repayment, partly because education loans in this country are returned through tax authorities (withholding taxes) (Paton 2014).

In addition to state-owned or state-subsidized educational loans, students receive other forms of state support – grants and scholarships. An important factor affecting their correlation in different European countries is the expected return on investment for higher education (profitability of education). In countries with low profitability, a policy for increasing the share of grants in the total amount of direct state support is being implemented; countries with a high level of returns more widely use student loan programs. For example, Norway, having introduced educational loans in 1974, faced the problem of lowering their profitability (below 6%) in the 1990s, which led to an increase in the grant share of state support for students. The share of the grant, which was granted only to students living separately from their parents, increased from 14% in 1993–1994 to 22% in 1994–1995, and subsequently to 26% in 1996–1997 (Guille 2002).

Most higher education systems provide both grants and loans, but they are not related, and students must go through separate procedures for obtaining them. Indeed, in Germany, Luxembourg, Switzerland, Liechtenstein, and Norway, direct support is provided by the package. In Germany, Luxembourg, and Switzerland, students are eligible for a grant, free of charge, a grant and a loan, or only loans, depending on their own income and the income of their families. In Norway, all students can receive a tuition loan; however, 40% of the amount may be reissued to an irrecoverable grant if they pass all exams and will not live with their parents.

It should be noted that grants in Spain, Croatia, Romania, Bosnia and Herzegovina, and the former Yugoslav Republic of Macedonia are the only accessible form of student support. Iceland remains the only European country where grants are not available.

There are two main types of grants – merit-based grants and a need-based grants. This kind of financial support is designed for low-income students who do not have the opportunity to pay for their studies and any related expenses independently.

Most educational systems provide grants depending on the financial condition of their students. The right to receive them is determined on the basis of a set of socioeconomic criteria, the most common of which is family income. Other criteria include the conditions of student residence (living with parents or separately), special educational needs (students with disabilities, for example), the presence of children, etc. In seven countries (Bulgaria, Greece, Ireland, France, Italy, Cyprus, and Austria), grants are given on the basis of a combination of criteria inherent in both of their types – learning outcomes and financial standing. Grants based on financial assistance needs are missing in Bosnia and Herzegovina, Iceland, Montenegro, and Serbia. Furthermore, from 2017-2018, in Latvia, grants were introduced once per semester for students with a high level of academic achievement and a financial needs.

Fourteen educational systems offer separate grants depending on the success of training that is aimed at stimulating the achievement of excellent academic performance (Bulgaria, the Czech Republic, Germany, Estonia, Croatia, Latvia, Lithuania, Hungary, Poland, Portugal, Romania, Slovenia, Slovakia, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Montenegro, Serbia, and Turkey).

In Luxembourg and Malta, the vast majority of students receive a monthly standard amount of financial support. In Denmark, Sweden, Finland, and Great Britain (Scotland), more than two thirds of students receive grants. On the other hand, about 10% of students are required to receive need-based grants in Bulgaria, the Czech Republic, Croatia, Italy, Cyprus, Lithuania, Romania, and Switzerland.

Since merit-based grants are aimed at encouraging excellent academic performance among students, the educational systems that use them never award such grants to more than 1/5 of the students.

In Ukraine, state preferential loans for higher education were introduced in 2003. The conditions for its granting and return, as defined by the Cabinet of Ministers of Ukraine in the law “On the Approval of the Provisional State Benefit Grants for Higher Education,” are similar to those existing in many European countries: the age of students who can get a loan is limited to 28 years, and a preferential interest rate of 3% per annum is set, which is particularly low given the high inflation rate in the country and the high interest rates on consumer loans in commercial banks. Also, the term of the loan repayment would be determined for 15 years from the twelfth month after graduation from a higher educational institution, with the payment set at one-fifth of the total amount of the loan received and interest for its use annually. Moreover, benefits are provided for students who have children, and there is an open possibility of non-repayment of the loan and interest for using it for persons who are in the first disability group and those who have worked in their field at least 5 years after graduating in a state or communal institution or an institution in a rural area. Furthermore, the term of repayment for the period spent in regular military service, as well as for the period of childcare leave until the child reaches the age of three years, is also extended.

However, the state's preferential educational loan in Ukraine has not been properly developed. Actual expenditures for the corresponding budget program in all years were lower than approved (Table 1). They happened to be not financed for the first time during the crisis of 2009; since 2011, they had ceased to be financed at all, and they were struck from plans starting with 2014. The share of students who benefited from preferential loans, according to O. Yerforth and I. Erforth, was the highest in 2007 (0.8%) and then gradually decreased (to 0.3% in 2010) (Єрфорт, Єрфорт 2018). Consequently, state lending for higher education in Ukraine is not taking place, although its possibility is provided for by the Law of Ukraine "On Higher Education."

Table 1. The dynamics of expenditures under the program of preferential state loans to students of MFA, subordinated to the Ministry of Education and Science of Ukraine, 2007–2014, UAH million.

Year	Approved	Actual expenditure
2007	9.1	8.8
2008	8.1	7.6
2009	7.9	0
2010	14.7	8.9
2011	2.9	0
2012	5.0	0
2013	5.0	2.9*
2014	-	-

* Data according to an analysis of the state of financing provided to educational institutions and institutions subordinated to the Ministry of Education and Science of Ukraine for 2013. According to a report on the implementation of the budget program passport as of January 1, 2013, expenditures for this program have not been financed.

Source: based on annual reports on the implementation of budget program passports, reports on the spending of State Budget of Ukraine funds under the Ministry of Education and Science of Ukraine for 2007–2009, and an analysis of the state of financing provided to educational institutions and institutions subordinated to the Ministry of Education and Science for 2011–2014.

In our opinion, the reasons for the gradual curtailment of this program in Ukraine can be attributed to its high expenses for the state, which reduces the supply of budget funds and, in the context of implementing the policy of fiscal consolidation, forces to stop its financing in general. At the same time, the high level of state subsidization of the program of credit is due to its conditions – in particular, the low interest rate and the macroeconomic situation in the country associated with high inflation, which leads to a low coefficient of return of budget funds (according to Erforth, only 40.6% (Єрфорт, Єрфорт 2018)).

However, even if the state was ready to increase privileged educational loans, there would be obstacles to the growth of demand for them by students. These barriers include the uncertainty about the possibility of repaying these loans due to the issues with the employment of graduates and the low salaries of young professionals.

Loans for higher education can also be obtained in commercial banks, but, like all consumer loans in Ukraine, they are given at high interest rates, which makes them unacceptable for students or their parents.

Ukraine also has a system of grant and scholarship support for students. It includes:

1. Grants for the gifted youth, the purpose of which is the realization of socially significant creative projects in the social and humanitarian sphere. Grants are given to citizens of Ukraine aged from 14 to 35 years. The number of grants awarded annually since 2001 is 30 (increased to 60 since 2005), the maximum amount of which can not exceed 75 thousand UAH.
2. Grants for graduates of technical institutions, the purpose of which is the implementation of technical projects in the field of social production. A grant may be obtained by a graduate of a technical school within five years from graduation.
3. Grants and scholarships for prize-winners and participants of all-Ukrainian competitions of professional skill among students of technical schools and their graduates. At the same time, the scholarships from the President of Ukraine are set in the amount of the minimum ordinary academic scholarship for students of technical schools with a coefficient of 4.375 for the first place, 3.5 for the second, 3.0 for the third, and 2.5 for the fourth to the sixth places. Any amount of a grant from the President of Ukraine for graduates of technical schools may not exceed UAH 30 thousand and is determined by the Ministry of Education and Science depending on the complexity of the technical project.
4. Academic scholarships, including:
   - Scholarships established by the President of Ukraine, the Verkhovna Rada of Ukraine, the Cabinet of Ministers of Ukraine (including nominal ones), which are appointed on the basis of educational results at a certain educational (educational-qualifying) level;
   - Ordinary academic scholarships;
   - Enhanced scholarships: for students who have achieved particular success in learning; students studying in specialties (specializations), defined by the list of specialties (specializations) of branches, for which an increased amount of academic scholarships is established.

   In this case, the academic scholarships of a university, within the limits of the funds provided for the payment of scholarships, are awarded to students of non-military higher educational establishments according to the rating of success, which is formed on the basis of objective and transparent characteristics, direct measurements of the academic achievements of higher education graduates from each subject (discipline), taking into account participation in scientific and technical activities (creative activity for artistic specialties), public life, and sports activities. In this case, the component of success should be not less than 90% of the rating score.

5. Social scholarships that students (cadets) have the right to: orphans and children deprived of parental care; persons who suffered as a result of the Chernobyl disaster; miners who have undergone undergraduate work for at least three years; other categories according to a specified list.

This suggests that scholarships – both academic and social – are the main form of state support for Ukrainian students who receive higher education on a state-commissioned basis. Students obtaining higher education under the contract after the curtailment of the program of preferential state loans are deprived of any state support, since grants for studies that would allow to fully or at least partially pay its value are not provided in Ukraine. This significantly limits the ability of children from low-income families to obtain higher education.

Of course, due to the difficult financial situation, the Ukrainian state has limited ability to develop grant support for students, but obviously there is no reason to reduce the state order under these conditions. Although wealthy European countries can combine free higher education with student support grants, in Ukraine, in our opinion, they should be considered as support tools that can compensate each other: the implementation of grants for studying may be accompanied by a reduction of the government order, while their absence requires the maintenance of government order. At present, in our opinion, it is advisable to introduce education grants at least for orphans, children deprived of parental care, and children with disabilities. On the one hand, these individuals are less capable of obtaining high-quality secondary education and high marks in external independent assessments, and these grants would allow them to enter universities. On the other hand, without state support, they cannot study under contract.

These scholarships, as the only form of student support in Ukraine, have the following features: relatively small amounts; scholarships are primarily of social nature; the attachment of the latter to the status of a person (internally displaced person, child of a miner, participant in combat operations, etc.) and not to the material condition of a student's parents, as a result of which social stipends may be paid to students from well-to-do families; an absence among the category of recipients of social scholarship of students with disabilities; the diversity of special scholarships (e.g., scholarships provided by the President, the Cabinet of Ministers, the Verkhovna Rada of Ukraine); a lack of material incentives for students who successfully acquire higher education by contract through a deprivation of their right to participate in the formation of a ranked system according to which university students are appointed and paid scholarships.

This indicates the need to improve the scholarship support of students in the following areas:

1) Granting the right for students studying at state universities under contract conditions to participate in the formation of a ranked system according to which academic scholarships are awarded and paid; in the long run, the extension of this right to students of private universities who had received a state order for the training of students (granting them such a right is foreseen in the process of reforming the system of funding for higher education), which can be serve as evidence of their rather high rating;
2) Reducing the range of recipients of the social scholarships but increasing their amount;
3) Granting scholarships established by the President of Ukraine, the Verkhovna Rada of Ukraine, the Cabinet of Ministers of Ukraine only to winners of all-Ukrainian and international competitions and olympiads; the cancellation of scholarships based on the results of studies;
4) Giving grants from the President of Ukraine and the Verkhovna Rada of Ukraine only for scientific achievements.

Regarding the state loan support for students, given the limited financial capacity of the Ukrainian state, it should be restored in an updated form to reduce the financial burden on the budget. For this purpose, it is necessary:

- To establish a higher interest rate on state educational loans tie it to the level of inflation;
- To distribute the risk of non-repayment of the loan between the state, the borrower, and his parents, who give consent to the loan and, in case of it not being returned, lose their credit score;
- To introduce educational loans with payments that depend on the future income of university graduates in order to shift the financial burden from the parents of higher education graduates to the graduates themselves, which will encourage graduates to more responsibly choose a profession and study; this will promote a balance between the interests of the state as a loan provider and the recipients of the loans;
- Considering the high level of income shadowing, to establish a minimum amount of annual payments on a loan as a percentage not from the actual or the average but from the minimum wage (Єрфорт, Єрфорт 2018), which will reduce the risk of loan non-repayment, since the minimum wage is a guaranteed payment that the employer must officially pay to the workers;
- Using the experience of the United Kingdom, to entrust the administration of the repayment of the state educational loan to the State Tax Service of Ukraine, providing for the detention of borrowers for the use of a loan (part of the principal amount of interest and interest) simultaneously with the payment of the income tax of individuals and a single social contribution;
- To create conditions for the development of a commercial educational loan, providing for the provision of a state guarantee for it and partial state subsidization of interest rates.

4. Conclusions

To sum up all the above, we come to the following conclusion. The recovery of state preferential lending to higher education and the development of its grant and scholarship support in Ukraine should take place considering two factors: on the one hand, the need to continue the policy of fiscal consolidation and the need to save budget funds, and on the other hand, the need for state financial support for students who invest in their own education. The latter becomes especially relevant, considering both the relatively high share of households' expenditures on higher education in our country in GDP (0.75 %; similar levels are observed in Portugal, the Netherlands, and Hungary – in countries with a much higher standard of living) and in terms of one student per purchasing power parity in US dollars. In particular, in 2014, this rate was 1.4 times larger in Ukraine than in Slovakia and 2 times higher than in Poland, which is one of the reasons why Ukrainian applicants choose to study at foreign universities. This is also one of the reasons why access to higher education becomes restricted for students from low-income families. Taking into account both factors, the development of a system of state support for students should be based on optimizing the state order for higher education, restoring state educational loans on the basis of their moderate subsidization, as well as transforming the scholarship and grant support of students based on a priority realization of first the stimulating function (encouragement with the help of academic scholarships, significant successes in the academic activities of students regardless of their education by contract for public order) and second the social function (introducing education grants for orphans, children deprived of parental care, and children with disabilities).

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