

Student Loan Repayment: A Global Review of Behavioural, Financial, and Policy Dimensions (2020–2025)

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ABSTRACT

This study provides a general review explores global trends in of behavioural, economic, and psychosocial aspects of student loan repayment systems. It synthesizes empirical literature published between 2020 and 2025 from databases including Scopus, Web of Science, and Google Scholar. The review identifies six key themes: (1) rising interest in behavioural and psychosocial aspects of repayment; (2) financial self-efficacy and financial literacy have a strong influence on repayment outcomes, while minority groups suffer from disproportionate debt burdens; (3) income-driven repayment models effectively in reducing delinquency but are challenged by administrative complexity and unequal access; (4) psychological stress, financial strain, and low self-efficacy exacerbate repayment struggling, with structural barriers and pandemic shocks widen inequities; (5) targeted subsidies and need-based grants are more equitable than broad loan forgiveness, with a service-linked forgiveness enhancing workforce outcomes; and (6) policy innovations such as behavioural nudges, risk-sharing mechanisms, and streamlined administration can enhance sustainability and equity of repayment. This study offers a multifaceted synthesis that incorporates behavioural, financial, and policy perspectives worldwide with a focus on underrepresented regions and psychological aspects. As policy implication, the study highlights the importance of integrated behavioural interventions, simplified repayment structures, and culturally sensitive policies to promote the sustainability of repayments and wellbeing of borrowers.

Keywords: Student loan, loan repayment, financial literacy, psychosocial impacts, income-driven repayment

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INTRODUCTION

The rising cost of higher education globally has pointed an increasing number of students toward borrowing to fund studies. In nations such as the United States, the price of tuition has increased at a rate disproportionately higher than inflation and incomes. This forces most undergraduates to take out loans to attend college (Sewell & Rogers, 2023). Meanwhile, reducing in public funding and severe institutional regulations have posed a great financial burden to universities (Liang, 2023). While extending student loans facilitates students to have access to higher education and promotes social mobility, it also leads to worries regarding the difficulties in repaying the loans as well as the financial harm to borrowers.

As student debt has expanded access to education, it also brings long-term financial struggles. There is even evidence that certain groups not only experience higher default but are also subjected to other negative impacts such as psychological stress and adverse socioeconomic effects after graduation (Magwegwe, 2025). Income-driven repayment plans are intended to ease the burden of repayment, but their effectiveness relies on borrowers' knowledge and decision to take up loan (Goldstein et al., 2023). Financial habits, psychological stressors and program design all influence repayment behaviour, and they create a multifaceted challenge that requires a multi-faceted approach.

The psychological effects of student debt are gaining attention. Debt also can damage mental health, life satisfaction and financial decision-making. Borrowers are often stigmatized or feel guilt and depression over their financial outcomes, affecting their decision-making concerning employment, family, and investment (Fan & Ryu, 2023; Zhang, 2024). The economic impact of the COVID-19 pandemic heightened economic hardships, particularly among low-income and minority communities (Hall, 2023). The confluence of economic hardship and social inequity highlights the need to acknowledge economic and psychological stressors from student loans. Although previous reviews have addressed economic and policy issues, few have explored behavioural, psychological, and cultural dimensions collectively across developed and emerging settings. This review helps fill this gap by integrating evidence across disciplines to advance holistic policy and practice.

This study will explore repayment difficulty in varied institutional settings, finding resource factors associated with default, with delinquency, and with successful repayment. Previous studies indicates that the burden of student debt falls unevenly across social groups, shaped by sociodemographic factors such as race/ethnicity, socioeconomic status, parental background and institutional type (Oh, 2022; McKinney et al., 2021). Behavioural elements such as financial self-efficacy, literacy, and attitudes towards debt also account for variation in repayment behaviour (Mangrum, 2022).

Optimizing student loan systems is still an important policy question as debt accumulates. This analysis also evaluates with new repayment model like income-contingent and income-driven plans, debt forgiveness and types of social incentive programs. It also investigates the administrative costs, enrolment gaps, and the effect of behavioural nudges and coaching on increasing repayment (Herbst, 2023; Kuan et al., 2025). Finally, the review contributes to discussions of how student loans relate to mental health, wellness, and social justice. These effects include stress at the individual level to macro effects at the community level demonstrating that student debt is an economic and social issue (Deller and Parr, 2021).

The review considers a range of regions, including developed Western countries such as the US, Canada and the UK, and developing countries in Southeast Asia, Africa as well as Latin America (Zakaria et al., 2020; Mahmoud et al., 2024). This global viewpoint informs the contrast of how various loan designs and economic environments influence repayment. Thematically, it is on access and equity, repayment behaviour, financial education, psychological impacts and policy implications, seeking to understand how financing mechanisms, administration and borrower characteristics interact to shape experiences in student loan systems.

LITERATURE REVIEW

Evolution of Student Loan Systems

Government-funded vs. private loan systems

Student loan systems varied between national systems, but all had some combination of public, private, and hybrid forms of financing that reflected national policies, economic conditions and institutional context. Looney and Yannelis, (2022), further highlighting how federal student loan credit increases or decreases had affected institutional risk profiles and borrower default cycles in the United States. Their empirical results suggested that policy-driven credit expansions primarily to higher-risk institutions can

led to increased default rates, suggesting implications for the types of both public and private loan offerings. For instance, the addition of for-profit institutions that depend largely on student loans led to repayment problems, as they had lower graduation rates and worse labour market outcomes (Armona et al., 2022).

A study by Zakaria et al. (2020) shows how the Malaysian government has made attempts to widen the delivery of loans, but also demonstrated the problems encountered with borrower repayment and recovery. According to Ibrahim and Singaravelloo (2020), the default rate in Malaysian education has been steadily rising over the past year. Similarly, Chalil (2021) identifies the problems in Indian education loan schemes usable coverage, interest rate and recovery mechanisms, featuring critical insights about the risk management of government mediated financial products.

Hybrid models integrate federal protections into the private delivery of loans to spread risk across borrowers, lenders, and governments. Yet, as Bhandary et al. (2024) highlighted, these relationships can make borrowers experiences difficult, particularly in countries with low support infrastructure, and increase risks of non-repayments and administrative costs. In conclusion, government-funded systems are likely to achieve broader access, lower interest rate and income-contingent characteristics, but carrying fiscal sustainability limitations, while private loans often stricter repayment terms and higher interest rates mediating borrowers' financial behaviour and outcomes.

Fixed vs. income-contingent repayment models

An impact in student loan systems is the growing the prevalence of income-contingent repayment (ICR) or income-driven repayment (IDR) plans, which vary monthly loan payments according to borrower income and reduce default risk and immediate financial difficulty. Herbst, (2023) was shown evidence from the US that IDR plans are related to lower outstanding loan balances eight months after enrolment and that default is reduced largely by an average of 22 percentage points. Mueller and Yannelis (2022) confirm these findings in their experiment with Navient, show proactively auto-enrolling borrowers into IDRs materially lowers the new defaulter and loan repayment burdens. Consistent with such results, Bolhaar et al. (2024) showed that in the Netherlands, the replacement of basic grants by income contingent loans did not lower higher education enrolment as students adjusted by taking out bigger loans, working marginally more, and going straight to tertiary after fewer years. Together, these studies suggested that well-designed income-contingent loan and repayment systems can preserved access to education and borrowers' financial security.

However, there are still administrative and behavioural obstacles. Goldstein et al., (2023) find that large administrative costs disproportionately harm low-income and minority borrowers and result in low participation rates for a plan despite high rates of eligibility. Similarly, Abraham et al. (2022) studied behavioural reactions to the complexity of loan contract and concluded that while the borrowers were influenced to some extent by economic incentives and refracted their decisions based on loan presentation and availability, they sometimes made suboptimal repayment decisions. Moreover, some borrowers prefer fixed repayment models to avoid extending repayment periods, despite higher monthly payments.

Other repayment options, such as graduated repayment, extended plans and loan forgiveness after a period of good standing also present additional incentives based on borrower (Guasoni & Huang, 2022). Their research on optimal repayment emphasize that loan size and borrower income should determine repayment structure. In aggregate, fixed and income-contingent repayment plans materialized as alternative trade-offs between borrower affordability, administrative complexity to administrators, and long-term financial impacts.

Theoretical Framework

Theory of planned Behaviour / Theory Reasoned Action

The Theory of Planned Behaviour (TPB) and Theory of Reasoned Action (TRA) provide frameworks to analyse psychological determinants influencing borrower repayment intentions and behaviours. Srivastava et al. (2021) offer complete theoretical models that combine attitude, subjective norms, perceived behavioural control, and intention to explain why students choose to repay their educational loans. The psychological factors (attitudes, subjective standards, and perceived behavioural control) that influence students' intentions to take out loans (Mahmoud et al. 2024).

Reflecting TPB components, Bhandary et al. (2023) investigate borrower attitudes and highlight dimensions such as credit history, financial literacy, and integrity as crucial predictors of repayment behaviour. Their study also recognizes how cultural influences and family socialization influence repayment intentions. The TPB's applicability is supported by empirical research conducted in Malaysia (Ismawati Ibrahim; Idres et al., 2020), which confirms a positive relationship between repayment intention and attitudes influenced by perceived affordability, penalties, and parental influence. These frameworks contribute to a more comprehensive understanding of the dynamics of repayment behaviour by effectively identifying psychosocial constraints and motivators that go beyond financial capacity.

Global Comparisons

Successful models

In Australia and the United Kingdom, they successfully undertook progressive income-contingent student loan schemes that have become established as best practice models of balancing borrower affordability, loan repayment sustainability, and educational access. Braithwaite, Ahmed, and Cleland (2020) highlighted that Australia's student loan policy was designed to base repayments on borrowers' incomes and suspended repayment obligations for those below a specified income criterion. This method maintains low default rates and increases the level of fairness that borrowers feel toward the system. de Gayardon and Callender (2025) discussed the development of the U.K. system, including small changes that made for more efficient and fair administration. Graduates viewed these systems as encouraging educational investment with lower financial risk and showed a greater willingness to accept income-contingent repayments. However, these policies require significant administrative capacity and political commitment to maintain progressive policies, identify qualified borrowers and minimize moral hazard. Such systems influenced continuing reforms in the United States, Canada, and selected Asian countries designed to incentivize sustainable repayment.

Challenges in developing economies

Many emerging countries encountered problems in establishing feasible student loan delivery and repayment systems. Zakaria et al. (2020) analyse Malaysian schemes, identifying logistical challenges such as application delays, enforcement of repayment, and poor borrower financial literacy. Chalil (2021) reported that Indian loan schemes suffer from accessibility and high defaults and are dependent on government banks with constrained resources. In African contexts, Mahmoud et al. (2024) highlighted how Ghanaian students' psychological attitudes influenced loan decision-making and graduation success, pointing out the significance of cultural and behavioural issues. Salazar-Fernandez et al. (2025) demonstrated that in Chile, removing the need- and merit-based scholarship increased the risk of dropout, delayed academic progress, with most affected students to turn to loans, causing late graduations. These studies altogether underscored that in addition to financial design, infrastructure, borrower performance, financial literacy, cultural factors, and sustained scholarship supports were critical to ensuring student success and repayment sustainability in developing regions.

A comparison between India and Malaysia demonstrates the common difficulties in managing student loans. Despite having high default rates and low borrower financial literacy, both nations mostly

rely on public sector banks or agencies (Chalil, 2021; Zakaria et al., 2020). Indian loans primarily employ fixed repayments with little borrower support, which leads to greater distress and slower recovery than Malaysia's PTPTN, which incorporates some income-contingency. On the other hand, although it has more administrative requirements, the UK's income-contingent model improves equity and lessens borrower stress (de Gayardon & Callender, 2025).

Repayment Behaviour

Economic and Psychological Factors

Repayment behaviour involves economic factors such as a repayment capability, and psychological factors include confidence in managing repayments, stress, and financial literacy. Financial self-efficacy is an individual's belief in their ability to manage financial challenges effectively as well as reflecting to their financial decision-making (Foo et al., 2025). (Foo et al., 2025) investigated the factors of repayment worry, finding that financial hardship and difficulties caused worry while financial satisfaction and self-efficacy reduced it, with notable stress experienced across genders. Student debt impacted young adults' mental health and well-being by increasing stress and shaping self-esteem and social participation, with financial support from family reducing life satisfaction and potentially affecting repayment commitment and financial behaviours (Fan & Ryu 2023). Taken together, these findings raised the value of psychological supports and literacy programs as well as funding support.

Institutional and Demographic Influences

The repayment behaviour is affected significantly by parental socioeconomic status and institutional type. Oh, (2022) found that parental influence resulted in greater loan balances and repayment difficulty after graduation, thus enhancing socioeconomic disparities. McKinney et al. (2021) analysed borrowers from community college and discovered that certain demographic and academic characteristics raise default probabilities. Default rates and difficulty repaying disproportionately burdened low-income, first-generation, and minority students because of accumulated financial constraints and systemic barriers. These inequalities need the policy focus to reduce inequities and support vulnerable populations during repayment

Default rates and consequences

Looney et al., (2022) provided support for periodic default cycles resulting from policy changes that affect the availability of credit and institutional eligibility. Defaults had severe consequences for borrower creditworthiness, economic well-being, and career paths. Wang et al. (2023) used machine learning to forecast default risk found academic and financial indicators including grade point average, scholarships, and entrance examination score as predictive factors that could be used for early intervention. Default also negatively affected mental and physical health, reducing employment capability and long-term socioeconomic development, and exacerbated social inequalities. In addition, regarding to Batkeyev et al. (2024), the increase in student debt caused borrowers to prioritize repayment of debt over long-term financial decision-making, significantly and persistently reducing households' retirement assets, especially for low-income earners. This underscored the trade-off between funding education and saving for the future.

Methodology

The present study adopted a general review approach to investigate recent trends and issues in the global student loan repayment during the period 2020–2025. The general review approach was selected to synthesise existing empirical and theoretical literature across diverse disciplines, such as economics, behavioural finance, social policy, and education. This review using established academic databases such as Scopus, Web of Science, and Google Scholar with key search terms included "student loan repayment," "income-driven repayment," "financial literacy," "repayment behaviour," "loan forgiveness," and "psychosocial impacts of debt," This review process focused on peer-reviewed journal articles, policy papers, and institutional reports sourced to ensure a comprehensive scope across developed and emerging economies. The table below show the inclusion and exclusion criteria of the general review of this study.

Table 1. The Inclusion and Exclusion Criteria

| Criteria | Inclusion | Exclusion |
|---------------|-------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| Timeline | 2020 – 2025 | < 2020 |
| Document type | Article journal (empirical data) | Book reviews, chapters in books, conference papers, notes and editorials, case studies |
| Language | English | Non-English |
| Regions | Global including emerging and developing economies | |
| Focus | Student loan repayment and related behavioural, financial, psychological, or policy dimensions. | Studies unrelated to repayment |
| Database | Scopus, Web of Science, and Google Scholar | Others |

Study Selection and Scope

There are 50 papers were included in the final synthesis after screening according to these criteria. This study reflects diverse contexts, perspective and methodologies that represent the global trends and challenges in student loan repayment.

Thematic Analysis

Thematic analysis was used to identify, interpret, and categorise recurring patterns and debates within the literature. This approach enabled the integration of both qualitative and quantitative findings. This study highlighted major themes such as financial self-efficacy, repayment difficulties, policy models, and psychological stress. Thus, these studies critically analysed in terms of theoretical frameworks, methodologies, and regional contexts. Key models like the Theory of Planned Behaviour (TPB) and behavioural economics frameworks were reviewed to understand the cognitive and psychosocial dimensions of borrower decision-making.

The review also adopted a comparative lens to evaluate different national approaches to student loans, particularly focusing on income-contingent repayment schemes in countries such as the United States, United Kingdom, Australia, and Malaysia. Additionally, the review identified persistent gaps in the literature, such as the underrepresentation of low- and middle-income countries, limited cultural analysis of borrower behaviour, and a lack of longitudinal research on the psychosocial consequences of debt. This review contributes to the growing body of knowledge on student loan sustainability and proposes directions for policy and future inquiry by synthesising findings across disciplines and geographies. Table 2 shows the thematic coding of general review of the study.

Table 2. Thematic Coding of the General review

| Theme | Sub-themes |
|----------------------------------------|---------------------------------------------------------------------------------------------|
| Behavioural & Psychological Factors | Financial Literacy, self-efficacy, attitudes toward debts, mental health implications |
| Financial & Economic Factors | Income level, repayment capacity, default risk, retirement trade-offs |
| Policy Models | Income driven repayment (IDR), loan forgiveness, targeted subsidies, risk sharing mechanism |
| Institutional & Demographic influences | Parental background, institutional type, vulnerable groups |
| Global Comparisons | Differences between developed and emerging economies, cultural impacts |
| Innovations in repayment support | Behavioural nudges, workforce- linked, incentives and administrative simplification |

Results

Results of the Thematic Review Analysis

Key Trends in Student Loan Research

Research on student loans, has increased rapidly since the early 2000s, in proportion to international trends of escalating expenses of higher education and surge of debate on debt financing. Recent comprehensive analyses highlight a correlated focus on borrower behaviours, the effectiveness of financial literacy and education initiatives, and the growing mental health issues related to student loan debt (Darolia et al. 2024; Fan and Ryu 2023) highlight that while student loan borrowing expands educational access, growing debt loads introduce complex repayment difficulties, necessitating comprehensive studies encompassing economic, behavioural, and psychosocial perspectives. Financial self-efficacy and literacy consistently emerge as critical determinants of repayment outcomes and borrower stress. However, Kurniasari dan Abubakar, (2023)observed that perceived stress can be reduced by financial self-efficacy.

Foo et al., (2025) demonstrate that strong relationship between financial literacy and financial self-efficacy, which fosters proactive financial behaviour and promotes financial well-being. Studies underline a persistent gap in which borrowers often lack comprehensive knowledge of repayment options, contributing to financial stress. Additionally, the mental health and psychosocial dimensions of student loan debt are gaining prominence. Particularly vulnerable groups such as minority populations, low-income borrowers, and those lacking family financial support, face disproportionate burdens (Magwegwe 2025; Shields et al. 2023). This highlights an urgent need to integrate psychological support and better educational resources into the repayment landscape. Research reflects a complex relationship between student loans and financial decision-making practices. Mangrum (2022) discovers the understanding of financial management greatly increases the likelihood of loan repayment, especially when accompanied by career research components, but these interventions alone do not eliminate repayment challenges. Behavioural economics approaches reveal that cognitive biases, present bias, and task aversion, contribute to repayment delays and poor financial planning.

Comparative Insights

Comparative studies shown considerable variation in loan repayment systems worldwide. ICR and IDR models are increasingly being view as effective approaches to reduce the default rates and improve the sustainability of student loan repayment (Lochner et al. 2021). IDR programs, designed to make repayments depend on borrower's earnings rather than fixed schedules, obviously lower default rates and reduce financial distress by adapting to economic circumstances (Mueller et al., 2022). Herbst (2023)

reports that IDR adoption reduces the default rate and improves credit outcomes. However, these benefits come with complex administrative burdens and inequities in plan access, reflecting systemic challenges.

Studies indicate that financial outcomes and repayment success are depends heavily to borrower income, employment stability, and institutional trust. Oh (2022) illustrates that graduates from lower socioeconomic families face substantially higher debt burdens and worse repayment outcomes, demonstrating the interplay of social capital and economic capacity. Loan repayment outcomes also depend on institutional factors and educational pathways. (Lochner et al. 2021) demonstrated that the returns on student loans vary across provinces, fields of study, and educational institutions, indicating that students' educational choices have a direct impact on their financial outcomes. Similarly, Armona et al. (2022) identify for-profit college attendance as correlated with increased borrowing and higher default rates, emphasizing the need for differentiated policy approaches based on educational context.

Behavioural research highlights how the presentation of repayment agreement and borrower perceptions shape outcomes beyond economic rationality. Abraham et al. (2022) show that borrowers' choices are influenced by available plans and are subject to complexity, suggesting that simpler and clearer repayment options could enhance borrower engagement. In summary, while income-contingent models show effectiveness, administrative complexity and inequities remain to pose significant barriers globally.

Repayment Challenges

Many of the barriers are psychological in nature. Many perspectives have been used in recent studies to investigate financial stress and its impact on financial handling behaviours (Lambert et al., 2023). Miller et al. (2021) indicate that low financial literacy and self-efficacy correlate with higher borrower anxiety about repaying loans, which affects borrowers' willingness and capacity to fulfil their responsibilities. The Psychosocial consequences of debt; stress, worry and family conflict are evidenced in several studies (Balmuth et al. 2021). In addition, Danahy et al. (2024) found that the association with financial strain was substantially exacerbated by their increased loan's debt and lack of emergency savings while personal and parental financial skills provided only partial protection, highlighting that the stress is underlined by the debt burden and literal constraints. Beyond individual psychological factors, structural barriers in loan systems compound repayment difficulties.

According to Goldstein et al. (2023) The administrative complexity and lack of transparency is a barrier to understanding for the borrower and contributes to underutilization of available repayment programs. Mueller et al., (2022) note that behavioural and logistical barriers led many borrowers to not enrol in IDR programs, despite that these programs aid in decreasing default. There are also shocks around the pandemic that are affecting repayment, especially for the vulnerable, lower-income borrowers. According to Zhen et al. (2024) Due to the COVID-19 pandemic, inflation, suspension of funding, and disconnection between institutions has caused financial insecurity among graduate students, especially to those dependent on assistantships or student loans. These findings highlight the importance of integrating financial and mental health support into higher education loan policy. Similarly, Hall (2023) reports that COVID-19 disrupted many borrowers' ability to repay, leading to moratoriums and relief policies that provided temporary relief but revealed deeper systemic weaknesses. Inequitable access to these relief provisions underscores existing disparities in repayment systems.

Targeting Subsidies and Loan Forgiveness

Pernagallo, (2024) underscores that student loan systems are structurally flawed and inefficient, advocating a transition toward scholarships and need-based grants as more equitable and socially efficient alternatives. This aligns with Catherine et al., (2023) that analyse the distributional effects of loan forgiveness policies in the U.S. which finds that well-targeted and progressive income-driven repayment expansions are more progressive and efficient than broad-based forgiveness but still need to

be carefully designed to avoid moral hazard. Tait et al., (2024) assess federal loan repayment programs for public health professionals with particular attention to the importance of linking subsidies and forgiveness to workforce and public service incentives. Policies focusing on subsidies and forgiveness tied to service commitments or income thresholds enhance equity and labour market outcomes but require administrative oversight and adequate funding streams.

Innovations Policy

Innovative policy responses focus on both reducing borrower default and improving financial knowledge. Behavioural nudges, such as targeted, informative emails reminding borrowers of repayment options, have proven effective at scale. Kuan et al., (2025) find that this kind of communication intervention can substantially decrease 60-day default by telling borrowers of the existence of income-driven plans and by offering them the possibility of auto-debit enrolment. Anderson et al., (2021) also demonstrate how behavioural economic strategies such as asymmetric dominance can help stimulate demand for lower-cost repayment preferences among borrowers.

Policy levers also include risk-sharing mechanisms and repayment incentives aligned with workforce development. Looney et al., (2022) explore proposals for graduate taxes and employer-financed plans that could redistribute repayment burdens and link incentives to graduate labour market success. Service-dependent loan repayment programs, such as public service loan forgiveness (PSLF) and National Health Service Corps (NHSC), illustrate efforts to incentivize employment in underserved areas and retain workforce diversity (Davis et al., 2023). Efforts to reducing administrative burden and improve equity in access to repayment plans have emerged as primary targets for reform. Goldstein et al. (2023) identify socioeconomic and racial disparities in IDR enrolment driven by complex paperwork requirements, suggesting reforms must streamline procedures to ensure equitable benefits distribution.

Discussion

The thematic analysis of recent literature from 2020 to 2025 shows an intertwined emphasis on borrower financial literacy, self-efficacy, and mental health outcomes, where low financial literacy and self-efficacy are linked to repayment difficulties and heightened psychological stress. Vulnerable groups such as minority borrowers and low-income students continue to face disproportionate repayment burdens, exacerbating anxiety and wellbeing issues.

For policy implications, comparative insights show that income-driven repayment (IDR) models effectively reduce default and financial strain by aligning repayments with income. In Malaysian and other southeast Asian countries, the findings suggest the need for more borrowers-centred repayment policies that implementing income contingent repayment system to improve repayment rates and financial stability. Thus, early intervention such as financial education for students can enhance preparedness and reduce overconfidence toward taking up loan. However, administrative complexity, lack of transparency, and inequitable access remain significant barriers to their success. Behavioural economics research further indicates that present bias, task aversion, and repayment menu complexity influence borrower decisions. The findings suggest that simplified repayment options and behavioural nudges could improve engagement and repayment outcomes.

Considering the psychological effects of debt on young borrowers, student support initiatives should also include financial counselling and mental health service to prevent debt burden on borrowers. Overall, the findings highlight effectively match repayment plans to the requirements and abilities of borrowers, a multi-level reform strategy that combines behavioural design, targeted support, and structural enhancements.

Gaps in the Literature

There is a lack of longitudinal data to understand the long-term psychosocial and financial impact of student loan debt on borrowers' lifetimes. Darolia et al., (2024) call for longer-term studies to clarify paths of debt repayment, career outcomes, and mental health consequences. Geographically, the literature tends to focus on high-income, Western contexts, with emerging nations and the global south being underrepresented in behavioural and policy research. This gap restricts comprehension of culturally specific factors, institutional variations, and diverse financing mechanisms critical for global policy application.

Finally, the integration of cultural and nuanced psychological dimensions into policy design remains lacks. Studies such as Zhang (2024) provides insights on how indebtedness can be internalized culturally, with feelings of symbolic violence and personal blame compounding repayment stress, yet such psychosocial complexities are seldom incorporated into mainstream policy analysis. The previous study highlights the importance of early financial education and professional mentoring to build self-efficacy and borrower resiliency. Altogether, these findings describe a multifaceted student loan landscape where financial, behavioural, psychological, and policy elements intersect. Building sustainable, equitable, and supportive loan repayment systems necessitates addressing this research area of influences through interdisciplinary research and comprehensive policy innovation.

CONCLUSION

In summary, the review of recent literature from 2020 to 2025 reveals that student loan repayment research predominantly focuses on behavioural, financial, and policy dimensions within the social sciences and finance fields, emphasising issues of financial literacy, self-efficacy, and mental health among borrowers. While income-driven repayment plans have shown effectiveness in reducing default, administrative complexity and inequitable access remain significant challenges. Behavioural factors such as present bias and decision complexity further hinder optimal repayment behaviours, highlighting the need for simplified systems and behavioural interventions to improve outcomes.

However, notable gaps persist in the literature. There is a lack of longitudinal studies examining the long-term psychosocial and economic impacts of student debt, limiting understanding of repayment paths and life-course consequences. Furthermore, research continues to be biased towards Western environments and there is little exploration of developing nations and culturally distinctive habits of repayment. Although evidence suggests that cultural, psychological and social influence significantly impact on repayment stress and decision-making, these dimensions remain underrepresented in policy design. Overall, furthering this area of inquiry will necessitate interdisciplinary, culturally competent, and longitudinal studies, together with novel policy designs that target financial capability, behavioural barriers, and systemic inequities to support sustainable and equitable repayment systems for diverse borrower populations.

Recommendations

Simplify repayment systems are important by streamlining application processes, reducing paperwork, and improving digital platforms to ease borrower navigation in order to enhance student loan repayment outcomes. Automating enrolment into income-driven repayment (IDR) plans where feasible could further minimise administrative hurdles. Strengthening financial education is equally important by integrating comprehensive financial literacy programs early in higher education can build self-efficacy and equip students with effective debt management strategies. Implementing behavioural interventions, such as personalised reminders, automatic enrolment, and simplified repayment agreement, can counteract cognitive biases like present bias and decision making which also can improve repayment engagement.

Additionally, addressing structural inequities remains imperative. Policies should prioritise support for vulnerable groups including low-income and minority borrowers to ensure equitable access to repayment assistance and reduce systemic disparities in outcomes. Expanding longitudinal research

to examine the long-term psychosocial, financial, and career impacts of student debt across diverse contexts will inform more effective and evidence-based policies. Moreover, repayment policies must be tailored to cultural contexts, recognising that social stigma, family expectations, and cultural norms shape repayment behaviours.

Innovative approaches such as graduate tax schemes, employer-backed repayment assistance, and service-dependent forgiveness programs should also be explored to align repayment obligations with career outcomes and public service needs. Finally, combining mental health resources and counselling with financial aid services can counteract stress, anxiety, and wellbeing challenges related to repayment experienced by borrowers. Thus, these recommendations summarize the need for transdisciplinary, culturally relevant, and system-wide interventions to create student loan repayment systems with enhanced sustainability, equity, and support around the world.

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