MAASTRICHT SCHOOL OF MANAGEMENT

CHALLENGES AND OPPORTUNITIES OF INTRODUCING PRIVATE STUDENT LOAN SCHEMES IN DEVELOPING COUNTRIES: CASE OF RWANDA

By Charles RUKIKANSHURO
RW/SFB/PM/050905
Kigali-Rwanda

Supervised by Yves MATTIEU

This paper was submitted in partial fulfillment of the requirements for the Master of Business Administration (MBA) degree at Maastricht School of Management (MSM),
Maastricht, the Netherlands
November 2011

TABLE OF CONTENTS

DECLARATION

I, Charles RUKIKANSHURO hereby declare that, unless specifically indicated to the contrary in the text, this dissertation is the result of my own original work, and has never been previously submitted for a degree award in Maastricht School of Management (MsM) or any other university.

Signed…………………………………………….

Charles RUKIKANSHURO

DEDICATION

To the Almighty God,

To my wife and children

To my parents,

To my brother and sisters,

To all my relatives and friends,

I dedicate this thesis.

ACKNOWLEDGEMENT

The completion of this work is a combination of many people's efforts to whom I owe gratitude. My initial thanks go to my supervisor Yves Mathieu who agreed to supervise this work and devoted his time to it in spite of his many other responsibilities. Secondly, I direct my regards to all the lecturers of Maastricht School of Management (MSM) and School of Finance and Banking (SFB), especially those who taught the Master of Business Administration (MBA)-intake 5 for having contributed to my MBA education studies. Thirdly, I convey my regards to the authorities and staff of SFB, specifically to the MBA coordination office for all their support during my whole academic studies.

Fourthly, I am grateful to all my classmates for the spirit of teamwork and friendship that they showed me. I also give much gratitude to my colleagues at Generation Rwanda for cooperation and brotherhood they exhibited towards me. Sixthly, I express my gratitude to all the persons who helped me proofread, print, and photocopy this work. Finally, I address my thanks to all the persons who contributed to the completion of this work.

May God bless them all!

Charles RUKIKANSHURO

ABSTRACT

Financing higher education through student loans has become critical in both developing and developed countries. Various student loan programs in different countries around the world were examined in this study and Rwanda as a case study was also included. This research aimed at examining existing student loan schemes in Rwanda and exploring potential challenges and opportunities of introducing new non government or private student loan schemes.

The study was mainly qualitative. The researcher collected both primary and secondary data. Primary data was collected through questionnaires and interviews, whereas secondary data was collected from reports, articles, books and journals. The sample techniques used in this research were purposive and convenience sampling both for questionnaire respondents and interviewees.

The findings revealed that both government and non government student loans are found in developed countries, while only government student loans are found in most of the developing countries. In Rwanda, both government and private student loans are available, though they are at the beginning stages: SFAR manages the government loan, whereas one bank namely KCB-Rwanda has already started a private student loan product called Masomo loan and UOB which plans to launch two private student loan products before the end of the year 2011.

This study also described various opportunities and challenges of introducing private student loans all over the world and specifically in Rwanda. The advantages include providing opportunities to many students, including those from poor families, making students and parents aware of the educational cost, and motivating them to pay back their loans after graduation. Regarding challenges, the main challenges described include high capital investment and regular addition of capital required by student loans, potential losses involved due to deaths, default, unemployment, illnesses and lack of students’ guarantees which makes banks reluctant to give loans.

It was concluded that a private student loans scheme should be explored and given priority by both public and private institutions to make sure it is studied carefully. However, private student loans should not be considered as a panacea - other forms of student support such as scholarships and grants should also be taken into account.

LIST OF FIGURES

LIST OF TABLES

LIST OF ABBREVIATIONS AND ACRONYMS

ALAS	: Auxiliary Loans to Assist Students
AUCA	: Adventist University of Central Africa
BCR	: Banque Commerciale du Rwanda (Commercial Bank of Rwanda)
BK	: Banque of Kigali
COGEBANQUE	: Compagnie Générale de Banque (General Company of bank)
COOPEDU	: Cooperative d'Epargne et de Credit Duterimbere[1] (Duterimbere Saving and Credit Cooperative
DFID	: United Kingdom Department For International Development
EFC	: Expected Family Contribution
FAFSA	: Free Application for Federal Student Aid
FDSLP	: Federal Direct Student Loan Program
FFELP	: Federal Family Education Loan Program
FISL	: Fund for International Service Learning
GSLP	: Guaranteed Student Loan Program
HEAL	: Health Education Assistance Loan
HESLB	: Tanzania Higher Education Student Loans Board
HLIs	: Higher Learning Institutions
IDT	: Independent Development Trust
IIEP	: International Institute of Educational Planning
JHEA/ RESA	: Journal of Higher Education in Africa/ Revue de l'Enseignement Supérieur en Afrique
KCB	: Kenya Commercial Bank
KHI	: Kigali Health Institute
KIE	: Kigali Institute of Education
MBA	: Master of Business Administration
MINEDUC	: Ministry of Education
MSM	: Maastricht School of Management

[1] Duterimbere is a Kinyarwanda word meaning "let's progress"

N°	: Number
NASFAA	: National Association of Student Financial Aid Administrators
NCHE[2]	: National Commission on Higher Education
NCHE[3]	: National Council of High Education
NDSLP	: National Defense Student Loan Program
NGO	: Non Government Organization
NSFAS	: National Student Financial Aid Scheme
NSL	: Nursing Student Loan
NUR	: National University of Rwanda
PLUS	: Federal Parent Loan for Undergraduate Students
RTUC	: Rwanda Tourism University College
SFAR	: Student Financing Agency for Rwanda
SFB	: School of Finance and Banking
SLS	: Specialized Loan Servicing
TEFSA	: Tertiary Education Fund of South Africa
UK	: United Kingdom
ULK	: Université Libre de Kigali (Kigali Independent University)
UOB	: Urwego Opportunity Bank
US	: United States of America
USA	: United States of America
USAID	: United States Agency for International Development
USLS	: University Student's Loans Scheme
WB	: World Bank
ZAR	: South African Rand

[2] This abbreviation is used in South Africa
[3] This abbreviation is used in Rwanda

CHAPTER ONE: INTRODUCTION

1.1 Background and Overview

Various governments around the world have been encountering challenges in financing higher education in the recent past. The challenges are due to the increase of the expenses and the number of students attending universities not only in Rwanda but also all over the world. Developing countries have found difficult to support higher education (Johnstone, 2004; Oketch, 2003), and Rwanda, as a developing country has the same problems. Various governments have decided to switch from the traditional practices of giving full support for university education to partially financing it due to the increase of higher education expenditures. Some countries have also introduced student loans to make sure students participate in paying for their own education.

There have been divided critics on the switch from the full to partial support of governments in as far as financing higher education through student loans is concerned. On the one hand, the advocates of the changes say that the government should not spend much money from people's taxes on higher education since more benefits resulting from people attending universities go to the individual students and less to the society. On the other hand, opponents argue that the government should cover higher education expenses because the society, which pays taxes, benefits from higher education more than the individual student does (Johnstone, 2002, Miller, 1982, Tilaq, 1993).

After 1994 genocide, one of the priorities of Rwanda was to increase the human resource capital to enhance the number of graduates to replace those who died in 1994 Tutsi Genocide and those who fled the country. Economic growth was another priority linked to education because according to the Human Capital Theory, higher education enhances productivity, raises the earnings of individuals, and contributes to economic growth (Cohn and Geske, 1990). The Government of Rwanda has also made tremendous progress in increasing access to universities. Before 1994, the National University of Rwanda (NUR) in Butare, which was the only university in Rwanda, had produced approximately 1,800 graduates since it was founded in 1963. Rwanda currently has 29 university level institutions in Rwanda, seven public and thirteen private, and nine colleges (two-year) for a combined total population of 62,116 students (Muligande, 2010).

The Government of Rwanda created the Student Financing Agency for Rwanda (SFAR) in July 2003 in its effort to support growth, expansion and modernization of the Rwandan higher education system as well as to maintain financially sustainable higher education. SFAR has introduced a student loan scheme for higher education, which, among other things, requires the participation of individual students or parents to meet part of the cost of their education and the obligation of the loan beneficiary to pay back the loan after completion of the studies. The official launching of the student loan scheme took place in November 2007(Students Financing Agency for Rwanda, 2011).

In June of 2010, the cabinet made a decision of phasing out the government financing of public Higher Learning Institutions (HLIs) through student loans and subsidies. It was decided that future financing would be limited to developing, enhancing and maintaining infrastructure at HLIs; to continue offering loans to the neediest students identified through means-testing; and to fund only those students who study programs in priority areas that support the government development agenda (Ministry of Education, 2011).

This policy shift will start with gradually eliminating the subsidy of RWF 250,000 per student per year or RWF 25,000 per month for living expenses. The core components of the new orientation in higher education financing include:

- Only the neediest students, as determined by means-testing, will be eligible for student loans.
- Only students studying subjects that support the country's development priorities in capacity building will be eligible for funding.
- Subsidies for living expenses will gradually be eliminated (National Examination Council, 2010).

This decision raised complaints and was highly protested by students and parents. Students claimed that they would drop out of school because they cannot study without the living allowance. They also said that no students or parents were consulted before making such a decision, and students were not given enough time to prepare for the transition. This was a surprise to them, and some of the students thought they might decide to stop studying for a while because they didn't have any other alternatives to get money to cover the living allowances which were phased out by the government (The New Times, 2010).

This new direction taken by the Ministry of Education and the decision of stopping the living stipends to the 75.4% of students sponsored by the government who were over 23,000 (Ministry of Education, 2011), encouraged me to conduct this research to find out the types of student loan schemes that exist elsewhere and those that can be applied in Rwanda. It's worth mentioning that the decision of reducing tremendously the number of students receiving monthly living stipends was later reviewed by the Rwandan Cabinet Meeting of May 12, 2011, which decided to increase the number of students getting living stipends up to 13,255 from around 8,000 students. Comparing this number to 15,710 students who received that stipend in 2010, one can notice that the government aim as said above is to gradually reduce the number of students receiving that stipend (The World Bank, 2010).

The main aim of this research is to find out challenges or opportunities in introducing private student loans in Rwanda. The result of this study will be important to both the government of Rwanda and other financial institutions because the latter may start planning to introduce various student loan schemes that are found in this study. Private public partnership might also be an option so that many students are given the chance to access higher education in Rwanda.

1.2 Statement of the Problem

Students frequently borrow money to finance their education all over the world. Some of them borrow from their relatives or friends to pay their tuition fees or living expenses, while others borrow from banks or other financial institutions. In Rwanda, some of the students get loans or scholarships from SFAR, whereas others get help from their family, relatives, guardians and scholarship programs that pay all their education expenses. Since higher education is becoming more and more expensive, only few people can get help from the government, relatives, guardians and scholarship programs. For instance, in 2010, the government of Rwanda gave loans/scholarships to 15,710 students, and in 2011 the loans were given to 13,255 students only (Students Financing Agency for Rwanda, 2011).

The policy of the government of Rwanda, as argue before, is to reduce its support to higher education every year. This means that only few people can get government loans to continue their higher education. It is interesting to find out if the remaining students will get support to continue their education or not, and if they have other options to get loans or scholarships. After the government announced that it will give living allowances to a few people, some banks have immediately started working on introducing students loans to various university students. Kenya Commercial Bank (KCB) and Urwego Opportunity Bank (UOB) took the lead in the area of student loans.

In various countries, a fierce debate has developed about loans. On the one hand, advocates of the loans argue that student loans would encourage efficiency, improve motivation of students, and allow the government to assist a large number of students. Opponents of the loans, on the other hand, say that loans would not extend opportunities since working class students from low income families would be discouraged by the fear of accumulating large debts; that the costs of administering a loan program would be prohibitive; and default rates would be high (Woodhall, 1983). It is worth asking students, parents, the government, and banks staff about their views regarding student loans and especially about introducing private student loans through banks or other financial institutions.

As said above, the number of students finishing secondary schools in Rwanda is increasing, and it is crucial to find out ways of serving students to help them further their studies. Various questions were asked and the research attempted to answer them in this research.

1.3 Objectives of the Research

1.3.1 General Objective

The main purpose of this research is to examine existing student loan schemes in Rwanda and to explore potential challenges and opportunities of introducing new non government or private student loan schemes in Rwanda.

1.3.2 Specific Objectives

- To scrutinize the current Rwandan policy of financing higher education through student loans.
- To identify the types of the students that are already operational in Rwanda
- To explore challenges and opportunities of introducing various educational loan schemes.
- To devise recommendations to the government of Rwanda, banks, other financial institutions and insurance companies.

1.4 Research Questions

1.4.1 General Question

What are the types of student loans schemes that exist in Rwanda and possible challenges and opportunities of introducing private ones?

1.4.2 Specific Questions

- What is the Rwandan policy regarding student loan programs?
- What are the types of student loans that are already in operation in Rwanda?
- What are the opportunities and challenges of introducing private student loans in Rwanda?

1.5 Research Methodology

1.5.1 Research Design

Both primary and secondary data were used in this research. Primary data was collected from various interviews and questionnaires given to different respondents including government officials, university and bank staff, former students, current students and parents. Secondary data was collected from various documents including published books, articles, and reports related to the topic.

1.5.2 Primary Data

Selected respondents were interviewed and given questionnaires. Questionnaires contained many open ended questions and very few closed questions because the study is qualitative in nature. The main reason of using open ended questions is that they are more preferable in qualitative inquiry since the research aims at exploring a given phenomenon at a particular point in time (Creswell, 2005).

1.5.3 Secondary Data

Available secondary data was used, including policy on higher education in Rwanda, law governing SFAR, and other government publications on financing higher education. Other books, articles, and reports published by various authors on student loans and financing higher education were also explored.

1.5.4 Sample Categories

A total population of 105 was selected to be interviewed and given questionnaires. Two categories of respondents were identified. The first category made of SFAR and bank staff was interviewed whereas the second category composed of students, graduates, parents and university staff were given questionnaires to respond to. The sample techniques that were used to select respondents were purposive and convenience.

1.6 Significance of the Study

This study is important for both financial institutions and the government of Rwanda because of different reasons. It aims at exploring various student loan schemes in various countries and identifying challenges as well as opportunities of introducing private student loans. The findings would be vital for the government to improve policy regarding student loans and for the private sector to design loan schemes to serve the growing number of students who attend higher education institutions. Possible public private partnership in education might also be explored to find long term solutions for the issue of financing higher education in Rwanda through student loans.

1.7 Assumptions and Limitations of the Study

This study assumes the following:

- The sample chosen from students, graduates and parents might not represent the views of the whole student and parent population.
- Respondents' information is accurate

Limitations of this study are the following:

- It is limited in time, meaning 2010-2011, and the findings are only related to this particular timeframe. Changes that will occur after this period will not be part of this study.
- It is qualitative

1.8 Organization of the Thesis

This thesis was organized in five chapters. Chapter one is introduction and made of the statement of the problem, background and overview, objectives of the research, research questions, research methodology, significance of the study, assumptions and limitations of the study as well as the organization of the thesis. Chapter two is entitled literature review and contains various theories and case studies on student loan schemes all over the world. Chapter three details the theoretical framework as well as the research methodology that was used in this study. Chapter four presents the analysis and discussion of the findings. Finally, chapter five covers a summary, conclusion and various recommendations as well as suggestions to the future researchers in the area of student loans.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

All over the world, university students are able to study either through scholarship, loans, help from their parents, relatives or by themselves if they are employed or have other sources of revenue. Student loans have started in developed countries and have spread over to developing countries. Student loans are mainly financed and managed by governments and both private loans and government loans are available in some developed countries. Very few private student loans are found in developing countries. It's worth mentioning that not very many scholars wrote on this topic of student loans especially in developing countries and specifically in Rwanda. That is the reasons why the researches mentioned in this study was mainly centered on the World Bank and Woodhall. This chapter is going to talk about the background of student loans and how they are structured in both developing and developed countries. The current situation of East Africa member countries, particularly Rwanda as a case study was also presented in this chapter.

2.2 Definition of Some Key Terms

2.2.1 Student Loans

The terms student loans or educational credit refer to a system of financial aid for students which entails payment obligation on the part of the students, but this obligation may take different forms (Woodhall, 1983).

2.2.2 Student Loan Versus Scholarship and Grant

The Online Longman Dictionary of Contemporary English defines student loan as "an amount of money that students borrow from the government or a bank to pay for their education at a college or university, while a scholarship is an amount of money that is given to someone by an educational organization to help pay for their education" (Longman Dictionary of Contemporary English, 2011). Some students borrow from different places including governments, banks, parents and friends while others benefits from scholarships or grants offered by governments, organizations, relatives or friends. The first category gets support as loans that they have to reimburse, while the second one gets a scholarship or grant that is not paid back.

In various developed countries, debates about loans versus scholarships or grants are still ongoing. Opponents argue that loans do not extend opportunities because students from low income families will be discouraged by the fear of accumulating large debts, that the administrative costs of a loan program might be prohibitive, and that the default rates would be high. However, advocates of loans state that loans are more equitable than grants, and they would encourage efficiency, improve motivation of student, and allow government to assist a large number of students with a given budget (Woodhall, 1983).

In the same way, in some developing countries there has been controversy about the advantages and disadvantages of student loans. Some people, especially economists argue for greater use of student loans as a means of reducing the financial burden of the government subsidies for higher education at a time of increasing financial constraints. Other people say that loans are more equitable than grants because the beneficiaries will get higher incomes, and they should consequently contribute to their education costs out of their higher earnings (Woodhall, 1983). The author also states that the role of student loans in extending and redistributing educational opportunities and the questions of equity were frequently emphasized by various people during the 1970's. Later after this time, the difficulties of financing rising levels of educational expenditure have focused more attention on the importance of student loans as a cost recovery mechanism which would allow government to expand enrollments without imposing impossible burdens on public funds.

Several criticisms of student loans in developing countries were also pointed out. These include, administrative problems such as securing repayment, inadequacies in the banking system in many developing countries, and the brain drain, which make loans an inappropriate method of financing education in developing countries. It is also argued that, student loans would be very unpopular among students and that student loans schemes would not be feasible, except in rare cases (Woodhall, 1983).

2.2.3 Private Educational Loans

Private education loans, also known as alternative education loans, help bridge the gap between the actual cost of education and the limited amount the government allows students to borrow in its programs. Private loans are offered by private lenders and there are no federal forms to complete.

Eligibility for private student loans often depends on a student's credit score (Kantrowitz, 2011). In the US, private education loans tend to cost more than the education loans offered by the federal government, but they are less expensive than credit card debt. The federal education loans offer fixed interest rates that are lower than the variable rates offered by most private student loans. Federal education loans also offer better repayment and forgiveness options. Private student loans typically have variable interest rates, with the interest rate pegged to an index, such as LIBOR or PRIME[4], plus a margin (Kantrowitz, 2011).

2.3 The Basics of Student Loans and Grants

Currently, it is becoming crucial for students to apply for loans and grants to meet the cost of higher education because the cost of education is becoming more and more expensive. Some governments are also reducing the support that is given to both higher education institutions and students. This support can be given in the form of loans or grants. In the case of Rwanda, as stated in the Education Sector Strategic Plan 2008-2012, the aim is to move towards targeting loans to priority subject areas such as science and to introduce the means testing of students (Ministry of Education, 2008).

Loans are given with certain conditions such as eligibility criteria, a repayment period and a mode of payment and interest rate. However, grants are usually given by organizations such as the government or charities, and the benefit of these is that they are given as a gift and are not repaid. A similarity between student loans and grants is that the individual student can apply for either to cover expenses for their education. Student's scholarships are a form of grant that is awarded to deserving students (Herman, 2011).

Though the subject of student loans seems controversial in both developing and developed countries, limited research has been conducted in developing countries regarding the efficiency, effectiveness and impact of financing higher education through student loans. It is not easy to assess students' loans in developing countries because finding or accessing various data related to the subject is

[4] The LIBOR index is the London Interbank Offered Rate and represents what it costs a lender to borrow money. The Prime Lending Rate is the interest rate lenders offer to their most creditworthy customers. A rate of LIBOR + 2.8% is roughly the same as PRIME + 0.0%. The spread between LIBOR and PRIME has been growing over time. So all else being equal, it is better to have an interest rate pegged to the LIBOR index, as such a rate will increase more slowly than a rate pegged to the PRIME index(Kantrowitz, 2011).

difficult. Consequently, governments should encourage assessment reports and thorough research on students' loans before they decide on the expansion or narrowing of student loan programs.

2.4 Purpose of Student Loans

The aim of student loans or educational credit is to provide access for students to capital funds, to enable them to finance all, or part of their education by borrowing while they are studying, and to repay this at a later date. In most cases, the debt must be repaid, either with or without interest, in a given period of time. In some other cases, the length of time of repayment may be varied and the installment may not be of equal size. Alternatively, a student may undertake repayment by means of a fixed proportion of his or her future salary as an "income-contingent loan" (Woodhall 1983).

In some countries, such aid is called a "repayable scholarship" rather than a loan, while in other countries, beneficiary students are required to work in a particular occupation such as teaching or in a particular region rather than repayment in monetary terms. This type of financial assistance is called "bonded scholarship" or a "pre salary' (called contrat de préembauche in France), but in the context of developing countries they have been called "service loans" (Ciller, 1975).

For example, in Rwanda, medical students who benefited from the government loan are required to work for at least two years in a public hospital before they are allowed to work elsewhere. Students graduating from Kigali Institute of Education are also obliged to work as teachers in public educational institutions. However, the implementation of this policy has not been efficient because there was no written agreement between the government and the students.

According to Woodhall(1983), student loans or educational credit, like any other forms of student financial aid such as grants, scholarships, bursaries, awards and fellowships, are mainly intended to assist students towards tuition or maintenance. He also argues that though the aim of all above mentioned terms is the same, the main difference between loans and grants, is that students must pay back the loan, and consequently, they contribute to the cost of their education. Thus, a loan scheme involves less financial burden for the government, and ultimately the taxpayer than a system of grants or scholarship.

The other intention of a student loan program as argued by Woodhall (1983) is to overcome financial barriers to access education because of imperfections of the capital market in some countries, whereas in other countries the aim is to provide loans on favorable terms usually involving a subsidy. Herrick, et al. (1974), who analyzed the stated goals of the institutions and educational credit programs in fifteen Latin American countries, concluded that there are two major goals of all Latin American education institutions. Namely, these are to provide the country with skilled manpower needed for social and economic development and to promote the quality of opportunity for access to post secondary education. However, the author argues that striving for social equity in sharing the benefits of educational opportunity might preclude the training of a greater number as rapidly as possible or vice versa.

Wooddhall (1983) also added that other objectives of student loan programs include improvements in efficiency by reducing wastage and drop-out among students or increasing motivation. The conclusions of Herrick et al. (1974) study mentioned that the leadership of the education credit movement has made a positive contribution toward the acceptance of the idea that the cost of higher level education should be borne by the recipients because a student receiving a loan instead of a scholarship will have a greater sense of responsibility about his education. An example of the programs that aim at improving student motivation by influencing their choice of subject stated in the study by Herrick et.al. (1974) is that many programs in Latin America favor science and engineering, rather than art or humanities on grounds of manpower needs.

The example of improving student motivation by influencing the subject they choose is arguable especially in case of developing countries. For instance in Rwanda, all girls, even those who are not good at sciences, are encouraged to study science subjects, and the consequences could be that those who are talented in other subjects might decide to study sciences. If they don’t, they might not get a loan or scholarship to study what they want to or can excel in. It is good to encourage girls to study those subjects that are considered difficult, but at the same time, people should be careful. Students might study the subjects in which they can get a loan or scholarship while the subjects in questions are not what they want.

2.5 History of Student Loans

Student loans were set up in Scandinavia, Canada, Europe, Japan, the USA, and a few developing countries during the 1950's and 1960's. For instance, the first loan program in Latin America, called Instituto Colombia de Credito Educativo y Estudios Technicos en el Exterior (ICETEX), was set up in Colombia in 1953(Woodhall,1987). In the 1970's, the new programs were established, and by early 1980's there were examples of student loans in about thirty countries. In 1982, a loan program was established in Indonesia for example. There has been a remarkable change during the 1980's towards greater reliance on loans. For instance, in the USA by 1976, 80% of all federal aid consisted of grants, while 52% of all federal aid to students was in the form of loans. In other countries, such as Germany and Sweden, an increased reliance on loans as a form of financial aid to students in higher education was noticed (Woodhall, 1987).

In Rwanda, students have been getting support from the government since 1980. However, SFAR was officially established in 2003 by the Cabinet, and a law determining its responsibility, organization, and functioning was published in October 2006.

2.6 Types of Student Loans

Woodhall(1983) states that there are two main types of loans, namely mortgage-type loans and income contingent loans. The first type allows a student to find a job before embarking on repaying the loan. It has a fixed repayment period and usually a grace period after graduation. However, the second type requires a student to pay a fixed proportion of future income until the loan is repaid. This second type has been in Canada and in the USA and has been recommended for developing countries (Rogers, 1971).

According to the Kantrowitz (2011) there are three main education loans, namely student loans, private student loans-also called alternative student loans-and parent loans. Two other current types of loans include consolidation loans and peer-to-peer education loans. The following paragraphs explain in details the above mentioned three types.

2.6.1 Student Loans

Kantrowitz (2011) stated that several students rely on federal government loans to finance their education. They have low interest rates and do not require credit checks or collateral. They also provide a variety of deferment options and extended repayment terms. Student loans include the Federal Stafford and Federal Perkins Loans.

2.6.1.1 Stafford Loan

The main federal loan for students is called the Stafford Loan and has two variations: Federal Family Education Loan Program (FFELP) and Federal Direct Student Loan Program (FDSLP). The former are provided by private lenders, such as banks, credit unions, savings and loan associations and they are guaranteed against default by the federal government while the latter are provided by the US government directly to students and their parents. They are also called "Direct Loans", administered by "Direct Lending Schools” (Kantrowitz, 2011).

Stafford Loans are either subsidized or unsubsidized. If subsided, the government pays the interest while the borrower is in school and if unsubsidized, the borrower pays all the interest but has the option of deferring payments until after graduation by capitalizing the interest. This adds the interest payments to the loan balance, increasing the size and cost of the loan. The receiver of the subsidized Stafford Loan must be able to demonstrate financial need, whereas all students, regardless of need, are eligible for the unsubsidized Stafford Loan. Repayment begins six months after the student graduates or drops below half-time enrollment. The standard repayment term is ten years, although one can get access to alternate repayment terms (extended, graduated and income contingent repayment) by consolidating the loans.

2.6.1.2 Perkins Loan

Kantrowitz (2011) states that this loan is awarded to undergraduate and graduate students with exceptional financial need. This is a campus-based loan program, with the school acting as the lender using a limited pool of funds provided by the federal government. It is a subsidized loan, with the interest being paid by the federal government during the in - school and nine - month grace periods. There is no origination or default fee. The interest rate is 5% and it offers a 10-year repayment period.

The amount of the Perkins Loan received is determined by a school's financial aid office. The program limits are $5,500 per year for undergraduate students and $8,000 per year for graduate students, with cumulative limits of $27,500 for undergraduate loans and $60,000 for undergraduate and graduate loans combined (Kantrowitz, 2011).

2.6.2 Private or Alternative Loans.

If the needs of a borrower are not satisfied by the federal programs, they can resort to other supplemental borrowing programs known as Private or Alternative Loans. Parents of undergraduate students can borrow parent loans such as the PLUS (Federal Parent Loan for Undergraduate Students) Loan to pay for their children's education. Starting on July 1, 2006, graduate and professional students were also able to borrow money through the PLUS Loan program to pay for their own education (Kantrowitz, 2011).

2.6.3 Parent Loans

Parents of dependent students can take out loans to supplement their children's aid packages. The PLUS lets parents borrow money to cover any costs not already covered by the student's financial aid package, up to the full cost of attendance. There is no cumulative limit. Since July 1, 2010, all new PLUS loans, like the Stafford loans, have been made through the Direct Loan Program whose funds were provided by the government. Parent PLUS loans are the financial responsibility of the parents, not the student. If the student agrees to make payments on the PLUS loan, but fails to make the payments on time, the parents will be held responsible. These days the PLUS loan is referred to as either the Parent PLUS or Grad PLUS loan. The original name, Parent Loan for Undergraduate Students, is no longer used, not even in the Higher Education Act (Kantrowitz, 2011).

2.6.4 Consolidation Loans

Consolidation Loans combine several student or parent loans into one bigger loan from a single lender, which is then used to pay off the balances on the other loans. It is very similar to refinancing a mortgage. Consolidation loans are available for most federal loans, including Federal Family Education Loan Program (FFELP) namely Stafford, PLUS and Specialized Loan Servicing (SLS), Fund for International Service Learning (FISL), Perkins, Health Professional Student Loans namely Nursing Student Loan (NSL), Health Education Assistance Loan (HEAL), Guaranteed Student Loans and Direct loans. Some lenders offer private consolidation loans for private education loans as well (Kantrowitz, 2011).

2.6.5 Peer to Peer Education Loans

Peer-to-peer lending, also referred to as social lending, person-to-person lending, microfinance and microloans, is a nontraditional form of lending involving unsecured loans between individuals. This is in contrast with traditional lending, where a bank or other financial institution makes loans to individuals. Many peer-to-peer lending sites claim to draw their inspiration from Muhammad Yunus, the founder of microfinance. Muhammad Yunus established the Grameen Bank in 1976 to make small loans to poor families in rural Bangladesh[5] (Kantrowitz, 2011).

2.7 Private Versus Federal Student Loans

Private loans, also known as private-label loans or alternative loans have long been part of the student financial aid equation but are receiving new attention in recent years. Private loans are used for many reasons:

- to fill the gap between a student's financial aid package and the actual cost of attendance,
- to help cover the Expected Family Contribution (EFC) calculated under financial aid formulas, or
- to pay for additional expenses not normally covered by other forms of aid (Institute for Higher Education Policy, 2003).

In Rwanda, private loans are becoming increasingly important as a mechanism for financing postsecondary education due to the fact that universities have increased fees and the government has decided to reduce the amount of money given as student loans to students.

On the one hand, private and federal loans share various similarities. They are both used to help students finance their post secondary education, they are approved and verified from the college's financial aid office only up to a certain amount and they are limited to the cost of attendance. On the other hand, they also have several differences. The main ones are three, namely their flexibility,

[5] For more information about Grameen Bank, see Muhammad Yunus, Banker to the Poor: Micro-Lending and the Battle Against World Poverty, 2nd edition, October 2003.)

the level of risks and its associated interest rates as well as the services and rewards attached to the loans (Institute for Higher Education Policy, 2003).

Private loans have the ability to provide students with greater flexibility with regard to loan origination fees, interest rates and repayment terms and conditions. The following are the characteristics of the private loan as stated by the Institute for Higher Education Policy (2003):

- Private loan borrowers can obtain the loans throughout the year as opposed to the limited time each semester that federal student loans are available.
- Most private loans also do not require students to the limited time each semester that federal student loans are available.
- Likewise, most private loans provide fixed interest rates (which have been quite low in recent years) that give students a better sense of what their monthly payment will be for the duration of repayment.
- Most private loans also do not require students to complete the FAFSA (Free Application for Federal Student Aid); although some form of application is generally required (as well as a credit check). Many parents and students believe these applications are easier, shorter, and less invasive than the FAFSA, especially for those who are unwilling to provide their personal financial information to the government.
- Finally, because lenders almost always list their products on the internet, it has become increasingly simple for students to shop around for the best loan product to meet their needs.

By comparing the terms and conditions associated with the large number and variety of private loan products on the market, students can evaluate the tradeoffs between features such as origination fees and interest rates, and identify the most convenient repayment options (Institute for Higher Education Policy, 2003).

This may seem strange for people who live in developing countries because one would think that government loans would be more advantageous than non government loans especially in as far as payment modes and interest rates are concerned. Moreover, since private loans are very rare in developing countries, students usually accept the conditions of the loans (mainly from the government), that are available because they want to study and they also don’t have any other options.

Although private loans have been on the market for several years, their prevalence has increased in recent years as students' demand for additional sources to finance postsecondary education has increased. Similarly, borrower demand and favorable market conditions also have encouraged growth in both the number and diversity of private loan products available (Institute for Higher Education Policy, 2003).

2.8 Student Loan Programs in Developed and Developing Countries

This part of the research described various student loans in some developed and developing countries. The main programs that were described include those of USA, Germany, Japan, Sweden, and Canada. Some countries in Asia and Africa were also illustrated. Different aspects were mentioned including challenges and the lessons that can be learned from their experience.

2.8.1 Student Loans in the USA

Several bodies like the American Council on Education, the College Board and the National Association of Student Financial Aid Administrators (NASFAA) conducted various researches on student loans. The US experience shows that loan programs and various types of student loan are feasible, that students are willing to borrow and that reliance on loans as a way of financing both tuition fees and living cost has become widespread. However, much of the US research is hardly relevant to the needs of developing countries that would like to set up student loan program for the first time (Woodhall, 1987).

It is true that the researches done in the US can't immediately be applied to other countries, especially developing ones. The main reasons are that the realities are different and that the mindsets of people from developing countries are different from those from the developed world. The developing world need to be sensitized first to make sure students and parents understand the reasons behind introduction of loans otherwise, the loan programs can easily fail.

Wood hall (1987) states that the first student loan program was set up in the USA in 1958 to boost the American science of education especially for defense purposes in order to compete with Russia which had launched a spacecraft called Sputnik. The program was called the National Defense Student Loan Program (NDSLP), and it aimed at encouraging and improving science education for defense purposes. After the NDSLP, different other loan programs sponsored or supported by the Federal Government and other operated by state government agencies and individual universities or colleges were later set up. According to Woodhall (1987), the following are the main federal government loan programs:

- National Direct Student Loan Program (NDSLP): this program succeeded to the National Defense Student Loan Program and offered highly subsided loans to low income students. The interest rate on NDSLP loans was 3% in 1958, 4% in 1980 and 5% in 1981.
- Guaranteed Student Loan Program (GSLP): this was introduced in 1965 and was intended for middle income students. The loans offered were subsided, but the interest rate was higher than NDSLP loans. GSLP interest rate was 6% in 1965, 7 % in 1986, 9% in 1981, and it was reduced to 8% in 1985.
- Parent Loan for Undergraduate Students (PLUS): this program was set up in 1981 with the aim of helping parents finance their children's education. It is also called Auxiliary Loans to Assist Students (ALAS) because it provides additional funds for students who do not qualify for GSLP loans. Its interest loan was at 14% in 1981 and it was reduced to 12% in 1985.
- Health Education Assistance Loans (HEAL): this was set up to benefit medical and para-medical students.

NDSLP loans are intended for low income students and GSLP or PLUS loans for students with higher family incomes. In late 1970's and in 1980's a growing number of students started relying on loans so that by 1985, more than half of all financial aid for students in higher education in the USA was provided in the form of loans (Woodhall, 1983). In the US, graduate and professional students have different options for borrowing than undergraduates. Most undergraduates who use loans to finance their education rely on Federal Stafford Loans and can borrow between $23,000 and $46,000. However, graduate and professional students may borrow a total of $138,500 including any borrower at the undergraduate level. For students who exhaust their loan limits or who pursue degrees in specified areas, other loans are available from the federal government and private lenders when student and family resources, combined with federal, state, and institutional financial aid, are not sufficient to finance the student's education, private loans become a viable option to fill the gap. In addition, private loans may be used to help cover the Expected Family Contribution (EFC) required under financial aid formulas, or to pay for additional expenses not normally covered by other forms of aid (Institute for Higher Education Policy, 2003).

2.8.2 Student Loans in Other Developed Countries

In Germany, before 1971, university students were used to not paying tuition fees and low income students to receiving living fees. The Federal Law for Promotion of Education, Bundesaus bild ungsforderungsgesetz, known as BAfog, was established in 1971 and started with giving only grants. Later a loan element was introduced and in 1981, grants were abolished and BAfog started giving out only loans. Even if there was a controversy among Germans about the abolishment of grants, the loan scheme was extremely generous. The loan was interest-free, graduates could repay over twenty years, and students who finished their studies in shorter than average time or who graduate in the top 30% had up to 25% of their dept cancelled (Woodhall, 1987).

In Japan, the Japan Scholarship Society was set up in 1943 as a private foundation but it was changed later to be a quasi-government organization, and in 1953 it turned into the Japan Scholarship Foundation. Despite its name, all scholarships are in fact loans to be paid back. This foundation provides two types of loans, namely the interest free loans for upper secondary school and technical college students as well as loans of 3% interest rates to undergraduate students (Woodhall, 1987).

Contrary to Japan, students get a mixture of grants and loans in Sweden. However, the percentage of loans has been increasing from 75% in 1965 up to 90% in 1985%. The unusual element in Sweden is that all students are treated as financially independent from the age of twenty. As parental income is not considered, and most of the students are eligible for loans which they must repay by their 50^{th} birthdays. In 1960's, graduates had to pay back in terms of constant purchasing power, and their debts were indexed in terms of the Cost of Living Index. Later, this was changed and an annual adjustment index of 4.2% was charged (Woodhall, 1987).

In Canada, there is a Canada Student Loan Program administered by commercial banks with Federal government guarantee and a number of provincial programs. In New Zealand a loan program was being considered by 1987, the Britain student loan was back on the political agenda and all Scandinavian countries (i.e Denmark, Norway and Finland, as well as Sweden mentioned above) have student loans programs too (Woodhall, 1987).

2.8.3 Student Loans in Developing Countries

2.8.3.1 Student Loans in English-Speaking Africa

In 1991, at the time of the IIEP (International Institute of Educational Planning) Forum on student loans in English-speaking Africa, student loan schemes were still rare in Africa. Both recoveries of cost and tuition fees of students were a subject of political controversy in some Anglophone countries in Africa. The decline of government budgets and a shift of government and donor priorities in favor of primary education resulted in a financial crisis in various universities located in those countries. Equity in higher education finance was being increasingly questioned in Africa, specifically in Uganda where living allowances for university students absorbed over 80% of the university budget in 1988 (Woodhall, 2004).

The sharp rising trend of demands for higher education was also one of the issues that needed a particular attention. All the above mentioned facts show how much a reform on financing higher education including tuition fees and student loans was needed in various African countries.

Woodhall (2002) stated that studies done in Africa have shown that by 1991, student loans program existed in Ghana, Kenya, Lesotho, Malawi, Nigeria and Zimbabwe, while Tanzania, Botswana and Uganda were by then considering introducing student loans. Woodhall (2002) also asserted that student loans have been introduced in many African countries for the following reasons:

- The need to reduce public expenditure as a result of falling government revenue because of economic crisis and the necessity for structural adjustment programs,
- A wish to reallocate resources to lower levels of education,
- A drive to improve quality of higher education, and
- It was regarded to be a more equitable distribution of the costs of higher education.

Based on a successful experience of cost sharing in Australian higher education, Charpman (1999) suggested the use of income contingent in Ethiopia. He argues that an income contingent loan approach requires a government to record student income accurately over time, and it has an efficient collection mechanism (Charpman, 2002). However, Johnstone (2002) recommended a conventional loan program with a fixed repayment but with provision of deferment in a case of unemployment or clearly demonstrated financial hardship.

In South Africa, student loans are managed by the Tertiary Education Fund of South Africa (TEFSA) which was established in 1991. Its aim is to ensure historically disadvantaged students with academic ability could pursue higher education studies. In 1999, The National Student Financial Aid Scheme (NSFAS) was established, incorporating TEFSA, and the change formerly occurred in August 2000 with the appointment of the first Board of NSFAS. Despite increased volumes of both funds and loans, NSFAS has maintained its very high administrative standards and is confident of its future sustainability. Taking heed of looming crisis, the Independent Development Trust (IDT) provided fifty million of South African Rand (ZAR) for students' financial aid, to be granted in the form of loans to needy students from disadvantaged backgrounds during the 1991 and 1992 academic years (Johnstone, 2006).

Despite efforts to expand TEFSA's loan financing, the financial situations at higher education institutions grew steadily worse with student fee debt rising from year to year. By the beginning of the 1995 academic year, it had become clear that it was beyond the ability of higher education institutions to resolve the crisis and the Minister of Education therefore appointed the National Commission on Higher Education (NCHE) to seek ways to remedy the situation. Some of the challenges encountered by NFSAS as stated by Johnstone (2006) include namely:

- Enormous backlogs in access to higher education for historically marginalized communities;
- Requests from institutions for increased financial contributions;
- Huge expectations that transformation would bring higher education within ever ones reach; and
- Conflict between students and higher education institutions administrations over the payment of fees.

2.8.3.2 Student Loans in East Africa

As mentioned above, by 1991, student loan schemes already existed in some African countries including Kenya. Other East African countries started the student loan schemes later and they were based on cost sharing.

2.8.3.2.1 Uganda

Cost sharing in Uganda started because of harsh socioeconomic and political conditions in the country that were prevailing in the 1970s and 1980s. Even if there was no cabinet or parliament paper regarding cost sharing, in 1993, Makerere University decided to start charging fees to private students to decrease its dependence on government funds and diversify its financial base. Makerere University also introduced other source of income including consultancy services, commercialization of services units, creation of limited liabilities companies and commercial units and hiring out university facilities (Johnstone, 2004).

Even if this system created some problems, namely success in only some faculties, balancing public and private funds, and questionable quality of graduates and research, it also had success in various areas. Some of the successes include internal efficiency, increase of the access and number of graduates and decrease of gender inequity because females increased to 34 percent of the total enrollment (Johnstones, 2004).

2.8.3.2.2 Kenya

Johnstone (2006), who reviewed cost sharing and student loans in Kenya, stated that a Higher Education Loans Board of Kenya was established in 1995 and come into force on July 21, 1995. The first student loan program in Kenya had failed in 1970 because of extremely high defaults and apparent administrative incompetence.

Kenyan students studying in universities outside East Africa , who were not on scholarships were advanced loans by the government against securities such as land title deeds, insurance policies and written guarantees. By 1974, the number of students who wanted to join universities grew significantly because of heavily subsided primary and secondary education, and it became difficult to provide full scholarship to all students seeking higher education. Consequently, the government introduced the University Student's Loans Scheme (USLS) managed by the Ministry of Education (Johnstone, 2006),

The USLS encountered a number of problems at its commencement because of lack of legal basis to recover matured loans, and the public's generally wrong perception that loans from the government was a grant and it will not be repaid. This was resolved by the establishment of the Higher Education Loans Board (HELB) to administer the student loan scheme. This was mandated to recover all disbursed loans since 1952 through HELB and to establish a revolving fund from which funds can be drawn to lend out to needy Kenyans students pursuing higher education. The recovery method was deduction from salaries, and failure to pay was supposed to bring severe penalties to both borrowers and employers (Johnstone, 2006).

2.8.3.2.3 Tanzania

The Tanzania Higher Education Student Loans Board (HESLB) was founded in 2004, amended in 2007 and became operational in April 2005. Its objective is to give loans to needy Tanzanian students who have admission in accredited higher learning institutions. The main functions of HESLB are the following (Higher Education Student loans Board, 2011):

- to assume responsibility for the control and management of any loan funds;
- to administer and supervise the whole process of payment and repayment of loans;
- to establish operational link with higher learning institutions and employers,
- to recover all money owed by former student loan beneficiaries since 1994, and
- to conduct research on other local and external scholarships that may be accessed by Tanzanian students in need of assistance for higher education.

Other functions of the Board include,

- putting in place a mechanism for determining eligible students,
- receiving and considering loan applications,
- Granting loans to successful loan applicants, and
- Determining other criteria and conditions for granting loans.

In 2008, the government had to change the criteria for loan allocations because of limited resources, rising demand for loans and rising cost of enrollment in higher education institutions and only students with passes of division one for males and division one and two, for females and students studying programs of national priority, including education, health sciences, agricultural sciences and engineering sciences have been granted loans. In the 2009/2010 academic year, guidelines and criteria for granting loans, the board broadened the scope of Government priority programs to include all those listed in the academic year 2006/2007 and all science related programs (Higher Education Student loans Board, 2011).

2.8.3.2.4 Rwanda

2.8.3.2.4.1 Introduction

In July of 2003, the government of Rwanda decided to set up the Student Financing Agency for Rwanda (SFAR) as a semi-autonomous organ with overall responsibility for implementing and managing all student financing schemes. Up to the end of 2010, there was only one student loan, which is SFAR. At the end of 2010, after the government of Rwanda announced that it will stop the living fees that had been given to certain loan beneficiaries, some banks started looking into ways of establishing private student loans. Kenya Commercial Bank-Rwanda (KCB) has already set up a student loan scheme called Masomo Loan,[6] and Urwego Opportunity Bank (UOB) plans to launch a student loan program soon.

2.8.3.2.4.2 Student Financing Agency for Rwanda (SFAR)

The official establishment of the Student Financing Agency for Rwanda (SFAR) by the cabinet was done on July 29, 2003. Its main mandate is to manage and administer student financing for higher education both in Rwanda and abroad, and to introduce and implement a student loan scheme. The Law n° 50/2006 of 05/10/2006 establishing SFAR provides that it will operate as an autonomous agency under the Ministry of Education (MINEDUC). Its main responsibilities are detailed in chapter two, article eight of the above mentioned law. SFAR is composed of two administrative organs namely, the Board of Directors and Management (Students Financing Agency for Rwanda, 2011).

The said law is completed by other two laws mentioned below:

- The Presidential order n° 54/01 of 06/10/2008 determining the criteria for provision of bursary and the obligations of the recipient during and after studies. This order was passed by the relevant authorities and published in the official gazette n° 20 of December 15, 2008 of the Republic of Rwanda.

[6] Masomo is a Swahili word meaning courses or education

- Order of the Minister in charge of higher education n° 002/08 of 03/09/2008 determining the criteria for provision of loans, recovering it and the modalities through which the student who received the loan shares with the government the cost of education. This order was passed by the relevant authorities and published in the official gazette n° 20 of December 15, 2008 of the Republic of Rwanda.

Since SFAR‘s establishment, it has developed procedures for loan application to local and foreign HLIs and has started implementing these procedures in a strict way. It is based on budget availability and government priority areas of study to process the applications and decide bursary/loan beneficiaries. These are approved by the SFAR Board, which also signs a contract with the government. Beneficiaries' disbursement include tuition fees, research fees and costs of living for local students and transport, tuition fees, research fees and costs of living for student in foreign HLIs (Students Financing Agency for Rwanda, 2011).

2.8.3.2.4.3 Masomo Loans of Kenya Commercial Bank-Rwanda (KCB-Rwanda)

The KCB Masomo Loan targets salaried individuals sponsoring themselves, working students and parents or guardians who sponsor their children. The beneficiary of this loan must open a KCB bank account and has to sign a one year renewable contract. KCB pays his/her tuition fees and upkeep through a university chosen by the borrower. The Masomo loan interest rate is fixed at 1.5% per month, and it is on reducing balance.

2.8.3.2.4.4 UOB Student Loan Products

UOB has not launched its student loan product yet. It has finished conducting a research on education finance and it is planning to launch two products. One is called Career Student Loans and another Vocational Student Loans. Career Students Loans target employed students while Vocational Student Loans target mainly students in vocational schools and some few others from some universities that would be selected in the pilot program.

2.9 Best Practice of Student Loan Schemes

Woodhall (1992) states that student loans can resolve many financial problems that are identified in higher education if they are properly designed and effectively managed and if higher rate of recovery is achieved. Some lessons were also drawn from the International Institute of Educational Planning (IIEP) forum[7] and other international experience. The following are the main requirements for the success of a student loan as presented by Woodhall (2004):

- Objectives must be clear. Deciding if the main emphasis should be put on equity or cost recovery,
- Subsidies for student support must be well targeted and efficiently administered to ensure the effective use of public funds and to achieve equity,
- Explicit subsidies (e.g., grants) are more effective than "hidden" subsidies (e.g., interest subsidies), and
- To ensure access for disadvantaged students, loans should be combined with means-tested (needs-based) grants or scholarships, rather than being the sole form of student support (e.g., the combined loan-bursary provided under NSFAS in South Africa).

As far as design and administration of student loans is concerned, the experience suggests at least six requirements for a successful loan scheme:

- Efficient institutional management, including adequate systems for the selection of borrowers, the disbursement of loans, record-keeping, data storage, and data processing,
- Sound financial management, including setting appropriate interest rates to cover inflation, thus maintaining the capital value of the loan fund and covering administrative costs,
- Effective criteria and mechanisms for determining eligibility for loans, for targeting subsidies, and for deferring or forgiving loan repayments,
- Adequate legal frameworks to ensure that loan recovery is legally enforceable (e.g., the National Student Financial Aid Scheme Act of 1999 in South Africa),
- Effective loan collection machinery, using either commercial banks, the income tax system (as in Australia, the U.K., and several other developed countries), national insurance mechanisms (as in Ghana), or employers (as in Kenya and South Africa) to ensure high rates of repayment and to minimize default, and
- Information and publicity to ensure that recipients understand and accept the underlying principles and consequent obligations for the borrowing and repayment of loans (Woodhall,

[7] The IIEP Forum on student loan in English-speaking Africa took place in 1991

2004).

Ziderman (2004) used five Asian case studies when carrying out a study on policy options for student loan schemes. The following twenty characteristics of 'good practice' of loan schemes were presented as follows in his research:

- Loan schemes are sufficiently large in coverage to achieve national impact,
- Loans scheme objectives are clearly defined,
- Policy alternatives to loans scheme have been considered,
- Any planned departure from mortgage-type loan scheme is closely analyzed,
- Preference is given to unitary schemes,
- Loan capital provision; government funding sufficient for sustainability is ensured,
- Loan capital provision: where possible non-government funds are used,
- Financial viability of loans schemes is appraised before implementation and monitored on a continuous basis,
- Appropriate decentralization of administrative roles is implemented,
- Individual loans are sufficiently high to meet student needs,
- Subsidized loans are justified,
- Horizontal equity is respected in loan provision,
- Grants and loans are part of a single policy and are administered in common,
- Appropriate and effective eligibility and screening criteria have been developed,
- Proactive targeting mechanisms have been developed,
- Loan repayment collection is outsourced to collection agency whenever possible usually through commercial banks,
- Reducing default: Measures are taken to penalize repayment evasion,
- Reducing default: Heavy payment burden avoided,
- Sound information base is developed and technical expertise is employed for evaluation and appraisal, and
- Lessons are learnt from international experience; 'instant' institutional borrowing is avoided.

The above mentioned best practices can help governments that would like to design student loans. However, each country should consider its culture, education background, financial situation and the level of education of its population before making any decisions regarding establishments of both government and private student loans.

2.10 Problems and Limitations of Students Lending

In the studies conducted by Johnstone (2002), some factors which lead to the failure of loan schemes in many countries of the world are stated below:

- The underlying extremely high per student cost of higher education at the university and particularly relative to the underlying per capital income of most less industrialized, or developing countries, exacerbated by pressures to greatly expand these already costly enrollments,
- The high rates of unemployment and low paying jobs in some countries, among higher education graduates, making loan payments difficult (even with an otherwise well conceived and well – administered loan program),
- The pervasive belief that higher education is or ought to be a public entitlement: that is paid for by everyone even if only relatively few participate and benefit,
- The pervasive absence of trust, especially among students and potential students' population in many countries, of government and of the higher education administration,
- The low rate of savings and general scarcity of private capital,
- The absence of reliable and cost – effective systems for loan servicing and collecting, and
- Bearing the risk: The fundamental problem of lending to students is risky, as they generally have neither a credit rating nor asset to use as collateral.

These problems combined with the best practices would guide decision makers in the area of student loans. However, instead of focusing on problems, policy makers should find ways of managing them instead of fearing or ignoring them. Suitable solutions can be reached if all stakeholders such as students, parents, universities, banks and other financial institutions and insurance companies.

2.11 Pros and Cons of Students Loans

Student loans have been advocated by some economists and higher education policy analysts for nearly fifty years. However, a fierce controversy still exists, and obtaining loans has become almost inevitable since the educational expenses have gone sky-high worldwide. The following paragraphs will mention some arguments against and for student loans.

2.11.1 Arguments for Student Loans

The theoretical justification for loans is that higher education is a profitable private investment, offering graduates high returns in the form of better job opportunities and higher lifetime earnings. Loans give potential students from poor families, who would otherwise be denied access to higher education on grounds of poverty, the chance to invest in their own future by providing them with financial aid when it is needed and allowing them to repay it when they can afford to do so. The rationale can be summed up in the slogan of the first student loan program in Latin America: ICETEX in Colombia: "We lend to the student and the professional pays us back" (Woodhall, 2004).

Woodhall (2004) asserted that the arguments in favor of student loans are based on both efficiency and equity. Efficiency arguments for loans rather than grants are that loans will reduce demands on the government budget and on taxpayers, provide additional resources to finance the expansion of higher education to widen access, and increase students' motivation by making them aware of the costs of higher education and requiring them to evaluate both costs and benefits in the light of the obligation to repay their loans. The equity arguments also focus on costs and benefits, concluding that, since most university graduates can look forward to substantially higher lifetime incomes as a result of their education, those who benefit from higher than average earnings should not be subsidized by taxpayers with average or below average earnings.

Such arguments formed the basis of the World Bank's three conclusions:

1. "Too great a share of public resources goes to higher levels of education, relative to lower" (World Bank, 1986, p. 10).
2. "Since higher education systems are financed by the entire population, but available only to a small minority, they have a regressive fiscal impact" (World Bank, 1994, p. 23).
3. "Cost-sharing cannot be implemented equitably without a functioning student loan program to make funds available to all students who need to borrow for their education, and without scholarship programs that guarantee necessary financial support to academically qualified poor students. . . . Given that in every developing country students attending higher education represent an elite group,

with income-earning potential significantly higher than that of their peers; it is appropriate that the major form of student financial assistance offered be government-guaranteed student loans rather than grants. . . . Improving the efficiency and broadening the coverage of existing student loan programs are major challenges for developing country governments" (World Bank, 1994).

Woodhall (2004) also asserted that student loans have the potential to contribute to various programs, namely:

- cost-sharing and revenue diversification by increasing the feasibility or acceptability of introduction or increases in tuition or other fees,
- improving equity by providing financial support for students who might otherwise be denied access and ensuring that those who derive substantial benefits from higher education contribute to its cost, and
- increasing sustainability by ensuring that loan repayments from past cohorts of students help to finance financial support for the next generation.

It is true that student loans have some significant potential answers to financing higher education even if they have some limitations. However, problems related to financing higher education will not be solved by student loans only. Student loans can solve some of the problems if they are well designed and monitored.

2.11.2 Arguments Against Student Loans

Critics of student loans who usually support grants instead of loans argue that higher education is a profitable social investment and therefore should be financed from public, not private funds. They argue that loans are inefficient because of the following reasons (Woodhall, 2004):

- The complexity and high costs of administration, particularly the costs of collecting loan repayments,
- The risk of non-repayment if graduates are unable to repay due to unemployment, low earnings, or illness; or if they simply default by refusing to repay, emigrating, or disappearing, and

- The danger of distorting students' choices of subject or career by encouraging them to opt for high earnings rather than courses or jobs that may be socially valuable but which offer low earnings prospects.

They also advance the idea that student loans are against equity because there is fear that the obligation to incur debt and to repay loans will discourage students from low-income families, particularly women (who may regard the obligation to repay loans as a "negative dowry") or mature students who will have a shorter working life than other graduates, in which to repay their loans, because of their age (Woodhall, 2004).

The above arguments treat grants and loans as alternatives instead of potential complementary forms of student support. Supporters of grants also only consider the developed world, that is financially capable of giving grants to many people, ignoring that developing countries face problems in financing higher education. If this system of grants is only applied in developing countries, only a small minority will be able to achieve high education while these countries urgently need to increase the number of graduates hence, an increase of their economic development.

2.12 Chapter Summary and Conclusion

This chapter essentially presented the definition of some key words and the history of student loans. It also detailed some student loan schemes in both developing and developed countries by focusing mainly on some of the East African Community countries, particularly Rwanda. Good practice and problems facing student loans were also discussed, and arguments for and against student loans were detailed. My overall conclusion about various views presented in this chapter is that student loans alone cannot resolve all the problems found in higher education. They should be combined with grants, scholarships and fellowships to make sure various options are available to students and that the neediest students joining higher education are taken care of.

CHAPTER III: THEORETICAL FRAMEWORK AND RESEARCH METHODOLOGY

3.1 Introduction

Every research project has to determine its problem and the objective is to get a solution. To solve it, one has to take a sample from the population. Moreover, appropriate methods of collecting and analysing data have to be chosen. In this chapter, the researcher presented the theoretical framework and the research methodology and also described the steps followed to achieve the objectives of the research. The first step is choosing the sample population, the second step is data collection, and the third one is data analysis and interpretation. Finally, the problems encountered in the above mentioned steps and potential limitations of this study were stated at the end of this chapter.

3.2 Research Objectives and Questions

The aim of this research including general and specific objectives is detailed in chapter one section 1.3. The general and specific research questions were also presented in chapter one, section 1.4.

3.3 Theoretical Framework

Kumar (2005) asserts that the theoretical framework means a set of theories drawn from the literature which include important opinions from scholars and which are used as a foundation of research. Some of the authors attempted to explain the meaning of theories in different words. Some authors defined theorizing as a simple cognitive process of finding out and treating various abstract classes and the interactions among these classes (Le Compte & Preissle 1993), whereas Maxwell(1996) stated “theory is a set of concepts and the proposed relationships among these, a structure that is intended to represent or model something about the world.”

In this research, theories related to financing higher education, pro and cons, as well as good practice of loan schemes were emphasized, given the purpose of this research. The following paragraphs present some of the theories stated by various authors in the area of financing higher education.

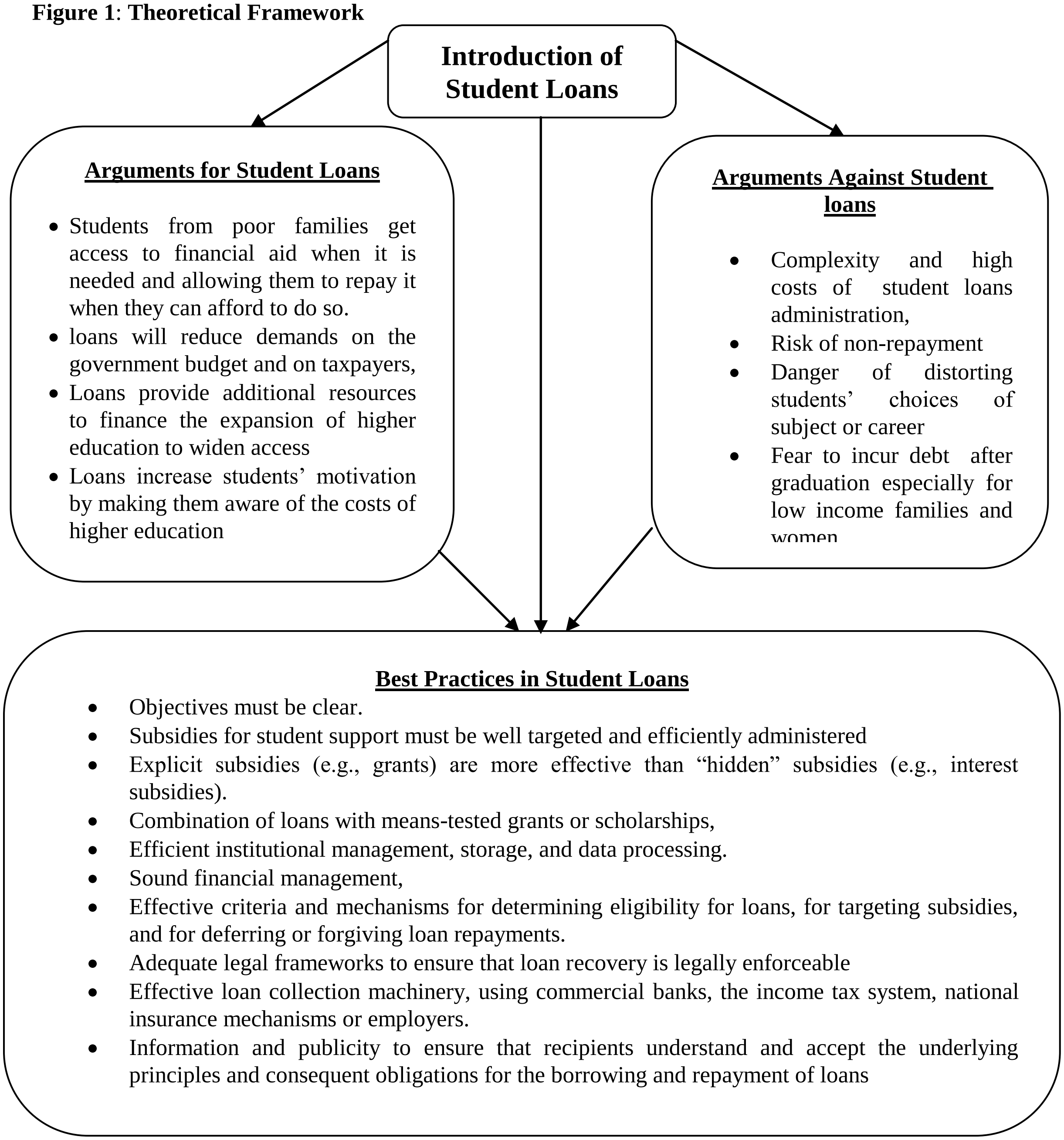
Woodhall (2004) asserted that the theoretical justification for student loans is that higher education is a profitable private investment, offering graduates high returns and consequently opportunities of getting a better job and higher salary. The author continues arguing that student loans are specifically important for students from poor families, who cannot afford higher education because of poverty. These poor students get the chance to get support that allows them to study and pay back after graduation. Other arguments that support student loans are based on efficiency and equity. The ones based on efficiency include the fact that student loans reduce the burden of the government budget, which is financed by the taxpayers, the expansion of higher education through provision of additional financial resources, and increasing students' motivation by making them aware of high education costs and requiring them to assess both costs and benefits in the light of the obligation to repay their loans.

In regards to equity, the arguments are based on the fact that university graduates expect higher incomes after graduation, thus they should not be subsided by taxpayers with average or below average earnings (Woodhall, 2004). The World Bank also concluded that students loans are better than grants because too much money from the public resources goes to higher levels of education relative to lower education and that higher education is financed by the entire population whereas it is available to only to a small minority of the population (World Bank, 1994).

Though the above paragraphs mentioned arguments for student loans, other arguments against student loans are also presented. One of the main arguments supports that student loans should be financed from public funds. Woodhall (2004) states that critics of student loans argue that they are inefficient due to the costs involved, risk of non repayment after graduation and the danger of distorting students' choices of subject or career. The author continues by saying that opponents of student loans also assert that student loans are against equity because students might fear the burden of debt after graduation, especially those from poor families, women, and mature students.

Some good practices, problems and limitations of student loans were also mentioned in addition to pros and cons. Woodhall (1992) states that student loans can resolve many financial problems that are identified in higher education if they are properly designed, effectively managed, and if the higher rate of recovery is achieved. Some lessons were also drawn from the International Institute of Educational Planning (IIEP) forum and other international experience where the main requirements for the success of a student loan were presented.

Figure 1: **Theoretical Framework**



A theoretical framework built by the researcher from the work of Woodhall (1992, 2004).

The above figure summarizes pros and cons as well as best practices identified by Woodhall. The above mentioned pros and cons as well as best practices should be taken into account when a country is examining possibilities of introducing student loans programs.

Ziderman (2004) also carried out a study on policy options for student loan schemes and suggested twenty characteristics of 'good practice' of loan schemes. In addition, Johnstone (2002) conducted various studies and identified some factors which lead to the failure of loan schemes in many countries of the world.

All the above mentioned studies were presented and detailed in the second chapter. The researcher assumes that the theories presented in the literature review are helpful for governments that would like to consider introducing student loan schemes.

3.4 Research Methodology

3.4.1 Introduction

Research methodology is defined by Burrell and Morgan (1979) as a way in which people endeavor to explore and acquire knowledge about the social world. Kothari (2007) states that research methodology is a way to systematically solve the research problem or a science of studying how research is done scientifically.

Kothari (1985) states that talking about research methodology does not mean talking about research methods only, but it also means considering the logic behind used methods and explaining the reasons behind using a certain method or technique to make sure the results can be assessed by the researcher and other people. The research methods are also referred to by Kothari (1985) as techniques employed in collecting relevant research material as well as finding answers to the research questions.

3.4.2 Data Collection

This research was mainly qualitative. Both primary and secondary data was used. The researcher collected primary data from various interviews and questionnaires were given to different respondents including government officials, university staff, staff from banks, former students, current students and parents. The questionnaires were made of both open ended and closed questions but the latter were very few because the study is qualitative in nature. As stated by Creswell (2005), the main reasons of using open ended questions are more preferable in qualitative inquiry because the research aims at exploring a given phenomenon at a particular point in time. Questionnaires and interview questions were pre-tested with a few respondents to find out if they were appropriate for this research. After this exercise, they were reviewed to make sure the researcher can get enough and necessary data.

Most of the primary data was collected with questionnaires and very few people were interviewed.

Questionnaires were mainly used because of its positive features. Some of the positive features of using questionnaires as stated by Cozby (2004) include the fact that they are less costly than interviews and that they allow respondents to remain anonymous. However, they require that respondents be able to read and write and they seem boring because people need to sit by themselves and answer questions. These two questions are not relevant in this research because the respondents were mainly literate and the subject is interesting for the respondents who are mainly students, parents, and people working in the education and financial sectors. Moreover, the pre-tests showed that respondents were eager to give their opinions regarding financing higher education in Rwanda.

Interviews were not neglected because of some of the advantages of using them. People generally answer all questions during interviews because the interviewer has to establish a good rapport with the interviewees which helps motivate him/her to answer all the questions. The other advantage of using interviews is that the interviewer can clarify any question of comprehension, and he /she can also ask any follow up questions if needed (Cozby, 2004).

Secondary data was also used. This includes namely the policy on higher education in Rwanda, law governing the Students Financing Agency for Rwanda and other government publications on financing higher education. Other books, articles and reports published by various authors on student loans and financing higher education were also explored. The difference between collecting primary data and secondary data as asserted by Kothari (2007) is that the former are originally collected while the later focuses on mainly compilation. The researcher has decided to use both because he wanted to consider views from scholars’ work and those of stakeholders that have an interest in the topic.

3.4.3 Sample Categories

Given a big number of the population as well as time and financial constraints, respondents were selected based on purposive and convenience sampling. Only students and university staff from five main universities from public and private Higher Learning Institutions were selected. Three public universities namely the National University of Rwanda (NUR), the Kigali Health Institute (KHI) and the Kigali Institute of Education (KIE) and two private universities which are the Kigali Independent University (ULK) and the Adventist University of Central Africa (AUCA) were selected. Graduates, parents and financial institutions were also selected based on purposive sampling. As regards the staff of SFAR and MINEDUC, the researcher used judgmental sampling to make sure he talked to people who can provide the information needed to achieve the objectives of the research.

3.4.4 Sample Size

A sample size of 105 respondents representing current students' representatives, graduates, parents, staff of various financial institutions, namely SFAR, MINEDUC, DFID, USAID and WB was used. Senior management staff who work in the area of financing higher education were selected in the above mentioned institutions because the researcher assumed that they are involved in formulation and implementation of different education policies. The following tables summarize the selection of sample size.

Table 1: **Number of Questionnaire Respondents**

Category	**Number of questionnaires**
Parents	20
Graduates	20
Student representatives	50
University staff	5
Total	95

Source: Primary data

Table 2: Number of Interviewees

Category	**Number of interviewees**
SFAR	1
MINEDUC	1
DFID	1
USAID	1
WB	1
KCB	1
BCR	1
COGEBANK	1
BK	1
UOB	1
Total	**10**

Source: Primary data

3.5 Data Analysis and Interpretation

The researcher used strategy of relying on theoretical propositions and the techniques of analyzing the data called “within case analysis”. Three step process consisting of three concurrent flows of activity namely data reduction, data display, and conclusion drawing were used in data analysis.

By using the **within-case analysis** to analyze the data, the research compared the obtained data with previous theories presented in the literature review. The aim of this comparison is to find out if the data fits in the previous theory or not. The following evaluative criteria were considered in the data analysis (Miles and Huberman, 1994):

- **Objectivity/Confirmability**: relative neutrality, freedom from unacknowledged researcher bias, and explicitness about inevitable bias,
- **Reliability/Dependability/Auditability:** consistency of the study process and reasonable stability over time as well as across researchers and methods,
- **Internal Validity/Credibility/Authenticity** - Truth value. The findings of the study should make sense and should be credible to the people studied, members of the research community, and others,
- **External Validity/Transferability/Fittingness:** the conclusions of a study should have a larger import, should be transferable to other contexts, and should fit with what we already know. The extent to which the findings can be generalized should also be considered,
- **Utilization/Application/Action Orientation**: the impact of the study for participants and the pragmatic value of the research.

As mentioned earlier in this study, the approach used is qualitative. To answer the first question of my research, I used information gathered from various researches related to student loans that were conducted by various individual scholars and institutions around the world. The answer to my second question was found through reading and using interviews. Interviews were very helpful because apart from few information that is found on the website of SFAR and MINEDUC, other information was given through interviews. Questions three, four and five were answered through both questionnaires and interviews. Some people, especially staff from various institutions, preferred interviews to avoid the risk of not getting time to fill questionnaires but also to make sure follow up questions are also asked.

3.6 Limitations and Delimitation of the Study

This study is mainly qualitative. The researcher collected opinions from students, graduates, parents, SFAR and MINEDUC staff as well as various banks and universities staff in order to get answers to the research questions. The findings are confined to the period between 2010 and 2011 and any changes that might occur after this period are not considered as part of this study.

Only current and former student leaders were selected to fill the questionnaire because I assumed they were involved in decision making at different levels in the area of education. Hence, they might have various ideas regarding student loans. I also assumed senior staff at the level of universities and parents who have or plan to have students at universities might be helpful in my research. I couldn't talk or meet as many people as I wished to because of limited time and funds. I also could not get enough updated documentations in local libraries, consequently, some of the work cited were published in 80's and 90's. However, I am very hopeful that the information I got will be useful to decision makers working in different education and financial institutions.

3.7 Chapter Summary and Conclusion

This chapter covers the methodology and theoretical framework. The methods and techniques used for population sampling, collecting analyzing and interpreting data were presented.

Limitations and delimitation of the study were also part of this chapter. The researcher found necessary to include all these items in this chapter because they are useful to reach the objectives of this research.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This fourth chapter attempts to answer the five questions presented in the introduction of this study by analyzing the data found and discussing the findings. This chapter mentions various views from students, graduates, university, and SFAR staff. Various donor organizations working in the area of education were contacted but they told me that they can't be helpful for this research because they don't focus on student loans and that they only support primary and secondary education not higher education. Some of the organizations contacted include DFID, WB and USAID. Different opinions were expressed through questionnaires and interviews as mentioned in chapter two. To answer the research questions, the researcher also reviewed various documentations including books and articles. The qualitative approach was applied to answer the research questions and analyze data. Very few tables and numbers were also used in this chapter. The three sections that make this chapter include the characteristics of respondents in section two, presentation of findings in section three, and discussions of findings in section four.

4.2 Characteristics of Respondents

The questionnaires distributed targeted students, ex-students, parents, as well as university and bank staff. The total number for the targeted questionnaire was 95, but only 84 answered the questionnaire, and 78 questionnaires were usable while six were very incomplete. As regards interviews, the researcher was able to meet one SFAR staff and five bank staff. I couldn't meet any staff from the Ministry of Education because I was told that all matters related to financing higher education including students loans are dealt by SFAR. All bank staff were met and answered all my interview questions. In regards to donors, all the donors working in the area of education contacted told me that they are not involved in financing higher education in Rwanda and that they cannot be helpful to this research.

Table 3: Summary of Questionnaire Respondents

Respondents	Total targeted n° of questionnaires	N° of unusable questionnaires	N° of unreturned questionnaires	N° of usable questionnaires	% of total usable questionnaires
Students	50	5	2	43	90%
Graduates	20	2	3	15	90%
Parents	20	4	1	15	90%
University staff	5	-	-	5	100%
Total	**95**	**11**	**6**	**78**	**90.5%**

Source: Field report

Table three shows that the total percentage of respondents was high. All university staff responded while only 10% of students, graduates and parents' questionnaires were unusable.

Table 4: Summary on Interviewees' Information

Interviewees	Total targeted interviewees	N° of unmet interviewees	N° of interviewed staff	% of total interviewed staff
SFAR	1	0	1	100%
MINEDUC	1	1	0	0%
DFID	1	1	0	0%
USAID	1	1	0	0%
WB	1	1	0	0%
KCB	1	0	1	100%
BCR	1	0	1	100%
COGEBANK	1	0	1	100%
BK	1	0	1	100%
UOB	1	0	1	100%
Total	**10**	**4**	**6**	**60%**

Source: Field report

Table four illustrates that the percentage of interviewees is lower than that for the respondents of questionnaires. The main reasons are that donor organizations refused to meet me because they thought they would not be helpful as stated above, and MINEDUC staff referred me to SFAR because the latter is the one in charge of all issues related to financing higher education in Rwanda. Without this refusal, the total interview percentage would be 100.

4.3 Demographic Information

The demographic information includes gender, management, and education levels. The following figures summarize this information.

4.3.1 Number of Respondents and Interviewees by Gender

Table 5: Questionnaire Respondents by Gender

Questionnaire Respondents	Total n°	N° of males	% of males	N° of Females	% of females
Students	43	28	65%	15	35%
Graduates	15	11	73%	4	27%
Parents	15	9	60%	6	40%
University staff	5	4	80%	1	20%
Total	**78**	**52**	**67%**	**26**	**33%**

Source: Primary data

Table 6: Interviewees by Gender

Interviewees	Total n°	N° of males	% of males	N° of Females	% of females
Bank staff	5	4	80%	1	20%
Government staff	1	1	100%	0	0%
Total	**6**	**5**	**90%**	**1**	**20%**

Source: Primary data

Table five and six show gender of questionnaire respondents and interviewees. It presents that the number of males is higher than females in all the respondents. One possible reason why male respondents were higher might be that females did not want to fill the questionnaires or that few females are in the sample categories.

4.3.2 Level of Education

Table 7: Respondents' Level of Education

Level of education / Respondents	Master's degree	Bachelor's degree	Secondary School	Others
Parents	4	10	0	1 (Diploma)
University staff	3	2	0	0
Graduates	4	11	0	0
Students	0	0	39	4 (Diploma)
Bank staff	2	3	0	0
University staff	1	0	0	0
Total	**14**	**26**	**39**	**5**

Source: Primary data

Table seven shows that the highest numbers of respondents have a secondary school level of education which is the minimum level among respondents and interviewees. This shows that all respondents are knowledgeable enough to have some ideas on student loans in Rwanda.

4.3.3 Management Levels

Table 8: Levels of Management

Management level / Respondents	Top management	Senior level management	Middle management	Lower level management
University staff	-	3	2	0
Parents	4	5	6	0
Bank staff	0	5	0	0
SFAR staff	0	1	0	0
Graduates	0	7	8	0
Total	**4**	**21**	**16**	**0**

Source: Primary data

Table eight demonstrates the management level of all the respondents and interviews, except students because they are not employed. The high number of senior level management staff might signal that their views are well documented because it is assumed that they might have more information about various issues going on in the country.

4.3.4 Payment of University Expenses

Table 9: Parents' Plan of Supporting their Students at University

Kind of support / Respondent	Self-Sponsorship	Government loan	Scholarship	Insurance
Parents	**10**	**2**	**1**	**2**

Source: Primary data

Table nine demonstrates that many parents plan to pay for their children at university. This can be achieved by saving enough to be able to pay tuition fees. Some of the banks have encouraged people to open saving accounts for children so that they are able to pay for their tuition fees. The government has also started sensitizing parents to ensure that they understand the importance of caring for their children's education by encouraging them to save money and to take educational insurance.

Table 10: Types of Student Support at University

Types of support / Respondents	Self-sponsorship	Parent's/guardian support	Loan	Scholarship
Students	**2**	**2**	**35(Government loan/SFAR)**	**4(Generation Rwanda)**
Graduates	**1**	**1**	**10(Government loan)**	**3(Orphans of Rwanda)**
Total	**3**	**3**	**45**	**7**

Source: Primary data

Table ten shows that many students benefited from SFAR. Knowing that SFAR's plan is to reduce support to students, many parents have already started looking for other options such as insurance, saving enough to cover university expenses, or by applying for ordinary loans to use them to pay university expenses.

4.4 Presentation of Findings

This section presents findings from the questionnaires, interviews and documentation used. The findings composed of answers to various questions were grouped per research questions to make sure the objectives of this research are achieved.

4.4.1 Rwandan Policy in Financing Higher Education Through Students Loans

The first objective of this study was to scrutinize the current policy regarding financing higher education in Rwanda. This objective was attained by talking to SFAR and reading the MINEDUC Education Sector Strategic Plan 2008-2012. Some feedback from students, parents and university staff regarding the current Rwandan policy on student loans was also useful. As detailed in the second chapter, the policy is to maintain the government student loan program, which aims at supporting needy students who have performed well on senior six national examinations, and the priority is given to those who studied priority subject such as sciences.

The policy is also detailed in the requirements to be fulfilled in applying for a SFAR loan. The requirements are mentioned in article four of the ministerial order nº002/08 of 03/09/2008 determining the criteria for providing loans for higher education, repayment and cost sharing between the government and the loan beneficiary, which are stated below:

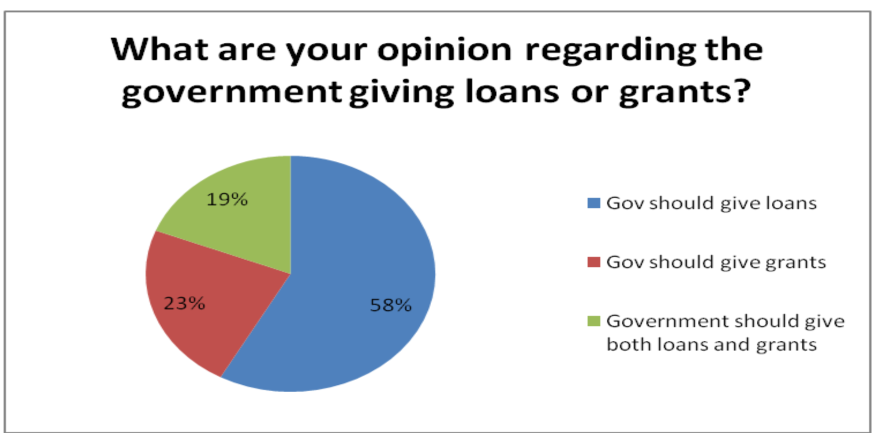
1. To be a Rwandan national;
2. To be a secondary school finalist fulfilling the following conditions:
    - Having attained at least a "Satisfaction" or its equivalent in Maths-Physics major; and being admitted to pursue the same or similar courses at the higher education level;
    - Having attained at least a"Satisfaction" or its equivalent in Bio-Chemistry major and being admitted to pursue the same or similar courses at higher education level;
    - Having attained at least a"Satisfaction" or its equivalent in technology-oriented options and been admitted to pursue the same subjects at the higher education level;
    - Having attained at least a "Satisfaction" or its equivalent and being admitted to pursue higher education in education;
    - Having attained at least a "Distinction" for other courses for secondary finalists.
3. To have attained at least a "Distinction" and be admitted to pursue the following courses or fields:

Medicine, Engineering, Biology, Chemistry, Physics, Maths, Agriculture, Animal Husbandry, Water Engineering, Environmental Sciences, Hygiene, Tourism and Hotel Management, Finance, Economics and Commerce, for finalists from the first or second cycle of higher education

4. To be a teacher in a higher learning institution and admitted to carry on studies with the aim of resuming his/her teaching carrier ;
5. To have a criminal clearing record;
6. To write an application letter and fill the required form;
7. To commit him/herself to refund the loan after completion of his/her studies or when he/ she discontinues his/her studies;
8. To be a regular student;
9. To be admitted to a higher learning institution which is accredited by the government.

Throughout the questionnaire and interviews, various questions regarding financing higher education through loans were asked, and interesting answers were provided. Only 19% said that the government should give both loans and grants while the other 23% said that the government should give only grants. 58% said that the government should disburse loans and that the government should cover 50% of the cost, and the students or parents pay the other part. The following figure two summarizes the answers to the question regarding whether the government should give loans or grants.

Figure 2: Opinions Regarding the Government Giving Loans or Grants



Concerning the question of other alternatives of getting support if the government decreases its support, all the answers converged on the argument of introducing private students loans supported by the government either being a guarantor or helping in loans recovery.

Regarding the policy of increasing human capital graduating at university level, various views were given saying that the real policy is not clear, but generally the government is encouraging the private sector and donors to support professional and vocational studies more than university studies even if the private sector is encouraged to invest in private universities and to support the government by investing in building accommodation and restaurants to serve students attending public universities.

4.4.2 Operational Types of Student Loans in Rwanda

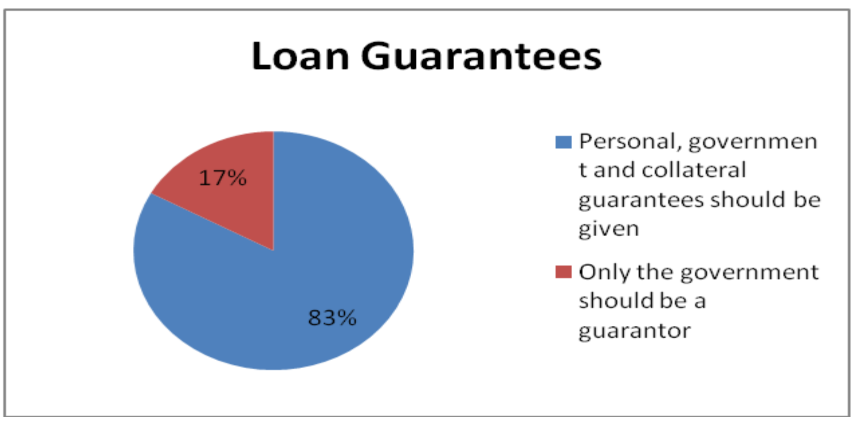
The information about types of student loans in Rwanda was gathered through various documents from SFAR, questionnaires addressed to parents, students, and university staff, as well as through various interviews with different banks and SFAR. Only one bank, namely Kenya Commercial Bank-Rwanda (KCB), has started the product of private student loans in Rwanda while Urwego Opportunity Bank (UOB) is in the process of launching two student loan products. The UOB has already finished conducting research on the introduction of student loans and it is planning to launch its pilot product before the end of 2011. KCB has only one product called Masomo loans, while UOB plans to have two products, which are Career Student Loans and Vocational Student Loans. Career Students Loans target employed students, while Vocational Student Loans target mainly students in vocational schools and some other few universities that were selected in the pilot program. The universities that were selected include Mount Kenya, School of Finance and Banking (SFB), Kigali Health Institute (KHI), Kicukiro College of Technology, and Rwanda Tourism University College (RTUC).

Among respondents to the questionnaires, I noticed that only students and graduates knew that KCB has launched a student loan product and that UOB is in the process of launching two student loan products. One possible reason might be that the above mentioned banks started marketing their products and conducting researches within universities. Some respondents and interviewees mentioned that some banks have other products that support people who would like to get some money to pay tuition/school fees, but they are very different from student loans. Some of those banks include COGEBANQUE that has a product called IGA[8] and COOPEDU (Duterimbere Saving and credit Cooperative) that has a product called educational credit[9].

Concerning the question regarding the sufficiency of the existing student programs, all the respondents stated that they are not enough given the number of secondary school graduates who don't get opportunities of continuing their studies because of a lack of financial means. Respondents have suggested that the government and the private sector should find ways of starting different private student loan schemes to make sure that the number of people attending tertiary education increases.

Regarding loan guarantees, 83% of respondents said that all three of the suggested guarantees, namely personal, government and collaterals, should be allowed because all the education stakeholders, i.e government, student and parents should participate in education. However, 17% said that only the government should be the guarantor because its main responsibility is to educate its people. Figure 3 below summarizes the answers.

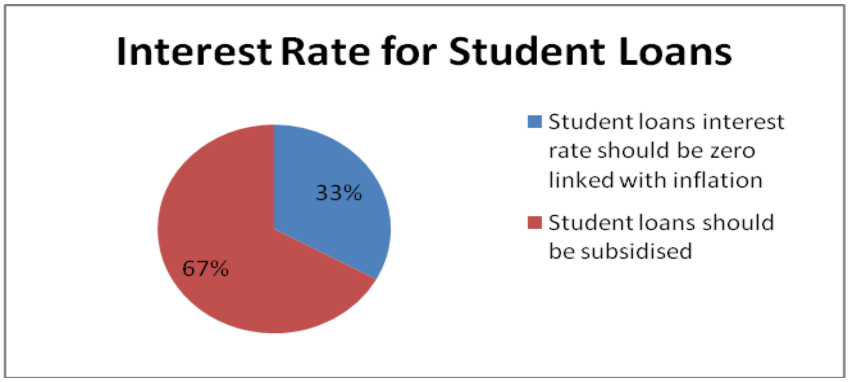
Figure 3: Loan Guarantees



[8] IGA is a Kinyarwanda word that means learn
[9] The education credit is given to parent so that they are able to pay for their children usually at the beginning of a quarter.

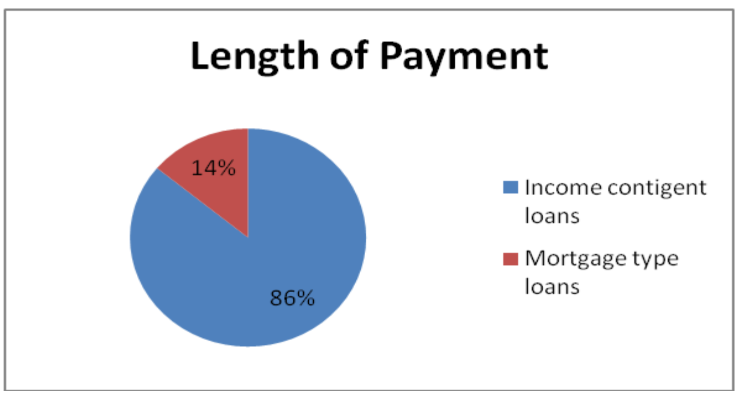
The answers to the question of interest rate varied considerably because 33% of respondents said that the interest rate should be zero linked with inflation, 67% said that they should be subsidize, while no one said that interest rate should follow the market. Figure four below shows the summary of responses.

Figure 4: Interest Rate for Student Loans



To the question regarding repayment terms, as depicted in figure five below, the majority (86%) chose income contingent, while 14% chose mortgage-type.

Figure 5: Length of Payment



Respondents gave various opinions regarding the importance of private student loans. The opinions include that private student loans will be helpful for orphans and vulnerable students who did not get the government support, and it backs the government student loan to increase the number of graduates and consequently the objective of increasing the Rwandan human capital will be reached quickly. Another reason given that concerns government sponsored students is that, the private student loan scheme would help students who are under government student loans to get extra support from banks/financial institutions, because the living fees provided by the government are not sufficient to cover food, accommodation, and other basic needs for students.

4.4.3 Challenges and Opportunities of Introducing Privates Loans in Rwanda

The third objective which aims at identifying opportunities and challenges of private student loans was attained by asking various questions to get views from various people. All respondents supported introduction of student loans in Rwanda and have given advantages and disadvantages of introducing them. It is worth mentioning that advantages were more than disadvantages.

4.4.3.1 Opportunities on the Side of Student Loan Demand

The opportunities cited on the side of the demand include the following:

- Providing chances for many students, including those from poor families,
- Making students and parents aware of the educational cost and motivating them to pay back their loans after graduation,
- Increase of qualified human capital, and
- Opportunities of various universities to get money from students to cover the gap that was caused by the decrease of the government budget to universities.

4.4.3.2 Opportunities on the Side of Student Loan Supply

The following are the opportunities that are mentioned on the side of the supply:

- Expansion of bank loan products and decrease in government money invested in higher education.
- Qualified graduates will reduce the dependency on foreigners who come to support Rwandans technically, and
- The government will be able to invest more in primary and secondary education.

4.4.3.3 Challenges on the Side of Student Loan Demand

Challenges mentioned that are on the side of the demand include:

- Students might fear loan burden after graduation because the unemployment is still high.
- Students might be required by the lender to study a subject which is different from their choices

4.4.3.4 Challenges on the Side of Student Loan Supply

Below are the challenges mentioned by respondents and interviewees on the side of student loan supply:

- Student loans require a high capital investment. Student loans require a regular addition of capital because usually students spend four to six years at university in Rwanda and spend some time searching for jobs before they start paying back. This might discourage banks and other financial institutions to start the student loan product.
- Student loans are among long-term investments because it takes time to start generating income, and consequently becoming a revolving fund would take years.
- Various potential losses are involved due to deaths, default, unemployment, illnesses, and other factors.
- Banks are reluctant to start students loans because many students don't have guarantees
- When the government is a guarantor, banks might not work actively to pursue defaulters because they know that the government will cover losses. Graduates might also tend not to pay back or find various reasons of delaying because they know that the government is their guarantor.
- Administration costs of student loans are high for the banks at the beginning stage and when following up students for repayment.
- Students might not want to pay back even if they are able to if there are no coercive measures that are put in place.

Concerning partnership between the government and private sector, all the respondents and interviewees said that they think this partnership is very important because the efficiency and effectiveness in loan disbursement and recovery exercises might be increased. Moreover, this partnership will increase the Rwandan human capital, and consequently dependence from foreign technical support would decrease with time. Among the challenges of this partnership include, the possibility of the government of interfering in everyday management of banks and other financial institutions, which can cause inefficiency and the tendency of the borrowers to think that the loan is a hidden grant from the government which can cause delay in payments or defaults.

As far as the reasons that might prevent students to pay back loans, respondents and interviewees mentioned many reasons including unemployment and the habit of getting free things from the government or NGOs. This was developed after the 1994 Tutsi Genocide when various NGOs entered Rwanda to give support in various areas. So, much effort needs to be put in sensitization to make sure borrowers understand the requirements of banks and other financial institutions.

4.5 Discussions of Findings

In this research section, the research connected the findings presented in the previous section to the objectives of the research to ensure all the research questions are answered. Moreover, the results were compared with findings of other researchers that were mentioned in chapter two. The discussions were grouped following the research objectives.

4.5.1 Rwandan Policy in Financing Higher Education Through Student Loans

The policy of financing higher education through student loans in Rwanda focuses only on the government student loan schemes. It doesn't mention any private student loans. As mentioned before, there is no particular policy on student loans, only few paragraphs were found in the MINEDUC Education Sector Strategic Plan 2008-2012, and all the available documents detail the government student loan scheme which is managed by SFAR.

Through my conversation with various people interviewed and responses from respondents of questionnaires, I noticed that the government needs to keep sensitizing people as regards the current policy on student loans because many people have very little information about it. Another suggestion is that statistics regarding student loans disbursement and recovery should be available to the public to make sure people are informed about policies.

The policy on private student loans programs should be a priority for the government to avoid potential problems. The policy might be very helpful not only to beneficiaries but also to banks because clear guidance is always needed to make sure programs are successful. This policy is urgently needed because increasing qualified human capital is among the priority of the government and private student loans program will contribute much to this priority.

4.5.1 Types of Student Loan in Rwanda

The types of student loans found in Rwanda include income contingent student loan types were chosen by SFAR, KCB and UOB. I assume these institutions have chosen this type because it is used in some other countries such as Canada and the USA and that it was recommended by some researchers for developing countries (Rogers, 1971). However, student loan programs need to be careful to make sure that the type of student loans chosen is appropriate and fits in the context of Rwanda.

The private student loans that were started in Rwanda target first employed and self employed students who have monthly incomes as well as students studying professional and vocational studies. Banks require students to have a bank account and to make sure their incomes pass through the banks for students who have jobs. They also target vocational and professional students because they assumed these students might get jobs right after they graduate.

The fact that banks are still focusing on students with income demonstrates that a lot needs to be done in as far as investing in student loan programs is concerned because a big number of students and secondary school graduates are not employed. Maybe banks are not confident that students will pay back, but helping students who are already employed doesn’t help much because they already have some income, and they usually get some money from banks because they have incomes. Banks should make sure unemployed students can also get loans; otherwise the student loan product would be similar to other bank loans that target income earners only.

Banks in Rwanda also try to minimize risks by keeping the length of payment short and by allowing loans to students in their final year to shorten the time between loan disbursement and payment. For the case of KCB-Rwanda, the loan is payable in one year with the possibility of renewal and with no grace period. In regards to the UOB, its student loan, which will be launched sometime before the end of 2011, will be payable in two years with a one year grace period paying only interest for vocational/professional students, whereas employed/self-employed students will not get any grace period. The maximum amount given by UOB is 2,500 USD, and the interest rate is 18%. Concerning KCB, the interest rate is 1.5 per month, and there is no ceiling for the amount to be disbursed.

Conditions of student loans in KCB and UOB still exclude unemployed and needy students. The length of payment and the fact of giving access to fourth year students only limit the number of eligible students, whereas the majority of students are unemployed. It is understandable that banks should aim to minimize risks, but I suggest banks to work hand in hand with the government, as well as donor organizations to find out ways of including unemployed students in the student loans program. This might be done by creating a student loan fund that might get contributions from the government, donors, and private sector. In addition, if the government accepts to be a guarantor to students, I assume banks can allow unemployed and needy students to be eligible for the student loan.

A detailed examination of student loans was done in the second chapter, and I believe governments or banks that are interested in designing student loans should explore various practices done around the world rather than exploring theories available to adapting them to the political, financial and social contexts of their countries.

4.5.3 Challenges and Opportunities of Introducing Educational Loans Schemes

The second chapter presented various challenges and opportunities of the educational student loans and many of them were also mentioned by interviewees and questionnaire respondents approached in this research as well as various authors in different documents consulted. The main advantages presented include that students from poor families can study, that student loans will reduce demands on the government budget and on taxpayers, that they will provide additional resources to finance the expansion of higher education, and that they will increase students' motivation by making them aware of the costs of higher education. Challenges were also mentioned, namely the complexity and high costs of administration, the risk of non-repayment if graduates are unable to repay and fear of a debt burden after graduation.

Even if challenges are there, people should find ways of minimizing them. As already started by some banks in Rwanda, banks/financial institutions can start by introducing less risky student loan products and with time they can also introduce other various products. It is clear that the government cannot support all students in university. That is why the government needs to partner with various private institutions to find ways of introducing non government student loans. They can start with private guaranteed student loans, parent loans and loans for students who are doing some priority subjects at university that are very needed by Rwandans such as medical students and professional/vocational students.

According to the conversation I had with various bank staff, banks don't feel comfortable introducing students loans because they are very risky, they require much capital and fear that it will take a long time so that student loans schemes become self-sufficient. Bank staff views resemble those of Woodhall (1983), who mentioned that many governments think that student loans will not be self sufficient because students are charged an interest rate, which is below the commercial one and that the default rate might increase due to the fact that students know that the government would pay for them.

As a conclusion to these findings, it is noticeable that private student loan schemes are almost non-existent in developing countries, while developed countries have both government and non government student loans. It was found out that the policy of private student loans does not exist in Rwanda and that only the government student loan policy is available. Various advantages and challenges of private student loans were also presented. It is worth mentioning that the fourth objective that aimed at devising recommendations to the government and to other stakeholders will be dealt with in chapter five.

CHAPTER FIVE: CONCLUSION, RECOMMENDATIONS AND FURTHER RESEARCH

5.1 Introduction

The fifth chapter summarizes all matters discussed in this research, mainly in chapter four. It also presents some recommendations for some specific institutions, such as the Ministry of Education, banks, insurance companies, and donors working in the area of education. The researcher believes that the recommendations mentioned in this chapter will help stakeholders in the education domain dedicate more time to the issue of private student loans and improve the existing student loan schemes. Further areas of research were also recommended to make sure the issue of private student loans schemes is understood.

5.2 Summary of Major Findings

The results of this research revealed that there is no policy on student loan schemes in Rwanda. Moreover, there is no policy regarding financing higher education through private student loans even if some financial institutions operating in Rwanda have already launched private student loan schemes. However, the government has only put in place various laws regulating the Student Financing Agency for Rwanda. The findings also show that only the income contingent loan is used in both government and private student loans available in Rwanda.

As regards challenges and opportunities of introducing private student loans in Rwanda, the findings revealed a number of them. On the one hand, the opportunities include that students from poor families can study, student loans will reduce demands on the government budget and on taxpayers, they will provide additional resources to finance the expansion of higher education and there will be an increase of students' motivation by making them aware of the costs of higher education. On the other hand, the challenges include complexity and high costs of administration, risk of non-repayment if graduates are unable to repay, fear of a debt burden after graduation, much capital involved at the beginning, and long time to become self-sufficient.

5.3 Conclusion

After reading various authors, responses from respondents, and discussions with interviewees, it may be concluded that private student loans should not be considered as remedy to all problems. However, it should be explored and given priorities by both public and private institutions to make sure it is studied carefully to find out which types of student loans should be introduced in Rwanda. The researcher believes that it can be a financial instrument that should be promoted and developed because the government alone cannot serve all the students desiring to attain higher education. However, other forms of student support, such as scholarships and grants, should also be taken into account.

The introduction of student loans needs a careful plan, and research should be conducted to make sure that the opinions of stakeholders such as students, parents, banks, universities and donors are involved. A campaign of sensitization is also needed to make sure Rwandans understand that they need to contribute to their own education and that they understand the purpose of the student loans.

Policy makers need to consider many factors before setting student loan schemes. The conditions include taking into account attitudes towards borrowing and risk aversion, the economic terms of the loans, and the credibility of the agencies that would like to establish private student loans (Woodhall, 2004). The author continues by saying that funding problems reflect constraints on the availability of financial resources to offer new loans and expand coverage.

It was found out that the financial viability of any student loan scheme is affected by the degree of interest rate subsidy, the default rate, and the level of administrative costs. The default rate, in turn, is a function of the income situation of the graduates, the effectiveness of the collection mechanisms, and the type of repayment schedule applied (fixed payments versus graduated payments, length of the grace period) (Woodhall, 2004).

One of the major challenges in the existing student loan programs is to improve the efficiency and financial viability and to broaden their coverage. Despite the poor performance of many of the existing schemes, the recent experience of the World Bank in support of student loan schemes reveals that it is possible to design and administer financially sustainable programs if a number of basic conditions are respected (Woodhall, 2004). The following features have been identified as critical:

- a good information and marketing strategy to promote the student loan program and ensure widespread awareness among eligible students and institutions;
- transparent eligibility criteria to ensure that any subsidy element be targeted to the most deserving students (academically and socially);
- a close supervision of the academic performance of the student loan beneficiaries;
- a carefully designed interest rate and subsidy policy to protect the long term financial viability of the scheme;
- efficient collection mechanisms, including an appropriate legal framework, to minimize default;
- efficient institutional management of all key processes (evaluation and selection of beneficiaries, academic monitoring, loan collection, financial management), based on an adequate computerized management information system; and
- a stable management team (Woodhall, 2004).

5.3.1 Examination of the Existent Student Loans Schemes in Both Developed and Developing Countries

Some of the student loan schemes in both developed and developing countries were scrutinized in chapters two and four. All the information for student loans in developed countries was gathered through various documents, while documentary review, questionnaires and interviews helped the researcher put together data from developing countries. The overall conclusion is that developed countries have both government and non government student loans, while almost all developing countries have government student loans only.

Types of student loans available in developed countries include Stafford Loan, Perkins Loan Private or Alternative Loans, Parent Loans, Consolidation Loans, Peer to Peer Education Loans. As regards student loans in developing countries, the majority has government student loans. For the case of Rwanda, it has government student loans and the private student loans that have recently started by KCB and in the future by UOB. The first bank targets employed students while the latter target both employed and a category of unemployed students.

5.3.2 Rwanda Policy in Financing Higher Education Through Student Loans

The policy of financing student loans in Rwanda through student loans is briefly described in MINEDUC Education Sector Strategic Plan 2008-2012 and in article four of the ministerial order nº002/08 of 03/09/2008 determining the criteria for providing loans for higher education, repayment and cost sharing between the government and the loan beneficiary. Only the government student loan which is managed by SFAR is described. No policy regarding private student loans is available. The current Rwanda policy on student loan programs aims at supporting needy students who have performed well at senior six national examinations, and the priority is given to those who studied priority subjects such as sciences.

5.3.3 Challenges and Opportunities of Introducing Various Educational Loans Schemes

Various people, including students, parents as well as bank and university staff, were asked, and they provided various ideas regarding opportunities and challenges. It's worth mentioning that opportunities were more than challenges and that as a way of addressing challenges, the establishment of a partnership between the government and the private sector would be of paramount importance. If both institutions work together, risks might be reduced, and a number of students attending high education will be increased.

5.4 Recommendations

5.4.1 Recommendations to the Government

The government, through the Ministry of Education, should take the lead to make sure legal framework in the area of private student loans is put into place but also to encourage banks and other financial institutions to make sure they are involved in supporting the government in its priority of increasing the human capital in Rwanda. Below are detailed recommendations that the researcher suggests:

- To liaise with donors and the private sector, including banks and other financial institutions to start student loan funds and programs.

- To collaborate and support banks which have already started student loans programs in Rwanda so that students who did not get a chance of getting the government loan can benefit from these programs.
- To assess the possibility of merging government student loans with a private one to increase efficiency and effectiveness.
- To sensitize students and parents regarding student loans to ensure they are committed to pay back in case they get the loans.
- To ensure that the private sector is supported in the establishment of private student loans and specifically in collecting payment.
- To write down a policy regarding financing higher education through student loans because the current draft higher education policy does not detail student loans, and no private loans are mentioned, while various banks have started setting up private student loans.
- To work closely with banks to make sure various private loans conditions, including the interest rate and length of payment, are reasonable.
- To be a guarantor for students, especially unemployed and needy students, to ensure these categories of students have access to higher education as well.

5.4.2 Recommendations to Banks and Other Financial Institutions

Some banks have already launched private student loans while others are still examining possibilities of starting them. Below are some of my recommendations addressed to them:

- To increase publicity for banks that have already launched student loans products, to make sure many people are aware of those products.
- To conduct some research, for those that have not yet started, to find out if they can find ways to introduce student loan products by taking into account both international and local experience.
- To partner with donors and require the government to support the introduction of private student loans in Rwanda.
- To offer incentives to students, such as a deduction in interest rates after many months of timely payment to encourage them pay back.

- To extend the loans to students without income and allow them to pay some years after graduation.
- To increase the length of payment and allow secondary school graduates to be eligible.

5.4.3 Recommendations to Insurance Companies

Insurance companies in Rwanda have various insurance products in different areas in Rwanda, including educational insurance. I would also recommend them to devise another insurance product that caters for borrowers of student loans to make sure risks of inability to pay back student loans are covered.

5.5 Further Research

The researcher could not study all the areas related to financing higher education through student loans because of the scope of this study. Therefore, the following are some of the suggestions to future researchers:

- Future researchers can aim at conducting quantitative research in this area because this one was mainly qualitative.
- A comparative study between government and non-government student loans can be conducted.
- To conduct a study focusing on the appropriate private student loan model that is suitable to Rwanda.

REFERENCES

Burrell, G.& Morgan,G. (1979). Sociological Paradigms and organizational analysis" Aldershort, Burlington USA, Singapore, Sudney:Ashgate Publishing limited.

Chapman, B. (1999). Reform of Ethiopian Higher Education Financing: Conceptual and Policy Issues. Mimeo. World Bank. Retrieved June 10, 2011from http://www. worldbank.org/ education/economicsed/researchIVeconseries/Chapman.htm.

Chapman,B., Ryan, C. (2002). Income Contingent Financing of Student Charges for Higher Education: Assessing the Australian Experience. *The Welsh Journal of Education Vol.11,No.1*.

Ciller, T. (1975). The Economics of a Service- Loan Program in Financing Higher Education in the Middle East". *Higher Education* May 1975(4:2) pp. 247-50.

Cohn,E. & Geske, T.G. (1990). The Economics of Education. *Oxford:Pergamon.*

Cozby, P. C. (2004). Methods in Behavioral Research (Eight edition). McGraw-Hill, New York.

Creswell J.W. (2005). Research Design; Qualitative, Quantitative and Mixed Methods. Experience Institute of Education, University of London.

Herman (2011). The Basics of Student Loans and Grants. Retrieved May 15, 2011from http:// ezinearticles.com.

Herrick et al.(1974). Intercountry Evaluation of Education Credit Institutions in Latin America. Washington: United States Agency for International Development.

Higher Education Student loans Board (HESLB). Retrieved June 30, 2011, from http://www. heslb.go.tz.

Institute for Higher Education Policy (1996). Graduating into Debt: The Burdens for Graduate and

Professional Students. Washington DC: Institute for Higher Education Policy.

Institute for Higher Education Policy (2003). Private Loans and Choice in Financing Higher Education. Washington DC: Institute for Higher Education Policy.

Johnstone, B. (2004). Financing Higher Education: Cost Sharing in International Perceptive, Boston College Chestnut, Massachusetts, New York.

Johnstone, B.(2006). Higher Education Accessibility and Financial Viability: The Role of Student Loans , Paper in the Guni Series on the Social Commitment of Universities 1, Higher Education in the World 2006, The Financing of Universities.

Johnstone,B. (2002). Student Loans in International Perspective: Promises and Failures, Moths and Partial Truths, State University of New York at Buffalo.

Kantrowitz , M. (2011). Student Loans. Retrieved March 20, 2011, from http://www.finaid.org/loans/.

Kothari, C.R. (2007). Research Methodology: Methods and Techniques, New Age International, Revised Second Edition, a Division of New Age International Limited, India.

Kothari, CK. (1985). Research Methodology: Methods and Techniques. (2nd ed.) New Delhi: Wiley Eastern Limited.

Kumar,R. (2005). Research Methodology, 2nd ed., SAGE Publication Ltd, London.

Le Compte, M.D. & Preissle, J.(1993). Ethnography and Qualitative Design in Educational Research (2nd ed. San Diego: Academic Press.

Longman Dictionary of Contemporary English (2011). Pearson Education. Retrieved April 17, 2011, from http://www.ldoceonline.com/dictionary/student-loan.

Maxwell,J.A. (1996). Qualitative Research Design: An Interactive Approach. Thousand Oaks, Sage.

Miles, M.B., Huberman, A.M. (1994) Qualitative Data Analysis: An expanded Sourcebook (2nd ed.), Sage:London & Thousand Oaks, California.

Miller, P. W. (1982). The Rate of Return to Education: Evidence from 1976 Census. Austrian Economic Review, 59, 23-32.

Ministry of Education (2010). MINEDUC's Achievements (2003-2010). MINEDUC. Retrieved March 22nd, 2010, from http://www.mineduc.gov.rw/spip.php?article27.

Ministry of Education (2008). Education Sector Strategic Plan 2008 – 2012.

Ministry of Education (2011). Retrieved June 14, 2011 from http://www.mineduc.gov.rw/ spip.php?article27.

Muligande, C. (2010). Highlights of Rwanda's Educational Achievements, Challenges and Future Direction. The Independent. Retreived June 1, 2011, from http://www. independent.co.ug/index.php/ supplement/supplements/117-supplement/3767-highlights-of-rwandas-educational-achievements-challenges-and-future-direction.

National Council of Higher Education (2010). Higher Education Financing. The New Times. Retrieved November 12, 2010, from http://www. newtimes.co.rw/ index.php?issue= 14444&advertorial&id=144.

Neuman , W.L. (1997). Social Research Methods (2nd ed.) London: Allyn and Bacon.

Oktech,M.O. (2003). Affording the Unaffordable: Cost Sharing in Higher Education in Sub-Saharan Africa. *Peabody Journal of Education*, 78, 88-106.

Rogers, D.(1971). Financing Higher Education in Less Developed Countries. Comparative Education Review Vol.15, February 1971, 20-27.

Sandy B., Jennifer M., (2007). Education Pays: The Benefits of Higher Education for Individuals and Society. Washington DC: The College Board.

Students Financing Agency for Rwanda (2011). Background. Retrieved February 15, 2011, from http://www. sfar.gov.rw/ background.html.

The New Times (2010). Varsity Students Protest Suspension of Allowances. Retrieved October 10, 2010, from http://www. newtimes.co.rw/ index.php?issue= 14657&email&article= 7955.

Tilaq, J.G.B. . (1993). Financing Higher Education in India: Principles, Practice and policy issues. *Higher Education*, 26, 43-67.

Woodhall, M. (1983). Student Loans as Means of Financing Higher Education: Lessons from the International Experience. World Bank Staff Working Paper n° 599. Washington DC: The World Bank.

Woodhall, M. (1987). Lending for Learning: Designing a Student Loan Program for Developing Countries. London: Common Wealth Secretariat.

Woodhall, M. (1992). Student loan in Developing Countries: Feasibility, Experience and Prospects of Reform. Higher Education 23 (4), 347-356.

Woodhall, M. (2002). Student loans: Potential, Problems and Lessons from International Perspective. *JHEA/RESA* 2(2), 37-51.

Woodhall, M.(2004). Student Loans: Potential, problem and lessons from International Experience. Institute of Education: University of London.

World Bank (1980). Educational Sector Policy Paper. Washington:IBRD.

World Bank (2010). Financing Higher Education. Washington DC: the World Bank.

World Bank. (1986). Financing Education in Developing Countries: An Exploration of Policy Options. Washington DC: The World Bank.

World Bank. (1994). Higher Education: The Lessons of Experience. Washington, DC: the World Bank.

Yin, R. K. (1994). Case Study Research, Design and Methods. Thousand Oaks, CA: Sage Publications.

Ziderman, A. (2004). Policy Options for Student Loan Schemes. Bangkok:UNESCO Bangkok/IIEP. Vol.1 n° 6.

APPENDICES

Appendix 1: Research Questionnaire

Questionnaire to be Filled by Current University Students and Graduates.

Dear Sir/Madam,

As part of fulfillment of the requirements for the MBA degree at Maastricht School of Management (MSM), I am currying out this study to examine existing student loan schemes in Rwanda and to explore potential challenges and opportunities of introducing new non government or private student loan schemes in Rwanda. At the end of this research, I expect to recommend appropriate actions to various institutions including the government, financial institutions and international organizations involved in education.

Please answer the following questions as honestly as possible. You don't have to disclose your name and all the information obtained will be treated with confidentiality and used only for the purpose of this study.

Thank you very much in advance for your co-operation.

Feel free to reach me through the following contact information in case you have any questions:

Email: rukich@yahoo.fr
Tel.: 0788486421/ 0728486421
Regards,
Charles RUKIKANSHURO (MBA student and researcher at MSM outreach program at SFB)

I. Personal Information

1. Gender: Male ☐ Female ☐

2. Level of education: Master's degree ☐ Bachelor's degree ☐ Secondary school certificate ☐

Others ☐
Specify……………………………………………………………………………………………

3. Which university do you attend/have you attended?
……………………………………………………………………………………………………

4. Who pays/ paid your university? Self-sponsorship ☐ Parent's /guardian support ☐

Scholarship ☐ Specify……………………………… Loan ☐
Specify:……………………………………………………………………………………………

II. Financing Higher Education Through Student Loans

1. What are your opinions regarding the government giving grants or loans?

   ………………………………………………………………………………………..…………

   ………………………………………………………………………………………..

2. What are the alternatives of getting support if the government decreases its support?

   ……………………………………………………………………………………………………

   ……………………………………………………………………………………………………

3. Do you know the current government policy regarding increasing human capital graduating from higher education Institutions? Yes ☐ No ☐ If yes, Explain your answer.

   ……………………………………………………………………………………………………

   ……………………………………………………………………………………………………

4. What is your opinion regarding education cost sharing between government and students?

   ……………………………………………………………………………………………………

   ……………………………………………………………………………………………………

5. Do you think non government/private student loans are important? Yes ☐ No ☐ If yes, why?

   ……………………………………………………………………………………………………

   ……………………………………………………………………………………………………

III. Types of Student Loans Programs in Rwanda

1. What are the types of student loans you know in Rwanda?

   ……………………………………………………………………………………………………

   ……………………………………………………………………………………………………

2. Do you think the existing student loans programs are enough? Yes ☐ No ☐ Explain your answer.

   ……………………………………………………………………………………………………

   ……………………………………………………………………………………………………

3. What are your suggestions about increasing the number of students attending higher education in Rwanda?

   ……………………………………………………………………………………………………

   ……………………………………………………………………………………………………

4. What should be the loan guarantees?

Personal guarantee ☐ Collaterals ☐

Government guarantees ☐ Other ☐

Specify…..…………………..…………………………..……………………………………………

Why?……..........…………………………………………………………………………..…

….………………………………………………………………………………………………..

5. What should be the interest rate for student loans?

Zero linked with inflation (i.e zero real interest rates) ☐ Subsidized ☐

Market rate ☐ Other ☐

Specify……………………………………………………………………………………….

6. What should be the repayment terms?

Mortgage type ☐ Income contingent ☐

Other ☐

Specify…………..……………………………………………...

7. What should be the length of repayment?

……………………………………..…………………………………………………………

IV. Opportunities and Challenges of Introducing Student Loans in Rwanda

1. What are the advantages of introduction of private student loans in Rwanda?

………………………………………………………………………………………………

………………………………………………………………………………………………

2. What are the potential problems/challenges do you expect from the student loans programs?

………………………………………………………………………………………………

………………………………………………………………………………………………

3. Do you see any advantages of the partnership between the government and private institutions in as far as introduction of private loans programs is concerned? Yes ☐ No ☐ Explain your answer.

……………………………………………………………………………………………..…

……………………..………………………………………………………………………

4. Do you anticipate any challenges in the partnership between government and private institutions in the area of student loans? Yes ☐ No ☐ Explain your answer.

   ……………………………………………………………………………………………

   ……………………………………………………………………………………………

5. What are the potential reasons that can prevent graduates to pay back their loans?

   ……………………………………………………………………………………………

   ……………………………………………………………………………………………

Research Questionnaire to be Filled by Parents

Dear Sir/Madam,

As part of fulfillment of the requirements for the MBA degree at Maastricht School of Management (MSM), I am currying out this study to examine existing student loan schemes in Rwanda and to explore potential challenges and opportunities of introducing new non government or private student loan schemes in Rwanda. At the end of this research, I expect to recommend appropriate actions to various institutions including the government, financial institutions and international organizations involved in education.

Please answer the following questions as honestly as possible. You don't have to disclose your name and all the information obtained will be treated with confidentiality and used only for the purpose of this study.

Thank you very much in advance for your co-operation.

Feel free to reach me through the following contact information in case you have any questions:

Email: rukich@yahoo.fr

Tel.: 0788486421/ 0728486421

Regards,

Charles RUKIKANSHURO (MBA student and researcher at MSM outreach program at SFB)

I. Personal Information

1. Gender: Male ☐ Female ☐

2. Level of education: Master's degree ☐ Bachelor's degree ☐ Secondary school certificate ☐

Others ☐ Specify...

3. Do you have or plan to send any students at university? Yes ☐ No ☐

If yes, answer the following questions:

a. How many students?

....

b. Who supports or will support them at university?

....

4. What is your level in Management? Top Management ☐ Middle Management ☐ Senior level Management ☐ Lower –level Management ☐

II. Financing Higher Education Through Student Loans

1. What are your opinions regarding the government giving grants or loans?

   …………………………………………………………………………………………..…………

   ……………………………………………………………………………………………..

2. What are the alternatives of getting support if the government decreases its support?

   …………………………………………………………………………………………………

   …………………………………………………………………………………………………

3. Do you know the current government policy regarding increasing human capital graduating from higher education Institutions? Yes ☐ No ☐ If yes, Explain your answer.

   …………………………………………………………………………………………………

   …………………………………………………………………………………………………

4. What is your opinion regarding education cost sharing between government and students?

   …………………………………………………………………………………………………

   …………………………………………………………………………………………………

5. Do you think non government/private student loans are important? Yes ☐ No ☐ If yes, why?

   …………………………………………………………………………………………………

   …………………………………………………………………………………………………

III. Types of Student Loans Programs in Rwanda

1. What are the types of student loans you know in Rwanda?

   …………………………………………………………………………………………………

   …………………………………………………………………………………………………

2. Do you think the existing student loans programs are enough? Yes ☐ No ☐ Explain your answer.

   …………………………………………………………………………………………………

   …………………………………………………………………………………………………

3. What are your suggestions about increasing the number of students attending higher education in Rwanda?

   …………………………………………………………………………………………………

   …………………………………………………………………………………………………

4. What should be the loan guarantees?

Personal guarantee ☐ Collaterals ☐

Government guarantees ☐ Other ☐

Specify…..……………………..………………………………………………………………………

Why?……..........…………………………………………………………………………..…

….……………………………………………………………………………………………..

5. What should be the interest rate for student loans?

Zero linked with inflation (i.e zero real interest rates) ☐ Subsidized ☐

Market rate ☐ Other ☐

Specify………………………………………………………………………………

6. What should be the repayment terms?

Mortgage type ☐ Income contingent ☐

Other ☐

Specify………….………………………………………...

7. What should be the length of repayment?

…………………………………….……………………………………………………

IV: Opportunities and Challenges of Introducing Student Loans in Rwanda

1. What are the advantages of introduction of private student loans in Rwanda?

…………………………………………………………………………………………………

…………………………………………………………………………………………………

2. What are the potential problems/challenges do you expect from the student loan program?

…………………………………………………………………………………………………

…………………………………………………………………………………………………

3. Do you see any advantages of the partnership between the government and private institutions in as far as introduction of private loans programs is concerned? Yes ☐ No ☐ Explain your answer.

…………………………………………………………………………………………………

…………………………………………………………………………………………………

4. Do you anticipate any challenges in the partnership between government and private institutions in the area of student loans? Yes ☐ No ☐ Explain your answer.

…………………………………………………………………………………………………

…………………………………………………………………………………………………

5. Should parents take loans to support their students' higher education? Yes ☐ No ☐ Explain your answer.

……………………………………………………………………………………………...…

…………………………………..………………………………………………………………

6. What are the potential reasons that can prevent graduates to pay back their loans?

…......…………………………………………………………………………………...…

………………………………………..……………………………………………………

Questionnaire to be Filled by University Staff.

Dear Sir/Madam,

As part of fulfillment of the requirements for the MBA degree at Maastricht School of Management (MSM), I am currying out this study to examine existing student loan schemes in Rwanda and to explore potential challenges and opportunities of introducing new non government or private student loan schemes in Rwanda. At the end of this research, I expect to recommend appropriate actions to various institutions including the government, financial institutions and international organizations involved in education.

Please answer the following questions as honestly as possible. You don't have to disclose your name and all the information obtained will be treated with confidentiality and used only for the purpose of this study.

Thank you very much in advance for your co-operation.

Feel free to reach me through the following contact information in case you have any questions:

Email: rukich@yahoo.fr

Tel.: 0788486421/ 0728486421

Regards,

Charles RUKIKANSHURO (MBA student and researcher at MSM outreach program at SFB)

I. Personal Information

1. Gender: Male ☐ Female ☐

2. Level of education: Master's degree ☐ Bachelor's degree ☐ Secondary school certificate ☐

Others ☐ Specify………...………………………………………………………………………

3. Which university do you work for?

……………………………………………………………………………………………………

3. In which department are you working?

……………………………………………………………………………………………………

4. What is your level in Management? Top Management ☐ Middle Management ☐

Senior level Management ☐ Lower –level Management ☐

II. Financing Higher Education Through Student Loans

1. What are your opinions regarding the government giving grants or loans?

………………………………………………………………………………………...…………

……………………………………………………………………………………………………..

2. What are the alternatives of getting support if the government decreases its support?

…………………………………………………………………………………………………

…………………………………………………………………………………………………

3. Do you know the current government policy regarding increasing human capital graduating from higher education Institutions? Yes ☐ No ☐ If yes, Explain your answer.

…………………………………………………………………………………………………

…………………………………………………………………………………………………

4. What is your opinion regarding education cost sharing between government and students?

…………………………………………………………………………………………………

…………………………………………………………………………………………………

5. Do you think non government/private student loans are important? Yes ☐ No ☐ If yes, why?

…………………………………………………………………………………………………

…………………………………………………………………………………………………

III. Types of Student Loans Programs in Rwanda

1. What are the types of student loans you know in Rwanda?

…………………………………………………………………………………………………

…………………………………………………………………………………………………

2. Do you think the existing student loans programs are enough? Yes ☐ No ☐ Explain your answer.

…………………………………………………………………………………………………

…………………………………………………………………………………………………

3. What are your suggestions about increasing the number of students attending higher education in Rwanda?

…………………………………………………………………………………………………

…………………………………………………………………………………………………

4. What should be the loan guarantees?

Personal guarantee ☐ Collaterals ☐

Government guarantees ☐ Other ☐

Specify…..…………………………………………………………………………………

Why?……..........………………………………………………………………………………..…

….……………………………………………………………………………………………..

5. What should be the interest rate for student loans?

   Zero linked with inflation (i.e zero real interest rates) ☐ Subsidized ☐

   Market rate ☐ Other ☐

   Specify…………………………………………………………………………………

6. What should be the repayment terms?

   Mortgage type ☐ Income contingent ☐

   Other ☐

   Specify………….……………………………………….......................................

7. What should be the length of repayment?

   ……………………………………..…………………………………………………

IV. Opportunities and Challenges of Introducing Student Loans in Rwanda

1. What are the advantages of introduction of private student loans in Rwanda?

   ……………………………………………………………………………………………

   ……………………………………………………………………………………………

2. What are the potential problems/challenges do you expect from the student loans programs?

   ……………………………………………………………………………………………

   ……………………………………………………………………………………………

3. Do you see any advantages of the partnership between the government and private institutions in as far as introduction of private loans programs is concerned? Yes ☐ No ☐ Explain your answer.

   ……………………………………………………………………………………………

   ……………………………………………………………………………………………

4. Do you anticipate any challenges in the partnership between government and private institutions in the area of student loans? Yes ☐ No ☐ Explain your answer.

   …..………………………………………………………………………………………

   …………..…………………………………………………………………………………

5. What are the potential reasons that can prevent graduates to pay back their loans?

……………………………………………………………………………………………………

……………………………………………………………………………………………………

Appendix 2: Research Interview Questions

Questions to be Responded by Staff From Student Financing Agency for Rwanda (SFAR) and Ministry of Education (MINEDUC)

I. Financing Higher Education Through Student Loans

1. Should the government give student loans or grants? Explain your answer.

   ……………………………………………………………………………………....……………

   ………………………………………………………………………………………………….

2. What is your opinion regarding education cost sharing between government and students?

   ……………………………………………………………………………………....……………

   …………………………………………….…………………………………………………….

3. What is the current government policy regarding student loans?

   ……………………………………………………………………………………....……………

   ……....………………………………………………………………………………………….

4. What is the current government/policy regarding increasing the human capital graduating from Higher Education Institutions?

   ……………………………………………………………………………………....……………

   ………………………………………………………………………………………………….

5. Do you think the government should keep managing its student loan program? Explain your answer.

   ………………………………………………………………………………………...……

   …………………………………………………………………………………………………..

II. Types of Student Loans Programs in Rwanda

1. Do you know any other types of student loans programs that exist in Rwanda? If yes, list them.

   ………………………………………………………………………………………...……

   …………………………………………………………………………………………………..

2. What is your opinion regarding the loan guarantees if private student loans are introduced?

   Personal guarantee ☐ Collaterals ☐

   Government guarantees ☐ Other ☐ Specify……………………….……………………

   Explain your answer………………………………………………………………………….

3. What should be the interest rate for student loans?

   Zero linked with inflation (i.e zero real interest rates) ☐ Subsidized ☐

   Market rate ☐ Other ☐ Specify…………..

4. What should be the repayment terms?

   Mortgage type ☐ Income contingent ☐

   Other ☐ Specify…………..……………………………………………………………….

5. What should be the length of repayment?

   ….………………………………………………………………………………………..…

III. Opportunities and Challenges of Introducing Student Loans in Rwanda

1. What are your ideas regarding introduction of non government student loans programs by banks or any other private funds?

   ……………………………………………………………………………......……………

   ……………………………………………………………………………………………….

2. What are the advantages/opportunities of introduction of private student loans in Rwanda?

   ……………………………………………………………………………......……………

   ……………………………………………………………………..………………………

3. Does the government have any plans regarding partnering with private institutions to set up student loans programs? If yes, explain.

   ……………………………………………………………………………......……………

   ……………………………………………………………………………………………….

4. Do you anticipate any advantages/challenges in the partnership between government and private institutions in the area of student loans?

   ……………………………………………………………………………......……………

   ……………………………………………………………………………………………….

5. What can the government /other organizations involved in education do in as far as private student loans programs are concerned?

   …………………………………………………………………………………....……………

   ………………………………………………………………………………………………….

6. What are the potential reasons that can prevent graduates to pay back their loans?

   …………………………………………………………………………………....……………

   ………………………………………………………………………………………………….

7. Do you think a revolving fund is possible in as far as student loans are concerned? Explain your answer.

   …………………………………………………………………………………....……………

   ………………………………………………………………………………………………….

8. Does the government/SFAR encounter any problems regarding collecting payments from student loans beneficiaries? If yes, explain.

   …………………………………………………………………………………....……………

   ………………………………………………………………………………………………….

9. How can collection methods be improved in the current government student loans?

   …………………………………………………………………………………....……………

   ………………………………………………………………………………………………….

Questions to be Responded by Bank Staff

I. Financing Higher Education Through Student Loans

1. Should the government give student loans or grants? Explain your answer.

   ……………………………………………………………………………………....……………

   …………………………………………………………………………………………………….

2. What is your opinion regarding education cost sharing between government and students?

   ……………………………………………………………………………………....……………

   …………………………………………………………………………………………………….

3. What is the current government policy regarding student loans?

   ……………………………………………………………………………………....……………

   …………………………………………………………………………………………………….

4. What is the current government/policy regarding increasing the human capital graduating from Higher Education Institutions?

   ……………………………………………………………………………………....……………

   …………………………………………………………………………………………………….

5. Do you think the government should keep managing its student loan program? Explain your answer.

   ……………………………………………………………………………………………..……

   ……………………………………………………………………………………………………..

II. Types of Student Loans Programs in Rwanda

1. Apart from the government student loans, what are other types of student loans you know in Rwanda?

   ……………………………………………………………………………………....………..………

   …………….………………………………………………………………………………………….

2. Do you think the existing student loans programs are enough? Explain

   …………….………………………………………………………………………....……………

   ……………….……………………………………………………………………………………….

3. What is your opinion regarding the loan guarantees if private student loans are introduced?

   Personal guarantee ☐ Collaterals ☐

   Government guarantees ☐ Other ☐ Specify…………………….………………………...

   Explain your answer…………………………………………………………………….….

4. What should be the interest rate for student loans?

   Zero linked with inflation (i.e zero real interest rates) ☐ Subsidized ☐

   Market rate ☐ Other ☐ Specify…………..

5. What should be the repayment terms?

   Mortgage type ☐ Income contingent ☐

   Other ☐ Specify……………….……..……………………………………….......

6. What should be the length of repayment?

   ……………………………………………………………………………………..…….

III. Opportunities and Challenges of Introducing Student Loans in Rwanda

1. Do you have any student loans programs in your bank? Explain your answer

   ……………………………………………………………………….....……………

   ………..…………………………...……………………………………………………

2. What are potential bank risks of lending to students?

   ……………………………………………………………………….....……………

   ………………………………………………………………………………………….

3. What are the opportunities/problems of introducing private student loans in Rwanda?

   ……………………………………………………………………….....……………

   ………………………………………………………………………………………….

4. What are your suggestions regarding introducing private student loans in Rwanda?

   ……………………………………………………………………………………..........

   ....……………………….…………………………………………………………….....

5. What are the potential reasons that can prevent graduates to pay back their loans?

   ……………………………………………………………………….....……………

   ………………………………………………………………………………………….

6. Do you think a revolving fund is possible in as far as student loans are concerned? Explain your answer.

   …………………………………………………………………………………......……………

   …….

7. What are the collection methods that can be used by a bank in student loans programs?

   …………………………………………………………………………………......……………

   …….

8. Can a bank give loans to students without any guarantee? If yes, explain

   …………………………………………………………………………………......……………

   …….