An Assessment on the New Changes of the Student’s Loan Scheme by the Students Financing Agency for Rwanda (SFAR) at the National University of Rwanda

June 2010

Loan Recovery at NUR

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Recommended Citation
(2010) "Loan Recovery at NUR," Peace and Conflict Management Review: Vol. 2 : Iss. 1 , Article 6. Available at: https://scholarcommons.usf.edu/pcmr/vol2/iss1/6

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j. What strategies should SFAR and MINEDUC undertake to make the loan scheme fair and effective?

![Chart showing strategies suggested by respondents]

Source: CCM survey, April - June 2008

The chart above shows strategies suggested by respondents in order to make the loan scheme fair and effective. 27% suggested that SFAR should increase its capacity; 20% suggested that SFAR should improve its transparency; 12% suggested that SFAR and MINEDUC should create another scheme; 30% suggested that there was a necessity to look for more resources to support students; 7% suggested that universities should find their own resources to support best performing and vulnerable students; and 4% were of the view that SFAR and MINEDUC should find other means to get adequate resources so as to assure loans to all deserving students in institutions of higher learning.

Male respondents had various opinions on what strategies SFAR and MINEDUC should undertake in order to ensure fairness and effectiveness in dispensing loans to students. 28.54% suggested that SFAR should increase its capacity and improve its management; 18.76% asserted that SFAR should increase its transparency; 10.9% were of the view that SFAR should create another scheme; 30.34% suggested that SFAR should look for more resources to support students; and 6.39% suggested that universities should find their own resources to support students. As for female respondents, 24.1% said that SFAR should increase its capacity; 23.29% suggested that SFAR should increase its transparency; 13.25% called for the creation of another scheme; 31.33% said that more resources should be sought to support students; 30.34% suggested that universities should find their own resources to support students; and 0.8% had other various opinions.

3. LOAN RECOVERY AT NUR

According to SFAR, "the loan recovery mechanism labors to oblige whoever received a loan from Government in order to able to undertake higher education studies to pay back the amount having a value of the same amount at the time he/she received it". This repayment mechanism is a system put in place by the Government to facilitate all those who benefited from the Government loans for higher education to pay back. Paying back has been simplified in order to give opportunity to all those that benefited from it to pay back with minimal difficulty.10

At NUR, over 85% of its employees who got loans from SFAR have started to repay them. The directorate of human resources and administration is deducting 8%11 of the gross salary.

11 Ministerial Order N° 00 / 08 of 03 / 09 / 2008 determining the criteria for proving loans for higher education, repayment, and cost sharing between the government and loan beneficiary, its article 18 states that deductions by 8% from the gross salary are done every month until the amount of repayment by the employee to SFAR is complete.
12 Interview, NUR personnel, June 2009
Those who got loans fill disbursement forms before money is deducted from their salaries, however, there are some who have not yet signed such forms due to negligence or avoidance of having their meagre salaries deducted by NUR. 

The Ministerial Order N° 00/08 of 03/09/2008 determining the criteria for providing loans for higher education, repayment, and cost sharing between the government and loan beneficiary, states that “a student, who received a loan from SFAR to pay for his/her higher education, has to pay the annual amount with 5% interest rate.” The loan granted to a beneficiary to enable him/her to pay for his/her higher studies is paid back in the following ways:

1. Deducting the loan from his/her salary by the employer; and
2. Repaying back the loan by the beneficiary.

In the first option above, article 16 of the ministerial order states that “a loan a beneficiary obtained either from government employment or employment in related government institutions, International Agencies working in Rwanda, private institutions or any other private employer, is paid back immediately after getting employed by deducting the amount of money from his/her salary by the employer in respect to the law”. In the second option as shown above, article 19 of the same ministerial order specifies the following; By his/her own decision, the loan beneficiary may pay back at once the full amount or by installment any time he/she wishes, either during his/her studies, when he/she is still looking for employment, when employed or when he/she is self-employment.

In case he/she chooses payment by installments, he/she cannot go below one per cent (1/100) of the amount he/she owes SFAR;

In case he/she works in another country other than Rwanda, this mode of repayment is the only one that is used. In case the loan beneficiary is employed, he can pay by using the option stipulated in this Article notwithstanding what is stipulated in Article 16 of this Order.

According to SFAR, upon satisfactory completion of payment of the entire loan, it issues a loan completion certificate. This is presented to any employer to certify that the holder does not have any outstanding loan owed to SFAR. It also acts as a certificate of cooperation with SFAR in the struggle to establish a fund that can reliably support our nationals in pursuit of higher education.

4. SUMMARY OF THE FINDINGS

According to socio-economic and demographic situation of NUR students, most of them come from poor families with low monthly income. The survey found out that, only 10% of the total respondents had working parents and those whose parents were involved in agriculture, 94.07%, of them practiced subsistence farming. The majority of respondents’ parents, who were working, 64%, earned between 50,000 – 100,000 FRW and others 100,001–150,000 FRW.

Most of NUR students, 57%, were orphans or had one parent. 41% of surveyed students had one parent; 16% were orphans; and 43% had parents. 23% of the surveyed students had siblings who

13 Interview, NUR Administration personnel, June 2009
14 http://www.sfar.gov.rw/recovery.html