

**THE EFFECTIVENESS OF THE NAMIBIAN STUDENT FINANCIAL
ASSISTANCE FUND IN RECOVERING LOANS**

**A THESIS SUBMITTED IN PARTIAL FULFILMENT OF
THE REQUIREMENTS FOR THE DEGREE OF
MASTER OF BUSINESS ADMINISTRATION**

OF

THE UNIVERSITY OF NAMIBIA BY

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APRIL 2019

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ABSTRACT

The aim of this Research was to determine the effectiveness of the Namibian Student Financial Assistance Fund (NSFAF) in recovering loans. The Namibia Student Financial Assistance Fund (NSFAF) is a scheme designed to replace the Public Service Bursary Scheme, whose purpose was to sponsor students so that they would be bonded to work solely in the Civil Service. Soon after Independence, the demand for recruits in the Civil Service was significantly decreased, following the integration of the various ethnic-based administrations into one national Government. Consequently, the Public Service Bursary Scheme lost its relevance. However, the demand for financial assistance by students tremendously increased. This led the Government to replace the Bursary Scheme with the NSFAF, allowing the Government to continue addressing the human resources needs of the country in general as well as the needs of the Public Service. The Fund became operative when Parliament passed the Namibia Student Financial Assistance Fund (NSFAF) Act in 2000 and was effective from January 1997. The Act requires the student to repay the loan advanced plus interest at half the prime rate in instalments of at least 15% of gross annual income minus tax and pension contribution. The maximum period for repayment must not exceed three times the number of years for which the student received the loan. A mixed-methods approach was used for it allowed the researcher to use both aspects of the qualitative and the quantitative methodological approaches. This study adopted the case study research design enabling the researcher to carry out an in-depth study of the problem under investigation. The researcher used questionnaires as the research instrument. To successfully carry out the research, both desk and field research

was applied. The questionnaire and interviews gathered to collect primary data. Questionnaires were distributed physically to past and present beneficiaries of the NSFAP. Secondary data was collected from relevant literature like journals, reports, documentary analysis, books, magazines and newspaper articles. The majority of the former beneficiaries have not paid back the loans because among other reasons, the salary they receive is not enough to repay and still be able to take care of their families and because some are unemployed. Conclusion have also been drawn from the table that shows how much was recovered and how much the fund intended to recovered for the period. Therefore conclusion can be drawn that the main findings of the study is that the NSFAP is not recovering loans effectively. The fund could also not recover loans due to irretraceable candidates and missing information. From the findings of the research, it was concluded that the NSFAP is not recovering loans successfully. The study recommended for the NSFAP to be mandated to black-list defaulters, to have access to the Inland Revenue Office and SSC for tracing purposes. It further recommended for the NSFAP to garnish defaulters' salaries. The researcher strongly recommends for the fund to keep a proper record of loan beneficiaries for future use in recovering loans. The loans department of the NSFAP should also be strengthened and staff should be well trained to undertake this activity in the absence of the agency doing the tracing. It is further recommended that with the new knowledge the policy for NSFAP should be reviewed in order to effectively reach the fund desired outcome.

DECLARATION

I, Johanna Fransiska Kanelombe, student number 201212108, a Master of Business Administration student, hereby declares that this study is my own work and is a true reflection of my research, and that this work, or any part thereof has not been submitted for a degree at any other institution.

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DEDICATION

This research is especially dedicated to my entire family for their love, encouragement and support throughout my studies. You have made this study possible and I will forever be grateful.

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LIST OF ABBREVIATIONS

NSFAF	Namibia Student Financial Assistant Fund
NBS	Namibia Business School
UNAM	University of Namibia
NUST	University of Science and Technology
IUM	International University of Management
NANSO	Namibia National Student Organization
GRN	Government of the republic of Namibia
HESLB	Higher Education Student Loans Board
NSFAS	National Student Financial Assistance Scheme
SLTF	Student Loan Trust Fund
GCB	Ghana Commercial Bank
PNDC	Provisional National Defence Council
SSNIT	Social Security and National Insurance Trust
NICS	New Integrated Credit Solutions

ACKNOWLEDGEMENTS

I give thanks to the Almighty God, for blessing me with good health, knowledge, strength and courage to push forward in completing this study. Without Him this would not have been possible. I would like to thank the CEO of the NSFAP for granting me the permission to do my study and the respondents for taking their valuable time to assist me with my study. I would like to extend my deepest gratitude to my supervisor, Dr. Makura for his valuable expert guidance and patience. In the same vain I would like to thank the staff of the NBS for their support and guidance. I will forever be grateful for that. To my family, this paper is for you. I will forever be grateful for your encouragement and support and for always believing in me.

CHAPTER 1

1. INTRODUCTION

The aim of this Research was to determine the effectiveness of the Namibian Student Financial Assistance Fund (NSFAF) in recovering loans. The Research discussed the problem and its setting; critically analysed selected literature relevant to the problem being investigated; and discussed methods and strategies that were used in carrying out the study. The effectiveness was measured by how much was awarded to how many students and how much was recovered from how many students.

1.2 Orientation of the Proposed Study

The Namibia Student Financial Assistance Fund (NSFAF) is a scheme designed to replace the Public Service Bursary Scheme, whose purpose was to sponsor students so that they would be bonded to work solely in the Civil Service. Soon after Independence, the demand for recruits in the Civil Service was significantly decreased, following the integration of the various ethnic-based administrations into one national Government. Consequently, the Public Service Bursary Scheme lost its relevance. However, the demand for financial assistance by students tremendously increased. This led the Government to replace the Bursary Scheme with the NSFAF, allowing the Government to continue addressing the human resources needs of the country in general as well as the needs of the Public Service.

The Fund became operative when Parliament passed the Namibia Student Financial Assistance Fund (NSFAF) Act in 2000 and was effective from January 1997. The Act

requires the student to repay the loan advanced plus interest at half the prime rate in instalments of at least 15% of gross annual income minus tax and pension contribution. The maximum period for repayment must not exceed three times the number of years for which the student received the loan. The student may pay more than the minimum amount required, thereby redeeming the debt sooner. Interest is calculated from the date the repayment is due. If the beneficiary in any way fails to honour his or her terms of the contract, the full commercial interest rate would be applied as opposed to half the prime interest rate offered to other NSFAP beneficiaries.

The total debt can be sent to an employer on condition that the amount is to be paid to the Fund within 30 days of acceptance of the arrangement. Proof of such arrangement should be submitted to the Fund. If the beneficiary is unable to find employment, within six months of completing his or her studies, he or she must inform the NSFAP in writing in order to receive a written extension of repayment. Loan holders who fail to commence their studies are obliged to repay the money so committed with interest. Instalments are affected by the prime rate either on a monthly, quarterly, and half-yearly or annual basis and may be paid in arrears or advance to suit the debtor. The capital amount plus interest determines the instalment. The debtors should start repaying their loans within six months of starting their jobs. A debtor who is earning a lower salary that is not taxable may offer to pay back the loan without interest. Repayment may be made through bank deduction or salary deduction. In case of direct bank deposit, proof (deposit slip) thereof should be submitted to the Fund without delay.

The Subdivision Loan Recovery & Breach of Contract under the NSFAP should determine the instalment to be paid by the beneficiary and communicate the information to the

beneficiary and institution authorised to receive such funds. The NSFAP Act provides that legal action may be instituted if employment information provided by the debtor is deliberately misleading or is intended in any way to avoid compliance with obligations under his or her loan/grant contract.

The objective of the Act is to:

- Provide financial assistance;
- Enable students to study or to do research; and
- More specifically, but without limiting the foregoing, to facilitate the training of students in prescribed courses or fields of study, at approved institutions of Higher Education (HE). The Act furthermore makes provision for the fields of study and courses which, for the purpose of financial assistance in terms of the Act, are to be given priority.

The NSFAP Board may decide to suspend the repayment of a loan if:

- The debtor becomes unemployed;
- The debtor's annual earnings fall below the relevant threshold amount;
- The debtor becomes ill/mentally ill and is declared unfit for work for a period longer than three months by a registered medical practitioner; and
- The debtor dies, in which case all liability for refunding of monies would lapse, provided a breach of contract did not occur before the event of death.

When a loan is suspended, interest would not accrue to the loan; however, when repayment resumes, interest will apply from resumption. It is important, at regular intervals, to undertake an assessment to discover the impact of the NSFAP on the

beneficiaries and on loan repayment mechanisms, as well as to find out why some beneficiaries find it difficult to repay their loans. Namibia Students Financial Assistance Act, 2000 (Act No. 26 of 2000).

Previously, the fund tried to recover loan but unsuccessful and therefore an independent institution was contracted to assist in recovering the loans. This prompted the researcher to conduct a study to determine if the fund is effectively recovering loans. In consultation with the fund staff, they indicated that in their opinion the NSFAP is not recovering loans effectively and this was mostly contributed by the fact that most data is not available for former beneficiaries. Records got missing during the transition period from the Ministry of Education to the inception of the Fund. Some staff who started the fund moved due to employment change and it became difficult for the current staff to get all information required for the purpose of recovering loans.

1.3 Statement of the Problem

The NSFAP appeared to find it difficult in recovering loans advanced to students. This was heightened by the general public, specifically the youth, who were of the opinion that they were entitled to grants and they were not supposed to pay back the loans. The media reported that the fund is not recovering loans and have contracted a company to assist in recovering. It was revealed that the company contracted to recover loans find it difficult to do so because beneficiaries could not be traced due to absence of database. It has also been continuously reported that there has been absence of national database for graduates that could assist in tracing loan holders upon entering the job market. The population is growing and hence the need for funding. The nation now understand how important

education is. Through this research, the researcher came up with a solution to this problem from gathering suggestions from all parties involved. It is also suggested that the NSFAF policy should be studied and be reviewed to suit the current situation and perhaps the Act can also be revisited and be amended. The research questions provided tried to get to the bottom of why the NSFAF finds it difficult to recover loans from beneficiaries. There was a need to know why the NSFAF was not recovering loans effectively so that the situation could be rectified and this is what this study intended to do. The researcher has suggested that the study should be extended to the national level, to come up with a suitable policy of how students can be assisted and for the fund to be financial stable.

1.4 Research Questions

This study was guided by a number of questions, the most important of which are posed below and the first question to be the main one:

- What measures can be employed in order for NSFAF to recover loans successfully?
- What causes the students not to pay back the loans?
- Why is the NSFAF not recovering loans?
- What is the impact of students not paying back their loans?
- What methods is the NSFAF using in tracing loan holders?
- Does the NSFAF have skilled capacity to recover loans from beneficiaries?

1.5 Significance of the Study

This study is was of much benefit to this researcher in that it enabled her to have a better understanding and appreciation of the challenges being encountered by the NSFAP in its endeavour to recover funds loaned to students. This study acquired and imparted to the bigger realm of business & academic research through offering a pool of knowledge for future research especially on such important decisions in recovering of loans. This study was of tremendous benefit to the NSFAP, for it should encourage the Fund to adopt more effective strategies of recovering money loaned to students. With the implementation of the researcher's recommendations, it will benefit potential beneficiaries. The beneficiaries who are funded by the NSFAP had a better understanding as to why they should have to pay the loans in time and to also ensure that upcoming students would access similar funds to take them through their university education. The fund will appreciate the study by keeping records for future use because without the records, recovery cannot take place successfully and effectively. The study suggested future research activities that can be explored.

1.6 Limitation of the Study

It is possible that this study contains certain flaws arising from certain unavoidable factors, such as exaggerated negative or positive responses by research participants, and shortage of time in carrying out a much more detailed investigation of the problem. The time was limited in conducting the study and therefore time could not allow for the study to be carried out throughout the country to gain and acquire more information. Lack of availability of records made it difficult to get all the information required and at some point also the willingness of some respondents to provide information were some of the

challenges and limitations to this study. There was a possibility that the Researcher did not fully exhaust everything in this field due to unforeseen & logistical issues leaving room for other researchers to expand on this study in future.

1.7 Delimitations of the Study

The study was only limited to determining the effectiveness of NSFAP in recovering loans advances to students. It was not concerned with other aspects of the fund, such as whether or not the loans advanced to students are adequate. The study was limited only to Windhoek in Khomas region.

CHAPTER 2

2. LITERATURE REVIEW

2.1 Introduction

In this chapter, there is a discussion on the loan recovery in general from different parts of the world where related studies have been carried out. The chapter covers a review of the theories and empirical studies on loan recovery. From the review of the literature, a conclusion has been done which forms the basis of this research.

2.2 Loan Recovery Definition

Loan recovery is the reclaiming back of loans from former beneficiaries (Kipkech, 2011). A default occurs when the borrower does not make the required payments or in some way the borrower does not comply with the terms of a loan (Al-Mazrooei, 2007). It arises when the borrower does not honour the agreement to meet the loan repayment terms, which details when money ought to be paid back to the lender.

2.3 Effectiveness

For the purpose of this study, effectiveness has been defined as the degree to which objectives are achieved.

2.4 Overview on NSFAP

There appears to be relatively little research on the recovery of student loans by the NSFAP. Lately the media started reporting on the subject. Existing literature on the NSFAP covered aspects such as mandate, recovery of loan and breach of contract. The Office of Auditor General (OAG) conducted a performance audit report, covering the period 2008 – 2011. It examined the operations of the NSFAP with regard to the criteria required for the student to be awarded a loan, measures taken to ensure the recovery of loans and breach of contract. This office discovered that there was little or no assurance that the debtors profile and information contained in the files within the recovery division was complete, correct, accurate and up to date. Consequently, the Fund was unable to effectively trace debtors and monitor changes in their information.

Table 1. Findings of the OAG audit are clearly illustrated in the Table below:

Financial year/period	Total number of debtors at recovery	Debtors	%	Debtors who are not paying	%	Amount recovered N\$	Outstanding amount N\$
2007/2008	10468	1153	11	9315	89	48 610 936	210 240 597
2008/2009	12162	1519	12	10643	86	5 863 638	249 595 480
2009/2010	14237	1744	12	12493	88	6 172 559	313 886 493
2010/2011	16690	1951	12	14739	88	6 678 204	375 717 569

It is quite clear from the above Table that, the number of debtors that committed themselves to repayment is below 15% of the total number of debtors submitted to the recovery sub-division for the financial year under review. The report noted that while the

NSFAF has a goal of recovering N\$10 million per annum, the amount recovered annually was far way less than the targeted amount. The following observations were noted in the Auditor General's report.

- Some files of the students who have completed their studies or are in breach of contract were not recorded at the recovery sub-division for recovery purposes.
- The officials at the recovery subdivision have further divided the files into two groups, namely non-payers and regular payers. Most of the non-payers' files have no demand letter.
- Most beneficiaries said that the failure to repay the loan is due to either being paid low remuneration or not able to get employment.

According to the Auditor General's Report of 2011/2012, the fund was owed more than N\$ 375 million between 2009 and 2011, of which only N\$ 130 000 was recovered. The fund tried to track down defaulters through the Social Security Commission and Inland Revenue but with little success.

Hashange (2013), claimed that loan-holders failed to pay back their study loans as they do not earn sufficient salaries. Halwoodi (2014) found that the NSFAF was failing to recover the loan advanced to about 50,000 students largely because its tracer was in shambles.

Tjihenuna (2015), reported that student loan defaulters need to be tracked down. Graduates who have been avoiding paying back the Namibia Students Financial Assistance Fund (NSFAF) loans will soon be tracked down with the help of a South African debt collector.

NSFAF is owned an estimated N\$ 195 million, this amount could be more if the relevant data on debtors is captured. A task that has been given to a joint venture between a South African and Namibian company. It was further mentioned that the NSFAF has not had up-to-date records since its inception in 1997 as result of manual record-keeping.

A spokesperson of the fund Mr. Immanuel, responded to Tjihenua (2015) that knowing how many students have benefited will help determine how many still owe the fund. He warned all those who owe the fund and are employed, to come forward before legal steps are taken against them.

The NSFAF has been struggling to track down defaulters from the time it was operating under the Ministry of Education. Tjihenua (2015) indicated that the Auditor General Mr. Junias Kandjeke blamed mal-administration for jeopardising the fund's operations.

Tjihenua (2015) reported that the fund has been failing to meet its objective to recover at least N\$ 10 million annually from debtors, which has often landed it in trouble with various parliamentary committees. Chairperson of the Parliamentary Standing Committee on Public Accounts Usutuaije Maamberua said the NSFAF's collection rate of recovery stands at 8% which he described as poor debt rate. The NSFAF was brought twice before the committee to remind them of their financial obligations because their debt collection and financial record was very disappointing. Hon. Maamberua said if the fund is committed to its goal of finally introducing an electronic system for its financial records it is heading in the right direction.

Tjihenuna (2015) has reported further that NSFAF has been passive in effectively collecting its dues. Since the students have not being honest enough to repay their loans without being reminded to do so, NSFAF has contracted the New Integrated Credit Solutions (Pty) Ltd (NICS) to assist it in tracing the beneficiaries. This has not worked as only a few obliged. The NICS business manager Mr. Mlando Joe Mahlangu said his company serviced the South African Revenue Services and 25 municipalities since 2001. NICS Company is responsible for assisting the NSFAF to transfer all the fund's hard copy data into soft copy as well as training staff who will be responsible for debt collection through the new electronic system. He said since his company was bidding for tenders in Namibian dollars, it decided to partner a local company to create employment locally as well".

Uugwanga (2016), reported that The Namibia Students Financial Assistance Fund (NSFAF) is still searching for bursary beneficiaries who owe the fund money for bursaries and loans dating back to 1996, despite efforts made by the institution to review and develop policies, systems and programmes to recover the money. This was said by the Minister of Higher Education, Training and Innovation, Dr. Itah Murangi-Kandjii. It is believed that students owe the NSFSAF about half a Bursary repayment of a billion dollars. The Minister further stated that the Government is trying to make tuition fees for every selected student payable by the NSFSAF, irrespective of the categories deemed appropriate for a student, considering all the factors. The board is also instructed to investigate and ensure that tuition fees of all NSFSAF sponsored students are paid directly to universities and the higher education institutions where Namibian students are admitted. The board will come up with a clear distribution policy as to when

sponsored student's upkeep, transport, books, accommodation and other fees, will be paid out each semester. However, the Ministry of Higher Education has teamed up with the Ministry of Finance to track down students who received loans, through various methods including Inland Revenue methods files. NSFAF is working together with the Finance Ministry in the department of tax revenue, even though NSFAF resorts under the Ministry of Higher Education.

Nghiwete (2017) reported that the NSFAF is experiencing a delay regarding payment to its beneficiaries. Although invoices in this regard are processed, payment to the beneficiaries is made depending on the availability of funds. Due to low rate of repayments on existing loans, 99 percent of NSFAF funding comes from budgetary allocation from Treasury. This implies payment to the beneficiaries depends on amounts released from Treasury to NSFAF.

Hamwele (2016) stated that in an effort to operationalise President Hage Geingob's call to move away from the study loan scheme to a system of grants, the Namibia Students Financial Assistance Fund (NSFAF) has changed its funding model for local institutions from the traditional predetermined rate, to a new model whereby tuition fees are covered 100 percent by a grant. However, the non-tuition components of accommodation and meals, transport and book allowance are provided as loans and are only partially covered.

NSFAF chief human capital and corporate affairs officer Olavi Hamwele revealed this when asked about the president's call to abandon the study loan system in favor of a

system of grants that would enable students to build up wealth portfolios, instead of sinking into debt even before they graduate.

Hamwele further said that the new funding model is aimed at local institutions, such as the University of Namibia (UNAM), the University of Science and Technology (NUST) and the International University of Management (IUM), whose students get financial assistance from government. For students staying in university hostels, accommodation and meals are covered 80 percent, or 50 percent for institutions with hostel accommodation, but no catering services, as well as N\$3 000 for books. Students who lodge privately will get N\$12 000 per year for accommodation, N\$6 600 for transport and N\$3 000 for books. Although the new funding model does not provide for a full grant system, it alleviates students' loan liability significantly, he said.

Hamwele revealed the challenge of establishing the exact amount owed, due to the lack of record keeping. There was no proper record keeping before NSFAP was established as an independent secretariat. However, he said the reconstruction of students' records is progressing well and the total debt for that period is estimated at N\$1.65 billion. Since 2013, loans of N\$1.35 billion have been provided, bringing the total outstanding balance to some N\$3 billion, something the president wants addressed through a grant system. Currently all courses in Namibia's tertiary institutions, irrespective of their status, are offered at a cost, in terms of tuition and other fees. Many students, who get the chance to enter tertiary institutions with grades of 25 points and above, stand a chance to be awarded loans and scholarships through the NSFAP.

It comes at a high cost though, as students must re-pay the loans upon completion of their studies. The Namibia National Students Organization (NANSO) at the time expressed delight at Geingob's call for the abolition of the study loan system in favor of a grant system. NANSO has long been an advocate of the abolition of the current system. Over the past few years, institutions of higher learning have been turning away student loan holders during registration and when it is time to take exams, as government had not yet released the funds owed to the institutions. Last year NANSO, alongside the student leadership of UNAM, NUST and IUM, reiterated the need for NSFAS loans to be transformed into grants.

Maxwell (2005) found that out of twenty-nine (29) universities in Nigeria, there is free tuition for all twenty-one (21) Federal government universities for undergraduate students. He said that in South Africa, citizens are eligible for the National Student Financial Scheme (NSFAS), much of which can be converted into a bursary, which does not need to be repaid depending on the academic performance. Perhaps NSFAS can look at the example of South Africa and to the suggestion given by the president of the republic of Namibia.

2.5 Review of Theories

There is not much literature on loan recovery and thus some of the theories reviewed in this literature review refer to compliance with repayment requirements.

The financial success of any loan program depends on the extent to which loan outlays are recovered by the lending body. There are factors leading to low loan recovery (Kipkech, 2011). First, there are factors that are built in to the scheme as elements of the design. Lending conditions on government sponsored loan schemes are “softer” than those on regular commercial loan schemes. This difference represents a subsidy received by the student in the sense that the borrower is not required to pay back the full value of the loan required. Loan repayment factors have also lead to low recoveries. Borrowers who have ever been in deferment or forbearance are less likely to default, perhaps because borrowers who are organised enough to follow through on using deferment are also better able to handle repayment in general (Woo, 2002). Borrowers who went into delinquency more than once were more likely to default. Each period of delinquency increases the borrower’s chances of default by 4.8% percentage points, which is almost fifty percent of the original probability (Woo, 2002).

Lack of knowledge of the repayment obligations and about the payment process were not a strong factor in default. However, one in four were confused by the repayment process, and three out of four were not aware of the deferment options (Volkwein, 1998). According to Volkwein and Cabrera (1998), follow up studies on defaulters reveal that two out of three reported making payments since the official default first occurred. Not only did sixty six percent resume payment, but thirty one percent completed payment.

During his study, Ngali (2012) indicated that in the early 1990s, a study of the non-federally guaranteed loans extended to law school students notion that there are institutional as well as borrower explanations for default. The study found that, after

taking into account the characteristics a student brought with him or her to the post-secondary study, very little productiveness was added to the model by also taking into account the characteristics and practices of the school the borrower attended. The study found that the default is primarily related to borrower willingness and ability to repay, not to anything the institution is doing.

Quantitative research as well as interviews with students, staff, and faculty indicated that students possess certain characteristics independent from the institution that cause them to default on their loans, including their attitude towards debt and default and dissatisfaction with the institution (Knapp, 1990). Nevertheless, a number of studies found the type of institution of attendance to be significantly related to repayment even after factoring in the influence of borrower characteristics (Dynarksi, 1994). Among all these, only Dynarksi and Monteverde claimed more than a moderate effect for institutional characteristics. He suggested researchers might have been posing the wrong question by comparing institutional and borrower characteristics. Other researchers have also included in variables that describe the borrowers experience after leaving college (Dynarksi, 1994).

Wenli (2013) indicated that a simple theory of student borrowing and repayment reveals that student loans are different. Student loans are made solely for the purpose of financing higher education and are design to help students pay for college tuition, books, and living expenses. They are different from the consumer loans or mortgages. For those type of loans, households borrow to purchase goods they consume immediately, such as clothes, a car, or a house. Economists often view student loans as a means of financing investment in human capital. In other words, student loans help borrowers, through their college

experience, to acquire knowledge as well as social and personal attributes that may enhance their ability to later perform in the economy and, thus, gain higher earnings. The student loan repayment decision, like all other consumer loan payment decision, depends on the borrower's ability to pay and the cost and benefit associated with default. The ability to pay depends on the borrower's income and assets. If a borrower loses his job or suffer a big in the stock market or a decline in the value of his primary residence, he may not be able to service his debt. The benefit of not paying one's student loans are the resources that are freed to be used for consumption purpose or to service other debt.

2.6 Studies on recovery of loans and repayment by different countries

Norhasni Zainal Abiddin (2005) made the following observations about educational repayments in Malaysia: (1) the approach practiced by the government agency of educational loan provider was too lenient and the collection of the loans were made by taking into account the problem faced by the borrowers; (2) in the process of recovering the loans, publishing the name of the borrowers in local newspapers was found to be the most effective way; (3) the borrowers who performed badly in their study and studying abroad were the most problem loan paymaster; and (4) attitudes, influenced by friends, economic recession and family commitment were to be among the main factors for the borrowers to delay their repayment of the educational loan. Perhaps, the Namibian Government could learn something from the way the Malaysian Government is doing in trying to recover the loan and advanced to students.

Veronica R. Nyahende (2013) during her study indicated that Students' enrolment in higher learning institutions in Tanzania had increased as a result of the availability of

students' aids through students' loans. The number of students granted loans had increased hence posed a challenge to Higher Education Students' Loans Board (HESLB) to recover loans granted to beneficiaries since 1994 so as to bridge the gap between government subvention and the increasing funds requirements. HESLB did a lot to ensure recovery of students' loans given out since 1994, through review of strategies for HESLB loan repayment and recovery which includes, enhancement of public awareness in respect of loan repayment, publishing names of untraced loan beneficiaries, follow-up on job vacancies advertised in print media and enforcing loan repayment in the mind-set of students beneficiaries and their employers, these results into a successful students loans in financing higher education because of the availability of revolving fund created through repayment to be given out to other needy students HESLB guidelines and criteria for granting loans in the academic year 2007/2008 are satisfactory hence they are favourable to loans beneficiaries because they are attainable and can easily attract and accommodate prospective Tanzanian students. Since its inception, HESLB has lent to a total of 375,783 students out of which, only 68,522 past students have fully paid their loans. 98,000 are currently servicing the loans and 98,000 students not paying thus their loan accounts are dormant. With a default rate of 43% HESLB used a penalty amnesty as a strategy to encourage loans defaulters to pay their debts and increase their loan recovery collections.

According to Richard (2002), the success of student loans in financing higher education is a result of a strong appeal embedded on students' loans itself, these appeals are based on the increased enrolment of higher education students, satisfactory guidelines and criteria for granting loans as well as the recovery of already issued students loans funds.

Research by Johnstone and Marcucci (2010) support that students' loans not only increase access to higher education but also more importantly reduces regressive distribution of public resources. This is because all those who gets student loans for their education are the ones who will be obliged to pay the loan. However, Msolla (2007) argue that satisfactory guidelines and criteria for granting loans has been strongly appealed as they prevent wasteful expenditure as only the needy will get loans. Moreover, student loans are regarded as equitable as they appear to hold out the promise to the student that, 'you can borrow money when you cannot pay higher education on you own and repay when you can' this advocates the recovery of already issued student' loans, (Macmillan, 2006).

A study on how the students' loan scheme can be sustainable through repayment was conducted in South Africa by Jackson (2002). The results explain that the national student financial assistance scheme (NSFAS) is remaining sustainable due to recovery of the loans portion of the award from students and recycling of these funds back to the scheme in order to assist future generations of students.

According to the study done by Yoa (2012) on the effectiveness of student loan trust fund in financing high education in Ghana. There is an inclusion of a clause in the Student Loan Trust Fund (SLTF) Act making it an obligation for employers to make mandatory enquiry of loan status of employees for subsequent deduction to the Fund to repay the loan. This has improved loan recovery. Irrespective of the mechanisms put in place to facilitate the loan recovery process, SLTF lacked adequate personnel to perform this function. NSFAS could tap from this in making sure that their revenue collection is equipped with adequate personnel to perform the function of loan recovery effectively.

Yao further stated that, The Students Loan Trust Fund (SLTF) needs to ensure that the loans given out by the Trust Fund are recovered to ensure the sustainability of the fund. For this reason, there is in place a recovery department whose job it is to ensure that the loans are recovered although to a large extent every single staff of SLTF is responsible for recovery. Unlike other African countries like Kenya, South Africa and Namibia where successive institutions take on the loan liabilities of their predecessors, the situation in Ghana seems totally different. In Ghana, institutions that were mandated to give out students' loan at any point in time are still responsible for their recovery long after this function has been taken away from them. This could have helped NSFAP to recover successfully if they could have started with the recovery only from date they started operating independently without liabilities from Ministry of Education.

According to Otieno (2004), loan recoveries has been improving over the years as a result of aggressive public education, the enactment of legal instrument binding borrowers and employers to ensure repayment, and streamlined record keeping, among other factors. As the facilities given out by SLTF are loans, beneficiaries are also required to repay after completion of their programme of study. Depending on the length of study, the anticipated years for repayment range between five (5) and eighteen (18) year. These years include the periods in school as well as a two (2) year grace period just like the case in Kenya for national service and the search for a job with the only difference being the total repayment period. Perhaps NSFAP could look at this example and start investing aggressively in public education in order to recover loans successfully.

According to Atuahene (2007), there is no guarantee that graduates who secured job after school would earn enough income to defray their loans within the stipulated scheduled

period. However, this arrangement does not deter student from borrowing because their choices are highly limited. Shen and Ziderman (2008) also mentioned that because the loans are government sponsored, students receive subsidies in that they are charged below the market interest and inflation rates. This notwithstanding, when the loan repayment is due, the borrower has three (3) options to consider (SLTF brochure):

- Monthly deduction from borrowers' salary by his employer paid to SLTF
- Direct periodic payment to SLTF by borrower
- Outright payment of total amount due

It must be mentioned here that although loan recovery is very important in any loan scheme, the mere recovery of loans should not be taken to mean that the program is performing well (Otieno, 2004). No loan program can so far claim to have achieved a 100% repayment rate, not even the much-vaunted success stories of Australia and New Zealand (Johnstone, 2001). Factors such as the length of repayment, interest rates, costs of administration, make full cost recovery impossible. This notwithstanding, there are efforts to try and attain this goal of full recovery.

Khan and Ahmed (2001) argued that some lending institutions factors that related risk management structures put in place by lending institutions were to blame for loan defaults. These institutions factors include lax procedures used in credit risk management. Negligence in monitoring loan defaults, insider loans, lack of trained personnel and unaggressive credit collection methods. Therefore all this factor mentioned by Khan,

Ahmed and Otieno if they are considered, these could assist NSFAP in recovering loans and become a self-sustained fund.

Some studies on the international experience have focused on developing countries, where the effectiveness of the student loans has often proved disappointing. The rate of default is as high as 80% in some countries (Woodhall, 1992). In early 1990s a series of international forums on student Loans organized by the international institute for Educational planning (IIEP) analysed experience in United States, Europe and in developing countries. An evaluation of students' loan experience in developing countries was summarized with the conclusion that students loans can make a contribution to relieving the financial pressures facing higher education, provided that the loans programs are properly designed, effectively managed and a high rate of recovery is achieved (Woodhall, 1992).

Recovery of the student's loans has been a big challenge in the developing countries. A comparative study for the World Bank's Adrian Ziderman and Douglas Albrecht (1995) concluded that student loans have received much attention both in literature and practice. While they have not always worked well, suitably reformed they can constitute a productive, though limited mechanism for cost recovery.

2.7 Students' loans in Ghana

With the government's desire to maintain quality education and ensure that brilliant but needy students have access to tertiary education, there was a need for other sources of funding hence the introduction of the students' loan scheme (Report on students' loan scheme 1995). The first student loans scheme was introduced in Ghana in 1971 according to Atuahene (2007) but was suspended in less than a year due to political instability and subsequently reintroduced in 1975 with some modifications. This loan scheme was however initially managed by the Ghana Commercial Bank (GCB), however due to low funding and challenges faced, an amended law was passed to address the challenges. Another student loan scheme was officially established in January 1989 under the Provisional National Defence Council (PNDC) Law 276. Atuahene (2007) noted that this scheme was financed with funds provided by the Social Security and National Insurance Trust (SSNIT). Unlike the previous scheme, the SSNIT policy was designed to cover all tertiary institutions, a departure from the previous arrangements which was design to cater for only public university students in fulltime approved programs (SSNIT corporate document, 2010).

Irrespective of all the favourable repayment arrangements put in place under the SSNIT Loan Law in section 5, 6.1 and 6.2, Effah (2003) and Sawyer (2001) noted that the major setbacks of the SSNIT loan scheme were the high rate of defaulters as a result of the low recovery rate and the indebtedness of the scheme to the Trust. Coupled with this, there was a perennial disbursement problem with the continuous delay of the inflow of loans during the school years. Additionally, complains about SSNIT pensioners not getting their

retirement benefits because borrowers do not repay their loans back after graduation was a big threat to the sustainability of the retirement scheme (Atuahene, 2007). To salvage this situation, the Government of Ghana in December 2005, through GETF and took over the administration and management of the Student Loan Scheme with the establishment of the Student Loan Trust Fund (SLTF).

The provisions of the Act put a legal obligation on all employers who have beneficiaries of the loan scheme in their employment. Upon employment of any borrower, employers are required to inform the Board writing within thirty days after receipt of the information. Where an employee has not fully repaid the loan, the employer is then legally bound to deduct from the wages of the employee on monthly bases the amount of any loan in accordance with the agreed monthly repayments between the Fund and the borrower and shall pay the deduction into the Fund within fifteen days after the deduction.

2.8 Summary

This chapter focused on literature review on loan recovery and effectiveness; and understanding its importance. An overview on NSFAP literature was done in this chapter whereby it was found to be relatively little research on the recovery of student loans by the NSFAP. Audit report and other reports on NSFAP were discussed in this chapter. The reviews of the theories were done, but since there is no much literature review on loan recovery thus looked on literature review on compliance with repayment. The chapter reviewed studies on recovery of loans and repayment by different countries. Most studies revealed that recovery of the student's loans has been a big challenge in the developing

countries. During the review it was discovered that Ghana institutions that were mandated to give out students' loans were still responsible for their recovery after this function has been taken away from these institutions. This could have helped NSFAF to recover successfully if they could have started with the recovery only from date they started operating independently without taking over liabilities from Ministry of Education.

CHAPTER 3

3. RESEARCH METHODS

3.1 Introduction

This study aimed at investigating the effectiveness of the Namibian Student Financial assistance Fund in recovering loans. This chapter focuses on the research methodology and presents the research design and data analysis procedures. In every research, there were processes the researcher followed to meet the research objectives. These processes were methods the researcher adopted to solve topical problems. Research methods according to Neuman, (2006) are a set of specific techniques for selecting cases, measuring and observing aspects of social life, gathering and refining data, analysing the data and reporting on results. The methodology is dictated by the nature of data and the problem of the study. This chapter includes the following: the methodology; research design, population, sample and sample size, research instruments, procedure, data analysis and ethical considerations.

3.2 Research Design

Kothari (2004) mentioned that, the decision regarding what, where, when, how much, by what means, concerning an inquiry or a research study constitutes a research design. Choosing a study design requires understanding the philosophical foundation underlying the type of research, taking stock of whether there is a good match between the types of

research. The case study research design was used for the study. Kumar (2005) defines a case study as an approach to studying a social phenomenon through analysis of an individual case. He further stated that a case study allows for the extensive analysis of many specific details often overlooked by other methods. Cooper and Schindler (2001) asserted that the case study research design places more emphasis on a full contextual analysis of fewer events or conditions and their interrelations.

Kumekpor (2002) sees the case study method as a careful and critical enquiry or investigation and examination, seeking the facts of a case, a problem, issue and a community, and following events or occurrences from the beginning to the end. To Sparta (2003), a case study involves the in-depth investigation of an individual, family or institution. The case study research design was chosen to enable the researcher to acquire a greater insight and gain enough evidence for the study.

The study employed a mixed-methods method approach which comprises of the quantitative and quantitative research design. The quantitative research design enabled the researcher to collect data using questionnaires and convert them into numerical form so that statistical analyses can be made and conclusions drawn. The qualitative research design enabled the researcher to gather data through interviews. Interviews were part of the designs that were employed considering the subject under study. This study adopted the Case Study Research Design therefore it enabled the researcher in carrying out an in-depth study of the problem under investigation. To successfully carry out the research, both desk and field research was applied.

3.3 Population

According to Ngulube (2005), one of the major steps in research design is the definition of the population. The population constitutes an important part in the research objectives. The population in this study referred to the aggregation of people for which the researcher investigated. The population of this study constituted of NSFAF staff, current and previous loan beneficiaries in Windhoek. Seven NSFAF staff that were directly responsible for the recovery of loans as well as 6,367 loan beneficiaries were considered as a population in order to determine a sample. The population of past beneficiaries from the Auditor General's report 2007/2018, 2008/2009, 2009/2010 and 2010/2011 financial years was used to come up with 6367 as a population for the past beneficiaries.

3.4 Sample

Well-developed sampling decisions are crucial for the stability of any study. Making logical judgments and presenting a rationale for these decisions goes a long way in building the overall case for a proposed study. Decisions about sampling people develop alongside with decisions about the specific data collection methods to be used and should be thought through in advance. Sampling therefore is a process of selecting the portion the researcher wants to study from a population. Literature on research methods identified two primary methods of selecting a sample from a population. These are probability sampling and nonprobability sampling. Each of these has different techniques for selecting its participants. Examples of probability sampling technique are: simple random sampling,

stratified sampling, systematic sampling and cluster sampling. However, some examples of the non-probability sampling are: convenience or haphazard or accidental sampling, purposive sampling, quota sampling, snowball sampling (Neuman, 2006). Kumar (2005) asserts that, the primary consideration in purposive sampling is the judgment of the researcher as to who can provide the best information to achieve the study objectives. Aina (2001) indicated that, a major advantage of purposive sampling is that, it is a way to assure that we get at least some information from respondents who are critical to the study. The purposive sampling technique therefore tries to get all possible cases that fit particular criteria, using various methods. This research was carried out using a probability sampling procedure known as simple random sampling. This procedure was preferred as it would ensure that each subgroup of the population had an equal probability of being chosen as part of the sample. The population of the past beneficiaries from the Auditor general's reports of 2017/2018 to 2010/2011 financial years was used to come up with 6367 as a population of past beneficiaries. The Slovin's formula was used to determine the sample size. It's a random sampling technique formula to estimate sampling size. Slovin's Formula calculates the number of samples required when the population is too large to directly sample every member. A sample size of 377 respondents was drawn from the past and present loan beneficiaries within Windhoek, Khomas region and presented with the questionnaires.

$$\begin{aligned}
 n &= N \div (1+Ne^2) \\
 &= 6367 \div (1+6367(0.05^2)) \\
 &= 6367 \div 16.9175 \\
 &= 377
 \end{aligned}$$

Where n = Number of samples, N = Total population and e = Error tolerance (5% or 0.05)

3.5 Research Instruments

Research instruments are tools used in data collection. These include questionnaires, interview guides, observation as well as reading. It was the researcher's responsibility to identify which of these instruments would yield the best results for the research that was conducted. Therefore, for the purpose of this research, the researcher made use of the questionnaires with the combination of structured and non-structured questions. Structured questions were used due to the fact that respondents' choices were limited to the set of options that were provided. The unstructured questions were useful in getting the respondents' unlimited opinion. The researcher also made use of an interview guide with non-structured questions, out of the four types of interviews because it offers less constraints in the interaction between the interviewer and interviewee and thus giving a broader view of information.

3.6 Procedure

Approval to conduct the research in the NSFAF was requested from the Chief Executive Officer of the fund and was granted. Primary data was gathered through questionnaires and interviews. Questionnaires were distributed physically to past and present beneficiaries of the NSFAF. The questionnaire was personally overseen by the researcher and included a series of structured questions which were related to the research work and directed to respondents with the aim of gaining direct information. Secondary data was

collected from relevant literature like Journals, reports, documentary analysis, books, magazines and newspaper articles. This was restricted to the specific topics that were closely related to the topic of the study to avoid generalisations. . The researcher randomly selected past beneficiaries from different Ministries. The researcher then invited present beneficiaries willing to partake in the study from higher institutions of higher learning in the country. A meeting will be set up with 7 officials responsible for revenue collections of NSFAF.

3.7 Data Analysis

The responses to the Quantitative data were grouped and a bar graph describing the number of responses that paid back their loans and who did not was drawn by making use of Microsoft Excel. The responses to the questionnaires on quantitative data were recorded, rated using descriptive statistics e.g. percentages. The statistics were calculated and data relationships were analysed to come to a solid conclusion. The researcher made use of statistical package of Microsoft Excel to analyse quantitative data to increase accuracy of the result. In-depth analysis of secondary data was used in qualitative data analysis. The data was analysed and described and then written discussion showing how each piece of analysis contributed to the overall picture were made.

3.8 Ethical Considerations

According to Ghauri and Gronhaug (2005) the moral principles and values influencing the conduct of research by a researcher or group of researchers are referred to as ethics.

Furthermore, they stress the fact that the researchers have to be honest with the way they conduct their work. Also, they outline eight ethical issues in the researcher – respondents' relationship which are:

- Preserving the identity of the respondents
- Being careful not to expose respondents to mental stress
- Taking care of questions detrimental to their self interest
- Not involving respondents in research without their knowledge
- Not using dangerous equipment for data collection
- Not being deceptive
- Not using force to get information
- Not depriving respondents of their rights.

The researcher ensured that informed consent was obtained from participants. They were provided with full information on the research including the reasons they were chosen to participate. Participants' privacy, confidentiality and anonymity was guaranteed. Consent forms and a covering letter were provided. Similarly, the NSFAF being used for the case study gave permission for access to archive materials and documents useful to the study. The researcher made sure a letter to the NSFAF stating that the information was required for school purposes was sent on time. Further the researcher made sure that questions constructed were short and clear. The research information is being kept in a locked closet at home and will be destroyed by burning after five years of the completion of the study.

3.9 Summary

The chapter focused on the research methodology that was employed in this study. The mixed method approach comprising qualitative and quantitative research was used. The population and sample of the study was clearly indicated. The chapter discussed instruments that were used to collect primary data and secondary data. Questionnaires were used to collect primary data while secondary data was extracted from books, journal articles, research reports, Auditor's reports and newspapers. The research procedure that was followed to execute the study was also outlined in this chapter. The chapter also highlighted data analysis techniques that were used to analyse the data. The ethical consideration has been outlined.

CHAPTER 4

4. DATA ANALYSIS AND DISCUSSION

4.1 Introduction

This chapter discusses the analysis of the data that was gathered from the study. In the chapter the effectiveness of the Namibia Student Assistant Fund in recovering loans is done based on the findings. The analysis is presented sequentially according to research enquiries of the study. Finally, a conclusion is drawn from the results to summarise the outcome on the effectiveness of the NSFAP in recovering loans.

4.2 Response Rate

A total of three hundred and seventy-seven (377) questionnaires were distributed out of which three hundred and thirty-seven (337) were successfully completed and returned to the researcher. 240 of the completed questionnaires were from females and 97 were from males. The data collected was edited in order to help identify omissions and to correct errors where necessary. The questionnaires were numbered after which the variables were given sequential numbers and were categorised such that, items and responses measuring the same concept were grouped together.

Frequency counts of each category was done and presented in tabular form showing frequency and percentage distributions of the trend of responses. Interpretation and

discussion of the data was done per the factors. Considering the users of the report, frequency tables were used for the presentation of the results.

4.2.1 Gender of respondents

The respondents were asked to show their gender, this was expected to guide the Researcher on the conclusions regarding the gender base so that the study did not focus on one gender.

Figure 4.1 Gender Response

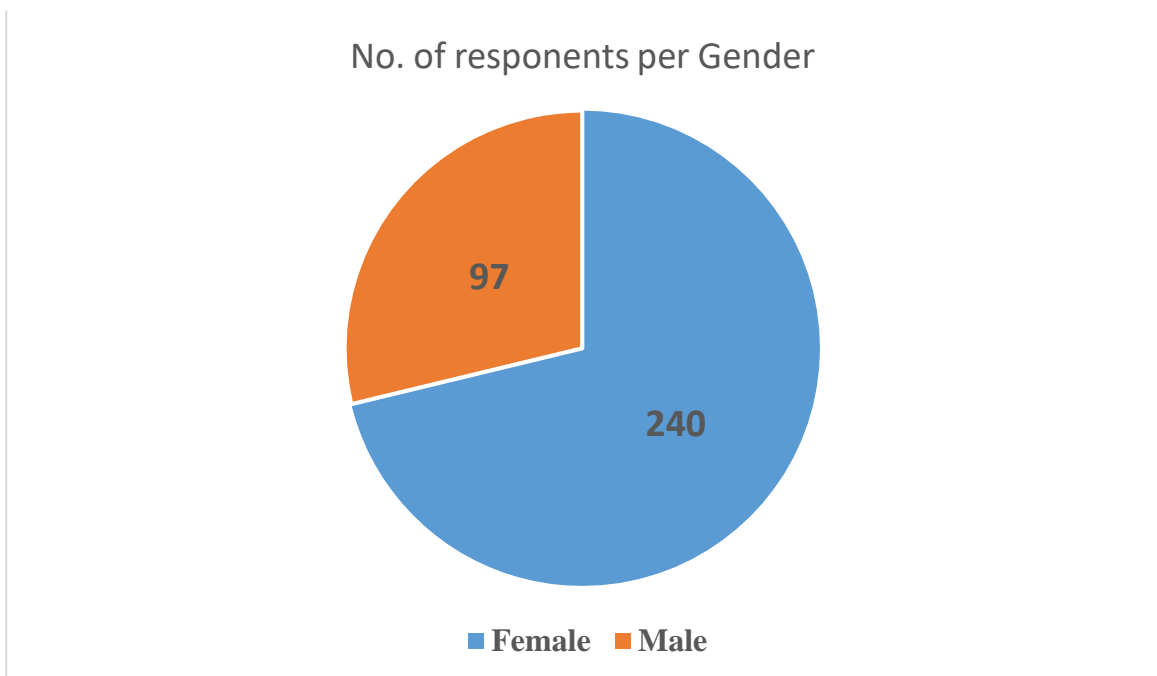
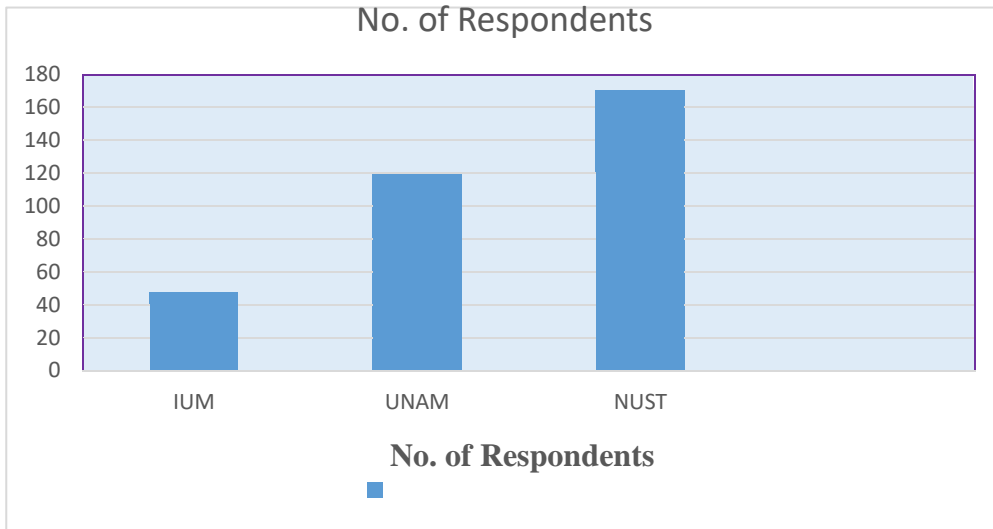


Figure 4.2: Distribution of respondents by Institution



Source: Field data, May 2017

4.2.2 Name of the institutions

Figure 4.2 above shows the respondents from different Institutions. Out of 377 questionnaires distributed, 170 respondents were former and current students from the Namibia University of Science Technology (NUST), followed by the University of Namibia (UNAM) with 120 and the International University management (IUM) with 47 respondents.

Figure 4.3 shows the response rate.



4.2.3 Level of Qualifications

The respondents were asked to indicate the level of their educational. The information was presented in numbers and in percentages structure and in the table below.

Figure 4.4 Level of qualification



Figure 4.4 above shows that the diploma and bachelor degree holders each made up 37.4% of the respondents, followed by Honours degree holders with 24%. Among the 337 respondents, none of them had the qualifications below diploma or a certificate, nor higher than honours degrees qualifications. This means all these respondents had acquired some qualification and they had an understanding of what a loan is and the information that they had provided was reliable.

4.2.4 Status of Employment

The researcher considered to determine how many respondents were employed and how many were unemployed. The results are presented in table 4.5 below.

Figure 4.5 Status of Employment

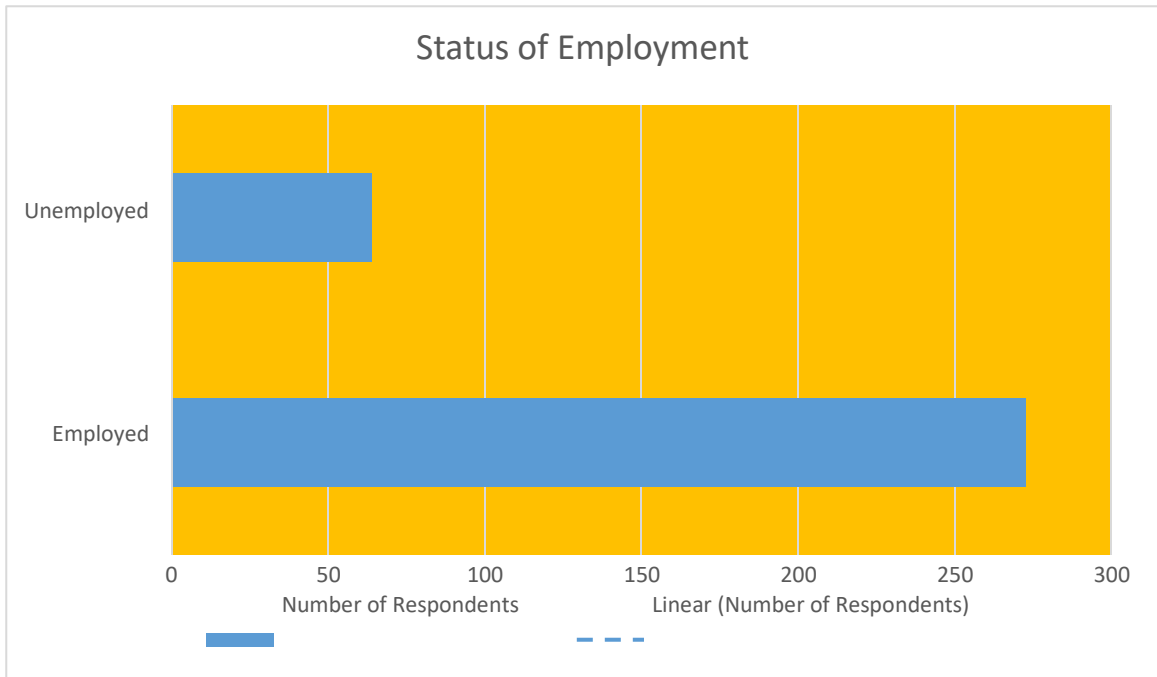
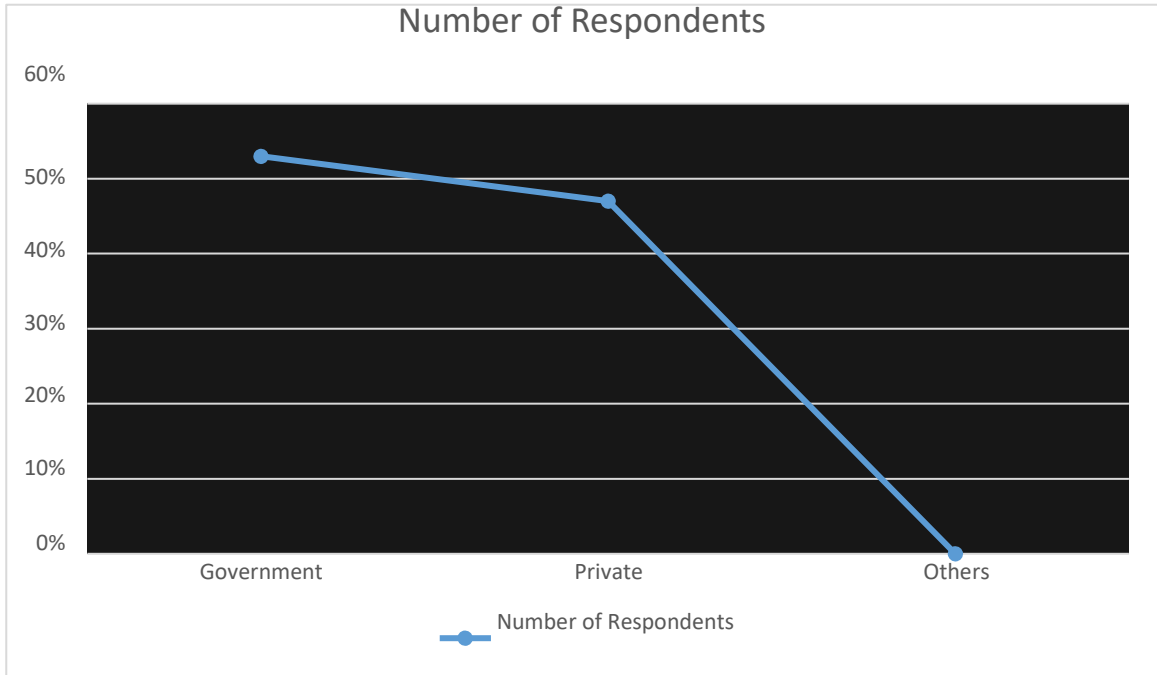


Figure 4.5 shows that out of 337 respondents, a total number 273 are employed while 64 were unemployed. This indicates that after successful completing university, a higher number of the respondents got employed. The total numbers of 273 which represented 81% were employed while 64 which represented 19% are unemployed.

4.2.5 Source of Employment

The researcher wanted to find out what sector employ more graduated. It was discovered that a higher number of graduates were employed by Government.

Figure 4.6 Sources of Employment



Source: Field Data, May 2017

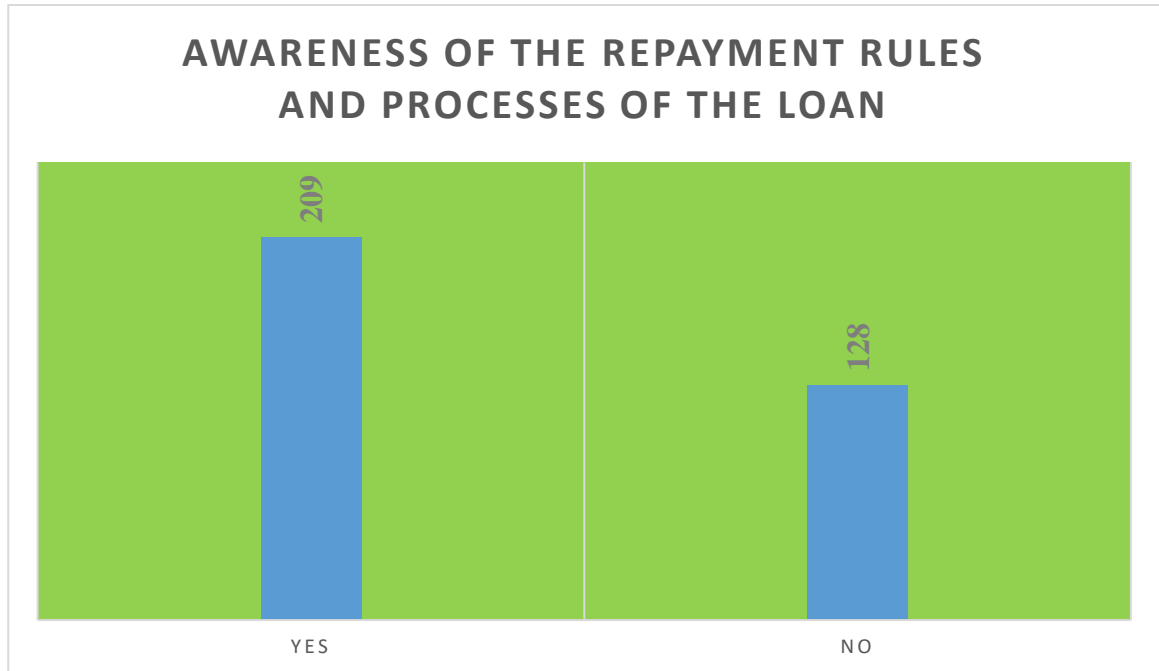
Figure 4.6. Above indicates that 53% of the respondents were employed by the Government while 47% were employed by private companies. No respondents were employed by others.

4.2.6 Awareness of the repayment rules and processes of the loan

The researcher tried to establish whether the loan beneficiaries were aware of the rules and processes regarding the loans that they received. The outcome of the research revealed that the majority, which is represented by 62% of the respondents were aware and only

38% of the respondents were not aware of the rules and processes as indicated by the table below.

Figure 4.7 Awareness of the repayment rules and processes of the loan



The following explanations were given by the respondents that were not aware of the repayment rules and processes:

- They indicated that they were not informed about the repayment rules and processes and therefore they were not aware.
- They did not know that they were required to pay back the loans after completion of the studies.
- There was no explanation given to them how it works after they finished with the studies.

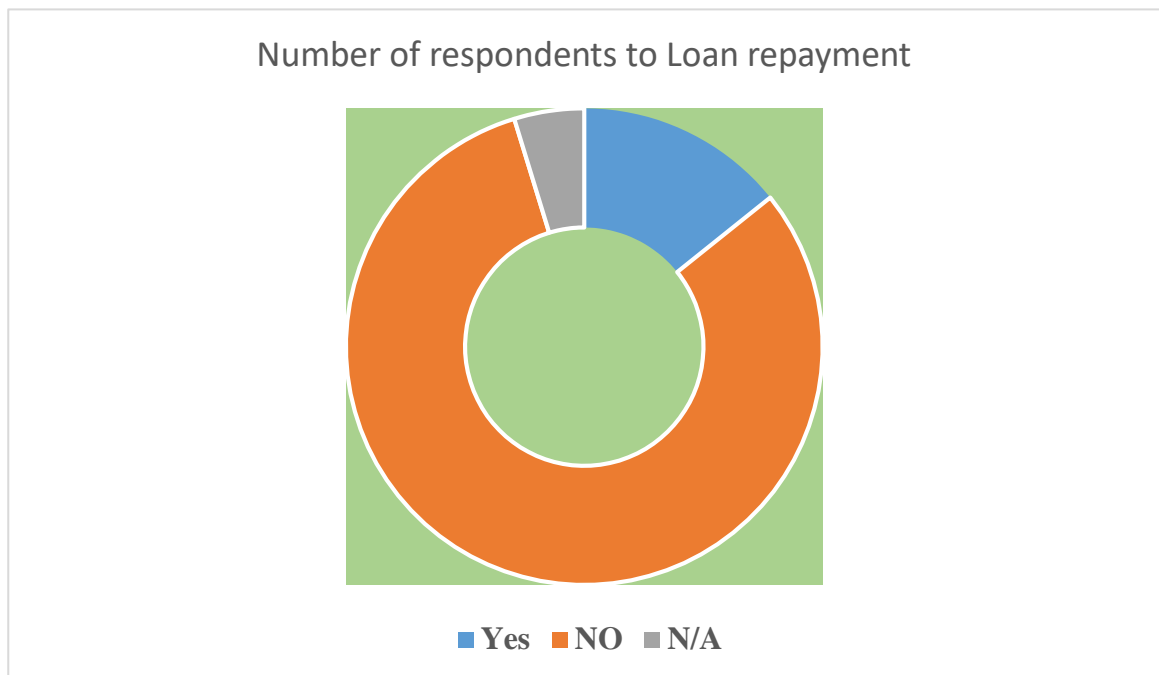
The respondents that were aware of the repayment rules and processes indicated that:

- The rules were explained to them on the contract, it was stated that after the completion of study they should pay back the money if they find employment.
- They were required to notify the NSFAF office after completion of their studies to make arrangements on how they would pay back their loans.

4.2.7 Loan repayment

The researcher wanted to establish whether the respondents had settled their loans or they were still paying back their loans. It was discovered that 14.3% of the respondents had paid back their loans and 81% had not paid back their loans.

Figure 4.8 Loan repayment



Source: Field Data, May 2017

Figure 4.8 shows that out of the 337 respondents only 48 respondent which is 14.35% of the respondents had paid back their loans. 273 respondents which is 81% had not paid back their loans and 16 were not eligible to pay back their loans. Even though the study indicated that 209 respondents, which is 62% were aware of the repayment rules and processes, the majority of the respondents did not repay their loans. The respondents that had settled their loans indicated the following reasons why they paid back.

- They have paid back the loan so that the money could be used on other students who were in need of financial assistance.
- They also mentioned that it is their obligation to payback and that they were fulfilling the agreement that after completion of study, upon getting employment they have to pay back the loan as stipulated in the contract.
- They wanted to show appreciation to the government for funding their studies.

A number of reasons were given as to why loans were not paid back and among others are stated below:

- Unemployment
- There were no bank details provided by the NSFAP for the students to pay back the loans and the NSFAP never provided the terms and conditions attached to the loans or they were not stipulated thoroughly.
- Jobs that the students get after completion of studies do not pay well to enable them to pay back the loans and they have other responsibilities to take care of.
- The economic situation is preventing the loan holder from honouring the obligations of repaying their loans.
- Some people do not have permanent jobs after completion of studies.

- Some cannot afford to pay back because they are paying for their post graduate out of their own pocket.
- Some respondents thought it was a grant and is not required to be paid back.
- Some respondents thought that government is having enough money, therefore paying back to their government is not their priority.
- Some mentioned that their loans were turned into grants, therefore there is no need for repayment
- There was no demand for paying back from NSFAP.

4.2.8 Recovering of loans by the NSFAP

The researcher tried to establish from the views of the respondents as to whether the NSFAP was recovering loans successfully. Only 5% of respondents indicated that the NSFAP was recovering loans successfully and 86% were saying that the NSFAP was not recovering loans successfully. 9% of the respondents did not know whether the NSFAP is recovering loans successfully.

Table 2. Recovering of loans by NSFAP

Successful or not	NUMBER OF RESPONDENT	PERCENTAGE
YES	16	5%
NO	289	86%
DON'T KNOW	32	9%

Source: Field Data, May 2017

The table 2 shows that 289 respondents out of 337 of the total respondents were of the opinion that the NSFAP was not recovering loans successfully and had motivated their answers as follows:

- Some students upon completion of studies do not get jobs that pay well for them to be able to pay back the loan, therefore they just ignore.
- Apart from the messages in newspapers, radios, and Televisions, they do not hear of any other ways the NSFAP is trying to recover loans.
- Some people do not pay back because they are not aware of the repayment amount.
- 80% of loan holders had not paid back. The NSFAP system in place is not working.
- Many loan holders after completion of studies and after getting a job do not report themselves to the NSFAP.
- Most graduates are still struggling to secure employment.
- Latest reports indicate that students are still owing the institution.
- Many times, NSFAP has indicated that they are struggling with loan recovery. It looks as if there is no effective method or system in place.
- Some are of the opinion that just like other government institutions, there is no accountability, no one is serious enough to do their jobs adequately.

Furthermore, 16 respondents, which is 5% of the total respondents were of the opinion that the NSFAP was recovering loans successfully. The respondents that were of the opinion that the NSFAP is recovering loans successfully said so because the NSFAP continues to award loans to the majority of the students. They are of the opinion that if the

NSFAF was not recovering loans successfully, they would have stopped awarding loans further.

4.2.9 The impact of students not repaying their loans

The respondents revealed that not paying back the loans will have negative impact as indicated below.

- It would be affecting potential beneficiaries that need loans as the money will not be there to pay for them.
- There will be shortage of funds in the NSFAF coffers.
- Future students are disadvantaged from getting loans because the money should be in circulation to ensure equal opportunity for all and the next generation.
- NSFAF will get bankrupt and will affect the upcoming students.
- Not repaying loans will have a bad influence on the economy of the country.
- Decrease in the revenue which will affect the allocation of budget for the current students
- NSFAF will not be meeting their targets of awarding loans.
- Namibia will not have an educated nation.
- Student will drop out because of fees not paid and the parents are unable to afford to pay for their fees.
- Drop out will start engaging in criminal activities which will affect the whole country.

4.2.10 Mechanisms to be used to recover loans

The respondent suggested that:

- NSFAF should come up with the system that trace students who have started working.
- Some respondents are of the opinion that NSFAF should write off the old loans and start only from the period the fund started operating as an independent fund.
- Respondents have suggested that NSFAF should start giving grants instead of loans.
- Others suggested that a survey should be carried out on students who have completed their studies to find out if they are employed so that they can pay back.
- It is also suggested that a body to control loans should be formed.

4.2.11 Challenges facing the former loan holders not to repay their loans

Lack of employment by the former loan holders is one of the reasons why they are not repaying their loan. Some loan holders are employed but not permanently employment employed. They therefore cannot commit themselves into paying back the loan. The respondents are of the of the opinion that even the former loan holders that are employed permanently cannot afford to repay back the loan due to economic situation and low salaries. Some student are the only bread winners and had to help their family upon employment and therefore cannot afford to repay back. Some people are taking care of parents and siblings still studying and paying for themselves and on top of the living expense is very high; rental prices are too high, price of food also too high.

Some respondents are of the opinion that there is also lack of awareness on how and when to repay their loans. NSFAP should invest in awareness campaigns regarding loan repayment. Respondents are of the opinion that there is lack of communications from the part of NSFAP regarding loan repayment and this is considered as one of the challenges. Academic failures by former loan holders, and the reason that some students had not completed their studies even though they were awarded loans are also challenges facing former loan holders from repaying their loans. These students are some that are unemployed and unable to repay their loans.

Discouragement from those stealing money from Government is also considered as a contributing factor for the loan holder are not willing to repay their loans. The media has also been reporting that some records of former loan beneficiaries are missing. The former beneficiaries are taking chances that they will not be traced since some records are missing. For some it is due to illnesses that they cannot be employed and pay back the loans. Some is pure ignorance that they are not paying back the loans because they have the means to pay back but they chose not to pay back.

4.2.12 Problem in recovering loans by NSFAP

All the respondents stated that NSFAP have a problem recovering loans due to the reasons stated that Students that graduated and took up employments feel that they do not have to pay back. They also mention that the contract does not state clearly when to pay back. Some respondents have mentioned that during the political campaign people were told not

to pay back and people cancel their stop orders from the bank. Therefore Student who have graduated no longer want to pay back due to presidential remarks. For some student Unemployment.

4.2.13 Method used by NSFAP in tracing past beneficiaries for them to do

- The NSFAP have contracted the debt collection agency and they call students and meet with them to sign an acknowledgement of debt and also for the repayment arrangements.
- They also trace through ITC, credit bureau and via Inland Revenue, through contact details provided by beneficiaries.

4.2.14 Challenges facing NSFAP in recovering loans

The study established the following challenges as indicated by the respondents that, contact details of debtors/loan holders are changed after completion of study without notifying the fund therefore making it difficult to be traced. Recovery policy vs contract signed by students do not agreeing. Some students disputing financial assistant given as grant and not loans. Some Past beneficiaries simply are not willing to pay back. Respondent have noted that Lack of employment opportunities for students who have completed their studies post it as challenge for NSFAP in recovering loans. The respondent believe that there is Lack of sense of social responsibility among the beneficiaries and that they feel entitled there it is a challenge for NSFAP in recovering loans successfully. The fact that some contracts are signed by minors and Lack of proper loan book at NSFAP is a challenge that NSFAP is facing in recovering loans.

4.2.15 Measures to be put in place for NSFAP to recover loans

The respondents have suggested that NSFAP should put the following measures in place in order to recover the loans successfully.

- The outsourcing of more collection agencies to explore the opportunity through identifying opportunities and be able to deduct from employer
- Establishment of recovery database.
- NSFAP should have a tracing system in place
- Beneficiaries should be well informed on the terms and conditions of the loans
- The fund to waive a certain percentage of outstanding loans in order to motivate the beneficiaries to repay their loans.

Table 3. Loans Recovered in Five Years

Financial Year	Budgeted Amount N\$	Issued N\$	Target N\$	Recovered N\$
2011/2012	296,631,000		10,000,000	6 866 614.00
2012/2013	312,240,000		10,000,000	6 885 113.00
2013/2014	325,854,000		10,000,000	6 237 475.00
2014/2015	836,146,000		10,000,000	4 153 506.00

2015/2016	908,409,000		10,000,000	4 563 154.00
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The table above clearly indicates that the NSFAP is not recovering loans successfully because from 2011/2012 financial year the target was to at least recover ten million Namibian dollars (N\$10 000 000) and the targeted amount was never reached in any of the period indicated. Looking at the recovered amounts and the estimated expenditures it can be seen that the fund expenditure is too high compared to what recovering through the loans. From 2011/2012 Financial year up to 2013/2014 Financial year NSFAP was recovering slightly better than what it has recovered in 2014/2015 Financial year. However, it can be noted that recovered amounts slightly increased 2015/2016 financial from what was recovered in 2014/2015 Financial year. It can also be noted that estimate expenditures may have increased drastically from 2011/2012 Financial year to more than three time in 2015/2016, while the recovery of loans dropped by 66%. Perhaps further research can be conducted to investigate as to whether there is major improvement in the recovery of funds since the agency was contracted to trace the former beneficiaries. Another study could be to establish what percentage of budget is used for the allocation of loans in comparison to the previous financial years.

4.3 Discussions on Interviews conducted

The researcher found the need to engage with the respondents and interviewed them on the matters that were not covered by the questionnaire but important to the research that was conducted; this was unstructured. Views and opinions regarding recovering of loans by the NSFAP were raised. Some respondents believed that it was not easy to repay loans.

Some made an effort to repay the loans but economic conditions could not allow. On the suggestion as to what the NSFAP can employ to effectively recover the loans: It was suggested that the NSFAP could go into an agreement with one of the commercial banks to oversee collecting loans through following their rules and regulations. It was further suggested that Government should aim at providing quality jobs for beneficiaries to be able to pay back. Others are suggesting that legal penalties for non-repayment should be enforced.

4.4 Overview of the repayment/recovery process and conditions of payment by the NSFAP

4.4.1 Methods of repayment

The repayment conditions are a mixture of the mortgage-type and the mandatory income contingency repayment type. The NSFAP is a loan/grant scheme that was designed to replace the PSBS, whose purpose was to train people to work solely in the public service. Shortly after independence, the demand for new recruits in the public service decreased significantly following the integration of the various ethnic-based administrations into one national government. Hence the PSBS lost its relevance. In the meantime, the demand for financial assistance by students was on the increase. The Cabinet therefore decided to replace the PSBS with NSFAP, which would allow the Government to continue addressing the human resources needs of the country in general, beyond the needs and requirements of the public service. NSFAP was approved in 1996 and was implemented

with effect from January 1997. Ultimately, the Namibia Student Financial Assistance Fund, Act No. 26 of 2000 (Government of Namibia, 2000) came into being and the NSFASF became operational.

4.4.2 When repayment starts

The requirement is to repay the loan portion plus interest at half the prime rate in instalments of at least 15 percent of gross annual income minus tax and pension contribution. The maximum period for repayment must not exceed three times the number of years for which the debtor received the loan. The debtor may pay more than the minimum amount required, and so redeem the debt sooner. The debt is transferable to an employer, on condition that the amount is to be paid to the Fund within 30 days of acceptance of the arrangement. Proof of such arrangement should be submitted to the Fund.

In cases where a beneficiary is unable to find employment within six months of completing the course, he or she must inform the NSFASF in writing to receive a written extension of repayment. Loan holders who fail to commence their studies are obliged to repay the money so committed with interest. Instalments would be affected by the prime rate either on a monthly, quarterly, half-yearly or annual basis, and may be paid in arrears or advance to suit the debtor.

The capital amount plus interest determines the instalment. "A debtor who is not earning a threshold (nontaxable) salary at his/her discretion may offer to pay back the loan without interest. This is also applicable to debtors whose six months grace period has not lapsed

yet” (Namibian Financial Assistant Fund policy, 08 November 2005). Repayment could be made by debit order through bank deduction, stop order salary deduction, or through any other approved institution Namibian Financial Assistant Fund policy (2005).

The Subdivision Loan Recovery and Breach of Contract of the NSFAP determines the instalment that would be payable by the beneficiary. The same Subdivision would then communicate such information to the beneficiary and the HEI authorized to receive the fees. The Namibian Financial Assistant Fund policy (2005) provides that legal action may be instituted if employment information provided by the debtor is deliberately misleading or is intended in any way to avoid compliance with the obligation under his/her loan/grant contract.

NSFAP under loan/grant contract are paid at half the current prime interest rate”. Interest is calculated from the date repayment is due. “If the beneficiary in any way fails to honor his or her term of contract, the full commercial interest rate would be applied as opposed to the half prime interest rate offered to other NSFAP beneficiaries” Namibia Students Financial Assistance Act (Act No. 26 of 2000)

The NSFAP Board may decide to suspend the repayment of a loan if:

- The debtor becomes unemployed;
- The debtor’s annual earnings fall below the relevant threshold amount;
- The debtor becomes ill/mentally ill and is declared unfit for work for a period longer than three months by a registered medical practitioner; and

- The debtor dies, in which case all liability for refunding of monies would lapse, provided a breach of contract did not occur before the event of death.

When a loan is suspended, interest would not accrue to the loan; however, when repayment resumes, interest will also apply. It is important that, at regular intervals, the NSFAF undertakes an assessment to discover the impact of the NSFAF on the beneficiaries and on loan repayment mechanisms, as well as to find out why some beneficiaries find it difficult to repay their loans.

Over the years, the NSFAF has encountered problems in the recovery of loan from the NSFAF beneficiaries because of the following factors:

- Lack of employment opportunities for students who have completed their studies;
- Postponements of loan repayments due to further studies;
- The tendency amongst debtors of changing their addresses, telephones and other relevant contact details without notifying the Fund;
- Lack of a sense of social responsibility and appreciation amongst the beneficiaries after completing their studies;
- NSFAF beneficiaries lacking information on the operation of the Fund; and
- Manual recording system and lack of human resources with relevant skills, which negatively affect the operation of the Fund. The Namibian Financial Assistant Fund policy (2005)

4.5 Reports on loan recovery by NSFAF

In his report on recovery process, Nemaire (2018) has stated that the entity faces challenges during the collection of debt. He further stated that they still experience the same difficulties as when they had to go through the legacy files, which were mostly incomplete and not signed, among other factors. This report is agreeing with what the respondents have said about the filing system of NSFAF. If the record system is not up to date, tracing would be very difficult which will result in ineffectiveness of revenue collection.

Tjitemisa (2018), reported that The Namibia Students Financial Assistance Fund (NSFAF) washed its hands over an unaccounted N\$1.8 billion the Ministry of Education disbursed to NSFAF between 2007 and 2013, saying NSFAF only came into existence in 2013.

NSFAF CEO Hilya Nghiwete said at the time of the transfer, apart from physical files, no breakdown was submitted. “Normal procedure would have been to compile the balances per student using each file but this would have taken a very long time considering the 73,353 files involved,” she said.

“At the time, this amount was also not known, as the N\$1,792,303,100 was later deducted using the CEO section in the annual report contained in 2014/15,” she explained. She said due to the absence of the list, which could be audited, no loans balance could be included in the financial statement for the year ended March 31, 2014, but rather issued a qualified audit opinion, which highlighted that the financial statement has been qualified due to

non-availability of a list, which could be audited. Nghiwete was responding to questions the National Assembly's Standing Committee on Public Accounts posed to NSFAP here during a public hearing. The standing committee wanted to know how the N\$1.8 billion in student's disbursements from the government was accounted for as at 1 April, 2013.

The committee chaired by Mike Kavekatora also grilled Nghiwete and her team, which included the newly appointed board chairperson Jerome Mutumba, vice-chairperson Dr. Christina Swart-Opperman and the NSFAP chief financial officer on why recoveries made on loans were treated as revenue, a service never recognized in the books of accounts. The committee also wanted to know why these recoveries were not split between principal and interest; why capital was treated as revenue and how come NSFAP recognized it as revenue.

Nghiwete responded by saying that since initial balances were included in the financial statements as from April 1, 2013, subsequent recoveries do not have a capital balance from which they can be netted off. But, she said, they needed to be accounted for; hence, they were been recorded as revenue for subsequent financial years.

She said the issues relating to the genetic approach taken by the NSFAP in recording its financial information and issues including, among others, no indication whether the amount received/paid out was a grant or a loan and some beneficiaries were minor at the time of signing the contracts. From what the CEO has reported, not all records were provided at the inception of NSFAP which the contributing factor in the effectiveness of revenue collection by NSFAP is. It is important for other studies to be made on the state

of data and records of NSFAP. Is data the reason why NSFAP is not recovering loans effectively or just a contributing factor?

WINDHOEK, 28 FEB (NAMP) – The Namibia Students Financial Assistance Fund (NSFAP) is haunted by challenges arising from its previous regimes. This was said by NSFAP Chief Executive Officer, Hilya Nghiwete in the fund’s latest annual report for the 2015/16 financial year. The report was tabled in the National Assembly by Minister of Higher Education, Training and Innovation, Itah Kandjii-Murangi on Tuesday. “While various successes have been realized, several challenges - arising from the previous NSFAP regimes - continue to serve as impediments,” stated Nghiwete. These include establishing the true value of student loans awarded over the years, establishing a complete database of these loans and reconciling these amounts with the total amounts recorded. In the midst of leadership squabbles and an impending re-incorporation into the Ministry of Higher Education, Training and Innovation, NSFAP’s challenges date back to 1997 when the fund was a directorate within ministry. NSFAP operated as a division in the Ministry of Education until its establishment as a fund in 2013. During this period, all records were paper-based, with manually recorded information. This approach presented a myriad of challenges, namely incomplete information in files and missing contact details for past beneficiaries after they completed or abandoned their studies, the report states. NSFAP’s modus operandi at the time further presented a high level of ambiguity with regards to the nature of student contracts. For example, it was not known whether funding was awarded as a loan or grant and whether it was repayable or not. “The impact of this paper-based system on present day recovery attempts has been significant,” the report reveals.

Over the years, NSFAF has had to increase its efforts to trace past beneficiaries and establish the correct amount they owe. However, the general unwillingness by beneficiaries even to accept repayment of loan has placed immense strain on the loan recovery challenge”, according to the fund. NSFAF’s quest to recover funds has been further worsened by the fact that the recovery division is understaffed due to a lack of funds. The report also said no serious recovery effort was deployed under the past regimes. “Serious efforts to trace beneficiaries and enforce repayment were not undertaken, resulting in many past beneficiaries escaping their responsibility to commence repayment,” it notes.

Namibia Economist of 07 March 2018 by Guest contributor reported that, Hilya Nghiwete The CEO of NSFAF have stated that very few former students are paying back the loans they received through NSFAF to fund their studies. This is exceedingly worrisome and disappointing.

The Namibia Students Financial Assistance Fund (NSFAF) can only work and be there in the long term if funds disbursed and distributed are paid back. For years we have enabled aspiring students to pursue their dreams and enroll in tertiary or vocational education in Namibia or abroad. Which is exactly the mandate we were given through the Act of Parliament. Educating and enabling the youth of Namibia is a worthy mandate indeed, but we seem to have hit upon a rather large speedbump.

When borrowing money from friends, family, banks or anyone really the assumption is made that this money will be paid back. Often with interest. This is what our economy is

based on and how common courtesy works. If money borrowed is not repaid, it basically stops all economic processes within a country. It means we cannot buy things, invest, or build anything for that matter.

For the Namibian House to flourish, thrive and the economy to grow the Spirit of Harambee must be embraced by every Namibian. This includes students that have benefited from loans, if they do not pay them back, it stops the next wave of students from being able access funds. The cycle of education, empowerment and upliftment grinds to a holt and with it, so does the Spirit of Harambee.

Former students seem to have a hard time grasping the concept of the need to pay back their loans, and don't see the long-term damage they are inflicting. Being afforded the opportunity to study in Namibia is a great honor and with the student becoming the recipient of a study loan which they themselves requested, they have entered into a legally binding contract. For some reason though, many former students, who have gone onto fine and noble professional employment and receive a salary for their work do not see the necessity in paying back their student loan.

We speak of wanting to do better for ourselves, our families and friends and dream and have aspirations, but if loans are not paid back, Harambee is simply being replaced with selfishness. A trait which we as a growing and emerging nation can ill-afford. Without the repaying of the loans other worthy students cannot receive loans or grants that they deserve. Often thereby closing off the avenue to tertiary education. This not only stunts the educational and academic development of the potential student, it also hampers the growth of Namibia. These potential students cannot pursue their academic dreams, cannot

contribute to the Namibian economy, cannot help with the development of Namibia and cannot assist in achieving the Harambee Prosperity Plan for Namibia. This will simply not do.

Nation building is something you do together and it starts with education. It saddens me to even have to bring up the subject of repayment. Our sense of decency, pride and even our sense of fair play and duty of what is right and what is wrong should compel us to want and need to repay our debt to society. Therefore, I urge everyone to do what is right and take steps to repay their student loans. Not because we ask, not because you are legally bound, but because you care for Namibia and its development. Embrace and live the Spirit of Harambee and watch yourself and your fellow Namibians prosper.

This report is agreeing with what the respondents have said about former students not repaying their loans. Most people have good paying jobs but do not have the sense of social responsibility to repay their loans. This is worrisome because the fund is expected to be self-sustainable but that cannot become a reality if it is not recovering loans effectively. In a long run, the most deserving and needy students will end up not getting loans. The population is growing and the country is developing hence the need for more funding as the majority are educated and more want to further their studies.

4.6 Chapter Summary

The chapter presented, analyzed and interpreted data collected in the study. Chart, tables were used to present an analysis of the data. The study revealed that the NSFAP is not

recovering loans successfully due to several reasons outlined. Several reasons contributed to the NSFAP not recovering loans successfully such as; Some Data not available for past beneficiaries, ignorant, unemployment, inadequate training on the part of the employees that are supposed to recover loans, Economic conditions and too many responsibilities after the graduates acquire employment. The Chapter outlined Strategies to effectively recover loans. The next chapter presents the conclusions, makes recommendations and identifies areas for future research.

CHAPTER 5

5. CONCLUSIONS & RECOMMENDATIONS

5.1 Introduction

This chapter deals with the summary of findings, conclusions and recommendations of the study

5.2 Findings

The main findings of the study were that the NSFAP is not recovering loans effectively. The reasons that were given by most respondents were that a lot of graduates are unemployed and those that are employed are not earning enough to sustain themselves, and family and are not able to pay back the loans. Lack of sense of social responsibility among the beneficiaries is also a reason that NSFAP is not recovering loans. It was also discovered that the NSFAP has contracted a company that traces former beneficiaries and also deals with the negotiations in the process of recovering funds. The findings also revealed that from the 2011/2012 financial year up to 2015/2016, comparisons were made and according to the findings, the NSFAP was recovering loans better from 2011/2012 compared to the 2015/2016 financial year. The findings also revealed that the budgeted amount also increased drastically from Two hundred and ninety-six million six hundred and thirty-one thousand Namibian dollars (N\$296,631,000) in the 2011/2012 financial year to nine hundred and eight million four hundred and nine thousand Namibian dollars (N\$908 409 000) in the 2015/2016 Financial Year. It is a major increase compared to the revenue recovered of six million eight hundred and eighty-five thousand one hundred and thirteen Namibian dollars (N\$6,885,113.00) in the

2011/2012 financial year to four million five hundred and sixty-three thousand one hundred and fifty-four Namibian Dollars (4 563 154.00) in the 2015/2016 Financial year.

NSFAF officials said that currently they have data of more than 20 000 out of 67 866 students who avoid paying back their loans. The officials also said they do not expect to recover 100% of the loans because some former beneficiaries may have died and/ or are unemployed, but those who can afford, will be encouraged to pay. The study detected that the Fund has been very lenient in the past in its quest to recover the loans.

5.3 Conclusion

From the findings of the research, it can be concluded that some former beneficiaries are not repaying their loans and therefore NSFAF need to revisit its policy and make amendment where it is necessary to meet the current situation. The comparison of the financial years was used to indicate the recovery of loans and it can be seen that it kept on decreasing from six million to four million. From the findings most of the respondents are aware of the repayment rules and processes even though only the minority have paid back their loans. The will to pay back is there for some but because of unemployment, low salaries and the fact that the beneficiary must take care of the family upon securing employment can be considered as a contributing factor of loans not being recovered successfully. The absence of reliable data has also contributed to loans not recovered successfully. NSFAF not recovering loans successfully has a negative impact on the country, and among others the important one is that the students that mostly need this assistance might not be assisted in future. Government will not collect revenue as it should to build the country and provide much needed services as the country should. The country might also have socio economic

problems of drop outs because the fund cannot pay their fees and, in the end, might engage in criminal activities. All this just because loans are not recovered as successfully as they should.

It is concluded that the NSFAP is experiencing inadequate legal enforcement mechanisms for proper loan recovery, rendering the NSFAP ineffective in recovering loans. The consequences of the highlighted shortcomings in the NSFAP will result in the fund being depleted and not being able to carry out its mandate in future if change is not effected. Furthermore, the fund would continue depending on the Government of the Republic of Namibia (GRN) for funding, which is costly and could render it vulnerable in the future. It can therefore be concluded that NSFAP is not recovering loans successfully

5.4 Recommendations

In view of the findings, the following recommendations have been proposed: It is recommended that the NSFAP ensures that the fund serves the purpose for which it was established for. It is further recommended that a study should be carried out to establish whether it is true that most of the Graduates are not earning enough to be able to pay back their loans, as well as to establish how many of the former beneficiaries are still unemployed. Loan department of the NSFAP should also be strengthened and staff should be well trained to undertake this activity in the absence of the agency doing the tracing. Loan recovery is a very important part of the fund and therefore the NSFAP needs to invest in this department. This brought another need for the fund to establish as to whether it is cheaper to have an agency doing the recovery work or it is cheaper if staff in the department do all the work; looking at what was recovered, what the fund is paying to the agency and what it could spend on the staff if the division is strengthened. The NSFAP should be mandated in terms of the

Namibia Student Financial Assistance Fund Act, (Act No. 26 of 2000) to black-list defaulters, to have access to the Inland Revenue Office and Social Security Commission (SSC) for tracing purpose, and to be able to deduct loan monies from defaulter's salaries without their consent.

What should be done to recover loans successfully

Respondents were tested on what to be done in order to recover the loans successfully.

Respondents gave a number of suggestions which are outlined below.

- NSFAP to sign an agreement with the Ministry of Finance to monitor students through their income tax registration.
- NSFAP should come up with a system that is linked to Ministry of Finance that will notify them when the person is registered as a taxpayer.
- To have a staff member of NSFAP to sit permanently at Ministry of Finance Inland Revenue and update the list as soon as new tax payers are registered.
- Some are of the opinion that 50% of the loan should be written off and only pay for the 50%.
- Beneficiaries to provide their banking details.
- Government to provide or create more job opportunities to the graduates.
- NSFAP to create a database within the public and private sectors for all newly appointed.
- NSFAP to enter into agreement with government, parastatals and private companies to have representatives in their institutions to monitor beneficiaries that have been recruited.

- NSFAP to have a direct contact details of the recipients in order to write letters through individual addresses including emails.
- Awareness about repaying of loans to be promoted as there is currently a lack of awareness.
- To introduce effective tracking system with Government and private companies to trace down all students that were funded.
- To re-evaluate the current method and come up with effective and efficient way to recover the loan money.
- Law that would allow NSFAP to recover the loans or go in agreement with banking institution should be passed for the fund to deduct from the beneficiaries' bank accounts if there is proof that they are receiving salaries.
- NSFAP to inform loan holders in writing to pay back the loan.
- To go after the loan holders as soon as they become active tax payers on the receiver of revenue system.
- Decrease instalment of the loan and increase the repayment period.

NSFAP to offer incentive program to recover loan backlog.

Parmer (1995) considered nine independent controllable variables indicating recovery measures and found that one single variable that is, number of follow-up visits, and has positive correlation with recovery. He discovered that bank branches relied mainly on issuing notices instead of making sincere efforts to improve recovery by personally contacting the borrowers and suggested that maintaining continuous liaison with the borrowers is imperative. Bank recovery action starts with a reminder letter to the

borrowers. Patel & Kaveri, 1998 observed that all borrowers do not respond and therefore it becomes essential to visit them personally which helps in recovery. Compromise and out of court settlements have also been cited as effective measures of recovery by Murty (2000-2001). On the other hand, suit filing as a measure of recovery was found to have a diminishing impact. Therefore, the NSFAP is recommended to implement the stated variables which are considered to have positive correlation with recovery, which is the number of follow up visits.

Some Strategies to effectively recover loans

Training

Training is vital to achieving successful recovering loans and good customer service. It is important to educate staff members in techniques and strategies, such as how to address the typical arguments of the difficult client, how to relate to difficult people, what types of clients exist, tips and verbal clues for communication, the typical profile of the difficult client, Training on record keeping and negotiation techniques. Additionally, NSFAP must ensure staff members have a full understanding of the accurate application of Act of NSFAP and knowledge of contracts signed.

Create Staff Incentives

Incentives are established to motivate staff to direct their considerable talents to obtaining desired results. In addition to improving the effectiveness of revenue collections, incentives may also promote a health working environment and of healthy competition

within staff members. The incentives could be defined based on several students you have convinced to pay back their loans. Incentives could be monetary or in-kind, depending on what form best suits.

Develop Efficient Information and Support Systems

To properly analyze collections activities, it is necessary for NSFAP to have in place an efficient information system to facilitate the monitoring of past-due loan holders and to provide of clear and precise reports as to how much is still outstanding and how much have been collected within a period. There are three kinds of reports that can be produced:

Management reports, such as lists of past-due loan holders to be contacted by loan/collections officer, list of past-due loan holders by amount and months late, or monthly collections report, used by staff that follow up with clients. These reports should be generated monthly.

Monitoring reports, such as loan holders' portfolio as to whether addresses, surnames or any necessary information provided in the application form has changed. These reports are usually generated weekly or monthly.

Risk-Management reports, which monitor collections impact over recovered balances. The system should also maintain a history of actions taken and collections activities implemented.

Ensure Quality of Client Information

Just as regular client contact is key to an effective collections process, so is the collection of quality client information necessary for successful client location. During the initial application process, the NSFAP should request several pieces of information, including the client's full name, address, telephone number and personal references. During each step of the collections process and by each participant in it, this information should be verified and updated as necessary to facilitate contact with the client throughout the process. NSFAP must develop tools and strategies for updating client information in the database, without compromising secure access controls or quality of information. One possible way to ensure integrity of the information is through the development of an incentive system for staff to encourage timely and accurate database updates.

Establish an Internal Past-Due Committee

Periodic meetings are necessary to discuss and analyze specific past-due loan holders and collections strategies and processes.

During meetings suggestions may be offered, and participants learn from the errors identified in the evaluation and approval process/phase. The committee also discusses and analyzes portfolio statistics, challenges and achievements.

The past-due committee is useful to develop a culture of good collections practices within the institution and helps provide feedback to management on the NSFAP collections strategies, policies, and procedures. It also helps to control those who are failing to pay

back, encourages good decision-making practices, and provides a valuable forum for learning/training.

Develop Well Defined Strategies for Collections of Loans

Developing a strong collections unit requires clearly defined, documented and consistent policies and procedures that guide staffs through the collections process and instruct them on how to respond in particular situations. Such policies and procedures should include a variety of strategies.

Establish Client Contact Policies

When should the NSFAP make initial contact? Is the best way to contact the client through telephone, email, postal service or visits? The key to selecting the best method is weighing the costs and benefits of each available method based on number of months on past-due and the probability of total debt collections. Contact policies may include preventative strategies, such as a payment reminder, and should include a plan defining dates of future contact and the steps to be taken in the collections process.

Risk Based Collections

Risk based collections strategies provide valuable tools for the decision making process. Implementing a risk based collections strategy requires at least the preparation of the following:

A thorough review of the external information available regarding regulatory environment, limitations.

The design of the databases to support the construction of risk management reports for performance monitoring and for the development of the tools aiding collections decisions.

Training for staff responsible for risk management and collections strategy definitions;
Definition of the tool for calculating the level of risk the client presents, whether that client is recoverable, and the best strategy for recovery.

The first tool for identifying the probability of default of a client is data mining. Alberto Teskiewicz defines data mining as: The process of identifying significant correlations, patterns and trends that are hidden among the wealth of information in the database, through the combination of statistics, mathematics, and recognition of patterns. It is an interactive process that allows the institution to convert data into knowledge, generating benefits that translate into lower costs and higher income.

While many institutions currently consider data mining vital to portfolio evaluation, it is still not used as an important tool to maximize the effectiveness of collections of revenue. Data mining allows NSFAP to forecast the probability of recovery and provides them with a score useful in prioritizing past-due loans based on recuperation probability.

Funds to be used for investment for future returns in order for NSFAP to sustain itself as a fund. Once these loans are effectively recovered, needier student could benefit from the fund. Respondents revealed that the NSFAP should start exploring some of the other

sources of funding as it strives to recover the loans. This will offer it sufficient funds to be able to award loans because the population is growing and as the country is developing and many people want to study. However, it was cautioned that care should be taken in taking this approach for it not to burden the Fund with awarding more loans to people that would never pay back the loans. It was revealed that the ineffectiveness of NSFAP in recovering loans successfully has negatively affected the needy students that could not be awarded loans.

Problems of Student Loan Programs in Africa

In his paper D. Bruce Johnson have identified the problems of loans program in Africa and recovery of loans is one of them. The recovery of student loans in Africa, as in most low- and middle income and even some high-income countries, continues to be problematic. Depending on the program, the problems giving rise to excessive costs and insufficient recoveries can be any or all the following features: Excessive subsidization: Many student loan programs feature interest rates that are far below market rates and even well below government borrowing rates. Most charge no interest during the in-school years and during a grace period. Some subsidization beyond covering losses from defaults is probably essential and realistic for generally-available student loans, given the high costs of student loan administration and given the fierce opposition to all forms of cost- sharing, including payment of high rates of interest. But too many loan schemes are subsidised to the extent that they would not begin to recover the costs of capital and servicing even with otherwise acceptable rates of default. And many of these excessively subsidized interest rates are a function of political pressures from student unions and

opposition parties that cater to the students' resistance to any form of cost-sharing, including student loans.

Very high rates of default: The pervasive non-repayment of loans in Africa, as in most low- and middle-income countries, may be for quite different causes, including so-called willful default, as well as the simple inability to repay due to high unemployment or other causes. In addition, much of the high rate of non-repayment is at least partly the fault of poor origination, inadequate skip-tracing, inadequate legal means to enforce collection efforts, and other manifestations of poor program administration. In many of the loan programs in Africa, already overworked government bureaucracies are expected to run new student loan schemes in addition to their other work, and to do so with inadequate staffing, insufficient or out-of-date paper record systems, little or no staff training, and too few links to other governmental agencies, such as those responsible for banking, tax collection, and fraud investigation.

Inadequate targeting or means-testing: Means testing is imprecise – again, especially in most low-and middle-income countries, where wage and salary incomes as well as interest and dividend income and all manner of off-the-books income is at best imprecisely known to authorities. The result of this inadequate and sometimes fraudulent targeting is the granting of costly subsidized loans to students whose families could have afforded the modest fees or maintenance expenses without the loans, and whose enrollments do not require the loans which thus impose the need for ever more stringent limits on the size of loans that are essential for the truly needy students.

Excessively short repayment periods: Very short repayment periods perhaps set to theoretically maximize the flow of repayments and lessen the need for new governmental revenue can lead to unnecessarily high monthly payments and worsen the repayment flows by contributing to high defaults. At the same time, excessively long repayment periods, especially where loans carry high subsidies, can lead to greater than necessary governmental costs.

Inefficient program administration: Frequently the revenues provided for program administration, including originating, servicing, and collecting student loans, as mentioned above, are inadequate for the formidable task of launching and operating a successful student loan program. But whether the resources are sufficient or not, a related and common problem may be inefficiency due to any number of factors, including political patronage in leadership roles, insufficient training of key staff, and lack of coordination with the colleges, universities and other key governmental agencies, inadequate computerization of records, and other failures.

Excessive loan forgiveness: There is a place for debt forgiveness in a workable student loan program: inability to earn a living, for example, or incentivizing certain kinds of post-graduation, socially-beneficial behaviors. But like other public subsidies, debt forgiveness may be given too easily, or too generously, or for mere political expediency, and thus detract from the larger aim of revenue supplementation for the benefit of higher education.

5.5 Areas for Future Study

Researcher recommend for another study that could investigate how the fund can successfully administer their loan books. Due to time constrains the researcher was unable to collect more information that can enrich the findings. The researcher therefore recommends an in-depth study to investigate the other factors that are contributing to the ineffectiveness of loan recovery by NSFAP. It is further recommended that another study could be carried out on how to motivate students in paying back their loans looking at the socio-economic factors and what the Government can do for loans to be recovered successfully. The researcher is suggesting that the studies to be sponsored in order to be carried out throughout the country to have views from all regions. These are all factors that could assist in the success of the NSFAP in recovering loans.

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APPENDIX 1

Research Questionnaire

Please be assured that information is purely for academic purposes and will be treated as confidential. Kindly tick/provide the needed response where applicable.

A RESPONDENT'S INFORMATION

1. Gender: Male () Female ()

2. What is the name of high institution you attended?

.....

3. What is your level of study?

- (a) Certificate
- (b) Diploma
- (c) Bachelor Degree
- (d) Honors Degree
- (e) Master Degree
- (f) Higher Qualification (Name)

4. Are you employed?

a.

Yes	
No	

b. Employer: (please tick)

Government	
Private	
Others (specify)	

5. Are you aware of the repayment rule and process of the loan?

Yes	
No	

Please explain your response in question 5. Above.

.....

.....

.....

6. Did you pay back your loan?

Yes	
No	

If No to 5. Can you give reasons why?

.....

.....

.....

B NSFAP LOAN RECOVERY

1. In your opinion: Is NSFAP recovering loans successfully?

Yes	
No	

Motivate your answer:

.....

.....

.....

2. What do you think should be done to recover loans successfully?

.....

.....

.....

3. What is the impact of students not repaying their loans?

.....

.....

.....

4. Which mechanism should NSFAF use in order to recover loans?

.....
.....
.....

5. What do you think are the challenges facing the former loan holders not to repay their loans?

.....
.....
.....

C NSFAP Revenue Department Staff

1. Do you have any problem recovering loans?

YES	
NO	

Please motivate your answer to question1.

.....
.....
.....

2. What methods are you using in recovering loans?

.....
.....
.....

3. What are the challenges facing NSFAP in recovering loans?

.....
.....
.....
.....

4. Was there any changes made to the policy regarding loan repayment?

.....

.....

.....

5. How much loan/bursary issued and how much loan/bursary was recovered?

PERIOD	ISSUED N\$	TARGET N\$	RECOVERED N\$
2011/2012 Financial year			
2012/2013 Financial year			
2013/2014 Financial year			
2014/2015 Financial year			
2015/2016 Financial year			

Any comment or suggestion regarding loan recovery:

.....

.....

.....

APPENDIX 2:

NBS PERMISSION TO CARRY OUT RESEARCH



26 October 2016

TO WHOM IT MAY CONCERN

Ms Johanna F Kanelombe of Student Number: 201212108 is registered for a Master in Business Administration – Finance at the University of Namibia through the Namibia Business School.

This letter serves to inform you that her research proposal was reviewed and successfully met the University of Namibia requirements.

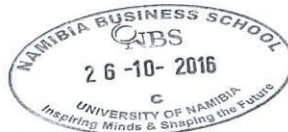
The student has been granted permission to carry out postgraduate studies research. The University of Namibia has approved the research to be carried out by the student for purposes of fulfilling the requirements of the degree being pursued.

If you have any queries please do not hesitate to contact the Business School at the University of Namibia.

Thank you so much in advance and many regards.

Yours sincerely

Albert Isaacs, PhD
Associate Dean
Namibia Business School
University of Namibia
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Board of Trustees: Adv. V Rukoro (Chairperson), Prof U Paliwal (Deputy Chairperson), Prof O Mwandemele, Mr I Shiimi, Mr S Thieme, Dr M T Tjirongo

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Tel: + 264 (61) 413500 – Fax +264 (61) 413512 – E-mail: info@edu.na – Trust reg. no T263/05

APPENDIX 3

NSFAF PERMISSION TO CONDUCT ACADEMIC RESEARCH



Tel: +264 61-420-600
Fax: +264 61-233940
Enquiries: Sven von Blottnitz
4 April 2017

PO Box 23053
WINDHOEK
Namibia

Johanna F Kanelombe
e-mail: natangwek@yahoo.com

Dear Ms Kanelombe

Permission to conduct academic research at NSFAF

We acknowledge your letter dated 8 March 2017.

We have no objection to such proposed research to be conducted.

You are requested to liaise with the Chief Financial Officer, Mr Sven von Blottnitz, sven.vonblottnitz@nsfaf.na regarding the timing and extent of the research in question.

Kind regards,


Hilya T Ngiwete
Chief Executive Officer

(Circular stamp: NSFAF STUDENTS FINANCIAL ASSISTANCE FUND, 2017 APR 04)

Board Members: Ms. P. Karuaihe-Martin (Chairperson), Mr. M. Niinda (Vice Chairperson), Mr. F. Gertze (Member), Ms. L. van Wyk (Member), Ms. A. Nankela (Member), Mr. T. Angala (Additional Member), Ms. Hilya Ngiwete (CEO and Ex Officio)

Company Secretary: Mr. Filimon Wise Immanuel

All official correspondence must be addressed to the CEO

LANGUAGE & COPY-EDITING CERTIFICATE



The Rev. Dr. Greenfield Mwakipesile
EDSIRA FRS | mwakipg@outlook.com

CONTACT

PO Box 40529,
Ausspannplatz,
Windhoek,
Namibia

LANGUAGE & COPY-EDITING CERTIFICATE

2nd June 2018

RE: LANGUAGE, COPYEDITING AND PROOFREADING OF JOHANNA FRANSISKA KANELOMBE'S THESIS FOR THE MASTER OF BUSINESS ADMINISTRATION DEGREE OF THE NAMIBIA BUSINESS SCHOOL OF THE UNIVERSITY OF NAMIBIA

This certificate serves to confirm that I copyedited and proofread JOHANNA FRANSISKA KANELOMBE'S Thesis for the MASTER OF BUSINESS ADMINISTRATION DEGREE entitled: **INVESTIGATING THE EFFECTIVENESS OF THE NAMIBIAN STUDENT FINANCIAL ASSISTANCE FUND IN RECOVERING LOANS**

I declare that I professionally copyedited and proofread the thesis and removed mistakes and errors in spelling, grammar, and punctuation. In some cases, I improved sentence construction without changing the content provided by the student. I also removed some typographical errors from the thesis and formatted the thesis so that it complies with the University of Namibia's guidelines.

I am a trained language and copy editor and have edited many Postgraduate Diploma, Masters' Thesis, Dissertations and Doctoral Dissertations for students studying with universities in Namibia, Zimbabwe, Swaziland, South Africa and abroad. I have also copy-edited company documents for companies in the region and abroad.

Please feel free to contact me should the need arise.

Yours Sincerely,

The Rev. Dr. Greenfield Mwakipesile



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Dr. Greenfield Mwakipesile