Applying Potential Earnings Research to EduFinance

1. Each additional year of education generates an increase in earnings for a child above their household’s current income level

Peet, Fink, and Fawzi (2015) present one of the most comprehensive studies of comparative returns to education at the country level. This study uses national household surveys from 25 developing countries between 1985 and 2012 to estimate the average increase in earnings for each additional year of school completed at a given level of education (Peet et al., 2015).

2. School Fee Loans and Tertiary Tuition Loans enable children to continue their education

School Fees and Tertiary loans have an average duration of six months, enabling school aged children and tertiary students to attend half a year of school.

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**School Fee & Tertiary Loans**

To date, EduFinance partner financial institutions have disbursed 404,000 School Fee and Tertiary Tuition Loans, worth $120 million.

**Years of Additional Education**

This equates to 617,000 years of additional years of education that has been derived from these loans.

**Cumulative Child Impact**

The total Cumulative Child Impact of these loans is estimated at more than 1.8 million children.
Applying Potential Earnings Research to EduFinance

3 School Fee & Tertiary Tuition Loans have created an estimated $56M worth of additional future annual income for children
Applying the 617,000 years of additional education derived from 404,000 school fee and tertiary tuition loan to the average return of an extra year of education using the Peet, Fink, and Fawzi (2015) studies’ country specific estimates demonstrates these loans have created $56 million in annualized additional future income for children able to continue their education.

4 Parents & students recoup 47% of their investment annually
Applying $120 million borrowed in school fee and tertiary tuition loans to the $56 million in annualized additional future income for children equates to borrowers recouping 47% of their investment annually for each year children attend school.

Future Additional Annual Income $56M
47% Annual Return on Investment

Additional Income Derived from EduFinance Loans
- Total Value of Loans, USD, millions
- Eventual annual income generated, USD, millions
- Return on Investment

<table>
<thead>
<tr>
<th>Region</th>
<th>Total Value</th>
<th>Eventual Income</th>
<th>Return on Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>-44.7</td>
<td>21.8</td>
<td>49%</td>
</tr>
<tr>
<td>Asia</td>
<td>-65.1</td>
<td>28.5</td>
<td>44%</td>
</tr>
<tr>
<td>Latin America</td>
<td>-10.2</td>
<td>6.1</td>
<td>60%</td>
</tr>
<tr>
<td>Overall</td>
<td>-120.1</td>
<td>56.4</td>
<td>47%</td>
</tr>
</tbody>
</table>

NOTE: This analysis assumes each child is only impacted by 0.5 years of additional education for a single loan. However, as many households take out repeat loans to continue paying school fees on time, this is likely an underestimation of actual cumulative return.