



OPPORTUNITY  
EduFinance

# THE IMPACT OF COVID-19 ON THE AFFORDABLE NON-STATE SCHOOL SECTOR IN PAKISTAN

More girls drop out and schools permanently close due to COVID-19



**More than three-quarters of the total respondents across all three segments of parents, school proprietors and teachers termed the economic outlook as challenging to extremely challenging. All three segments experienced a significant decrease in income. One of the biggest concerns regarding the future was uncertainty.**

The intertwined impact of COVID-19 and economic crises are severely harming the livelihoods of numerous market segments in Pakistan, especially daily wage earners, low-income households, small scale businesses, start-ups, teachers and school proprietors. The health crisis has been enormous, with close to 400,000 confirmed cases in the country and 7,500 deaths to date.

To better understand the direct impact of the pandemic on the lives of those at the center of the affordable non-state education ecosystem, Opportunity EduFinance undertook a COVID-19 impact assessment. Respondents from Punjab, Sindh and Khyber Pakhtunkhwa spoke of financial issues, concerns about children's education, health and future employment. Insights received from the All Pakistan Private School Federation highlighted the devastating impact of COVID-19 on low-income and affordable private schools, the teachers they employ and the children that may never return to education.

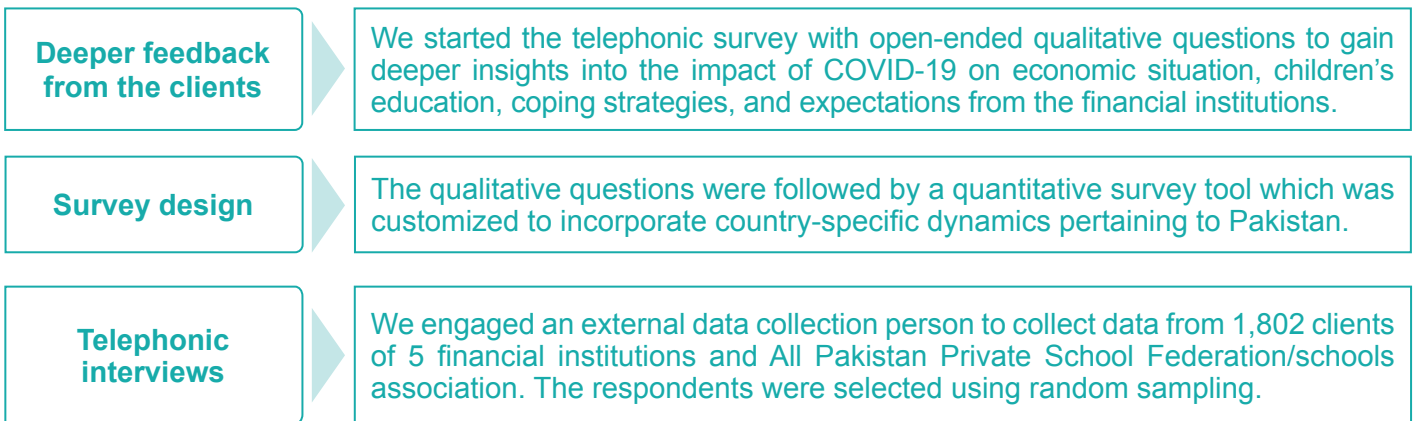
The most immediate need of households is managing day-to-day cash flows. Social security nets and government-led cash payouts would need to be continued and properly targeted during COVID-19. However, these would be inadequate if not supported by more effective and medium-term approaches, including access to finance through specialized lending programmes by financial institutions, which could enable low-income entrepreneurs to revive their businesses.

## Research objectives

- To develop a deeper understanding of the impact of COVID-19 on parents, school proprietors and teachers in Pakistan.
- To enable financial institutions, donors, investors and all other stakeholders to develop a deeper understanding of the impact of COVID-19 on the Education Sector in Pakistan.
- To enable the stakeholders to understand the on-ground challenges, concerns, coping mechanisms, economic situation and future economic outlook of the parents, school proprietors and teachers during COVID-19.

## Research Methodology

Telephonic survey (CATI) research was proposed and applied for this survey as per the following design.



## Sample size and selection criteria

- The respondents were randomly selected from the list of participants provided by the financial institutions and All Pakistan Private Schools Federation.
- The survey was designed to cover the sample from randomly selected parents, school proprietors and teachers across various locations of Punjab, Sindh and Khyber Pakhtunkhwa (KP)
- The distribution of the total sample across parents, school proprietors and teachers is given below:

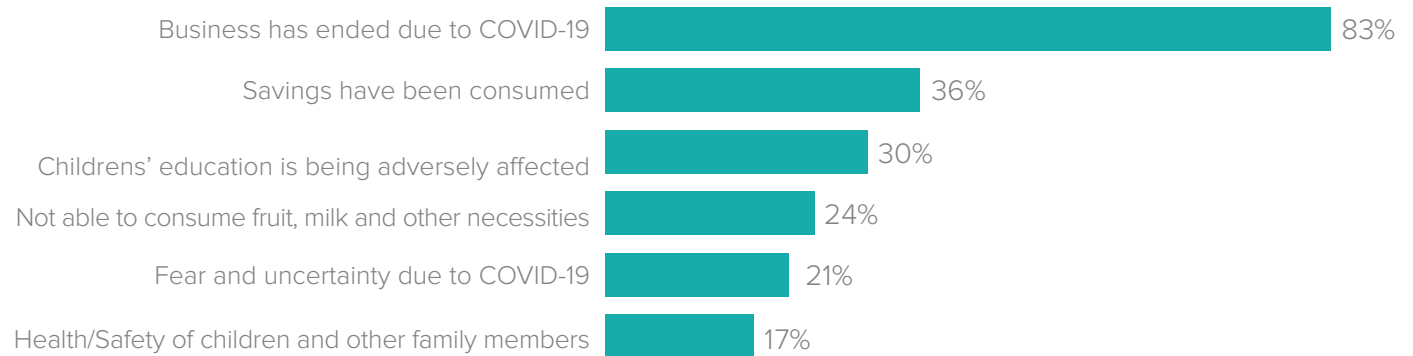


# Key Research Findings

## 1. KEY FINDINGS – PARENTS

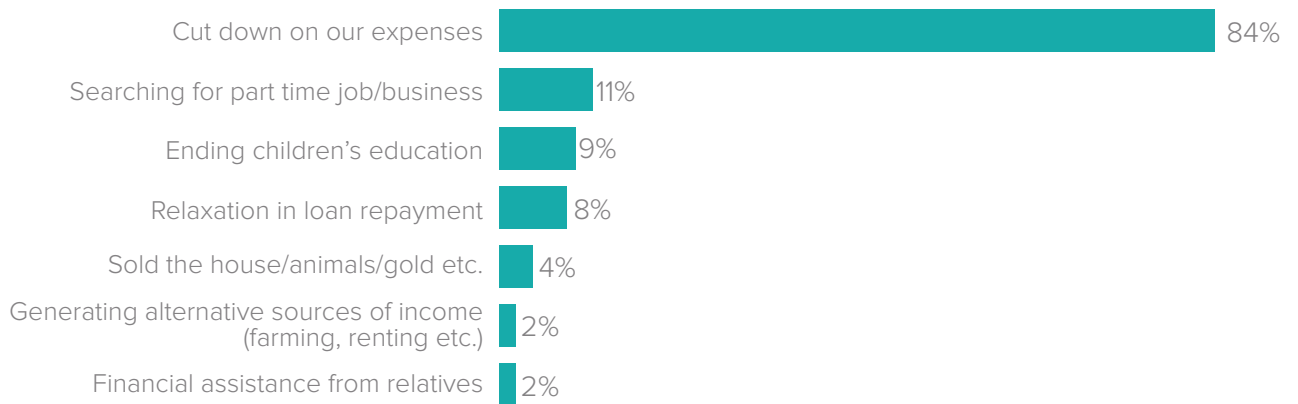
### General concerns overall – Parents

The most common impact area of COVID-19 highlighted by parents was business/work which was the cause of serious economic and social problems for parents belonging to marginalized segments of the society (83% of the parents' respondents identifying this as a major). The other concern areas were related to savings having been used up (36%), about one-third mentioned children's education being adversely impacted due to school closure.



### Immediate coping mechanisms – COVID-19

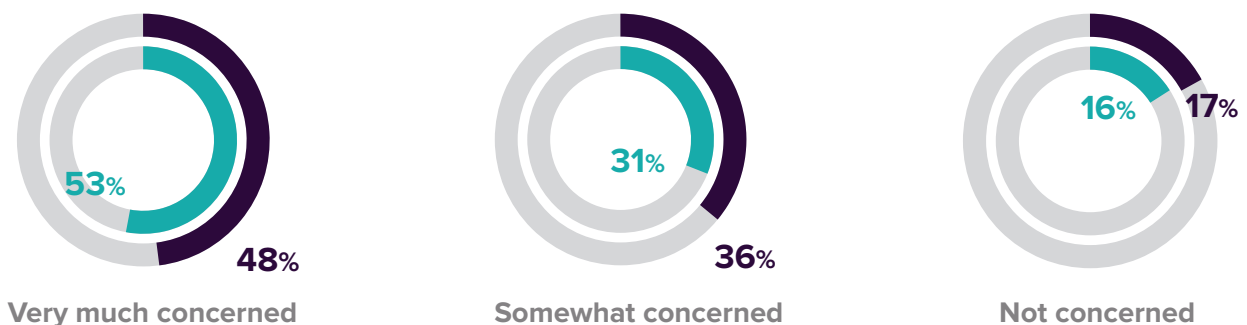
In order to cope with financial problems, the dominating mechanism to cope with challenges was cutting down expenses which included reducing non-essential expenses and decreasing consumption of expensive food such as fruits and milk. 11% began searching for part-time jobs. Unfortunately, 9% stopped their children's education while 7% opted for relaxation in loan repayments and extending of existing loan tenors.



### What are the concern levels of parents regarding the pandemic?

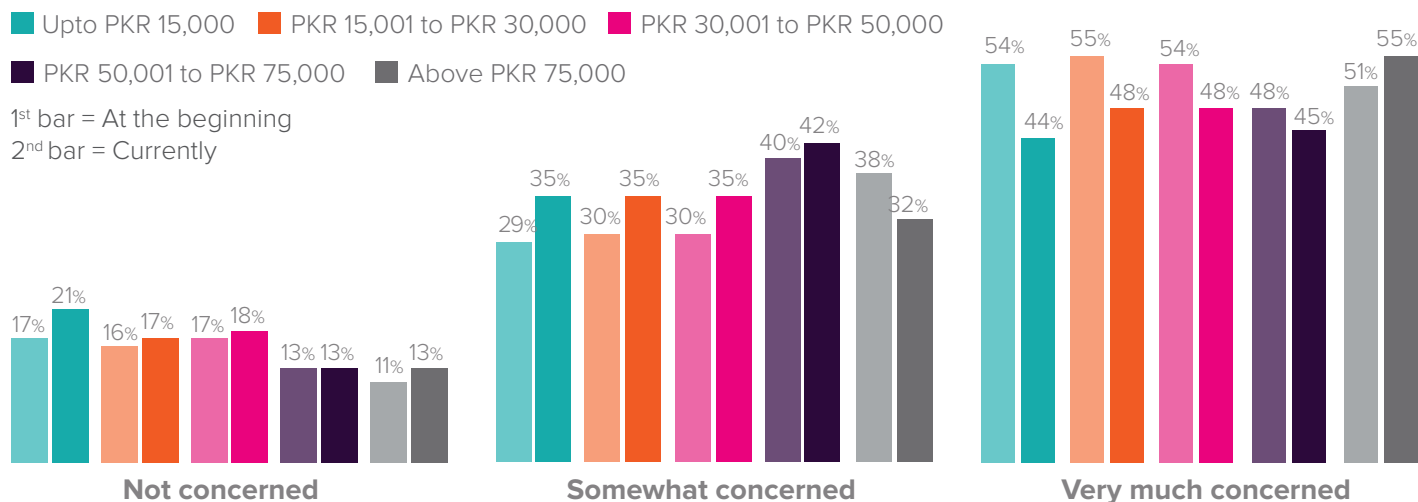
The uncertainty pertaining to COVID-19, the economic adversities linked to it and safety of children and other family members resulted in high concern levels. The levels of concern among parents in the beginning of the pandemic and currently were almost the same – 84% in all expressed concerns regarding the pandemic.

■ Beginning ■ Currently



## Are the concern levels of parents different across various income segments regarding the pandemic?

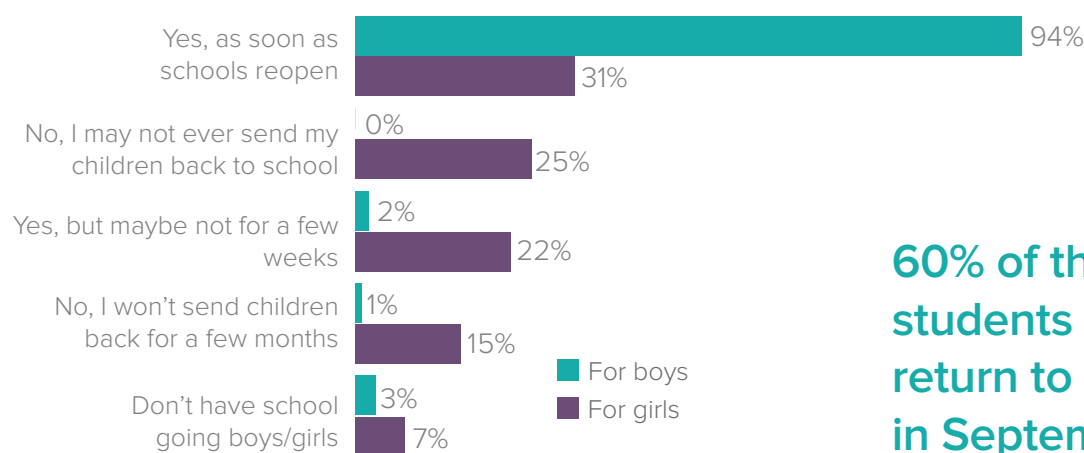
The concern levels across various monthly income segments was very high. The major reasons behind high concern level was business decline as a result of lockdown and reduced demand. Agriculture businesses reported transportation issues whereas traders reported some supply chain issues and high prices of stock. In the initial stage of COVID-19, clients did not understand the situation during lockdown resulting in high concern levels across various income segments. With the reopening of the economic activity the concern levels dropped slightly in lower income segments as there was hope of revival of business activity.



## School closure leading to more girls' dropout

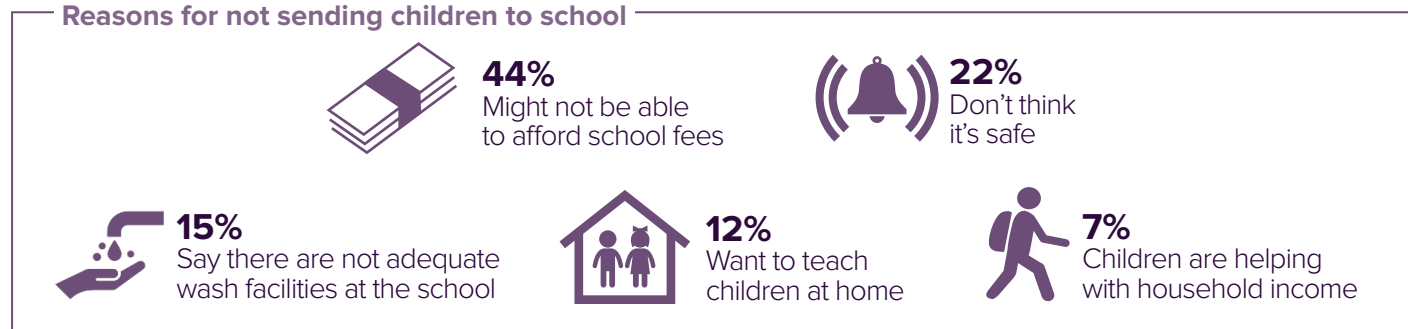
63% of parents mentioned they will not send their daughters to school with the main reason being not able to afford their education. Upon probing, parents also mentioned child abuse and schools not having sufficient WASH facilities. However, a significantly high percentage of parents intended to send their sons back to school – 94% for boys as compared to only 31% for girls. 7% had already engaged children in generating household income resulting in an increase in child labour.

### Intention of sending children to school



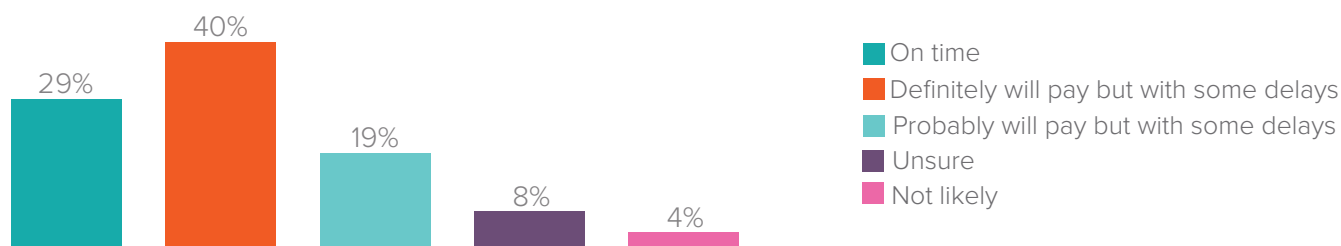
**60% of the 13 million students who did not return to schools in September were girls.**

### Reasons for not sending children to school



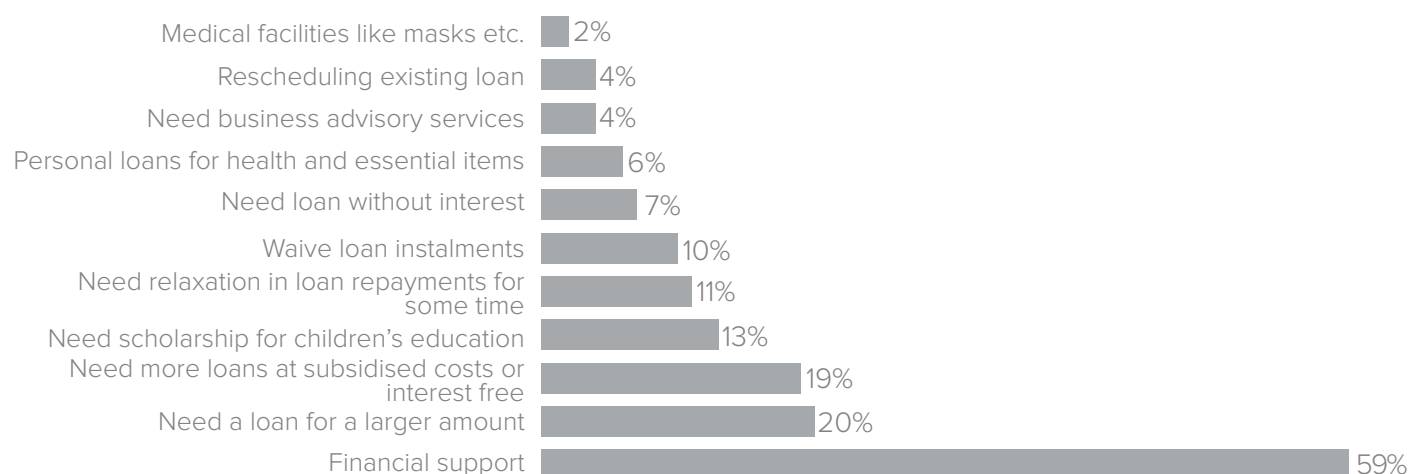
## Repayment trends – Parents

As the economy continues to remain stagnant with upward COVID-19 cases in many locations, only one-third of the respondents mentioned payment on time. The portion of respondents choosing “Probably” , “Unsure” and “Not likely” adds up to 31%, and 40% mentioned that they will pay but with some delays.



## Parents’ expectations from financial institutions during COVID-19

Regarding expectations from financial institutions during COVID-19, the dominating factor was financial support at subsidized costs or interest free loans. 20% of the respondents felt that the existing loan amounts were small and needed to be increased.



## Preferred loan requirements – Parents

Clients who need loans up to PKR 50,000, need it for one year. 83% of those clients want to pay on a monthly basis with instalment amounts up to PKR 5,000. Clients who need loans between PKR 50,000 to PKR 75,000, need it for more than a one year duration, and 85% of those clients want to pay on monthly basis, amount between PKR 2,000 to PKR 5,000.

		Less than PKR 50K	PKR 50K to 75K	PKR 76K to 100K	PKR 101K to 300K	Above PKR 300K
When is the loan required	In more than 3 months time	12%	6%	5%	11%	7%
	In the next 3 months	9%	17%	11%	7%	7%
	Now	79%	77%	84%	82%	86%
Time duration for the required loan	3 months	4%	2%	3%	6%	
	6 months	33%	3%	3%		
	Upto one year	37%	40%	19%	11%	52%
	More than 1 year	26%	56%	74%	83%	48%
Repayment schedule	All will be in one go on committed time	6%	6%	5%	7%	45%
	Monthly	83%	85%	86%	87%	48%
	3 months/quarterly	8%	8%	7%	6%	3%
	6 months/half annually	3%	2%	2%		3%
Repayment amount	upto PKR 2000	53%	20%	1%		
	PKR 2001 - PKR 5000	35%	56%	59%	33%	
	PKR 5001 - PKR 10,000	4%	15%	22%	39%	
	PKR 10001 - PKR 20000	4%	2%	9%	13%	31%
	PKR 20001 - PKR 50000	3%	7%	4%	7%	10%
	above PKR 50000		0%	5%	7%	59%
Mode of repayment	Mobile wallets	1%	3%	2%		
	Bank deposit	6%	4%	7%	7%	
	Easy Paisa/ Jazz cash/ time pay	16%	24%	25%	13%	7%
	Cash	76%	69%	64%	78%	93%
	Cheque	1%	0%	2%	2%	



## 2. KEY FINDINGS – SCHOOL PROPRIETORS

### 10,000 Affordable Non-State Schools Permanently Closed due to COVID-19

#### Key insights from the President, All Pakistan Private Schools Federation

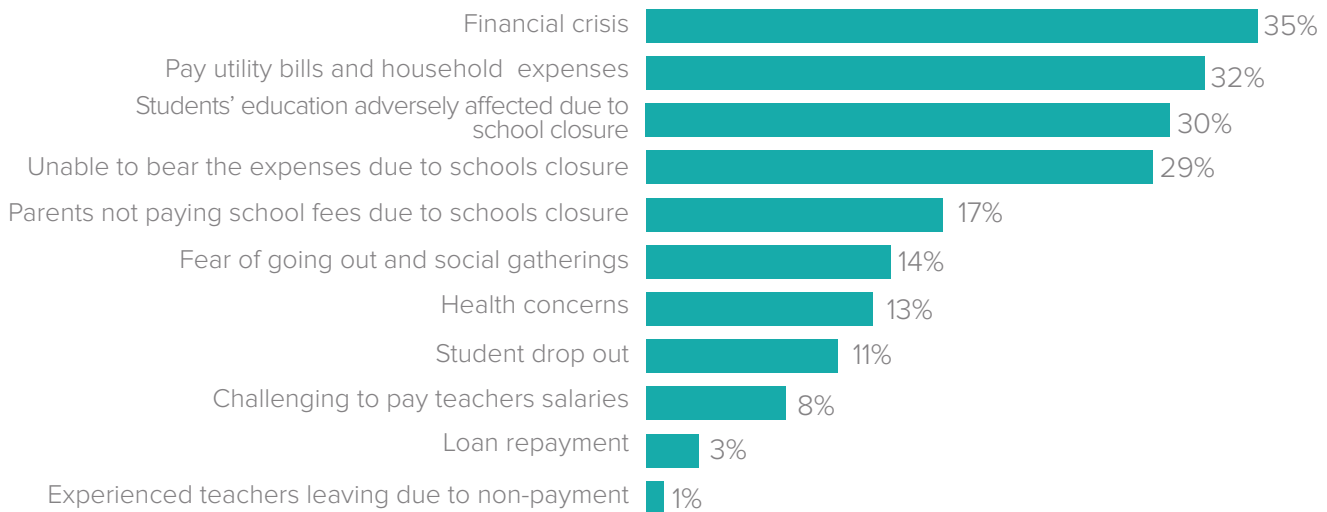
**Based on the insights received from All Pakistan Private School Federation’s management, the key insights of the impact of COVID-19 on schools came out to be:**

- Out of 207,000 affordable private schools, over 10,000 schools had permanently closed as for a period of 6 months (March till September 2020) there was no recovery of fee collection.
- Once the lockdown started, about 26.1 million students unenrolled and dropped out of school. Since September 2020, when schools reopened, about 50% of the unenrolled students in March 2020 returned. This results in a remaining unenrollment of 13 million children, out of which 60% are girls according to the federation.
- The reasons for drop-outs include child labour as children are considered earning assets by marginalized segments of the society.
- During COVID-19, out of 1.5 million teachers only 800,000 have managed to retain their jobs.
- The second wave of COVID-19 could lead to an increase in student dropouts and a further 15,000 – 20,000 schools closing down if timely funding at subsidized rates, Interest Free Loans, education grants and scholarships are not provided to sustain and revive the education sector in Pakistan. With the help of these initiatives, once the new batch of students start after the first quarter of 2021, the situation could start to improve for schools.
- With high turnover of teachers and the pandemic, students need student mentorship programs. Parent engagement needs to be increased for parents to understand why they should invest in education. School proprietor leadership training should be provided to understand how to run schools more effectively and efficiently during COVID-19, and to understand new ways of teaching like online teachings methods. Teachers need to be trained to learn new teaching methodology of digital classrooms.
- At the government level, Benazir Income Support program which plans to implement giving on monthly basis PKR 1,500 for boy’s education and PKR 2,000 for girl’s education in cash to low-income households. However, as the money is paid to the household, that amount may be used to pay other expenses by parents. Schools continue to incur monthly expenses like utility bill payments and rent so there is a need for vendor financing products at subsidized rates and school fee loans where the fee is paid directly to the schools instead of giving cash to parents.



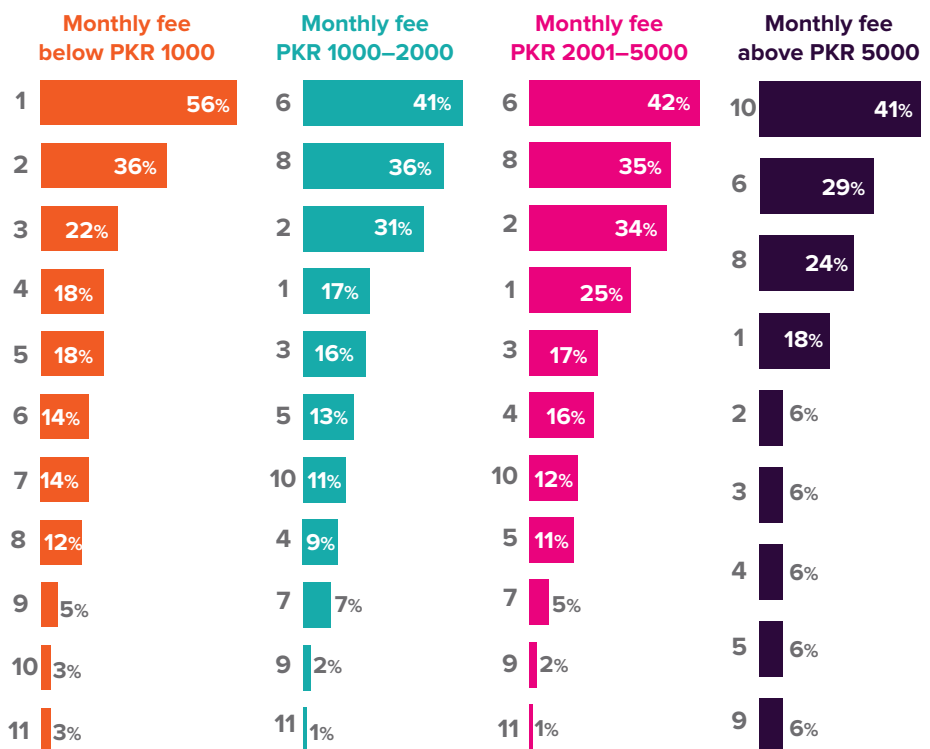
## General concerns overall – School Proprietors

The most dominating concern for school proprietors was the sustainability of their schools due to parents not paying fees, while expenses and bills continue resulting in a huge gap between cash inflows and cash outflows of schools. Out of the total school proprietor respondents, 35% stated financial crises as a top concern. Amongst other major concerns mentioned by respondents were payment of bills/expenses (32%), adverse impact on students' education due to closure of schools (30%) and inability to bear expenses due to school closure (29%).



## General concerns among different school profiles

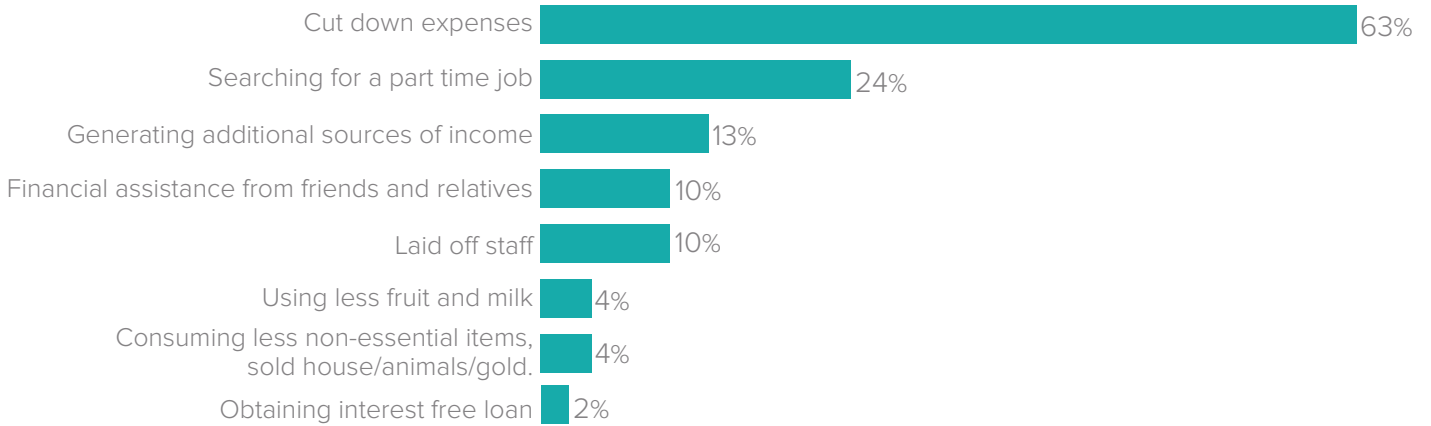
“bagher itla ke achanak school bnd kar diye jis ki waja se na tu bachon ko na tu btaya ja ska ke kese parhna he Schools were closed without notice. We couldn't even tell students what to study.”



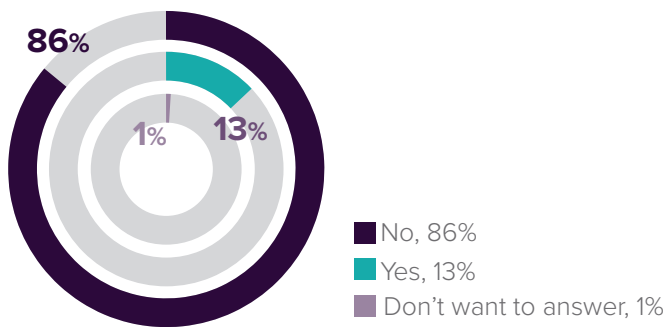
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|---|---|----|---|
| 1 | Unable to bear the expenses due to school closure     | 7  | Challenging to pay teachers' salaries                       |
| 2 | Pay utility bills and household expenses              | 8  | Students education adversely affected due to school closure |
| 3 | Parents not paying school fees due to schools closure | 9  | Loan repayment  |
| 4 | Fear of going out and social gatherings               | 10 | Student dropout   |
| 5 | Health concerns                                       | 11 | Experienced teachers leaving due to non-payment             |
| 6 | Financial crisis                                      |    |   |

## What were the immediate coping mechanisms for School Proprietors?

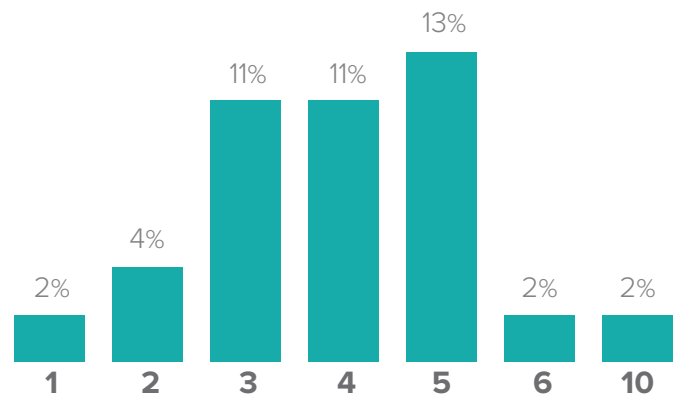
The most dominating coping mechanism was controlling expenses (63% of the school proprietors mentioned it). 24% began searching for part-time jobs. 10% of the respondents sought help from relatives and laid off some staff. Overall, 13% of school proprietors' mentioned laying off teachers as a result of school closure due to COVID 19.



## Had to lay off teachers

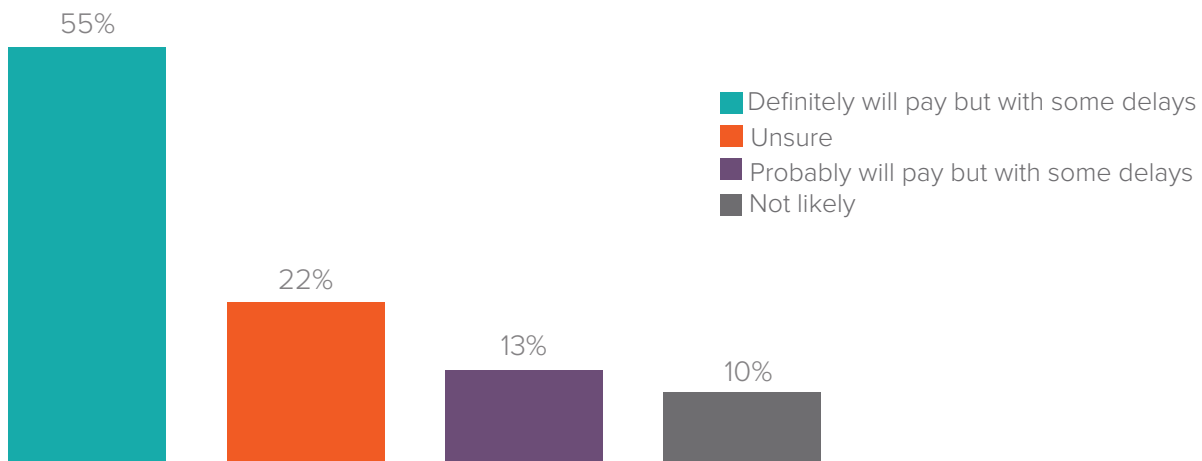


## Number of teachers laid off



## Repayment trends – School Proprietors

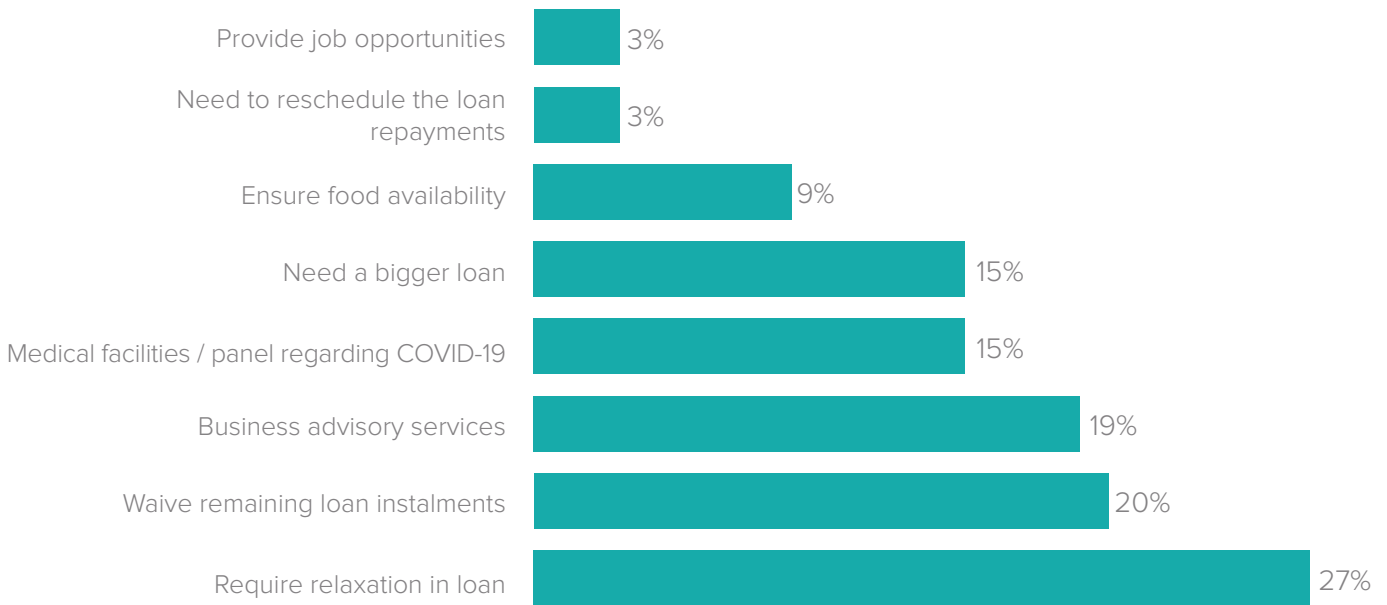
A significant majority of school proprietors stated some delays in payments. The economy remains stagnant and the upward trend in COVID-19 cases across various locations makes it challenging for parents to pay school fees. Schools are struggling to honour loan repayments while not receiving income from school fees.





## School proprietors' expectations from their financial institutions during COVID-19

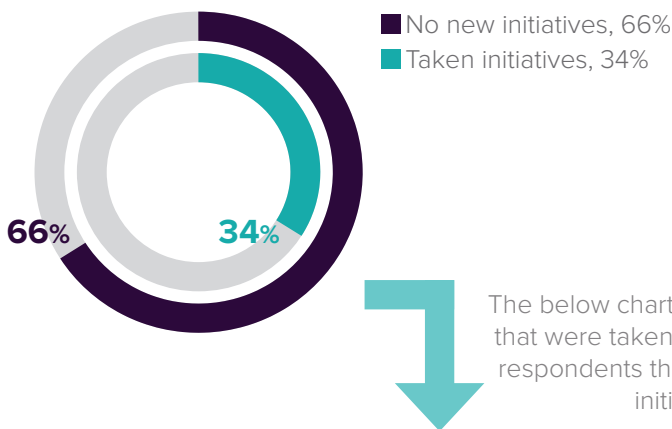
COVID-19 expectations from financial institutions included giving a grace period and extending existing loan tenor (27% demanding relaxation in loan). There was also a need expressed for business advisory services which can enable schools to generate alternate sources of revenue (19%).



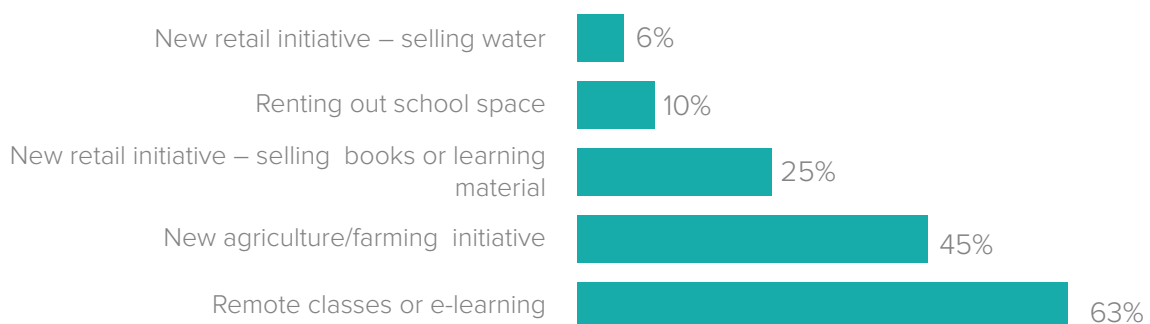
## School proprietors' new initiatives during COVID-19

66% could not mention any new initiatives while 34% were interested to take new initiatives due to COVID 19. Out of these, 63% mentioned remote e-learning classes/digital classroom facility and 45% stated agriculture business while 25% were interested in selling books or learning material.

## Affordable Non-State Schools are not equipped to deliver digital classrooms.

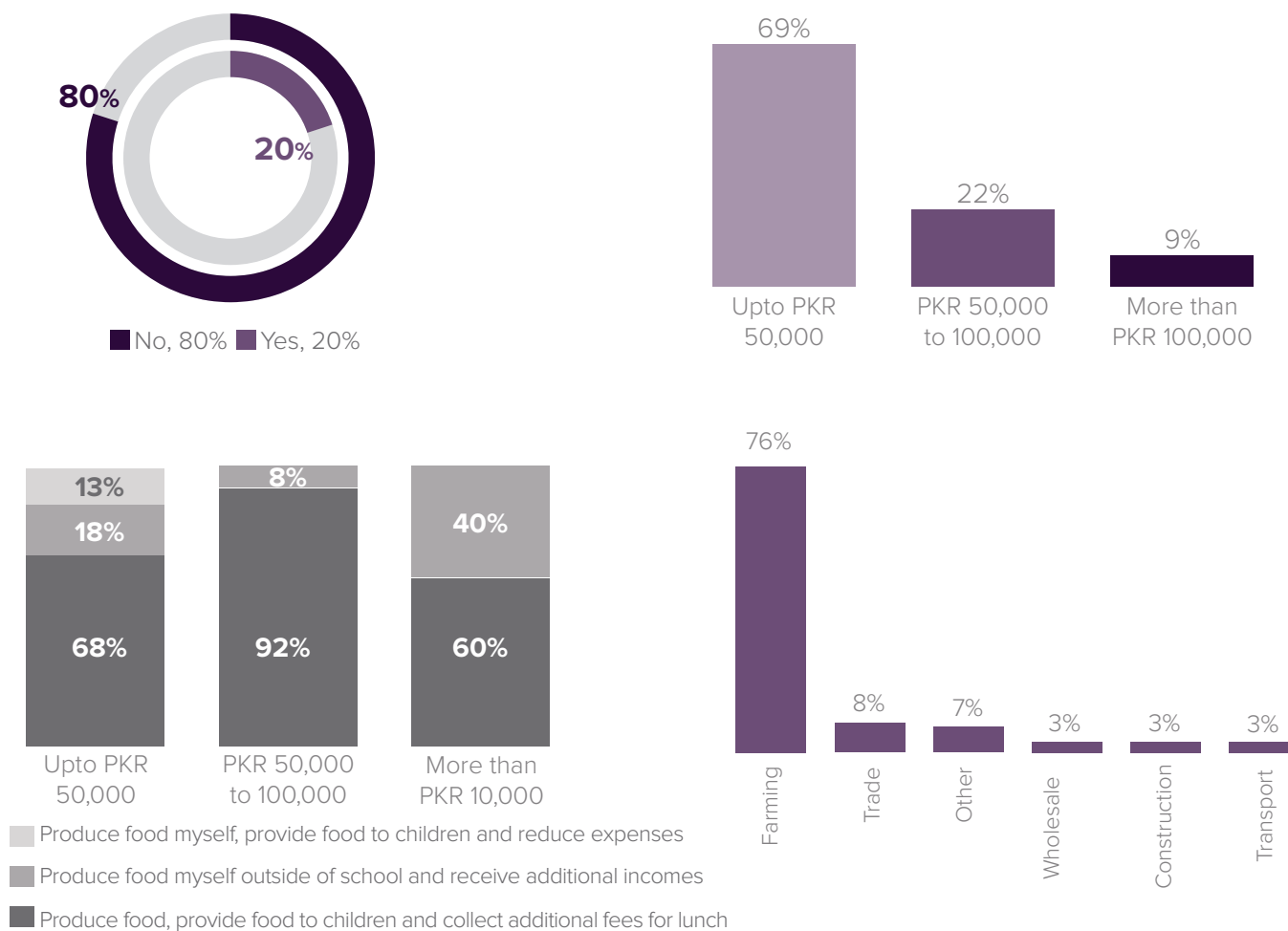


The below chart shows the actions that were taken by the the 34% of respondents that reported taking initiatives:



## Parallel business undertaken by School Proprietors

20% of the total school proprietors were running parallel business. Out of those who were running parallel business to generate additional income 76% were engaged in agribusiness and they want around PKR 50,000 to PKR 100,000 loan for agribusiness. They also require agricultural trainings.



## Preferred loan requirements – School Proprietors

“Jo SOPs Govt ne btaen hain unke mutabiq school khlna main mushkilat ho rhi hain hmara school itna bara nahi he humein paisay chahye hain SOPs ke liyey It is difficult to comply with SOPs of the Government. Our school is not that big and to comply to those SOPs we need financial support.”

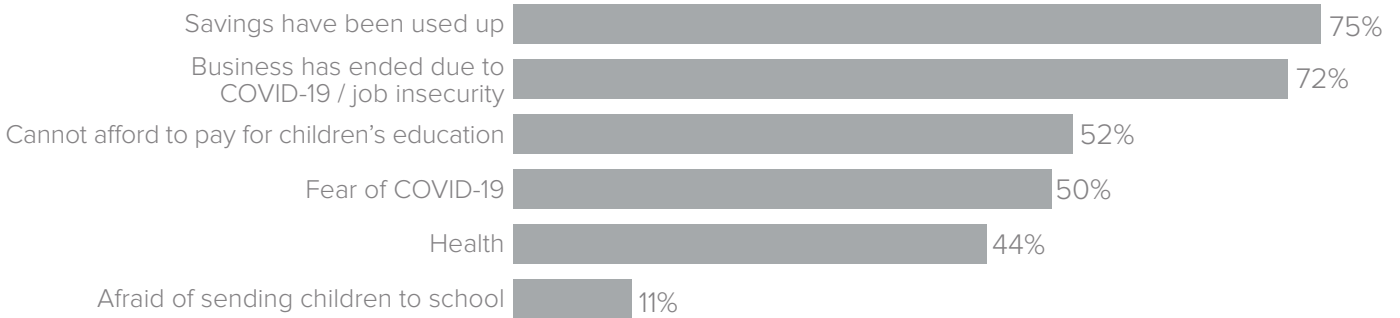
		Up to PKR 100K	PKR100K to PKR 500K	Above PKR 500K
<b>When you require the loan</b>	Now	82%	76%	80%
	In the next 3 months	15%	16%	13%
	In more than 3 months	3%	7%	7%
<b>Time duration for the required loan</b>	Less than 6 months	27%	9%	13%
	Between 6 months and 12 months	18%	11%	27%
	Between 1 year and 2 years	18%	26%	13%
	Between 2 year and 3 years	6%	38%	13%
	More than 3 years	30%	16%	33%
<b>Repayment amount</b>	Upto PKR 5000	33%	40%	7%
	PKR 5001 to PKR 10000	15%	22%	20%
	PKR 10001 to PKR 50000	36%	31%	47%
	above PKR50000	15%	7%	27%

### 3. KEY FINDINGS – TEACHERS

#### General concerns – Overall – Teachers

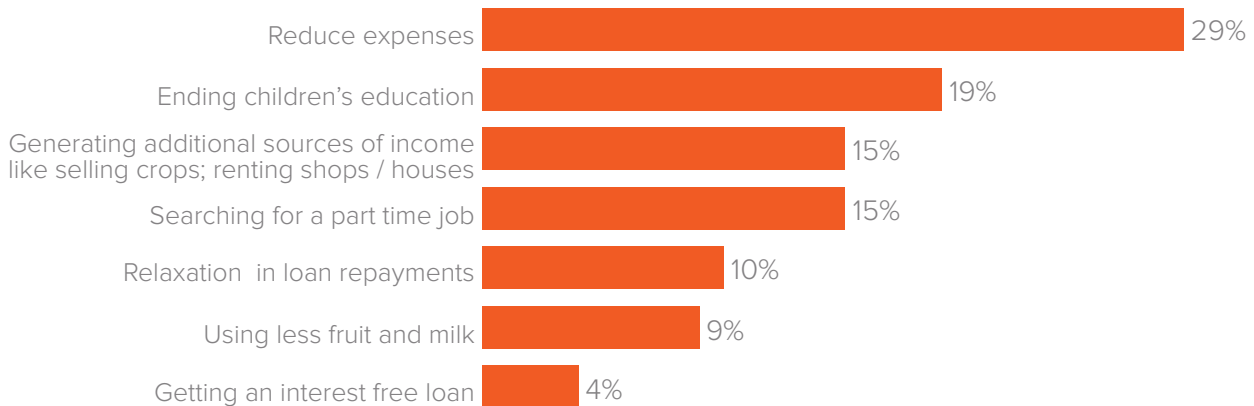
**Out of 1.5 million, 700k teachers lost their jobs during the 6 months of school closure.**

COVID-19 was the cause of serious financial and social concerns among school teachers. The dominating concern areas for teachers included savings being consumed (75%), financial crisis as a result of business ending or job loss/insecurity. 52% of the teachers interviewed expressed concerns over not being able to afford children’s education as a result of which children are not going to school.



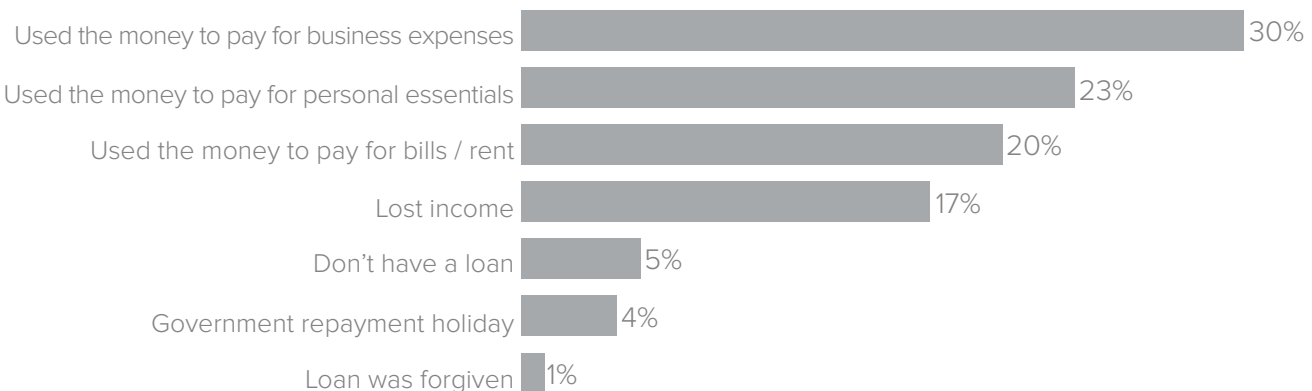
#### Immediate coping mechanisms – Teachers

In order to address financial challenges, controlling expenses turned out to be a major coping mechanism (29%), followed by not sending children to school (19%) and working on generating alternating sources of income (30%) through agriculture, renting shops and house. A teacher who lost his job stated, *“ I used to teach in a school and lost my job. Losing my job turned out to be blessing in disguise for me as I started doing farming which generated more income for me.”*



#### Repayment trends during COVID 19

The chart depicts that the loan has been used to repay family business expenses, purchase essential commodities and paying utility bills, house rent etc.

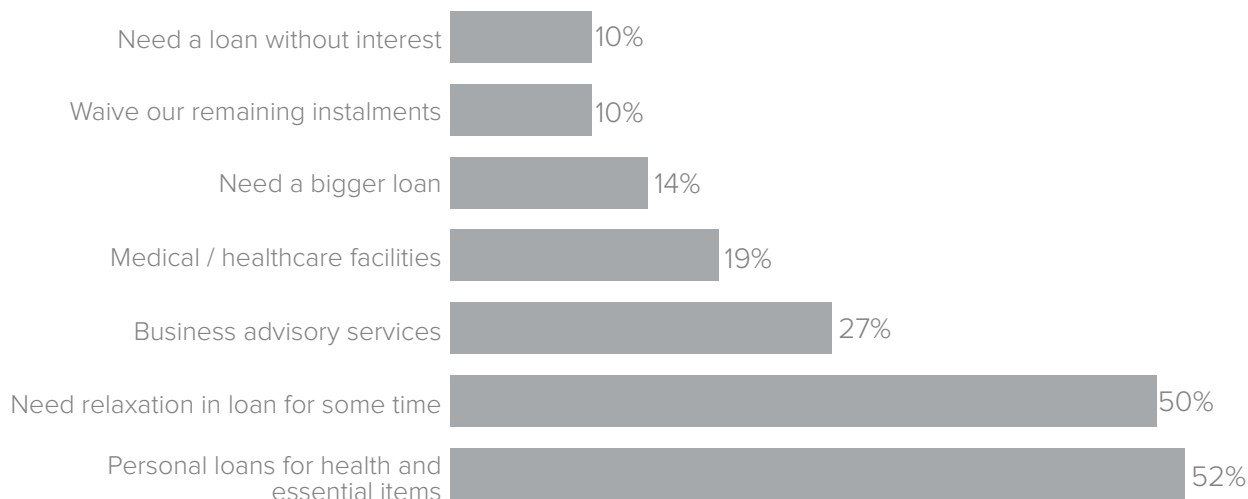


## Teachers' expectation from the financial institutions

“Hum teachers ki bhi family hai, crisis face kar rahe hain. Humein iss mushkil waqt se guzarne ke liyey paisay ki zarurat hai

We teachers also have families. We are facing a severe financial crisis and need financial support to sustain through these difficult times.”

Expectations from financial institutions included personal loans for health care and purchasing other necessities (52%), relaxation in loan repayment for some time (50%) and help/guidance for business (27%). There's a demand being highlighted for interest-free loans.



## Preferred loan requirements – Teachers

		Less than PKR 10000	PKR 10000 to 20000	PKR 20001 to PKR 50000	PKR 50001 to PKR100000	Above PKR 1000000
When the loan is required	In more than 3 months time					7%
	In the next 3 months	23%	18%	30%	20%	33%
	Now	77%	82%	70%	80%	60%
Time duration for the required loan	3 months	91%	82%	52%	40%	7%
	6 months		9%	17%		7%
	More than 1 year			4%	20%	33%
	Upto one year	9%	9%	26%	40%	53%
Repayment schedule	Monthly	14%	50%	74%	40%	73%
	3 months/quarterly			4%	10%	7%
	6 months/half annually	9%	14%	9%	10%	7%
	All will be in one go on committed time	77%	36%	13%	40%	13%
Repayment amount	less than 5000	46%	5%	9%	20%	
	5000 to 10000	55%	55%	26%	40%	13%
	10001 to 20000		41%	61%		40%
	more than 20000			4%	40%	47%
Mode of repayment	Account-less banking	5%	9%	9%		
	Bank deposit	5%	5%	4%	10%	13%
	Mobile bank account	23%	27%	48%	30%	53%
	Cash	55%	46%	35%	60%	20%
	Cheque	14%	14%	4%		13%

## 4. STRATEGIC RECOMMENDATIONS

### Strategic recommendations – Parents

**Parents’ want to send their children to school but need school fee loans. It was also observed that savings proved to be a major safety net during this financial crises. Parents’ business has been adversely impacted due to COVID-19. If financial support is not provided there could be an expected children drop out of 13 million children out of which 63% will be girls.**

- Financial institutions can offer a commitment savings product solely for the purpose of investing. This account is suitable for anyone who wants to save a “fixed” amount over a period of 6 months – 5 years. This account can be offered to parents, schools, teachers and contractors of schools. The key features of the product should be easy, flexibility to withdraw, and confidentiality.
- Parents want their children to acquire education, but they cannot afford to send the children to educational institutions for which they require financial support from financial institutions with flexibility in loan repayment schedules which should be linked to the cash flow cycle of the clients' business. Financial institutions can offer school fee loans with flexible repayment schedules up to PKR 60,000 with a loan tenure up to 12 months. An option where financial institutions directly pay the school fee to the school can be explored. The financial institution can reduce the interest rates of loans and provide flexible repayment schedules to pay school fees. The loan purpose should include:
  - Fee payment loans for small tenures
  - Working Capital loans for their household needs
  - Pay fees, purchase books, uniform, transport fee, boarding fee etc.
  - Help parents revive their business activity which generates returns to pay school fee on time.
  - Parents need educational scholarships for their children education. They want that their children in education but can't afford the expenses. We suggest that financial institutions should start student loans on subsidized rates and launch scholarships for needy students with good attainment. There can be scholarship programs to promote girls' education.

### **Need business advisory services to enable the parents to revive their business and economic activity**

During COVID 19, many businesses moved online. Clients are aware about online business but most of the clients don't have the facility and knowledge of online business. Financial institutions can arrange training programs on digital marketing. They can engage the FMCG's and telecommunication companies for sponsoring these training sessions. Financial institutions can take sponsorship and FMCG companies can market their products. FMCGs and telecoms have a CSR budget which can support this initiative

### **Parents do not have knowledge, know how and necessary equipment to access digital classrooms**

Financial institutions should collaborate with telecommunication companies to engage parents and to provide training on digital classrooms. These companies have a CSR budget to support such trainings. This will also enable telecommunication companies to increase their sales when students use the internet, sims and mobile devices.

### **Parents are concerned about their health and about the affordability of their children's education**

Financial institutions can offer education insurance plan, the annual amount of which can be selected by the parents. To deal with the challenge of funding school fees after parents' death, the Education Insurance Plan provides an income benefit. This benefit is optional and provides a fixed amount, payable quarterly in advance to ensure that the school fees continues to be paid on time. The quarterly income chosen is based on the current school fee requirements. This will guarantee children's education even after parents' death, sickness or permanent disability.

### School Proprietors need funding to construction and to purchase equipment

- Financial Institutions can offer a school Improvement Loan product for the following purpose should be offered:
  - Construction of new school building
  - Setting up of a library
  - Construction of additional classrooms in existing schools
  - Any other capital expenditure which would improve the infrastructure of the school
  - Replacement of old school furniture
  - Construction of school staff rooms, administrative office, library, laboratories, playground, hostel/boarding, kitchen, canteen and other space related to running the school.
  - Carrying out additions/alterations/major repairs to the existing school building
  - Purchase of land for school playground/ construction of school building/ setting up of a new branch.
- The loan amount can go up to PKR 1,000,000 and loan tenure up to 36 months with a grace period of 90 days or perhaps an option of 1- month festive break.

### Require working capital to pay salaries and business skills training

- Financial Institutions can offer an overdraft/ running finance facility to meet working capital requirements with a loan limit up to PKR 500,000 for a period of 12 months with interest calculated only on the loan limit utilized and interest paid on quarterly basis with bi- annual adjustment of principle amount. Annual renewal subject to repayment behavior and after adjusting the loan limit (principle) and interest. This loan enables the school to bridge the gap in the seasonality of a school's cash flow and meet day to day cash flow needs effectively.
- A Supplier/Vendor financing product should be offered by financial institutions for a loan amount up to PKR100,000 for a loan tenure of 6-12 months to meet the following funding requirements:
  - Loans for canteen operators, stationery shops and uniform providers.
  - Financial products for the suppliers of any education related services to the schools.
  - Payments to vendors by financial institutions on behalf of schools with schools repaying the installments directly to the financial institution.

### The school proprietors and school association expressed the need for loans at subsidized rates

Pricing rebate should be given to repeat loyal clients, loan processes should be simplified to reduce costs per loan and enhance clients' convenience and reduce turnaround time. A 3 months grace period or a festive break should be offered to help revive the schools during COVID-19. Pricing rebate on advance payments should also be considered. Moreover, flexible collateral options should be offered to clients.

### Mostly proprietors running agribusiness as parallel business and also this business also highlighted in new initiative

An Agribusiness loan up to PKR 50,000 tied to the crop cycle can be given to schools for the following purpose:

- To purchase agricultural inputs
- Planting set-up
- Farming curriculum with learning goals so that students can be taught skills such as planning, analyzing, finance, patience, collaboration and handling setbacks.

However, to mitigate risks it is important to train loan officers and explore linking crop insurance to the product. Also, child protection policy shall be complied to at all times and no child shall be engaged in cultivation of crops/ there should be no child labor.



### Schools facing challenges in recovery of school fees

- A digital school fee system can be offered by financial institutions to make it administratively easier for schools to reconcile fee collection and payment systems which also helps schools track which students have made the payment and which students still must pay. It will enable schools to send reminders to parents who still have to make payments. Saving schools a lot of time, risk of human errors and overlooking due payments. This will also enable schools to monitor their profitability more effectively.
- Digital fee payment solutions fees are more likely to be paid on time, and parents who are unable to pay on time can bridge delayed payments through a loan product. The digital fee system can enable financial institutions to analyse cash flows of the schools they lend to, mitigating risk.

### Strategic recommendations – Teachers

#### Searching for part time and alternate jobs

Financial institutions need to arrange teacher trainings for online teaching as the second wave of COVID 19 has come. A significant number of teachers have already lost their jobs, however after training they can use this challenging time as an opportunity to upgrade their skills.

#### Teachers expressed the need for financial support

- Financial institutions can offer a loan product up to PKR 50,000 for a loan tenure of 12 months repayable on monthly basis to the teachers for the following purpose:
  - Training course fees
  - Certifications which enable teachers to progress in their roles.
  - Any other financial needs that teachers' feel will enhance their skill sets.
  - Payment of school fees of their children.
  - Starting a microenterprise project.

### Strategic recommendations – Overall

Expectations from the financial institutions include financial support at subsidized pricing or interest free loans and EduQuality Programs on effectively delivering digital classrooms.

#### Business and income going down

Parents want to send their children to school but do not have the financial resources. Schools are facing a challenge in recovering school fees and need financial support to revive their schools and remain operational. School's income has been adversely impacted however certain fixed expenditures continue. Teachers income has been adversely impacted as either they have had salaries reduced, have not been paid for several months or they have lost their jobs. Financial institutions need to address the entire eco system.

#### Don't have facilities and knowledge of online teaching

- Parents wants that their children educated but many low-income parents are illiterate and don't have knowledge of online classes. They don't have facilities of internet and equipment. Similarly, most teachers are not familiar and have no prior experience of online classes but tried according to their capabilities and facilities. Schools in rural areas have the same issues. If parents and teachers are trained on digital classrooms, the school can run on an online system. But many schools cannot afford these trainings so CSR budgets of companies should be explored for this.
- Financial institutions should collaborate with mobile service providers (MSP) and mobile companies as telecom companies can support in providing connectivity and have marketing budget to utilize for CSR activities. After collaboration, MSP can sponsor the trainings of online classes for teachers, parents and student mentorship program in collaboration with school leaders.