EDUFINANCE MARKET KNOWLEDGE
EDUCATION LENDING OPPORTUNITIES IN ETHIOPIA

FINANCING THE AFFORDABLE PRIVATE SCHOOL SECTOR:
SCHOOL IMPROVEMENT LOANS

COUNTRY BACKGROUND

Ethiopia has four categories of schools: alternative basic education (ABE), public schools, private schools and community schools. Public schools and ABE are run by the government, while private and community schools are considered as private institutions and are therefore a potential market for lending by financial institutions. According to the Ministry of Education (2017) there are 2,826 private schools operating in the country. According to our study, an average private school in Ethiopia serves 545 children and has a cost basis of US$50-80k per annum with varying profitability levels.

THE MARKET FOR SCHOOL IMPROVEMENT LOANS

DO AFFORDABLE PRIVATE SCHOOLS WANT TO EXPAND THEIR CURRENT FACILITIES?

WHAT ARE THE CURRENT LEVELS OF INDEBTEDNESS OF AFFORDABLE PRIVATE SCHOOLS?

WOULD SCHOOLS TAKE LOANS TO EXPAND THEIR FACILITIES?

THE MARKET COULD ABSORB US$98.77MN IN SCHOOL IMPROVEMENT LOANS

WHAT FINANCIAL PRODUCT ARE SCHOOL INTERESTED IN?

SUMMARY

MOST OF THE RESPONDENTS IN THE SURVEY WERE UNAWARE OF THE FINANCIAL PRODUCTS ON OFFER

THERE IS A HUGE UNSERVED EDUFINANCE MARKET IN ETHIOPIA

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FINANCING THE AFFORDABLE PRIVATE SCHOOL SECTOR: SCHOOL FEE LOANS

There are 39k schools in Ethiopia with a private school penetration of 7% that serve an estimated 1.5mn pupils. There are an additional 40mn children in Ethiopia that are currently out of school. Parents that send their children to affordable private schools are estimated to pay on average US$25 per student per month (fees range between US$5 and US$36 per month). Based on the statistics of Ministry of Education, enrolment trends have increased sharply since 2015.

THE MARKET FOR SCHOOL FEE LOANS

HOW DO PARENTS PAY FOR SCHOOL FEES?

WILL PARENTS BORROW TO PAY FOR SCHOOL FEES?

INTEREST IN SAVING FOR SCHOOL FEES

WHAT MONTHS DO PARENTS INCOME FLUCTUATE?

WOULD PARENTS USE A FINANCIAL INSTITUTION TO SAVE FOR SCHOOL FEES?