Opportunity EduFinance conducted market research to analyse the needs of affordable private schools in Mozambique. The research intended to gain insight into the size and nature of the private education market in low- and middle-income areas in three main regions: north (Nampula), centre (Beira, Chimoio) and south (Maputo); to understand the problems that affect affordable private schools and to show financial solutions that are likely to best serve them.

**School Improvement Loans (SIL)**

**Profile of schools interviewed**

- 130 schools interviewed
- 13+ years in operation
- 455 avg. no. of students per school

**Demand for School Improvement Loans**

- 84% Interested
- 71% Require financing
- 68% Required financing

**Estimated market size**

- Estimated potential market for School Improvement Loans is: MZN 3.23bn (USD $45.5mn)

**Purpose, size, and duration of loan**

- **Construction**
  - MZN 3.8mn
  - Upto 3 years
- **Spot improvements**
  - MZN 1.9mn
  - <2 years
- **Fixed assets**
  - MZN 1.8mn
  - 1-2 years

**Education Quality**

**Main drivers to take business decisions referring to school:**

- Desire to educate children: 79%
- Being respected in the community: 12%
- Cost-benefit impact while taking management decision for the school: 9%

**Indicators of school quality**

- The school has good exam pass rates: 18.5%
- Children at the school are better-behaved than other schools in the area: 10%
- The school has a low staff turnover: 9.2%

**COVID19 Effects (at June 2020)**

- 41/130 schools resurveyed for re-assessment of the market.
- On average schools saw income decreasing by 70%, and for 59% would keep decreasing in the future as they expect students dropout rates close or above 60%.

**Financial and non-financial needs in the next 3 months.**

- The most urgent interventions needed are:
  - Training for remote-teaching and distance learning: 54%
  - Financing to invest and acquire ICT equipment: 51%
  - Financing for digitalization: 27%
  - Agriculture training: 12%
  - Training in business management: 10%
  - Working capital to pay salaries: 5%

- 61% would borrow right now, 34% in the next 3 months.

Remote learning includes technical infrastructure, digital systems, internet and training on how better perform distance teaching. COVID-19 reinforced proprietors intentions and desire to make their schools more technological with investment in ICT.
Interest in saving

- 60% of parents are interested in saving up for education
- Desired monthly saving amount: MZN 1.3k

Interest in School Fee Loans

- 26% would be interested in borrowing for school fees (full or half amount)
- Average loan size (yearly) for 52%, and 40% would borrow for 6 months. 8% unsure
- Loan would be used for 2 children in education.

Previous borrowing behaviour

- 63% previously borrowed from family and friends
- 27% from money lenders
- 9% from a financial institution

Estimated market size

- The estimated potential market for School Fee Loans is: MZN 1.67bn (USD $23.6mn)

Education Quality

- 18% scientific equipment
- 17% computers and ICT equipment for students
- 45% would like the school to invest in PCs for students in the next 12 months

Reasons why parents would pay +MZN 1k higher school fees:

- Parents are not currently paying for extra tuition as in general, schools do not offer extra-curricular activities.

COVID19 Impact

- 52/88 parents resurveyed.
- 84% parents income was negatively impacted and registered 40% decrease.
- 14% of parents surveyed said their income increased. The average increase in income across the regions by 33%. Reasons reported for the increase are: “the business is going well”, “I closed a shop and opened a new business in a different sector”.

Action taken as a consequence of COVID19

- Had to withdraw savings: 39%
- Borrowed from friends or family: 37%
- Took no action: 35%
- Found a new job: 11%
- Sold a personal item: 7%
- Took a loan from an FI or loan shark: 4%

The most immediate financial needs in the next 3 months for parents are more related to liquidity:

- Cash to keep current business afloat: 40%
- Cash to start a new business: 25%
- Cash to pay rent, bills and other expenses: 15%
- Purchase equipment for children’s education: 12%
- House renovation / construction: 10%
- No urgent need: 30%

Average amount required: MZN 89k

- Need the loan now, 25% had no loans, 4% needed in the next 3 months, 4% need it for more than 3 months.

US$/MZN exchange rate fixed at 71