

# EDUFINANCE MARKET KNOWLEDGE:

## Financing The Affordable Private School Sector In Peru

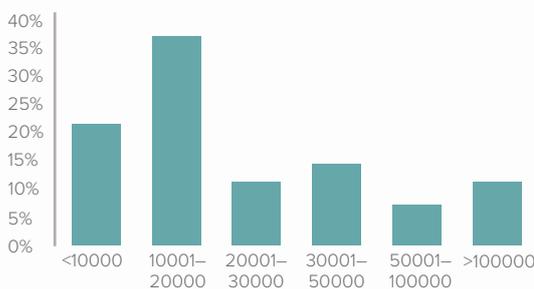
During the last 20 years the private education sector in Peru has expanded, driven by the growing awareness among families of the importance of their children's education and their perception that private schooling can often mean better education. Opportunity International conducted market research to analyse the needs of affordable private schools in Peru. The intention of the research was to gain insight into the size and nature of the private education market in low- and middle-income areas in Lima and Arequipa in order to understand the problems that affect affordable private schools and to show financial solutions that are likely to best serve them.

### Demand for School Improvement Loans

#### Profile of schools interviewed



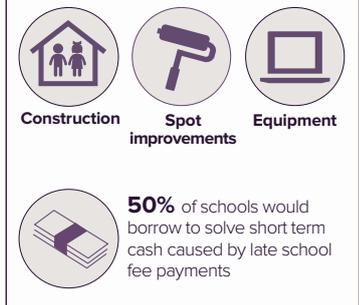
#### Average loan size (PEN)



47% of schools think they would need between **PEN 10–20k** (USD 3–6K)  
25% of schools think they would need between **PEN 30–50k** (USD 9–15k)

**Note:** Schools were asked how much they could afford to pay every month for a new School Improvement Loan (SIL). 3 of 4 respondents indicated they could pay more than their current loan repayments which could suggest a higher credit capacity.

#### Intended loan purposes



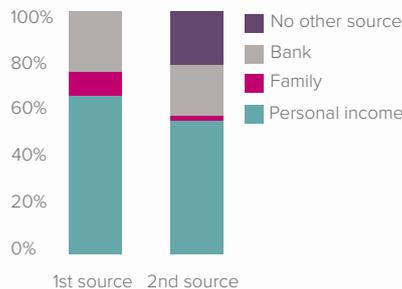
### Demand for School Fee Loans

#### Profile of parents interviewed



**600** Community bank clients of Arequipa, Cuzco, Jaén, Juliaca, Lima, Pucallpa y Tacna.

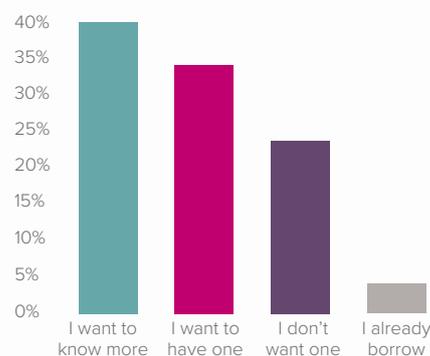
#### Source of funds



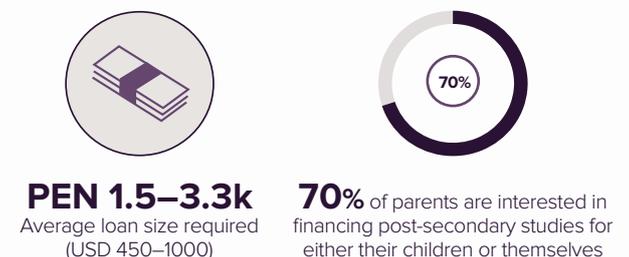
#### Costs



#### Access to school fee loans



#### Intended loan purposes



The majority of parents, especially mothers, are interested in their children attending higher education. Given that they couldn't attend higher education themselves, they wish their children could go to university.



There is high interest in learning useful concepts using technology. Followed by high interest in purchasing IT equipment to access online courses that could generate additional income or improve their current jobs in the short term.

### Competition

Financial institutions, in Peru, do not typically aim to enter education finance segments, or do not plan to target this market. However, many schools interviewed manage to improve their facilities through other general lending channels (i.e. consumer loans, microcredit and/or mortgages). Parents, on the other hand, also include part of their children educational costs in other sources of borrowing. This results in financial institutions indirectly lending to education related activities with financial products that are not designed for the market. A financial institution could take advantage of this gap in the market by tailoring financial services to these potential clients.