



Understanding School Fee Loans

Characteristics and Impact of School Fee Loans in Nairobi, Kenya

February 2020



OPPORTUNITY
EduFinance

CONTENTS

CONTENTS.....	2
I. BACKGROUND AND CONTEXT	3
Objectives	3
II. KEY FINDINGS	4
Household Size and Demographics	4
Income	4
Choice of School	4
Effectiveness of the Loan.....	4
III. METHODOLOGY	5
IV. FINDINGS	5
1. Equity of Access	5
2. Outcomes and Drop-out Rates.....	6
3. Customer Demographics.....	7
4. Affordability & Use of Loan.....	8
Appendix I – Questionnaire.....	10
Appendix 2 – T-test Analysis.....	14

I. BACKGROUND AND CONTEXT

Opportunity International's Education Finance (EduFinance) program supports affordable private schools to provide accessible, quality education to low-resource communities. Through partnerships with more than 54 financial institutions worldwide, Opportunity supports the development of two types of lending products – the School Improvement Loan (SIL), which has provided over 15,000 education loans worth US\$170 million to education entrepreneurs to finance school improvement, and the disbursement of over 357,000 School Fee Loans (SFL) worth US\$107 million, helping to provide struggling families the ability to pay for their children's school fees, uniforms, materials and other needs. When the survey was conducted, an estimated 5.2 million children had benefitted from these two lending products.

The rationale for school fee loans is that rural and low-income families often rely on seasonal and/or irregular income. Cash may not be readily available to cover educational costs at the start of school terms. This lack of cash at the right time can result in a child not enrolling or being sent home until the fees are paid. EduFinance works with financial institutions to offer SFLs to ease the pressure of up-front educational costs, effectively spreading out the costs of their children's education and helping prevent school absenteeism and dropout.

Loan tenures vary by financial institution, market and according to the two main types of income earners (seasonal or irregular), ranging between 3-12 months. The average SFL is approximately \$100-\$250, which helps send three children to school.

Objectives

Opportunity EduFinance and Kantar Market Research conducted a study in Kenya to understand the key characteristics of Musoni Microfinance's SFL clients. The research team conducted 176 interviews around Nairobi, Kenya in late 2019, interviewing Musoni clients as well as non-clients, aiming to capture an in-depth and holistic picture of the impact of SFL, including the following:

1. **Equity of access:** Is there a difference in improved access to education for girls and boys using SFL? How does it compare locally?
2. **Outcomes of the loan on drop-out rates:** Do SFL have an impact on pupil drop-out rates?
3. **Loan Affordability:** What is the fee/ income levels of parents that are taking out SFL? How does it compare to parents that are not taking out SFL? What is the loan instalment/ income (debt servicing) ratio for parents taking SFL?
4. **Loan use and impact:** Do SFL have an impact on school fee payments to schools?
5. **Customer Demographics:** Is there any correlation between parents of students having an SFL and their schools having a School Improvement Loan from the financial institution? Are there any clustering effects, word of mouth, etc?

The questionnaire can be found in full in the [Appendix I - Questionnaire](#) of the report.

II. KEY FINDINGS

Overall, the study resulted in a large number of findings across the following categories: equity of access, outcomes and drop-out rates, customer demographics, affordability and use of loan. The below outlines key findings of the report.

Household Size and Demographics

- SFL households are likely to have a larger family size (5.2 people) with more school-going children than the non-SFL households (4.3 people).
- SFL households tend to be older than the general population, with the majority over the age of 40.

Income

- SFL households, on average, register higher levels of income in comparison to non-SFL households. But since this larger income is spread over a larger family size, SFL households are on average more likely to be living in poverty (18.0%) than non-SFL households (16.4%), due to the larger household size.
- Amongst School Fee Loan clients, those with a higher income are more likely to borrow more to pay for their children's education.

Choice of School

- The majority of SFL clients' children attend private schools (53%), similar to the non-SFL clients interviewed (54%).
- SFL households have a lower rate of absenteeism (13%) than non-SFL household (22%) and the country overall (20%).
- The primary reason for absenteeism of non-SFL clients was a lack of school fees (70%), compared to 33% of SFL clients citing lack of school fees.
- A greater proportion of SFL households work in the informal sector than non-SFL households.
- The average annual school fees paid by SFL clients was Kshs 58,743 (\$557) per child, compared to Kshs 32,518 (\$308) per child for non-SFL households.

Effectiveness of the Loan

- Despite 98% of clients reporting using the loan for school fees, 58% of clients report difficulties in repaying the loan, largely pointing to sickness/ deaths of family members or poorly performing business.
- Bank charges resulting from delayed payments were a concern for 18% of clients. 14% of clients cited delays in receiving their earnings, which led to their delayed SFL repayment and the resulting bank charge.

III. METHODOLOGY

This analysis relies on data collection from 54 SFL households, 122 non-SFL households and 11 SIL clients around Nairobi, Kenya. The intention was for the sample to include more SFL households. However, the Musoni branches included in the sample were unable to provide details for more active clients that were willing to undertake a survey.

The six Musoni branches around Nairobi selected for the study were:

1. Kitengela
2. Kawangware
3. Zimmerman
4. Donholm
5. Kariobangi
6. Kiambu

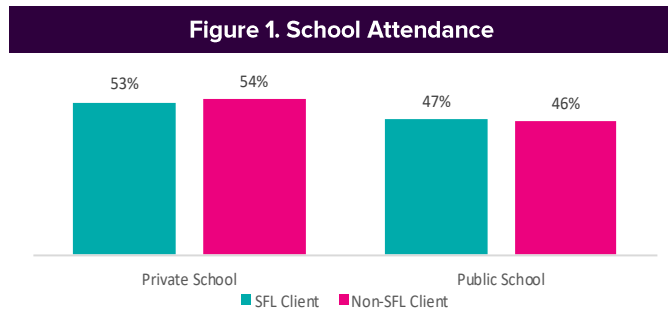
IV. FINDINGS

The key findings have been summarized in the sections below:

1. Equity of Access

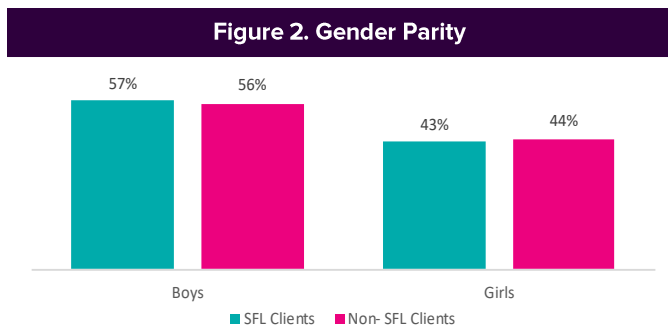
School Attendance (Public versus Private School)

The report found the majority of parents taking out SFL were sending their children to private schools. However, there was not a material difference in the proportion of children enrolled in private schools between SFL and non-SFL clients.



Gender Parity

Enrollment figures show that with both SFL and non-SFL clients, more boys attend school than girls. Every SFL household, on average, has 1.3 boys in school for every 1 girl in school. Non-SFL households, on average, have 1 boy in school and 0.8 girls in school.



Number of Children Attending School

A significant difference is seen in the total number of children in school in SFL (2.3) versus non-SFL households (1.8).

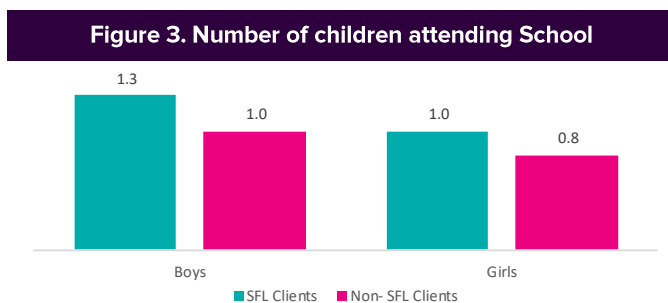
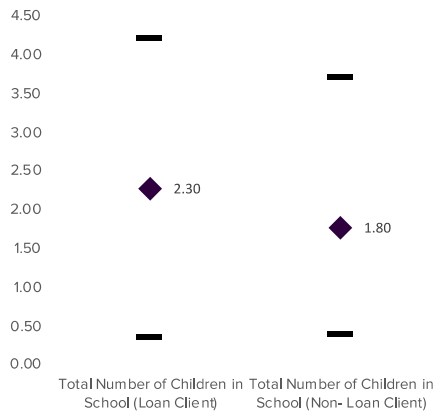


Figure 4. Total number of Children in School



A t-test was conducted to back the difference in number of children attending school in SFL and non-SFL households. The resulting estimated t-stat was 3.21, which compared to a critical t-stat of 1.65, demonstrating that there is a statistically significant difference in the number of children attending school in SFL versus non SFL households. The resultant t-test table can be found in [Appendix 2](#).

From this, we can infer that parents with a higher number of children are more likely to apply for a School Fee Loan.

2. Outcomes and Drop-out Rates

Absenteeism in School

The report found a comparatively lower rate of absenteeism among SFL clients' children – 13% versus 22% - an indication that the loan product is registering some impact on children and households by eliminating the 'lack of school fees' issue.

The key contributing factor for school absenteeism among non-SFL clients was lack of school fees (70%) in comparison to SFL clients (33%). Among SFL clients, sickness and death of a family member (60%) was seen as the major cause of absenteeism. It should be noted that 'lack of school fees' should be interpreted as the inability to pay full school fees on time when they are due.

Figure 5. Percentage of Children Absent from School

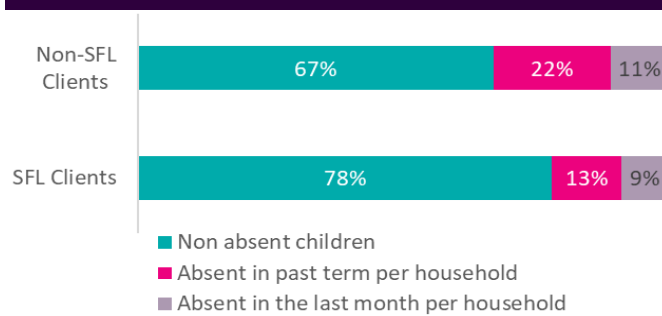
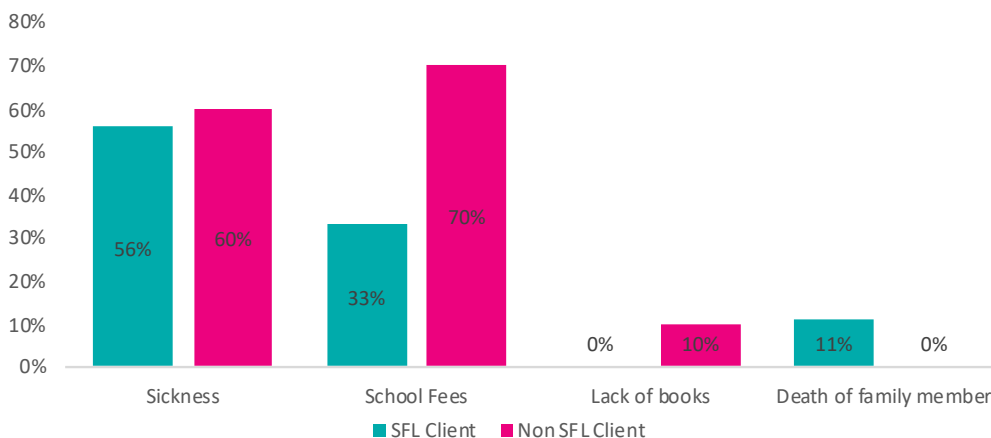


Figure 6. Causes of Absenteeism

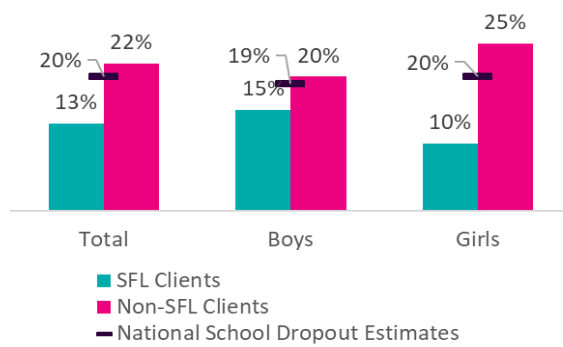


UNDERSTANDING SCHOOL FEE LOANS

Dropout Rates

The report also compared dropout rates for SFL and non-SFL households with the National School Dropout estimates for 2018. The findings revealed a lower dropout rate in SFL households in comparison to both national statistics and non-SFL clients.

Figure 7. Percentage of Dropouts per Household



3. Customer Demographics

Age of Interviewee

SFL clients in the study were mainly older than 35 years and self-employed, while non-SFL clients were found to be younger (25 – 40 years) with some yet to secure any form of employment.

Figure 8. Age of Interviewee

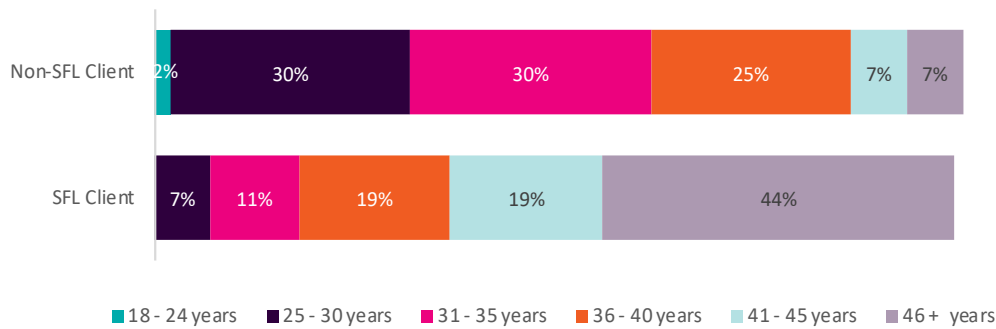


Figure 8 looks at the age distribution of SFL and non-SFL clients included in the study. The majority of the SFL clients (44%) are above 46 years of age, whereas most of the non-SFL clients are in the age group of 25- 30 years (30%) and 31- 35 years (30%).

Occupation

Most of the SFL clients interviewed in the study were self-employed businesspersons. **Figure 9** shows the distribution of SFL and non-SFL clients by occupation.

Figure 9. Occupation

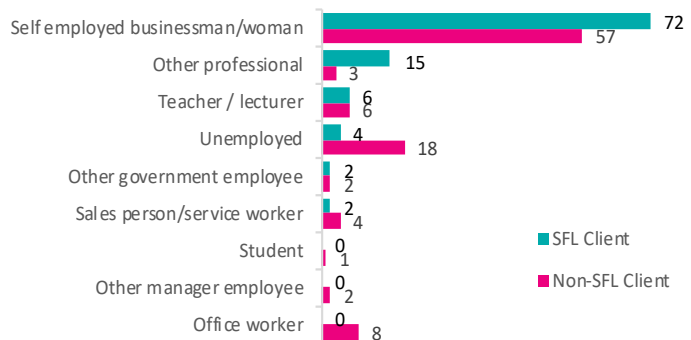
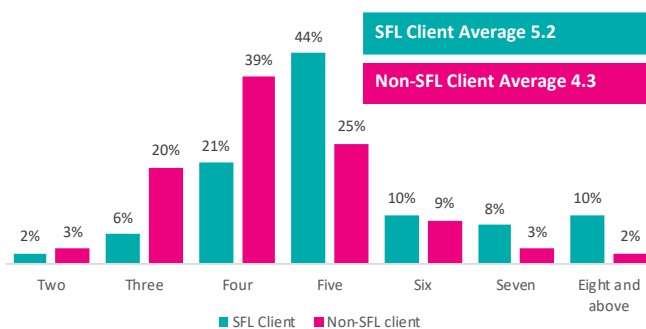


Figure 10. Number of Members in Household



Number of household members and habitable rooms

The report found that in comparison to non-SFL households, SFL households are likely to have a larger family size with bigger houses to accommodate the larger number of family members. On average, SFL households have 5.2 members, in comparison to 4.3 members per non-SFL households.

UNDERSTANDING SCHOOL FEE LOANS

Progression out of Poverty (PPI) Index

The report calculated PPI Scores for SFL and non-SFL households. The average PPI score registered for SFL households was 62.4 compared to non-SFL households scoring an average of 64.4. The analysis did not yield a statistically significant difference in the PPI scores of SFL and non-SFL households. However, SFL households registered a higher likelihood of falling below the poverty line.

Figure 11. Number of Habitable Rooms in Household, %

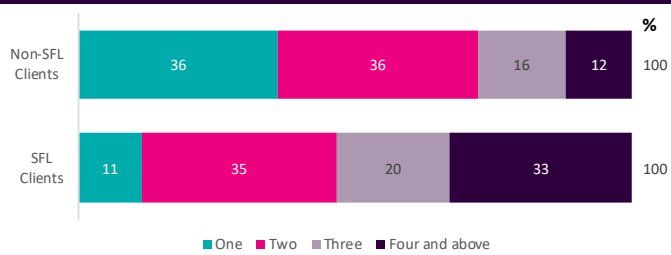
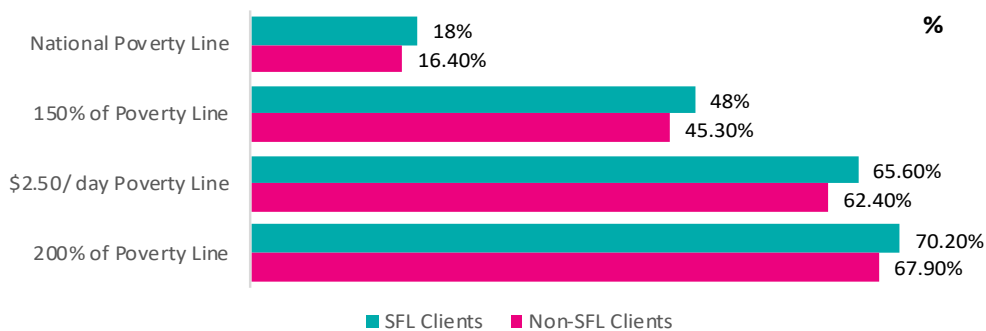


Figure 12. Percentage likelihood surveyed household is living in poverty



4. Affordability & Use of Loan

Monthly Income

The report found that, on average, SFL clients registered a higher average monthly income in comparison to non-SFL clients, although the data was self-reported, not verified and the results had a wide range of volatility. Higher incomes for SFL borrowers can partly be attributed to the following:

1. SFL clients are older in comparison to non-SFL clients
2. Lower levels of unemployment: Only 4% of SFL clients interviewed claim to be unemployed as compared to 18% of non-SFL clients interviewed
3. SFL clients have a larger household size in comparison to non-SFL clients.

Figure 12. Average Income per Household Member (Kshs)

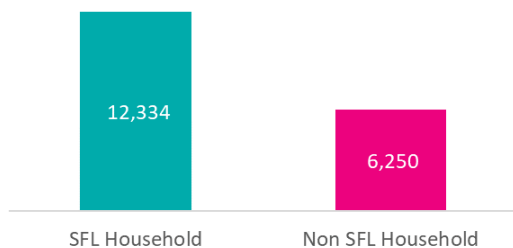
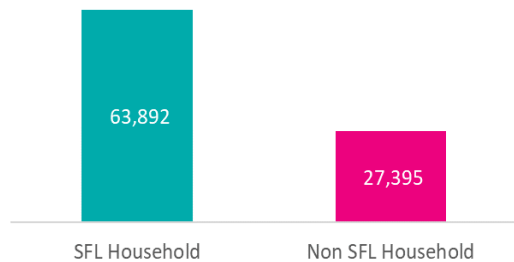


Figure 13. Average Monthly Household Income (Kshs)

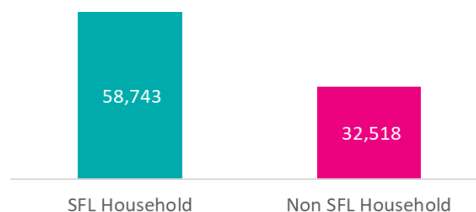


UNDERSTANDING SCHOOL FEE LOANS

Average Fees Paid

While most respondents in the study had enrolled their children in private schools, the report saw that the average fee per child that SFL clients pays is higher than the average fees paid by non-SFL clients.

Figure 14. Average Fee per Child (Kshs)



Borrowing & Debt Servicing Ratio

While average school fees per child were higher for SFL clients (Kshs 58,743), SFL clients borrowed an average of Kshs 31,914 per child through a SFL. The report also calculated debt servicing ratio for SFL clients. Assuming that SFL is the only debt incurred by SFL clients, the report finds that SFL clients should be able to service their loan easily.

Figure 15. Average Fee per Child Borrowed (Kshs)

Amount of school fees borrowed per SFL household	Average number of children in school per SFL household	Average fees borrowed per child in SFL household (Kshs)
73,402	2.3	31,914

Figure 16. Debt Servicing Ratio

Average Monthly Income (Kshs)	Average Monthly Loan Installments (Kshs)	Debt Servicing Ratio
62,349	7,984	7.809

One finding of concern was that many clients reported challenges in repaying their loans. 58% of SFL clients interviewed faced challenges in repaying their loans. The major challenge included sickness or death of family member after securing the loan, followed by collapse of businesses.

Figure 17. Challenges in Loan Repayment

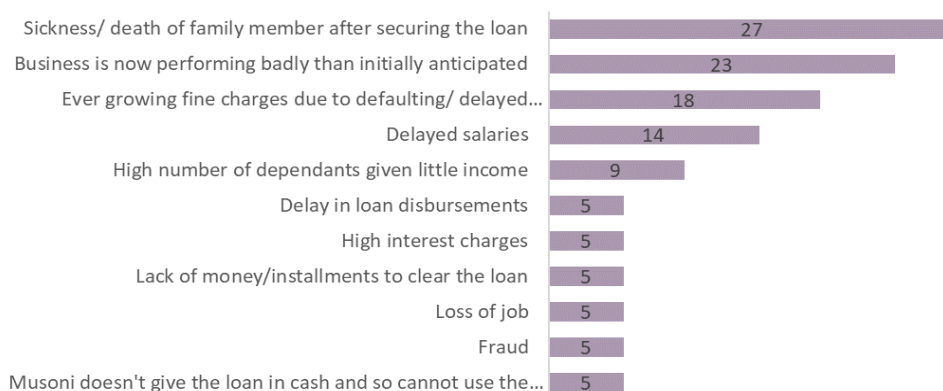
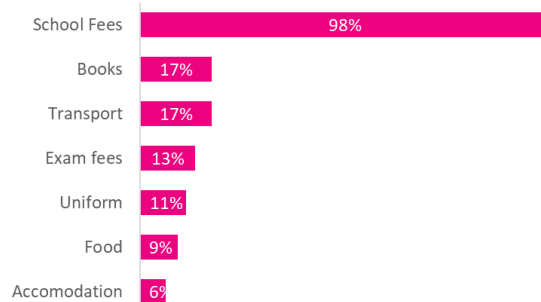


Figure 18. School Fee Loan Purpose

School Fee Loan Purpose

The report found that the key reason for taking out an SFL was to pay school fees, followed by paying for books and transport facilities. This suggests that clients use SFL to supplement their income, which is primarily generated through self-employment in the informal sector.



Opportunity EduFinance would like to thank Musoni Microfinance for their participation in this study, enabling us to expand understanding of the school fee loan borrower profile in Kenya and the impact this loan can have on children's access to education.

Appendix I – Questionnaire

1. Bank branch
 - a. Kawangware
 - b. Kitengela
 - c. Zimmerman
 - d. Donhomn
 - e. Kariobangi
 - f. Kiambu
2. Type of parent respondent
 - a. Loan Client
 - b. Non- Loan Client
3. Have you taken part in any financial research survey in the last six months?
 - a. Yes
 - b. No
4. Type of respondent
 - a. Parent
 - b. SIL Institution
5. Age group
 - a. Below 18 years
 - b. 18-24 years
 - c. 25-30 years
 - d. 31-35 years
 - e. 36-40 years
 - f. 41-45 years
 - g. 45 and above
6. Gender
 - a. Male
 - b. Female
7. Main Occupation
 - a. Student
 - b. Unemployed
 - c. Retired
 - d. Teacher / professor/ lecturer
 - e. Other professional
 - f. Company director / senior exec
 - g. Other manager employee
 - h. Senior government employee
 - i. Other government employee
 - j. Office worker
 - k. Self employed businessman/woman
 - l. Sales man/woman/service worker
 - m. Trader/artisan
8. What is your average monthly income?
9. How many of your children, we mean those below 18 years, are
 - a. Boys
 - b. Girls
10. How many of your children are
 - a. Currently in school (Total/Boys/Girls/None of the above)
 - b. Not in school (Total/Boys/Girls/None of the above)
11. What are the main reasons the children are not in school
 - a. Illness
 - b. School fees
 - c. Distance
 - d. Moved to employment to support family
 - e. Help at home
 - f. Married
 - g. Unable to learn
 - h. Education is too costly
 - i. Child is a mother
 - j. Special Education Needs & Disabilities (SEND)- school doesn't support SEND
 - k. Age- they are too young
 - l. Age- they are above school attending age
 - m. Other, namely
12. How many of the children attending schools are in
 - a. Primary school
 - b. Secondary School
13. How many of your children have been absent from school in the past term?
 - a. Total

UNDERSTANDING SCHOOL FEE LOANS

- b. Girls
 - c. Boys
14. How many of your children have been absent from school in the past term?
- a. Total
 - b. Girls
 - c. Boys
15. Has your child been absent from school for more than 6 days per term?
- a. Yes
 - b. No
16. Why has the child been absent from school?
- a. Illness
 - b. School fees
 - c. Distance
 - d. Moved to employment to support family
 - e. Help at home
 - f. Married
 - g. Unable to learn
 - h. Education is too costly
 - i. Child is a mother
 - j. Special Education Needs & Disabilities (SEND)- school doesn't support SEND
 - k. Other
17. Which school(s) do your children attend?
18. Do you have an active School Fee Loan?
- a. Yes
 - b. No
19. How many School Fee Loans have you taken in the past 5 years?
- a. One
 - b. Two
 - c. More than two
 - d. None of the above
20. How much did you borrow on the latest/active loan?
21. What is the duration of the loan?
- a. 1-6 months
 - b. 7-12 months
 - c. 1-2 years
 - d. 2-3 years
 - e. Longer than 3 years
22. How much did you pay as monthly installments?
23. What services/items was the loan used to pay?
- a. School fees
 - b. Books
 - c. Exam fees
 - d. Transport
 - e. Food
 - f. Accommodation
 - g. Uniform
 - h. Extra curriculum activities
 - i. Other
24. Have you ever had challenges repaying your school fees loan(s)?
- a. Yes
 - b. No
25. What specific challenges have you faced in your school fees repayments?
26. How much do you typically spend on education for your children per term(i.e. issues such as tuition, caution fee, exam fees, development, etc.)
27. What were the reasons you applied for the school fee loan (SFL)?
- a. Flexible paying terms
 - b. To supplement my income
 - c. Other
28. In what ways would you say that the SFL has helped you?
29. Have you ever applied for bursaries for your children?
- a. Yes
 - b. No
30. How many members does the household have?
- a. Eight or more
 - b. Seven
 - c. Six
 - d. Five
 - e. Four
 - f. Three
 - g. Two
 - h. One

UNDERSTANDING SCHOOL FEE LOANS

31. How many household members have a mobile phone?
 - a. None
 - b. One
 - c. Two or more
32. Do any household members have a disability that gives them difficulties in engaging in an economic activity?
 - a. Yes
 - b. No
33. In the last 7 days, did any household members work at least one hour on their own account or as an employer in a business enterprise, for example, as a trader, shopkeeper, barber, dressmaker, carpenter, taxi driver, car washer, and so on?
 - a. Yes
 - b. No
34. In the last 7 days, were any household members casual workers in their main/primary job?
 - a. Yes
 - b. No
35. Can the name head/spouse read and write in any language?
 - a. No
 - b. No male head/spouse
 - c. Yes
36. What is the highest education level that the (eldest) female head/spouse reached, and what is the highest grade that she completed at that level?
 - a. None, madrassa/duksi, pre-primary, primary grade 1, or other
 - b. Primary grades 2 to 6
 - c. Primary grades 7 or 8
 - d. No female head/spouse
 - e. Secondary years 1 to 3
 - f. Secondary year 4, or higher
37. How many habitable rooms does this household occupy in its main dwelling (do not count bathrooms, toilets, storerooms, or garages)?
 - a. One, or none
 - b. Two
 - c. Three
 - d. Four or more
38. What is the predominant wall material of the main dwelling unit?
 - a. Cane/palm/trunks, mud/cow dung, grass/reeds, no walls, or other
 - b. Corrugated iron sheets, plywood, cardboard, or reused wood
 - c. Bamboo with mud, stone with mud, uncovered adobe, covered adobe, stone with lime/cement, cement, bricks, cement blocks, or wood planks/shingles
39. Does the household have a functional television?
 - a. Yes
 - b. No
40. Is your institution currently enrolled in any Education Quality programme with Opportunity International?
 - a. Yes
 - b. No
41. Does the school have a loan with a financial institution right now?
 - a. Yes
 - b. No now, but have borrowed in the past
 - c. No prior loan
 - d. No answer
42. And how many loan have you taken in the past 10 years or since inception?
43. Which financial institution does the school have a loan with?
44. What was the loan used for?
 - a. ICT facilities (computer lab etc)
 - b. Staff/office facilities
 - c. Recruiting teachers
 - d. Recruiting other staff
 - e. General pupil recruiting efforts/marketing
 - f. Female pupil recruitment efforts/marketing
 - g. Teacher professional development
 - h. Infrastructure improvement classroom hallways
 - i. Infrastructure improvement outdoor facilities playground
 - j. Infrastructure improvement basic equipment
 - k. Library
 - l. Separated washrooms
 - m. Instructional materials books pencils documents
 - n. Instructional materials ICT materials
 - o. Transportation services vehicles
 - p. General cash flow needs
 - q. other, namely...

UNDERSTANDING SCHOOL FEE LOANS

45. What is the value of the recent/active loan?
46. What is the duration of the recent/active loan?
 - a. 1-6 months
 - b. 7-12 months
 - c. 1-2 years
 - d. 2-3 years
 - e. Longer than 3 years
47. How many students are enrolled at your institution?
 - a. Students enrolled (Total/Girls)
 - b. Students enrolled via scholarship/bursary (Total/Girls)
48. How many of your students dropped out
 - a. During the last academic year (Total/Girls)
 - b. Previous academic year (Total/Girls)
49. What is the primary reason for pupil dropout?
 - a. School fee too high unaffordable
 - b. School too far
 - c. Family did not see benefit
 - d. Marriage
 - e. Household responsibilities
 - f. Work Employment
 - g. Learner had cases of misconduct
 - h. Family had relocated
 - i. Other, namely...
50. What would you say is the
 - a. Highest school fee level of your school per term
 - b. Lowest school fee level of your school per term
51. How many of the pupils have paid their fees on time?
52. How many of the pupils would you say
 - a. Had to be sent home for non-payment of school fees
 - b. Dropped out/ no longer enrolled due to non-payment of school fees
53. How many parents within this institution have a school fee loan?
54. Would you be willing to take part if there are any further questions related to this survey? If you agree, we would keep your name and mobile number. Kantar will re-contact you using this information for these follow up surveys. Do you agree?
55. Lastly, we would like to share your name and contact details with Opportunity International who may re-contact you to take part in further research. Opportunity International would keep your personal information confidential and secure and ensure it is deleted within 1 year. Do you agree?
56. The mobile number
57. Please may I have your full name?

Appendix 2 – T-test Analysis

1. T- test Analysis Table: Number of Children in School

	Total Number of Children in School (SFL Client)	Total Number of Children in School (Non SFL Client)
Mean	2.30	1.80
Variance	1.38	0.71
Observations	54.00	122.00
Pooled Variance	0.91	
Hypothesized Mean Differenc	0.00	
df	174.00	
t Stat	3.21	
P(T<=t) one-tail	0.00	
t Critical one-tail	1.65	
P(T<=t) two-tail	0.00	
t Critical two-tail	1.97	

2. T- test Analysis Table: Number of Children in School

	Monthly Income (SFL Client)	Monthly Income (Non SFL Client)
Mean	63892	27395
Variance	2767153137	345026742
Observations	51	100
Pooled Variance	1157820835	
Hypothesized Mean Differenc	0	
df	149	
t Stat	6	
P(T<=t) one-tail	0	
t Critical one-tail	2	
P(T<=t) two-tail	0	
t Critical two-tail	2	

3. T- test Analysis Table: Number of Children in School

	Average fees per term (SFL household)	Amount spent on education (Non SFL household)
Mean	44743	19511
Variance	1.225E+09	328939282.9
Observations	51	122
Pooled Variance	590901744.6	
Hypothesized Mean Differenc	0.0	
df	171.0	
t Stat	6.2	
P(T<=t) one-tail	0.0	
t Critical one-tail	1.7	
P(T<=t) two-tail	0.0	
t Critical two-tail	2.0	