

Banking ON Education

Abuja, Nigeria

In 2016, CapPlus researchers in Abuja, Nigeria, conducted a market study to understand the size and nature of the low-cost private schools serving the city's children. Our top-line findings show that private schools educate 45% of children enrolled in school, and want to borrow **\$361 million** over the next three years. These schools will also touch more than **\$359 million** in cash transactions over three years, creating cross-selling opportunities for deposit accounts and payment services.

FINDING 1: Abuja's private school market addresses burgeoning demand

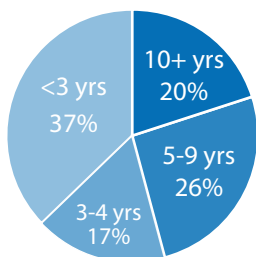
The public schools in Abuja do not have enough spaces to serve the city's more than one million school-aged children. Private schools are filling the gap with an estimated 3,800 schools educating almost 500,000 school children at all socio-economic levels, of which about 75% are poor. Most private schools serve pre-primary and primary-aged students. The vast majority of schools—89%—operate as sole proprietorships or partnerships, and 16% of proprietors own more than one school, though these school "chains" usually have only two or three schools.



Abuja's private schools play a key role in educating children

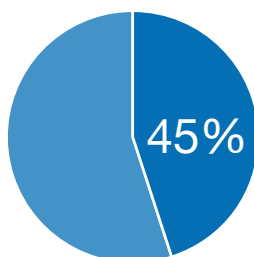
underserved by the public school system. These schools need credit in order to expand their capacity to serve, but finance can also be the foundation upon which these schools improve education quality for their students. Investments in teacher development, for example, would go far to improve quality given the low number of qualified teachers in Abuja. Such investments would allow schools to attract more students and improve their profitability. Financial institutions can encourage these investments by linking schools with education quality technical assistance providers, or developing integrated services with them.

School age

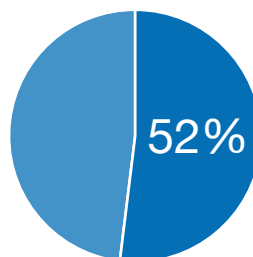


Note: Some schools declined to answer questions about school age.

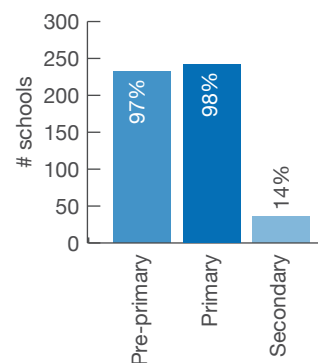
Market share



Share of women proprietors

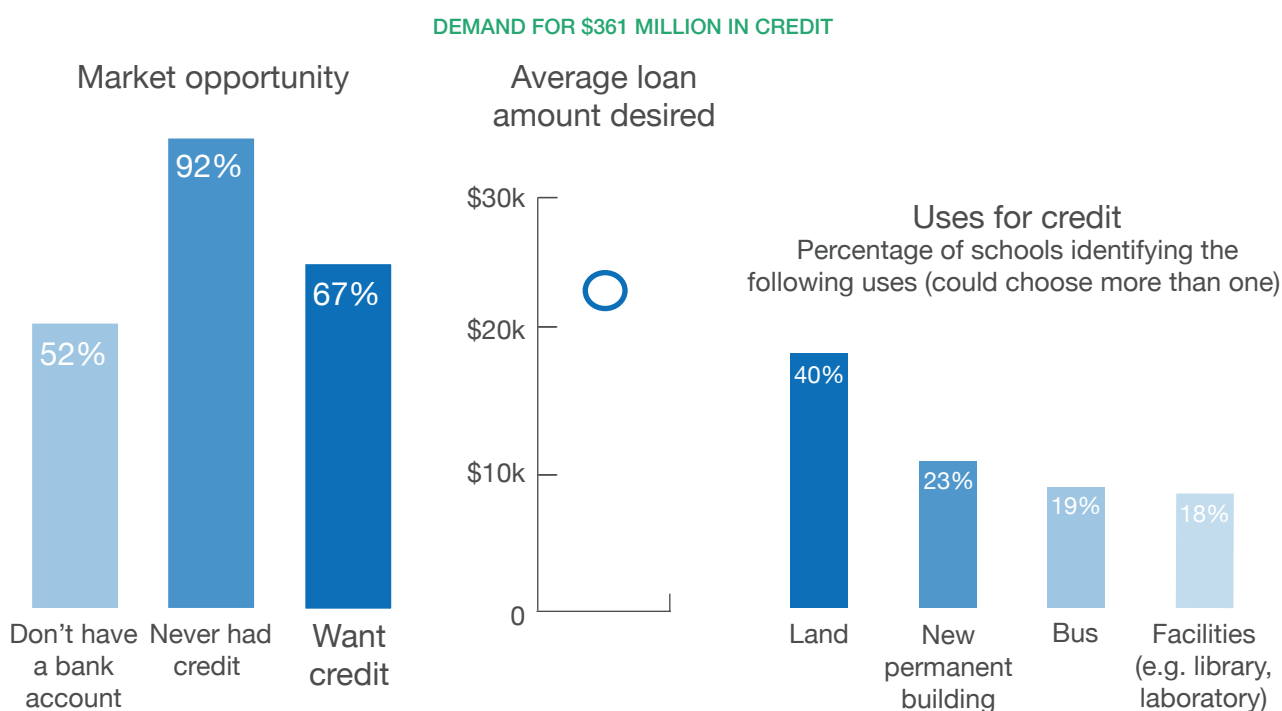


Grades served



FINDING 2: Abuja's private school market is in development and schools are profitable

The private school market in Abuja is a mix of mature and young schools: 46% of schools have been in business for five years or more, but 37% are less than three years old. New school formation is estimated at 18% per year, a significantly higher rate than the other cities studied except for Dar es Salaam. These schools offer an affordable option in an environment where public schools are too far away or over capacity. Many low-cost private schools are still building their enrollment, resulting in variable profitability and low financial resilience if parents don't pay fees on time: 61% of proprietors reported erratic cash flow as their greatest challenge. Schools are also still developing their business management skills, such as formal accounting, which a minority 29% use. We estimate that up to 85% of the schools are profitable if they collect 85% of the fees due.



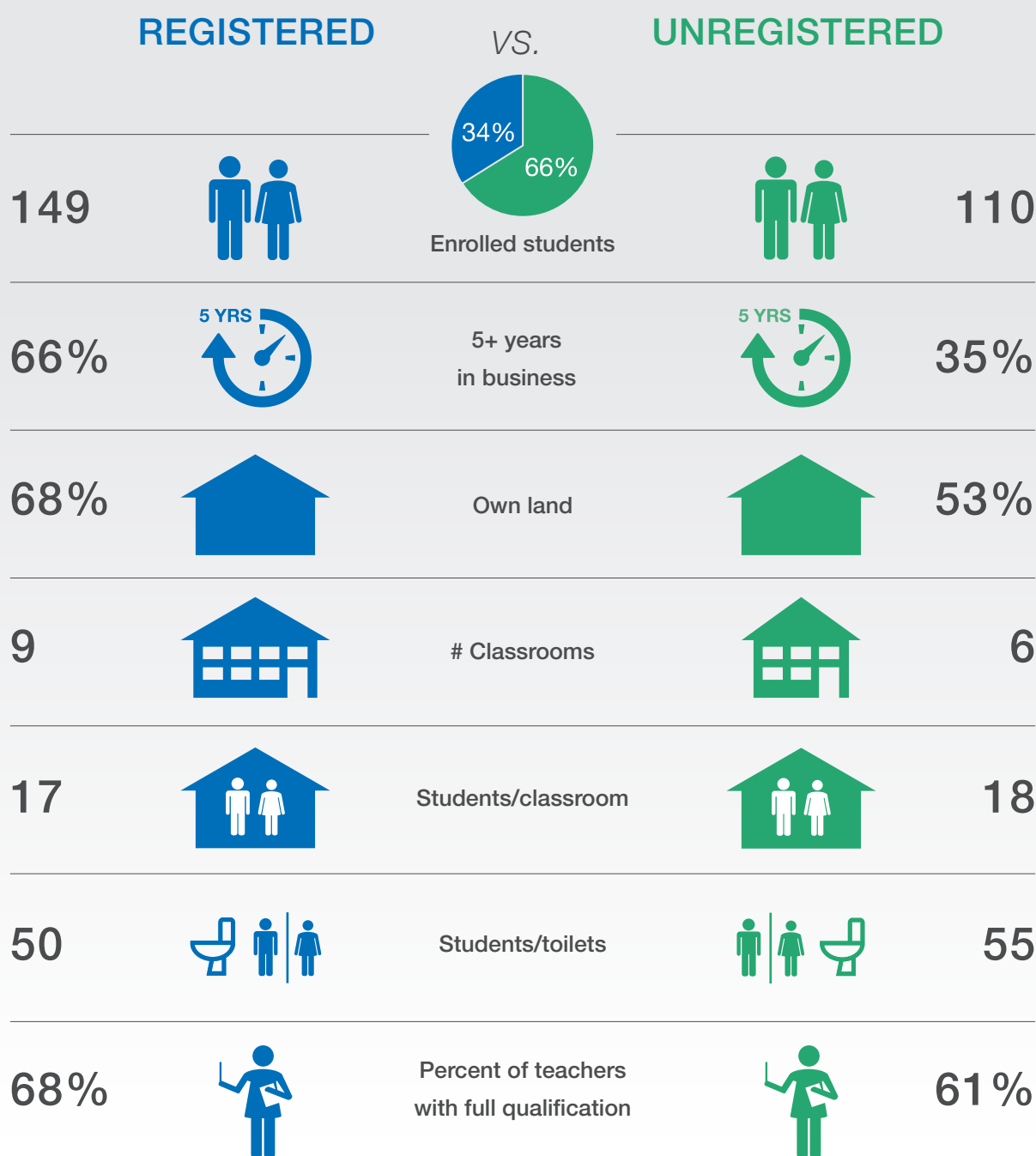
FINDING 3: Abuja's private schools need financial services

Proprietors say that a lack of available credit is their most severe challenge, and less than half have a school bank account. Sixty-seven percent would like to borrow in the next three years, driven by the desire to purchase land and build permanent school facilities. It is very difficult to find land to buy in Abuja, but land ownership is a requirement of the government regulators, which may drive the schools' priorities. Overall, we estimate **\$361 million** in total three-year demand for credit among low-cost private schools. Impact investors and philanthropies have a key role to play as providers of affordable, long-term, local currency debt so financial institutions can provide loans the schools can afford. Funding is also needed to strengthen school leadership and teacher motivation, all necessary investments that will allow schools to scale for the long term.

Deposit and payment services are another opportunity for financial service providers, given that parents will pay these schools more than **\$359 million** in cash transactions over the next three years.

FINDING 4: Private school registration is unrealistic in the short term, and the regulators know it

Only 34% of private schools in our sample are registered, a markedly lower percentage than the other cities studied except for Dar es Salaam. School proprietors report that Abuja's registration requirements are too expensive or impossible to fulfill: registered schools must own two hectares of land, for example. The government ministry is aware of the issue, and acknowledges that government-run schools lack capacity to accommodate all of the city's children. As a result, unregistered schools usually operate without regulatory interference.



Nonetheless, competitive advantage comes with registration status in Abuja. Registered schools are older, larger, and benefit from parents moving their children from unregistered schools; this enrollment boost means registered schools are also more likely to be profitable.

CONCLUSION: Abuja's private schools offers an opportunity for financial return as the market matures

Abuja's low-cost private school sector is filling critical demand in West Africa's fastest growing city, which already has over-crowded public schools. While there is a significant and established corps of profitable low-cost private schools that have been in business for five years or more, the overall market is still in development, with young and start-up schools starting to outnumber their more mature peers. In this environment, schools are still in the process of establishing themselves as providers of safe, local, quality education for children at all socio-economic levels.

Lenders have been hesitant to lend to unregistered schools out of concern that they would be shut down by the education ministry. Our research shows that this risk is overstated in Abuja: regulators recognize that they do not have an alternative for many kids, especially those in more remote neighborhoods, and are not closing schools for lack of registration. This concern, as well as other unique underwriting challenges, can be addressed through technical assistance that equips financial institutions to serve low-cost schools.

Access to formal financial services will allow schools to improve both business management and facilities, attract more of the limited supply of qualified teachers, and accelerate their transition to improving academic quality—investments which will allow the private school market to become more broadly profitable, and prepare students, especially girls, to compete in the global marketplace.

For more information, please contact CapPlus CEO [Lynn Pikhholz](mailto:lynn@capplus.org) at lynn@capplus.org or Peter Hinton, Co-Lead Affordable Education Finance, at peter@capplus.org.

Visit our website at www.capplus.org



CapPlus equips financial institutions in emerging economies to deliver finance profitably for social impact. By providing strategic and operational capacity building that increases financial services to small businesses, CapPlus creates sustainable solutions that accelerate job creation, societal benefit and equity.

METHODOLOGY

In 2016, CapPlus researchers led by Dr. Joanna Härmä conducted a census in seven low-income communities in Abuja, identifying 491 private schools. They surveyed a representative sample of 258 school proprietors, who answered questions about enrollment, registration status, income, expenses, banking relationships, accounting practices, staff qualifications, and facilities. Researchers also interviewed representatives of the Federal Capital Territory Education Secretariat, which regulates schools in Abuja, and the National Association of Proprietors of Private Schools (NAPPS). Peter Hinton conducted the financial analysis. Profitability estimates include the assumption that schools in existence for three years or more are covering their costs, hence are profitable.