

# Banking ON Education

Accra, Ghana

March, 2018

More than half of Accra's children attend private schools, including children in lower-income households. To learn more about these schools and their demand for finance, CapitalPlus Exchange conducted market research in partnership with the IDP Foundation, Inc. Researchers interviewed a random sample of 242 school proprietors in seven low-income districts, providing the basis for projecting characteristics and market potential for the entire private school sector in Accra.

Our research indicates that private schools in Accra:

- » Form a mature market of approximately 3,500 schools, the majority of which have been in business for 10 years or longer, and 77% of which are profitable
- » Operate in a supportive regulatory environment
- » Serve 55% of all school children, including 77% of all pre-primary students
- » Provide multiple levels of education; within the sample, the most common arrangement is the "basic school" which offers pre-primary, primary and junior high classes
- » Want to borrow to expand their facilities, representing a **\$202 million** market potential for credit over the next three years

## **FINDING 1: Low-fee private schools are mature, registered, and growing in number**

Private schools are long-standing partners in Accra's education sector. Among the 242 surveyed schools, 82% have been in business for five years or more and 64% for 10 years or more, with an 8% annual growth in school formation over the past decade. Ninety-three percent are run as private businesses, 82% own the premises they occupy, and 93% of proprietors own only one school.

On a citywide basis, enrollment in private schools increased by 14% or more at all levels except senior high school between 2014 and 2015, according to the most recent data available from the Ghana Education Service (GES). Although basic education (ages 4 -15) has



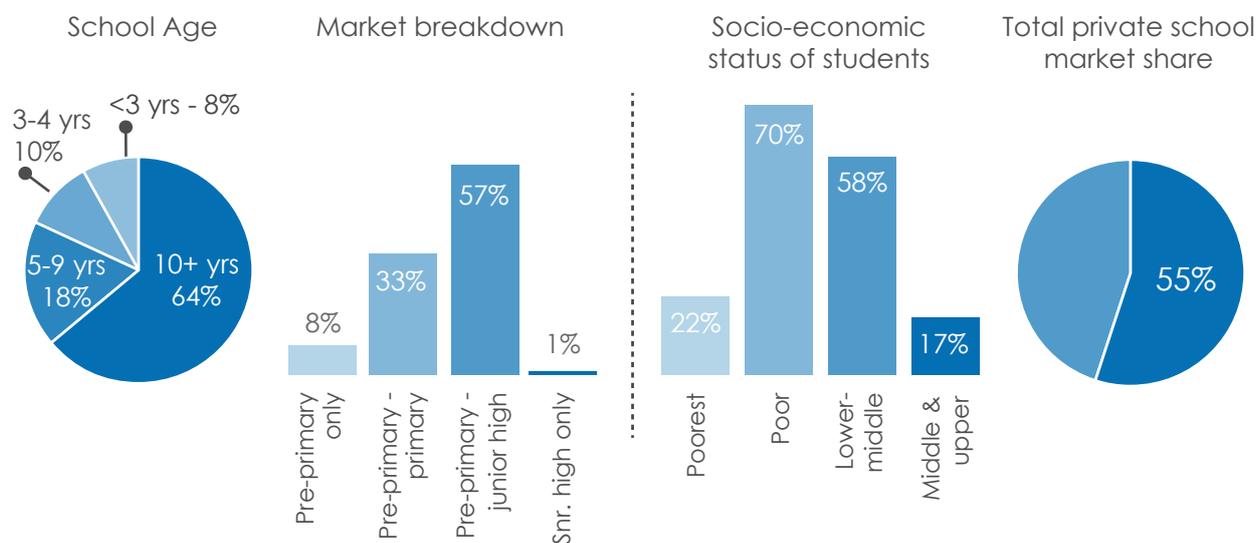
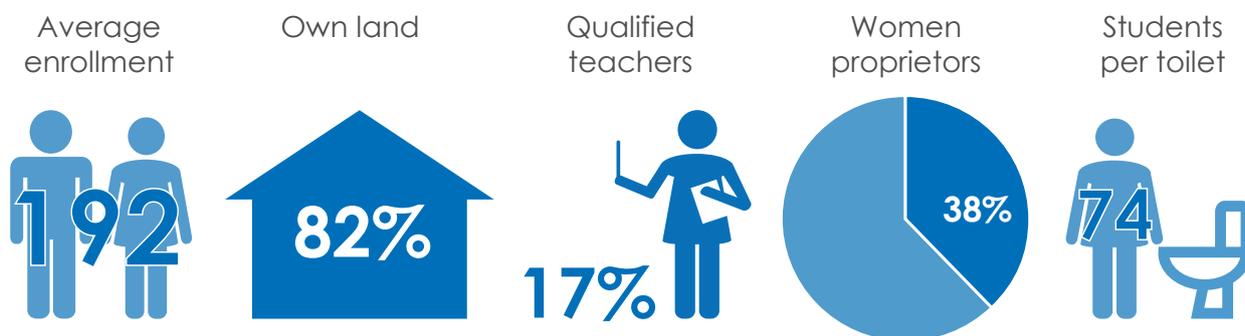
*This paper is based on field research sponsored by IDP*

*Foundation and conducted by CapPlus. Data collection and analysis took place from November 2017 through February 2018 under Dr. Joanna Harma's direction; Peter Hinton conducted the financial demand analysis. To identify low-fee schools in Accra, researchers conducted mapping fieldwork in seven low-income districts and identified 626 schools, 526 of which were private schools. A random sample of 242 schools was selected for in-person interviews. This study complements similar research CapPlus conducted in 2016 in Abuja, Nigeria; Dar es Salaam, Tanzania; Kampala, Uganda; Lusaka, Zambia; and Nairobi, Kenya, as well as a 2016 IDP Foundation-commissioned report on education in Ghana, Understanding Household and School Proprietor Needs in Low-Fee Private Schools in Ghana.*

been free for a decade, 77% of pre-primary students attend private schools, as do 55% of primary students, 48% of junior high school students, and 13% of senior high school students. As of the 2017-2018 academic year, government senior high schools are now free, which is likely to further increase their enrollment.

Eighty-three percent of the surveyed schools are registered with the GES, which oversees the public and private school sectors, and 13% have begun the process. The GES is more flexible than regulatory bodies in other cities studied, registering schools that have not yet met all requirements with the expectation that they will improve over time. It was reported that the GES rarely closes schools. Both of these factors reduce risk for financial institutions that lend to schools.

### CHARACTERISTICS OF ACCRA LOW-FEE PRIVATE SCHOOLS



### FINDING 2: Schools can serve the poor and operate profitably

A strong majority of the surveyed schools are profitable while serving poorer households. Two main factors correlate statistically in our sample with school profitability, and therefore with the ability of a school to repay a loan: size and age. Schools with 225 or more students, as well as schools older than 18 years, are more likely to be profitable to a statistically significant degree, although some smaller and younger schools are also profitable.

Thirty-nine percent of the surveyed proprietors say parents are always or mostly reliable with school fee payments. Key informant interviews corroborate this finding, and note that about 35% of fees are typically paid late. To smooth the expense for low-income families, 8% of the surveyed schools charge fees on a daily basis. Eighty-six percent of sample schools also charge lunch fees, which are collected daily and add between 60% and 97% of the base school fee to their revenue, often driving profitability.

Among the surveyed proprietors, 22% perceive that they serve the “poorest of the poor,” about the same percentage as in Dar es Salaam, Kampala, and Lusaka. In contrast, 70% report serving “poor” students, far more than reported in Dar es Salaam (51%) and Kampala (54%), and slightly more than in Lusaka (66%). Not surprisingly, insufficient income and erratic cash flow are the two most-cited challenges proprietors say they face in managing, growing, and improving their schools, with the third greatest challenge being lack of access to credit.

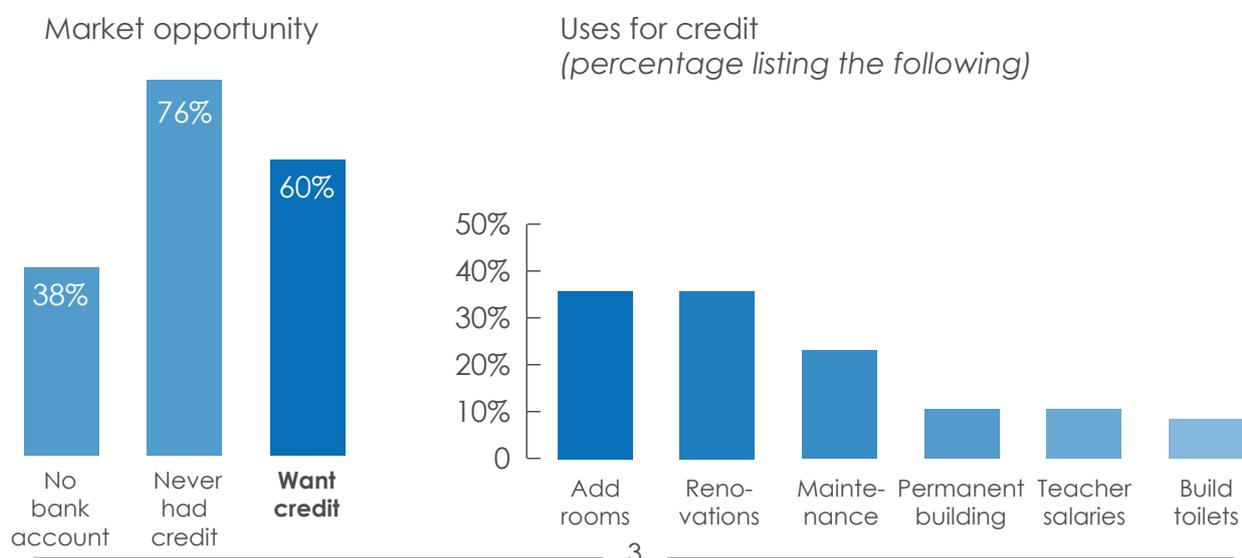
### FINDING 3: Private schools are a high-potential market for financial institutions

Seventy-six percent of the surveyed school owners have never had a loan and 38% do not have a transactional account with a financial institution. Nonetheless, 60% of the sample schools want to borrow in the next three years. Facility expansions and improvements top the list of reasons why proprietors say they want credit.

Of the 24% of sampled schools that have a past or current loan, the mean loan amount was about \$3,500 with significant variation—the smallest loan was \$220 and the largest \$22,000. Microfinance institutions made 68% of the loans, a much higher market share than in other cities studied, which partly explains the low mean loan size. Banks made 25% of the loans, and the rest came from informal sources.

Based on our analysis of the sample schools’ finances, their stated demand for finance and ability to repay loans, and the estimated share that low-fee schools represent of the total private school market, we estimate a **mean loan amount of \$20,000** for the overall private school market. We estimate that **77% of all private schools are profitable**, a conservative estimate given that 82% of the schools have been in business for five years or more. In Accra, private schools represent a **\$202 million market potential for credit** over three years and **\$168 million in transactions** that could be captured.

#### ACCRA LOW-FEE PRIVATE SCHOOL FINANCING NEEDS



## CONCLUSION: Business opportunity and social benefit

The private school sector in Accra represents a market potential of \$202 million in loans over three years, and is stable, mature, and operating in a supportive regulatory environment. Proprietors need credit to improve and expand their facilities to accommodate the growing number of children and invest in improving learning outcomes.

Given the size of the market, CapPlus believes banks can profitably provide credit and deposit services to schools and parents, while also catalyzing financial management and education quality improvements through loan conditions and incentives—enhancements that increase school profitability. The IDP Rising Schools Program in Ghana has demonstrated that when school borrowers receive training in financial literacy and school management as a condition of their loans, they are more likely to operate profitably.

Investments in education are in the best interest of all stakeholders. Banks can grow a sustainable business while compelling educational improvements and generating brand loyalty. Schools can expand access to education and compete on the basis of education quality. Moreover, schools will prepare girls and boys to become skilled, productive, and engaged adults with greater possibilities for social and economic equity, contributing positively to Ghana's future.

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### ON EDUCATION QUALITY

*Many parents in Accra reportedly believe private schools provide a better education than public schools. James Tooley and Pauline Dixon substantiated this perception when they found that private primary school students in the Ga district of Ghana achieved higher math and English scores than government school students on an exam designed to test this assumption (Private Education is Good for the Poor, 2005).*

*Better learning outcomes do not necessarily correlate with official teacher qualifications, however. Among the surveyed schools, 17% of teachers meet government standards for teacher qualification, compared to 82% of government school teachers in low-income areas.*

*The schools we surveyed are nonetheless taking steps to enhance their teachers' skills: 75% of surveyed schools provide teacher training, a much higher percentage than in the other cities surveyed.*



[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.



The [IDP Foundation, Inc.](#) is a private non-profit foundation established in 2008, dedicated to encouraging and supporting the development of innovative and sustainable solutions to complex global issues. The IDP Foundation's keystone initiative is the [IDP Rising Schools Program](#), an education finance and training initiative, which was developed in Ghana as a model for improving educational infrastructure in existing low-fee private schools that serve low-income communities.