Bath Social & Development Research Ltd

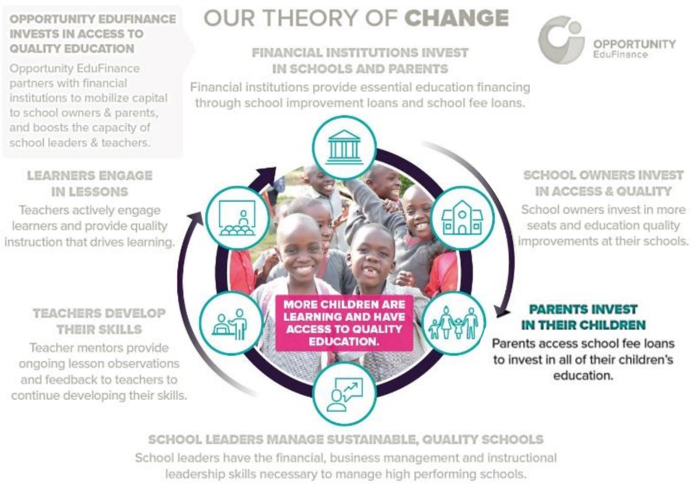
QuIP Qualitative Impact Protocol

QuIP Report - EduFinance, Kenya

January 2022 - Study Brief

Opportunity EduFinance commissioned this ***Qualitative Impact Protocol*** **(QuIP)** study from Bath Social & Development Research Ltd. to conduct independent confirmatory and exploratory research into their programme model and theory of change.

The study was conducted with intended beneficiaries from one financial institution in Kenya, focusing specifically on one element of the Opportunity EduFinance theory of change: **that parents who access school fee loans will invest in all of their children's education.**



The QuIP's deep-dive approach prioritises the voices of intended beneficiaries - in this case, parents - through semi-structured interviews focused on their perceptions and experiences of changes over time. In total, 45 respondents were interviewed by a semi-independent team of local researchers.

Overall findings from the study revealed –

Covid-19 school closures…

- Affected **children's** performance, wellbeing, and behaviour
- Impacted **parents'** ability to pay for fees when schools reopened

School fee loans…

- Were used by some families as an **effective tool** to keep their children in school
- However, parents' **experiences and perceptions of loans** varied across the sample.

Families were asked about their experiences accessing and financing schools for their children. Key findings that led to the study's overall findings – beyond the implications of COVID-19 school closures - are outlined below.

Attendance. Most households had at least one child enrolled in private school, with 10 of 42 households reporting children enrolled in both public and private schools.

Absenteeism. Households with a school fee loan reported a lower rate of absenteeism over the last 3 years (12/18) than households without a school fee loan (21/28).

Drop-out. 3 out of 45 households reported their child had dropped out of school at some point over the last 3 years, none of whom had received a school fee loan. All reported the reason for drop-out as challenges financing education.

> "I get less money and couldn't have both children in private school. This is why I moved the girl to a public school. My girl did not want to go to school when I transferred her to a public school because they are not that good. My son was also sad because he didn't want his sister to go to another school." (R31)

School-Transfers. 14 households explained their children had transferred to new schools over the past 3 years, with the main reason reported as the inability to pay for school fees. In cases where one child was removed from private school, it was more likely to be the girl child.

Financing Education.

- Of households using a school fee loan, 7/18 reporting spending ≤$125 per child per term on education, and 11/18 reported spending ≤$150.
- Of the 38/45 households that reported struggling to pay for education over the last 3 years, 26 of those households had not received a school fee loan.
- Of those families struggling to pay school fees – most of whom had not received a loan – the majority of children were temporarily absent from school.
- 18 respondents explained why they had decided not to take a school fee loan, with the most commonly cited reasons being high interest rates and expense, followed by fear of debt and lack of income/collateral.
- The most common reason given for being able to pay for school fees & materials was accessing a loan for education, with a few respondents clarifying that accessing a loan for education freed up money to pay for other household needs at the same time.

> This has been a difficult time for me as my children are sometimes forced to be out of school due to lack of fees and education needs. This has really upset me, but I am planning on other ways to generate income." (R13)

In the below, Opportunity EduFinance reflects on the key findings from the study and implications for financing education.

“ Opportunity EduFinance believes that through access to quality education, children will ultimately have improved livelihoods, reducing the cycle of generational poverty. **The EduFinance theory of change is predicated on parents making school choices for their children that lead to meaningful learning.** To do so, many parents in low- and middle-income countries must be able to finance and pay school fees for non-state education. To provide greater context and continue informing our work, EduFinance commissioned this QuIP study on School Fee Loans.

Covid-19 had a significantly negative impact on family income. The report demonstrates that there was a reduced ability to pay for education, which unsurprisingly impacted children’s overall wellbeing and behaviour, in addition to performance when they returned to school.

The study, however, reveals that parents highly value their children’s education. Households prefer to make other sacrifices first before their children are pulled from school, ranging from working longer hours to reducing the quantity/ quality of food consumed.

School Fee loans were demonstrated to improve families’ ability to pay for education which resulted in reduced absenteeism and drop-out, and greater wellbeing as reported by parents. Absenteeism from school is most frequently driven by a reduced ability for families to pay for education. While drop-outs were reported infrequently, parents with school fee loans were able to avoid their children dropping out of school. Several families explained the loan for school fees freed up money to pay for other households needs, improving family wellbeing.

School Fee loans were used by families with children enrolled in low-fee schools, as indicated by the 7/18 families with active loans reporting spending less than ≤$125 per child per term, and 11/18 spending ≤$150. Opportunity EduFinance has developed a methodology, adjusted for rural and urban settings, to determine if a school’s fees would be affordable to a low-income family. In Kenya, this urban adjusted average school fee threshold is ~US$114 per child per term. **Overall, more than 60% of respondents with a school fee loan spent approximately 130% or less of this threshold on school costs.**

This study also highlights the need for financial institutions to carefully consider the design and appropriateness of a loan for each household. School Fee Loans can be appropriate for some families to smoothen income, ensure that their children do not face a period of absenteeism, and send all children in the family to the school of their choice.

But it is also clear that loans can cause significant financial stress and have a negative impact on wellbeing if the household is unable to afford it. Lending to a family that cannot reasonably afford repayment can lead to further indebtedness by taking another loan, begging for financial help, and even pulling their children out of school.

By focusing on appropriate design of School Fee Loans, Financial institutions can alleviate many of the concerns that parents have when considering a loan.

- Well-aligned product design results in lower defaults, which can allow the financial institutions to offer the product at lower interest rates.
- A shorter duration of the loan period (a single school term) means that parents can avoid getting heavily indebted.
- Flexible repayment terms and strong staff training and relationship management can also ease parents concern about the strict requirements of a financial institution.
- Finally, parents need to be equipped with the financial literacy required to manage a loan when taken out for school fees.

EduFinance continues to deepen our work with financial institutions on product design in order to achieve these aims through the EduFinance Technical Assistance Facility (ETAF). Studies like this are important to continue monitoring the appropriateness of loan products over time, reconfirming our theory of change and identifying opportunities to further support our partners with additional technical assistance, keeping the borrower – low-income families with school-aged children - at the centre of our design strategy.

For more information on our EduFinance Technical Assistance Facility, visit ***edufinance.org.***