

# 1 Education and Microfinance

## How microfinance improves access to education

*LMDF has chosen to focus on education in this semi-annual report. Although education is a basic human right, many of those living in the countries in which LMDF works have very limited access to even basic schooling. This report examines the importance of education and how microfinance can be combined with education initiatives to reach those most in need and help to break the poverty cycle.*

### Education – a global concern

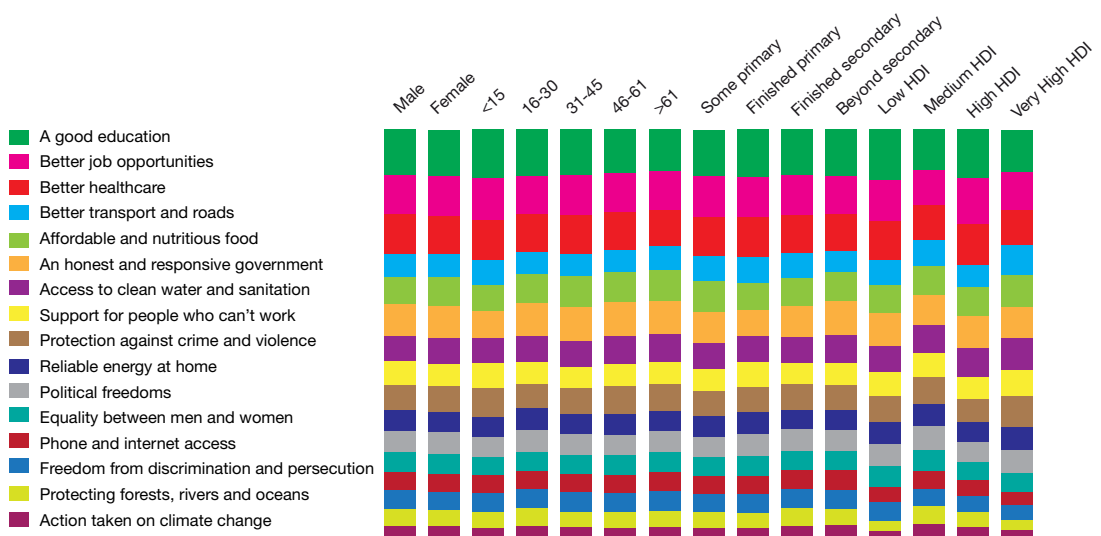
9.7 million people have responded to the UN's My World Survey. The survey focuses on what issues are most important to respondents, from healthcare to job opportunities, from climate change to political freedom. Among all age groups, people from all education levels

and people from all geographies, at each level on the HDI Index, one area was clearly the top priority: "A good education."

### Why such a priority?

Individuals across the globe are clearly aware of the benefits that education can bring. Each year of schooling increases an individual's earning power in future years by up to 10% and researchers estimate that if every child learned to read, around 170 million fewer people would live in poverty. It also has a dramatic impact on infant and maternal healthcare and increases awareness and prevention of life threatening diseases such as HIV and Malaria.

GRAPH 8:  
THE UNITED NATIONS GLOBAL SURVEY FOR A BETTER WORLD



Source: [www.data.myworld2015.org](http://www.data.myworld2015.org)

## The current situation

The situation has improved in recent years. Global development agendas have emphasised the universal right to education and have acted as a catalyst for improvements in the field. This is highlighted by the disparity between the proportion of the population which is now enrolled in secondary school compared with the proportion of the population over 25 which has received some secondary education. As a result of the Millennium Development Goal - “MDGs”, there has been a particular focus on primary education and global net primary school enrolment was up to 91% (from 83% in 2000).

Looking at the statistics in aggregate only tells a fraction of the story. Around the world,

the situation is very varied. Several of the countries that LMDF works with in West Africa still struggle with primary school enrolment, let alone secondary or tertiary education. In the East Asian countries with which LMDF works, primary school education is close to universal, yet quality of education and access to secondary education remain a considerable challenge. In Latin America, the situation is very mixed. Access to secondary education still remains a problem in several Central American countries. Even in countries which have a relatively successful educational track record, such as Peru and Ecuador, there are still certain populations who are likely to be excluded, such as those from ethnic minorities or living in remote rural areas.

GRAPH 9:  
EDUCATION DATA FROM LMDF PORTFOLIO COUNTRIES

Country	Population with some secondary education	Net enrolment ratio Primary	Net enrolment ratio Secondary	Gross enrolment ratio Tertiary	Primary school dropout rate	Pupil teacher ratio	Public expenditure on education (% of GDP)
Guatemala	22.6%	86.4%	46.7%	19.0%	33.3%	26	2.8%
Honduras	27.0%	94.0%	49.3%	21.0%	30.3%	34	-
El Salvador	39.8%	93.1%	70.2%	25.0%	16.2%	24	3.4%
Nicaragua	38.9%	96.9%	48.9%	-	51.6%	30	4.4%
Peru	61.1%	92.8%	78.4%	41.0%	26.1%	18	3.3%
Ecuador	39.8%	94.7%	82.5%	41.0%	11.1%	19	4.4%
Haiti	28.5%	42.4%	-	-	-	-	-
<b>Av. LACAR</b>	<b>36.8%</b>	<b>69.6%</b>	<b>62.7%</b>	<b>29.4%</b>	<b>28.1%</b>	<b>25.2</b>	<b>3.7%</b>
Azerbaijan	95.5%	95.1%	88.0%	20.0%	1.8%	12	2.4%
Mongolia	84.8%	94.9%	81.9%	62.0%	9.1%	28	5.5%
Indonesia	44.5%	89.7%	75.0%	32.0%	11.0%	19	3.6%
East Timor	-	96.6%	51.8%	18.0%	16.4%	31	4.9%
Philippines	64.8%	96.0%	67.4%	28.0%	24.2%	31	3.4%
Cambodia	15.5%	94.7%	38.2%	16.0%	35.8%	47	2.6%
<b>Av. Asia</b>	<b>61.0%</b>	<b>94.5%</b>	<b>54.7%</b>	<b>29.3%</b>	<b>16.4%</b>	<b>28</b>	<b>3.7%</b>
Morocco	25.3%	98.4%	56.1%	16.0%	10.7%	26	6.6%
Burkina Faso	2.0%	67.4%	21.2%	5.0%	30.9%	46	3.4%
Ivory Coast	22.4%	74.7%	-	9.0%	26.9%	41	4.6%
Benin	19.2%	95.9%	42.0%	12.0%	46.8%	44	5.3%
Niger	5.2%	61.0%	15.7%	2.0%	30.7%	39	4.4%
Mali	4.0%	59.4%	34.6%	7.0%	38.4%	41	4.8%
<b>Av. Africa</b>	<b>13.0%</b>	<b>76.1%</b>	<b>33.9%</b>	<b>8.4%</b>	<b>30.7%</b>	<b>39.5</b>	<b>4.9%</b>
Luxembourg	100.0%	92.5%	85.4%	20.0%	-	8	-

Source: HDI 2015 / World Bank - most recent available data



Only 59% of children are expected to finish primary school in Niger // ASUSU

## What is limiting access?

Many governments, particularly in poorer countries, which have traditionally funded education, do not have enough resources to direct towards education. UNESCO studies have shown that there is a USD 26 billion funding gap for basic education alone, if lower secondary education is also taken into account this increases to USD 38 billion per year.

Moreover education resources are not necessarily allocated appropriately and do not reach those in the greatest need of education. UNICEF research found that “about half of all public education resources are allocated to the 10% of students that are most educated. Resources to the wealthiest quintile of children are up to 18 times larger than those to the poorest quintile”.

## The role of microfinance

Education is clearly a good investment. It promotes the careers of those who receive it, but it also has repercussions on all areas of their lives, from health to childcare to empowerment. Those with an education can expect to go on to earn more than others in their community and to have more success running their businesses. This in turn helps to alleviate poverty and the ripple effects can bring prosperity to whole communities.

However governments cannot provide sufficient funding and those most in need are not normally in a position to make the long-term investment into their own human capital

that an education requires. Paying for an education requires sacrificing current income, in the hope of higher returns in the future. Those living near the poverty line cannot afford to defer this expenditure. On the supply side, conditions and even the provision of schools remains extremely poor in many countries.

Microfinance institutions can step in as an intermediary, giving those who would not otherwise have the chance to access education the chance to do so. Access to finance ensures that micro-entrepreneurs do not have to sacrifice their current income, but instead can defer payment until they have the higher income that education will achieve. By receiving education themselves, micro-entrepreneurs gain the chance to improve their businesses, achieve a higher degree of financial literacy and give their businesses the best chance of survival. Those who receive educational loans to access university or professional training courses will also have the doors opened to more highly paid careers. Those who access loans for their children are able to give them the best possible chance of success.

Microfinance firms also have a role to play in addressing supply side challenges. They may run projects to improve schools' infrastructure and administration. They can also help to ensure that education reaches those in greatest need through the provision of affordable private schools.

A good education is the door to future success, and microfinance can contribute to this future.