

# Banking ON Education

## Abidjan, Côte d'Ivoire

June 2018

Abidjan's **2,400 private schools** represent almost half of all schools in the city and **serve 54% of the city's school children**. Approximately **70% of private schools operate profitably** while providing critical access to education. New schools have opened at a rate of 7% per year for the past 20 years.

The schools represent a **\$200 million market potential** for financial institutions to extend credit. They also **handle \$153 million in cash transactions** that could be captured.

These are just some of the findings from CapitalPlus Exchange's market research into low-fee private schools in Abidjan. CapPlus' data comes from in-person surveys of 150 school proprietors operating in low-income districts, and provides the basis for projections of market size and demand for finance for the entire private school sector.

### **FINDING 1: Low-fee private schools are large, well established, and registered**

The in-depth interviews with low-fee private school proprietors revealed that 65% have been in business for ten years or more. Eighty-five percent of the schools operate as private businesses, 47% own the premises they occupy, and 27% of proprietors operate between two and five schools. Women own 18% of the sample schools, in contrast to other cities studied, in which women owned between 38% and 52% of surveyed schools.

Average enrollment in our sample is 336 students, significantly higher than seen in the other cities we have surveyed. Even that large number belies the significant size of a few schools in the sample, three of which had more than 2000 students. Sixty-one percent of sample schools and 73% of all identified schools provide multiple levels of education, such as pre-primary and primary.

Private pre-primary education is much rarer in Abidjan than in other cities studied: only 5% of the private school student population is pre-primary, although 10% of private primary students are underage. In contrast, 51% of private school enrollments are in secondary schools, much higher than CapPlus has seen elsewhere. Overall, 70% of secondary school children in Abidjan attend private schools.

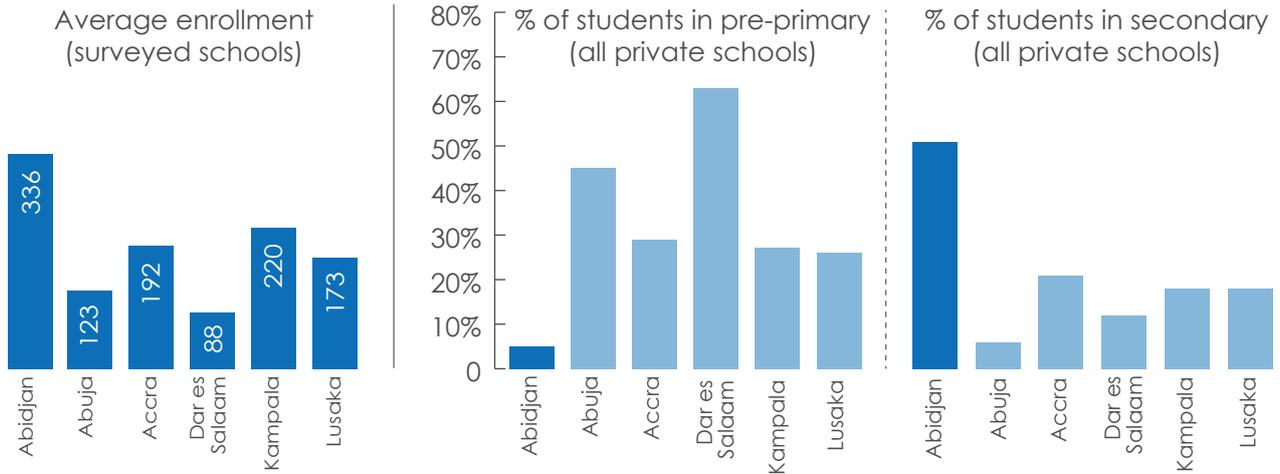


This paper is based on CapPlus' field research funded

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Data collection occurred in March 2018, directed by Dr. Joanna Härmä with the assistance of NOI Polls; Peter Hinton analyzed market potential. The researchers walked through the low-income districts of Abobo, Yopougon, and Port-Bouët and identified 418 schools, of which 344—or 82%—were private. A random sample was selected for interviews, but some schools were unavailable. As a result, secondary schools are under-represented in the final sample (16% in the sample versus 28% in the list of 344 found schools). This study complements similar research CapPlus conducted in 2016 and 2017 in Abuja, Nigeria; Accra, Ghana; Dar es Salaam, Tanzania; Kampala, Uganda; Lusaka, Zambia; and Nairobi, Kenya. CapPlus thanks our partner, IDP Foundation, for seconding Desiree Acholla to the onsite team.

## ABIDJAN'S PRIVATE SCHOOLS COMPARED WITH OTHER MARKETS



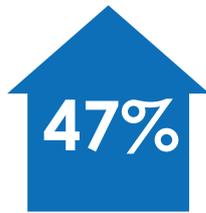
Seventy-six percent of schools in our sample are registered with the Ministry of Education (the *Ministere de l'Education Nationale, de l'Enseignement Technique et de la Formation Professionnelle*) and another 10% are in the process of becoming registered. The registration requirements enable new schools to open and then apply for a provisional license that allows them to operate for five years while fulfilling the criteria for full registration. Almost all schools—registered and unregistered—reported having been visited by a regional government official in the previous year.

## CHARACTERISTICS OF SURVEYED SCHOOLS IN ABIDJAN

Average enrollment



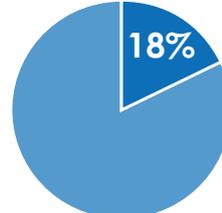
Own land



Qualified teachers



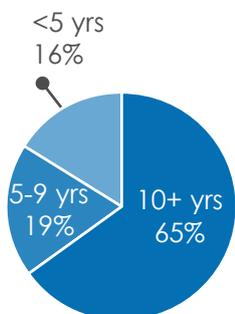
Women proprietors



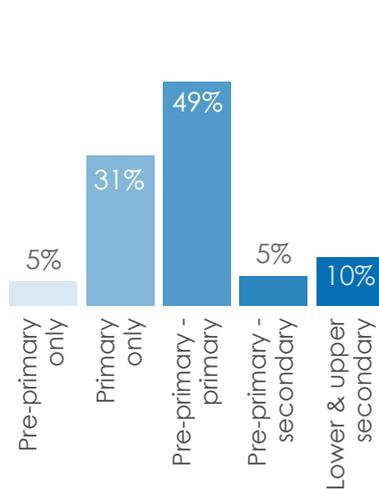
Students per toilet



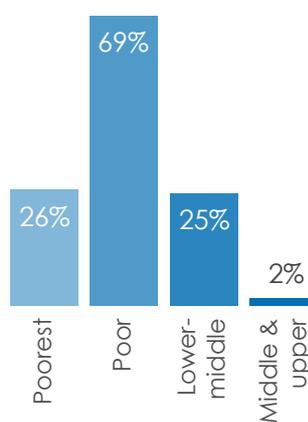
School age



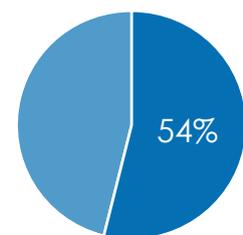
Market breakdown



Socio-economic status of students



Market share (all private schools)



## FINDING 2: Low-fee private schools are profitable

We estimate that approximately 70% of the sample schools operate profitably, earning an average annual profit of \$13,000 once outliers are removed, although 10% generate profits greater than \$30,000. These calculations are based on an average fee collection rate of 75%, which proprietors say is typical. School fees within the Abidjan sample are low compared to what we have seen elsewhere, but Abidjani schools are nonetheless profitable because of their large enrollment.

Predictably, two main factors correlate statistically in our sample with school profitability: size and age. Schools achieving enrollment of 355 students or more are likely to be profitable, as are schools founded between 1997 and 2008. Registration status has no relationship to profitability.

The surveyed schools serve a larger proportion of very poor and poor students than the schools in other cities we studied: 26% of proprietors perceive that they serve the “poorest of the poor,” and 69% report serving “poor” students. Educating low-income students can make fee collection difficult; proprietors most frequently name “fees not paid in full” as their main challenge.

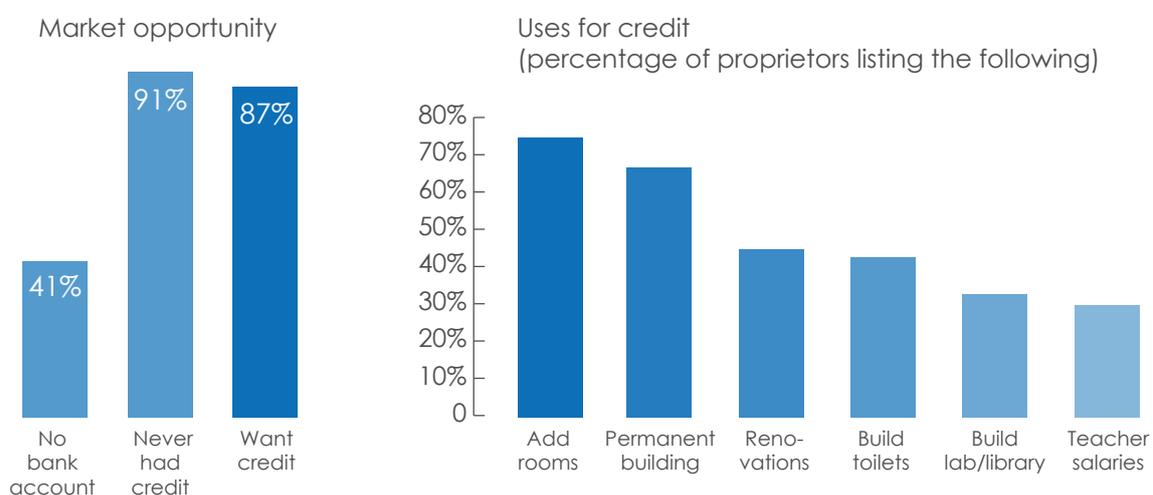
Profit for some secondary schools is enhanced by a public-private program in which the Ministry of Education assigns qualifying students to attend a private school and pays the fees. This encourages secondary school enrollment beyond what the government can accommodate in its schools. Eleven out of 24 (46%) of the secondary schools in our sample enrolled government-sponsored students. The standard per-student government payment is higher than the fees normally charged by the schools in our sample, though payments often arrive a year or more late. Nonetheless, the participating schools we spoke to earn an average of \$32,000 in additional income.

## FINDING 3: Low-fee private schools want credit to expand their capacity

Only 9% of the sample schools have ever had a loan with a financial institution, a striking contrast to the other cities studied, especially given the maturity of the Abidjani private school market. Similar to the other cities, however, 59% have transaction accounts with a commercial bank or microfinance institution. Among borrowers, the average loan amount was \$7,000. Looking to the future, 87% of sample schools say they want to borrow in the next three years.

The most frequently-stated reasons to borrow are to build additional classrooms, construct a new building, make renovations, build a toilet, or develop facilities such as a laboratory or library. Adding capacity to the schools will allow them to increase enrollment and therefore income.

### ABIDJAN LOW-FEE PRIVATE SCHOOL FINANCING NEEDS



We estimate that profitable low-fee schools could afford loans of between \$7,000 and \$10,000. Schools participating in the government's secondary school program could afford much larger loans, as could schools serving higher-income families. Thus, for the entire sector we estimate an average loan amount of \$24,500.

## **CONCLUSION: Business opportunity and social benefit**

Abidjani private schools represent a **\$200 million market potential** for credit and an opportunity for banks to facilitate **\$153 million in cash transactions** handled by the schools. They are part of a mature and profitable market operating in a cooperative regulatory environment. Proprietors identified "access to credit" as their second greatest challenge, one that must be solved if they are to improve their quality and increase enrollment.

Investments in education are a critical need for Côte d'Ivoire given its ongoing recovery from the political and public health challenges of the last two decades. Indeed, the World Bank found that only 15% of children in the country achieve the minimum primary school proficiency in *both* reading and math. Given that private schools serve more than half of all Abidjani schoolchildren, they play a key role in providing a quality education.

Financial institutions can also play a role by delivering services tailored to allow schools to improve their financial stability while driving stronger education outcomes. Similarly, financial institutions could finance school fees for parents and facilitate payments, which will contribute to household financial resilience. By serving these stable and growing small businesses and the families they serve, banks can build a profitable and loyal customer segment and contribute to Côte d'Ivoire's economic development.

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### **ON EDUCATION QUALITY**

*Effective teaching is necessary for better learning outcomes. Only 23% of teachers in the sample schools meet government standards for teacher qualification, though 75% of the schools have at least one qualified full-time teacher. The secondary schools have a higher percentage of qualified teachers, and many report employing qualified government teachers part-time to supplement their teacher corps. The pattern of low teacher qualification is so prevalent that it doesn't appear to be a competitive disadvantage among private schools. Our profitability analysis shows no impact from having qualified teachers on staff.*

*The surveyed schools are nonetheless taking steps to enhance their teachers' skills: 93% report that they invest in teacher training, spending an average of \$91 per year per school. Proprietors also say they would provide more teacher training, curriculum, lesson plans, computers, and books to improve learning outcomes if they had the means.*

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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.