

When Microfinance Shakes Hands with Education

Nathan Byrd, head of education finance at Opportunity International, highlights how microfinance can help overcome top education challenges in developing countries.



The microfinance organization Opportunity International (Opportunity) began exploring the intersection between microfinance and education several years ago to address the significant challenges clients faced in educating their children. Today, Opportunity is impacting an estimated one million children through its education finance initiative and develops sector-specific financial tools to meet pressing needs in low-income communities. Education finance leader Nathan Byrd explains how Opportunity is leveraging microfinance to improve educational outcomes.

Allison Bearden: What is the education finance initiative?

Nathan Byrd: The education finance initiative adapts the traditional microfinance model to help students, families and schools overcome the challenges that prevent children from finishing school in the developing world. In Africa, the largest obstacles to educational completion are cost, proximity, quality, employment relevance and family emergencies, such as the unexpected death of a parent. The education finance initiative offers solutions in lending, savings, insurance and training which equip our clients to overcome the key education barriers they contend with to access high-quality schooling.

How does a microfinance organization effectively promote educational reform while also enhancing financial inclusion?

Opportunity offers financial services and training to the key players in the education sector to keep children learning. We have designed products that help struggling parents afford

school fees over the long term and that offer a safety net to keep their children in school when tough times arise. In some countries, we lend to students so they can graduate from university or trade school. We also provide tailored loans and training services to low-cost private schools in low- and middle-income communities.

Why do you lend to private schools?

Over time, we have learned that a growing private school can effectively address both access and quality of education issues within a community while also making meaningful contributions to its economic development. Seven years ago, Opportunity provided a loan to the owner of a low-cost private school in a small Ghanaian fishing village. The school was started by a local woman after she noticed that many children in her community were unsupervised while their parents worked. She opened the school in her home with just ten students, but had a vision for something greater that would fundamentally change her community. Through receiving several loans over time, this school owner was able to buy land, build a school-house and repay the bank through receiving school fees from an increasing number of students. Today, she has expanded her school to more than 500 students. As a result of the school's growth, people in her community report that they have witnessed changing social norms in favor of school attendance for children. The school has also employed not just teachers, but also security guards, construction workers, cooks, carpenters, drivers, and other suppliers – creating many new jobs. Additionally, new businesses have started around the school to meet its needs and provide products and service to people who are now employed as a result of the school.

Do you partner with other organizations through education finance?

Yes, by working with leading organizations, we can focus on our core areas of expertise while achieving key development outcomes through multiple interventions. For example, we partner with education technology providers in Africa to provide low-cost private schools with financial tools and expertise, for example to build computer labs designed with students and low-income communities in mind. We also provide child savings accounts alongside after-school training on social, financial and entrepreneurial themes through collaboration with the youth education organization Aflatoun. Aflatoun's training program addresses the critical issue of educational relevance to a student's future employment, while our child savings account helps introduce young people to the formal financial sector. Such partnerships enable Opportunity to offer our impactful financial services alongside non-financial services delivered by expert organizations.

What is your vision for the future of education finance?

My vision for the future involves greater impact, increased sustainability and enhanced scaling of key education finance services, such as school fee loans, across Opportunity's global network of financial institutions. Two high-level strategic decisions will help us achieve these objectives. First, we

recognize that innovation is an iterative process. We therefore operate through a cyclical "(re)design - implement - evaluate" framework to continually refine our products in line with client feedback and shifting needs. Second, we hope that our work will draw more competitors to this market to further catalyze education reform and financial integration. By driving this agenda, we aim to continue making "education for all" an increasingly attainable, sustainable reality throughout the developing world.

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