STUDY SUMMARY

The Impact of School Fee Loans on Educational Outcomes in Uganda

In Uganda, rural households face challenges in ensuring that children attend school due to high school fees and a mismatch in the timing of when fees are due and when income is earned. Researchers are evaluating the impact of a digital school fee loan, with and without a direct repayment incentive, on repayment rates, households' well-being, and students' educational outcomes.

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COUNTRY
Uganda

PARTNER
Fenix International

PROGRAM AREAS
Education, Financial Inclusion

TOPICS
Access to Finance, Digital Finance, Education Quality, Post-Primary Education, Rural Finance, School Attendance

TIMELINE
2019-2020

Policy Issue

Despite evidence supporting the many benefits of education, globally there are 124 million children between the ages of six and fifteen who are not in school.[1] The inability to pay fees and other education expenses may be why many of these children are out of school. Beyond the cost of education, low-income families may face other challenges in paying their children's tuition. Making payments is time consuming and inconvenient, as paying school fees involves a significant amount of time traveling to and from the bank and standing in long lines. The school fee payment schedule also makes it difficult for those with irregular income patterns. While fees are typically required at the beginning of the term, incomes are often seasonal and irregular. Finally, many low-income households have limited access to financial services that could help manage this expense. Financial service providers are beginning to offer a range of digital savings and loan products that help families manage the cost of education. This study contributes to research on how mobile payments and digital finance can affect households' economic well-being and students' educational outcomes.

Evaluation Context

In Uganda, 53 percent of families report having their children sent home because they are not able to pay school fees.[2] Rural Ugandans face major challenges in ensuring that children attend school, as most schools in rural Uganda are private and school fees account for a significant fraction of household income. However, there is a mismatch between when school fees are due and when households earn income, as many rural Ugandans are farmers and two of the three school terms lie outside a significant harvest season. Households have limited access to financial services to help with educational expenses: thirty-four percent of the population has no access to any form of credit (formal or informal), while 45 percent of them have sold assets prematurely to pay for educational expenses.[3] This project aims to increase access to education for households in rural Uganda through a sustainable intervention that combines technology with innovative financial contracting.

Researchers are partnering with Fenix International, the largest solar home system provider in Uganda. Their flagship product, ReadyPay Power, is a lease-to-own solar home system providing lighting, phone charging, TV, and radio, financed through affordable installments paid through mobile money. They combine customer payment histories with additional data sources to create a credit score that enables those living off-grid to access power upgrades and other loans.

Details of the Intervention

Researchers are working with Fenix International to evaluate the impact of a post-primary school fee loan called the ReadyPay School Fees Loan on repayment rates, households' well-being, and students' educational outcomes. Using customer repayment data from solar loans, Fenix pre-approves certain customers for term-length education loans. These loans are made available approximately two weeks leading up to a school term and two weeks following the start of the term, and are disbursed directly to a customer's mobile wallet.

Researchers will randomly assign 71,600 Fenix customers into the following groups. Customers in the process of paying for the solar home system (in-repayment) are required to make a non-refundable UGX 20,000 deposit before they receive the loan, while customers who completed payment for the solar home system are required to make a UGX 50,000 deposit:

Customers in the process of paying for the solar home system (in-repayment)

1. Eligible customers are offered a school fee loan of UGX 100,000 with lockout technology as a direct repayment incentive, where a customer's solar home system is locked by default and can only be unlocked when a customer makes a payment;
2. Eligible customers are offered a no-deposit school fee loan of UGX 80,000 with lockout technology;
3. Eligible customers are not offered loans until the study is over (comparison group).

Customers who completed payment for the solar home system

1. Eligible customers are offered a school fee loan of UGX 300,000;
2. Eligible customers are offered a school fee loan with lockout technology; Half are randomly assigned to unexpectedly receive no lock-out;
3. Eligible customers are offered a choice between a loan with or without a lockout system; and
4. Eligible customers are not offered loans until the study is over (comparison group).

Researchers will conduct an initial survey in 2019 and a follow-up survey in 2020 to evaluate the impact of the intervention on loan repayment rates; households' economic outcomes such as income, debt, and asset holdings; and students' educational outcomes such as school enrollment, absenteeism, and test scores.

Results and Policy Lessons

Study ongoing; results forthcoming.

Sources

[1]UNESCO, 2015. "A growing number of children and adolescents are out of school as aid fails to meet

the mark."
https://en.unesco.org/gem-report/growing-number-children-and-adolescents-are-out-school-aid-fails-meet-mark

[2]Intermedia, 2016. "Wave 3 Report FII Tracker Survey."
http://finclusion.org/uploads/file/reports/InterMedia%20FII%20Wave%203%20Findings%20Uganda.pdf

[3]Waldron, Daniel, Chris Emmott, 2018. "Off-grid solar company helping customers pay school fees." CGAP. https://www.cgap.org/blog/grid-solar-company-helping-customers-pay-school-fees

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