POLICY BRIEF

# Targeted Household Credit Reduces School Dropout for Girls in Fragile States

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## Executive summary

Inclusive and equitable quality education, and the promotion of lifelong learning opportunities for all, is the focus of UN's Sustainable Development Goal 4. Furthermore, educating girls is one of the pathways to realising Goal 3 that is, improved Health and Well Being. According to UNESCO, educating all women up to primary school would lead to 15% fewer child deaths, and 50% if all women are educated up to secondary school. Yet when families face liquidity constraints,

they tend to invest less in girls education compared to boys. This situation is elevated in fragile or post-conflict settings, where households are striving to rebuild livelihoods.

One way to help households recover post-conflict is through access to finance, such as credit facilities, either for consumption smoothing, or for investment in business activities.

Evidence shows that targeted household credit to education reduces female school dropout by 58.7%. Credit unties short-run liquidity constraints allowing parents to be able to afford to pay tuition and non-tuition expenses for their children.

# Context

Up to 263 million children and youths are out of school. Despite the implementation of universal primary education policies that have seen net attendance reach 87% in 2019, and school completion of four out of five children according to UNICEF, girls account for 49% of school dropouts globally, with 26.4% and 73.6% in the primary and secondary school categories respectively.[1] The World Bank argues that "limited educational opportunities for girls, and barriers to completing 12 years of education, cost countries between US$15 trillion and $30 trillion in lost lifetime productivity and earnings."[2]

Women and children suffer the most in fragile states. This suffering includes sexual violence and poor access to medical care, and disruption to education, which translates into limited job opportunities. Girls often end up as child brides, while boys end up as child soldiers. For instance, in Mozambique, where up to 800 000 people have been displaced due to civil wars and weather related disasters like floods, female school dropouts has been as high as 94% 11% and 1% for primary, secondary and university education respectively. Relatedly, child brides have been at a record high of 50% of girls, while youth unemployment reached a high of 34% in 2015. All these factors combined can push households, communities, and countries below the poverty- line.

Access to finance has proven to be a credible pathway to reducing poverty and inequality. For instance, access to credit enables households to consume today against future incomes, invest in businesses whose returns can be used to increase consumption of services such as health care or education for children, while insurance financial products and platforms provide a form of mitigation and resilience strategies.[3]

1 https://www.worldbank.org/en/topic/girlseducation#1

2 Ibid

3 https://doi.org/10.1186/s40008-020-00214-4

However, the increasing state of fragility of countries due to political unrest, insurgencies, natural disaster like floods and droughts, means that achieving a sustained level of household wellbeing that ensures school completion for both boys and girls, is likely to be an uphill journey.

# Results and implications

Credit that is targeted towards education reduces female dropout by 58.7% compared to generic or non-targeted credit. That is, for every 1000 females who were likely to drop out of school, access to credit leads to a retention of about 600 of them in school. Given that dropout for female is higher than that of males, and that the trends are higher in fragile countries, access to credit promises to reduce gender gaps in education attainment, and hence reducing gender gaps in human capital development.

# Summary of evidence

The results in our research paper not only reflect that female education benefits from access to credit, but they also show that this happens without a corresponding increase in males' drop out. Hence, through increasing access to credit, it is possible improve females' education attainment without penalizing males.

# Critique of policy options

Because these results suggest that household liquidity matters, the often-adopted Free Primary Education (FPE) policy for most developing countries might not necessarily translate into school completion. This is because FPE caters for tuition expenses, while non-tuition expenditures such as the cost of school uniform, school development fund contributions, and boarding for children of higher classes, remain on the household's budget. Therefore, FPE alone may not be a panacea for high female completion. Increased access to credit is a viable complement to FPE to mitigate against female school dropout rates in fragile and post-conflict states.

# Policy recommendations

Access to finance interventions or policies need to be purposeful across a spectrum of household needs. Intersectionality with the education sector implies that school completion can be boosted with an education policy that makes provision for access to education-related credit products such as eduloans. Such products should be accessible at all levels of financial institutions especially micro-credit institutions, which are predominantly community based or in rural areas, where female school dropout is also more pronounced. The case for micro-credit institutions is because mainstream commercial banks are less likely to set-up offices in rural areas partly due to state fragility.

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