

Microfinancing Ghana's Education Development

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Education Development scenario in Ghana

In Ghana there are four components to the national education system. The first component; Pre-school education, is designed for children under the age of 6 years. Typically this education is equivalent by design to the North American kindergarten years. The second component; Primary education, encompasses the years between 6 -12 years of age and is similar to grades 1-6. The curriculum for the Primary education currently has 9 subjects being covered, with recommendations to lower the curriculum to a more focused 5-6 subjects. The third component; Junior Secondary for children 13-15 covers currently 12 subjects with recommendations also to lower the curriculum to 10 areas of study. Junior Secondary is designed to include both academic training along with technical and vocational training in an attempt to address the country's employment needs. On completion of Junior Secondary studies, students are required to complete the Basic Education Certificate Examination (BECE) before moving into the next phase - Senior Secondary education. However, for many eager students of low income and poor families, the thought of attending school remains a dream.

In Ghana and elsewhere in the developing world for example, it costs the poorest 40 per cent of the population over 10 per cent of annual income to send two children to primary school (Oxfam 2000).

There is no doubt that various stakeholders believe increased access to education will be key in any efforts to improve the welfare of the present and the next generation in Ghana. Microfinance may influence the growth of poor households' incomes; it may influence the demand for schooling through the income effect.

The existing scenario in Ghana's educational development is best described as a mixed bag. The point is that education in Ghana is state governed, but there is public and private partnership in its provision and funding.

Government funded schooling, only accommodates a child through to roughly Grade 9, but from that point onward the greater financial responsibility falls onto the individual and their family. The cost of sending a child to any school level in Ghana is financially unthinkable for many families especially in rural poor communities.

Like many other nations of the world, Ghana recognises the importance of education for its economic and social development. Since political independence in 1957, provision of schooling in Ghana is largely determined and financed by government.

Government invests a large share of its budget currently one fifth of its annual spending on education. A review of our education system shows that its development is largely the result of supply side growth. It means that government provides school infrastructure and pay teachers salaries. At present over 99% of teacher training colleges are government owned.

For a fact, Ghana implemented an Educational Reform Program in 1987 to allow education to play a dynamic role in its national development. Between 1987 and 1992 this reform achieved an increase of about 70% in net enrolment ratio for primary education in many districts across the country. But the same period also witness shrinking government budget; hence the state resources could not keep pace with the growing school enrolment.

One grave consequence was the introduction of the controversial policy of cost recovery in education especially at tertiary level in Ghana. Access to tertiary education became severely limited and only affordable by a privileged few. This called for more community involvement in school funding as well as strong private sector partnership.

The focus of this should center on the need to use demand-side financing mechanisms such as microfinance to develop the school system in Ghana. This strategy increasingly integrates poor household economy into education financing equation. One will refer to microfinance practice in Ghana as truly household centred. The demand-side basically identifies educational development as a function of economic resources of a country.

The provision of mechanisms for progressive change in Ghana's educational development was recognised in a National Education Forum in 1994. It is a bottom-up approach that will first of all utilize the community resources available in order to free government resources to the neediest areas of education in Ghana.

Educational benefit of microfinance practice

In the absence of sufficient public finance, the cost of education is being transferred to poor families as part of a creeping privatization of education financing. Households face a bewildering array of education charges, from direct school fees to indirect costs for books, pencils, and uniforms. Parents consistently cite cost as the major factor in deciding to keep children out of school.

Yet various studies relating to education development point to the fact that the lack of using local resources for educational purposes may culminate in a high social cost to society in the long run. The hypothetical question is how can this assertion be true in the context of Ghana's educational development?

Microfinance practice in Ghana aims at providing access to financial instruments for persons hitherto excluded from the conventional formal financial system and includes the productive poor. Susu and other forms of thrift and loan societies constitute a large proportion of local resources which have the capacity to generate funds for Ghana's educational development.

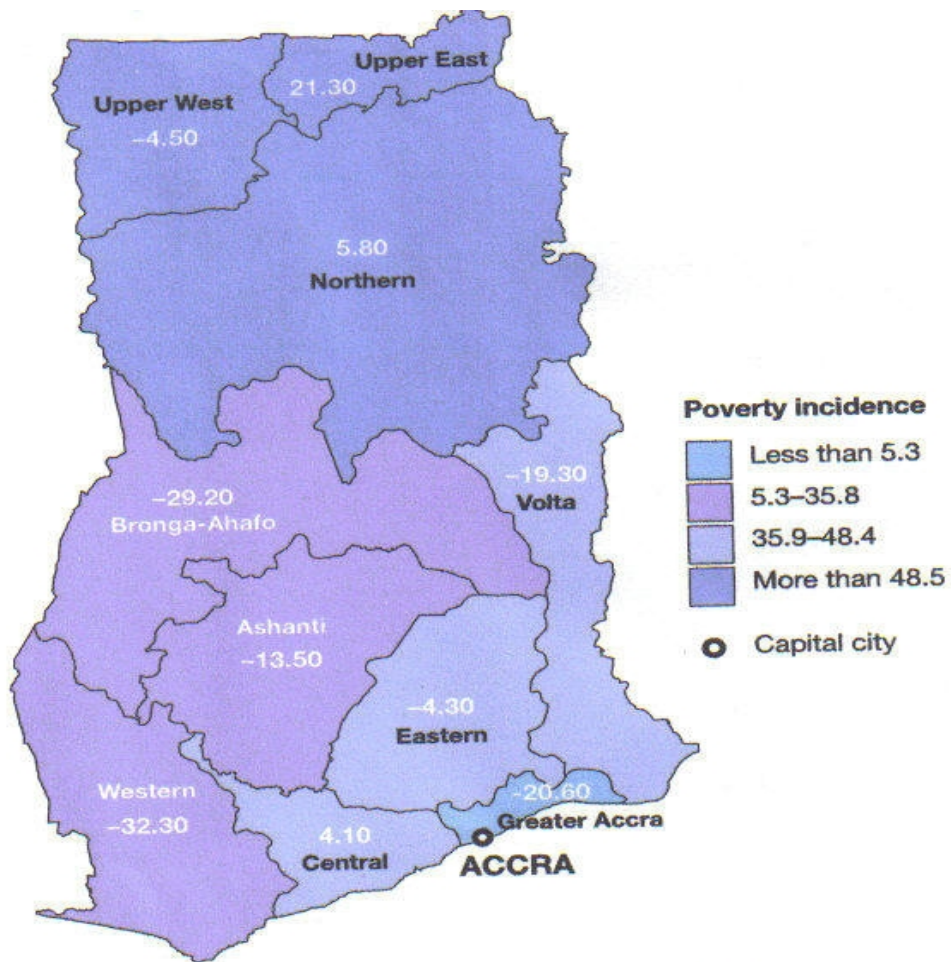
In economic terms, they are flexible financing mechanisms that have no external risks and already popular with local people. It needs to be borne in mind that international competitive market rate of borrowing will drain an economy that needs to double its investment in education. Educational development will draw on financing alternatives that better understands the needs and culture of the society.

Ghana's experience over the years has shown that public spending on education is often inefficient due to misallocation of resources. There are many instances where textbooks and school workshop equipment provided to education institutions were found unsuitable for school curriculum.

There are three main categories of microfinance practice in Ghana-the formal, semi-formal and informal institutions. Largely, traditional microfinance services operate in the informal sector and are popular and widespread among rural households. The Susu system is a practical example.

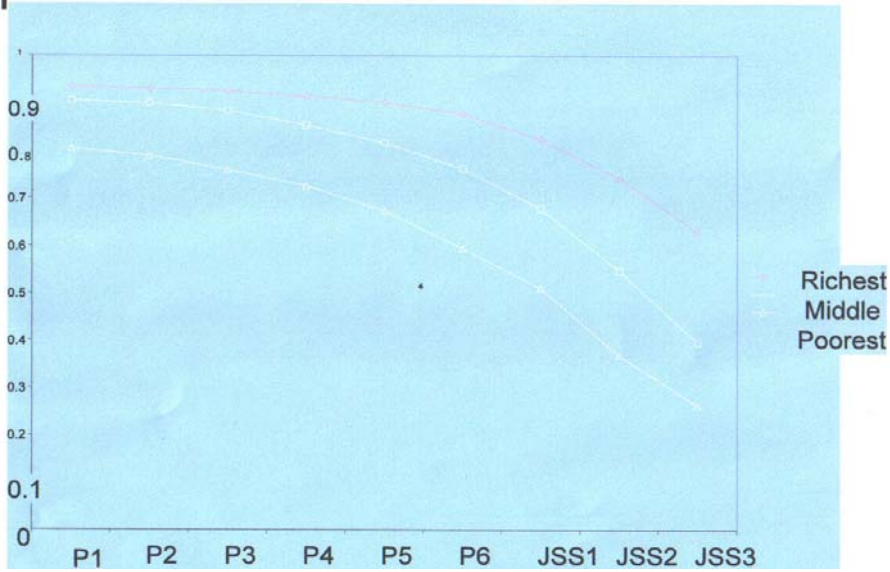
It is a success story often heard among rural household economies in Ghana that microfinance has improved their general standard of living remarkably to the extent that the incidence of poverty has declined in many regions. Since poverty creates a wide gap between various segments of the society, education development through microfinance will in effect provide leverage and more particularly safety net in event that the state cannot continue to fund education in the future.

The spread of microfinance practice in Ghana is best illustrated through educational participation of households; and rural-urban participation by income.

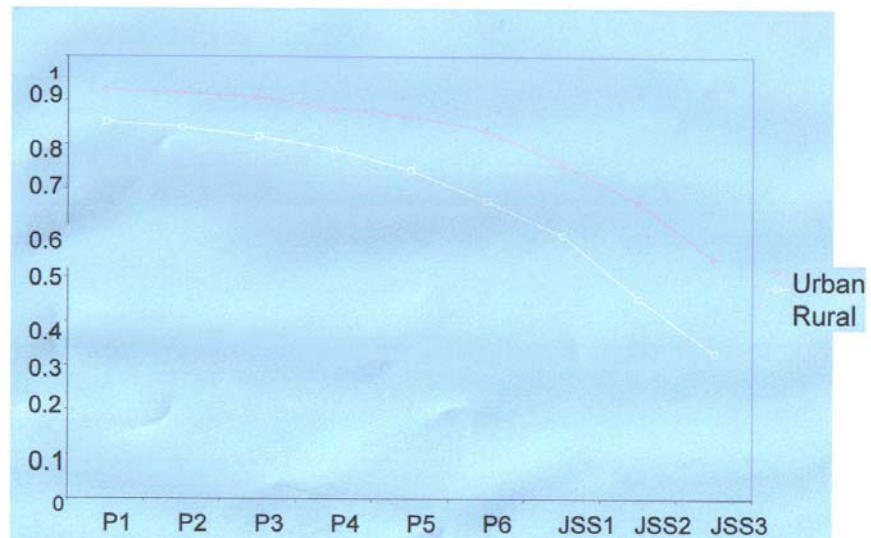


Participation by household income

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Participation by Urban & Rural



Despite differences still exist in household participation from basic schooling to high school, poorest households provide primary school enrolment in percentage terms very close to the level achieved by the richest household. It goes to emphasise the point that poverty will be defeated if microfinance is used as a vehicle to achieve educational goals.

Education decisions of most poor households are based on availability of income and this also determines their vulnerability to shocks. Access to loans from microfinance institutions particularly when emergency loans are offered such as those from internal accounts of Susu societies found in Ghana reduce the probability that children will be withdrawn from school when adverse shocks occur.

Economic research into rural poverty, among others, show that households affected by income shocks withdraw their children from school. In a field survey among five villages in Ghana in 1999 about the effect of poor household income on education, it was found that a 10% decline in agricultural income across seasons caused a fall in school attendance of five days.

As a Global Development Strategy

In the World Bank's view, educational development in low income countries like Ghana must be combined with resource provision to the poor so that there will always be a return for the education sector.

This is one of the goals of the UN Millennium Declaration of Universal Primary Education by the year 2015 and celebrating this year as International Year of Microcredit has given a new meaning to microfinance not only as a poverty elimination tool but also an educational development strategy.

Achieving the elimination of poverty with microfinance resource such as loan to the poor will in one way or the other facilitate the investment in education through the financial gains

made. Microfinance and educational development are seen as sharing indirect externality. The two in this context will probably be regarded as real bed fellows. Let me share with you my understanding of this relationship in the wider sense and in Ghanaian context.

According to the World Bank, one of the first things poor people all over the world do with new income from microenterprise is invest in their children's education. This is not coincidental occurrence because economic possibility for microfinance beneficiaries will have a multiplier effect in their social development objective of providing good education for their children.

In Ghana, a survey conducted in 1999 by Sanapi Aba Trust, one of the microfinance institutions which assisted rural women with small loans for business reported that client's children were more likely to go to school, stay in school longer and have lower drop-out rates than non-clients.

Pooling the synergies together

Our school system lack career development ideas especially at the basic level that can provide employment opportunities to graduates after their education. It is appropriate to have our schools adopt micro-projects to tap talents and skills of children; as such opportunities like job internships are not readily available in our corporate sector or are rather too expensive for most parents to afford for their children.

I have in mind some of these skills to include pottery, bead making, weaving and decoration in art which microfinance people in our communities are doing to earn their livelihood.

This could be an entrepreneurial collaboration project between schools and microfinance community in Ghana. The rewards of this system can inject new business ideas into the

microfinance practice when graduates from our schools enter into working life to share their knowledge with others and encourage that strong link and partnership with their old schools.

Demonstrating the example of the Susu system

The benefits that everyone in Ghana will derive from deepening microfinance to the education development context are enormous. This will be modeled on the already existing traditional system of savings rather known in the local parlance as 'SUSU' and in other communities as Thrift and Loan Society. The 'susu' savings scheme is a viable financial instrument that allows people in small business enterprise sector to save a percentage of their business income towards their children's education.

But women will be the most desirable agents for fulfillment of this vision since research in Ghana has shown they are capable of saving a higher proportion of their earning in business than men. Pursuing this idea will be a major catalyst to ensuring the return of children who are engaged in various form of child labour especially in the rural communities to school since most parents are compelled to sacrifice their education for economic reasons.

Quite clearly, the manifestation of this will be out of direct response to constraints facing efforts to achieve higher rates of access, completion, equity, and performance in formal education systems in Ghana. But it is also understood that microfinance's role in educational development is not to replace public spending but to supplement it.

Already a form of partnership exists between the government of Ghana and local microfinance communities in Northern Region of Ghana where School for Life program assist in providing cash for volunteer teachers, foodstuffs and pay for labour services to the various schools.

By 2003, Schools for Life program were serving more than 800 communities and about 25 percent of villages in eight districts of Ghana's Northern Region. Between 1995 and 2003, the program enrolled 50,000 pupils; 43 percent were girls. After only nine months of instruction, over 31,000 pupils-62 percent of the total-continued on to grade 3 or 4 in public school.

In Ghana today, the practice of microfinance as a vital lifeline to business particularly among the rural folk is inducing the creation of rural entrepreneurship fund which caters for unemployed people and very poor families to send their children to school and also some of the fund is channeled to the provision of other educational needs of the various communities including school blocks, library and toilet facilities.

Since our schools need teachers to fulfill government's policy of providing basic education to every child in Ghana, training of teachers must not only be provided through state funding alone as it is the case today. There need to be a community financing schemes which can be easily sourced from microfinance resources that are already available in many districts in Ghana so individuals can have their own teacher education in non-state institutions.

In most of our communities in Ghana, the spirit of self-help in community activities including construction of classroom blocks, library, toilet facilities and provision of many other school supplies will be rekindled further and investment in education is enhanced when savings from microfinance activities is deposited in a pool fund as Education Investment Trust which will be similar to the existing National Education Trust Fund and Otumfuo Education Trust that supports educational development in Ghana.

How Communities have already involved

Throughout Ghana's history, if there is any one grim legacy that is handed over from one generation to another then it is that of the disparity between schools in poor areas and those in

less poor ones which continue to widen. Hence there is a need for compensatory finance from the microfinance community to bridge this gap.

There is strong reason to believe that harnessing this vital economic resource will galvanise Ghana's educational development efforts. It is a personal challenge to share with you my community service experience in two rural locations in Ghana, I taught for two years apart.

In one coastal community (in Afram Plains District of the Eastern Region), the majority of the inhabitants was fisher-folks and engaged in artisanal fishing (usually with small canoe and drag nets). When the men return from their fishing and land at shore, the women collect the catches for smoking.

Already the women belong to credit unions that provide them rotating loans so they could buy more fish for storage during bumper seasons. The women were well equipped with business skills courtesy their credit societies and began to save 45% of daily earning towards their children education.

In one year all children of school-going age in the community have been enrolled and never dropped out of school for lack of fees, books or uniform. Having returned after three years to evaluate the education progress of the community and it was a delighted to meet about 15 kids who have graduated from junior high school and about to enter other higher institutions to further their education.

In another community (in Ho District of the Volta Region), I served later as teacher in the local school, my work included counseling parents to send children to school instead of engaging them in farm work and cattle herding. My observation was that there was abject poverty in this community that the inhabitants could not generate regular source of income. This

resulted in lack of education for children. So I felt the need to initiate a project which introduced weekly money contribution of 45 cents by adult women in a group of about 30.

In four months, it was possible to mobilise 216 dollars into a fund and out of this amount, 10 kids from this women started their first school lessons. Today the community has developed its micro credit resources that continue to manage education development without having to depend first on state funding.

Strengthening Microfinance programs in Ghana

In spite of the significant contribution microfinance sector in Ghana gives to education and its development, numerous problems still exist with its operation and sustainability particularly with the informal sector. Quite often, start-up costs seem to be huge for private sector microfinance initiatives and there is the need for government, broader business community and donor agencies to support their activities through temporary subsidies, for instance. Also industry wide standards need to be established by statutory regulatory agencies to improve management of services and supervision. Finally, supervision should be monitored to ensure exercise of due diligence within the industry.

Conclusion

I believe that education development in Ghana is increasingly becoming a priority for all sections of our society. The hope is that microfinance can provide resources to train people's potential to lead creative, useful and fulfilling lives.

Its significance as the engine of our national development is evident in the fact that 'it can be the difference between a life of grinding poverty and the potential for a full secure one' to quote one prominent African leader.

One important issue to address in order to realise the full potential of microfinance as an educational development tool is to ensure a relative stability in Ghana's macroeconomic policy and in particular reduce the present fiscal imbalance through excess government borrowing. In effect, if government borrows heavily from the domestic sources it crowds out private investment. As regards sustainability of Ghana's fiscal policy, it needs to take account of debt reduction initiative that will smooth out taxes but at the same time encourage more savings within the microfinance sector towards its educational investment goals. Various studies also point to the unfavourable tax structure for lower income groups which discourage pooling of their financial resources to establish microfinance projects especially in poor rural communities to support education. Above all, informal microfinance operation need government regulations to enable it play a vital role in the educational development process.

I will like to end by drawing your attention to the benefit that focusing on microfinance as a tool for educational development in Ghana will bring to our society. In the short term, as this measure ensures community participation in educational development process it is economically sustainable.

There will be more enrolment at schools as many parents in microfinance practice are involved in the scheme. In the longer term, equity in educational development will be improved with all our society participating and enjoying the benefits of education. And finally, financial burden on government will be relieved as educational development expenditure is shared between the state and the microfinance community as well as other stake holders.

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