

## Regional Education Finance Fund for Africa (REFFA)

### FACTSHEET EDUCATION FINANCE STUDY: NIGERIA

#### Summary of main findings

In 2016, REFFA commissioned a study to assess the main dynamics of the (private) education sector as well as the needs for education related funding by education providers and parents in Nigeria.

**Private education sector in Nigeria:** The number of private primary and secondary schools has grown rapidly over the past decade, as parents seek higher education quality combined with the rapid population growth. This increase has not been reflected in a suitable regulatory framework, yet. Hence, private schools operate as fully or short term licensed from the Ministry of Education, or on an informal basis. Despite the popularity of federal universities, the number of private universities has recently surged to accommodate the large number of graduates. But getting admission to a Nigerian university is possible for only 30% of applicants given the limited numbers of seats. This limited supply prompted private universities to charge high fees, making them hard to access for low-income families.

**Demand for education finance in Nigeria:** Private primary and secondary schools are well-perceived by parents as they possess better infrastructure, a lower pupils-per-class ratio, and maintain better communication with parents than public schools. The assessment indicates that there is a considerable demand for school fee loans, but many factors restrict a family's ability to get such loans, among them the high unemployment rates, high interest rates and strict modalities set by financial institutions.

**Supply of education finance in Nigeria:** While there are quite a number of financial products for both school owners and learners, these products are largely inaccessible. Often, licensing or collateral requirements cannot be fulfilled, especially by lower income groups.

#### About REFFA

Initiated by KfW Development Bank and funded by the German Federal Ministry for Economic Cooperation and Development (BMZ), the Regional Education Finance Fund for Africa (REFFA or the Fund) is the first regional education finance facility for Africa. It aims to provide customized financial services for the education sector in a demand-oriented, financially sustainable, and socially responsible manner.



#### Country facts

Capital	Abuja
Population	207 million
Below 25 year olds	63%
Population growth	2.5%
GDP per capita	USD 2,387



#### Education market facts

- Literacy rate: 62%
- Education index: 4.2
- Primary enrolment rate in rural areas: 57%
- Public education infrastructure has been deteriorating

### Study methodology

The study was conducted by a combination of desk review as well as qualitative field research in the states of Lagos and Ogun.

The field research was complemented by Phone interviews with professors and researchers in other states.

### Further information:

REFFA:  
[www.reffa.org](http://www.reffa.org)

CapPlus:  
[Banking on Education](#)

### FEATURED TOPIC: Affordability of private education

The minimum wage in Nigeria is approximately USD 58 per month which is around the 2015 poverty line of USD 57 per month (based on the World Bank definition of USD 1.90 per day). This poverty line was used by James Tooley (2013) to develop a method for defining what is considered an affordable low-cost school for poor households.

Following his method, the poverty threshold of USD 1.90 per day was adjusted to the inflation in Nigeria and multiplied by the number of days per year to get the minimum yearly income for a family on the threshold of poverty line which is around USD 680. Taking 10% of the resulting figure will give us, according to Tamar Lewin (2007), the maximum amount a poor family is willing to spend on children education per year. The derived amount of USD 68 (NGN 24,800) still does not represent the acceptable total fees for an affordable to the poor school: The derived amount has to be divided by the number of children going to school in one family. With the assumption that an average low-income family has at least two children in school, the conclusion is that an affordable school in Nigeria for these families, according to this approach, should incur a maximum total yearly cost of NGN 12,400 (USD 39).



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