

## MICROFINANCE AND ACCESS TO EDUCATION

**Edwins Edson Odera**  
University of Namibia  
Faculty of Economic and Management Sciences Southern Campus  
**NAMIBIA**  
jaturakanindo@gmail.com

### ABSTRACT

Microfinance is highly important for education. Many of the students cannot study because of limited resources, which microfinance provide them and help them to get the better education. In this research paper, it has been analyzed how microfinance is important for the education and what benefits of microfinance have to the people who need it. For this secondary data were used from the website of World Bank and other microfinance institutions. Many other research papers were reviewed for the data collection. The sample in this research paper was considered by the clients of microfinance. Different tables, charts, figures, and graphs have been used to support the results. Excel software package also has been used for the data collection and organization. Finally, the results showed that the microfinance and education are highly related. There is a strong relationship between the wealth and education of people. When microfinance comes at the place it directly or indirectly supports the education and literacy rate increases. It has been observed that when people get the funds via microfinance they are being monitored for the usage of funds. Microfinance institutions encourage the usage of funds for the specific purpose includes education, business or health etc.

**Keywords:** Microfinance, Education, Businesses.

### INTRODUCTION

Microfinance and education are interrelated with each other in many ways. The usage of microfinance eliminates the poverty and allows the people to get the proper education in many countries. Many students face the challenges when it comes to paying the fees, other educational costs and living costs. Microfinance enables those students to access the education in their lives and focus on the betterment of life rather than focusing on the problems of educational costs. In this research paper, it is focused on how the microfinance is helping in getting the better education and how it improves the life of a human by investing in it (You & Annim, 2013).

Education is highly important for the human life. By getting the education people can improve the living standards and they can help in the development of the economy. For the education, there is need of huge expenditure that are the costs of books, fees, and other related equipment. There are many resources which help the students to get the quality education and it has been seen that the micro-financing for the education has been increased and it has been contributing for many years. The role of micro-financing for the education is important (Maldonado & González-Vega, 2011).

This research paper focuses on how micro-financing helps in getting the education for the people in different areas. It also focuses on the benefits of micro-financing and how it works where the other resources do not support the educational activities.

**Problem statement**

There are many obstacles in getting the education. People face challenges when it comes to paying fees. Some of them get the support from friends, parents, and relatives but other rely on the scholarships and Microfinance. In this research, it will be analyzed that how the microfinance enables the students to access the education. It will also be analyzed that how the usage of microfinance improves the life and makes the human capital better.

**Research aim**

The Aim of this study is to know that how microfinance is helping the individuals and students to access the quality education. This study will focus on the areas where microfinance is enabling the better life with the help of education and human development.

**Research objectives**

The main objective of this research study is to understand the benefits of microfinance for the education. This paper also has the object to know that how microfinance helps the students to access the education.

**Research questions**

- 1) How microfinance helps in accessing the education?
- 2) What are the benefits of microfinance for the education purposes?

**LITERATURE REVIEW****Microfinance**

Microfinance is being used for the different reasons, many people use it for the business purposes and make their lives better but the best usage of microfinance is to invest in the human capital that is education. It generates the best outcomes and gives the high returns if it is invested properly in the human education. When it comes to the microfinance, it is the allocation of funds to the people who are in need of the interest or lending fees. Usually, these funds are in nominal amounts and used for the micro activities like small businesses or education etc. (Hadi, et al 2015).

Furthermore, it has been seen that the micro-financing for the education has given the benefit to the millions of students and other people around the globe. Therefore, microfinancing is highly important and crucial for the education and development of the economy (Bhuiyan, et al, 2013).

In history, the microcredit has been used for the alleviation of poverty because people used it for taking the small startups. They used the microcredit to make their lives better by doing business. Also, the microfinance encouraged the people to start their small businesses and contribute to their economy. The idea was created to boost the economy and enable people to get freedom and start their own businesses. Later the need of human capital was realized when the education through microfinance came into existence. It is not the expenditure but the investment for the future because it makes the human life better that can generate more resources and overall outcome become positive (Augsburg, et al 2012).

**Education**

Education is the basic need of human life. Human capital is built with the help of education. It improves and enhances the lives of children in the countries where there is poverty. Education is most important for the economic growth and better living standards. Education also improves the health because of it, people become aware about the importance of health. Education enables people to observe the world differently and participate strongly in the

social causes. The cost of education limits the many individuals to get the education. That limit can be overcome with the help of micro-financing. According to Uniteforsight (2015), it has been measured that the microfinance helped about 211 million clients all over the world. Most of them were the female students who were sent to school and paid the funds later when they got the education and started earning income. This shows that how the important microfinance is to access the education.

In addition, Education is highly important for making the life better. By getting the education one can live a life that enables them to explore the world properly and education is the right of every citizen. When people become aware of things that are taking place in the world he or she becomes educated and they are familiar with the things. The main purpose of the education is to make the life better and purposeful. To get the education microfinance is being used as a tool that makes this process easy and accessible for most of the people (World Bank, 2011).

However, there is the relationship between microfinance and education either direct or indirect. Whereas it has been seen that when the facility of microfinance increases it also increases the access to education because the literacy rate in that particular area starts to increase, and when the microfinance decreases in the particular area, the literacy rate and education in that area decreases. This measure has been taken by considering the different education and microfinance factors (Mazumder & Wencong, 2015).

### **Microfinance and Education**

Previous research suggests that the microfinance may affect the education rate in an indirect way as well when it is not used for the education directly. The microfinance institutions also grant the sum of the amount as a loan for the people who want to take startups and start generating income from the businesses. It changes the social activities of the children. Many people force their children to participate in the child labor. When they start earning through the business which they started with the help of microfinance they later invest that earning in the education of their children. As they understand that the investment in human capital will give the unlimited future returns hence the microfinance helps in access to education indirectly (Samuel, 2016).

In addition, it has been observed that the microfinance also improves the healthcare and medical services. When people have enough funds they care about their health it also increases the employment because when people are healthy they participate in the workforce. That generates the income for them, in this way they also spend the generated income on education and other knowledge increasing activities. Therefore, microfinance is a great way to enable the access to education (Leatherman, 2011).

However, many theories suggest that there is the strong relationship between the income of families and child schooling. When microfinance loans are issued to the people they are asked to give surety that they will invest in a better way and studies show that the clients of microfinance firstly invest the funds in their children's education and they will improve the lives of their children. People in the world who do not have access to education understand that how important it is. Therefore, their first initiative after getting the funds is to go for education or send their children for the education (Becchetti & Conzo, 2014).

Education finance initiatives were taken in order to help the poor people or who earn less than their needs. In these actions, people were trained to get an education and they were

enabled to request for the microfinance services and send their children to school. In many ways, micro-financing services help them to understand the importance of education. Also, these financial services affect the life of people and change their social image and enhance the workforce skills. Microfinance institutions don't just target the individuals but they also facilitate the schools and universities to help them in issuing the funds to the deserving people. Apart from the microfinance institutions, many schools help their deserving students in getting an education on the funds of schools and pay these back later when they start earning (Bearden, 2015).

## **METHODOLOGY**

The research problem of this research paper is to know the importance of microfinance in accessing the education. This research paper will answer the questions that how microfinance helps in getting the education and what are the benefits of microfinance in the education sector. In this chapter, it is mentioned that what type of data has been selected, how data have been collected and analysis is done.

### **Research design**

Convenient sampling technique has been used to collect the facts and figures to write this research report. The sample size is ten years and that data has been collected from the World Bank and other microfinancing institutes. This research paper is based on the quantitative methods, because researchers have used the statistics, facts, figures and other numeric data that will answer the questions.

### **Procedure**

We have collected this data with the help of online resources, books, magazines and research articles. Also, we have used the microfinance institutions websites and their annual reports to analyze that how much they lend annually for the educational purposes. We have completed this research paper on the basis of secondary data.

### **Resources used**

We have used the secondary data that already contains the data, graphs, tables, and charts. Those are from the World Bank and other microfinance institutions. This data consists all clients of microfinance institution and our sample data is those clients who take a loan for the educational purposes, or they invest in their business. We have taken the sample also those who start their business because business has an indirect effect on the education when people start their business they often send their children to school.

### **Data collection**

The secondary data has been used in this research paper. Different scholar articles, academic libraries, and online resources have been used to collect the data. We have used excel and other analyzing tools to analyze the data and interpret their results. We have used the sample of ten years' data in which we have taken data from the World Bank and the variables that are being analyzed are the loan granted from the microfinance and also the usage of that loan along with the education.

### **Research Variables**

In this research paper, there are two variables, one of them is Microfinance loans and the other is education. In this paper, it has been analyzed that how microfinance increases the education in different countries and what are the benefits of microfinance on education. In

this research paper microfinance loans is the independent variable whereas education is the dependent variable.

### Hypothesis

In this research paper, we have assumed the hypothesis that reflects the relationship of microfinance loan and access to education.

H<sub>0</sub> There is no significant relationship of microfinance loans on education

H<sub>1</sub> There is a significant relationship between microfinance loans on education

### RESULTS

In this chapter, it is described that what the data states about our research study, in this section the data is shown in the form of charts, figures, and graphs. Also, the interpretation of data has been mentioned which states the meaning of charts and tables.

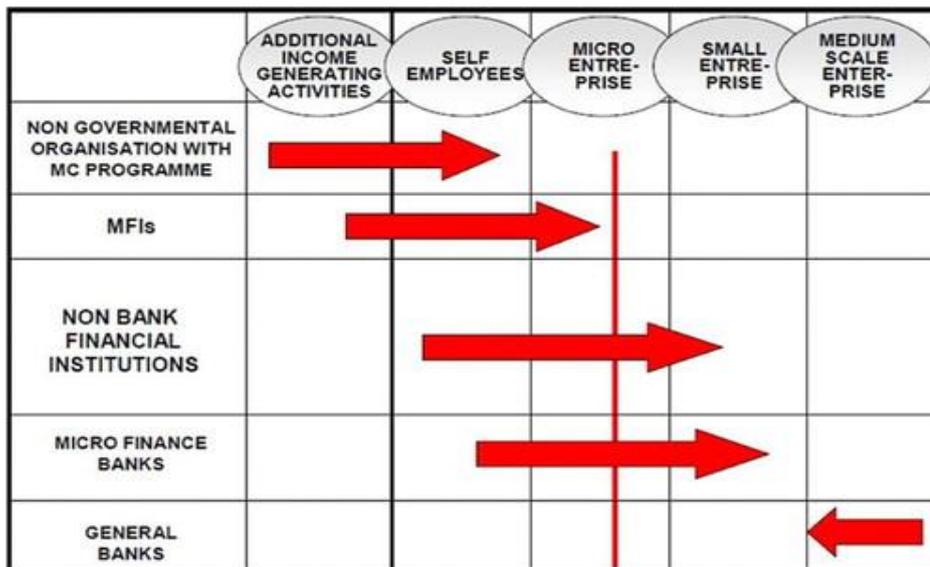
Figure 1 Source: (Word bank, 2011)

Amount used for	Obs.	% clients	Mean	Std.Dev.	% of loan amount	Main use of remaining: amount %
	(1)	(2)	(3)	(4)	(5)	(6)
(a) Purchase of livestock	139	23.6	1,636	1,151	77.1	(b) 85%
(b) Investment in seed, fertilizer, etc.	85	14.4	1,193	864	66.2	(a) 86%
(c) Purchase of engine, tools, etc.	73	12.4	1,588	1,007	82.2	(i) 81%
(d) Investment in developing own work	55	9.3	1,983	1,359	82.1	(i) 77%
(e) Purchase of goods	50	8.5	1,790	1,266	90.2	(i) 100%
(f) Private purpose	50	8.5	1,258	805	73.5	(a) 72%
(g) Investment in real estate	15	2.5	3,133	2,395	88.3	(a) 75%
(h) Buying and maintaining cars/fuel	14	2.4	1,550	1,491	68.7	(a) 50%
(i) Other	109	18.5	1,552	1,349	68.4	(a) 87%

Categories with less than five respondents, such as 'purchase of computer/laptop', are omitted.

In this figure, it is stated that how people allocate the funds that they get from the microfinance sectors. It can be interpreted that the most of the amount of microfinance loan goes to the purchase of goods. In part B, it can be seen that the after the purchase of a good 86% of the people invest in their lands for growing the crops. That action grows their business. In the above table, it can be analyzed that most of the people invest their microfinance funds in their assets so that they can grow their wealth. When wealth increases people send their children to school. With the help of this table, it can be analyzed that there is a significant impact of microfinance loans on the education because in this table it is shown that these both variable are related indirectly.

Figure 2: Source (Ferdousi 2015 cited in Facet, T. 2007)



In the above chart, it is clearly shown that the loans increase the income because people participate in different income generating activities which help them to increase their earning and when their earning increase they get higher education and hence it is proved that the microfinance helps the people in getting the education. In this above chart, it can be seen that different organizations offer loan to the people who start their business or do something that generates income. When a business grows their spending towards knowledge, education and other awareness programs increases. It has been also observed that people will lack resources for the education invest immediately in the education when they get the resources.

Summary of microcredit's impact on various outcomes

Outcome	Bosnia and Herzegovina	Ethiopia	India	Mexico	Mongolia	Morocco	Philippines
Business ownership	↑	—	—	—	↑	—	—
Business revenue	—	—	—	↑	—	↑	—
Business inventory/assets	↑	no data	↑	no data	↑	↑	—
Business investment/costs	—	—	↑	↑	no data	↑	↓
Business profit	—	—	—	—	—	↑	—
Household income	—	—	—	—	—	—	—
Household spending/consumption	—	↓	—	↓	↑	—	—
Social well-being	—	—	—	↑	—	—	↓

©2010 J. Lait (Jamaica Poverty Action Lab (JPAL) | povertyactionlab.org

Figure 3: Source (povertyactionlab.org, 2010)

As stated above in the literature review, microfinance is related with the education directly or indirectly some clients invest directly in the schooling of their children and some clients invest in their business with the funds of microfinance loans and later when they earn the income they get an education. In the table above it can be seen that when microfinance loans

are issued to the people in different countries what they do with that. It can be seen that many people start their businesses, the majority of the business activities are growing. Those are mentioned in the green upper indicator. Therefore, it can be analyzed that the business grows with the microfinance and along with business education also grows, as wealth is in direct relationship with the literacy rate. Lower resources limit the people to get the education and more resources encourage them to get the education.

**Table 1:** (icommerce central, 2018)

	Frequency	Percentage
Agree	8	53.3
Sometimes	3	20
Disagree	4	26.7
TOTAL	15	100

It was asked from the people who get the loan from the microfinance institutions if the banks and microfinance institutions monitor the usage of funds, 53% people replied that they agree with the statement, 20 of them told that it happens sometimes. Remaining 27 people replied that these institutions do not monitor the usage of funds. It can be analyzed that majority of the clients are monitored on the usage of funds and most of the microfinance banks issue the funds to those clients who invest either in human capital or in their businesses. If most of the time clients are being monitored it can be stated that it increases the education and literacy rate. This happens because banks will enforce the people to utilize the funds for the purpose for that these are being issues and people will have to invest those funds in business or education.

### Analysis

Based on the results, mentioned in the form of tables, & charts above it can be analyzed that the null hypothesis is rejected and the alternative hypothesis is accepted. In the null hypothesis, it is mentioned that there is no significant relationship between microfinance loans and access to education. The data above is extracted from the secondary sources and all this data indicate that there is the significant impact of microfinance loans on the education or literacy rate. Each above-mentioned table, figure, or graph supports the alternative hypothesis hence it is proved that alternative hypothesis can be accepted. Therefore, to increase the education it is recommended that micro financing should be increased and if any country or area lacks the education they can get the help and support from the microfinance sectors and improve their literacy rate. They can also invest in the businesses and generate income and from that income, they can improve their education system and allow the poor people to attend the school.

## **DISCUSSION**

The overall analysis done in this research paper suggests that the null hypothesis is rejected and the alternative hypothesis is selected. It can be seen that the results above strongly support the alternative hypothesis. The analysis can be derived from the literature and the results that there is a positive association between the microfinance and education. Many authors in the previous research confirmed that there is an increase in the education along with the microfinance.

As the Augsburg et al (2012), stated in the above literature that microfinance loans are used for the poverty alleviation. Major uses of microfinance are different that directly or indirectly relates to the education. As per the results, microfinance is positively related with the education. It can be seen in the tables above that when the microfinance loans are being given to the people they contribute more to the economy and get the education.

Microfinance supports the people to get the education and make their lives better. When it comes to loans via microfinance these institutions also monitor the usage of those issued funds to their clients. As discussed in the previous research by Samuel, (2016), microfinance enable them to make their lives better. In this research report, it is also mentioned in the above table that many people agree that they were being monitored when they were given the loan for their specific purposes.

Becchetti & Conzo (2014), argued in their paper that there is the strong relationship between the income of people and their education level. In the tables mentioned in the result, sections can be analyzed in a similar way. When the funds from microfinance are issued to the people they mostly invest in the businesses. Those businesses later generate the income and when their income increases their education level also starts to increase.

In the literature review, it also has been mentioned that when people are healthy they participate in the workforce. The more workforce is available in the economy the more economy boosts. Their income also increases and thus the education of that particular area also increases (Leatherman, 2011).

Based on the results and literature review, the results are highly supported by the literature review. If the results of this research paper compared to the available literature the outcomes are same and it is being supported by the different researches.

## **CONCLUSIONS**

Microfinance plays the vital role in accessing the education. When it comes to the support financially for the education and startups, microfinance comes at that place and help the people in achieving their educational goals. There are many usages of microfinance but the major focus of microfinance in these days is education.

Whether directly or indirectly microfinance has an impact on the education of people especially in the lives of poor people. When the people in need get the funds via microfinance they are monitored and highly encouraged to the use those funds for the betterment of their lives. Many of the people invest in their business and also invest in the human capital.

In this research paper, with the help of literature, it is shown that the microfinance is the major factor in many countries behind the education. It provides the support to the people

especially the needy people. Microfinance enhances the educational facilities and makes the lives better.

### Limitations of the research

- This research paper is only focusing on the secondary data,
- This research paper takes only the microfinance factor for the education
- In this research paper, only data of ten years has been used for the analysis.

### Recommendations

When there are low resources for the education it is recommended to use the microfinance for the effective use of funds for the education. Microfinance is also good for the businesses, therefore it is suggested to use the microfinance in the backward area where there is the need of resources and enable the people to start their businesses and make their lives better.

### Future study

It is recommended for the future researchers that, they can use the more data for the analysis. When it comes to data analysis the more data makes the study more accurate and analysis become more valid.

### REFERENCES

- Bearden, A. (2015). When Microfinance Shakes Hands with Education. Retrieved from <https://www.credit-suisse.com/corporate/en/articles/news-and-expertise/when-microfinance-shakes-hands-with-education-main-201501.html>
- Becchetti, L., & Conzo, P. (2014). The effects of microfinance on child schooling: a retrospective approach. *Applied Financial Economics*, 24(2), 89-106.
- Bhuiyan, A., Siwar, C., Ismail, A., & Hossain, T. (2013). Microcredit Impact on Children's Education and Women Empowerment: A Review Experience of Grameen Bank Microfinance Schemes in Bangladesh. *Research Journal of Applied Sciences, Engineering and Technology*, 5(1), 66-71.
- Britta Augsburg & Ralph De Haas & Heike Harmgart & Costas Meghir, 2012. "Microfinance, Poverty and Education," IFS Working Papers W12/15, Institute for Fiscal Studies.
- Facet, T. 2007. *Microfinance in the Netherlands: Uncharted Territory. Opportunities and Challenges*. Regulierenring, LB Bunnik, The Netherlands: Triodos Facet Publications.
- Hadi, R., Wahyudin, U., Ardiwinata, J., & Abdu, W. (2015). Education and microfinance: an alternative approach to the empowerment of the poor people in Indonesia. *Springerplus*, 4(1). doi: 10.1186/s40064-015-0995-6
- Journal of Internet Banking and Commerce. (2018). Retrieved from <http://www.icommercecentral.com/>
- Leatherman, S., Metcalfe, M., Geissler, K., & Dunford, C. (2011). Integrating microfinance and health strategies: examining the evidence to inform policy and practice. *Health Policy And Planning*, 27(2), 85-101.
- Maldonado, J., & González-Vega, C. (2011). Impact of Microfinance on Schooling: Evidence from Poor Rural Households in Bolivia. *World Development*, 36(11), 2440-2455.
- Martinez, Samuel W., "Effects of Microfinance Penetration Rates on Education Participation" (2016). WWU Honors Program Senior Projects. 21.
- Mazumder, M., & Wencong, L. (2015). Does Microfinance Impact on Rural Empowerment in Bangladesh? Differences between Governmental and Non-Governmental Microfinance Programs. *Sustainable Development*, 23(3), 135-152.

- The Abdul Latif Jameel Poverty Action Lab. (2018). Retrieved from <https://www.povertyactionlab.org/>
- Unite For Sight. (2018). Retrieved from <https://www.uniteforsight.org/>
- Worldbank. (2011). *Education and Poverty*. Worldbank. Retrieved from [http://siteresources.worldbank.org/INTMENA/Resources/Poverty\\_ch3\\_06.pdf](http://siteresources.worldbank.org/INTMENA/Resources/Poverty_ch3_06.pdf)
- Worldbank. (2011). *Education and Poverty*. Worldbank. Retrieved from [http://siteresources.worldbank.org/INTMENA/Resources/Poverty\\_ch3\\_06.pdf](http://siteresources.worldbank.org/INTMENA/Resources/Poverty_ch3_06.pdf)
- You, J., & Annim, S. (2013). The Impact of Microcredit on Child Education: Quasi-Experimental Evidence from Rural China. *SSRN Electronic Journal*.