

*MicroSave*  
Market-led solutions for financial services

## Education



*MicroSave's* 'Low-Income Lives' series provides an opportunity to learn how poor people manage their lives, based on solid data from ground-breaking field research. In this edition Stuart Rutherford looks at education, using data from the *Hrishipara Daily Financial Diaries*, a project which collects data from householders in central Bangladesh about how much money came into and went out of their hands each day, and for what purpose. The ongoing project has been running since mid-2015 and is building a uniquely rich and accurate understanding of their lives.

## Bangladesh and education: doing well, could do better

Evidence from the [Millennium Development Goals](#) (MDGs) shows Bangladesh making big strides in education. By 2014 the percentage of children who enrolled in school had risen to the high 90s, from below 70% in 1990. Enrolment is not the same as sustained attendance, but the number of children starting grade 1 who went on to reach grade 5 almost doubled from around 40% to 80% in the same period. As [UNICEF](#) notes, education ‘remains a challenge’ for some groups, including working children, the disabled, indigenous peoples, and households living in extreme poverty. Their children may fail to enrol in school, and of those who do, too many drop out.

### Education and the diaries

Our ‘diarists’ (as we call our Project’s respondents) live in a part of Bangladesh that scores high in rankings of school attendance, and where children start their school careers early in life<sup>1</sup>. As well as the government-run schools there are many private for-profit schools, and others run by religious bodies, and by NGOs.

Among our 60 diarists just over half (33 of them) can be classified as ‘poor’ using recognized local and international measures. 18 of these are in ‘extreme poverty’, consuming less than \$1.90 a day per person, and a further 15 are ‘poor’, consuming less than \$3.20<sup>2</sup>. Our diary data therefore provide us with an unusual opportunity to see exactly how poor and extreme-poor households manage (or fail to manage) the costs of education in an environment where there are many educational opportunities and respect for education is high.

### Education and the household budget

Forty-one of our total of sixty diarists report spending money on education. For now, we will exclude those of them who enjoy consumption levels of more than twice the poverty line. This leaves us with a sample of twenty-nine diarists, 12 in the ‘extreme poor’ category, 8 ‘poor’, and a further 9 we can describe as ‘near-poor’.

In the second half of 2017, the total spending each month of these twenty-nine diarists combined was just under \$16,000<sup>3</sup>, of which \$953 (6%) was spent on education. Chart 1 shows how total spending on education compares with other components of their household budgets.

Education spending, though, varies greatly between households, the principal variant being the level of education paid for, as we see in Table 1.



A corner of Class 1 at the Hrishipara Government Primary School: photo, Stuart Rutherford

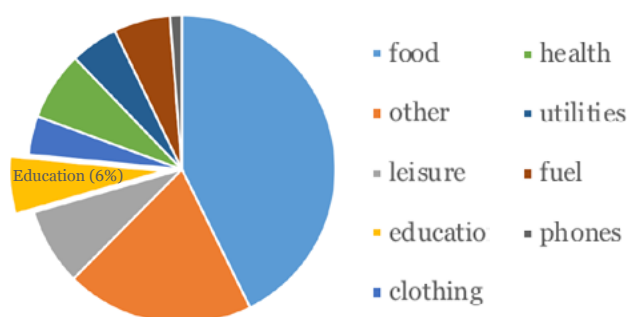


Chart 1: 29 sample diarists: education spending as a share of all spending

Table 1: education costs by level of education being paid for:

Household category	Share of total education expenditure	Average monthly cost per household (PPP \$)
21 Households paying for primary and secondary level	43%	16
6 Households paying for tertiary level but not boarding	20%	25
2 Households paying boarding fees for higher education	37%	140

### Paying for primary and secondary schooling

Primary and secondary-school education in Bangladesh is in principle free, since the government provides text books both to its own schools and to private schools that it recognizes and sometimes subsidizes. But most schools, including government schools, impose some fees, most often for registration and for running the examinations that decide whether a pupil moves up a grade at year end. Parents also hire private tutors, and buy school stationery and supplementary text books. These costs averaged \$16 per household per month in late 2017 (table 1), a non-trivial sum for the extreme poor and poor households. Chart 2 shows the make-up of these costs. (We have not included school clothing, which is another cost paid for by some households).

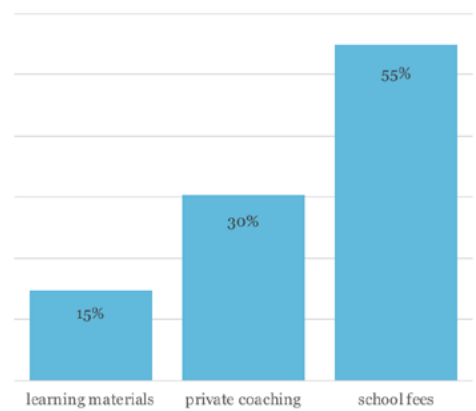


Chart 2: Distribution of primary/secondary costs (% of total)

Nikil, who lost a poorly paid factory job and now works as a ‘boy’ in a breakfast bar earns \$11 a day. During August to November 2017 he paid \$46 in fees to his 16-year-old son’s secondary school, \$24 to private tutors for coaching at home, and bought \$7 worth of books. Such sums seem small, but may need creative financing. Shabita (pictured), a housewife with a husband too lazy to make much of his tiny vegetable-selling business, made excuses to her daughters’ school for failing to pay various fees until she was told that they would not be allowed to proceed to the next grade. She found \$72 by pressuring a brother to repay a loan, and by taking a casual loan from a sympathetic neighbour. Her mother also helped with a small gift. The girls duly went up a grade, but Shabita fell even further behind in her MFI loan repayments.



Waiting to go up a grade: photo, Stuart Rutherford

## Generation gap

But the big story in the education of our diarists is the astonishing leap in grade attainment rates. Our data vividly illustrate the revolution that has occurred in just one generation. Chart 3 compares the schooling careers of today’s pupils with those of their parents.

The right-hand side of the chart takes the 55 children of 14 years of age or more in our total sample of 60 diarist households, and shows the average school grade they have reached (or at which they dropped out) compared with the grades reached by their parents. The left-hand side of the chart selects the sub-set of these children who come from ‘extreme poor’ homes (where each person consumes no more than \$1.90 a day).

Not only is the current generation of children massively out-performing their parents when it comes to school attendance, children from extreme-poor households are keeping pace, despite having mothers who had barely any education at all.

## Continuing to college

Included in the 55 pupils shown in Chart 3 are nine who have already completed ten years of basic schooling and are now in college. Five of them are from extreme poor or poor households. At this level, the students themselves often contribute to their own college costs. In this section we will focus on two such cases and in the next on two more who are away from home, boarding.

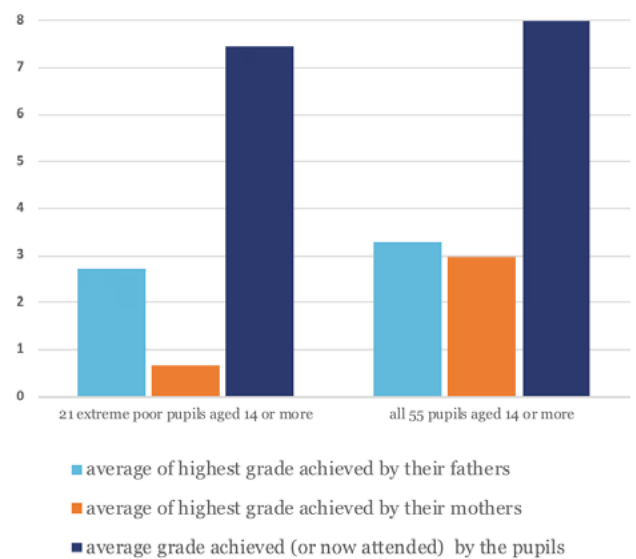


Mitali at work: photo Shamol

Mitali (pictured) is barely 21, but with a good education and a strong personality, she has become the manager of all her family’s affairs and handles all their money. She lives with her unschooled father who has severe asthma and can’t work, her mother, and her casually-employed older unmarried brother, who dropped out of school during grade 5. The family is poor: they have no assets other than their dilapidated tin-walled tin-roofed two-roomed home on a small patch of land jointly owned by her father and his three brothers. Their total income averages \$380 a month (just over \$3 a day per person) and comes from two sources. Her brother averages \$7 a day from casual jobs, mostly helping in a vehicle repair shop. Mitali herself works full-time as an assistant in a clinic and earns \$157 a month plus a few

bonuses. She is in the second year of a three-year BA course at a local college, and the clinic gives her time off for classes. She wants to be high-school teacher. She pays about \$47 a month for college fees and incidentals.

Chart 3: average school grades attended or achieved by today’s pupils, compared with average grades achieved by their parents



Mitali is determinedly self-sufficient. Her mother once had an account at an MFI but Mitali decided it wasn't helpful, and closed it. They have no other formal or semiformal financial partners, and no savings. When they need money, she says, they borrow from family, but we have yet to record them doing so. Theirs is the only diarist household for whom we have no records of any saving or borrowing. They do accept gifts: her elder married sister, for example, once funded Mitali's schooling costs for two months. In late October 2017 the family entertained a visitor who was on the look-out for a wife for his son, and came to 'inspect' Mitali. She was not interested and we have heard no more of the matter since.



Momen at work: photo Shamol

Momen, just 18, is another college-going youngster looking after an impoverished family living on \$1.83 each per day, putting them in the extreme-poor category. In Momen's case two older sisters are also in college: all three of them are 3 months into their first year and have so far spent a total of \$270 on fees and other expenses. Their uneducated father used to drive a rickshaw but is now too weak to do so, so they hire the machine out when they can find a taker, at \$6 a day. They also have an old bicycle that Momen uses for his work as a travelling salesman and delivery-boy for a tobacco company. He loads up his bike with cases of cigarettes, and visits up to 60 or 70 small shops each day. For this he can earn up to \$220 a month, depending on how much time he takes off for his classes. One of his sisters also does

some private tutoring which brings in about \$80 a month.

Unlike Mitali's family, Momen's has old private debt to pay off, and they manage this by taking MFI loans and using them to make lump-sum repayments to their private creditors while spending about \$75 a month on weekly repayments to the MFI. His father long since sold their farmland, leaving them with a small homestead on which stands their mud-walled two-room home.

Momen's situation is precarious: an accident or illness could quickly derail the family's plans. But he seems determined to keep the three siblings in school, and even has ambitions to go on to an MBA after finishing his accountancy degree.

## Boarding

With educational aspirations rising sharply we can expect several households to try for courses that require boarding, so it is instructive to look at the two that are already doing so. One is extreme poor, a 4-person household running a very small snack shop and consuming \$1.46 per person per day. There are two teenage daughters (the older one pictured here) who did well at local primary and secondary schools. Both want to qualify as nurses, and the elder was accepted as a boarder by a good college near the capital. Her costs in July 2017 alone include a \$470 admission fee and a \$345 bill for hostel accommodation. Altogether, more than 18% of the household's total



Photo, Stuart Rutherford

expenditure has been spent on education since we began tracking them in August 2015. The parents left the raising of money for the \$470 admission fee to the very last minute: the day it was due (and paid) they begged for and got gifts of \$157 and \$110 (the second arriving via their mobile phone) from two former employers, and \$63 from a cousin. That same day, each daughter got a \$65 scholarship and the younger daughter chipped in the whole of the \$63 she had earned working part-time as a nurse’s helper. For the \$345 hostel bill her mother borrowed \$313 from a neighbouring shopkeeper, interest-free, and repaid it in full a month later after borrowing money from an MFI<sup>4</sup>.

The other boarder has recently suffered a setback. A small farmer who also runs a laundering shop sold his only cow and spent the equivalent of three months’ total household expenditure paying for his son to board at a pharmaceutical college in the capital for a few weeks last summer. But the boy didn’t like it, ran away, quarrelled with his father and now lives and boards independently at a pharmacy. The two are no longer on speaking terms, though the boy sometimes sends a little of his wage to his father.

### **The desire for education: socially well-embedded – and gender neutral**

Our sample is small, but leaves no doubt that people of all economic levels in this area are committed to the idea of education. One final set of numbers shows how this ‘meme’ is gaining strength each day. Our 60 diarist households contain a total of 80 children between the ages of 6 and 18. In Chart 3 we saw how the older ones are doing much better educationally than their parents, but we can also use our data to see how change is taking place within the current school-age cohort. Every one of the 6, 7 and 8 year-olds is in school. Of the 9, 10 and 11 year-olds all but two (out of sixteen) are on track through primary school. It is only when we look at the children of 12 years of age or older that we find a significant proportion of primary-level drop-outs and a number who never started school at all. Remarkably, given how poorly-educated their mothers are, current attendance rates among the 6 to 11 year-olds show no difference between boys and girls.

The pace of change is accelerating, but our numbers tell us about schooling, not about learning. Well-documented deficiencies in the quality of teaching will continue to prevent many children fulfilling their potential. But through the diaries we will be able to track, as the years go by, the practical outcomes of schooling, as we watch what kind of jobs these children take and the incomes they earn.

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1. One of the two sub-districts where we run the diaries has ranked second for pre-school attendance rates (out of the country’s 491 sub-districts).

2. These are ‘purchasing-power parity’ exchange rates of 31.9 taka to each PPP\$: PPP rates reflect the fact that \$1 in the USA buys much less than its market exchange rate equivalent (now about 80 taka), buys in Bangladesh. For more on measuring poverty using diary data please see [here](#). PPP\$1.90 consumption per person per day is the World Bank’s standard upper limit of ‘extreme poverty’. PPP\$3.20 is the ‘additional’ poverty line recently introduced by the Bank to reflect the fact that in low-middle income countries like Bangladesh you can still be poor even if you consume more than \$1.90 a day. The two lines (\$1.90 and \$3.20) correspond roughly to the Bangladesh government’s ‘lower’ and ‘upper’ poverty lines.

3. That is, \$16,000 was the total outflow of money less financial transactions (making savings and repaying loans) and less business expenses spent in pursuit of business income. All amounts are expressed in PPP dollars.

4. See other blogs in this series for information on how MFI loans are often used to ‘refinance’ private loans.



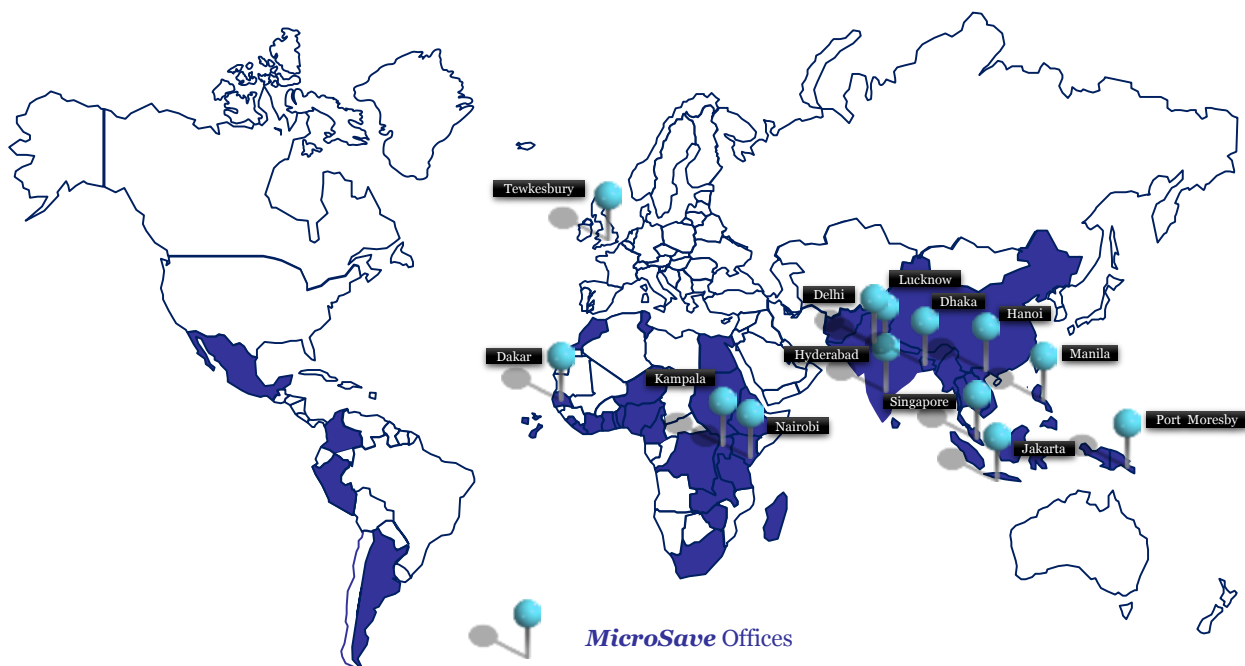
## Author: Stuart Rutherford

Trained originally as an architect, Stuart Rutherford later became interested in how poor people manage their money, and how they might be helped to do it better. He has collected details of many financial devices in dozens of countries and has described them in his book *The Poor and Their Money*.

With David Hulme of Manchester University, he devised and then led the first ‘financial diary’ research project, in Bangladesh in 1999. Results from the first crop of financial diary exercises were written up in *Portfolios of the Poor*, of which he is a co-author. Rutherford has also looked at money management for poor people from the point of view of a service provider, having established the MFI SafeSave in Dhaka, Bangladesh, in 1996, and has also worked as a teacher and consultant. He is married and now lives in Nagoya, Japan.

## About MicroSave

*MicroSave* is an international financial inclusion consulting firm with nearly 20 years of experience, operating in eleven offices across Asia and Africa. Our mission is to strengthen the capacity of institutions to deliver market-led, scalable financial services for all. We guide policy, provide customised strategic advice and on the ground implementation support.



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