

Social Capital Conference (SoCap09)
Fort Mason – San Francisco
September 1 - 3, 2009

Panel Topic: Investing in Bottom of the Pyramid (BOP) Education

Purpose

Private school could be the next asset class to go to scale after microfinance.

Design/methodology/approach

Expert opinions from panelists who are entrepreneurs and investors building models that are replicating in Kenya and India as well as a peer-to-peer tech startup that is bringing something new to the mix.

David Kyle, Indian School Finance Company
Jay Kimmelman, Bridge International
Kushal Chakrabarti, Vittana

Moderator: Glenn Strachan, USAID Contractor

Findings

Each panelist discussed his organization and its work in BOP education.

Kushal Chakrabarti: Vittana

Vittana lends directly to students in the developing world primarily for a vocational education in urban areas. The organization is only a year old and they will soon be lending in 8 countries. Vittana differs from Kiva and Prosper because they do person-to-person lending in the developing world. They realize massive returns on small loans for education. The loans allow students to get an education that will increase their can more than double their earning potential.

They employ an operations model that creates/catalyzes new markets. Their goal is a shift in mentality within 5 years to a realization that education is income generating.

David Kyle: Indian School Finance Company

Indian School Finance Company is a for-profit business focused on poor families. It provides 3-year loans for private schools for grades K through 10 in India. Loans are \$25K to \$35K for infrastructure to address issues of development, training and managing capacity. All loans are collateralized at market rate. Thus far they have funded 115 schools and are on target to fund up to 1,000 schools next year. Loans are made to owners of schools, not the schools themselves and are treated as sole proprietorships. Schools must have a minimum of 600 students to be eligible for a loan.

Technical assistance is offered in 2 major areas to develop loan recipients as partners: development of a working plan and tutorials on how best to use loans.

Indian School currently financing 20 schools/month with a goal of increasing it to 50 schools/month and 10% of India's schools. Opening new branch in Bangalore. Getting customer records online to standardize the lending process and make it faster and more efficient.

Jay Kimmelman: Bridge International

Bridge International is a for-profit organization that finds talented local people to run local schools in Kenya. The organization hires and trains entrepreneurial managers in school curriculum and back-end financial operations and charges each student \$4 per month to attend school.

Bridge has a unique business model. Local parents of the Bridge schools hold teachers

accountable. If they feel their children are not getting a good education, they remove them from the school and the school loses the child's tuition. Schools sole income is tuition and this model is an effective shortcut to accountability that is built into the model.

Practical implications

Education in India is creating a new asset class of medium term debt.

To get to scale as worldwide organizations non-profits as well as for-profits must offer high quality and low costs.

Collecting loans in India is a problem because India is a "no credit" culture.

Retaining staff at lending locations in India is a challenge because of inexperienced staff.

Loans for schools and education offer strong social return vs. financial return.

Originality/value

The conference panel addressed key issues in BOP education such as risks and differing business models. Microfinance Institutions were mentioned as a source of funding because they have expressed interest. Panelists acknowledged that MFI's need to get up to speed on lending for schools but didn't elaborate on the learning curve or how this may be accomplished.

Key Words

SMEs, education, bottom of the pyramid, developing nations.

Paper type: Review of Conference Panel

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