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# The Complexities of Impact Investing and Education

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education | measuring impact
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The connection between access to quality education and personal—and national—economic growth is clear. Yet many governments do not have the resources to provide such an education, even in developed countries, where systemic issues may create education inequalities.

This may make impact investing and education a logical pairing, but finding the right investments and measuring their impact is not as straightforward as it might seem.

## The Global Need for Improved Education

According to UNESCO, more than 260 million school-aged children are not enrolled in school, and roughly 20% of students in low-income countries do not finish primary school. Only a quarter of students in those countries will graduate from high school.

In the United States, where a college degree is necessary for many jobs, fewer than half of Americans receive post-secondary education. Broken down by race, the numbers show a larger inequality: just 31% of African Americans, and fewer than a quarter of Hispanics and Indigenous Peoples, have a post-secondary degree.

These statistics show room for improvement on the United Nations' Sustainable Development Goal (SDG) 4, which aims to "ensure inclusive and equitable education and promote lifelong learning opportunities for all."

Making progress on SDG 4 would move the needle on other global goals, including eliminating poverty (SDG 1), since education can lead to economic opportunity, and improving gender equality (SDG 5), since girls face disproportionate barriers to education. "In broad terms, investments in education can directly and indirectly tackle nearly each of the 17 SDGs," the Principles for Responsible Investment notes.



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## Impact Investing in Education

Despite the obvious need, impact investors have not allocated their portfolios toward education the way they have other areas. According to the Global Impact Investing Network, just 4% of impact investing assets under management in 2018 went to education, compared to 13% going to microfinance and 11% to financial services.

This disparity may come from skepticism around financial returns from investments in education. For example, Jamie Merisotis, CEO of the Lumina Foundation, notes that his organization is willing to cede returns and accept "a higher level of risk that other investors might avoid" in order to support a "company [that] can achieve the social outcome it's pursuing."

Others have pointed out that because there are so many factors that can impact educational attainment—from parental engagement to transportation availability—it can be difficult to gauge whether a specific intervention will make a difference. Investors may also struggle with measuring the outcomes of education investments, which can take years to bear fruit.

Still, as Glenmede impact research analyst Jennifer Wong notes, digital technology is one area investors may be able to look to make an impact in education. "When properly channeled, private capital can spur innovation in providing quality education outcomes and democratizing access to education products and services." These innovations take a variety of shapes, from personalized learning programs and online courses to corporate upskilling tools and loan refinancing platforms.

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