

Edufinance Market Knowledge

Mann Deshi Bank

*Financing the education needs
of low-income population*



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01.

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

The following report sheds light on the demand and aspiration for education savings product amongst clients and non-clients of Maharashtra. The following research has been conducted on behalf of Opportunity International for Mann Deshi Bank. It was observed that the demand for education savings product amongst the respondents sending their children to private schools was high as private schools charge a lump-sum registration fee and there are various other education-related expenses that impose a sudden financial burden.

BACKGROUND

As per the Indian constitution under article 42, education is a concurrent list subject that enables the central government to legislate it. Globally, the Indian Education sector is amongst the largest, with an extensive network of more than 1.5 million schools (with over 250 million students enrolled).

Nearly 50% of all students in India are enrolled today in the 4.5 lakh privately managed schools across the country (U-DISE 2019). As per the MHRD data, the total number of students enrolled in the class(1st-12th) is approx. 250 million.

In recent years, a transformation has taken place in India with the rapid growth of private schools across urban and rural areas. Currently, India has nearly 4,00,000 unaided private schools, with more than 7.9 crore students enrolled. As per the study conducted by FSG, urban India could have anywhere between 1.3-1.7 lakh Affordable Private Schools (APS).

The contribution of the private sector to increase the standards and quality in school education is expected to be positive as affordable private schools are expanding into lesser-known geographies.

METHODOLOGY

To understand the business potential for the education savings loan for Mann Deshi Bank, a stepwise process was followed. Firstly, secondary research was conducted to understand the trend and current status of private education in India as well as in the operational states of Mann Deshi Bank. This was followed by door-to-door survey of a representative set of around 100 respondents (both clients and non-clients) from Maharashtra.

This survey resulted in understanding the incidence of private education among the respondents and the broad demand for education savings product by parents. Based on the collected data we analyzed various parameters for economic profiling of the respondents, their children's education profile, and need for education savings product as well as education loan product.

FINDINGS

Some of the key findings emerging from the survey are:

- 53% of the respondents need savings product separately for education-related expenses.
- 81% of the respondents are willing to save up to ₹1000 a month for education related expenses
- 60% of the respondents have shown interest in taking education loan to meet the education related expenses
- 62% of the respondents require loan ranging from ₹10,000 and ₹50,000

These valuable insights from the primary findings help us in understanding the potential market for education loan among existing Mann Deshi Bank clients and certain aspects related to the designing education loan as a product

To understand the demand and aspiration for education savings product amongst parents in the select Mann Deshi Bank operational locations

SECONDARY RESERACH



Indian education landscape

- Pre, primary & secondary education
- Education: public vs private
- Education regulations
- Key education challenges
- National education policy
- Market size: Indian education landscape
- The enrolment level
- The fees level
- The education quality

PRIMARY DATA COLLECTION



Interview with 100 individuals (clients & non-clients) in the state of Maharashtra

Main areas of investigation in parents' interview

- Profile
- Credit History
- Current educational situation
- Education savings product
- Interest in education savings product
- Interest in education loan product

DATA ANALYSIS & REPORT



02.

INDIAN EDUCATION LANDSCAPE

2. INDIAN EDUCATION LANDSCAPE

Globally, the Indian Education sector is amongst the largest, with an extensive network of more than 15 lakh schools (with over 26.5 crore students enrolled) and more than 850 universities and 40,000 higher education institutes and is expanding rapidly in light of rising income levels and growing demand for quality education in the country. Nearly 50% of all students in India are enrolled today in the 4.5 lakh privately managed schools across the country (U-DISE 2019). In secondary and higher secondary grades, privately managed schools have an enrolment share of 59% (U-DISE 2019).

India's education sector offers a great opportunity with approximately 29 per cent of India's population being between the age group of 0-14 years. India's higher education segment is expected to increase to Rs 2,44,824 crore (US\$ 35.03 billion) by 2025. The education sector in India is estimated at Rs 6,40,891.3 crore (US\$ 91.7 billion) in FY18 and is expected to reach Rs 7,06,587.9 crore (US\$ 101.1 billion) in FY19. Increasing internet penetration is expected to help in education delivery. As of December 2018, internet penetration in India reached 46.13 per cent. As of March 2019, there are 66 million internet subscribers in India in age bracket of 5 to 11 years.

Government of India's target of Gross Enrolment Ratio (GER) of 30% by 2020 and 50% by 2035 for higher education is expected to drive investments in the education space. In FY21, Gross Enrolment Ratio in higher education in India was 27.1%.

2.1 Pre, Primary & Secondary Education

India's public school system consists of 12 academic years. Primary school is first to fifth grade (for 6- to 10-year-olds). Middle school/upper primary school is sixth to eighth grade (for 11 to 14 year olds). Secondary school is ninth and tenth grade (for 14- to 16-year-olds). Finally, higher secondary or pre-university is 11th and 12th grade (for 16- to 18-year-olds). Some public schools will also cater to pre-primary aged children (children aged 3 - 5).

Compulsory education lasts 8 years from age 6 to age 13. For primary to post-secondary education, the academic year begins in April and ends in March. The Gross enrolment ratio has increased to 89.7 per cent (from 87.7 per cent) at the upper primary level, 97.8 per cent (from 96.1 per cent) at the elementary level, 77.9 per cent (from 76.9 per cent) at the secondary level and 51.4 per cent (from 50.1 per cent) at higher secondary level in 2019-20 (from 2018-19). In secondary and higher secondary grades, privately managed schools have an enrolment share of 59% (U-DISE 2019).

2.2 Education, public versus private

India K-12 market stood at 1.53 million in 2018 and is projected to grow at a CAGR of 0.29% to reach 1.55 million by 2024 on account of increasing number of private schools pursuing high demand for quality education. Additionally, technology advancements in the method of teaching along with involvement of government and private institutions is creating opportunities in the education sector.

2.3 Education regulations

Education falls in the Concurrent List of the Constitution of India i.e. both the centre and the states have the authority to legislate on it. In addition, the centre has the power to determine standards for higher educational institutions while the states can incorporate and regulate universities through private or state university legislations

School Education

The National Council of Educational Research and Training (NCERT) is the governing body managing the curriculum related matters for school education in India, it also provides support and technical assistance to the schools and looks after the enforcement of policies pertaining to the education system in India.

Higher Education

The regulatory framework governing Higher Education in India is complex with both the central and state governments sharing the roles and responsibilities.

The Ministry of Human Resource Development (MHRD) is the nodal authority through which the central government plays a key role in defining public policy for higher education in the country.

State Government: The state government discharges its responsibilities through respective government departments for higher education. governments.

Regulatory and Professional Councils: Statutory bodies such as University Grants Commission (UGC) and All India Council for Technical Education (AICTE) along with professional councils such as Bar Council of India (BCI), etc., are responsible for the regulation, coordination and development of higher education in India.

The UGC is the apex body governing higher education system in India.

Accreditation Bodies: The regulatory bodies/professional councils are assisted by accreditation bodies such as National Assessment and Accreditation Council (NAAC) and National Board of Accreditation (NBA) in benchmarking higher education institutions. National Council for Teacher Education (NCTE) and National University of Educational Planning and Administration (NUEPA) are responsible for teacher accreditation.

The Economic Survey 2017-18 reveals that government spending on education as a percentage of GDP has remained close to or less than 3% of the GDP since 2013-14

2.4 Key Education Challenges

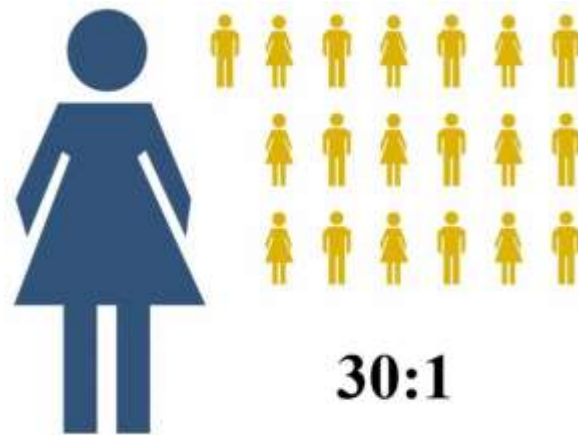
The key challenges to India's education are -lack of access to education; poor quality of education; equity; and governance. These key challenges are strongly interlinked with other influencing factors such as poverty, gender parity related issues, expenditure on education, gross enrolment pattern, underutilized capacity and infrastructure, teacher-student ration, poor teacher quality and absenteeism, inadequate and poorly established quality standards and a lack of adequate teaching material, which generates a lack of interest from students and parents, one of the major factors in high drop-out rates.

2.5 National Education Policy

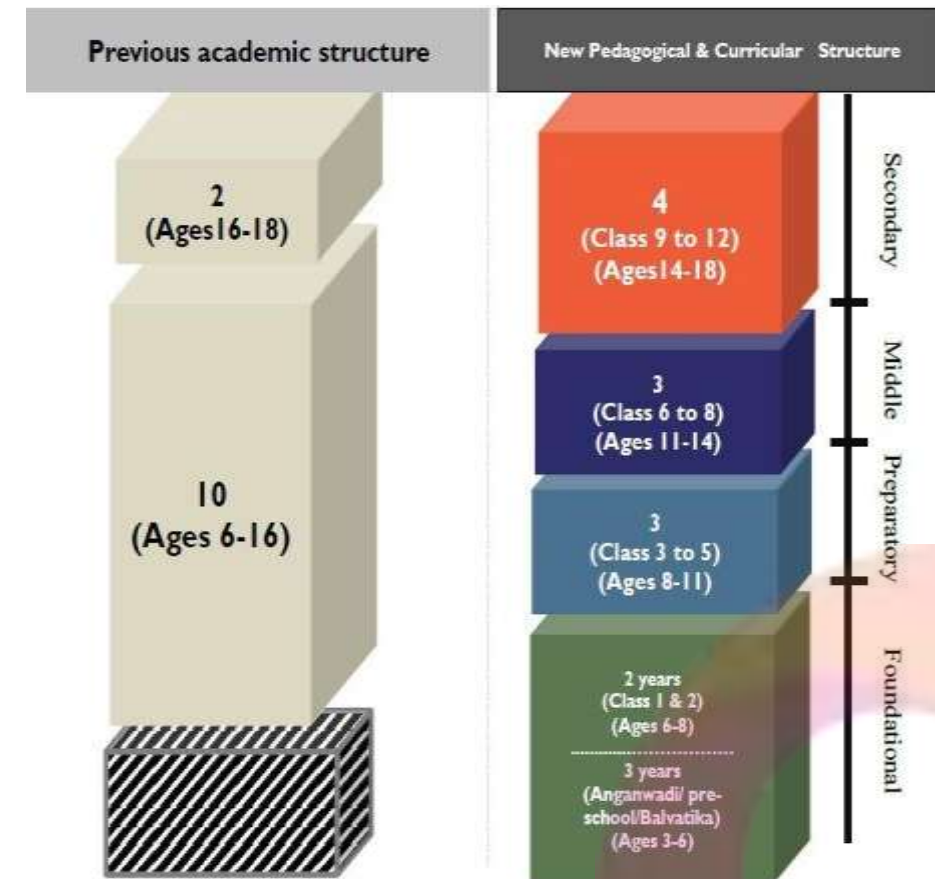
In July 2020, Government of India released National Education Policy (NEP). The key features of the policy are as follows:

- The policy focuses on ECCE (Early Childhood Care and Education), as 85% of the brain development occurs prior to the age of 6 years, the pedagogy should be developed to recognize, identify and foster the capabilities of students from the young age and help them learn better.
- Develop a National Circular and Pedagogical Framework for Early Childhood Care and Education (NCPFECCE) for the children up to the age of 8 years by NCERT with special focus to districts and locations that are socio-economically disadvantaged.
- Curtailing dropout rates of students is important, and India has nearly 3.22 crore students drop out in age group 6-17 (NSSO 2017-18).
- Top priority of the government is to achieve 100 % Gross Enrolment Ratio in pre-school and secondary school level till 2030.
- National Institute of Open Schooling (NIOS) will provide open learning courses for children who are socio-economically disadvantaged.
- Major restructuring in board exam pattern will eliminate rote learning and cramming of subjects under exam pressure as there will be two board exams in a year with best of two attempts to choose and the exams will only check basic knowledge and understanding of the students, they can opt for any subject they want to appear for their board exams.
- To ensure that outstanding students enter teaching profession (especially from rural areas) a large number of merit-based scholarships will be institutionalized across the country for B.Ed. Programs.
- The thrust of the policy focuses on higher education as it talks about institutional restructuring and consolidation of Higher Education Institutions HEI into knowledge hubs (multidisciplinary institutes).
- By 2040 all the higher education institutes are expected to be upgraded to multidisciplinary institutes which could accommodate higher student enrolment.

- It has been observed that mathematical and computational skills will be very important for India's future and leadership role in the numerous upcoming fields and profession that will involve artificial intelligence, machine learning, data science etc. so increased emphasis will be on these subjects from the foundation years.
- The highest priority of the government is to achieve universal foundational literacy and numeracy by Grade 3 in primary school by 2025.
- The aim is to achieve Pupil Teacher Ratio PTR of 30:1 and areas with large numbers of socio-economic disadvantaged students will have PTR of 25:1 for better learning.



- Restructuring of curriculum has been proposed and the new pedagogy method will consist 5+3+3+4 design which means Foundational stage of 5 years, Preparatory stage of 3 years, Middle Stage with 3 years and Secondary Stage with 4 years of multidisciplinary study.



2.6 Market size in pre-primary, primary & secondary, higher education and coaching classes

As per CARE rating report , Overview of India Education Industry June- 2018, the market size of various education segments are as follows,

- The preschool segment market size is estimated at Rs. 130 bn in FY17 and is expected to grow at a CAGR of over 20% over the next three years to reach Rs 225 bn.
- The K-12 market is estimated at Rs. 1,655 bn in FY17 and is expected to grow at a CAGR of over 13% over the next three years to reach Rs 2,400 bn.
- The market size of the Indian higher education segment stood at approximately Rs. 2,230 bn in FY17 and is expected to grow at a CAGR of over 11% over the next three years to reach Rs 3,100 bn.
- The market size of the Indian coaching classes segment stood at approximately Rs. 2,170 bn in FY17 and is expected to grow at a CAGR of over 13% over the next three years to reach Rs 3,150 bn.
- The overall education loan portfolio is about Rs.80,000 crore comprising mainly of scheduled commercial banks (~Rs.73,000 crore), co-operative Banks (~Rs.2,000 crore) and NBFCs (Rs.5,000 crore). The idea to encourage education loans was first coined through the introduction of education scheme formulated by Indian Banks Association (IBA) in 2001. The nationalized banks, including the SBI group, have the highest proportion forming around 95% of the education loan portfolio amongst the banks.

The private education sector in India is expanding, driven by government incentives and growing awareness among families about the importance of education for their children. However, despite encouraging public policies at the beginning of the millennium, public education is struggling to meet the needs of the entire population and failing to satisfy the needs of families who are increasingly aware of the quality of education on offer. Key drivers include:

- Higher enrolment
- Efforts to ensure lower drop-out rates in the schools
- Greater proportion of the population in the school going age
- Growing middle class population with increasing income levels
- Increasing private spend on education,
- Quality of education imparted
- Governance and management, and
- Financial commitment to education development

While challenges relating to access to and participation in education also continue to persist.

Families are usually more inclined towards private schools that have a reputation for providing quality education. Private schools have thus benefited the most from the increase in school enrolment in India, seeing enrolment numbers grow faster than those in public schools.

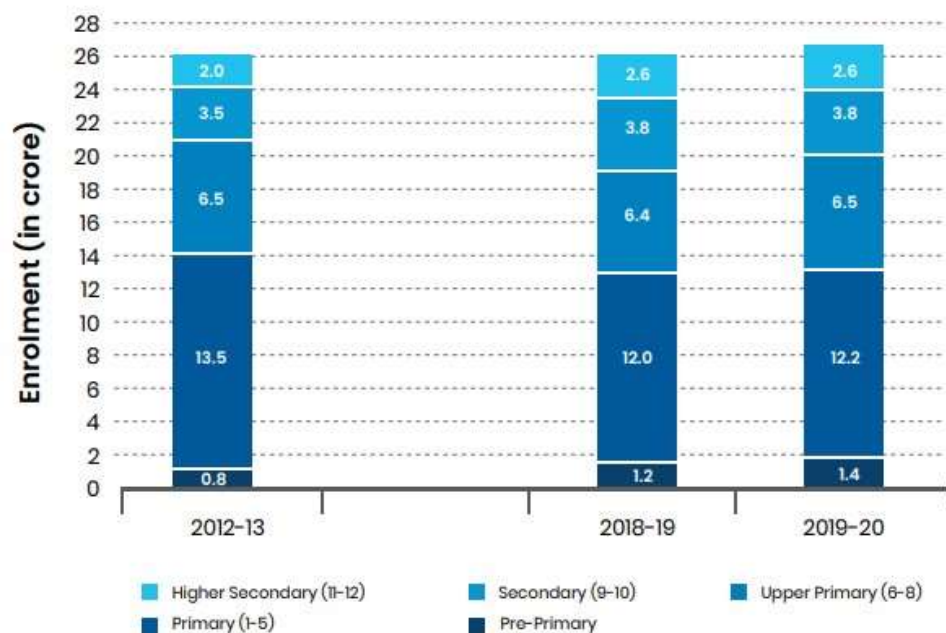
However, this positive trend for the private sector is generally accompanied by greater expectations from families, who want to get the best quality education for their children at the most sustainable price.

2.7 The Enrolment Level

The total enrolment in 2019-20 from primary to higher secondary levels of school education was a little over 25.09 Crore. Enrolment for boys was 13.01 Crore and that of the girls was 12.08 Crore. This was an increase by more than 26 lakh over the previous year 2018-19.

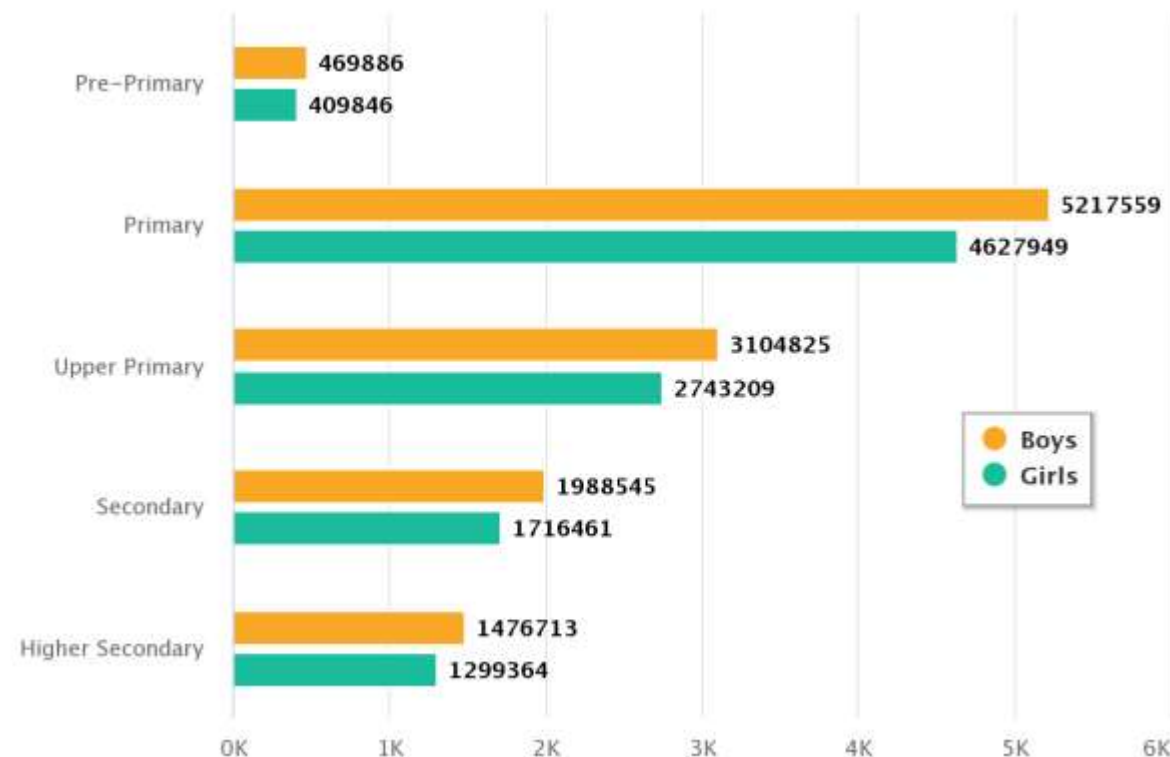
Including that, total enrolment of all the schools in the UDISE+ system have crossed 26.45 Crore in 2019-20, which is an increase of more than 42 lakh over the previous year 2018-19. A comparison of enrolment at different levels of education shows that enrolment at primary level has reduced from 13.5 Crore in 2012-13 to 12.2 Crore in 2019-20

Chart 1: School Enrolment (in crore), India 2012-13, 2018-19 and 2019-20



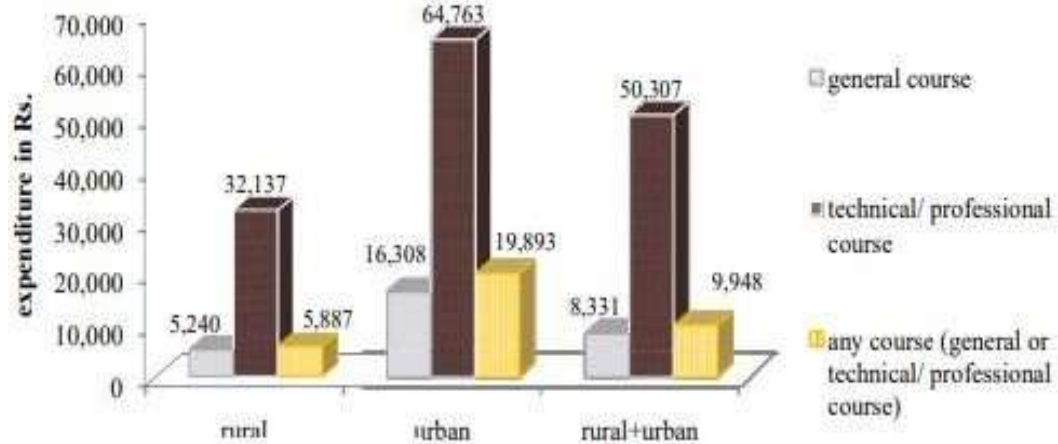
At all the levels above primary, i.e. in upper primary, secondary and higher secondary school enrolment has increased, showing an improvement in the ability of the system to retain more and more children in the system of school education over time. This chart shows the number of enrolment of both boys and girls in the state of Maharashtra.

Enrolment level in Maharashtra



2.8 The Fees Level

Fig. 4.7: Average expenditure (Rs.) per student on education relating to basic course during the current academic year



Distribution of (annual) fee level after constraining the fee values to be below Rs. 30,000 pa (Rs. 5240 pm- Rural area). Even here, it is visible that only a very small number of students pay fees above around Rs. 17,000 pa or Rs. 1000 pm. Most of these schools are “affordable”, “low-cost” or “budget” private schools.

The graph shows that schools are charging under 20,000 INR annually.

Nearly 80 percent of the private schools are already 'low-fee', which means with fees lower than the government schools' per-pupil-expenditure.

NSS (National Sample Survey) 2018 data shows that private unaided elementary-schools' median fee is Rs 14155 per annum (Rs 9723 in rural and Rs 19545 in urban India).

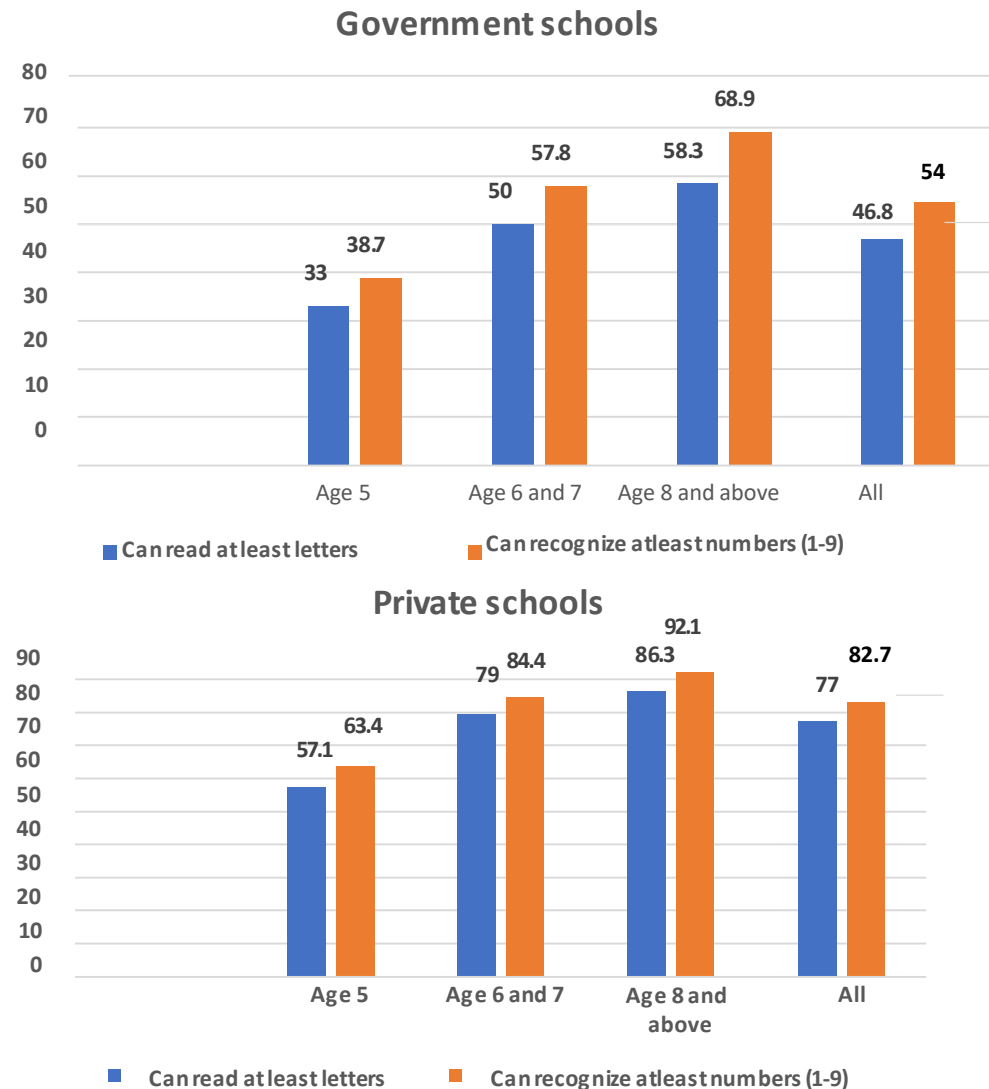
The data also shows that:

- only 18 percent of private schools charge a fee higher than Rs 1,000 per month
- only 9 percent charge more than Rs 1,500 per month
- And only 3.6 percent charge more than Rs 2,500 a month

This implies that only about 1 percent of children study in private schools with a fee greater than Rs 2,500 a month since 32 percent of India's elementary-age children study in private schools.

Household Social Consumption on Education in India (2018) data shows that private unaided elementary-schools' median fee is Rs 5240 per year (Rs5240 a month in rural and 16308 in urban India), with Rs 9810 a year in Maharashtra.

2.9 The Education Quality



Data from ASER 2018 shows children enrolled in Std I in rural India, 35.6% are enrolled in private schools and 64.4% in government schools.

For reading and arithmetic in Std I indicates that 33% can read and 38.7% can recognize numbers in government schools whereas 57% & 63.4% respectively in private schools.

In the Indian context, several studies find clear impacts of private schools on learning outcomes as compared to government schools. When adjusted for socioeconomic status, this gap reduces but is not entirely removed.

Studies find significant private school achievement advantage based on standardized tests.

However, whether this is true for low fee private schools is uncertain- Chudgar and Quin (2012) found that while initial analysis indicated private school advantage as a composite category, disaggregating the data showed that low fee private schools did not always perform better than government schools.

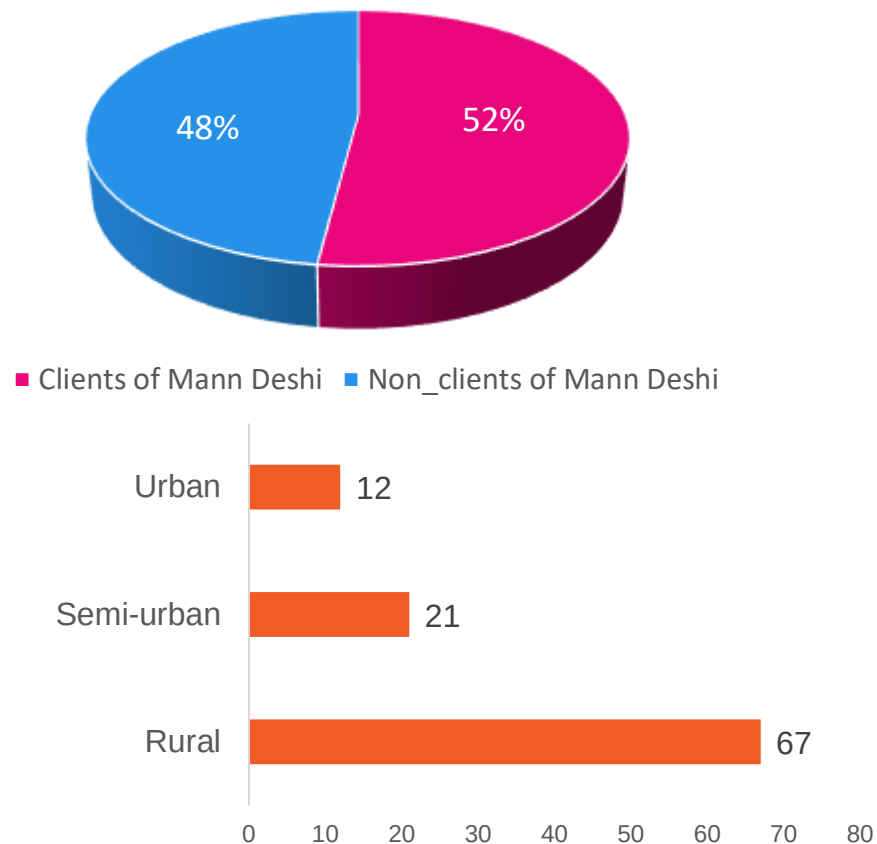
This was mainly because most of the budget private schools that we were providing only basic facilities and they were operating either in their own property or some building taken on rent with 5-6 rooms. The salary paid to teachers was much lower than basic wage of skilled laborer (around of INR 7000-8000) and when asked about training of the teachers they had no clue

03.

PRIMARY RESEARCH FINDINGS

3.1 Respondents' profile

Respondents of the interview

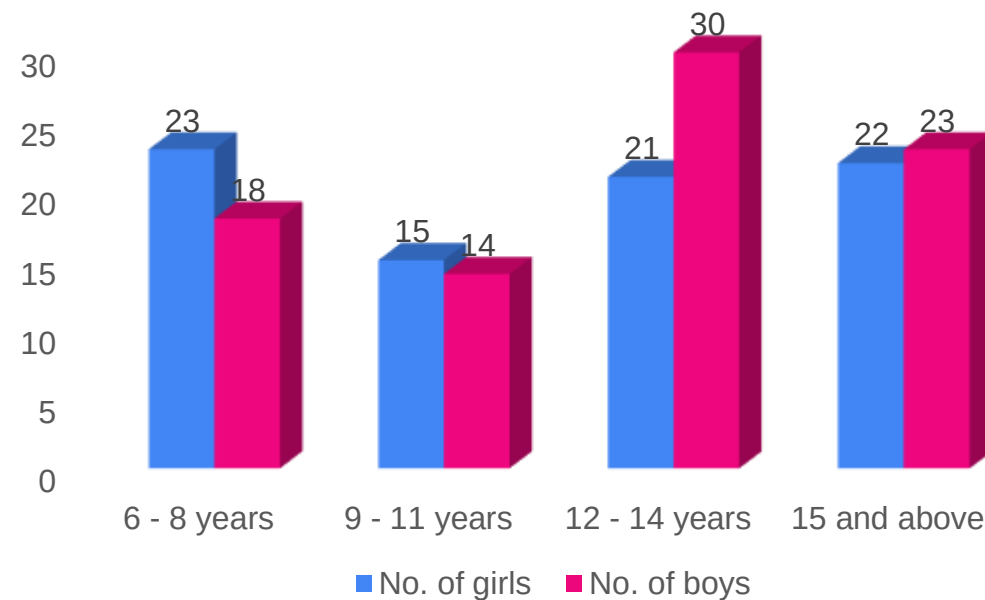


Total number of respondents: 100

- 88% of the respondents fall under the age bracket of 26 to 45
- 87% of the respondents are females
- 88% of the respondents live in rural/ semi-urban areas

3.2 Children's profile

Children in different age groups



- 30% (51 in number) of students are in the age group 12-14 years

Total number of children: **166**



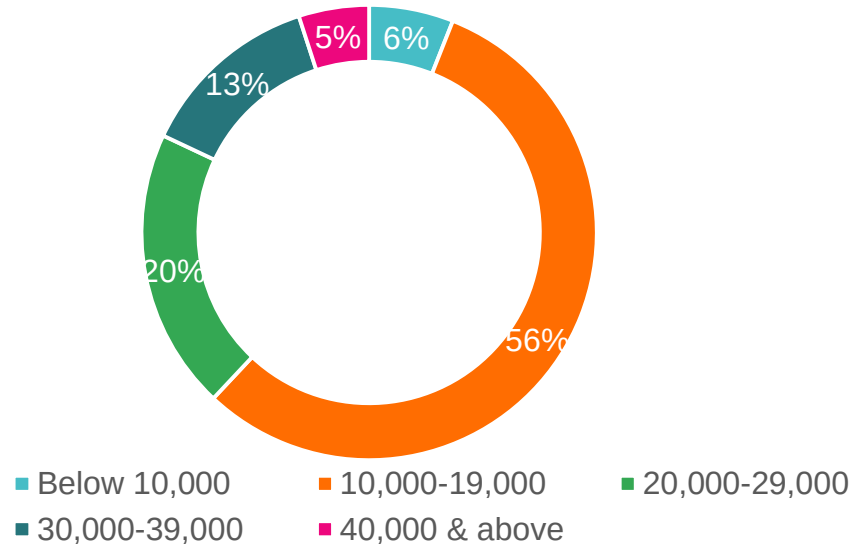
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85

3.3 Income profile of respondents

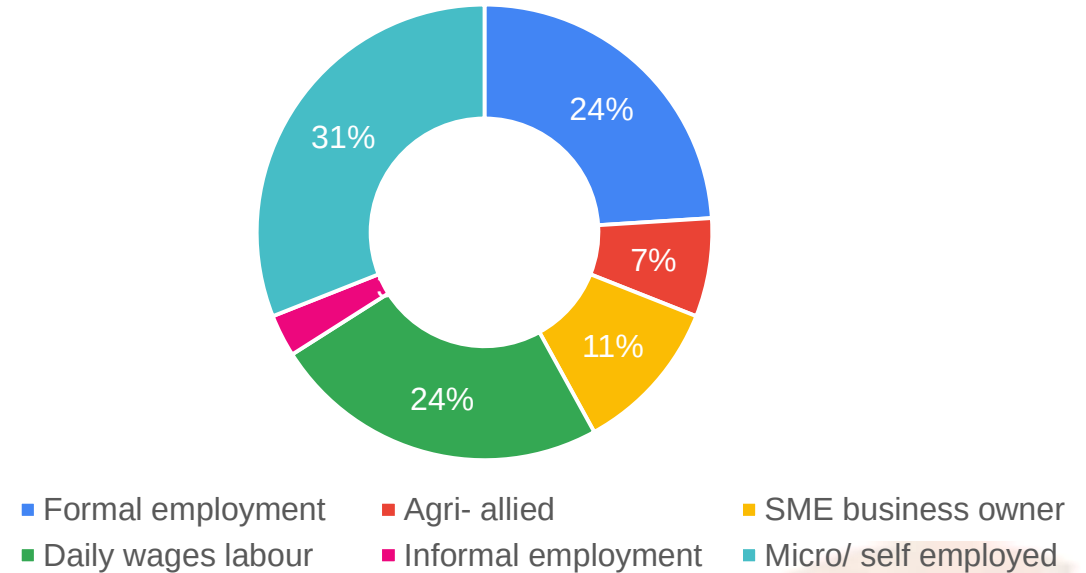
Average household income of respondents



- 62% of the respondents earn up to ₹ 20,000 a month on an average

Lowest income : May (31% respondents)
Normal income : January (21% respondents)
Highest income : October (28% respondents)

Primary source of income of respondents

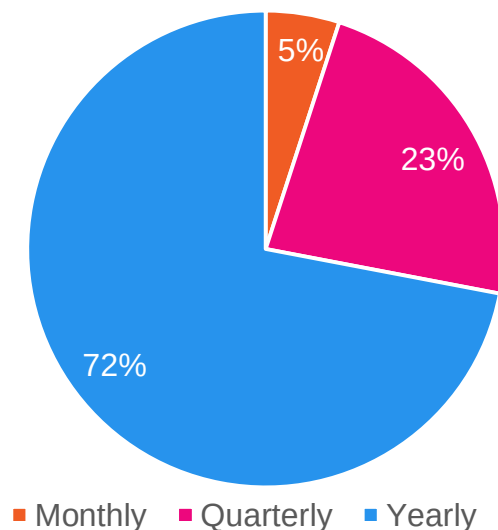


- Formal employment and daily wage works equally contribute to the **primary source** of income: **24%**
- 10%** of the respondents have agriculture/ Agri- allied activities as their **secondary source** of income

Average monthly income : ₹ 18,595
Average monthly expense: ₹ 9455

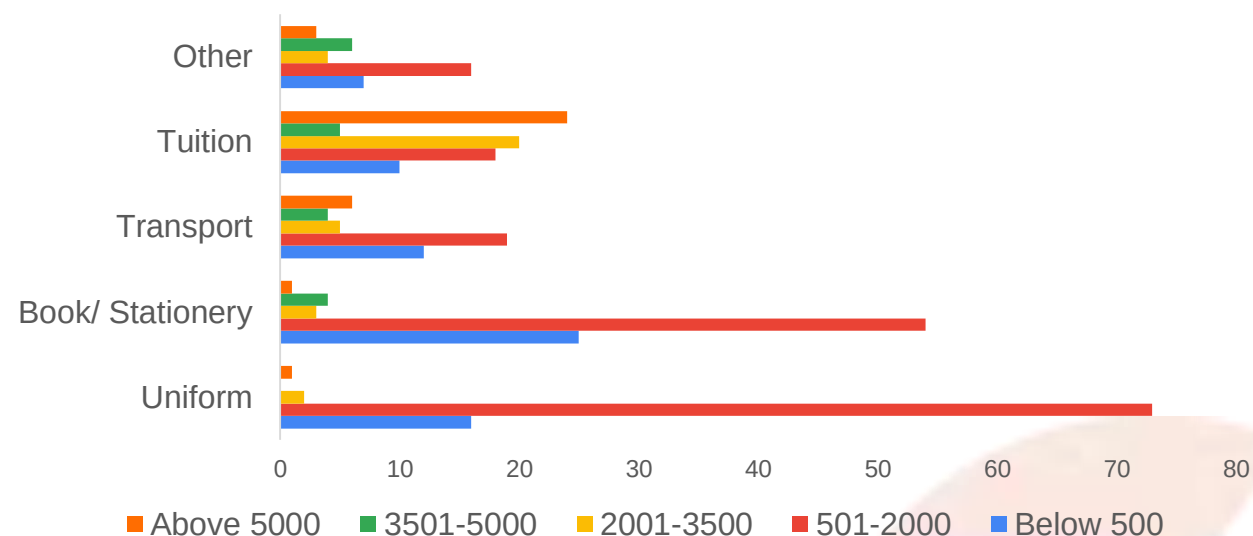
3.4 Education related expenses

Frequency of fee payment in school



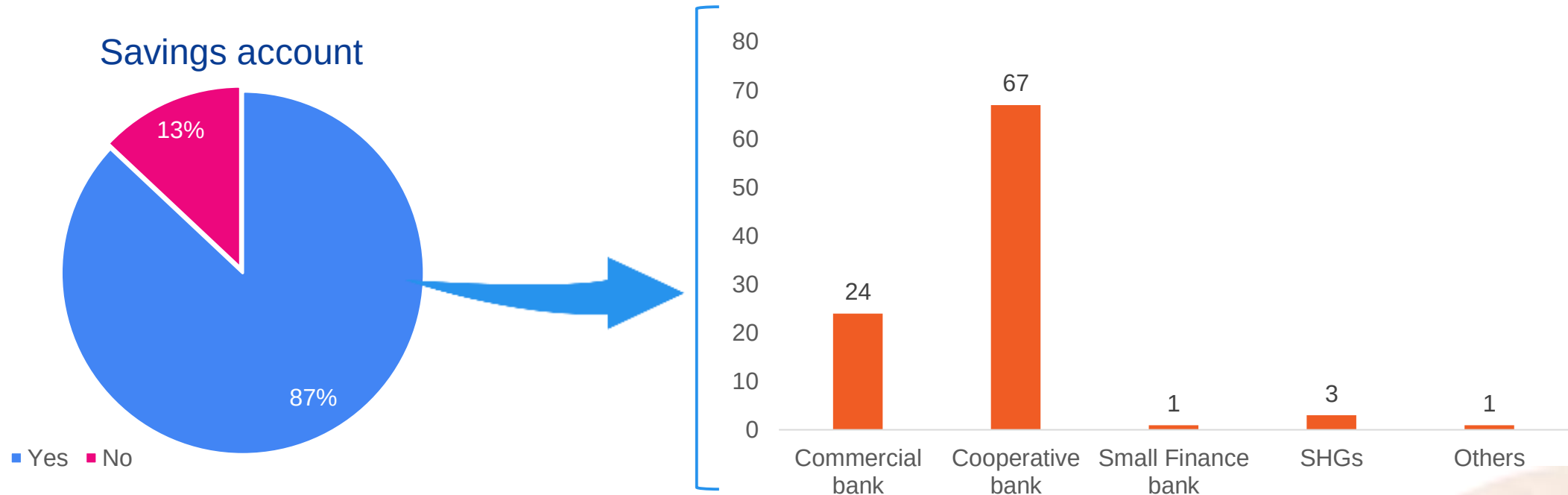
Average fee per student: **₹5242 per annum**

Expenses related to education other than school fee



- 79% respondents spend **up to ₹2000** for uniform
- 62% spend **up to ₹2000** for books & stationery
- 32% spend **more than ₹2000** for transportation
- 63% spend **more than ₹2000** for tuition fee (37% spend more than ₹3500)

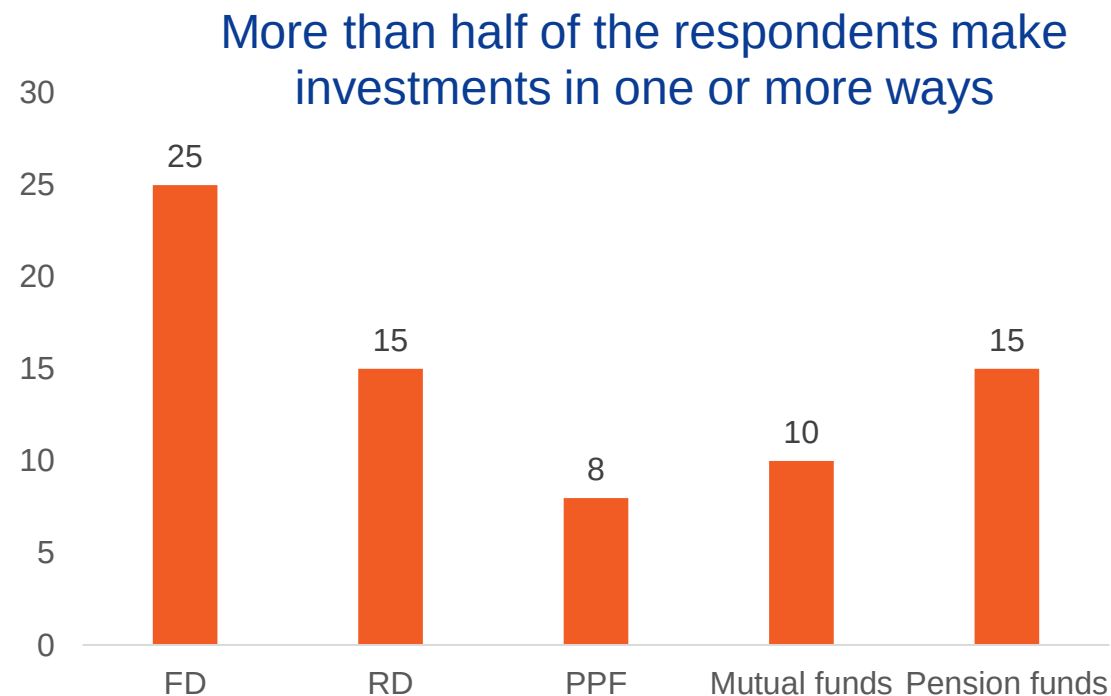
3.5 Savings behaviour: General



- **77%** of the respondents have savings account in cooperative banks, which is the highest, followed by commercial banks (27%)
- **41** people were saving money **in the past 12 months**
- They were either depositing in bank (85%) or saving money at home (43%) or giving it to family to save (12%)

It was observed that the respondents also do multiple savings. i.e., **10%** save both in commercial bank and cooperative banks.

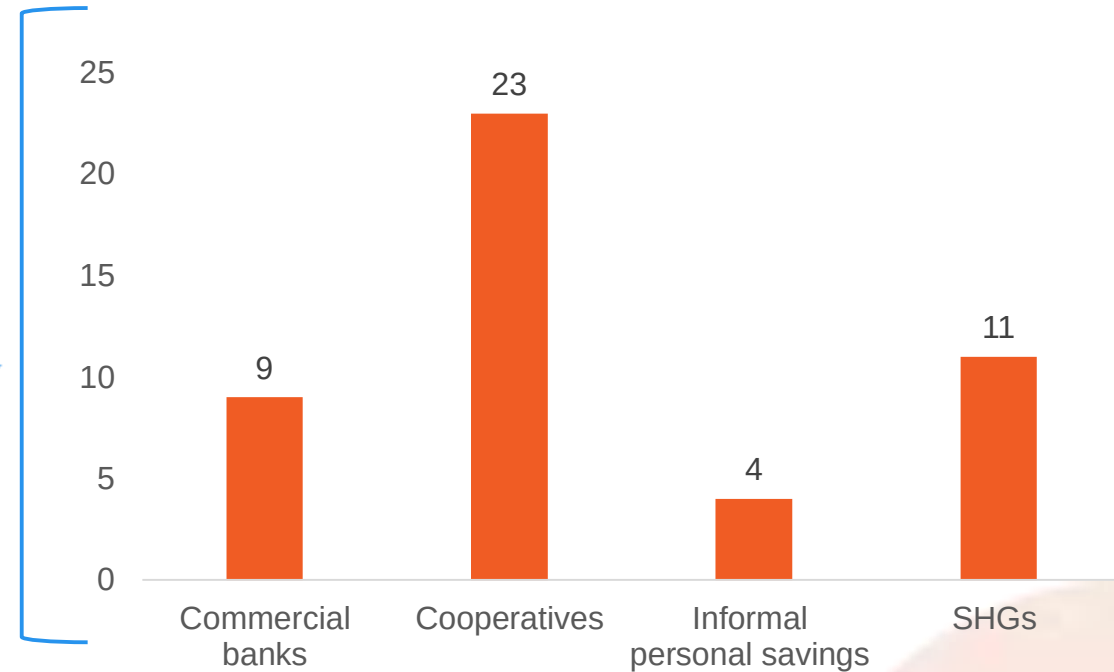
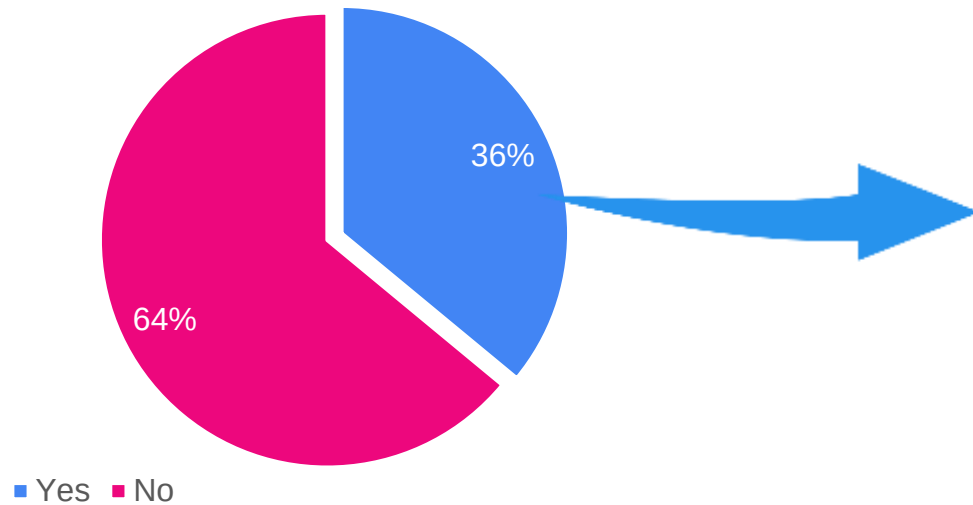
3.6 Investing behaviour



- Total number of respondents who make an investment: **58**
- **43%** of the respondents have **FD accounts**
- **17%** of the respondents invest in **mutual funds**
- **6%** of respondents have both **FD & RD** accounts
- **8%** of respondents have both **RD and pension funds**

3.7 Savings behaviour: School related expenses

Savings for school related expenses

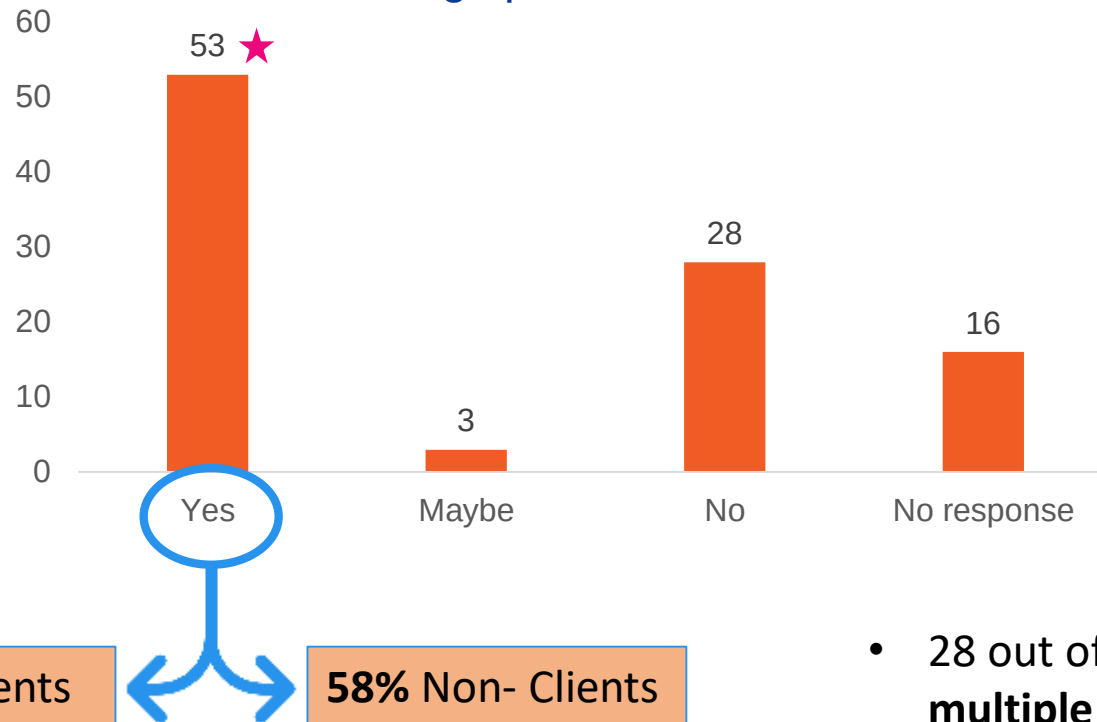


- It was observed that the respondents do multiple savings. i.e., 5% save both in commercial bank and SHGs. 5% save both in cooperative banks and SHGs
- 64% of the respondents have savings account in cooperative banks, which is the highest, followed by SHGs (30%)

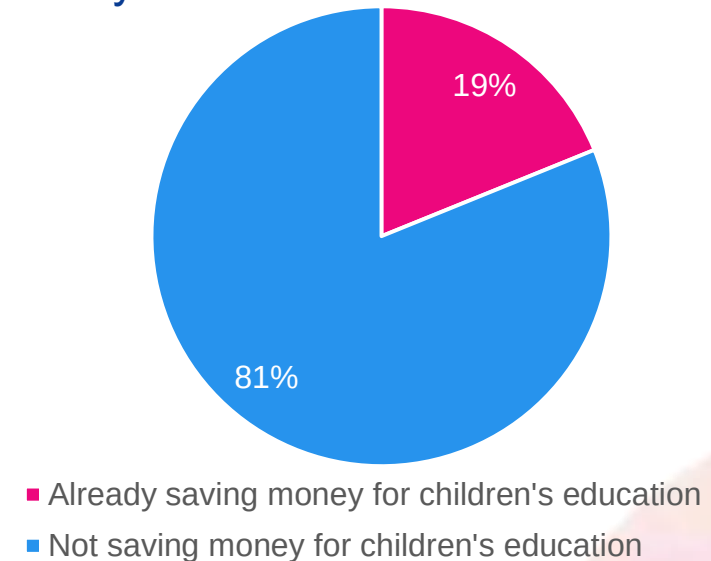
Lockdown due to COVID-19 and **low income** were stated as the reasons for not saving money by **54%** respondents

3.8 Savings product requirement: Children's education (1/2)

53% respondents indicated interest in a savings product



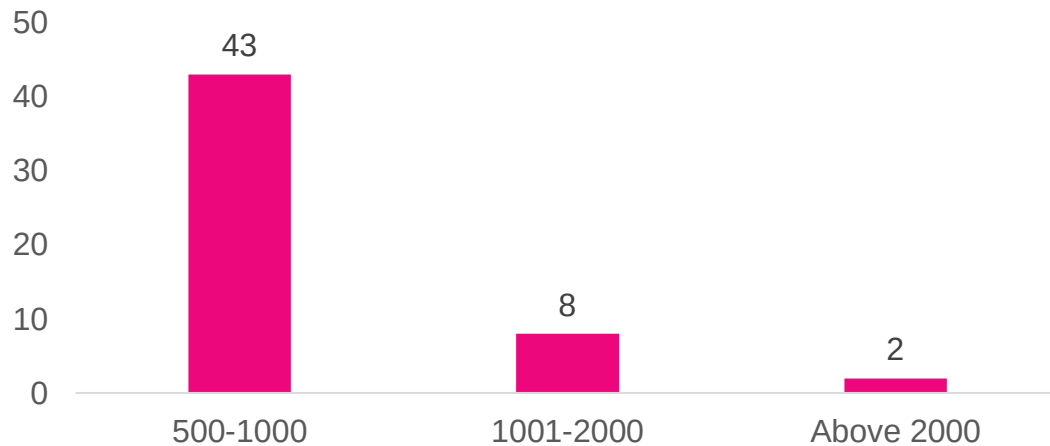
★ An overwhelming majority of interested respondents currently do not save for children's education



- 28 out of the total 53 respondents (**52%**) need the money to meet **multiple** expenses like books and stationery, meeting tuition fee, buying a computer and other expenses as well

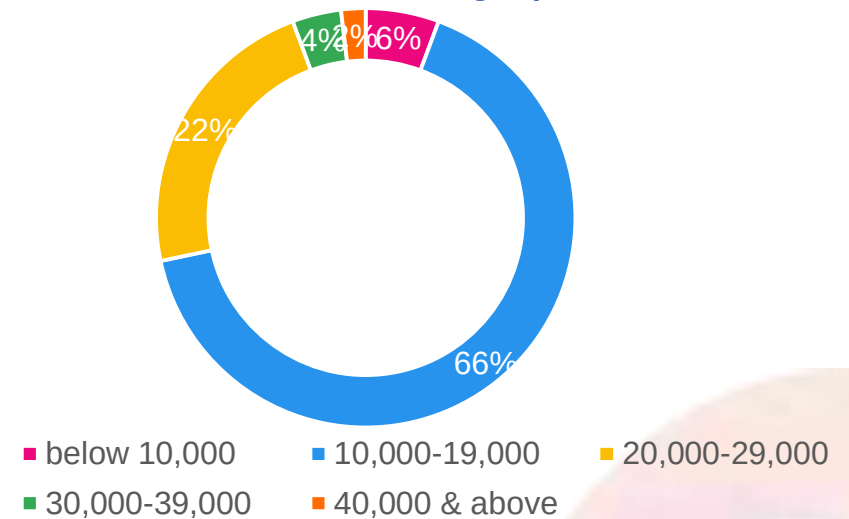
3.8 Savings product requirement: Children's education (2/2)

Amount that the respondents are willing to save per month



- **96%** respondents are willing to save ₹500 to ₹2000 per month
- **Only 4%** respondents are willing to save above ₹2000 per month

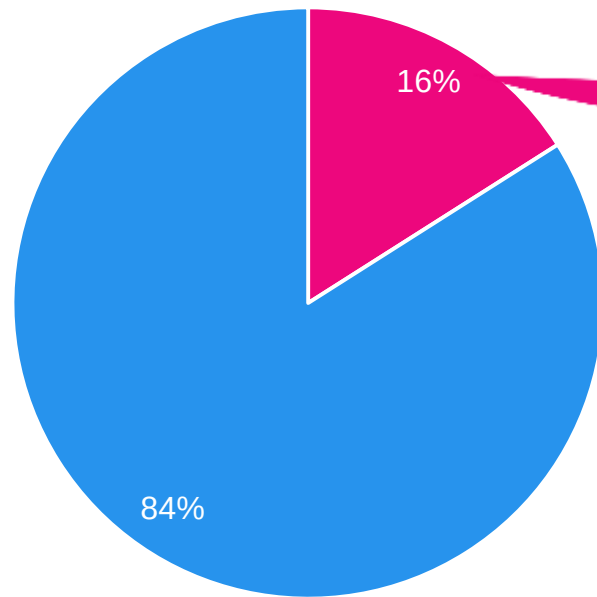
Income range of respondents who are interested in savings product



- **88%** of the respondents who have shown interest in savings product earn between ₹10,000 & ₹30,000 per month

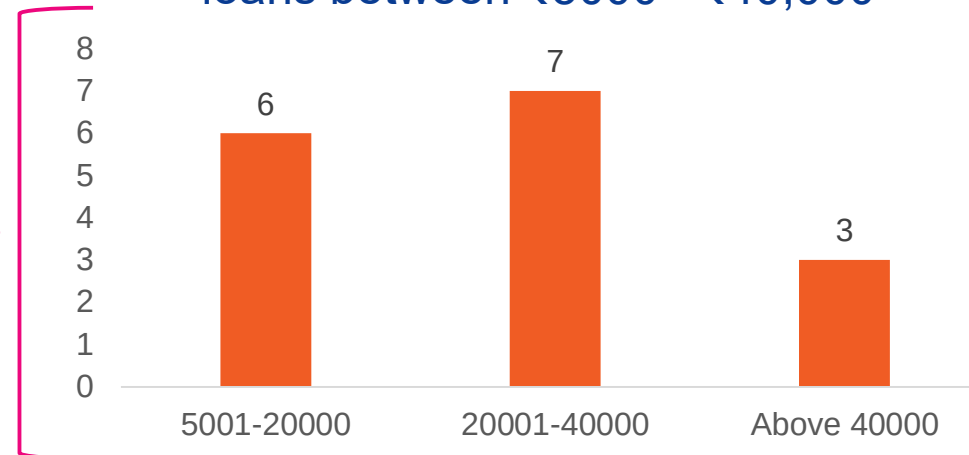
3.9 Credit history of respondents

Only **16%** of the respondents had previously taken loan to meet education related expenses of their children



■ Yes ■ No

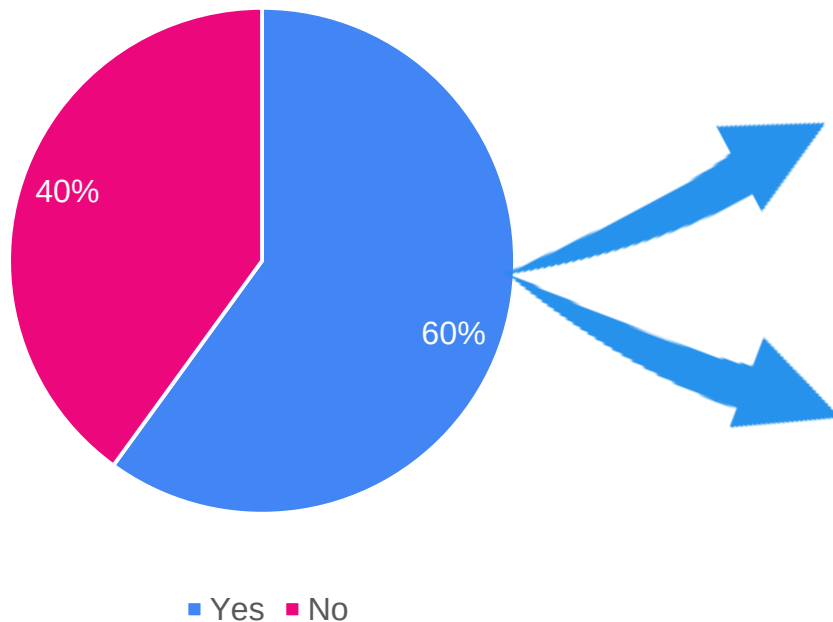
81% of the respondents had taken loans between ₹5000 - ₹40,000



- The average **interest rate** for the previous loans taken was **17.33%**
- The average **tenure** was **2 years**

3.10 Education loan product requirement

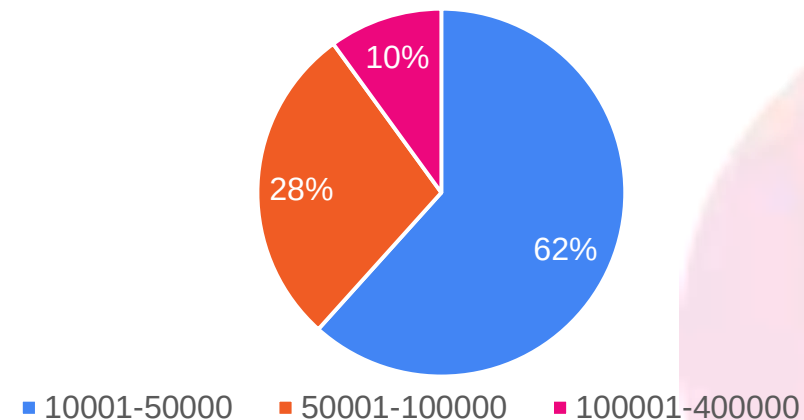
60% of the respondents indicated interest in a credit product



46% demanded a tenure of 2 years for the credit product



Majority of the respondents demanded a credit between ₹10,000 and ₹50,000



04.

RECOMMENDATIONS

4.1 Product Characteristics

Education Savings product

Monthly savings	₹500 to ₹2000 based on the income
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Purpose	Savings to meet the education related expenses (school fee and other expenses such as uniform, books & stationery, transportation, tuition fee etc.)
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Education Loan product

Loan size	₹10,000 to ₹50,000
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Tenure	12 to 24 months
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Interest rate	Interest rate should be less than usual interest rate charged on the IGL loan. As education loan will not generate any profit for the clients
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Preferable EMI	A preferable EMI amount can be in the range of ₹1000-₹2000 per month
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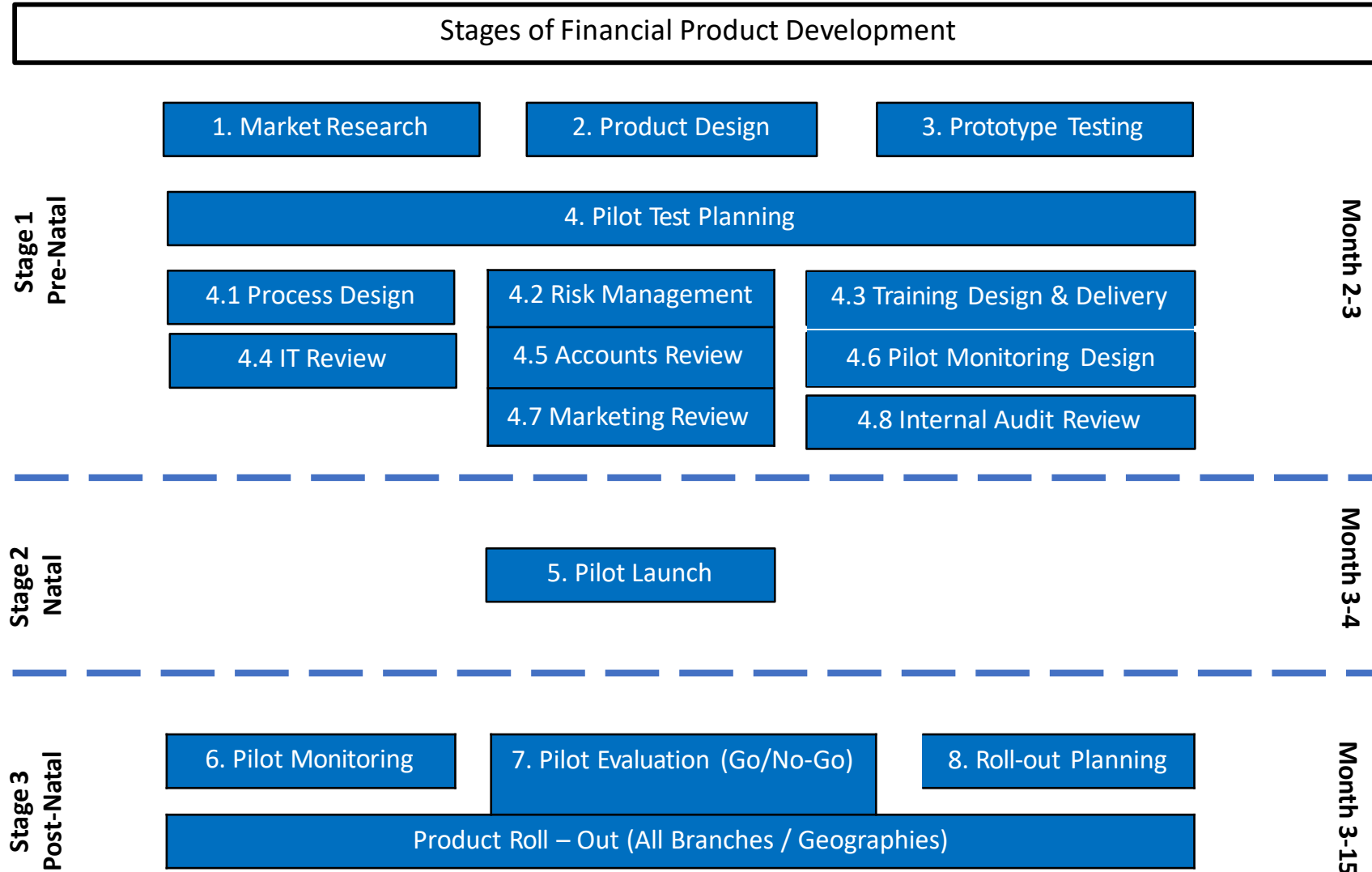
05.

NEXT STEPS

5.1 Next steps ahead



5.2 Next in the process



06.

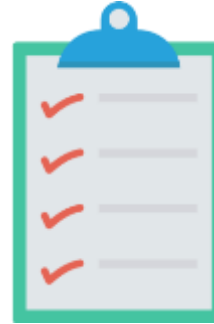
ANNEXURES

6.1 Methodology



Secondary Research

To understand the current status of India and State level statistics on education



Primary Research

- ✓ Data captured from Mann Deshi Bank clients & non- clients in Maharashtra

To understand the business and impact potential of education finance, relevant statistics (incidence of private education, enrolment, segmentation as per fees levels, etc.) was carried out through secondary/desk research. In the context of this secondary research, Samavit Vikas Pvt. Ltd. conducted a short survey of a representative sample (n=100) selected from the population of clients & non-clients of Mann Deshi Bank in the state of Maharashtra

6.2 References

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Prepared for Mann Deshi Mahila Sahakari Bank
By Opportunity International EduFinance and Samavit Vikas Pvt Ltd
September 2021