Addressing Critical Funding Needs of Private Tertiary Education Institutions and Students in Kenya: A Market Study and Intervention Design

MBA Thesis

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I. Abstract

This thesis contributes to the research in innovative finance in the education sector by assessing the critical funding needs of private tertiary education institutions and students in Kenya and proposing potential investment structures to address these challenges. The study utilizes a qualitative research approach, including structured interviews, document analysis, and thematic analysis to gain insights into the challenges faced by private tertiary institutions, students, and financial institutions.

The proposed innovative financing facility leverages blended finance and a collective investment vehicle to mitigate risks, increase capital and support critical infrastructure. The findings provide valuable insights into the potential of innovative finance to unlock the potential of the education sector in Kenya and beyond. The main limitation of the research is its qualitative nature, which limits the generalizability of the findings and introduces subjectivity in the analysis. Nonetheless, the thesis creates opportunities for additional research in the field and showcases the need for empirical case studies to identify best practices and share successes and challenges across different stakeholders.

II. Acknowledgements

I am extremely grateful for the constant support and encouragement of my husband throughout my studies. Additionally, I appreciate the motivation provided by my baby, who kept me awake at night and inspired me to complete this work. My supervisor also deserves my gratitude for his support, guidance, and flexibility. I would also like to express my thanks to the study participants for their willingness to share their experiences and perspectives, which contributed to valuable insights. Finally, I acknowledge the essential contribution of my employer, who allowed me to use the necessary data for the study, without which this research would not be possible.

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1. Introduction

1.1. Problem Statement

Africa is the youngest continent in the world with a median age of 20 years old and 60 percent of the population being under 25 years old (UNICEF, 2019). The key to unlocking the potential of this young and growing population lies in investing in education and skills transfer through sufficient resourcing of tertiary education institutions - which is a key entry point to the workforce market that supports the African economy (Adebanwi, 2018). As employers continue to seek well educated workforce who have completed at least a first degree, there has been a growth spurt in tertiary institutions in the region, especially private universities. Between 1990 and 2014, the number of private universities grew from 30 to 1,000 while public universities grew from 100 to 500 (Mugo, 2016). Besides universities, Technical and vocational Education and Training (TVET) has an important role to play in promoting Africa's youth population integration into the labour market and in combating poverty (African Union, 2017).

The gross tertiary education enrolment ratio in sub-Saharan Africa (SSA) remains low at 9.4 percent compared to the global average of 38 percent (Adeyinka & Adu, 2019). While the private sector is already filling much of this gap, one of the biggest constraints to their growth is access to finance in the following two key areas:

a. **Student financing to pay tuition fees:** In most African countries, there are few well-established loan institutions made available by governments and few well established local institutional credit and lending facilities.

b. **Private Tertiary Education Institutions accessing financing** to grow their existing campuses, services and infrastructure.

1.2. Research Objectives and Research Questions

Private tertiary education institutions in Sub Saharan Africa face significant financial challenges, which impact their ability to provide quality education and increase access to tertiary education for students. In addition, students face significant financial barriers in accessing tertiary education due to the high cost of tuition fees and limited access to financial resources (Teferra & Altbach, 2004).

Tertiary education and training in Kenya have experienced modest growth over the last five decades, with the Kenyan government making efforts to support the education sector through significant increases in the number of higher education institutions across the country and growth in enrolment rates (Kithinji & Komen, 2017). However, there is still a need to produce more skilled middle-level human resources to meet the demands for national development (Kithinji & Komen, 2017). According to Kenya's 2019 census, approximately 14% of the Kenyan population comprises youth aged 18-25 years, who are eligible for tertiary education (Adegoke, Oyenan, & Adewoye, 2018).

The number of higher education institutions in Kenya has grown remarkably over the years, with Technical Vocational Education and Training (TVET) institutions showing significant growth from 874 in 2015 to 2,191 in 2019, marking an 87% increase in the number of TVETs (Republic of Kenya, 2018). Additionally, the number of universities rose by 12.12% from 66 to 74 within the same five-year period (Republic of Kenya, 2018). However, the rapid expansion of the tertiary education sector is fraught with serious challenges, including insufficient or declining public funding (Kithinji & Komen, 2017).

Students finance their education through various means, including personal savings, family contributions, government loans, scholarships, and bursaries as presented below:

1. Personal Savings: Some students save money over time to finance their education. They may work part-time jobs or engage in income-generating activities to set aside funds for tuition fees and other educational expenses.
2. Family Contributions: Many students in Kenya rely on financial support from their families. Parents or guardians may contribute towards their children's education by paying tuition fees, purchasing books and supplies, or covering living expenses.
3. Government Loans: The Higher Education Loans Board (HELB) in Kenya provides loans to eligible students pursuing higher education. These loans help cover tuition fees, accommodation, and other education-related expenses. Students repay these loans after completing their studies. HELB also offers bursaries to students from economically disadvantaged backgrounds.
4. Scholarships and Grants: Scholarships are a common source of funding for Kenyan students. These scholarships are awarded based on academic merit, talent, or financial need. Various organizations, including foundations, NGOs, and government institutions, provide scholarships to support students at different education levels.
5. Bursaries: Bursaries are another form of financial assistance for students in Kenya. These are grants or subsidies awarded to students based on financial need or academic performance. Bursaries help cover tuition fees, textbooks, uniforms, and other educational expenses. Bursaries are offered by government entities, county governments, corporations, and philanthropic organizations.

Private tertiary education institutions and students in Kenya encounter significant financial challenges. Affordability stands as a major obstacle due to higher tuition fees compared to public institutions, making it difficult for students from low-income backgrounds to access quality education. Moreover, private institutions often have limited financial aid and scholarship programs, leaving students with fewer options for financial assistance. The absence of dedicated student loan schemes for private institutions further compounds the financial burden. These challenges result in limited access to education and hinder the growth and development of private tertiary institutions.

In addition to the struggles faced by private institutions, students also encounter financial obstacles. The high cost of tuition fees, coupled with limited financial aid opportunities, poses significant barriers to pursuing higher education. Private institution students lack access to government loans available to their peers in public universities through the Higher Education Loans Board.

Therefore, there is a need to assess the private tertiary education financing landscape in Kenya to identify the key financing needs of institutions and students, and to develop potential investment structures that can address these needs. This research is important because it can provide insights into how private tertiary education institutions and students in Kenya can access funding to support their educational goals, and ultimately contribute to the development of the region.

The first objective of this research is to assess the critical funding needs of private tertiary education institutions in Kenya. This objective seeks to identify the financial challenges that inhibit private tertiary education institutions in Kenya from providing quality education to students.

The second objective of this research is to assess the demand for student finance in Kenya. This objective seeks to understand the challenges that students face in accessing financing to pay for their tertiary education. This research aims to propose sustainable financing options that can meet the needs of students and ensure their access to tertiary education.

The third objective of this research is to assess the supply of financial products for private tertiary education institutions and students in Kenya and propose an innovative financing model. This objective seeks to examine the available financing options for private tertiary education institutions in Kenya, including the products offered by financial institutions.

Overall, this research aims to contribute to the development of a sustainable financing model that can ensure quality tertiary education for students and the long-term sustainability of private tertiary education institutions in Kenya. This will provide valuable insights for policymakers, development practitioners, and financial institutions seeking to support the development of the education sector in Kenya.

1.3. Research Methodology

This study employed a qualitative research approach to gain a comprehensive understanding of the financing landscape for private tertiary education in Kenya. The methodology section outlines the details of the research design, data collection, sampling techniques, and data analysis methods.

The qualitative research design allowed for an in-depth exploration of the financing needs and challenges faced by private tertiary institutions and students in Kenya. This approach is particularly well-suited for exploring the nuances of financial requirements and the design of potential investment structures (Sandelowski, 2000). In this study, a combination of interviews and document analysis were used as primary sources of data.

Structured interviews were conducted with key stakeholders from various domains, including:

- Private tertiary institution administrators and financial officers
- Government officials responsible for tertiary education policy and financing
- Banking and financial sector representatives involved in education lending
- A questionnaire for students

The interviews were guided by close and open-ended questions focused on the research questions, allowing the respondents to elaborate on their experiences, insights, and recommendations. These interviews were conducted in-person, by phone, or via video conferencing, depending on the availability and preferences of the interviewees.

In addition to the abovementioned interviews, relevant documents were reviewed to supplement the data collected. These included:

- Government policy documents and reports on tertiary education financing
- Research articles and reports on private tertiary education
- Existing student lending programs and their performance data

Purposive sampling was used to identify the key stakeholders for the interviews. This technique allows for the selection of participants based on their specific knowledge and experience related to the research questions (Palinkas et al., 2015).

The collected data was analysed using thematic analysis, a widely-used method in qualitative research (Braun & Clarke, 2006). Transcripts of the expert interviews were created and carefully read and the following themes were identified: risk perception of the sector, attractiveness of the market, and awareness. These themes were coded and refined through an iterative process, with constant comparison between the data to ensure consistency and validity.

This qualitative research approach - combining interviews and document analysis- allowed for a comprehensive assessment of the market and investment structures for private tertiary education financing in Kenya.

1.4. Conclusion

In conclusion, this thesis has made significant contributions to the conceptualisation of the use of innovative financing in the education sector in Kenya. The study provides crucial insights into the current state of private tertiary education institutions, financial institutions, and students in Kenya. The research has identified the main challenges to financing students, which include high collateral requirements, high default rates, high unemployment rates, low ticket sizes, and low awareness of students about available financing options. The research has also identified the main challenges to financing education institutions, which include lack of collateral, high risk and default rates, poor management capabilities, inadequate physical and academic facilities, low ticket sizes for direct investments by development financial institutions, and low awareness of financing options.

The proposed innovative financing facility leverages blended finance and a collective investment vehicle – which is comprised of a revolving fund, a risk sharing facility, supply chain finance, project finance, and technical assistance. The proposed facility has the potential to mitigate the risks of lending to the education sector, increase the capital dedicated to the sector, create incentives for financial institutions to lend to private tertiary education institutions and students, and support the development of critical infrastructure.

The research findings and proposed innovations offer valuable insights into the use of innovative financing to unlock the potential of the education sector in Kenya, and potentially in other countries with similar challenges.

1.5. Organization of Sections

This thesis is organized into five sections to provide a comprehensive analysis of private tertiary education financing in Kenya.

Section 1: Introduction

The introduction presents the research question, research methodology and conclusions. This chapter highlights the significance of the study in addressing critical financial challenges facing the private tertiary education institutions and students in Kenya. It also outlines the key objectives/ research questions of the thesis.

Section 2: Literature Review

The literature review chapter presents the background of the study and highlights previous research in the area. It examines the key concepts relevant to the study and analyses how innovative finance can be used to address the financing needs of private tertiary education institutions and students. This section also explores the contribution of the thesis to the research in innovative finance for the education sector.

Section 3: Methodology

The methodology chapter presents the research design and methodology used to explore the research questions of the study. It outlines the sampling strategy, data collection methods, and analysis techniques that were employed in this research.

Section 4: Analysis

The Analysis chapter presents the main findings of the study, based on the data collected. This section examines the responses of private tertiary education institutions and students regarding their financing needs and current financing solutions available. It also analyses the financial institutions' responses to the questionnaires and provides and overview of their existing products, portfolio, and growth strategies in the education sector.

Section 5: Conclusions

This section summarizes the key findings of the study and analyses their implications for private tertiary institutions, financial institutions, and students in Kenya. It also provides recommendations on how innovative financing can be used to address the challenges facing the education sector in the region. Finally, the chapter outlines the limitations of the study and suggests areas for future research.

2. Literature Review

2.1. Introduction

This literature review seeks to contribute to the understanding of private tertiary education financing in Kenya, examining the current financing landscape and exploring innovative financing mechanisms that can assist in addressing the sector's financing needs. The literature review chapter provides an overview of relevant literature on private tertiary education financing, including innovative financing mechanisms and existing case studies. Additionally, the literature covers the key areas of the methodology, ensuring that adequate conceptual models were used.

The innovative financing landscape in the education sector is a relatively new area of research. Recent literature has focused on an emerging set of innovative financing instruments that can unlock new resources for the education sector. These instruments include social impact bonds, debt swaps, income contingent loans, among others (Kimenyi et al., 2013).

The literature review also includes case studies that demonstrate the application of innovative financing mechanisms in the education sector. These case studies illustrate how innovative financing tools have been utilized in different contexts to support education financing with varying degrees of success. Case studies provide a valuable opportunity to analyse the strengths and limitations of innovative financing tools and gain insights on the most effective implementation strategies (Liang et al., 2017). By examining these case studies, this literature review aims to identify best practices and lessons learned that can guide the development of innovative financing mechanisms in the education sector. Additionally, these case studies can help identify key factors that enable successful implementation of innovative financing mechanisms, including effective stakeholder engagement, clear social objectives, and appropriate risk and return structures.

Finally, literature review is a critical step in selecting the appropriate research methodology for a study. It plays a central role in highlighting the most relevant and recent research (Randolph, 2009). The literature review helped in identifying the research technique, choosing the research design for the study, identifying the data collection method, and data analysis method.

2.2. Innovative Financing and Education

Africa's population has grown rapidly over the past century and with a growth rate of more than 2.5 % per annum from 2020, Africa's population growth rate is about 1.5% points higher than the global average of about 1%. As a consequence, Africa is showing a large youth bulge (United Nations, 2019).

Young people pursue their transition to adulthood through education. The growing youth population has caused higher demands for post-basic education as the bridge between the aspirations of young people and the promises of a better future through paid employment. In Africa, gross enrolment at the post-secondary level is low and less than 15 % of the working population holds a tertiary degree. Moreover, not everyone seeking opportunities at tertiary institutions gets a chance, the applicant-to-seat ratios are estimated to be between 2:1 and 4:1 at public tertiary institutions (World Bank, 2017). This shows existing demand for private sector.

While demand for tertiary education has been increasing, government expenditure to the sub-sector has not been increasing at a similar rate to meet this demand. In most Sub-Saharan African (SSA) countries, enrolment in higher education has grown faster than financing capabilities, reaching a stage where the lack of resources has led to a severe decline in the quality of instruction and in the capacity to reorient focus and to innovate. Additionally, the current gross tertiary education enrolment ratio in SSA is 9.4%, which is still below the global average of about 38% (United Nations Development Programme, 2014).

As a result of the abovementioned dynamics, tertiary education institutions in sub-Saharan Africa face the challenge of balancing the need to raise educational quality with increasing social demand for access. African countries therefore should devise a financing approach to tertiary education that enables them to meet this challenge both for students and education institutions.

The concept of Innovative Finance has been introduced to attract additional private capital towards investing in social issues, as well as addressing SDG funding gaps (OECD, 2018). Innovative financing is a newer class of financial mechanisms that combines philanthropic, public, and private financial resources in creative new ways to help address social and environmental issues like education. These financial tools aim to leverage current financial resources to mobilize new sources of capital and address market inefficiencies that prevent financing from reaching those that need it the most. Innovative financing can include a wide range of instruments, such as loans, bonds, and equity that are designed to have a social impact beyond financial returns (UNESCO, 2015).

The objective of Innovative Finance is not to replace existing traditional financing sources, but to complement traditional financing sources. This complementary funding could be a catalyst in accelerating existing efforts toward the achievement of SDG4 "inclusive and equitable quality education and promote lifelong learning opportunities for all" (UNESCO, 2015).

The innovative financing landscape in the education sector is a relatively new area of research. Recent literature has focused on an emerging set of innovative financing instruments that can unlock new resources for the education sector. These instruments include social impact bonds, debt swaps, income contingent loans, among others (Kimenyi et al., 2013).

The education sector could benefit from strategic initiatives that allow various organisations to collaborate and invest alongside each other, to achieve their financial objective and development objectives. Historically, the education sector has had limited experience with innovative financing because, to date, it has received a smaller share of such financing (Gustafsson-Wright & Gardiner, 2016), for many reasons, including the sector's failure to market its case effectively, compared with the health sector (Burnett & Bermingham, 2010).

Many of the Innovative Finance ideas being used for health might be applicable to stimulate research in education, particularly given the scant research into the conceptualisation and use of innovative financing for education.

Based on the abovementioned studies, this research concludes that there are several types of innovative financing that can support the education sector. One type is Social Impact Bonds (SIBs) and Development Impact Bonds (DIBs). These vehicles are not bonds but an investment with the goal of creating a positive impact beyond financial returns. SIBs and DIBs give private investors the opportunity to invest in social programs and receive returns based on the achievement of predetermined social outcomes (Gustafsson-Wright & Gardiner, 2016).

Income Contingent Loans (ICLs) are another type of innovative financing that can be used to support tertiary education. This type of loan is granted by the government to students, and the repayment of the loan only starts when the student reaches a certain income threshold. This makes the loan more accessible to students who may not have the financial resources to pay for their education upfront (Gustafsson-Wright & Gardiner, 2016).

Income Sharing Agreement (ISA) is another innovative financing approach to tertiary education. It is a loan granted by a private investor to a student, where the private investor receives a percentage of the student's future income as repayment of the loan. This model aligns the interest of the investors with the success of the student's future earning potential (Gustafsson-Wright & Gardiner, 2016).

Education Bonds can also support the financing of education by offering a fixed return to investors. National governments can issue these as "domestic bonds" or multilateral financial institutions as "thematic bonds". The repayment is based on future revenue streams that can be secured against education institutions (OECD, 2018).

Debt swaps are also called debt conversions. These instruments are a type of debt relief often used as part of the official development assistance (ODA) funding. Rather than paying back the debt to creditor countries, debtor countries redirect the debt money towards their social development, such as education. This allows for freeing up resources that would have gone towards debt repayment and using them for other developmental purposes, including education (Gustafsson-Wright & Gardiner, 2016).

Crowdfunding is another form of innovative financing that can support the education sector. This involves citizens contributing finances to particular education projects through an online platform. Crowdfunding can assist in mobilizing resources from a broad range of individuals to finance specific educational projects or initiatives and has the potential to leverage a considerable amount of capital for the education sector (Kimenyi et al., 2013).

Blended finance is increasingly being recognized as an effective way to mobilize private sector capital towards sustainable development, including education. Blended finance combines public, private, and philanthropic funds to create innovative financial mechanisms that support the financing of sustainable development projects. In education financing, blended finance can be used to mobilize resources towards investment in education infrastructure, student financing, and other activities that support the development of the education sector.

Blended finance is particularly relevant in low and middle-income countries, where financing gaps in the education sector are often significant. By leveraging limited public resources with private sector investment, blended finance can help address education's financing needs in a more sustainable and efficient way (Gustafsson-Wright & Gardiner, 2016). This approach can also contribute to the development of long-term solutions to education challenges, such as building sustainable education systems, improving education quality, and expanding access to education for marginalized groups. As such, blended finance can play a crucial role in supporting the achievement of SDG 4, which aims to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

2.3. Case Studies

As part of this thesis, 28 case studies were reviewed to identify successful approaches and strategies for financing tertiary education in low and middle-income countries. The case studies were categorized into four areas: student lending models, tertiary institution financing solutions, innovative financial models, and World Bank/IFC tertiary education investments context. By examining case studies across these areas, this research aims to identify key principles and guidelines that can inform the design of successful financing solutions for tertiary education. The findings of the case studies have been incorporated into the financing solution design proposals, and the recommendations provided will be useful for policymakers, development practitioners, and stakeholders involved in the financing of tertiary education in low and middle-income countries.

a. Student Lending Models

Student lending is an essential mechanism for financing higher education in low and middle-income countries. The demand for tertiary education is increasing, driven by factors such as a demographic dividend of young people and a shift towards knowledge-based economies. However, public tertiary education institutions have not been able to meet this increasing demand, and private tertiary education institutions are often expensive and unaffordable for many students. As a result, many students turn to loans from the government, private institutions, and banks to finance their education.

To understand the available lending models, the following ten case studies were analyzed to identify successful approaches to student lending in low and middle-income countries.

1. Fundi Student Loans (Formerly Eduloan S.A.) – South Africa
2. Trustco - Namibia
3. Ideal Invest S.A - Brazil
4. FUNDAPLUB - Brazil
5. FUNDAPEC – Dominican Republic
6. DUOC UC - Chile
7. Sistema de Garantia Mútua em Portugal - Portugal

8. Kenya Student Loan Program - Kenya
9. Cent Vidyarthi - India
10. Cent Skill Loan (Vocational Education and Training) - India

From these case studies, it was deducted that higher education lending to students is influenced by three key factors: the inability of many low to middle-income earners to afford bank loans, limited access to state-funded schemes that can only support a few students, and the high cost of private tertiary education institutions that many students cannot afford.

The case studies highlighted some successful approaches to student lending, including income contingent loans, income share agreements, and leveraging technology to improve the efficiency of loan processes. Innovative partnerships between financial institutions, governments, and private sector stakeholders were also found to be essential in expanding access to financing for higher education.

b. Tertiary institution financing solutions

The case studies of Indian School Finance Company Private Limited (ISFC) and Reliance Money revealed that the main financial need of tertiary education institutions is infrastructure development. In response to this need, ISFC has developed an innovative approach to financing infrastructure development for private schools. ISFC provides long-term credit solutions to schools for infrastructure development and has partnered with financial institutions, private equity investors, and educational consultants to mobilize and manage resources. Reliance Money, on the other hand, provides a range of financial services to tertiary education institutions, including debt and equity financing, mergers and acquisitions, and capital markets consulting. The company has financed several big-ticket infrastructure development projects in the tertiary education sector, such as building new campuses and upgrading facilities.

Both case studies demonstrate the significant role that private financing can play in addressing the infrastructure development needs of tertiary education institutions. Innovative financing solutions and partnerships with investors and financial institutions can mobilize much-needed resources for institutional infrastructure development. Furthermore, access to financing can enable institutions to improve the quality of education and enhance their capacity to serve the increasing demand for tertiary education while also promoting their financial sustainability. By identifying successful tertiary institution financing solutions, these case studies can provide valuable insights and guidelines for policymakers, development practitioners, and investors involved in the financing of tertiary education infrastructure development.

c. Innovative Financial Models

The presented 10 innovative financial models offer solutions to the challenges faced by low and middle-income earners in emerging markets who lack access to financing. The common characteristics of these models include the unavailability of finance, the search for lower interest rates, and graduate employability as an essential outcome to achieve sustainability.

The analyzed models included Peer-to-Peer Lending, Micro-Credit, Micro-Mortgages, Crowdfunding, Social Impact Bonds (Pay for success bonds), Human Capital Financing (Income Sharing Agreement), Alumni Financing, Life Insurance Educ. Savings Program, Tower, EDDE, Axis, Funding 4 Education, Unilink, and Student Housing Real Estate Investment Trust (REITs). These innovation models utilize various methods such as crowd-funding, microfinance, alumni financing, and impact investments.

d. **World Bank/IFC tertiary education investments context**

The study included an analysis of four tertiary education investments made by the IFC in countries that were similar to the target of the financing facility. These investments included higher education development projects in Vietnam, Tanzania, Colombia, and Romania.

The study findings revealed three key recommendations to consider in designing the financing facility. Firstly, the option for co-financing the facility should be included to increase the impact of the investment. Secondly, investments should focus on areas that will have the most significant impact regarding capacity building and improving the quality of education. Lastly, to maximize the effectiveness of the investment, financing should be offered for specific activities such as infrastructure, capacity building, or for students with a disadvantage background.

2.4. Methodology – Conceptual Frameworks

The review was centered on four three areas, including qualitative research and thematic analysis, the theory of change, and innovative financing frameworks. The literature review on qualitative research aimed to provide insights into the practical, ethical, and theoretical considerations that underpin qualitative research. The review on thematic analysis aimed to provide a comprehensive overview of the approaches, techniques, and tools used in thematic analysis. The study also conducted a literature review on the theory of change to gain insights into how the approach can be applied to identify potential solutions to complex social problems. Finally, the review on innovative financing frameworks explored how new forms of financing, such as impact investing and social bonds, can support sustainable development goals in education

2.4.1. Qualitative Research and Thematic Analysis

Several authors have extensively explored qualitative research and contributed insights into various research aspects such as data collection, analysis, and reporting. For instance, Denzin and Lincoln (2011) emphasize the importance of the researcher's subjective role and the use of diverse data collection and analysis methods. Creswell (2014) outlines different qualitative research designs, such as case studies, phenomenology, and ethnography, and methods of collecting and analyzing data. Charmaz (2014) presents a constructivist grounded theory approach to qualitative research, emphasizing theoretical sampling, coding, and categorizing data. Patton (2015) discusses the different stages of qualitative research, such as designing a study, collecting and analyzing data, and reporting the findings. Additionally, Braun and Clarke

(2006) suggest a thematic analysis approach to data analysis in qualitative research that focuses on identifying patterns and themes in the data.

2.4.2. Theory of Change

The theory of change is a conceptual framework that outlines a process for bringing about change in a specific context. The framework has been critically examined by various academic authors, including Anderson (2015) and Davis (2018). Anderson (2015) offers an overview of the theory of change, highlighting its primary features and proposing the development of logic models to facilitate program design and evaluation. Davis (2018) looks at the technical issues associated with the representation of Theories of Change and the implications of design choices for the evaluability of those theories.

2.4.3. Innovative Finance – Frameworks

The development of frameworks to create innovative financing solutions is an increasingly important area of research and practice. Innovative financing frameworks have the potential to mobilize new sources of capital and facilitate the achievement of sustainable development goals.

Saltuk, Jones, Nair, and Johnstone (2015) provide an overview of impact investment and propose a framework for developing impact investment opportunities in education, health, and other social sectors. Palacios and Cortes (2017) propose a framework for developing social impact bonds in developing countries that emphasizes stakeholder engagement, legal and regulatory frameworks, and monitoring and evaluation mechanisms. Bellanca, Chavez, and Rafizadeh (2018) develop a six-step framework for designing and implementing impact bonds in the education sector. Their framework includes defining outcomes, structuring finance, and evaluating impact. Osorio and Toja (2015) propose a framework for developing impact bonds that emphasizes identifying and measuring outcomes, structuring finance, and managing risks (Bellanca, Chavez, & Rafizadeh, 2018; Osorio & Toja, 2015; Palacios & Cortes, 2017; Saltuk et al., 2015).

2.5. Conclusion

This research seeks to enrich the academic literature by understanding what type of financing is required in Kenya. Innovative financing has revolutionized access to finance in various sectors, but the education sector has lagged in adopting such models. Moving forward, innovative financing models will play a crucial role in transforming access to tertiary education financing and infrastructure development.

3. Methodology

3.1. Description

This study will employ a qualitative research approach to gain a comprehensive understanding of the financing landscape for private tertiary education in Kenya. This section outlines the research design, the data collection process, the sampling strategy, and analysis techniques that were employed in this research.

3.2. Research Design: Justification and Conceptual Models

The research methodology is based on the marketing research process (Spivakovskyy, 2019).

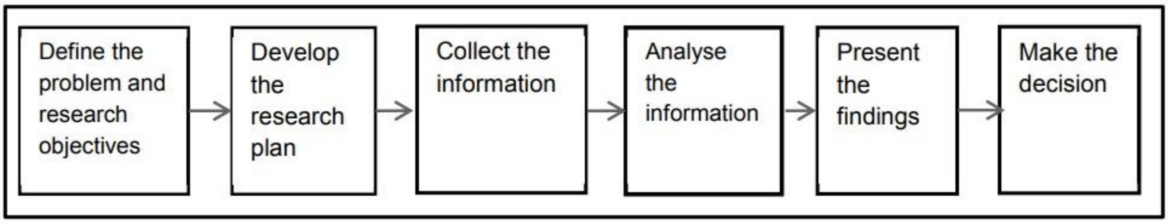

Figure 1 - Marketing Research Process (Spivakovskyy,2019)

The research design utilizes a qualitative research method to explore the beliefs, perceptions, and experiences of tertiary education financing in Kenya. By employing this approach, the researcher aims to gather in-depth insights into the factors influencing access to finance and design innovative financing models that address the challenges faced by low to middle-income earners.

A qualitative study involves the use of interviews and questionnaires to gather data from the research participants. The exploratory phase of this current research was designed, based on the ontological paradigm, in which interviews were conducted with financial institutions, private tertiary education institutions, policy stakeholders, and students. The aim of this exploratory phase was to gain preliminary insights into the challenge, namely, to understand the type of financing required for private tertiary education in Kenya. Ahmed (2008) avers that an ontological research paradigm explores what the nature of reality is, or what can be known. The research assumes honest and truthful responses from the participants.

To collect data, the researcher used structured interviews. Structured interviews involve using a predetermined set of questions that are designed to elicit specific information from participants. These interviews are conducted in a standardized manner, ensuring that each participant is asked the same set of questions in the same order. Structured interviews are often used in research because they provide a consistent and reliable way of collecting data (Smith, 2011). The data collection instruments are presented in appendix a.

To complement the research, the thesis used case studies. Chetty (1996) concludes that, utilising case study research, leads to the observation of new insights; in this particular case, Case Studies were used to identify good practices in the design of innovative financing solutions for the education sector.

For the research plan, the thesis used purposive, non-probability sampling techniques to select participants from education institutions, financial institutions, students, and policy stakeholders in Kenya. The research utilized the purposive sampling technique, also referred to as judgemental selection, to deliberately gather relevant information that cannot be obtained through other sampling methods (Bhardwaj, 2019). Unlike random sampling, the purposive sampling technique does not rely on chance.

Data for the study was collected through structured interviews. A comprehensive interview guide with close and open-ended questions was used to encourage elaboration and comprehensiveness in the participants' responses. The data was collected using audio recordings, note-taking, and transcription of the interviews into excel to allow for its analysis. Oshagbemi (2017) defines an interview as an encounter that allows speakers to account past or future experiences, thoughts, and feelings. The interviewees' questions were developed specifically to solicit inputs used to provide responses to the research questions, which were carefully studied, analysed, and summarised.

Thematic analysis was utilized to identify patterns, themes, and categories that emerge in the collected data. The researcher used the Braun and Clarke (2006) six-step guide for thematic analysis. The following are the six steps involved in conducting thematic analysis:

1. Familiarization with the data: In this step, the researcher reviews data to gain an understanding of the study participants' descriptions, perspectives, and experiences. The data can be in the form of audio recordings, transcripts, or field notes.
2. Generating initial codes: In this step, the researcher reads through the data and extracts initial codes that are relevant to the research question.
3. Searching for themes: The researcher identifies potential themes from the codes and groups related codes to form themes.
4. Reviewing themes: The researcher reviews the themes, ensuring they are logical and coherent and does not overlap or duplicate any themes.
5. Defining and naming themes: In this step, the researcher defines and names the themes identified to enable their labeling and application to the data.
6. Producing the report: The last step involves the researcher reporting the findings, which involves using extracts or quotes from the data to illustrate the themes.

Finally, the theory of change was used to generate recommendations for the design of innovative financing models for tertiary education institutions in Kenya. The theory of change is a method used to create a plausible link between the expected outcomes of an intervention and the actions taken to achieve those outcomes. This approach is commonly used by development practitioners, policymakers, and researchers to plan, design, and evaluate programs and policies (Henrich, 2019; Weiss, 1995).

The theory of change enabled the researcher to identify the inputs, outputs, outcomes, and impact of the innovative financing models. The recommendations provide actionable steps to address the main challenges identified by this study.

In summary, the thesis utilized three conceptual models to guide the research process and propose potential solutions to the challenges identified in the data analysis. Firstly, the overall research framework was guided by the six steps of market research (Spivakovskyy, 2019). Secondly, the qualitative research approach was used, as described by Denzin and Lincoln (2001), with thematic analysis using the approach outlined by Braun and Clarke (2006). Finally, the theory of change was employed to propose potential solutions, identifying a Collective Investment Vehicle (CIV) as a framework to design a financing facility, based on literature research on innovative finance and the challenges faced.

3.3. Assumptions, Requirements, and Appropriateness

3.3.1. Assumptions

Various authors have discussed the fundamental assumptions of qualitative research in the literature. Denzin and Lincoln (2011) highlight the five key assumptions of qualitative research, which include the multiplicity and subjectivity of reality, knowledge being contextualized within cultural and historical frameworks, the value-laden nature of the inquiry, and the researcher's instrumental role in the research process. Similarly, Creswell and Poth (2018) identify complex world assumptions, multi-reality assumptions, socially constructed meaning assumptions, and the critical role of the researcher assumptions. Patton (2015) highlights the significance of context, reflexivity, and transparency, as well as acknowledging the subjectivity of both the participant and researcher. Charmaz (2014) emphasizes the importance of studying participants' experiences, examining meanings and interpretations, and acknowledging the role of the researcher's values and subjectivity. Lastly, Lincoln and Guba (1985) stress the importance of recognizing and accounting for the researcher's biases, the role of subjectivity and perspective, the importance of context, the need for ongoing inquiry, and the value of participant voices and perspectives (Charmaz, 2014; Creswell & Poth, 2018; Denzin & Lincoln, 2011; Lincoln & Guba, 1985; Patton, 2015).

The main assumption underlining this research is that the researcher and the study participant interact in a socially constructed and shared environment. The researcher expects that research subjects have legitimate views as they are a dynamic part of the research process and that they answer the research questions to the best of their knowledge. Additionally, this research assumes that participants' views on their context and experiences can provide valuable insights to answer the research questions.

3.3.2. Requirements

Confidentiality and data protection are critical ethical considerations when conducting research. To protect participants' confidentiality and privacy, the following procedures were followed:

Firstly, the researcher obtained informed consent from participants, explaining the nature of the study, the data collected, and the potential risks and benefits. The participants were aware of their right to withdraw their participation at any time of the interview without consequences. Secondly, all data collected was kept confidential, maintaining participants' anonymity.

The researcher also took measures to secure data storage to prevent unauthorized access, loss, or theft. According to data protection regulations, the researcher will ensure discreet and secure disposal of the data after the retention period.

3.3.3. Appropriateness

Qualitative research is appropriate in cases where the goal is to gain a deeper understanding of the participants' experiences, beliefs, and perceptions. It is also appropriate when the research question involves exploring complex processes or phenomena that cannot be reduced to a set of variables (Creswell & Poth, 2018; Denzin & Lincoln, 2011; Patton, 2015)

Trustworthiness is a fundamental criterion of qualitative research that speaks to the extent to which the research findings can be trusted and how accurate they are (Connelly, 2016), This criterion includes four aspects: credibility, transferability, dependability, and confirmability.

Credibility refers to the extent to which the researcher captures the participants' experiences accurately, truthfully, and authentically. To ensure credibility, the researcher used peer-review of the answers and follow up questions (Connelly, 2016).

Transferability is the degree to which the findings can be applied to other contexts or situations. According to Stahl and King (2020), this is reliant on a researcher’s ability to provide contextual information about the study. In this current research, all the interviewees are part of the ecosystem and the sample is large enough to allow transferability. To ensure transferability, the researcher has provided a detailed description of the context and participants; additionally, the researched conducted interviews in three additional countries – finding similar challenges.

Dependability is related to the consistency and stability of the research findings over time. To ensure dependability, researchers can use methods such as audit trails, reflexivity, and consensus (Lincoln & Guba, 1985). To address the changes of the data and results over time, the researcher kept a detailed audit trail record of the research activities, process, data collection and analysis, in order of sequence, as they were conducted. Records of progress meetings and transcripts of the interviews were kept.

Confirmability is about ensuring that the researcher's personal biases, motivations, or assumptions do not influence the data collection and analysis process. Some ways to ensure confirmability in qualitative research includes maintaining an audit trail, having multiple researchers, conducting triangulation, and reporting on the analysis process (Lincoln & Guba, 1985). The study will be reviewed by the research supervisor and external examiners, to ensure that the results of the study are consistent with other reliable authors.

Finally, the use of structured interviews helped the researcher to ensure the reliability and validity of the data collected (Creswell & Poth, 2018). With the use of standardized questions, the researcher was able to control for any external factors that may influence participants' responses. Additionally, structured interviews facilitated data analysis since responses can be easily categorized and analyzed.

3.4. Data Collection Process

The primary data collection process involved gathering information from various sources, including the demand side (private tertiary education institutions and students), supply (financial institutions), and key policy stakeholders. A population could be defined as the total units being analysed, from which a sample is selected (Kumar, 2011). This thesis selected a sample size that was manageable in size and provided adequate insights on the subject of study; as a result, the study collected data from 15 financial institutions, 15 education institutions, 55 students, and 2 government agencies. The respondents were interviewed phase to phase or through phone interviews and the list of education institutions, financial institutions, and government agencies that responded to this study is presented in appendix b.

For the education institutions, the researcher assessed their funding needs, including capital requirements, infrastructure improvements, learning tools, technology upgrades, and financing challenges. The researcher also evaluated the willingness of education institutions to support students' access to financing, their reliance on government subsidies/grants, and their repayment/borrowing profile.

The research surveyed 15 education institutions from Kenya, with 13 out of the 15 institutions having been in operation for over 10 years, with 5 of those being in operation for 20+ years. The study found that 14 out of the 15 institutions only have one operating branch, while only one institution has two branches. None of the institutions currently operate across multiple countries. The research discovered that six of the 15 institutions offer degree and higher levels of education, while nine institutions offer a mixture of artisan short courses, certificates, and diplomas. Furthermore, eight out of 14 institutions noted that their programs cost less than USD 1,000 per year,

For the students, the researcher analyzed their financing needs, awareness of and access to student loans, challenges facing students in tertiary institutions, employability upon graduation, and their ability to repay loans after graduation.

The study interviewed students with an average age of 21 years, with a gender split of 40% male and 60% female. The research found that 58% of the students were pursuing bachelor's degrees, with the average duration of the program being three and a quarter year. The findings also revealed that the majority of students (75%) were enrolled in private universities, while the remaining 25% were in private colleges.

The supply analysis involved interviewing financial institutions to identify existing products and portfolios, their growth strategy in the education sector, and the constraints they face when lending to students and private tertiary education institutions. The researcher also identified potential government funding support programs and regulatory, operational, and market barriers that financial institutions face in lending to the education sector.

The research interviewed a diverse group of financial institutions, including 7 banks, 4 microfinance institutions, 2 private institutions, 1 government parastatal, and 1 SACCO. The study found that 87% of the financial institutions had been in operation for over 20 years, while the remaining 13% had been in operation for between 11 and 20 years. Additionally, 60% listed student financing and tertiary education financing as their primary target markets, while all the institutions identified education as a priority sector.

Finally, government institutions were interviewed to understand the regulatory environment for lending to the tertiary sector, trends in the sector, and key stakeholder support. The policy lens of the research analyzed the regulatory environment and government interventions in the tertiary lending market in Kenya. The study interviewed two government institutions: The Higher Education Loans Board (HELB) and the Kenya Universities and Colleges Central Placement Service (KUCCPS) to understand their policies related to financing the tertiary education lending market in the country.

The study found that there is no law specifically designed to regulate lending to the tertiary education market in Kenya. Financing to tertiary education is offered either through tertiary education institutions or financial institutions. Education institutions are governed through the Ministry of Education and associated state agencies and financial institutions are regulated by the Central Bank of Kenya (CBK).

4.1. Data Analysis

The data analysis aimed to provide insights into three key areas, including the supply of financing from both education institutions and financial institutions, along with the demand for financing from students, and the policy landscape involving stakeholders in Kenya.

Within each of these categories, specific themes were identified. For education institutions, the analysis sought to evaluate the state of financing and ticket sizes, with a focus on infrastructure improvements, working capital, and technology and learning tool upgrades. The analysis of financing institutions explored the attractiveness of the market, financing products offered, origination processes, criteria for lending money, perceived risks associated with lending, product delivery and partnerships. In analysing students, the focus was on the current state of financing, ticket sizes, sources of financing, uptake of student financing, and employability. Lastly, the policy landscape was evaluated by analysing the regulatory environment and government interventions in the tertiary lending market

The data analysis is presented in four sub-sections: education institutions, financial institutions, students, and policy. Appendix c presents the detailed analysis of the data collected.

4.1.1. Education institutions

This study aimed to explore the key financial needs of private tertiary education institutions. The interviews of 15 education institutions provided insights on the institutions' financial needs for their infrastructure development and working capital. Additionally, it assessed the institutions'' participation in student lending, along with their views on graduates' employability. Additionally, this research evaluated the institutions' relationships with banks and government concerning financial support.

The findings showed that 12 education institutions were unable to meet their annual budget needs for infrastructure improvement, with 10 requiring financial support ranging from USD 50,000 to 200,000 for upgrading and developing infrastructure. Nine institutions noted frequent working capital constraints, with delayed student fee payments as the main cause.

Only 33% had in-house student financing schemes. Five institutions were willing to partner with financial institutions to provide innovative student financing solutions, primarily to offer financial support at low-interest rates.

The employability of graduates was heavily influenced by their selected programs, with business and finance-related courses being the most employable. Additionally, 12 institutions track the employability of their alumni, with 40% noting that their students obtain employment in less than a year after graduating.

The relationship of institutions with banks is characterized by a high dependency, with 12 of the 15 taking loans with an interest rate between 10 - 15% in the last financial year, and 76.9% of loans taken were short-term loans of up to five years. On financial support from the government, six institutions noted that the government provides financial support for student enrolments, but five of these institutions indicated that the funding is insufficient to meet their needs. Appendix c presents a summary of the data analysed from 15 private tertiary education institutions.

4.1.2. Financial institutions.

The research study collected data from 15 financial institutions using a survey tool with specific questions in the following areas: attractiveness of the market, financing products offered, origination process and criteria considered to approve loans, risks associated with lending to tertiary education institutions, product delivery, and partnerships.

The data analysis revealed several key highlights, in summary: the education sector is a priority sector for financial institutions, with financing products offered to both students and tertiary education institutions. Eligibility criteria for students is usually assessed based on family financial status, sources of income, choice of course, and academic performance. Tertiary institutions sought loans mainly for infrastructure expansion and renovation, as well as the purchase of new equipment. Digitalization was a crucial factor in loan products, with social media being the primary marketing channel used by financial institutions to advertise their financing. Appendix c presents a summary of the data analyzed from 15 financial institutions.

4.1.3. Students

This study collected data from 55 students using structured questionnaires. The research sought to explore the needs of students for financing tertiary education in Kenya regarding their current ways of financing their education, awareness and uptake of financing schemes, along with their ability to repay loans and expectations for employment after graduation.

The research findings indicate that the majority of students in Kenya finance their tertiary education using family funds, with only 21% taking out loans for this purpose - 18.18% of these student loans are provided by the government. 53.5% of those who took out loans found terms favorable, with interest rates and payback periods being the most critical factors when deciding to borrow. Nevertheless, 80% of students' view financial aid as necessary to cover tuition fees and personal expenses during their studies. When expressing their future financial needs, 30.9% of the students intend to use a loan scheme in the coming academic year and most of the students have full-course tuition fees that is less than USD 4,000 and yearly upkeep costs of less than USD 500.

Concerns over the need for collateral or a guarantor were identified as a barrier to accessing student loans as 75% students noted that one needs to have collateral or a guarantor to access student loans. Awareness of financial aid and student financing schemes was high, with 54.5% of students noting knowledge of available options. This understanding was primarily attributed to initiatives launched by educational the government and education institutions, with HELB recognized as the most widely known financing option. In contrast, Regarding student loan repayment, most students preferred a loan repayment period greater than 24 months, with 27.2% comfortable repaying their loans within 13-18 months. The majority of students, amounting to 81.8%, noted that they would finance their student loans themselves after graduation, believing that they would get a job within a year (61%) and an expected monthly salary of between USD 101 - 500 (47%). Appendix c presents a summary of the data analyzed from 55 students.

4.1.4. Policy

While there is no umbrella authority specifically regulating lending to the tertiary education market, financing to tertiary education is offered either through tertiary education institutions or financial institutions. Education institutions are governed by the Ministry of Education and associated state agencies and financial institutions are regulated by the Central Bank of Kenya (CBK) (Adegoke, Oyenan, & Adewoye, 2018).

Two government institutions were interviewed to ascertain the policy related to financing to the tertiary education lending market in Kenya:

1. **Higher Education Loans Board (HELB)**

The Higher Education Loans Board (HELB) was established in Kenya in 1995 through an Act of Parliament with the mandate to provide financing, including loans, scholarships, and bursaries, to Kenyans pursuing higher education in both local and international institutions of higher learning that are recognized by the Commission for University Education (CUE) and/or the Technical, Vocational Education and Training Authority (TVETA) (Kithinji & Komen, 2017). HELB aims to create a National Revolving Fund by recovering the funds loaned, and focuses on supporting students with financial need, particularly orphans due to HIV/AIDS and students from disadvantaged regions. However, one study suggests that HELB struggles to effectively measure household income, with about 25% of loan recipients providing false information about their parents' education, employment, and income status (Kithinji & Komen, 2017).

Based on the discussions with HELB, there is no law institutionalised in Kenya to specifically regulate the lending to tertiary education market in Kenya. However, HELB has the support of the government and the private sector to ensure recovery of loans as soon as beneficiary's secure employment. Despite this support, HELB estimated that the institution's Non-Performing loans was above 20%. This demonstrate that the key challenge in lending to students in Kenya being the ability to do the collection.

2. The Kenya Universities and Colleges Central Placement Service (KUCCPS)

As a State Corporation, the Kenya Universities and Colleges Central Placement Services (KUCCPS) is responsible for providing career guidance and selecting students for admission to universities, national polytechnics, technical training institutes, and other accredited higher learning institutions offering Government of Kenya-sponsored programs (Bore & Ondigi, 2018).

While KUCCPs mandate is not directly linked to financing of tertiary education institutions and students, based on the interactions with KUCCPS, feedback showed that there is no umbrella legislation that governs lending to tertiary education sector in Kenya. However, KUCCPS stated that the support government gives to institutions is in tax relief for education assets imported to the country.

4.2. Research Findings and Analysis

Lack of access to finance is a major challenge for many students seeking higher education in various countries, which leads to a large number of under-served student populations (Adegoke, Oyenan, & Adewoye, 2018). In addition, education institutions often face obstacles in accessing financing, as there are limited options available to meet their financial needs, such as working capital for campus expansion and maintaining existing infrastructure

This research used the theory of change to articulate how a financing facility can address these challenges for both students and education institutions. The study focuses on how to increase access to education by improving financial support to students and education institutions that would benefit from using an innovative financing facility.

The theory of change has four subsets: inputs, outputs, intermediate outcomes, and goals that create a framework for understanding how a financing facility can address the challenges faced by students and education institutions The following graphic explains each component of the theory of change:

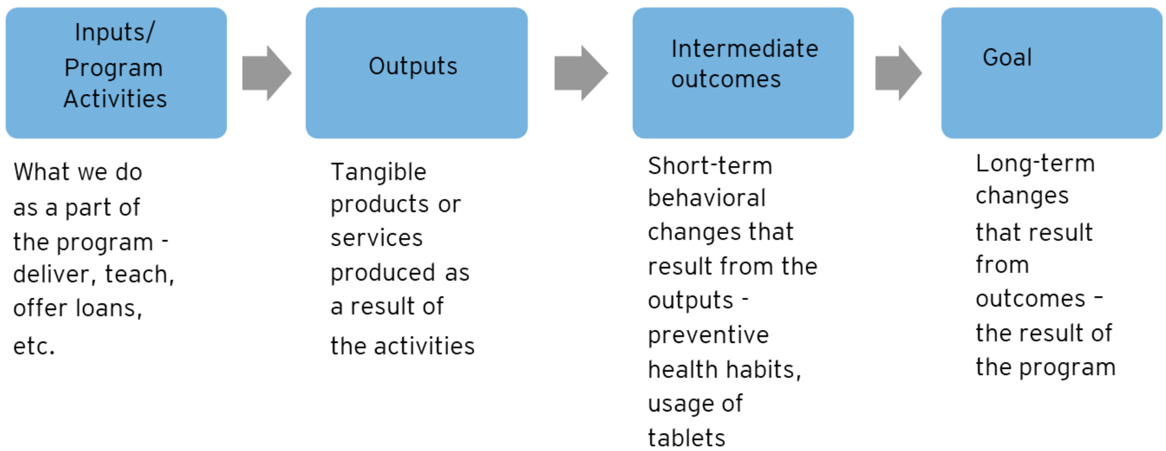

Figure 2 - Theory of Change Inputs, Outputs, Outcomes, Goal

The inputs of this framework include financial, technical, and managerial resources along with knowledge transfer through technical assistance. Outputs relate to the operations of the financing facility, including the number of loans disbursed, the average loan amount, and the reach of the program. Intermediate Outcomes measure changes in the behavior, knowledge, and attitudes of the students and education institutions towards debt. Finally, the goals of this theory of change include increased access to education, an improved ability for education institutions to meet their financing needs alongside increased employability and socio-economic mobility of students through their education.

The research and analysis of this thesis is structured into several sections. The first section presents an overview of the key challenges faced by both students and education institutions when accessing financing, as well as interventions that can be implemented to mitigate those challenges. The next section of the report proposes a financing facility that addresses the challenges faced by students and education institutions when accessing financing. Lastly, the last part of the analysis focuses on a theory of change that explains the expected impact of the financing facility and supports the detailed design of the facility.

4.2.1. Key challenges and interventions

4.2.1.1. Students

The findings of this study highlight several key challenges that prevent the interviewed students from accessing finance for tertiary education. Firstly, the requirement for collateral presents a significant barrier for most students, as they lack assets that can serve as security for loans. This requirement limits the access of students to credit and undermines their potential for education financing.

Secondly, high default rates impact the risk profile of student loans and pose significant challenges for financial institutions that specialize in offering student loans. From the interviews, for instance, the default rate is as high as 25.5%, creating significant credit risks that undermine the sustainability of lending to tertiary students.

Thirdly, the high unemployment rate poses significant challenges for students to access finance, especially when loans are tied to their employability after graduation. With unemployment rates high amongst youth, it is becoming increasingly difficult for financial institutions to assess the successful employability of undergraduates. The inability to assess the credit risk profile of the market segment continues to limit access to finance for students.

Fourthly, low returns make student lending an unattractive venture for financial institutions. With ticket sizes ranging between USD 200 - 1,000, many lenders avoid engaging in student financing, thereby limiting the available funding available to those seeking tertiary education.

Finally, interviewed students lack awareness of the tertiary education lending products available, especially those offered by private financial institutions. With only 54.5% of students interviewed having knowledge of available financing options for tertiary education, more needs to be done to raise awareness of the financing options available to students, eliminating this significant barrier to access to finance.

Based on the challenges identified in the study, several interventions can be implemented to mitigate those challenges and increase access to finance for tertiary education students. Firstly, the use of a risk-sharing facility can be employed to provide a credit guarantee that acts as a substitute for collateral, effectively reducing the collateral required from students. This intervention can help to encounter the challenge of limited access to credit for students without assets that can act as security for loans.

Secondly, the use of a revolving fund for on-lending can be employed using blended finance and support from DFIs, which would increase the capital dedicated to the sector and create incentives for financial institutions to lend to students. Loans can be channeled through Tertiary Education Institutions and paid directly for fees. Additionally, alternative financing solutions, such as fintech or university loan portfolios, can provide financial institutions with potentially more attractive loan portfolios, even with a low ticket size.

Thirdly, technical assistance can be used to increase access to financial institutions, especially those who will benefit from blended finance structures. Technical assistance can also support financial institutions and Tertiary Education Institutions to increase product awareness, educate students on financing options and improve their understanding of the lending processes and requirements.

Lastly, through the interventions described above, partnerships between DFIs, financial institutions and tertiary education institutions can be fostered to increase access to finance for students in need. This supports an enabling environment for the creation of credit facilities along with programs to support institutions in servicing and recovering student loans. These interventions can significantly enhance access to tertiary education finance and provide students with the means to achieve their educational goals.

4.2.1.2 Education Institutions

The study highlights several key challenges faced by the interviewed education institutions when accessing finance. Firstly, the management capabilities of universities are a pressing issue for financial institutions, as they require accountability and assurance that funds are used appropriately. Default rates are high and estimated to be between 21% and 30%, which also raises concerns. Financial institutions also require collateral and often use education institution's real estate and assets, such as logbooks, as collateral.

Secondly, attracting capital is a significant challenge for the interviewed institutions, despite 80% of the interviewed financial institutions lending to education institutions. These institutions find the market attractive for its potential returns. However, mismanagement of funds from education institutions remains a significant concern.

Thirdly, the average ticket size of the interviewed education institution loans ranges between USD 10,000- 30,000 with interest rates between 11%- 13%, which is relatively high. These rates suggest that financing for education institutions may be a more expensive investment for lenders and potentially less attractive.

Fourthly, education institutions often require funding to support long-term expansion plans, including the expansion of their campuses along with the implementation of new services and infrastructure. This challenge demands financing structures that cater to long-term capital needs, which can be relatively difficult to source.

Based on the challenges identified in the study, several interventions can be implemented to mitigate the challenges faced by education institutions when accessing finance. Firstly, a risk-sharing facility can be employed to provide a credit guarantee that acts as a substitute for collateral, reducing the financial burden of collateral for education institutions. This facility and the use of portfolio guarantees can help mitigate the risks associated with lending to the sector, making education loans a more attractive investment for potential lenders.

Secondly, Supply Chain Financing (SCF) can help to control mismanagement of funds while improving relationships between education institutions and Original Equipment Manufacturers (OEMs). SCF can also create opportunities for OEMs to lease or sell equipment to education institutions through lines of credit, paving the way for future trades and collaborations, ensuring the sustainability of the financing facility.

Thirdly, project finance offers a tailored financing solution, thereby allowing financial institutions to originate finance packages for large ticket projects such as infrastructure expansion, which are expected to cater to the infrastructural gap in this sector.

Fourthly, a revolving fund can be created for banks to on-lend into the sector, possibly using blended finance to increase capital dedication to the sector. Creation of such on-lending facilities can ensure that education institutions get access to the capital they need, especially in cases where direct investments from DFIs have low ticket sizes.

Lastly, a lending platform can be established to increase awareness and interaction between different stakeholders, including education institutions, prospective financial lenders, and other relevant parties. This platform can help promote collaboration, improve communication and awareness of financing options for education institutions, as well as improve overall funding for tertiary education.

4.2.2. Financing Facility

According to the OECD (2018), Collective Investment Vehicles (CIVs) are a type of investment fund that enables a group of investors to pool their resources and invest in a diversified portfolio of assets, such as mutual funds or exchange-traded funds. The CIVs can be structured in various ways and can target specific investment segments, such as the education sector, using different types of instruments such as equity, debt, and technical assistance. Blended finance, which combines development finance and private sector funds, is another financing approach that can be used to support sustainable development initiatives by leveraging the strengths of both sectors.

Innovative finance with a CIV approach can provide a mechanism for channeling private sector capital towards impactful developmental projects, with the OECD (2018) distinguishing between two different pooled models: a fund or a facility.

After analysing the main challenges in the sector and potential innovative financing solutions, this thesis recommends the use of blended finance to address the abovementioned challenges by creating a collective investment vehicle (CIV) with a fund structure as presented in the graphic below.

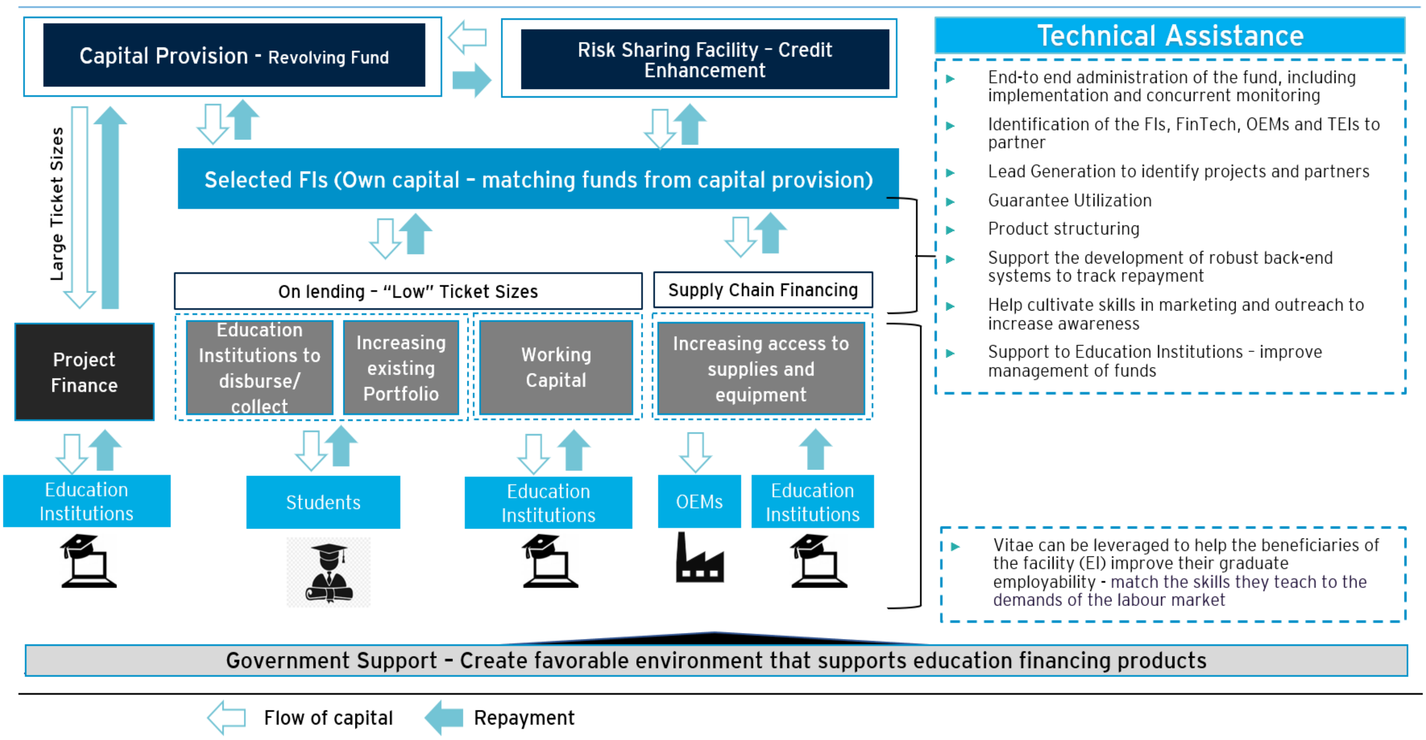

Figure 3 - Proposed Innovative Financing Solution

The proposed financing facility is designed to address the challenges faced by education institutions, students, and financial institutions when accessing finance. It has several key components, including: a revolving fund (that includes lines of credit for supply chain finance), a risk sharing facility, project finance, and technical assistance.

Revolving Fund

Firstly, the facility will have a revolving fund, allowing the selected financial institutions to receive capital in the form of a loan and build self-sufficiency for the education sector. After a specified time, the recipients will repay the loan with interest, and the interest earned on the revolving fund will be re-invested in the selected financial institutions, ensuring sustainability. aimed at continuously providing capital to financial institutions, including fintech companies, for the benefit of the education sector. The fund would give capital to selected financial institutions in the form of a loan, with conditions that the benefits, repayments, and income from the fund must be used solely for the purpose of financing the education sector.

The selected financial institutions will receive the loans for a specified period, depending on the loan term, and will be required to repay the loans at the end of the period. The interest earned on the revolving fund will then be re-invested in the selected financial institutions to continue providing capital for the education sector, thereby creating a rotation of funds and building self-sufficiency in the proposed facility. The revolving fund will provide ongoing support to education institutions and students by providing a consistent and reliable source of capital.

Additionally, the revolving fund will have a supply chain finance window that will provide eligible financial institutions with loans to pay a vetted list of Original Equipment Manufacturers (OEMs) specified in the scheme. The education institutions and the OEMs can then enter into an agreement with each other and supply chain financier. This process will involve Reverse Factoring, where arrangements are made between the education institutions, the OEMs, and the selected financial institutions. Payment for education supplies/equipment by the OEMs is received in advance, benefiting both the tertiary education institutions and the OEMs. This solution will help finance the capital costs for infrastructure, improve supply-chain efficiency, and reduce misuse of funds.

Risk Sharing Facility

The Risk Sharing Facility is a key component of the proposed financing facility, aimed at addressing the minimum collateral requirement challenges. This agreement will be between development financial institutions and commercial financial institutions, where the latter will get a partial reimbursement of the principal losses incurred on the new education portfolio of loans. Under this facility, upon depletion of the first loss, the senior risk will be covered by the financial institutions.

To implement this facility, financial institutions will be expected to offer loans with special terms that address the minimum collateral requirement challenges. The facility will provide financial institutions with an opportunity to mitigate loan default risks through partial guarantees, reducing the impact of adverse events that may affect the borrower's ability to repay the loan. This intervention will help to increase the number of loans offered to students and education institutions, thereby increasing access to finance.

The Risk Sharing Facility will also improve the willingness of financial institutions to lend to education institutions by reducing the perceived level of risk associated with the sector. This intervention will, in turn, encourage financial institutions to develop products that are better suited for the education sector's needs. In summary, the Risk Sharing Facility will be a vital component of the financing facility, providing financial institutions with the confidence and assurance required to increase lending in the education sector.

Project Finance

Project finance is another key component that allows the CIV to originate finance for large ticket projects and tailor the financing based on the needs, including technological and infrastructure investments. This intervention is designed to address the infrastructure gap in the education sector and provide long-term capital solutions.

For Project finance to be successful, the CIV must develop the capacity to evaluate projects that are viable for financing before deciding whether the project qualifies for debt, equity, or any other structured finance. This vetting process will ensure that the project creates value for all stakeholders, including education institutions, financial institutions, and students, and has a positive impact on the education sector.

Project finance will enable the financing of long-term capital-intensive investments such as the construction of new campuses, upgrading technological infrastructure or procuring equipment for vocational training centers. The facility could provide the necessary capital required to finance projects which the traditional lending market is currently unable to finance.

Technical Assistance

The proposed financing facility must address the capacity challenges of education institutions, financial institutions, and tertiary education students. Technical assistance is designed to provide targeted support to these stakeholders.

For education institutions, the technical assistance packages will be introduced to improve financial management capabilities, generate leads to identify partners and projects, and train education institutions on how to access the platform and apply for financing. Technical assistance will also provide advice on operations, social, corporate governance, HR, and technology. Education institutions can also receive technical assistance to reach prospective borrowers (students) through on-campus engagement, online marketing, and integrate effective tracking processes to identify inefficiencies.

For Financial institutions, the technical assistance is designed to provide support and advice to financial institutions in the following areas:

• End-to-end administration of the fund, including implementation and concurrent monitoring: Financial institutions will receive technical assistance to ensure the smooth implementation of the financing facility, including effective administration, monitoring, and evaluation processes.

• Lead generation to identify projects and partners: Technical assistance will help financial institutions to identify and evaluate potential projects and partners, ensuring the financing facility's resources are properly channeled to high-impact projects.

• Guarantee utilization: Technical assistance will provide guidance and support to financial institutions in the proper utilization of the risk-sharing facility, ensuring that the intended objectives are achieved.

• Development of products to be utilized by students and TEIs: Financial institutions will receive technical assistance to develop appropriate financial products, such as student loans, that meet the needs of education institutions and students.

• Pipeline development support: Technical assistance will ensure proper pipeline development to identify potential projects and partners that meet the eligibility criteria of the financing facility.

• Support the development of robust back-end systems to track repayment: Technical assistance will provide support in the development of systems that enable financial institutions to effectively track loan repayments and manage risks.

• Cultivate skills in marketing and outreach: Technical assistance will support financial institutions in developing effective marketing and outreach strategies, thereby increasing awareness and understanding of the financing facility's products and services.

The technical assistance provided to students aims to empower them to manage their finances properly, be responsible for their repayment obligations, and choose careers that will allow them to make a positive impact in their communities. The support of the technical assistance is envisioned in the following areas:

Technical assistance will provide students with information about the types of loans available to them to access post-secondary education. This information will be comprehensive and will cover the reasons why a loan may make sense, how to apply, and the potential benefits of taking out a loan.

Secondly, it will provide assistance with financial literacy training to students to understand the financial implications of taking out a student loan. This training will include preparing a budget, planning for repayment, and managing their finances responsibly.

Finally, technical assistance will provide training to students to help them select careers relevant to the industry. This training will help them identify skills needed in the industry, allowing them to prepare accordingly and improve their chances of securing employment.

4.2.3. Theory of Change

4.2.3.1. Financing Institutions

From the interviews, the financing institutions perceive the education sector as a risky one, but they understand its potential due to a large market size. To increase the financial institutions’ penetration in the tertiary education lending space the following interventions/ incentives can be deployed: a risk sharing facility – such as a credit guarantee, to reduce the exposure of the financial institutions; access to a revolving fund with cheaper capital to reduce the balance sheet requirements to lend into the sector; and capacity building to support product development and internal processes.

As a result of the interventions the following outcomes are expected: the risk sharing facility will hedge the risk of lending to the education sector; the revolving fund will allow financial institutions to blend funds from DFIs with their own capital; by blending the capital they can improve their returns and lend additional money into the sector (getting flexibility on their own capital requirements); finally, the technical assistance is expected to support the financial institutions in the product development process – standardizing loan origination, disbursements, and monitoring the performance of the products.

As expected outcomes, the risk sharing facility can support portfolio growth and improve risk management by reducing exposure limits; the revolving fund will increase penetration in the education sector measured as the percentage of the financial institutions' loans disbursed in the sector; the technical assistance can improve the product development cycle and increase the financial traction in the education sector. The following graphic represents the theory of change for the financing institutions:

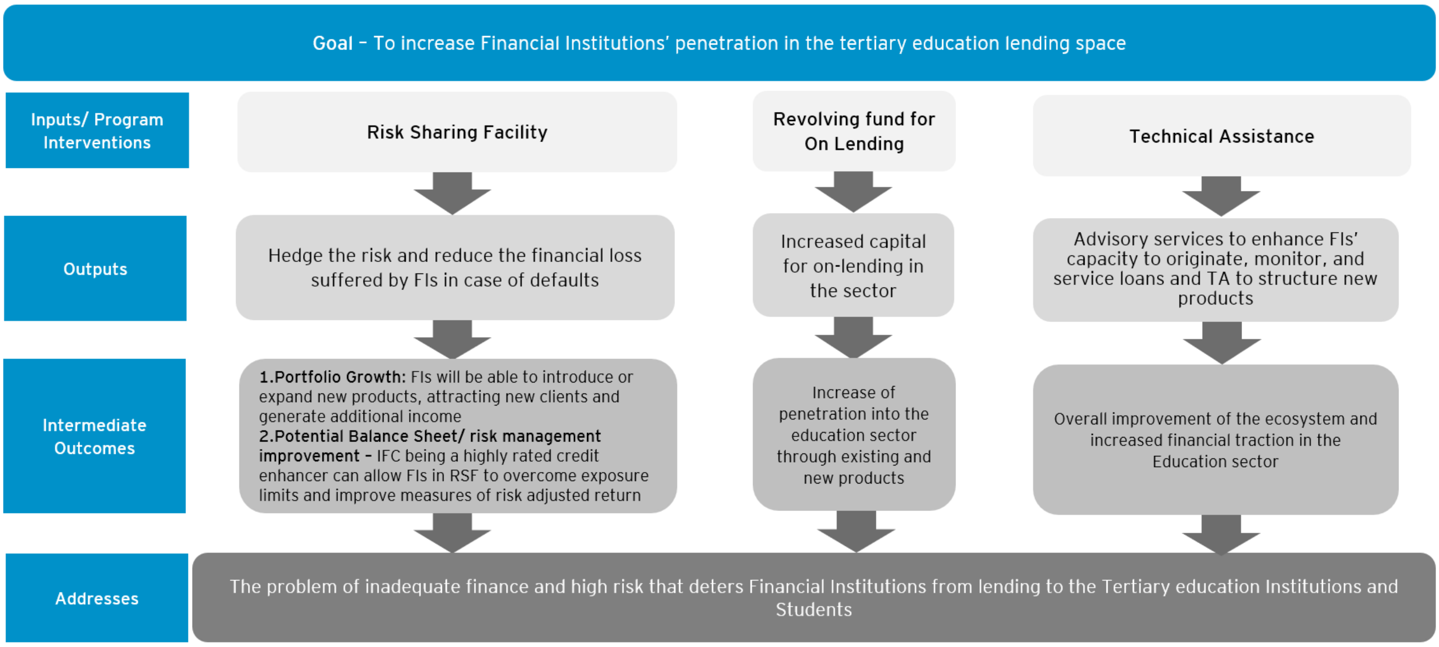

Figure 4 - Theory of Change Diagram for Financing Institutions

4.2.3.2. Education Institutions:

From the interviews, the education institutions do not have enough access to capital to cover infrastructure investments, their working capital, and growth projects. Additionally, the financial institutions perceive the education institutions as risky and have identified the misuse of funds as a key challenge.

To increase access to finance for Education Institutions to access financing to fulfil their capital needs (e.g., working capital), to grow their existing campuses, services and infrastructure the following interventions/ incentives can be deployed: a risk sharing facility – such as a credit guarantee, to reduce the exposure of the financial institutions; access to a revolving fund for supply chain financing – this reduces the risk of misuse of funds and allows the education institutions to access better equipment; access to an on-lending program to access loans from financial institutions to cover working capital finance requirements; and capacity building to improve management practices and create awareness of the financing options.

As a result of the interventions the following outputs are expected: the risk sharing facility will hedge the risk of lending to the education sector; the supply chain financing revolving fund will support the improvement of management of funds and mitigate its misuse; the on-lending program is expected to increase the funds flowing into the sector and support education institutions to overcome their working capital constraints; the project finance is expected to finance large ticket projects; and finally, the technical assistance is expected to improve management practices.

As expected outcomes, the risk sharing facility can increase the loan disbursements into the sector; the supply chain financing is expected to increase access to equipment and infrastructure; the revolving fund will increase penetration of existing products (working capital loans) in the education sector; the project finance is expected to support transformational projects with high value; and the technical assistance can lead to the effective use of funds for the intended purposes. The following graphic represents the theory of change for the financing institutions:

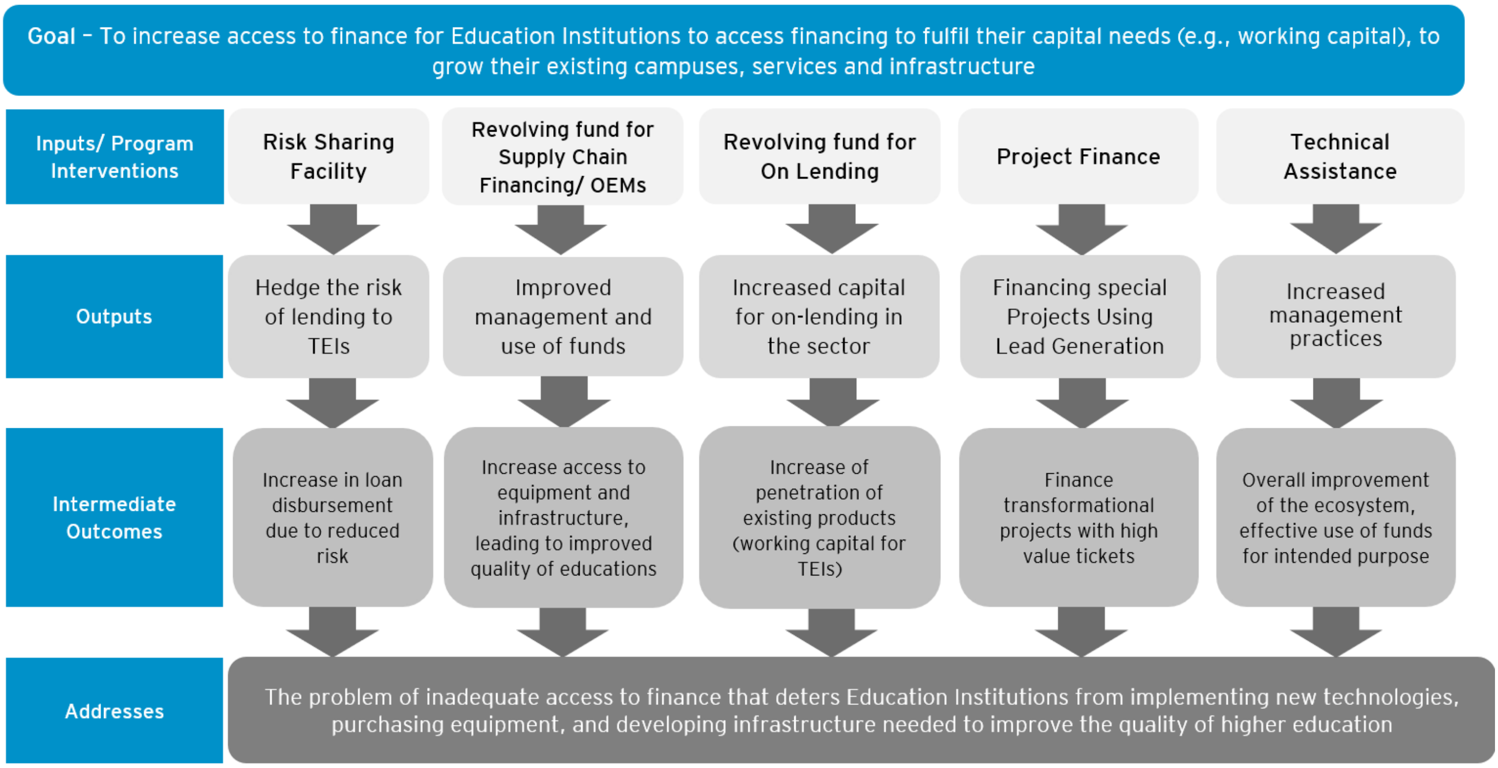

Figure 5 - Theory of Change Diagram for Education Institutions

4.2.3.3. Students

From the interviews, students are not aware of the existence of students loans, they are perceived as risky as they don't have assets to be used as collateral and their ability to pay depends on their employability. To increase student access to finance and enrolment to private tertiary education institutions the following interventions/ incentives can be deployed: a risk sharing facility – such as a credit guarantee, to reduce the exposure of the financial institutions; access to an on-lending program that has reduced collateral and adequate interest rates, repayment periods, etc.; and technical assistance to improve awareness on financing products and private sector partnerships to improve employability.

As a result of the interventions the following outputs are expected: the risk sharing facility will hedge the risk of lending to the education sector; the on-lending program is expected to increase the funds flowing into the sector; the technical assistance is expected to increase awareness of the availability of education loans and to work with the private sector to increase employability.

As expected outcomes, the risk sharing facility can increase the loan disbursements into the sector; the revolving fund will increase penetration of existing products (student loans); and the technical assistance can lead to improvements in the ecosystem. The following graphic represents the theory of change for the financing institutions:

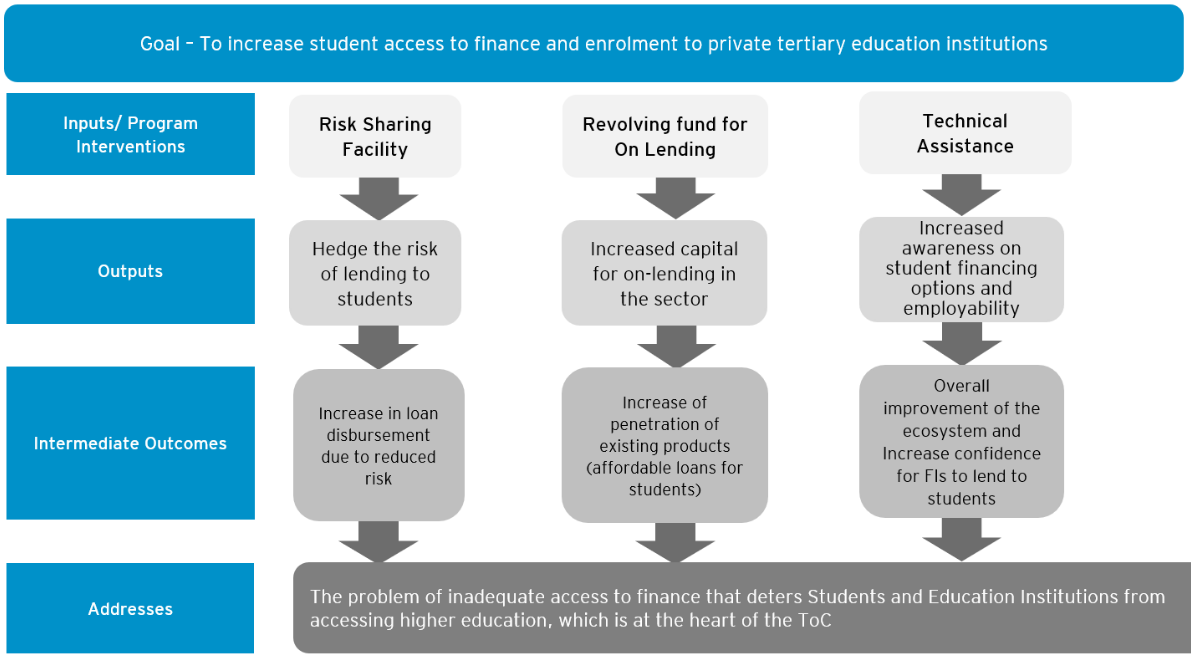

Figure 6 - Theory of Change Diagram for Students

5. Conclusions, Recommendations, and Future Research

This thesis makes significant contributions to the conceptualisation of the use of innovative financing in the education sector in Kenya and has successfully achieved its objectives of assessing the critical funding needs of private tertiary education institutions in Kenya, evaluating the demand for student finance, and analyzing the supply of financial products for private tertiary education institutions and students. The study identifies the main challenges to financing students and education institutions in Kenya and proposes an innovative financing facility to address these challenges. The proposed financing facility leverages blended finance and a collective investment vehicle, incorporating a revolving fund, risk-sharing facility, supply chain finance, project finance, and technical assistance.

The analysis aimed to identify critical funding needs of private tertiary education institutions and students in Kenya, and propose innovative financing structures to address the challenges faced by the education sector. The study utilized a qualitative research approach, including structured interviews, document analysis, and thematic analysis to gain insights into the challenges faced by private tertiary institutions, students, and financial institutions, as well as the policy landscape.

The findings of this study highlight the critical funding needs of private tertiary education institutions and students in Kenya. The majority of education institutions interviewed were unable to meet their annual budget needs for infrastructure improvement and faced frequent working capital constraints. This highlights the need for innovative financing structures to support private tertiary institutions in Kenya, especially in areas such as infrastructure development and working capital. Furthermore, the study showed that only a minority of institutions had in-house student financing schemes, with many institutions dependent on loans from financial institutions. This highlights the need for collaboration between institutions and financial institutions to develop innovative financing models to support students and institutions.

Moreover, the employability of graduates was heavily influenced by the selected programs, with business and finance-related courses being the most employable. This highlights the need for institutions to focus on providing programs that are relevant to the job market.

The results from the students' interviews indicate that the majority of students finance their education using family funds, and only a small percentage take loans, with concerns over the need for collateral and guarantors as a significant barrier to accessing student loans. The study highlights the high demand for financial aid, with 80% of the interviewed students viewing it as necessary to cover tuition and personal expenses during their studies.

The study also found that most interviewed students preferred a loan repayment period greater than 24 months, and interest rates and payback periods were the critical factors when deciding to borrow. Additionally, the study revealed that most students expected to finance their student loans themselves after graduation, believing they would get a job within a year earning a monthly salary of between USD 101 – 500.

The financial institutions' interviews provide insights into the financing products offered by financial institutions to both students and tertiary education institutions in Kenya. The results of the survey show that the education sector is a priority sector for financial institutions in Kenya, and eligibility criteria for students is usually assessed based on family financial status, sources of income, choice of course, and academic performance. This highlights the need for financial institutions to prioritize easy access to financing for students from low-income families who may not meet the traditional lending criteria. Additionally, the study demonstrated that digitalization was a crucial factor in determining loan products, with social media being the primary marketing channel used by financial institutions to advertise their financing. This highlights the importance of developing digital financial solutions to enhance the accessibility of financing for students and institutions.

The policy landscape analysis on lending to the tertiary education market in Kenya concluded that it is mainly governed by the Ministry of Education and associated state agencies, as well as the Central Bank of Kenya regulating financial institutions. However, there is currently no specific government regulatory body overseeing the lending market, which may pose some challenges to ensuring that lending criteria and interest rates are reasonable and affordable for students and institutions.

Policymakers should consider establishing a regulatory body focused on student lending in the tertiary education sector. This would help to ensure that lending criteria and interest rates are reasonable and affordable, protecting students from predatory lending practices. Additionally, collaboration between the government, education institutions, and financial institutions is crucial in developing innovative financing models that can address the financing needs of students and education institutions in Kenya.

Based on the abovementioned findings, this thesis recommends the use of blended finance through a collective investment vehicle (CIV) with a fund structure. The proposed financing facility includes a revolving fund that includes lines of credit for supply chain finance, a risk-sharing facility, project finance, and technical assistance. These components are designed to address the multiple challenges facing the sector, providing an integrated solution that can support education institutions, students, and financial institutions.

These interventions are expected to hedge the risk of lending to the education sector, increase access to finance and enrolment to private tertiary education institutions, and improve awareness of financing products and private sector partnerships to increase employability.

As expected outcomes, the interventions are likely to increase loan disbursements into the sector, improve management of funds, increase access to equipment and infrastructure, support transformational projects, and lead to improvements in the ecosystem. These interventions are crucial in addressing the financing needs of the education sector in Kenya, promoting student access to education financing, and stimulating economic growth in the long term.

The main limitation of the research relies on its qualitative nature which limits the generalisability of the findings, introduces subjectivity in the process – as it relies heavily on the researcher's interpretation of data, which may lead to bias and subjectivity in the analysis, lacks statistical analysis and may be difficult to replicate.

This thesis offers insights into the use of innovative financing to unlock the potential of the education sector in Kenya, which can be extended to other countries similar to Kenya. The researcher has collected data in Nigeria, Senegal and Ghana; the challenges encountered were similar across the countries and future research can be done to generalize the findings from this thesis.

This thesis also creates the opportunity for additional research in the field, especially in the impact evaluation area (once more innovative financing facilities are deployed). Additionally, further research is needed to identify barriers to increasing the scale of innovative finance and increasing its practicality. Once more case studies and empirical research are in place, researchers will be able to showcase the successes and challenges of innovative financing in a range of sectors and countries. From these studies, best practices can be distilled and shared across different stakeholders.

Additional research can study product development aspects like credit scoring models tailored to the specific needs and risks of student lending, exploring unsecured lending options, and designing income contingent loan structures that can contribute to creating more effective and student-friendly financial products. Partnering with universities can also be explored to develop innovative financing solutions and enhance access to education.

Research can also delve into the customer journey of financial institutions involved in student lending, understanding their processes, challenges, and opportunities for innovation.

Other potential areas of research in student lending in Kenya can include studying the impact of interest rates and repayment terms on loan uptake and default rates, exploring the effectiveness of financial literacy programs to improve loan repayment behavior, investigating the role of technology and digital platforms in streamlining loan processes and enhancing financial inclusion, and examining the long-term socio-economic outcomes of students who have accessed loans for higher education. In the case of university lending in Kenya, research can focus on analyzing the financial sustainability of universities, exploring strategies for diversifying revenue streams, and studying the impact of different financing models on the quality and accessibility of education.

IV. Appendices

a. Data collection instruments

Student Questionnaire - All Monetary Values are in USD (Demand Side)			
	1	**Student Profile**	
	1.1	How old are you?	Below 18 years,18-24 years,25-31 years, Above 31 years
	1.2	Indicate your gender	Male, Female, Prefer not to answer
	1.3	Which type of education institution are you currently attending?	Public, Private, Other (Specify)
	1.4	In which category does your Institution lie?	University, College, TVET, Other
	1.5	Which education programme are you currently undertaking?	Certificate, Diploma, Bachelors, Masters, PhD, Other (Specify)
	1.6	Which specialization are your currently undertaking	Arts, Mathematics, Business, Engineering, Education, Health Sciences, Social Sciences, Technology, Economics, Statistics, Finance, technical training for construction, technical training for agriculture, technical training for technology, technical training for health or veterinary, technical training for tourism Other(Specify)
	1.7	How many years does your programme take to complete?	Below 1 year, 1-2 years,2-4 years,5-7 years, Other(Specify)
	1.8	Does your programme require special examinations/additional training from a special board/body to supplement your programme and get licensing as a practitioner?	Yes, No
	1.8.1	If the answer above is Yes, please Specify.	(Open)
	1.9	Are you the first member of your family to receive this level of education?	Yes, No
	1.9.1	If the answer above is No, state the number of individuals who have received this level of education.	1-5 people,6-10 people, Above 10 people
	1.9.2	If the answer above is No, select one choice on how they financed their tuition fees - select all that apply	Personal Savings, Self-finance from own salary, Financing from family, scholarship/fellowship, government loan, on-Government Loan, Employer Contribution, Other(Specify)
	1.9.3	If the answer above is Yes, what would you consider as the main reason of them not receiving this education?	I am the first born child in our family, my older siblings did not merit academically, lack of finances, Other(Specify)
	2	**Socio-Economic Status**	
	2.1	In what Demographic set up do you reside?	Urban set up, Rural set up, Peri - Urban set up, Peri - Rural set up.
	2.2	What is the size of your immediate family?	1-5 people,6-10 people, Above 10 people
	2.3	Select the number of students in your family(Including yourself) who are currently receiving post-secondary education	1-5 people,6-10 people, Above 10 people
	2.4	Select a range describing your average annual family income	Less than 1,000 USD,1,001-5,000 USD,5,001-10,000 USD,10,001 to 15,000 USD, Above 15,000 USD
	2.4.1	What percentage of the income goes to funding higher education and tuition fees?	0-5%,5-10%,10-20%,20-40%,40-60%.60-80%,80-100%
	2.4.2	What percentage of the income caters for food?	0-5%,5-10%,10-20%,20-40%,40-60%.60-80%,80-100%
	2.4.3	What percentage of the income goes to funding medical care?	0-5%,5-10%,10-20%,20-40%,40-60%.60-80%+E25:E34,80-100%
	3	**Student Lending Culture**	
	3.1	Are you aware of any student finance schemes in your country?	Yes, No
	3.1.1	If Yes, Which ones have you previously/currently used?	Open

	3.1.2	If Yes, did you apply for it yourself or with the assistance of another family member?	I applied for myself, I applied with the assistance of another family member
	3.1.3	If Yes, how are the funds disbursed?	Via the Higher Education Institution, Directly with the financier, Other
	3.1.4	If Yes, What Payment methods are used?	Vide Cheque, Cash, Electronic Payment, Other
	3.1.3	If Yes, what criteria is used to award students these loans? - select all that apply	Academic Performance, Family Socio-Economic background, Both, Others(Specify)
	3.1.4	In your opinion, Are the Repayment terms for these loans favourable?	Yes, No
	3.1.5	If the answer in 3.1 above is yes, do you think students in your institution have enough knowledge about the existence of these loans?	Yes, No
	3.1.6	If the answer in 3.1 above is yes, in what intervals are the loans disbursed?	Every Semester, Only once in an academic year, Others(Specify)
	3.1.7	If the answer in 3.1 above is yes, what does the loan cover?	Tuition Fees Only, Upkeep Only, Both, Others(Specify)
	3.1.8	If the answer in 3.1 above is Yes, are students in your institution taken through loan counselling before they are awarded the loan?	Yes, No
	3.1.9	If the answer in 3.1 above is Yes, do students in your institution need to have collateral or a guarantor to access the loans?	Yes, No
	3.1.10	If the answer in 3.1 above is Yes, Do you consider the loan enough and sustainable?	Yes, No
	3.1.11	If the answer in 3.1 above is Yes, do you intend to use a loan scheme in the coming academic year?	Yes, No
	3.1.12	If the answer in 3.1 above is No, would you consider taking a loan to finance your education if there were loan schemes in your country?	Yes, No
	3.1.12.1	If the answer in 3.1.9 above is No, what is your reason for not considering the loan? - select all that apply	I have sustainable means to finance my tuition fees, High Interest Rates, Short Payback Period, Unsustainable loan amount, Other(Specify)
	3.2	Have you ever received a student loan?	Yes, No
	3.2.1	If No, what are the reasons that have prevented you from receiving a student loan?	Open
4		Financing Needs	
	4.1	How much are the tuition fees for your entire course?	Less than 4,000 USD, 4,000-8,000 USD, 8,001-15,000 USD, 15,001-20,000 USD, Above 20,000 USD
	4.2	In how many Instalments(Per Semester) do you pay your tuition fees?(Numeric response)	1-2 Installments,2-4 Instalments, Above 4 Instalments
	4.3	What is the average amount you use for upkeep while at school in an Academic year?	Less than 100 USD,101-500 USD,501-1000 USD,1001 to 1500 USD, Above 1500 USD
	4.4	How would you categorize yourself regarding dependence for financial aid purposes in school?	Dependent, Independent, Other(Specify)
	4.5	How do you finance your tuition fees? - select all that apply	Personal Savings, Self-finance from own salary, Financing from family. Scholarship/fellowship, government loan, on-Government Loan, Employer Contribution, Other(Specify)
	4.6	How difficult has it been for you to pay your tuition fees?	Extremely difficult, Very difficult, Not difficult at all, Other(Specify)
	4.7	How difficult has it been for you to finance your upkeep?	Extremely difficult, Very difficult, Not difficult at all, Other(Specify)
	4.8	Have you been in a situation in which you needed more money than what you had?	Yes, No
	4.8.1	If yes, how did you finance the gap?	Worked extra hours, family and friends, loan
5		Loan Perception	
	5.1	If you were made aware of a student loan program, what do you think would be the most important elements for you to decide to select a loan? - select all that apply	Interest Rate, Payback Period, Amount you could borrow, Institution providing the loan, Collateral, Grace Period, Other(Specify)

	5.2	If you get a loan, who would take care of the loan repayments/interest repayment when you graduate and find a job? - select all that apply	Yourself, Your parents/Relatives, Other(Specify)
	5.3	How long do you expect it would take to repay this loan after completing your course work?	0-6 Months,7-12 Months,13-18 Months,19-24 Months, Above 24 Months
	5.4	What is the level of awareness among the students in your institution of the different loan programs offered to students taking higher education ?	High, Average, Low
	5.5	What do you think would be the best way to make yourself and other students aware of loan programs? - select all that apply	Through advertisements in Electronic and Print Media, Through a program launched in education institutions, Other(Specify)
	5.6	What key Programmes are you aware of in your country which offer loans to higher education students? - select all that apply	Government programs, Banking financial Institutions programs, on - Banking Financial Institution Programs, Micro-Finance Institution Programs, on- Governmental Organization Programs, Other(Specify)
	5.7	In future, what key factors would you consider when looking for a loan to finance your further studies? - select all that apply	Interest Rate, Payback Period, Amount you could borrow, Institution providing the loan, Collateral, Other(Specify)
6		Trends/General Perspective	
	6.1	What do you consider as the top two challenges faced by students today? Select 2	Lack of tuition fees and money for upkeep, Overcrowding at universities, Lack of access to facilities like laboratories, poor living conditions in the hostels, depression, lack of mentors to prepare them for their future careers, Others(Specify)
	6.1.1	Are there any measures that have been put in place to curb the situations as per your answer in 6.1 above?	Yes, No, I don't know
	6.2	What do you consider as the main cause of student drop out cases from your institution? - select all that apply	Hard drugs, Early Pregnancy, Lack of tuition fees and money for upkeep, Family problems, Early Marriage, Lack of interest in the selected course, Other(Specify)
	6.3	Over the past few years, there has been a gradual increase and surge in the number of students being enrolled to tertiary institutions. What do you consider is the main factors leading to this upward trend? - select all that apply	Favourable tuition fees at the primary and secondary levels of education, better information on the importance of education among the masses, preference in doing formal jobs rather than casual jobs, Others(Specify)
7		General Questions	
	7.1	How long do you expect it would take for you to get a job after completing your course?	0-6 Months,7-12 Months,13-18 Months,19-24 Months, Above 24 Months
	7.2	What proportion of students in your discipline get a job after graduation?	5-10%,10-20%,20-40%,40-60%.60-80%,80-100%
	7.3	What are the salary expectations for this job?(Give a range)	Less than 50 USD,50-100 USD,101-500 USD,501-1000 USD,1001 to 1500 USD, Above 1500 USD
	7.4	I am considering taking a job while in school	Strongly Disagree, Disagree, Undecided ,Agree, Strongly Agree
	7.5	I am considering transferring to another program or institution	Yes, No
	7.5.1	If yes, What are your reasons for considering transferring to another program or institution?	Open
	7.6	I feel confident about my financial future	Strongly Disagree, Disagree, Undecided, Agree, Strongly Agree

i. Education Institutions

Tertiary Institutions Questionnaire - All Monetary Values are in USD (Demand Side)			
1		Institution Profile	
	1.1	Name of Institution	Open

	1.2	Category of Institution	Private University, TVET, Ed Tech
	1.3	Country	Kenya, Ghana, Nigeria, Senegal
	1.4	Number of in-country branches/campuses	1, 2-5, 6-10, 11-20, More than 20
	1.5	Do you operate across multiple African countries?	Yes, No
	1.5.1	If yes, how many countries?	Open OR 2-5, 6-10, 10+
	1.6	Year of incorporation/ Number of years in operation	Open OR 0-5, 6-10, 11-20, More than 20 years
	1.7	Number of average yearly enrolments	Open OR Less than 1000, 1001 - 2000, 2001 - 5000, 5001 - 10000, More than 10000
	1.8	Number of students enrolled to date	Open OR Less than 1000, 1001 - 10,000; 10,001 - 20,000; 20,001 - 50,000; 50,001 - 100,000; 100,001 - 500,000; 500,001 - 1M; More than 1M
	1.9	What is the ratio of students per academic staff?	Open
	1.10	At what capacity are you currently operating?	80%-100%, 60%- 79%, 40%-59%, less than 40%
	1.11	What are your income generation activities? - select all the responses that apply	School Fees, Research, Student Accommodation, Events, Commercial Rental Spaces, Other (Specify)
	1.12	Are your income activities enough to cover your expenses?	Yes, No
	1.13	What courses are you offering? - select all the responses that apply	Arts, Mathematics, Business, Engineering, Education, Health Sciences, Social Sciences, Technology, Economics, Statistics, Finance, technical training for construction, technical training for agriculture, technical training for technology, technical training for health or veterinary, technical training for tourism, Other(Specify)
	1.14	Level of education offered - select all the responses that apply	Certificate, Diploma, Degree, Masters, PHD, Other (Specify)
	1.15	What is your annual revenue?	Open OR 0-50K; 50 - 200K, 200 - 1000K, More than 1000K USD
	1.16	What is the average duration of the programs (number of years)	Open
	1.17	What is the average cost of the programs (per year)	Open OR Less than 1000, 1001 - 2000, 2001 - 5000, 5001 - 10000, 10001-30000, 30001-50001, more than 50000
	1.18	Do you track the employability of your alumni?	Yes, No
	1.18.1	If yes, how long does it take a student to find a job?	less than 1 month, 1-3 months, 3-6 months, 6-12 months, more than a year
	1.18.2	If yes, are graduates from certain programs more employable than others	yes, no
	1.18.3	If yes, please specify the programs	
	2	General financing behaviour	
	2.1	Which financial institutions do you work with?	Open
	2.2	What are the main services/ products that you have with these financial institutions? - Select all that apply	Deposit account, payroll, payments, overdraft facility, working capital facility, leasing facility, long term loan, other (specify)
	2.2	In the last financial year, did you face a situation in which the institution needed more money than what it had?	Yes, No
	2.2.1	If yes, what did you need the money for? Select all that apply	Working Capital, infrastructure investment, technology investment, other (specify)
	2.2.2	If yes, how did you cover the financial need?	Loan from a bank, loan from a microfinance institution, own capital, equity from a PE, grant, capital from an impact investor, other (specify)
	2.2.3	If yes, what were the terms of the facility? Interest rate, fees and commission	Open OR Less than 10%, 10 - 12%, 13 - 15%, 16 - 20%, More than 20%
		If yes, what are the applicable fees and commissions?	Open
	2.2.4	If yes, Please specify the facility tenure	Open OR Short term (less than a year), midterm (1-5 years), long term (5-10 years), more than 10 years
	2.2.5	If yes, please specify if there was any moratorium or concesionality	Open OR it had a moratorium period (specify), it had concesionality (specify)
	2.2.6	If yes, did you face any challenges accessing the funding	Yes, No

	2.2.6.1	If yes, please describe the main challenges	Collateral, interest rate, difficult application process, high interest rate, inadequate tenure, other (specify)
	2.2.7	Did you face any challenges repaying the loan	Yes, No
	2.2.7.1	If yes, what were the main challenges in loan repayment? Select all that apply	Unfavourable terms (interest rates, tenures), Irregular income (school fees)
	2.2.8	Please specify the following:	
		What is your leverage ratio?	Open
		What is your debt service coverage ratio?	Open
		Impact of COVID-19 Pandemic	
	2.29	Are there financing needs that emerged as a result of the pandemic?	Yes, No
		If yes, please specify the impact of COVID on your financing needs:	Open
	2.30	What was the impact of COVID on your investment plans?	Increased demand for investment for future proofing, decreased demand for investment due to reduced financing
3		Critical Funding Needs - Infrastructure Improvements (Buildings, Classrooms, Labs)	
	3.1	What is your current infrastructure capacity?	Comfortably meets student capacity, Meets 80% of student capacity, Meets 50% of student capacity, Meets less than 50% of student capacity
	3.2	Please describe your existing infrastructure (number of classrooms, buildings, labs, library, etc.)	
	3.3	Who is your main provider for the following?	
		Building equipment	Open
		Lab machinery and equipment	Open
		Classroom furniture and fixtures	Open
		Library equipment	Open
		Other(specify)	Open
	3.4	Does the provider give you any financing options?	yes, no
	3.4.1	If yes, which options	Open OR Payment terms, leasing option, pre-arranged loan with a bank, other
	3.5	How much infrastructure investment have you done in the recent five years?	0 - 50k, 51k - 100k, 101 - 200k, 200 - 500k, 501 - 1,000k, More than 1000k
	3.6	Do you have a defined annual budget dedicated towards infrastructure improvements?	Yes, No
		If yes;	
	3.6.1	What is your annual budget dedicated towards infrastructure improvements?	0 - 10k, 11k - 20k, 21 - 50k, 51 - 100k, More than 100k
	3.6.2	Are you able to meet your needs with your current budget? Or do you require additional financing?	Able to meet, Need additional financing
	3.6.2.1	If additional financing is needed;	
	3.6.2.2	Specify the required amount	0 - 50k, 51k - 100k, 101 - 200k, 200 - 500k, 501 - 1,000k, More than 1000k
	3.6.2.3	Specify the intended use	Upgrade current infrastructure, Expand current infrastructure, Develop new infrastructure, Other(Specify)
		If no;	
	3.6.3	Have you postponed an investment in this area due to insufficient funds	Yes, No
		If yes;	
	3.6.4	Will you use a loan to finance infrastructure improvements?	Open for a loan, Internal funds suffice
	3.6.5	Please specify the amount of investment required	0 - 50k, 51k - 100k, 101 - 200k, 200 - 500k, 501 - 1,000k, More than 1000k, Information not available
	3.7	Does the organization have the intention of investing in infrastructure?	Yes, No
	3.7.1	If yes, Will you use a loan to finance this or will internal funds suffice?	Open for a loan, Internal funds suffice

	3.7.2	If yes, Please specify the amount of investment required	0 - 50k, 51k - 100k, 101 - 200k, 200 - 500k, 501 - 1,000k, More than 1000k, Information not available
	4	Critical Funding Needs - Learning Tools (E-Learning)	
	4.1	Do you employ any modern/updated learning tools?	Yes, No
	4.2	What current learning tools do you use? - select all that apply	Student Computer Rooms, Room Projectors, Lecturer-Led Virtual Learning, Self-Paced E-Learning, Other (Specify)
	4.3	How much investment have you made in the last five years towards upgrading learning tools?	0 - 50k, 51k - 100k, 101 - 200k, 200 - 500k, 501 - 1,000k, More than 1000k
	4.4	Who is your main provider for the following?	
		E-learning platforms	Open
		Student computers and room projectors	Open
	4.4.1	Does the provider give you any financing options?	yes, no
	4.4.2	If yes, which options	Open OR Payment terms, leasing option, discount on licenses, pre-arranged loan with a bank, other
	4.5	Do you have a defined annual budget dedicated towards learning tools improvements?	Yes, No
	4.5	If yes, what is your annual budget dedicated towards learning tools improvements?	0 - 50k, 51k - 100k, 101 - 200k, 200 - 500k, 501 - 1,000k, More than 1000k, Information not available
	4.6	Are you able to meet your needs with your current budget? Or do you require additional financing?	Able to meet, Need additional financing
		If additional financing is needed;	Open
	4.6.1	Specify the required amount	
	4.6.2	Specify the intended use	Upgrade standards of current learning tools, Increase quantity/scale of current learning tools, Procure new learning tools, Other (Specify)
		If no;	
	4.6.3	Have you postponed an investment in this area due to insufficient funds	Yes, No
	4.7	Does the organization have the intention of investing in learning tools?	Yes, No
		If yes;	
	4.7.1	Will you use a loan to finance this or will internal funds suffice?	Open for a loan, Internal funds suffice
	4.7.2	Please specify the amount of investment required	0 - 50k, 51k - 100k, 101 - 200k, 200 - 500k, 501 - 1,000k, More than 1000k, Information not available
	5	Critical Funding Needs - Technology Upgrade	
	5.1	What is your current level of technology adoption?	Minimal adoption (only adopted at admin level), Moderate adoption (adopted across admin and few student-facing functions), High adoption (adopted across all staff and student-facing functions)
	5.2	What are your current use cases for technology uptake? - select all that apply	Systems and Automation(Administration), Modern Learning Equipment (Machines and Internet), Building Access and Security, Other (Specify)
	5.3	How much investment have you made in the last five years?	0 - 50k, 51k - 100k, 101 - 200k, 200 - 500k, 501 - 1,000k, More than 1000k
	5.4	Do you have a defined annual budget dedicated towards technology upgrade?	Yes, No
	5.5	If yes, what is your annual budget dedicated towards technology upgrade?	0 - 10k, 11k - 20k, 21 - 50k, 51 - 100k, More than 100k
	5.6	Are you able to meet your needs with your current budget? Or do you require additional financing?	Able to meet, Need additional financing
	5.7	If additional financing is needed;	Open
	5.8	Specify the required amount	
	5.9	Specify the intended use - select all that apply	Upgrade standards of current technology, Increase quantity/scale of current technology, Procure new technology/Employ new use cases
		If no;	
	5.11	Have you postponed an investment in this area due to insufficient funds	Yes, No

	5.12	Is this an area of interest to your organisation?	Yes, No
		If yes;	
	5.13	Will you use a loan to finance this or will internal funds suffice?	Open for a loan, Internal funds suffice
	5.14	Please specify the amount of investment required	0 - 50k, 51k - 100k, 101 - 200k, 200 - 500k, 501 - 1,000k, More than 1000k, Information not available
6		Critical Funding Needs - Labour and Working Capital	
	6.1	What is the lecturer to student ratio in your institution?	1 - 10, 1 - 20, 1 - 30, 1 - 50, 1 - 100, 1 - 100+
	6.2	Do you have sufficient staff?	Yes, No
		If no;	
	6.2.1	Specify the reason - select all that apply	Lack of sufficient funds/working capital, Low staff retention, Other (Specify)
	6.2.2	Would you be open to a loan to solve this?	Yes, No
	6.3	Are you able to pay lecturers and other staff in time?	Yes, No
	6.4	What are the terms for student fee payment?	Open OR Before starting the term, Immediately as they receive an offer, Within 2 weeks, Within a month, Within three months, Other (specify)
	6.5	What percentage of students is pays fees late?	OPEN or 0%-20%, 20%-40%, 40%-60%, 60%-80%, 80%-100%
	6.6	What percentage of students withdraws from the course because they can't pay?	Open OR0%-20%, 20%-40%, 40%-60%, 60%-80%, 80%-100%
	6.7	What are your supplier terms?	Cash, Credit
	6.7.1	If credit, what are the payment terms?	Within 2 weeks, Within a month, Within three months
	6.8	Do you have frequent working capital constraints?	Yes, No
	6.8.1	If yes, Are delayed fee payments the main cause of the constraints?	Yes, No
	6.8.2	If no, do you foresee future working capital needs due to organic growth?	Yes, No
	6.9	Do you have a financing facility for working capital constraints caused by late fee payments?	Yes, No
	6.9.1	If yes, what kind?	Bank facility, Internal/Emergency Funds, No facility active
	6.9.2	If no, would you be open to a loan to solve your working capital needs?	Yes, No
	6.9.2.1	If yes, please specify the loan amount	0 - 50k, 51k - 100k, 101 - 200k, 200 - 500k, 501 - 1,000k, More than 1000k, Information not available
	6.9.2.2	If no, please specify the reasons	Inability to repay, Unfavourable loan terms, No working capital need identified
7		Student Financing - Interest and Readiness	
	7.1	Do you have any active in-house student financing schemes?	Yes, No
		If yes;	
	7.1.1	Do you partner with a financial institution to offer student financing schemes?	Yes, No
	7.1.1.1	If yes, which institution	Open
	7.2	What financing structures are available to students? - select all that apply	Loan, Bursaries, Scholarships (Long term), Grant (Research e.g. PhD), Other (specify)
	7.2.1	If loan, Specify the all-in interest rates(including fees and commissions) and loan tenure	Open OR Less than 10%, 10 - 12%, 13 - 15%, 16 - 20%, More than 20%; tenure: less than 1 year; 1-5 years, 5-10 years, more than 10 years
	7.2.2	If loan, do you have any collateral or guarantor requirements	Yes, No. If yes, specify
	7.2.2.1	If yes, are students able to meet the requirements?	Yes, No
	7.3	Is the student financing arm adequately staffed?	Yes, No
	7.4	Do you on-lend to students?	Yes, No

	7.1.4	If yes, please specify the sources of capital for the scheme - select all that apply	Traditional banks, MFIs, Impact Investors, Shareholders, DFIs, Saccos, Internal Funds
	7.5	What are the total yearly financing requirements?	0 - 10k, 11k - 20k, 21 - 50k, 51 - 100k, More than 100k
	7.6	What are the main challenges faced by this scheme? - select all that apply	Access to Capital, Government Interference/Lack of Support, Lack of Student Uptake, ROI, Student Loan Repayment, Other (Specify)
		If no,	
	7.7	Is the institution thinking of starting a student financing scheme?	Yes, No
	7.11	If yes, would you be open to a partnership with a financial institution or an investment?	Yes, No
	7.12	If yes, specify the structure/form of the partnership or investment	Open
		If yes, would you be open to find a mechanism to share the student credit risk with a FI to facilitate access to student loans??	
	7.13	If no, why not?	Open
8		Student Financing - Demand, Awareness, Uptake and Loan Disbursement	
		Current state	
	8.0	What percentage of your students have their studies financed through:	
		Self-funds	Less than 10, 10 - 20, 20 - 50, More than 50%, Information Not Available
		Public funds	Less than 10, 10 - 20, 20 - 50, More than 50%, Information Not Available
		Student loans	Less than 10, 10 - 20, 20 - 50, More than 50%, Information Not Available
		Other sources	Less than 10, 10 - 20, 20 - 50, More than 50%, Information Not Available
		Demand	
	8.1	What percentage of students drop out before completion of their studies?	Less than 10, 10 - 20, 20 - 50, More than 50%, Information Not Available
	8.2	What is the main reason of the dropouts? - select all that apply	Hard drugs, Early Pregnancy, Lack of tuition fees and money for upkeep, Family problems, Early Marriage, Lack of interest in the selected course, Other(Specify)
		Awareness and Uptake	
	8.3	What percentage of your student base is aware of student financing schemes?	Less than 10, 10 - 20, 20 - 50, More than 50%, Information Not Available
	8.4	What percentage of your student base is in demand of student financing schemes?	Less than 10, 10 - 20, 20 - 50, More than 50%, Information Not Available
	8.5	What percentage of your student base is utilizing student financing schemes?	Less than 10, 10 - 20, 20 - 50, More than 50%, Information Not Available
	8.6	Of that number, how many are utilizing a scheme offered by your institution?	Less than 10, 10 - 20, 20 - 50, More than 50%, Information Not Available
		Loan disbursement and payment(If answer to question 7.1 is 'yes')	
	8.7	How are the loans disbursed? - select all that apply	Through the bank, through cheque collection, mobile payments, school disbursement office, Other (Specify)
	8.8	What is the interest rate	Less than 10%, 10 - 12%, 12 - 15%, 16 - 20%, More than 20%
	8.9	What is the loan tenure?	Less than 5 years, 5 - 7 years, More than 7 years
	8.10	Do you have a grace period for the loan?	Yes, No
		If yes, please specify	Less than 6 months, 6 months up to 1 year, 1 - 2 years, More than 2 years
	8.11	What is the student default rate?	Less than 10, 10 - 20, 20 - 50, More than 50%, Information Not Available
	8.12	Do you follow up on loan defaulters?	Yes, No
	8.13	If yes, please specify - select all that apply	Through collection agencies, stopping student's education, other (specify)

9		Reliability on Government	
	9.1	Is there any money that government allocates to your institution for student enrolments based on their selection?	Yes, No
		If yes,	
	9.2	What is the structure of the funding provided? - select all that apply	Grant, Debt, Subsidies, Other (Specify)
	9.3	For the funding provided, what do you usually use it for ?- select all that apply	Tuition, Infrastructure Development, Staff Development, Other (Specify)
	9.4	Is the funding sufficient?	Yes, No
	9.50	Does the government require your institution on accept students from public institutions	Yes, No

ii. Financial Institutions

Financial Institutions Questionnaire - All Monetary Values are in USD (Supply Side)			
1		Financial Institution Profile	
	1.1	Full name of institution	
	1.2	Country where headquartered	Kenya, Ghana, Nigeria, Senegal
	1.3	City where headquartered	
	1.4	What is the type of the institution?	Bank, SACCO, FinTech, Government parastatal, Microfinance Institution, Trust/Committee, Non-banking financial institution/corporation, Other (please specify)
	1.5	For how long has the institution been in operation?	Less than 5 years, 5-10 years, 11-20 years, More than 20 years
		What is your institution's total asset size (USD) as at the end of the recent financial year period?	0 - 100k, 101k - 300k, 301k - 600k, 601k - 1,000k, Greater than 1,000k, Unwilling to disclose
	1.6	What is your institution's approximate annual revenue (USD) for recent financial year ended?	0 - 100k, 101k - 300k, 301k - 600k, 601k - 1,000k, Greater than 1,000k, Unwilling to disclose
	1.7	What is your primary target market?	SMEs, Retail banking, Corporates, Start-ups, Not-for-profits, Other (please specify)
	1.8	What are your priority sectors? Tick those that apply	Agriculture, technology, services, construction, education, health, manufacturing, other (specify)
	1.9	Do you offer products/services to the education sector?	Yes, No
	1.10	How attractive is the education sector to you?	Very attractive, Attractive, Somewhat attractive, Not attractive
2		Student Financing	
	2.1	Do you currently finance tertiary education for students?	Yes, No
		If yes to financing:	
		Product profile:	
	2.1.2	Type of product - select all that apply	Student loan for tuition fees, Student loan for housing, Sponsorship of tuition fees, Scholarship, Other (please specify)
	2.1.3	Name of product	
	2.1.4	Which year was this product introduced?	
		If loan:	
	2.2	What is your main rationale for lending to students? - select all that apply	Large volumes to tap into, Attractive returns, Corporate Social Responsibility initiative, Other (please specify)
	2.3	Please indicate the maximum principal amount allowable to be disbursed (USD) to a student	
	2.4	Please indicate the interest rate charged per annum	

		Please indicate the fees and commission charged per annum	
	2.5	Please indicate the average repayment period permitted	
	2.6	Please indicate the average grace period permitted	
	2.7	Please indicate the average capitalisation period, if applicable	
	2.8	Does your loan product incorporate digitisation?	Yes, No
	2.9	If yes, what phases of the loan delivery are digitised? - select all that apply	Loan application, loan approval, loan disbursement, loan repayment, Other (please specify)
	2.10	What risk assessment framework have you adopted for student lending?	
	2.11	Are the loans offered to students secured or unsecured?	Secured, Unsecured
		If unsecured:	
	2.11.1	Does the parent or guardian act as a co-guarantor for the loan?	Yes, No
		If secured:	
	2.11.2	What options do you accept as collateral for the loan? Tick those that apply	Real estate, Vehicle, Cash, Blanket lien, Other (please specify)
	2.12	Who is the beneficiary of the loan? - select all that apply	Student, Parent or Guardian, Education institution, Other (please specify)
		Does the beneficiary have the option of using a digital wallet (e-money account) for loan monitoring and payment?	Yes, No
	2.13	What criteria do you use to evaluate whether a student would qualify for a loan? Tick those that apply	Sources of income, Family status, Dependency on guardian/parent, Choice of course/program, High school performance, Other (please specify)
	2.14	What is your average student loan portfolio size (USD)?	0 - 100k, 101k - 300k, 301k - 500k, 501k - 1000k, 1001k-5000k, Greater than 5000k
	2.15	What is the average ticket size disbursed (USD)?	0 - 10k, 11k - 20k, 21k - 30k, 31k - 50k, 51k - 75k, 76k - 100k, Greater than 100k
	2.16	What are the main challenges that you have experienced when lending to students? Tick those that apply	Reaching the target market, Lack of collateral, High default rates, Small ticket sizes, Unattractive returns, Low employability success rate, Other (please specify)
	2.17	Approximately what percentage of your student loan portfolio would you classify as potentially non-performing over the last 3 years?	0 - 3%, 4% - 10%, 11% - 20%, 21% - 30%, 31% - 40%, 41% - 50%, 51% - 75%, Greater than 75%, Not applicable
	2.18	How do you follow up on student non-performing loans if any? - select all that apply	Via collection agencies, Seizure of collateral, Discontinue education of student, Other (please specify), Not applicable
	2.19	How do you gauge employability success of the student? Tick those that apply	Undergraduate performance, Choice of education institution, Choice of program, Other (please specify)
	2.20	What has it been general uptake of your student lending products?	Extremely successful, Above average, Average, Below average, Extremely unsuccessful
	2.21	How aggressively have you had to market student lending products?	To a very large extent, To a large extent, Moderately, To a small extent, To a very small extent, Not at all
	2.22	What marketing channels do you use to market student loans? Tick those that apply	Social media, Partnerships with tertiary education institutions, Student clubs or associations, Traditional media (television, newspapers, radio), High school fairs/workshops, Other (please specify)
	2.23	Were there additional financing needs requested by students that emerged as a result of the COVID pandemic?	Yes, No
	2.24	If yes, please indicate what additional allowances were offered to students during the pandemic - select all that apply	Reduction of interest rate, Allowing longer repayment period, Extension of grace period, Disbursing additional loan, Other (please specify)

	2.25	Do you partner with an education institution to offer your education products	Yes, No
	2.26	If yes, which institution	
	2.27	If yes, please describe the type of partnership	Open or On-lending (i.e. lend borrowed money to another third party); student referral; other (please specify)
		If yes, is the collaboration effective or successful?	Yes, No
		What could be improved further in this partnership?	Clear segregation of roles, Income-sharing arrangement, Additional incentives for partners, Other (specify)
		If no partnership, what are the reasons / barriers that prevent you from developing such partnership? Select all that apply	Reduction in income, Unavailability of willing partners, Increase in expenditure, Other (please specify)
		If no to financing:	
	2.28	What is your rationale for not lending to students? Tick those that apply	High default rates, Small ticket sizes, Lack of collateral, Unattractive returns, Lack of funds to lend, Low employability success rate, Other (please specify)
	2.29	Have you previously been financing tertiary education for students?	Yes, No
	2.30	If yes, please indicate why this was discontinued? Tick those that apply	High default rates, Small ticket sizes, Lack of collateral, Unattractive returns, Lack of funds to lend, Low employability success rate, Other (please specify)
3		Education Institutions Financing	
	3.1	Do you currently finance tertiary education institutions (private universities, TVETs and/or EdTechs)?	Yes, No
		If yes to financing:	
	3.2	Please indicate which tertiary education institutions you support? Tick those that apply	Universities, Colleges, TVETs, EdTechs, Other (please specify)
	3.3	Please indicate the name of the education institution(s) supported and country where it is domiciled	
	3.4	Do you partner with OEMs to offer financing solutions to private tertiary education institutions?	Yes, No
	3.4.1	If yes, who do you partner with?	
	3.4.2	If yes, what products do you offer with them?	Leasing, secured loans, project finance, other (specify)
		Product profile:	
	3.5	Type of product	Non-current loan, Current loan, Student housing loan, Leasing, Overdraft, Project Finance, Other (please specify)
	3.6	Name of product	
	3.7	How many years has this product been in use?	Less than 5 years, 6 - 10 years, 11 - 20 years, More than 20 years
		If financial product:	
	3.8	What is your main rationale for lending to tertiary education institutions? - select all that apply	Large ticket sizes, Derisking component by government, Large volumes to tap into, Attractive returns, Corporate Social Responsibility initiative, Other (please specify)
	3.9	Please indicate the maximum principal amount allowable to be disbursed to an institution (USD)	
	3.10	Please indicate the interest rate charged	
		Please indicate the fees and commissions	
	3.11	Please indicate the average repayment period permitted	
	3.12	Please indicate the average grace period permitted	
	3.13	Please indicate the average capitalisation period, if applicable	
	3.14	Does your loan product incorporate digitisation?	Yes, No

	3.15	If yes, what phases of the loan delivery are digitised? - select all that apply	Loan application, loan approval, loan disbursement, loan repayment, Other (please specify)
	3.16	Do you receive loan requests from education institutions that are above the maximum principal allowable?	Yes, No
	3.17	What options do you accept as collateral for the loan? Tick those that apply	Real estate, Vehicles, Invoices, Inventory, Blanket lien, Other (please specify)
	3.18	What criteria do you use to evaluate whether an institution would qualify for a loan? Tick those that apply	Public or private, Financial performance, Number of students enrolled, Programs offered, Other (please specify)
	3.19	What is your average portfolio size of tertiary education institutions (USD)?	0 - 100k, 101k - 300k, 301k - 500k, 501k - 1000k, 1001k-5000k, Greater than 5000k
	3.20	What is your average ticket size disbursed (USD)?	0 - 50k, 51k - 100k, 101k - 300k, 301k - 500k, Greater than 500k
	3.21	What are the main challenges that you have experienced when lending to such institutions? Tick those that apply	High default rates, Lack of collateral, Mismanagement of funds, Lack of proper accountability, Unattractive returns, Other (please specify)
	3.22	Approximately what percentage of your education institution portfolio would you classify as potentially non-performing over the last 3 years?	0 - 3%, 4% - 10%, 11% - 20%, 21% - 30%, 31% - 40%, 41% - 50%, 51% - 75%, Greater than 75%, Not applicable
	3.23	How do you follow up on non-performing loans if any? - select all that apply	Via collection agencies, Seizure of collateral, Other (please specify), Not applicable
	3.24	What are the main reasons for which tertiary education institutions seek loans? Tick those that apply	Renovation and refurbishment, Financing student housing on-campus, Facilities maintenance, Expansion, Purchase of new equipment, working capital Other (please specify)
	3.25	Do you have a lending facility specifically aimed at helping the education institution finance its working capital?	Yes, No
		If yes:	
	3.26	Please indicate the maximum amount disbursed under this facility	
	3.27	Please indicate how often this facility is accessed by education institutions	Very often, Often, Not so often, Rarely
		If no:	
	3.28	Would you be open to collaborating with another financial organisation to develop such a product?	Yes, No
	3.29	Do you have a lending product specifically aimed at helping the education institution finance capital expenditure?	Yes, No
		If yes:	
	3.30	Please indicate the maximum amount disbursed under this facility	
	3.31	Please indicate how often this facility is accessed by education institutions	Very often, Often, Not so often, Rarely
		If no:	
	3.32	Would you be open to collaborating with another financial organisation to develop such a product?	Yes, No
	3.33	What has the uptake been of your education institution lending products?	Extremely successful, Above average, Average, Below average, Extremely unsuccessful
	3.34	How aggressively have you had to market such lending products?	To a very large extent, To a large extent, Moderately, To a small extent, To a very small extent, Not at all
	3.35	What marketing channels do you use to market loans for tertiary education institutions? Tick those that apply	Social media, Tertiary education associations, Traditional media (television, newspapers, radio), Fairs/workshops, Other (please specify)
	3.36	Were there additional financing needs requested by institutions that emerged as a result of the COVID pandemic?	Yes, No

	3.37	If yes, please indicate what additional allowances were offered to such institutions during the pandemic - select all that apply	Reduction of interest rate, Allowing longer repayment period, Extension of grace period, Disbursing additional loan, Other (please specify)
		If no to financing:	
	3.38	What is your rationale for not lending to tertiary education institutions? Tick those that apply	High default rates, Mismanagement of funds, Lack of proper accountability or transparency, Unattractive returns, Other (please specify)
	3.39	Have you previously been lending tertiary education institutions?	Yes, No
	3.40	If yes, please indicate why this was discontinued? Tick those that apply	High default rates, Mismanagement of funds, Lack of proper accountability or transparency, Unattractive returns, Other (please specify)
4		Regulation	
	4.1	To what extent is the government involved in regulating financing of students and tertiary institutions?	To a very large extent, To a large extent, Moderately, To a small extent, To a very small extent, Not at all
	4.2	Please highlight the major ways in which the government is involved - select all that apply	Taxation, Subsidies, Licenses, Covenants, Recovery and performance monitoring, Other (please specify)
	4.3	Are there any regulations that discourage lending to the education sector?	Yes, No. If yes, please specify
5		Partnerships	
	5.1	Do you partner or collaborate with other institutions in the process of developing products for the tertiary education sector?	Yes, No
		If yes:	
	5.2	Please indicate the types of partners you work with. Tick those that apply	Financial institutions, Government, Other regulatory bodies, Education umbrella bodies, Education Institutions, OEMs, Other (please specify)
	5.3	What are the key considerations for an effective partnership? Tick those that apply	Financial return, Costs incurred, Type of partnership, Social impact on sector, Other (please specify)
		If no:	
	5.4	What are the major reasons for not engaging in such partnerships? Tick those that apply	High expenditure, Lack of clear goals, Bureaucracy, Lack of proper accountability and effectiveness monitoring, Other (please specify)
	5.5	Would you be open to collaborating with another financial organisation to develop such a product?	Yes, No
6		Trends | General Perspective	
	6.1	What are the top 3 developments you see happening in the tertiary education sector? Tick those that apply	Flexible learning, Technological innovation, New business models at universities, Shorter qualifications, Co-creation of qualifications by collaborating with private sector, Other (please specify)
	6.2	What are the top 3 developments you see happening with regard to lending to the tertiary education sector? Tick those that apply	Digital lending, Unsecured loans, Faster turnaround time, Personalised products, Client behaviour, Other (please specify)
7		Trends | Customer Perspective	
	7.1	What do you think is the most important consideration for:	
	7.2	Students seeking finance for tertiary education?	Interest rate, repayment period, Grace period, Loan processing time, Collateral, Support for future loans, Other (please specify)
	7.3	Tertiary education institutions seeking financing?	Interest rate, repayment period, Grace period, Loan processing time, Collateral, Support for future loans, Other (please specify)

iii. Policy Stakeholders

Interview Guide - Policy Stakeholders		
1		Interviewee Profile
	1.1	Name
	1.2	Institution
	1.3	Institution Mandate
	1.4	Position/Role within the institution
2		Tertiary Education Financing
	2.1	What is the estimated budgetary requirement for the tertiary education sector ($ amount) to meet the existing demand? (Ideal amount)
	2.2	What percentage of government budget is allocated to the education sector?
		Of this amount what percentage goes to tertiary education?
		Which costs do most of this allocation cater for in the tertiary education sub-sector?
	2.3	What are some of the challenges in raising required funding to finance the education sector?
	2.4	The private sector is increasingly becoming important to help solve the issue of access to tertiary education. What do you think is the estimated value of the private tertiary education sub-sector in the country?
		How much would be the ideal amount to satisfy this gap?
	2.5	Apart from financing what do you think are other major challenges faced by tertiary education institutions in the country?
		What are the possible remedies?
2a		Tertiary Education Lending Market (lending to tertiary institutions)
	2.1	What role does your organisation play in the tertiary education lending market and what is the contribution of your office?
	2.2	Who are some of the key players or partners lending to tertiary education institutions in the country or providing other forms of financing to tertiary institutions?
		How do you see this changing in the coming years?
	2.3	Where is the greatest gap for funding to tertiary institutions, and why? (**follow-up**)
		follow-up
		Why is this the greatest gap?
		What is being done currently by your office (or government) to fill this gap?
2b		Tertiary Education Lending Market (student financing)
	2.4	What is the number of students entering tertiary education institutions in the country annually?
	2.5	What are some of the key challenges facing tertiary education students in the country?
		What are the possible remedies for these challenges?
	2.6	Who are the main financiers to tertiary education students in the country
	2.7	What is your estimation in the gap in financing tertiary education students in the country?
	2.8	Where is the greatest need for student financing, and why?
3		Coordinated support within the sector
	3.1	Are there measures that have been taken to provide more funds for the tertiary education market in the country?
		yes
		Which measures have been put in place?
		What were some of the challenges faced?
		What were some of the experiences gained in the process?
		No
		Is there anything in the pipeline that your organisation is currently working on?
		Why have there been no measures to provide more funding in the tertiary education market?
	3.2	What are the available avenues for providing formal support from your institution to lenders in the tertiary education sector?
	3.3	What are the different ways the government is giving support to private tertiary institutions (and students*) in the country?
	3.4	What incentives are there for financial institutions lending to the tertiary education sub-sector?

4		Policy and Regulation
	4.1	Who are the key players in coming up with the policies and regulations in the tertiary education lending market?
	4.2	What are the channels of communication for new and international investors within the education industry with regard to tertiary education lending?
	4.3	What are some of the challenges investors face when partnering with the local tertiary lending institutions?
	4.4	What are some of the policies that cause problems or should be amended to increase lending in the sector?
	4.5	what are some of the policies that enable and increase lending in the tertiary education sector.
	4.6	How are these regulations enforced?
	4.7	What are some of the trends in the tertiary education lending market and how is your organisation incorporating them? Or how are they influencing policy in the sector?

b. List of interviewees

Financial Institutions

1. Equity Bank Kenya
2. NCBA
3. National Bank
4. Musoni Microfinance
5. Fina Bank
6. Co-operative Bank
7. Kenya Women Microfinance
8. HELB (Higher Education Loans Board)
9. Uniport Loans
10. Zidisha
11. Prime Bank
12. AMREF
13. Citibank
14. Consolidated Bank
15. Guardian Bank

Education Institutions

1. Umma University
2. Lukenya University
3. Excel Global College
4. Amani Counselling Centre and Training Institute
5. Alphax College
6. Regional Centre of Management (RCM)
7. East Africa School of Management (EASM)
8. Dima College
9. Highlands University
10. Starnet College
11. Sacred Lake Institute of Technology
12. Adept College of Professional Studies
13. Jodan College of Technology
14. Graffins College
15. Moringa School (Ed Tech)

Policy Stakeholders

1. Higher Educations Loans Board (HELB)
2. The Kenya Universities and Colleges Central Placement Service (KUCCPS)