



TVET Fee Financing

Measuring NSDC – Opportunity EduFinance
Partnership Impact

Midline Report
January 2024

INTRODUCTION

Over the past decade, India has been steering towards unprecedented heights of economic prosperity during which policymakers have directed attention to the value of improving access to skill development and vocational training for its youth. The India Skills Report 2023 asserts that the financial crisis brought on by the Covid-19 pandemic is already readjusting and preparing the Indian economy to cross the 90 million jobs mark by 2030¹. However, it is prudent for Indian youth to be prepared to absorb this economic boom in terms of narrowing the skills gap for growing industries and bolstering its digital literacy. With only 50.3% of India's youth being termed employable, focus is warranted to the demand and supply of training and vocational education which acts as a constructive pathway for Indian youth to keep abreast of digitization. **Technical and Vocational Educational Training (TVET) courses** – more commonly known as **Skilling courses in India** - are a means of short, comprehensive and low-cost training which boost employability due to job specific skills training and close networks with industry sectors.

Ensuring access to finance is one of the most effective ways of enabling greater interest and enrolment in skilling courses. Market research carried out in July 2022 enabled Opportunity International EduFinance ("EduFinance") to recognise that the existing loan products and credit policies underserved the skills training market in India². Skilling course financing relies on the short duration in which students are able to gain employment and work towards the repayment of loans. However, this scope is not limited to financial institutions. EduFinance estimates a market demand of USD 1.6 billion for skilling courses, which could also be financed by Non-Banking Financing Companies (NBFCs). Based on these market findings and opportunity for impact, EduFinance and the National Skills Development Corporation (NSDC) partnered with the overall objective of ensuring Indian youth are equipped with skills relevant to emerging industries in India including IT services, hospitality, retail, healthcare, and banking.

¹ India Skills Report 2023 by Wheelbox

² Unlocking Barriers to Skilling – TVET Fee Financing in India July 2022

The partnership aims to eliminate barriers to financing as well as non-financing for students wanting to access loans for skills training; this is particularly directed to students from low-income and marginalised backgrounds. The significance of TVET lies in narrowing the skills deficit young professionals are facing in the competitive domestic and international job markets, hence enabling them to gain higher job prospects and consequently contributing to achieving higher living standards and fostering social stability in the country.

Skills Development in India: Background

Having its largest ever youth population, India's workforce largely depends on the education, skills, and potential of its youth. In the academic year 2019-20, an estimated 8.2 million students were enrolled in Skilling courses in India. EduFinance conducted research in July 2022 using data from 40 training institutions which revealed the preferences and demographics of 274,658 students via the Skill India Portal³. The 40 training institutions in the dataset predominantly came under three major providers, including AISECT Skill Mission Society, TVS Training and Services Private Limited, and Frankfinn Aviation Services Limited, the three of which accounted for 51% of student enrolments in 2019-20. Geographically, the highest number of candidates were concentrated in the state of Chhattisgarh (23%), followed by Tamil Nadu (13%), and West Bengal (11%).

Data from the report disclosed that 60% of students enrolled were male as opposed to only 40% females, leading to NSDC's emphasis on generating incentives for more female students to enrol in TVET. This came as an emerging concern due to the presence of a larger share of women in India's informal sector. Further, market research data revealed that 63% of TVET students surveyed belong to lower castes (backward classes, scheduled castes, or scheduled tribes) while 7% self-identified as disabled. Focus on TVET provision for disadvantaged groups represents an under tapped potential of economic growth and social upliftment. This research suggests expanding access to Skilling courses contributes towards promoting inclusivity and diversity in India's skilled labour force.

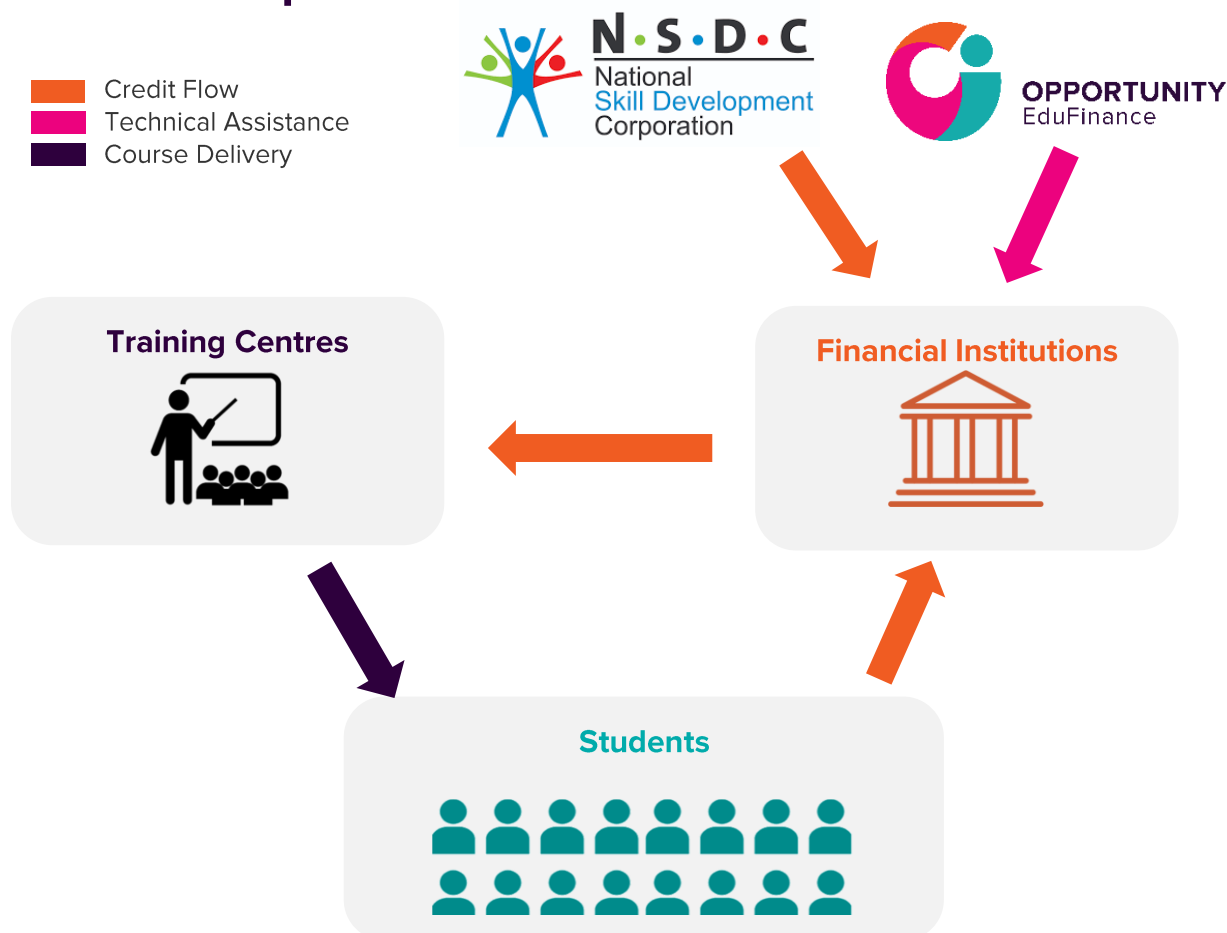
³ Unlocking Barriers to Skilling – TVET Fee Financing in India July 2022

Opportunity International EduFinance and NSDC Partnership

Historically, financing Skilling courses in India has been viewed as risky by lenders due to the unorganised and informal nature of the skills provision sector. To build the confidence of lenders in the skilling segment, NSDC provided pilot funding to five financial institutions at a subsidised interest rate to make Skills course financing more accessible to students and by developing incentives for unemployed, young Indians to take up these courses. This initiative was undertaken with a view to build a lending ecosystem for financial institutions in the skilling space and help them add a new product line with the support of EduFinance's technical assistance work. It promotes the creation of greater partnerships between financial institutions and training providers as well as the provision of accurate data surrounding courses, students, and placements so that steps can be taken to ensure suitable loan products and Skilling courses are made available to the Indian youth.

In addition to creating loan products, financial institutions support the aims of the NSDC by assessing portfolio data and making it available to the NSDC to ensure financial support for aspiring students remains steady. Training partners, on the other hand, align with these aims by providing courses which have a higher skills demand and creating partnerships with sector skills councils to evaluate the extent to which their courses are aligned with sector specific skill gaps. Partnerships with sector skill councils are also directed at securing stronger employer networks for job placements.

Partnership Model



EduFinance echoes NSDC’s objective of building a financial ecosystem for aspiring students to apply for a loan where course fee is a bottleneck. To achieve this, EduFinance has designed tailored technical assistance for financial institutions (FIs) willing to lend for skill development courses. This also entails providing market research findings to the FIs which identifies the high growth potential sectors that will have maximum demand for skilled workforce in domestic and international markets. Also, EduFinance develops risk management frameworks for Skill loans which safeguard FI’s against defaults, in addition to designing loan products specific to industry sectors and their respective placement trends. NSDC and EduFinance formalised this partnership by signing an MoU in March 2022 which focused on the following objectives:

1. Unlock barriers to skilling through access to Skill loans for students
2. Address the skill deficit in India by providing skilled workers to meet the demand of domestic and international job markets

To target these objectives, the ETAF (EduFinance Technical Assistance Facility) has developed a grading framework for the Skills training provider and the Skilling courses being administered for use by financial institutions. This risk mitigation framework stands as an amalgamation of key Skills course financing factors such as degree of affiliation with NSDC, course affiliations with industry bodies, formal employer networks for student job placements, and drop-out rates. In situations where the training partner lacks financial stability or offers courses that do not align with employer needs, resulting in high dropout rates or low placement rates, it presents a significant operational risk. In such cases, EduFinance advises financial institutions employ grading frameworks prior to disbursing loans so that loans are approved based on an objective minimum score obtained through such assessments. Along with these risk mitigation frameworks, EduFinance's technical assistance extends to credit appraisal processes and staff training.

REPORT OBJECTIVES

The main objective of this report is to present findings from midline data collected from key stakeholders in the EduFinance and NSDC partnership. A midline review was included as part of the pilot project design to ensure findings can be used to inform any needed adjustments to the pilot, aiming to achieve the following:

1. Assess the extent to which access to Skilling courses for low-income students has increased.
2. Understand the value of partnerships between financial institutions and Skilling course training providers by evaluating enrolment, course sectors and innovation.
3. Consider students post-Skilling course employability based on the usefulness of career counselling provided by training partners and their networks with employers.

The findings of this midline report will enable the **NSDC** to evaluate the impact of their intervention allow **financial institutions** (FIs) to revise their loan products further with the technical assistance of EduFinance, and assist **training providers** in supplying courses in demand by students from certain demographics. It will also aid **EduFinance** to continue identifying opportunities to provide tailored technical assistance to financial institutions offering skills financing in the form of improved loan products, risk mitigation frameworks and any additional staff training. Moreover, this report aims to contribute to increasing awareness of the potential Skilling courses may have to improve youth employability and enhance social stability.

METHODOLOGY

The data for this report includes quantitative reporting on student profiles as well as financial institutions. It also captures qualitative insights from students and training providers. This report compiles data from the following sources:

1. **Data from Skills course Student Surveys:** EduFinance carried out 51 randomized surveys with students from Varthana Finance Private Limited (15 responses), Eduvanz Financing Private Limited (30 responses) and Avanse Financial Services (6 responses) in February 2023. Survey data includes information on student demographics, course sectors, job placements, and student opinions on access to Skills course financing.
2. **Data on Financial Institutions:** NSDC provided data from June/July 2023 on Skill loan portfolios and demographics of Skilling course students from Varthana, Eduvanz, Avanse, Auxilo, and Satya.
3. **Key Informant Interviews with Financial Institutions:** Open-ended interviews with key informants from Eduvanz, Auxilo, and Satya in August 2023 provided insights into loan products, NSDC partnerships and portfolio scaling.

4. **Key Informant Interviews with Training Institutes:** Open-ended interviews with key informants from Accio Jobs, Imperial Society of Innovative Engineers, Skill Lync, and Frankfinn, provided an in-depth view of the capacity of training centres, employer networks, industry specific employability and the impact of improved Skills course financing facilities.

These sources present a promising compilation of qualitative interview data from key stakeholders and quantitative data from FIs. Surveys with students, despite being a small sample, successfully convey students' experience with the Skilling programme in a manner that seeks to minimise unconscious bias. At the same time, open-ended interviews with FI officials and training institutes comprehensively reveal the progress, challenges and new opportunities faced as part of the Skilling Fee Financing programme.

LIMITATIONS

In compiling this report, data from the aforementioned sources is presented as consolidated findings. It is, however, important to highlight that this data has been collected at the midline of the TVET Fee Financing programme in India. Therefore, the various subsets of the data and the ways data is disaggregated are inconsistent across FIs, making it difficult to draw comparisons across FIs in all areas of the available data. In cases where comparisons have been made, to mitigate this challenge, data is presented for all of the FIs. Moreover, data on courses, household income and loan disbursements for all FIs is incomplete. This is particularly the case for job search, placement and salary data as a larger proportion of students are yet to conclude their Skilling courses. It was anticipated that midline data would have a limited number of students that have completed their courses, while the endline surveys are expected to have more significant data to analyze on course completion and success finding employment.

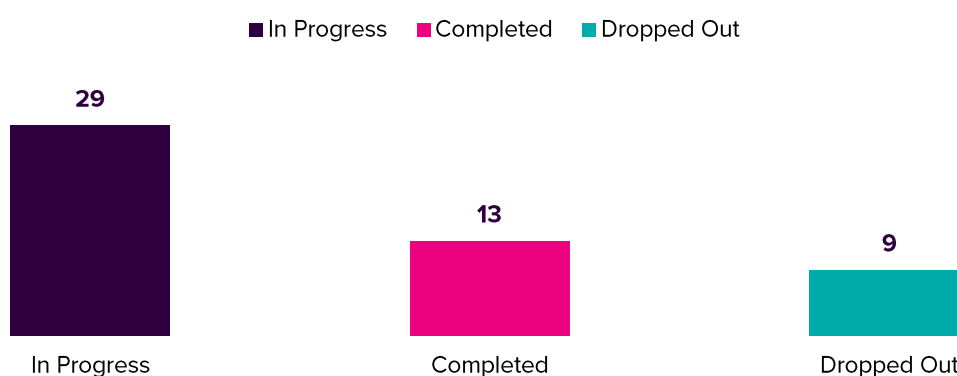
The endline report of this programme will likely contain comprehensive data on the following areas which can then be analysed to evaluate the success of the programme. Endline data is also projected to contain a larger sample of student interviews, with more students describing their experience with the borrowing process, training and placement

practices. This midline report merely serves to evaluate the progress of the programme as per data collected from FIs and in accordance with the views of students, FI offers and training centres.

KEY FINDINGS FROM STUDENT PROFILES

Data from surveys with students at TVET centres present students' motivations, opinions and concerns regarding the TVET financing made accessible to them. Since this data has been collected at the midline of this program, only 13 students have completed their course, for whom job search data is available, 29 are still in the process of completing their course and nine of the students interviewed have dropped out of their TVET journey.

HAVE YOU SUCCESSFULLY COMPLETED THE COURSE?



Access to TVET Financing and Courses

51% of surveyed students describe the process of applying for a Skill loan as 'easy', followed by another 43% who describe it as 'extremely easy'. With only 4% of students terming the process as 'complicated', respondents can easily utilise and access Skill loans without complex, long and redundant processes.

However, the level of difficulty faced in applying for a Skilling course may also be impacted by the last level of educational qualification achieved by students. Almost 73% of students surveyed had completed an undergraduate degree, with only 10% having only completed a high school. Students who had a postgraduate degree made up another 10%, which may justify the ease most students reported facing in the TVET application process. This also

poses the question as to why university graduates are seeking to enrol into Skilling courses.

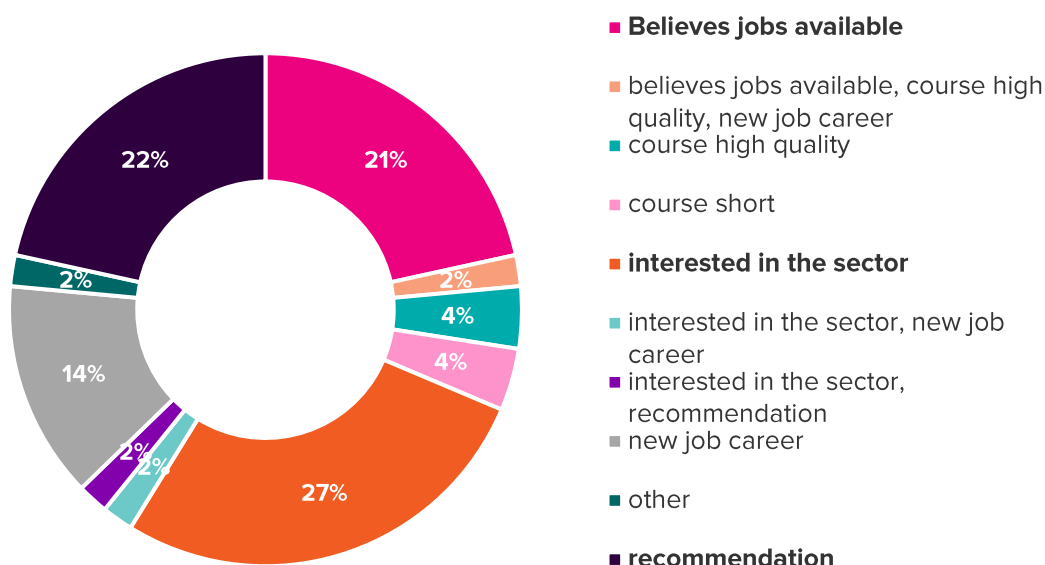
WHAT IS THE LAST EDUCATION LEVEL YOU GRADUATED FROM PRIOR TO THIS COURSE?



Reasons for Taking Up the Course

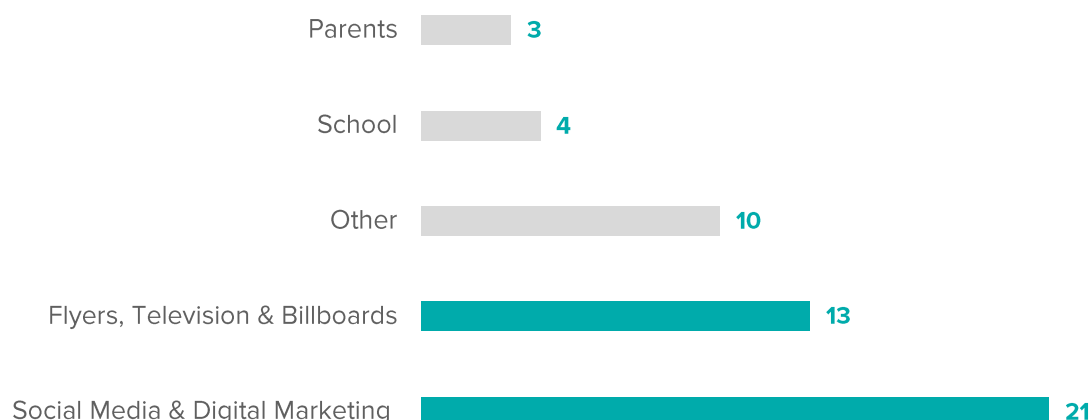
Survey data indicates that students who are interested in a sector different to the one they are already familiar with report taking up Skilling courses to expand their knowledge and skillset. Students also reported assumptions that jobs in another sector are more available, which motivates them to join Skilling courses. Overall, survey data analysis found that students - including graduates - take up these Skilling courses predominantly to launch their careers in sectors they think are creating greater and more favourable job opportunities. 67% of respondents said they joined the Skilling courses due to reasons related to being interested in the job sector and believing that jobs in that sector are available. However, 24% reported they enrolled in the Skilling courses due to recommendations from family, friends, and colleagues.

WHY DID YOU **DECIDE** TO TAKE THIS SPECIFIC COURSE?



When asked how they learned of the Skilling courses, 67% of students learning about the Skilling courses through advertisements on social media, flyers, and television. This highlights the type of media channels that can be best utilised to increase exposure to the availability of financing for skills training in India.

HOW DID YOU **LEARN** ABOUT THIS INSTITUTION PROVIDING THIS COURSE?



Job Prospects and Search

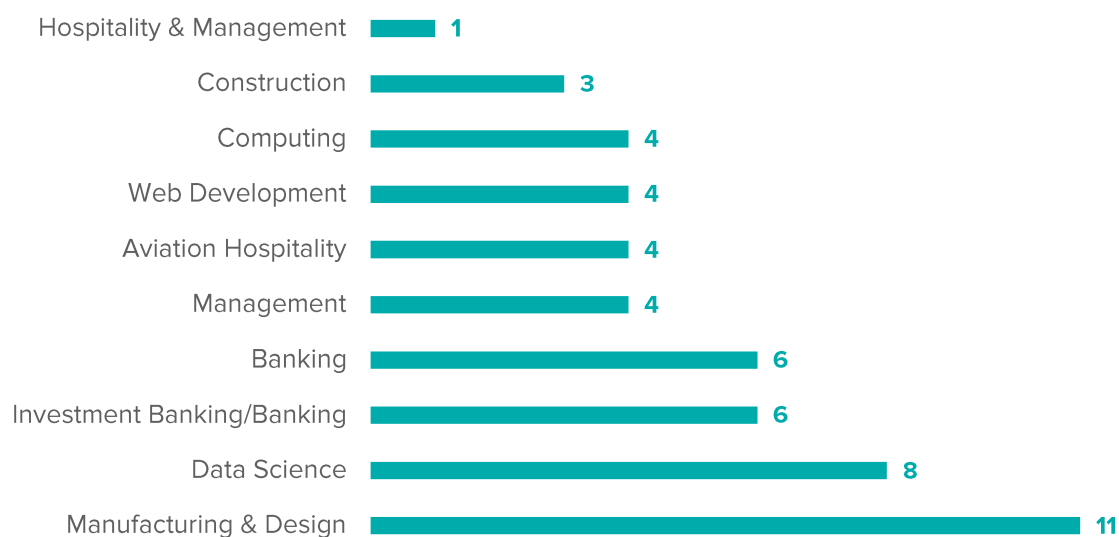
Since the greatest portion of respondents enrolled into Skilling courses to enhance their job prospects, it is important to understand how well the Skilling courses perform at ensuring them jobs. Out of the limited data available on jobs in this midline data set, six of 13 students who completed their courses were able to find a job to date, while 14 of the 29 students whose course is still in progress had begun the job search.

TVET training centres recognise the importance of finding jobs and earning an income, and therefore often provide career counselling to these students. 18 students reported receiving career counselling, of which 11 identified as being ‘extremely prepared’ or ‘well prepared’ for the job market, seven remained ‘uncertain’ about their preparedness for the job market, and none identified as being ‘not well prepared.’ Correlation is detected between how prepared students feel for the job market and career counselling provision. This finding warrants further research into the specific type of career counselling needed to be provided – including an exploration into whether assistance with resumes, mock interviews, selection of jobs, or network expansion proves more advantageous to TVET students.

Transitioning to a New Sector

As identified earlier, a majority of TVET students report seeking to change the industry sector they are already familiar with. In the India Skills Report 2023, the NSDC highlights the expected growth of the tertiary sector by FY2030, particularly the retail industry, to emphasise the need for imparting skills specific to this sector. Data from student surveys shows that a majority of students take up courses related to Web Development and Designing, Aviation Hospitality, Data Science, Project Management, and Investment Banking. Students also report taking up courses in the manufacturing sector which includes Manufacturing Designing, Electrical Vehicle Manufacturing, High Rise Building and Safety Engineering. Courses taken pertaining to the manufacturing sector signify the value of Skilling courses, whereby job applicants must be able to offer a niche skillset which sets them apart from those holding generic educational qualifications in the field.

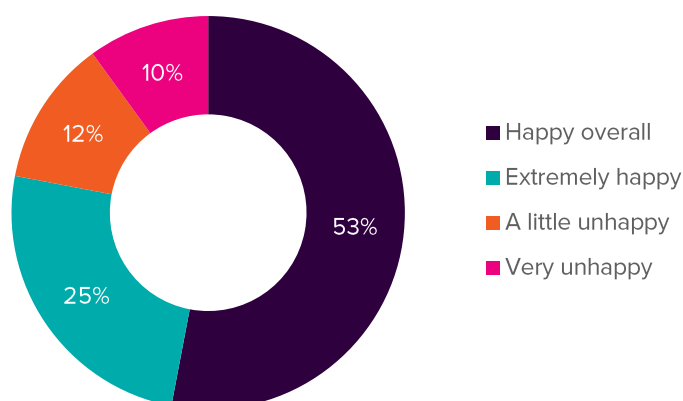
WHAT COURSE ARE YOU TAKING?



Student Experience with Skill loan Process and Financial Institutions

Students are found to be highly satisfied with their TVET experience overall. Around 80% of students are either 'extremely happy' or 'happy' with their experience, with only 10% reported to be 'very unhappy'.

WERE YOU **HAPPY** WITH THE OVERALL SERVICE PROVIDED?



To delve deeper into why this minor percentage of 'unhappiness' exists, it is valuable to consider what TVET students regard as the most difficult part about the process. Data

shows students identify ‘studying’ as the most difficult part of the TVET process. This can perhaps be improved with revisions of the course content, self-use guides and monthly 1-to-1 sessions with course administrators.

KEY FINDINGS FROM FINANCIAL INSTITUTIONS

Demographic Data

Gender

Previous data from the Skill India Portal 2019-2020 indicates 40% female and 60% male enrolment into Skilling courses. Recent data from pilot data in August 2023 depicts a similar case. The table below presents the proportion of only financial institution which has a slightly higher share of women enrolled is Eduvanz.

Financial Institution	Men	Women
Varthana	54%	46%
Eduvanz	46%	54%
Auxilo	66%	34%
Avanse	76%	24%
Satya	64%	36%

Geography

Maharashtra, Tamil Nadu, West Bengal, and Delhi have one of the highest rates of enrolment under this TVET Fee Financing programme. The aforementioned states have an employment rate of over 65%. Skilling courses may act as an intermediary in closing the skills gap the youth in these states face. Nevertheless, it is valuable to observe that Eduvanz which serves a majority female student audience, largely operates in the state of Tamil Nadu, which is reported to have the highest number of working women in India⁴. However, when looking at overall state distribution data, states including Bihar, Jammu and Kashmir, Jharkhand, and Himachal Pradesh are largely underrepresented by the current FI

State Distribution	Largest Proportion of Skill Course Financing	Second Largest Proportion of Skill Course Financing
Varthana	Maharashtra (35%)	Delhi (11%)
Eduvanz	Tamil Nadu (88%)	Karnataka (6%)
Auxilo	Maharashtra (37%)	West Bengal (14%)

partners’ geographic operations in this pilot. TVET uptake in these

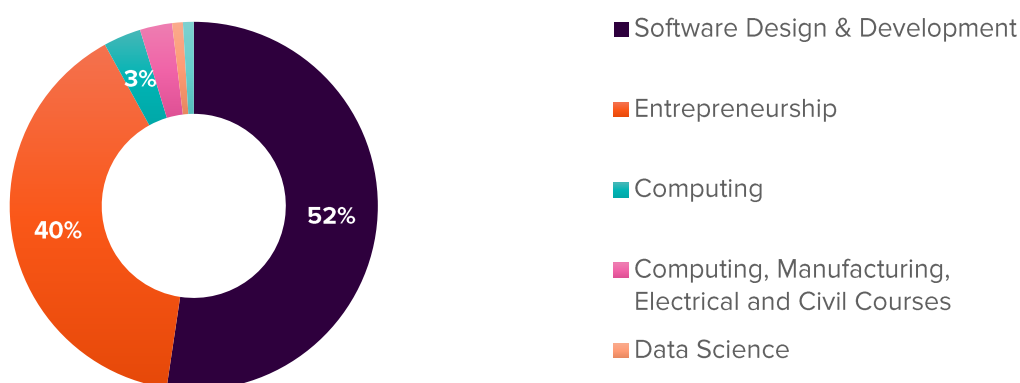
⁴ Annual Survey of Industries (2017-2018)

states is significantly lower than those highlighted in the table below. Therefore, there is a need to explore the employability and youth demographic of these states in greater depth.

COURSE DATA

Data from Eduvanz, Auxilo, Varthana, show the most popular Skilling courses include hospitality, aviation, investment banking and finance. There is also an evident skew towards tech and IT sectors which is testament to the digitisation of the Indian economy. The India Skills Report 2023 identifies digital literacy as the most essential skill in demand by 2030⁵. It includes the ability to use hardware, software and applications confidently. Skilling courses taken up by young Indians go far and beyond this basic level of digital literacy as they open up pathways of specialisation in Data Science, Cloud Computing, Software Design, and Development and Information Technologies. Despite the significant shift to tertiary sector related courses, large percentages of TVET students financed by various FIs also take up courses in manufacturing design and engineering. These include designing electrical vehicles, developing steel structures, and constructing high-rise buildings.

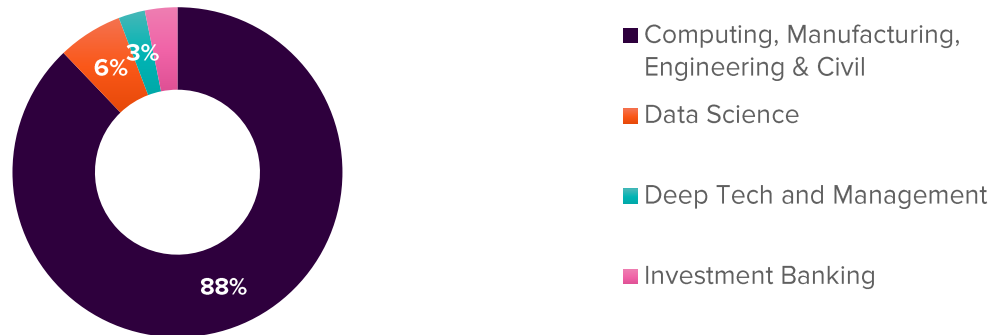
SATYA INDUSTRY SECTOR OF COURSES TAKEN



⁵ India Skills Report 2023 by Wheelbox

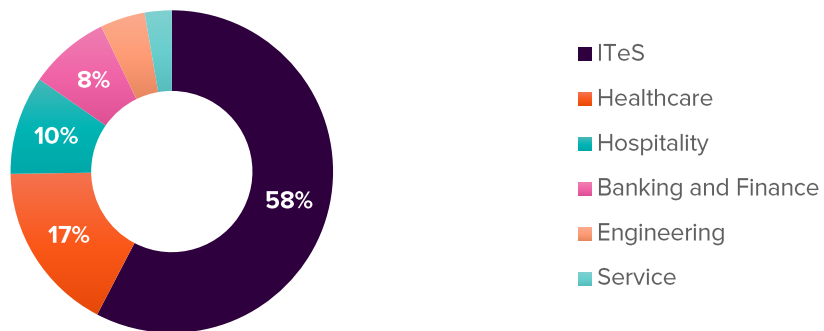
EDUVANZ

INDUSTRY SECTOR OF COURSES TAKEN



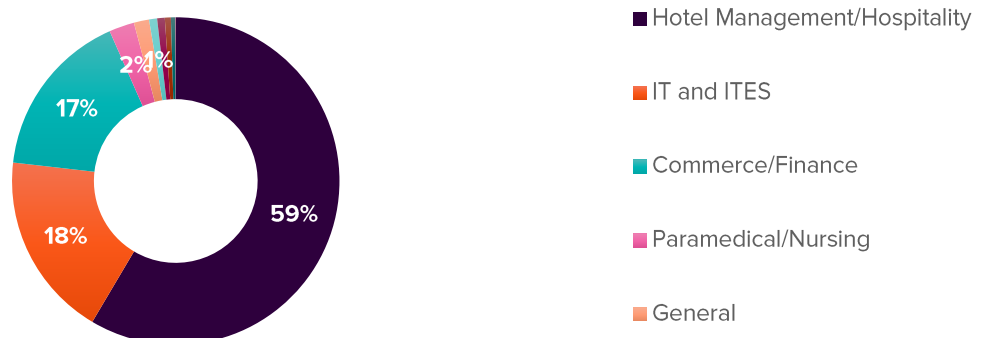
AUXILO

INDUSTRY SECTOR OF COURSES TAKEN



VARTHANA

INDUSTRY SECTOR OF COURSES TAKEN



LOAN DATA

Skill Loans Portfolio Across Financial Institutions

Across the five FI partners in this pilot, the largest number of students are impacted via Varthana, which lends to over 2,500 students across India while Eduvanz averages the highest loan amount disbursed amongst TVET students. The table below presents the Skills Loans portfolio data across the FIs.

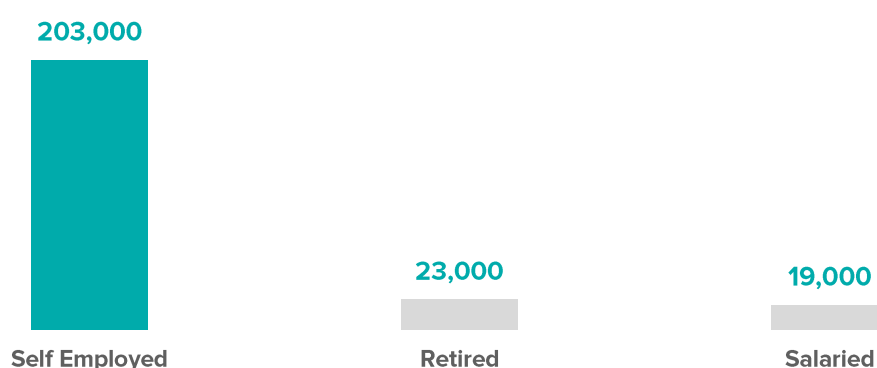
Skill Loans Portfolio as of June/July 2023					
	Total Loan Sanctioned	Total Loan Disbursed	Skill loans portfolio Created	Students Impacted	Average loan amount per student
Eduvanz	4.96 Crore INR (US\$0.595 Million)	4.96 Crore INR (US\$0.595 Million)	5.75 Crore INR (US\$0.689 Million)	346	166,198 INR (US\$2,000)
Varthana	9.90 Crore INR (US\$1.425 Million)	9.90 Crore INR (US\$1.425 Million)	20.71 Crore INR (US\$2.487 Million)	2,526	81,983 INR (US\$1,000)
Auxilo	9.90 Crore INR (US\$0.6 Million)	4.95 Crore INR (US\$0.6 Million)	1.17 Crore INR (US\$0.6 Million)	111	105,845 INR (US\$1,300)
Satya	4.99 Crore INR (US\$1.425 Million)	4.95 Crore INR (US\$0.595 Million)	3.05 Crore INR (US\$0.366 Million)	212	144,030 INR (US\$1,700)
Avanse	9.90 Crore INR (US\$1.425 Million)	4.90 Crore INR (US\$0.832 Million)	6.93 Crore INR (US\$0.832 Million)	475	145,910 INR (US\$1,700)

Household Income, Course Fee, and Loan Amount

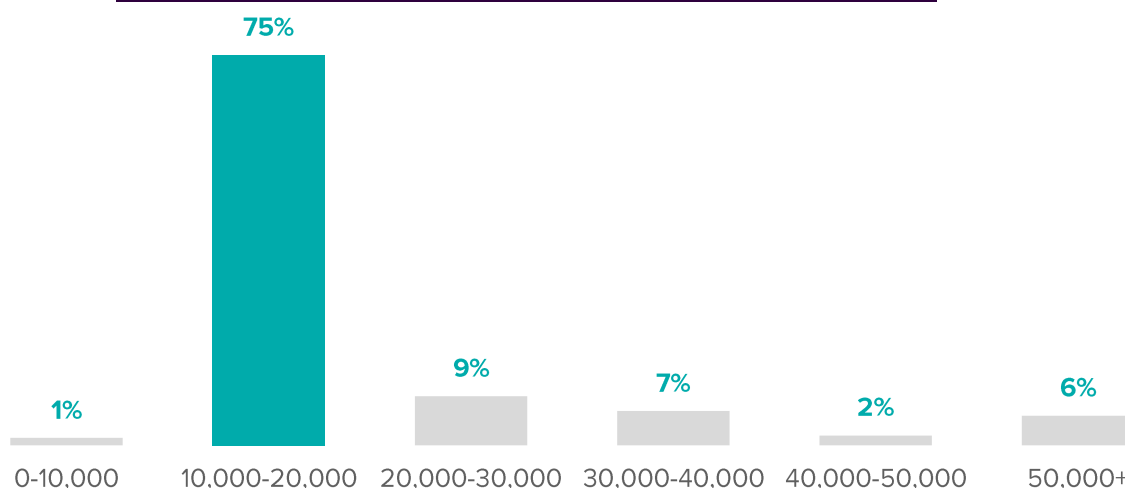
Comparable data on household income is time consuming to collect and document clearly in the core banking system, and therefore remains largely limited to only two FIs, Varthana and Satya. From this data, analysis finds that students who access Skilling courses largely come from low-income households. In Varthana's case, as demonstrated by the graph below, the average household income is pulled up by households which are reliant on self-employment. These, however, do not make a majority. Data from Varthana shows that 70%

parents of pupils accessing Skilling courses come from salaried households as opposed to 30% of those who come from entrepreneurial income backgrounds that are overall higher income.

VARTHANA AVERAGE MONTHLY HOUSEHOLD INCOME (INR) BY PARENTAL OCCUPATION

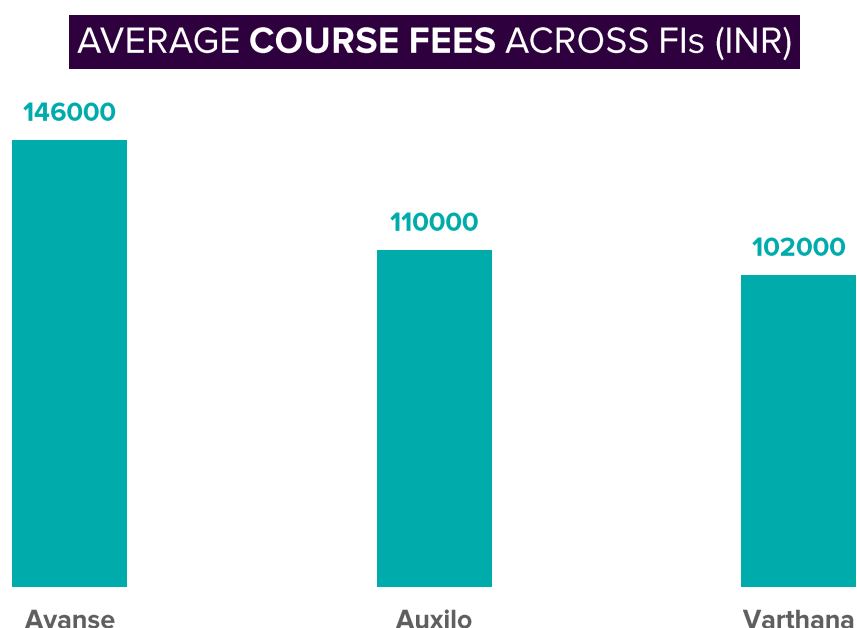


SATYA MONTHLY HOUSEHOLD INCOME RANGES (INR)



Household income data from Satya also shows similar trends, with 75% of student borrower households' monthly earnings falling in the 10,000-20,000 INR (US\$120-240) range. It is worth noting that only 6% of Satya's borrowing students come from households earning more than 50,000 INR (US\$600) monthly. Overall, available household data from both FIs indicate that the Skilling course fee are successfully able to reach students from low-income backgrounds and provide them the opportunity to upskill.

Course fees covered by disbursed Skilling course loans are between the 12,000-40,000 INR (US\$140-500) range across the FIs. However, the graph below, depicting average total course fees across FI's, presents a higher figure. This is predominantly owing to a few training institutes which have substantially higher course fees and as a result pull up the average course fee figure.



FIs that provided course fee data report the Skill loan amount covers at least 80% of the total course fee required to be paid. In some cases, such as Satya, the loans cover 100% of the course fees. This Skill loan product design – covering the majority of the total course fee – appears to align well with the FIs focus of catering to students whose parents earn a

monthly income of 10,000-24,000 INR (US\$120-300)

The table shows the loan amounts provided across FI's as a percentage of the respective course fees, as

	Loan Amount as a percentage of Course Fee	Portfolio at Risk > 30 days (as of August 2023)
Varthana	81%	4.2%
Auxilo	96%	0%
Avanse	100%	3%

well as portfolio at risk more than 30 days (August 2023). While PAR>30 is slightly higher

at Varthana – which covers around 81% of course fees – compared to Avanse and Auxilo, both rates are within acceptable risk levels.

LOAN DATA FROM QUALITATIVE INTERVIEWS WITH FINANCIAL INSTITUTIONS

Open-ended interviews with Satya, Varthana, and Auxilo revealed information about their experiences with key stakeholders in the Skill loan administration processes.

Loan Terms

Loan terms, interest rates, maximum loan amounts and grace periods vary depending on the FI and also within the FI depending on the training partner and specific course requested by the prospective student borrower. Two FIs report that loans are made only to students, while one FI offers loans that both parents and students can repay.

However, in terms of interest rates, Varthana notes, *“After NSDC funds have stopped the interest rates have increased to 20-21%.”*

This sheds light on the correlation between the cost of borrowing for students and the strong reliance of FIs on availability of subsidized capital, which subsequently impacts students access to courses and finance at affordable rates.

Potential to Scale Loan Portfolios

In general, all FIs are very keen on scaling their Skill loan book and believe there is large growth potential within the market, but they all cited challenges they incur in doing so. To list a few:

- This is a very price sensitive market and the loans have to be affordable for the students. Since cost of funds is high for the financial institutions, it is difficult to bring the lending rate down. Participation of a dedicated line of credit from Government agencies or development finance institutions (DFIs) can keep the lending rates in check. Availability of credit guarantees or interest subventions in the sector can also help bring the lending rates down. All FIs laid stronger emphasis on the need for an uninterrupted flow of funds to ensure portfolios were being scaled efficiently.

- There are also certain risk elements diagnosed in the lifecycle of the loan such as industry specific recession leading to lower placement opportunities for students even under placement guaranteed programs that make this loan product risky. Therefore, financial institutions end up pricing the risk in the lending rates, thereby impacting the overall interest rates for students.
- The lack of collaborations with effective training partners who can provide volume of convertible leads to financial institutions has also hindered growth. Generally, 80% of leads are coming from 20% training partners and these training partners have multiple tie ups with the financial institutions and fintechs amongst who the leads get distributed.

Experience with the NSDC Partnership

While overall FIs are content with the NSDC partnership and look to it to strengthen their networks with training partners, they also note that funding from the NSDC is limited for each FI as it is spread across a greater number of FIs. Moreover, FIs emphasized the potential of reducing the threat posed by risky borrowers through some assistance from the NSDC. FIs also suggested NSDC can conduct additional market research to gain greater insights about the earning potential of students after they have completed the various courses so that FIs can sift through more risky borrowers easily.

Experience with Opportunity EduFinance

FIs express overall satisfaction with the EduFinance technical assistance provided specifically for Skill loan financing. Satya rates the assistance by EduFinance as 10 on a scale of 1 to 10, with 10 as highest, while another major FI claims that the *“Tools [provided by ETAF] were very useful in launching the product [Skill loans], underwriting and processing cases, process development, higher disbursements, and increasing efficiency and enrolment rate for training partners.”*

EduFinance’s technical assistance was overall applauded particularly in building FIs digital infrastructure, market research and providing tools to increase efficiency. FIs also shared a number of ways to improve technical assistance in the future, including, advancing market

research to understand the earning potential of students, increasing advocacy around skill loans, building connections with new training partners, and sharing lessons and success stories from such programmes globally so that innovative ways to scale up disbursements can be learnt and adapted.

KEY FINDINGS FROM TRAINING INSTITUTES

As part of the midline assessment of the Skill loan pilot, open ended interviews were conducted with key training partners of FIs. These include Accio Jobs, which offers courses related to Software Design and Development, the Imperial Society of Innovative Engineers, Skill Lync, which offers Computing, Manufacturing, Engineering and Civil Courses, and Frankfinn which offers courses related to Aviation Hospitality. Overall, all of these training centres express satisfaction with the loan financing scheme and student onboarding processes taking place.

Growth in Courses Offered

Three of the training institutes have and/or are planning new course offerings driven by increased student demand. These training centres note that they have the capacity and desire to expand enrolment, launch courses, or hire more instructors. While Frankfinn, Imperial Society of Innovative Engineers, and Skill Lync recognise that they are not operating at 100% capacity and have room for greater enrolments, they remain positive about offering new courses but are not planning to cover new industry sectors. The Imperial Society of Innovative Engineers notes that they are planning to, *“launch 100% guaranteed placement related courses next month [August 2023].”*

Trends in Student Enrolment

In terms of enrolments, a change in student profiles is highlighted with a notably higher demand for Skilling courses coming from those belonging to rural and low-income earning households. Moreover, a major training provider, Skill Lync, sheds light on the decrease in overall enrolments due to the absence of First Loan Default Guarantees (FLDGs).

Previously, there existed no regulation around FLDGs, which meant that FIs could share the risk of lending with training institutes by negotiating FLDGs based on the training

institutes' size, placement rates and courses offered. However, due a change in regulation which prevented FIs from taking FLDGs from training institutes, FIs became increasingly conservative in their loan eligibility criteria, consequently, causing the loan rejection rate to rise by 20-25%.

Marketing

Most of the training partners reported actively advertising the fee financing option to prospective students as a marketing strategy to address potential barriers to students interested and seeking to enrol. Frankfinn, an institute that does not actively market the fee financing option, notes that it would be more compelled to do if it is able to expand by gaining more FI partners other than just Varthana..

Placements and Employer/Industry Networks

Reported Placement Rates Across Training Centres	
Accio Jobs	90%
Imperial Society of Innovative Engineers	80%
Skill Lync	82%
Frankfinn	70-80%

Across all the training institutes the job placement rates for students were self-reported as above 70%. Two centres, however, also noted that the course completion rate was

only 60-65%, with Frankfinn highlighting a very low drop-out rate of 5%. Average annual salaries for placed students – as reported by the centres - range from 400,000-700,000 INR (US\$4,800-8,400) per year depending on the centre.

All four centres have direct relationships with employers and report successfully engaging new employers. Skill Lync notes they have a “*very strong corporate network*”, while the rest name large companies such as Emirates Airlines, KPMG, Nissan, Ford, HSBC, and Cape Gemini as key figures in their employer networks. However, macro-economic factors continue to drive the placement opportunities for the students and are beyond the control of training partners in times of recession.

Financial Literacy Training

All centres are interested in financial literacy training for a variety of reasons and audiences: for **students**, to reduce the effort for the centre to explain the loan products and conditions to student, and to help the collections process run smoother, and to educate **sales staff** about which loan products are available and the related interest rates.

ANALYSIS

This report seeks to culminate the findings from its midline data to assess the extent to which the Skill development financing programme in India has had the desired impact set out at the onset on the programme. The report therefore presents the below findings, aligned with each of the three objectives:

Increased Access to Skill development Financing for Low-Income Students

Key Findings

Skill fee loans have made it easier for students from lower income households to access affordable Skilling courses. This midline report finds that the Skill Development financing pilot programme largely caters to students from households that earn a monthly salary of 10,000-25,000 INR (US\$120-\$300), and that FIs offer loans that cover at least 80% of the total course fee incurred by students. Overall, analysis finds that the intended target audience of low-income students is being served through the course fee financing programme, which is also being taken up by students from middle-income families.

Additional Observations

- **Total loan amounts are higher than the loans disbursed at the midline of this programme.** As of June/July 2023, all FI's have disbursed loans to each student ranging between 12,000-40,000 INR (US\$140-480). It is significant to note that this range is depictive of the midline scenario of the Skill development financing initiative and that the average loan per student
- **Most FIs have disbursed course fee loans to more male students**, with the exception of Eduvanz. This largely aligns with the initial market research conducted

by Opportunity EduFinance which estimated that only 40% of TVET students in India are female.

- Most **student borrowers have an undergraduate degree** but are pursuing Skilling course to enter new sectors like Data Science, Computing, Computed Aided Manufacturing and Design.
- There are **highly varying interest rates across** FIs, which are benefited by the NSDC provision of capital. However, without the subsidized capital it appears FIs may increase course fee loan interest rates to cover higher costs of capital and also price the associated risk to on-lend.

Enhanced Demand and Supply of Skill development courses due to the Partnership between FIs and NSDC enlisted training partners

Key Findings

FI lending processes for Skill development course fee loans and borrower interactions are meeting student demand for a simple financing option. 94% of surveyed students described the process of applying for a loan as ‘easy or extremely easy.’ Similarly, 80% of students reported being either ‘extremely happy’ or ‘happy’ with their experience with the loan process.

Most Training institutions are planning to expand course offerings, crediting the increased student demand to the FI partner financing option. Three of the training institutes have and/or are planning new course offerings driven by increased student demand. These training centres note that they have the capacity and desire to expand enrolment, launch courses, or hire more instructors. One institution specifically highlighted a change in student profiles, with recent increasing demand from more rural households and lower income levels now applying for courses.

Additional Observations

- Course offerings vary across the training providers partnered with each FI, but the most popular courses include **hospitality, aviation, investment banking, manufacturing design, and engineering.**
- **The course fee financing is being marketed by most TVET training providers.** However, one provider explained they do not actively advertise the fee financing option but would do so if they had more than one FI partnership to offer students.
- **Training institutions recognise the pivotal role NSDC plays in attracting students to pursue Skilling courses.** It is reported that students feel more confident taking up skilling and up-skilling programmes affiliated with the NSDC.
- **All Training institutions reported interest in financial literacy training for a variety of reasons and audiences,** including for students and for the institutes sales staff interacting with prospective students.

Increased Meaningful Job Opportunities for Students post course completion

Key Findings

Early evidence suggests training institutes selected by FIs for partnership offer quality career counselling, strong employer networks, and support for job placement, but more time is required for surveyed students to complete courses and seek employment. As anticipated, this midline analysis was limited in its ability to broadly assess students' success with job placements, as most surveyed are still completing courses.

The smaller sample of students surveyed that have completed their course reported they “feel prepared” for the job market due in part to the institutes career counselling provision. As of the midline report, the students with course completion reported >70% placement rate in aggregate.

Additional Observations

- Training institution selection is part of the technical assistance provided by FIs through this pilot, using a robust evaluation matrix. **Based on this early evidence, it**

appears FIs have been largely successful evaluating and selecting strong Training partners with good career counselling and employer networks, like Emirates Airlines, Ford Motors, HSBC.

- **Placement rate minimums required by the NSDC encourage training institutes to place students at a suitable place.** One training institute reports that the NSDC requires a 70% placement rate to continue the institutes affiliation with them. Using these placement rate requirements robustly, NSDC enhances the outcomes of the Skilling courses.
- **Post course completion, placement salaries vary highly depending on the course study and size of employer.** While the highest salaries in emerging sectors go up to 4,000,000 INR (US\$48,000), the average salaries are between 200,000-600,000 INR (US\$2,400-7,000).
- Since the greatest portion of students surveyed reported enrolling in Skilling courses to enhance their job prospects, it will be important to further evaluate in the endline assessment how well these courses perform at ensuring students meaningful jobs.

NEXT STEPS AND RECOMMENDATIONS

Opportunity EduFinance will aim to utilize the findings of this midline report to share knowledge, expand future research goals, and make improvements to the current programme. The following section presents specific next steps for EduFinance.

Sharing findings from this Midline Report within EduFinance Team via Pause & Reflect session to discuss adaptations to Technical Assistance provided to FIs

- **EduFinance may extend financial literacy training for Training institutes.** Revising marketing materials and further financial literacy can result in improved FI and training Institute relationships, stronger employer networks, better student relationships and overall positive spill-over impact on the entire Skill development programme.

- **Technical Assistance provided to FIs can be re-evaluated based on course sector/industry involvement** such that the loan terms for specific courses can be adapted to attract more students.

Identifying Cross-Cutting Opportunities to Enhance TVET Uptake

- **Increase the supply of low-cost wholesale capital for FIs** – similar to NSDC's offering for the pilot– to expand the affordable course fee loan options for student borrowers across more FIs.
- Consider **opportunities for the provision of controlled FLDGs** (First Loan Default Guarantees) to reduce loan rejection rates amongst those aspiring to undertake Skilling courses.

Planning the Endline Report for Further Research

- **Investigate the FI approaches most successful at lending to low-income students** to document learnings and identify opportunities to engage more FIs willing to adopt similar approaches.
- **Evaluate if any FIs are intentionally using gender sensitive lending approaches** that could be recommended to additional FIs, such as ensuring TVET training provider screening includes those most successfully attracting a balance of women and men students.
- **Consider whether the FI profile directly correlates to its ability to market and lend effectively to low-income TVET students.** This includes collecting further household income and occupation data from students across different FIs as well as analysing FI missions and target audiences. Doing so, will be valuable in tailoring technical assistance to FIs.
- **Survey additional students that complete their Skilling course in the endline assessment to investigate overall job placement success,** as well as the timeline to obtain a role, the support provided by the institution, and the ability of the student to repay their Skill loan in consideration of their new income. Findings will be disaggregated by gender to further understand similarities and differences.
- **Explore reasons behind student dropouts by setting up processes for feedback** which provide students who are in the process of completing their course, have

successfully completed it or have dropped out, with a platform to highlight areas where the Skilling programme can be improved. In light of this feedback, mitigation strategies for student dropouts can be formulated.