TVET – SUMMARY

EduFinance Market Knowledge

UNLOCKING VALUE IN TVET FINANCE: BARRIERS, LEVERS, AND INVESTMENT POTENTIAL IN KENYA

Kenya's TVET sector is growing rapidly and is key to workforce development, with strong demand for financing but limited access to suitable financial products, despite clear signs of viability such as positive institutional cashflows, employability-focused training, and opportunities for innovative financing models.

Key Market Insights (Private TVET Institutions)

Sector size and instituitonal profile

APPROXIMATE TVET FIGURES

1,322
Private accredited TVET institutions

650k+
trainees across public and private institutions

YEARS OF OPERATION

7 yrs
median operation time

15+ yrs
upper quartile

THE MARKET IS DOMINATED BY:

Certificate
programmes

entry-to-mid-level
technical qualifications

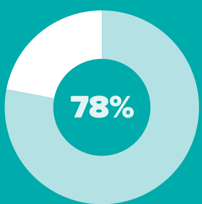
INSTITUTIONS' PORTFOLIOS BALANCE:

entry level
work preparation

upskilling
programmes

Financial sustainability and operating profile

OPERATIONAL SUSTAINABILITY



of institutions report positive operating income

larger institutions demonstrate:

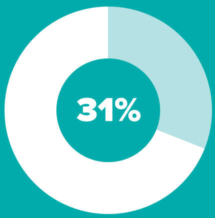
- lower cost ratios
- stronger operating margins
- repayment flexibility

COSTS

- staffing
- facilities
- utilities
- equipment maintenance
- training delivery requirements

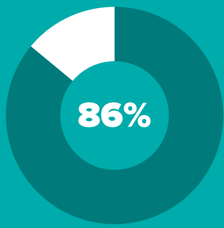
Financing demand

DEMAND

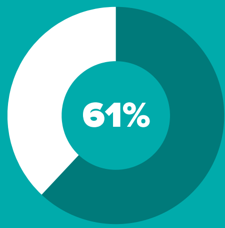


of institutions interested in borrowing

AREAS OF DEMAND



Construction and infrastructure expansion



Fixed asset financing

- Classrooms
- Laboratories
- ICT equipment
- Dormitories
- Land acquisition

Estimated total demand

FINANCING CATEGORY	Estimated Demand
Construction	1B
Fixed Assets	495.8M
Working Capital	148.7M
Total	**1.7B**

Borrowing experience

Limited but established

22% have borrowed before

33% fully repaid their loan

21% median borrowing cost

KES 1.5M Median historical loan size

Key financing barriers

- affordability and repayment
- cashflow alignment
- access and collateral
- process and administrative

PRODUCT MISMATCH

Repayment schedules do not align with tuition cycles

Loan repayments begin before projects generate income

Collateral requirements remain difficult to meet

AREAS IDENTIFIED FOR MORE FLEXIBLE COLLATERAL APPROACHES:

- Personal guarantors
- SACCO guarantees
- Receivables-based structures
- Relationship-based lending

TVET Student Financing Market

Student profile and affordability dynamics

The student component of the study covered:

STUDENTS:

- **Prospective**
- **Current**
- **Graduated***

*across both public and private TVET

AFFORDABILITY THRESHOLD

KES 772,453

Median household incomes fall below the affordability threshold indicating a significant market share falls within affordable private education

Employment

ASPIRATIONS

Finding employment is the dominant aspiration across nearly all sectors

Specialized Trades students demonstrate particularly strong entrepreneurial orientation

EMPLOYMENT CONFIDENCE

moderate-to-high confidence in employability outcomes

1–3 months after training completion

EMPLOYERS INTERVIEWED SAY:

Continued demand for TVET graduates

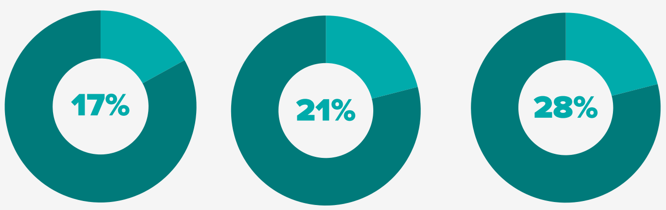
Graduates described as **practical, adabtable and work-ready**

EMPLOYERS WILLING TO SUPPORT:

- internships
- employment guarantees
- payroll deduction arrangements
- employer-linked financing models

Student affordability pressures

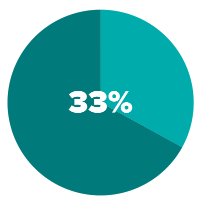
TVET participation represents a meaningful financial burden for many households regardless of type of institution attended.



Severe burden | High burden | Relatively affordable

Student finance demand

INTEREST IN LOANS



Interested

KES 10.6 BN

Estimated TVET financing demand

Borrowing behaviour

Prior borrowing exposure is relatively widespread:

22% of students have previously borrowed

28% borrowing by parents / guardians

41% borrowed for education-related expenses

DIGITAL LENDERS DOMINATE, SUGGESTING:

- Familiarity with **digital credit**
- Potential for **digitally-enabled student finance models**

Strategic Implications for Financial Institutions

The findings suggest that Kenya's TVET market presents a potentially viable but under-served financing opportunity requiring more tailored product design approaches.

Key implications include:

MARKET FINDING	Strategic implication
Positive institutional cashflows	Develop longer-tenor construction products
Collateral constraints	Potential for cashflow-linked underwriting
Tuition cycle variability	Explore guarantor and receivables-based lending
Significant non-tuition costs	Align repayments to intake cycles
Employer willingness to support graduates	Expand financing beyond tuition fees
Strong transaction flows	Pilot employer-linked repayment structures
Positive institutional cashflows	Build relationship banking opportunities

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