

The Bulletin

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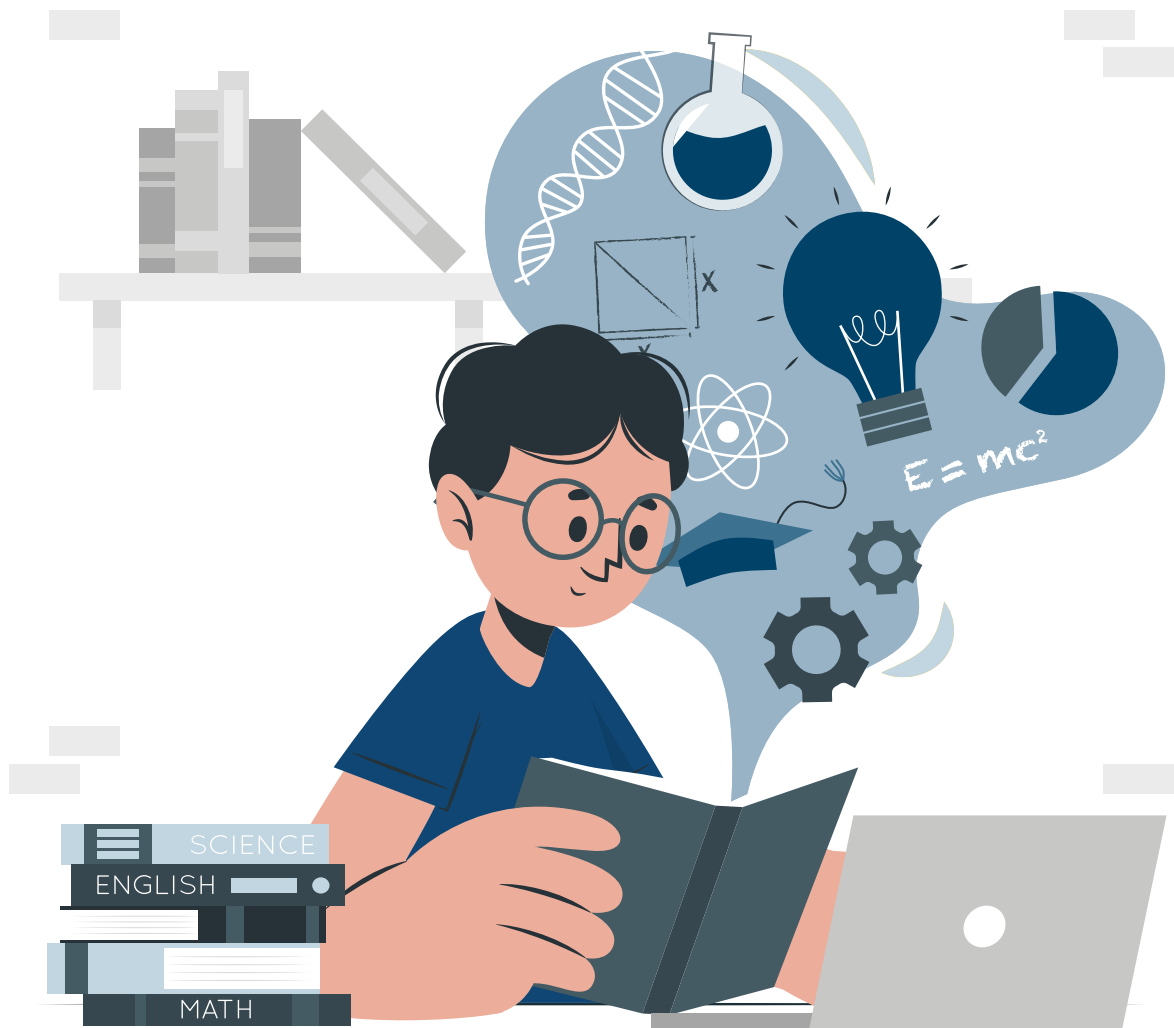
Welcome to The Bulletin, our quarterly newsletter covering U Bank's innovation and research work

In our quarterly newsletter, we not only highlight our achievements but highlight the global and local issues that need attention. We highlight the importance of the financial sector and how it can help the society in overcoming the challenges.

In our latest issue we are highlighting the importance of education. U Bank conducted a research study to understand the impact of financing in Education sector under the product 'Sarmaya-e-Taleem'. This newsletter will highlight its impact and how it has helped the education institutions to grow and add value in the lives of many current students and potential students.

We welcome your feedback. Our hope with this newsletter is to build a community of engaged readers interested in sincere discourse about the challenges and opportunities we face as a sector, the disruptions (technological or otherwise) required to serve our customers better and build an inclusive Pakistan.

Yours sincerely,
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Background

For the economic development of any nation, education plays a significant role. Economic development refers to the change in the living conditions of poor and betterment in the social conditions. Education plays a role in helping people to acquire such knowledge and skills that can turn the tables for them.

People with strong background in terms of education have more chances in lifting themselves up and making their situation better than those without education. Investment made in educating the population means investing in human capital and eventually the economic development.

Approximately, overall there are around 270,200 educational institutions in Pakistan with a split of 61% primary, 20% middle, 14% high, 3% higher secondary and only 1% colleges and universities. In Punjab, out of 61%

primary schools, 87% are public whereas, 13% are private. In Sindh, Baluchistan and KPK, around 90% are public institutes and 10% are private.

In Pakistan, there are approx. 3,740 technical and vocational institutions, of which 1,627 (44%) are in public sector, whereas 2,113 (56%) are in private sector.

It's important to note that the educational landscape in Pakistan is dynamic, with new institutions being established and existing ones evolving over time. Therefore, the numbers mentioned here may have changed since the publication of the most recent official data.

Disparities can be observed at different stages which must be taken into account by the policy makers for bringing correction in the institutional divide.

Literacy Rate

Pakistan's total population is approx. 238.1 million with a split of 49.6% females and 50.4% male. Literacy rate of Pakistan is already quite low, and when we see it gender wise, there's a significant gap in the literacy rate of male to female.

Considering the importance of education in economic development, lately efforts are being made in Pakistan to

address gender disparities and improve literacy rates for all segments of the population, particularly among women and girls. Various initiatives, such as girls' education campaigns, stipends and scholarships for girls, and awareness programs, aim to promote education and enhance literacy rates, especially in marginalized communities.

Province/Area	2018-19			2020-21		
	Male	Female	Total	Male	Female	Total
Pakistan	73.0	51.5	62.4	73.4	51.9	62.8
Rural	67.1	40.4	53.7	67.2	40.8	54.0
Urban	82.2	69.7	76.1	83.5	70.8	77.3
Punjab	74.3	58.1	66.1	74.2	58.4	66.3
Rural	69.2	48.4	58.5	69.0	48.9	58.8
Urban	82.2	74.3	78.3	82.5	74.3	78.5
Sindh	72.5	49.5	61.6	72.9	49.7	61.8
Rural	60.0	26.5	44.4	58.8	26.8	43.3
Urban	82.8	67.7	75.6	85.2	69.9	77.9
Khyber Pakhtunkhwa	70.1	35.5	52.4	72.8	37.4	55.1
Rural	68.1	31.8	49.4	70.1	33.5	51.7
Urban	79.4	53.2	66.2	85.8	57.8	72.3
Balochistan	70.7	32.7	53.9	69.4	36.8	54.5
Rural	66.3	27.2	49.1	65.0	31.1	49.5
Urban	81.8	46.8	66.4	80.0	50.9	66.8

Source: Labour Force Survey, 2020-21, Pakistan Bureau of Statistics

Higher Education Institutes Enrolment

Table 10.8: Region and Gender-wise Enrolment (Provisional) of Public and Private Sector Pakistani HEIs; 2020-21

Region	Public			Private			Male	Female	Total
	Male	Female	Total	Male	Female	Total			
AJK	13,191	14,635	27,826	907	1,085	1,992	14,098	15,720	29,818
Balochistan	30,810	14,239	45,049	1,263	427	1,690	32,073	14,666	46,739
Federal	503,481	487,975	991,456	31,212	21,954	53,166	534,693	509,929	1,044,622
Gilgit-Baltistan	4,639	4,360	8,999	-	-	-	4,639	4,360	8,999
KP	98,078	38,186	136,264	31,636	8,377	40,013	129,714	46,563	176,277
Punjab	248,460	252,162	500,622	94,060	71,868	165,928	342,520	324,030	666,550
Sindh	98,225	58,535	156,760	62,202	34,284	96,486	160,427	92,819	253,246
Total	996,884	870,092	1,866,976	221,280	137,995	359,275	1,218,164	1,008,087	2,226,251

Source: HEC

Methodology

To gather the report, both secondary and primary research was carried out.

- Customers of U Bank; those who availed the services under Sarmaya-e-Taleem were interviewed.
- Potential customers of U Bank were also interviewed to understand their challenges w.r.t. financial assistance and access to it.

Findings of Research

Initial Challenges while Starting the Business

Access to Financial Support - Challenge with the Investors – ROI

While talking to a few school owners, we found out that mostly the investors are interested in results only, and not the process. Investors' interest is when the business is already making profit rather than getting involved when the business is in its initial or struggling phase.

Some people prefer to get financial help from investors, friends or family instead of going to banks or any financial institute. However, in the current economic condition, where almost everyone is struggling to meet the ends, investors feel hesitant while investing in something that has to start from scratch. People spend their entire savings to start their own setup or to get the franchise of any established institution. However, with the passage of time there is a need of funds for improvement and upgradation, but at that time people face difficulties.

Parents' Attitude towards their Children's Education

Due to unavailability of quality schools and cost associated with the education, parents are quite depressed in the current economic situation. Those with children in college and universities are forced to pay the fee on time, otherwise college and university administration does not send the admission or allow the student to appear in final exams.

Financial Issues during Summer Vacation and Covid

Business Aspect - According to the sources, the pandemic directly affected 42 million school-aged children spanning pre-primary, primary, secondary and college level. Low-cost private schools could not pay teachers' salaries and faced the risk of closure. This situation further exacerbated the risks and vulnerabilities of an already weak education system.

During Covid-19, owners of private educational institutions with no access to finances had to leave the building due to nonpayment of rent. Teachers were getting laid off because there was no capital to keep the business running.



Customer Aspect - During Covid-19 lockdown, when the situation was extremely uncertain, people were losing their jobs and it was hard for them to fulfil their needs. At that time, quite a lot of people preferred to fulfil their basic needs first. Due to lack of financial support available, parents were forced to get their children's admission cancelled. They had in mind that it is easy to pay one-time admission when things get back to normal situation than to pay fee on monthly basis.



Role that U Microfinance Bank has Played – Need Analysis

It is very much close to the heart of U Bank's management to add value in the society and provide basic necessities to everyone. U Bank has been playing a major part in making the economy better, and giving access of education is another proof. Our aim is to create a constant source of income instead of letting people rely on subsidy.

There was a gap in the market. Not many were willing to invest in the educational institutions w.r.t. financial institutions. Understanding the pain of customers, U Bank launched a product Sarmaya-e-Taleem; and gave access to the educational institution owners to expand their business. It could be for any reason like working capital, building expansion, library setup, science and computer labs setup, buying of furniture and renovation of the building, etc.

Purpose of Taking the Loan

A majority of the customers own the school building; hence they do not have to pay the rent. Following are the main reasons for which loan was taken:

- Expansion of the building
- Buying furniture
- Making labs (computer lab)
- Making library

Even if the customers are not happy with the mark up rate, which is beyond FIs' control, still they are satisfied. Owners are still able to save a significant amount per month after incurring all the costs.



Impact of U Bank's Loan on Business

Taking financial assistance from U Bank has helped the schools in growing more in terms of number of admissions, quality of education provided, and the satisfaction level of students and teachers. Few owners claimed that they have reached the maximum limit of admission in their school and now without a new building, they cannot take more students.



CapEx and OpEx of Private School in Pakistan

Cost of starting and operating a school depends on quite a lot of factors.

School Building (CapEx)

Locality of the School

It plays a significant role in deciding the fee structure of the school. If the area is for people with high income bracket, more fee can be charged, whereas if the area is for mediocre, and can attract many children, then the fee structure is set accordingly.

Level of School

Another important factor that plays a role in deciding the cost of setting up a school is till which grade the school is providing the education. For instance, till primary will cost less than a matric school because of the size of building, rooms, facilities, labs, staff, etc.

Cost of Furniture

Once the building, and level of school is finalized, then comes the cost of furniture. Based on the estimated number of children, one can get the furniture at wholesale rates too.

Marketing

It is important that after making huge investment, the owner markets the offerings. For a lot of educational institutions' owners, this cost is not of significant role. However, in actual, right marketing to the right target audience will help in running the institution and making it a proper and continuous source of income.

Cost of Labs (Science, Computer)

For a basic computer, it costs around PKR 30,000 (approx.). Depending on the quantity requirement and specs, it costs around PKR 300,000 for 10 systems.

For science lab, cost depends on the quality required of all the material. For almost all the schools that we have financed, they have used the funds for computer labs.

Financial Feasibility

In order to start the school from scratch, high cost is incurred to buy the capital, etc. To help people in setting up their business, U Bank is offering a loan limit up to PKR 3 million. To further facilitate the customers, U Bank has enhanced the tenure of this specific product loan to 10 years.

Typically, if there's already a setup structure of the school, customers incur the following average operational cost on monthly basis. Based on the average costs per month, and the loan amount, the customer will be able to save approx. PKR 170,000.

Low Cost Private School Operational Costs (Per Month)	
Students enrolled (avg.)	400
Fee (avg.)	PKR 1,500
No. of Teachers (avg.)	12
Variable Cost	
Teachers	PKR 240,000
Misc.	PKR 30,000
Fixed Cost	
Non- teaching personnel	PKR 10,000
Director salary	-
Other non-teaching staff	-
Trainings	PKR 10,000
Rent (if the building is not owned)	PKR 50,000
Maintenance & Repair	PKR 10,000
Admin Cost	
Telephone	PKR 1,000
Office supplies / equipment	PKR 2,000
Others	
Advertising & Printing material	PKR 5000
Bills	PKR 30,000
Optional	
Generator	PKR 8,000
Total Cost	PKR 396,000

Summary of Financials

A	Loan Amount	PKR 3,000,000
B	Markup (assumption 40%)	PKR 1,200,000
C	Total amount for 10 years	PKR 4,200,000
D	Per month installment	PKR 35,000
E	Total earning per month	PKR 600,000
F	Total monthly cost	PKR 396,000
G	Remaining amount (E-F)	PKR 204,000
H	Amount after paying installment (G-D)	PKR 169,000

Motivation of Starting School

A majority of the school owners in rural areas are of the opinion that education is extremely important for the welfare of society; irrespective of gender. In fact, few owners are of the opinion that females are the most oppressed in our society, so it is more important to educate them so that when in future, if they face any challenges in life, they have the strength and can stand on their own.

U Bank's Sarmaya-e-Taleem customers are of the same opinion that they are sent to this world with a bigger purpose, and wish to do something for their country.

In many cases, people were motivated to start their own school because there was no other school around. Where there were schools, students were not motivated to attend it due to the typical culture in it. Physical abuse is still part of the school culture in rural areas.

Size and Scale of the School

A majority of the people started this venture at least 5 to 7 years ago. The average number of students in schools is 400, and the average number of teachers is 12.

There are few schools that are affiliated with the Punjab Education Fund, which means they are not charging the fee from students, instead they are provided the funding by Punjab Education Sector.

Funds are provided on per head base. For instance, for primary, it is PKR 650, then till 8th grade it is PKR 700, for 9th and 10th grade it is PKR 1200.

Worth mentioning is the school in Kot Chatta and Sadiqabad where the owners have dedicated their life for the wellbeing of people in that area.

A majority of the customers own the building, which is another positive aspect for them. They do not have to save to pay the rent of the building.



Kot Chatta – Building Expansion with U Bank's Sarmaya-e-Taleem loan

Why U Bank

When the customers were asked about not considering other banks, a few claimed that no other bank approached them. Whereas, remaining customers mentioned that few banks approached them but due to the installment plan, documentation requirements, and the turn around time, they didn't go with it. Instead they chose U Bank as it is aligned with their plan. They also mentioned that other banks do not make them feel as a valued customer, instead treat them like a low level citizen. Whereas, U Bank is the only bank that makes them feel like home even in their branches.



Satisfaction with U Bank

All the customers are extremely satisfied with the services of U Bank. Timely response by the team of U Bank has created such a positive impact on the mind of customers that they have started spreading positive word of mouth. With an overall positive and satisfied experience, people around the customers have already started considering U Bank for their financial needs. With the aim to add value to people's life, U Bank is striving hard to serve everyone.

Future of Education System

To uplift the economy, it is important to make access to education easy for everyone. Education is equally important for males and females across tier 1, tier 2, tier 3 and tier 4 cities.

There is a need to develop a mechanism where all information about the teachers, schools, quality of education and students are easily available. There is a need to redefine the goals and how they can be achieved at the time of crisis.

There should be willingness to experiment new techniques to improve the quality of education. There are quite a lot of institutions/ organizations that are in the market to provide these services to the educational institution. However, due to the lack of funds, and financial support, these remains unexplored. There is a need to keep an open eye for institutions that are struggling, and provide them with the financial support.

Create products to support the education business, and then market it to the relevant areas.

In the current economic condition of the country, it is important to make a continuous source of income for people, instead of waiting and relying on the subsidies.