Case Study No. 4:  

A Partnership to Offer Education Loans to Nursing Students in Uganda

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Authors: Taara Chandani, Banyan Global  
Wilson Twamuhabwa, Equity Bank
ABSTRACT

Equity Bank-Uganda and Banyan Global have partnered in Uganda to develop an innovative education loan product that bridges the financial gap for nursing students ages 17-24, who are enrolled at the Mayanja Memorial Training Institute for nurses in Mbarara, Uganda. Throughout Uganda, demand for obtaining a nursing degree is extremely high, yet there is a severe lack of trained health professionals. Access to financial services to help students pay term fees is one of the key barriers to enrollment for potential nursing students. Under the partnership, education loans have been customized to students’ school term and are offered at a reduced interest rate of 2 percent each month (on a declining balance). To date in the pilot, the bank has disbursed 14 loans and is processing over 10 new applications. An additional 68 students have already opened a savings account and are becoming familiar with formal financial services. A key learning point on partnerships that evolved is that it is essential to identify and capitalize on mutual long term interests of each partner and to clearly stipulate the terms of the partnership in written agreements to ensure that responsibilities are upheld. As the program moves forward, the bank aims to replicate this model with other training institutes in Uganda and plans to conduct more extensive market research in the future to adapt other financial services for youth. Banyan Global will continue to offer assistance in linking the bank with other medical training institutes as well as exploring the potential to structure a guarantee to encourage the bank to lend to underserved markets.
1. Partner Background

**Equity Bank Ltd.** is a commercial financial institution with operations in Kenya, Uganda, Sudan and soon to have a presence in Rwanda. It was launched in Kenya in 1984 as a microfinance institution and has grown extensively in the region. In 2009, Equity Bank entered Uganda after merging with Uganda Microfinance Limited. Equity Bank has a mission to offer “inclusive, customer-focused financial services that socially and economically empower clients and other stakeholders.” With its roots in microfinance, a vast majority of the bank’s portfolio is targeted to low-income and rural markets. Within its approach to offer inclusive financial services, Equity Bank has worked to eliminate financial barriers for youth to access financial services. The bank offers group and individual services tailored for youth, including savings, credit and remittances. For instance, their group loan product gives youth without collateral or security an opportunity to borrow funds. The bank also offers financial literacy programs and training for youth in basic business skills and financial management.

**Banyan Global** is a development consulting firm founded on the principle that integrating expertise and experience from the development community and private sector will achieve a broad and lasting impact. Through market-driven, business approaches, Banyan Global works with the private sector, civil society, and government to improve livelihoods, build markets, and promote efficient resource allocation in developing economies. Banyan Global seeks to leverage private sector investment to strengthen access to education, health and other social services for underserved communities and youth. Our vision for youth is to ensure that they have access to appropriate financial and business services to invest in their education or business enterprise.

**Mayanja Memorial Training Institute** is a registered medical training institute located in Mbarara, Uganda. The institute was launched in 2008 to address the shortage of trained medical personnel in Uganda, especially in remote districts and rural areas in the South Western region of the country, and to offer marketable professional skills and job opportunities for youth. As of September 2009, the institute had a total enrollment of 159 nursing students. The institute is a subsidiary of the Mayanja Memorial Hospital, a large multi-specialty health facility that has state-of-the-art technologies, laboratories and medical and teaching staff.

2. Making the Social and Business Case

Education loans for nursing and other medical students carries clear social and financial benefits for youth, the broader community and financial institutions. In particular, education loans can:

- Bridge the financial gap for students aspiring to complete their higher education in the medical profession,
- Increase the pool of young qualified medical personnel to support health-service delivery and promote healthy lifestyles among their peers,
- Secure the future livelihoods of youth by ensuring their entry into a growing and stable sector,
- Familiarize youth with formal financial services early on,
- Help financial institutions to grow their portfolio in a stable sector and build relationships with youth borrowers who will likely have diversified future financial service needs.
In many developing countries, the scarcity of skilled health professionals is a major constraint towards ensuring adequate access to quality health services. In Uganda this shortage is especially severe. According to the WHO (2004), for every 10,000 population there are only 7 trained midwives or nurses in Uganda, compared with 12 in Kenya and 20 in Zambia. With demand by far outweighing supply, many poor communities are left without access to trained health professionals. The scarcity of quality medical services Uganda is felt hardest in rural areas and outside regional capital centers. For instance, 68 percent of medical facilities are clustered in the Central region that surrounds the nation’s capital, with Kampala alone representing 45 percent of all facilities.1

Publicly funded training institutes for medical professionals in Uganda are few, highly competitive and generally also located in the Central region. In 2008, public nursing schools across Uganda received over 9,000 applications but had the capacity to enroll only 800 students. Private training institutes, such as the Mayanja Medical Training Institute, are thus playing a crucial part to complement the government’s capacity to meet demand for education in the medical field and build the country’s human resource base. With a location in an underserved area, Mayanja Memorial Institute also helps to ensure that more young nurses continue to serve in their rural communities. The leadership of the institute is talking with district health authorities to arrange job placements for students upon completion of their certificate program – an important step to secure their future livelihood and help to increase the human resource base of rural and underserved districts.

While the demand for obtaining a nursing degree is very high, one of the key barriers for students to enroll is their inability to pay term fees. Many students and their guardians from the districts surrounding Mbarara are poor, have irregular cash-flow patterns as farmers or small-business owners, and face difficulties in paying their tuition upfront each semester. At the start of the first enrolled class only four out of 69 students were able to pay their tuition in full; at the end of the semester only half the students had completed their term payments. Education loans can thus bridge the financing gap for students and/or their guardians by giving them the option of paying fees in small installments spread over the school term. Besides offering education loans, Equity Bank is also opening savings accounts for students who are enrolled at the institute, increasing their familiarity with formal banking services regardless of whether they access a loan.

Upon graduating with a certificate or diploma (a 2.5 or 3 year course respectively), nurses are faced with promising employment opportunities in both the public and private sectors and may chose to start their own private practice down the road. Earning a specialized skill set can be indispensable for youth to succeed in increasingly competitive markets. Besides securing their livelihoods, nurses play a critical role in supporting the health service infrastructure in Uganda and influencing their communities to adopt healthy lifestyles.

Beyond the social gains that can be realized from investing in health, there is a strong business case for financial service providers to enter this niche and target youth. For one, as the youth

population grows in Uganda – according to the WHO (2006), 49 percent of the total population is under 15 years – it is imperative for financial institutions to tailor their services for this cohort if they want to maintain market share. Second, the medical sector represents a high-growth industry in Uganda as it does in many developing countries, given predictable demand for health services and significant gaps in supply. Health care is an essential commodity and the demand for health services is largely unaffected by national or global economic downturns. Health care borrowers are seen as a growing and reputable sector by an increasing number of financial institutions. Based on market research conducted by the USAID-funded Banking on Health project, a growing share of nurses and other medical professionals are interested to start or grow their private practices and require access to financing and business support. For instance, a survey on the financing needs of small-scale health providers conducted by the project in 2005 revealed that only 42 percent of providers had accessed financing for their business, while almost all (94 percent) planned to grow their practices, and a considerable majority (88 percent) stated a need for external financing.

By building relationships with young medical students, Equity Bank recognizes that it can capture an important future market in this sector. As part of its strategy to lend to the health sector, the bank is targeting different segments with tailored products, including lease financing for privately operated clinics, salary loans for employees affiliated with larger medical facilities and education loans for students pursuing their higher education in the sector. Given the growth potential in the medical field and the scale of youth markets in Uganda, Equity Bank is capitalizing on this partnership to understand the needs of medical students and continue to replicate such arrangements with other institutes, both in Uganda and the East African region. The bank recognizes that youth who have experience with financial services early on understand the responsibility that comes with borrowing and will be better prepared in the future to take out larger loans, and in many cases, to start their own private practices.

3. Forming Partnerships to Achieve Win-Win Outcomes

Banyan Global brokered a partnership between Equity Bank and Mayanja Medical Training Institute, recognizing that such a relationship could lead to a win-win outcome for students, the institute and the bank.

Since 2005, Banyan Global has closely partnered with Equity Bank under the USAID-funded Banking on Health project, by providing technical assistance and market linkages to increase lending to the health sector. Banyan Global developed partnerships with a range of actors across the health sector including service providers and medical institutes such as the Mayanja Memorial Medical Training Institute. As part of its strategy to scale up lending in the sector, and following discussions with leadership at the institute about financing constraints faced by students, Banyan Global proposed that Equity Bank tailor an education loan for students. Equity Bank is under new ownership in Uganda and eager to grow their share in the market. The bank has worked with youth populations in the past, is generally eager to test new products for underserved markets and also recognizes the potential of the health sector following years of lending to nurses, midwives and medical doctors. The leadership was thus open to the idea of piloting a product for youth, especially where students were affiliated with an accredited institute and are potential future borrowers.
Banyan Global identified the mutual interests between these partners and initiated discussions in February 2009. Banyan Global realized that it was necessary to invest upfront in conducting market research and make a case to Equity Bank to gain their full confidence and participation, initiate dialogue between the leadership of both partner organizations and help to define the role of each partner, and then allow the partners to refine and scale up the product. Over the course of discussions it was clear that the institute would represent the interests of its students vis-à-vis the financial institution but needed technical support to negotiate and improve product terms. Banyan Global envisioned its role primarily at the start-up phase, with a focus on conducting market research, influencing product development and helping to define the role of each partner, subsequently encouraging both institutions to take the product to scale (see table below). Banyan Global also plans to continue to work with Equity Bank to assist them in rolling this product out. This may include brokering new partnerships with other medical training institutes and exploring the potential to structure a guarantee to accelerate lending to underserved markets.

<table>
<thead>
<tr>
<th>ACTION STEPS</th>
<th>PARTNER RESPONSIBLE</th>
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<tbody>
<tr>
<td>Identify possible innovation and initiate dialogue</td>
<td>Banyan Global</td>
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<tr>
<td>Conduct market research to determine need, feasibility and product design</td>
<td>Banyan Global and Equity Bank</td>
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<tr>
<td>Define scope of partnership, including marketing and delivery channels</td>
<td>All partners</td>
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<tr>
<td>Take the product to scale and revisit / adapt product terms on a continuous basis</td>
<td>Equity Bank and Mayanja Memorial Training Institute</td>
</tr>
<tr>
<td>Replicate the partnership between Equity Bank and other institutions / countries.</td>
<td>Equity Bank with assistance from Banyan Global.</td>
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4. Market Research and Product Development

Banyan Global designed and administered a short survey to students or their guardians in consultation with Equity Bank to understand the income patterns of students, the current source of funds to cover term fees and demand for formal financing. The survey was administered to 30 students/guardians in April 2009 to obtain preliminary data and to help Equity Bank develop the product. The survey was completed by the person responsible for covering the fees—6 students and 24 parents or guardians. At the time of the interview, only 10 percent of the respondents had the funds to cover their fees for the next semester, 23 percent did not have the funds and 67 percent were not sure about their financing situation. Overall, families utilize a variety of income sources to cover their school fees, including business income (37 percent), their salary (30 percent), savings (13 percent) and loans (10 percent). (See Chart to the right)
In July 2009, Equity Bank, the institute and Banyan Global held an open-forum discussion with students about the product, to understand their interests and concerns. Equity Bank and Banyan Global also conducted interviews with families who had accessed a loan as well as with youth who were interested in obtaining financing themselves. It was clear to all partners that the open discussions were an essential way to educate students about the product, learn about their satisfaction or concerns with it, and most importantly, to ensure transparency and build trust between youth and financial institutions.

As a result of negotiations with Banyan Global, Equity Bank has reduced the interest on their education loans from 3 percent to 2 percent each month (on a declining balance) and has extended the terms of the loan from 4 to 6 months so it fits with the semester schedule at the institute. In other respects, the product is serviced as a typical education loan – with the bank conducting standard approvals, and the guardian or student finally responsible for the loan repayment. To help reduce risk for the bank, however, and potentially further reduce the interest rate, the institute has agreed to hold the certificates of students who fail to pay their final loan amount and do not make arrangements with the bank to adjust their payments. This will reduce the potential for students to migrate without completing their payments. The institute is also talking with district health authorities to arrange job placements for graduating students at rural health centers – a valuable service for students to begin their professional career, and a security measure for the bank in knowing that the student can complete loan payments upon earning a salary. While the student or guardians are responsible for the loan regardless of a placement, payments can be automatically deducted from a borrowers’ salary if he/she is employed. Agreements with district health authorities have yet to be finalized, but preliminary findings suggest that rural health centers will greatly benefit from instituting formal arrangements to boost their pool of well trained young health professionals.

5. Marketing and Distribution Channels

In July 2009, Banyan Global met with the both institutions in Mbarara to finalize the terms of the product, the role of each partner and the marketing channels they would develop to increase uptake of the product. Both partners have assigned a relationship-manager to serve as champions for the project and ensure that each partner is adhering to their agreed terms and commitments. With respect to marketing, they have each agreed to advertise the product to prospective and enrolled students through brochures, newspaper advertisements and any presentations at public events. Besides written material, it was considered necessary to host on-going discussions with students so they understand the terms of the product and implications around accessing financing. For instance, the point-person from Equity Bank’s Mbarara branch will liaise with students and their guardians on a regular basis and hold a Q&A session at the institute every semester. To date, the bank has disbursed 14 loans and is processing over 10 new applications. Approximately 68 students have already opened a savings account and are becoming familiar in using formal financial services. While the partners had not set specific targets during the pilot phase, it is expected that once the product is further customized and strategically marketed, there will be greater uptake by students. The institute has capacity to enroll 250 students (including its current enrollment of 159) and will enroll a new class in November 2009.
6. Lessons Learned and Future Directions

Key learning points that have emerged from the partnership building process include the need for identifying and capitalizing on mutual, long term interests of partners; involving the leadership of partner organizations from the start to ensure their complete ownership; identifying champions or “relationship-managers” within each partner institution to drive day-to-day activities, and finally, clearly stipulating the terms of the partnership in written agreements to ensure that responsibilities are upheld and the partnership continued in the event of staff turnover or change in leadership.

Equity Bank plans to use this partnership as a learning platform to replicate with other training institutes, starting in the medical sector where the bank has invested considerably. The bank has recognized that approaching youth who are formally affiliated with an institution can be critical to alleviating risk, gaining trust and achieving market share. As such, the bank will replicate this model with other training institutes in Uganda and consider scaling it up in its East African network over time. The bank also plans to conduct more extensive market research in the future to adapt other financial services for youth, as well as engage with specialized providers of business development services and training. Banyan Global will continue to offer assistance in linking the bank with other medical training institutes as well as exploring the potential to structure a guarantee to encourage the bank to lend to underserved markets.
ANNEX I: BIBLIOGRAPHY OF YFS CASE STUDY SERIES


Hatton National Bank (HNB), a prominent commercial bank in Sri Lanka, has been committed to providing financial services in rural areas and to more vulnerable populations for years. More recently, HNB has begun to focus on serving youth in two key ways: 1) establishing Student Banking Centers in schools 2) targeting youth in rural areas in their village microfinance programs to receive both financial and non-financial services. This case study examines key methodologies to effectively serving youth with financial services through a commercial lending model.


Padakhep is a non-government organization (NGO) in Bangladesh that strives to reach street children through an integrated approach. This case study details the innovative “Introduction of Financial Services” program which provides both credit and savings services to Dhaka street kids to encourage them to initiate income generating activities of their own. A key lesson that emerged was that flexible terms and conditions of financial products are essential for working with an extremely vulnerable target population like urban street children.


This case study details the unique partnership between Population Council, a research-focused NGO, and MicroSave, a consulting firm, to develop and deliver critical financial services to adolescent girls by partnering with four financial institutions in Kenya. This case study shows that by offering girls secure savings products they can mitigate some of the hardships they endure as well as encourage positive savings habits, thereby increasing their economic stability as they transition to adulthood.


Equity Bank-Uganda and Banyan Global have successfully partnered in Uganda to develop an innovative loan product that links workforce development in the health sector with microfinance. This case study describes the key elements of success of their pilot to bring education loans to aspiring nurses between the ages of 17 and 24. Equity Bank proves that by approaching youth who are formally affiliated with a training institution can be critical to alleviating risk, gaining trust and achieving market share.


Ten years after beginning adolescent-focused initiatives in Bangladesh, BRAC realized that financial independence can play a key role in empowering adolescent girls further. This case study focuses on the Employment and Livelihood for Adolescents (ELA), which offers both credit and savings services to adolescent girls. Findings indicate that using a holistic approach to financial service delivery customized to the needs of adolescents will equip the girls to invest better and take higher loans on average.


The Panabo Multi-Purpose Cooperative (PMPC) is a cooperative based in the Philippines and a part of the global World Council of Credit Unions (WCCU) network. This case study describes how PMPC discovered that partnerships with schools can be an effective form of growing membership, promoting a culture of savings at a young age, and delivering much-needed financial services to underserved youth populations.


Aflatoun, an organization committed to social development and financial literacy for children between the ages of 6-14, has begun partnering with select microfinance institutions (MFIs) to offer its curricula to clients’ children. This case study discusses Aflatoun’s work with FINCA Peru detailing the strengths, weaknesses, opportunities and challenges associated with implementing Aflatoun curricula in a non-formal school setting with children of microfinance beneficiaries. Findings from this project indicate that children who consistently attend classes have demonstrated a strong willingness to save.
This case study provides an overview of MEDA’s work on increasing youth access to financial services, particularly through YouthInvest in Egypt and Morocco. Detailed in this case study, YouthInvest was designed with a strong market research component, the results of which are crucial to designing successful financial and non-financial services for youth.


Microfinance Opportunities working with Savings and Economic Empowerment grantees to develop financial literacy modules that will be closely linked to their savings products. For the first time, market research is informing both the design of financial education and financial products for young women. This effort is carried out through innovative partnerships between MFO, youth service organizations, and financial institutions. This case study provides an overview of these partnerships and how they conduct market research, the integral role of these results in designing of appropriate savings products for youth.


This case study describes the Kishoree Kontha (Adolescent Girls’ Voices) Project implemented by Save the Children in 5 sub-districts of southern Bangladesh. The goal of this intervention is to link savings schemes with other non-financial services, such as health and education, to allow rural adolescent girls to build their human, social and economic assets. Additionally, this case study details how Save the Children dealt with traditional gender roles, as adolescent girls are not decision-makers, through intense community outreach and sensitization.


Partner Microcredit Foundation is a non-profit microfinance institution in Bosnia Herzegovina that recently piloted a youth loan product. The goal of this youth program was to increase self-employment opportunities for young people in Bosnia and Herzegovina by providing access to loan capital in addition to market-oriented business training and mentorship services for youth clients. This case study describes in extensive detail the experience of Partner MK in conducting market, research, designing a specialized youth loan product, and the preliminary outcomes and lessons learned of this program.


This case study examines Plan International’s situation analysis research carried out in Senegal, Niger and Sierra Leone. This project identifies active youth groups and presents a profile of youth and their activities and their general socio-economic conditions in each locality. This project focuses on the Village Savings and Loan (VSL) program in the three countries. The associations formed are sustainable and replicable, and the local implementing partner institutions have been effective and successful in all three program countries Overall, youth’s response has encouraged the project to believe that dramatic upsale is possible.


Pro Mujer is an international women’s development and microfinance organization that alleviates poverty in Latin America by providing financial services, healthcare and training to poor women entrepreneurs. This case study details the process of developing a group-based loan product targeted at youth, with results indicating that significant investment in proper market research, product development, staff and infrastructure is required to determine the differing needs of this heterogeneous market.


This case study examines how Women’s World Banking has helped two of its network members, XacBank of Mongolia and Banco ADOPEM in the Dominican Republic, design and roll out savings products and financial education programs for girls and young woman ages 7-24. WWB found that reaching girls cost-effectively required developing strategic partnerships – with experienced youth education professionals, since the bank did not have that expertise in-house, and with institutions already interacting with girls, since convenience is an important issue for both the products and the financial education program.