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Hippocampus Education Centres Project Report

December, 2011



1. EXECUTIVE SUMMARY

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One of the most important foundations in life is education. Education not only makes children more confident about themselves and their abilities, it also opens the door to opportunities otherwise not available and makes children more aware of the world around them. With better information access available in rural areas now, many parents are aware of the need & importance for their children to be well educated.

However, lack of quality teachers & crumbling infrastructure inhibits parents' dreams of providing quality education for their children. Grameen Financial Services Private Limited (GFSPL), has been operating for 12 years across rural villages of Karnataka. Grameen Koota (the financial services arm of GFSPL) decided to partner with Hippocampus Learning Centres (HLC), to provide quality education combined with an enjoyable experience of learning for children living in rural areas of Karnataka.

A pilot along with Hippocampus has been rolled out across 18 villages in rural Karnataka, where each education centre hosts three fee-based programs – Kindergarten program, Primary Education Centre and Coaching Centre program. Kindergarten program is intended for children aged between 3 and 5, Primary education centre for children aged 6 to 13 and coaching centre for students around 15-16 years of age. The key activities in establishing these centres include identifying the appropriate villages to start the centres, selecting and appointing qualified facilitators, marketing & promotion of the programs and enrolment of students. Grameen Koota branch employees are closely involved in each of these activities, and a dedicated project team consisting of one manager and two coordinators from Grameen Koota head office along with the area manager of Hippocampus Learning Centres are responsible for establishing these centres. Once established, the centres will be managed by the facilitators selected by Grameen Koota and trained by Hippocampus.

The total cost of establishing these centres is about \$24300 and the yearly running cost is \$54000. The fee revenue from the centres in the first year at 75% capacity is expected to be \$48000 and about \$65000 from the second year onwards. Some important points to consider while establishing these centres are the acceptance of fee-based learning centres, lack of exposure to innovative methods such as video-based coaching, presence of competing institutions and recruitment of good quality facilitators. To overcome these challenges, the project team decided to use Grameen Koota's network of established relationships with the local community. Commitment of branch staff and a focused marketing campaign are two essential facets in ensuring that the education centres concept is accepted by the families. The experience of Grameen Koota's partners in this project, Hippocampus and Swami Vivekanand Youth Movement (SVYM), has also helped significantly in implementing the project activities effectively.

While there were challenges faced during the implementation of the project, we believe that sharing these learnings with the industry will help other institutions establish similar centres in a cost-efficient manner. This project has the potential to create a significant social impact and create goodwill for Microfinance institutions among clients.





2. PARTNER OVERVIEW

Grameen Financial Services Pvt. Ltd. (GF SPL) is a micro-finance service provider with operations across Karnataka, Maharashtra and Tamil Nadu. GF SPL was born out of the need for timely and affordable credit to India's poor and low-income households. The company drew inspiration from Give Us Credit (Alex Counts – President and CEO, Grameen Foundation USA), a book that detailed the remarkable stories of Bangladesh's poor raising themselves out of poverty through the microfinance movement that was spearheaded by Nobel Laureate Professor Muhammad Yunus.

Beginning in 1999 as a project under the T. Muniswamappa Trust, an NGO, Grameen Financial Services adapted the Grameen Bank's group lending methodology of microfinance to the Indian setting and launched Grameen Koota in Avalahalli, a village in Bangalore (Karnataka).

GF SPL steadily groomed a class of mature and financially literate women entrepreneurs, who began to outgrow the group lending model. Anticipating the increased credit requirements of their growing livelihoods, GF SPL structured an individual lending program – Maarg, which began in May 2008.

Today, GF SPL has transformed from an NGO to a well-regulated and governed NBFC – MFI (Non-Banking Financial Company) and have expanded the breadth of offerings under GFS to include a wider variety of financial products and social development services.

GF SPL, through its Microfinance arm Grameen Koota and in alliance with Hippocampus Learning Centers (HLC), has started 18 educational centers across 20 rural areas in Karnataka to improve rural education at par with that of urban areas in India. Each education center offers 3 programs

- 1) **The Kindergarten Program:** Developed for children between 3 and 5 years, and franchised from Hippocampus Learning Centers (HLC) using low cost study materials.
- 2) **The Primary Education Program:** Developed as an after school program for children between 6 and 13 years, and also franchised from Hippocampus Learning Centers (HLC) using low cost & interesting study materials.
- 3) **The Tuition / Coaching Program:** Developed by the Swami Vivekananda Youth Movement (SVYM) for secondary school students, where audio-visual aids such as DVDs are used by facilitators as a basis for teaching. The centers are located around village centers for easy accessibility for students, and are able to keep their fees low by maximizing the use of their infrastructure for multiple programs:

Kindergarten

- Timing: 10AM-1PM
- Enrolment Target: 25
- Fee per student= \$40
- Expected Revenue/Centre:
\$40 x 25=\$1000 per year

Primary Education Centre

- Timing: 5PM- 8PM
- Enrolment Target: 40
- Fee per student= \$22
- Expected Revenue/Centre:
\$22 x 40=\$880 per year

Coaching Centre

- Timing: 7AM-9AM
- Enrolment Target: 30
- Fee per student= \$30
- Expected Revenue/Centre:
\$30x30=\$900 per year

Grameen Koota is responsible for establishing and monitoring each center, identifying staff and meeting its financial targets, while HLC in its capacity of a franchisor is providing facilitators training and low cost materials such as a library with books, activities charts, course content and games for each center.



4. PROGRAM DESIGN

Our rollout plan consisted of several steps:

- 1) **Village Selection:** Grameen Koota decided to select only villages within its branch network. Villages were identified primarily on the basis of the number of households, educational institutions and facilities available. The rural areas that host these centers needed to have a minimum of 750 households, residents with ability to pay fees and at least one primary and one high school for the centers to be sustainable. The villages were visited by the GFS branch staff to ensure there were no issues for students from different castes to sit in the same classroom.
- 2) **Facilitators Selection:** The announcement for the Facilitators' position was made in weekly centre meetings and local panchayat meetings. 500 applications were distributed by the Grameen Koota staff members to the interested candidates, and. 340 completed applications were followed up on and collected by the staff members. 318 applicants were shortlisted on the basis of their age, educational qualifications and previous experience. The short-listed applicants were asked to appear in a test to assess their proficiency in Mathematics, English and Kannada. The tests were conducted in two phases across the Grameen Koota branches. The test papers were evaluated by the Branch managers with the help of the Hippocampus team. 120 candidates were short-listed for interviews based on their performance in the test.

The candidates were interviewed by a panel consisting of Grameen Koota and Hippocampus staff and asked for a commitment of four hours each day for running the centre for a minimum of two years. 48 Facilitators were appointed at the end of the selected process.

Facilitators' Training: The facilitators were provided with a standardized curriculum developed by Hippocampus. The facilitators underwent two weeks of training for their respective programs designed to enhance their capacity to handle day to day affairs of centers. Periodic refreshers have been planned for 2 days every month over the first six months and 1 day every month for the next 6 months.

- 3) **Centre Identification:** Three central locations were shortlisted by branch managers in each village for easy accessibility for students. Each center needed two rooms to accommodate up to 30 students in each room. The staff from the Grameen Koota head office then visited the short-listed places and signed rental agreements based on the optimal location. These centers were then renovated as per guidelines provided by Hippocampus.
- 4) **Marketing and Students' Enrolment:** Posters and Banners were displayed at strategic positions such as the panchayat Office, central market places, health centers etc. Promotional activities like audio campaigns using auto-rickshaws, distribution of caps and masks bearing Hippocampus logos etc. were then carried out in all villages where centers are located. As more children benefit from these learning centers, children and their parents will themselves become ambassadors for the educational centers. **Student Enrolment:** Grameen Koota staff invited applications from the prospective students for the programs. The students have an option of either paying the entire fee for the year at the time of enrolment or in quarterly instalments.

The Facilitators enrolled students as per the terms and fee structure indicated by the organization. Students were first enrolled for the Kindergarten programs, as most parents enrol their children into this program by July of every year. Consequently, Primary education centre enrolments were opened up to the public, followed by Coaching centre enrolments. The maximum capacity is 25 per centre in the kindergarten program, 40 per centre in primary education centre and 30 students per centre in the coaching centers. The centers would divide the students into two groups if the number of students exceeds the maximum limit.





4. PROGRAM DESIGN Cont'd

- 5) **Centre Set-up:** The selected premises were painted and maintained as per the guidelines provided by GFSPL & Hippocampus. The necessary items such as curriculum kit, DVD player, TV, Emergency Lamp, board and stationary were purchased. A modest library, equipped with various books, games, painting, coloring etc. was also established. The Hippocampus centers are owned and operated by Grameen Koota. Hippocampus will provide all the material, training and technical assistance to operate these centers while GFSPL has invested in the centers, recruited facilitators, found the space for these centers and ensured that these centers operate as per the defined guidelines. A portion of the fees collected by Grameen Koota are transferred to Hippocampus to cover the costs of technical assistance and materials.

5.1 COSTS: GK incurred the following costs while executing this project:

1) Fixed Costs (per center): One time investments of \$1350 involving books and materials, infrastructure such as TV, DVD, blackboards, and expenses for facilitators' training were incurred. Total Fixed cost for 18 centers was \$24300.

2) Variable Costs (per center): Monthly recurring costs of \$250 per center for facilitator fees, expenses for utilities, rent, children's material etc are being incurred. The total monthly recurring cost for 18 centers is \$3500. Thus the total yearly variable cost is expected to come up to \$54000.

3) Branch /Area Managers' time: The Branch Managers monitor learning centers in their areas and also oversee all facilitators. Frequent visit to the centers are required for effective implementation of each program. The Area Manager is responsible for monitoring all GK learning centers in their area of 10 branches as well as coordinating between Hippocampus and GFSPL.

4) Project Manager/Special Officers' time: The Project Manager and his dedicated team of 2 individuals were hired from program inception. Project Manager reviews progress and makes periodical field visits to analyze the performances of each center and ensure the efficient administration of action plan. There are two programs coordinators involved in the program from GFSPL Head Office, who stay at branch offices for 4 weeks to, participate in promotional campaigns, selection of facilitators and monitoring the training program. We expect that we will reach 1500 students (360 in KG, 600 in PEC, 540 in CC) during the first year through 18 centers and thus cost per beneficiary in the first year of setting up the centers is estimated to be approximately \$37. From the second year onwards, the target for number of students enrolled is about 2000, and the operating cost per student will be approximately \$27.

5.2 REVENUES

Estimated Revenues from each of the programs in the first year of operations:

KG \$14,400
PEC \$13,200
CC \$16,200

Assuming the target enrolment numbers to be 1500 in the first year, the revenue per student on an average will be \$33. While the original plan was to start 20 centers with all 3 programs, we were able to set up 40 programs (15 PEC, 13 CC and 12 KG) in the pilot phase due to a shortage of quality facilitators. The plan is to recruit additional facilitators as well as backup facilitators to ensure that all the centers are utilized to maximum capacity. As of August 5th 2011, the number of students enrolled across the 18 centers is:

KG 162
PEC 342
CC 138

Total fee revenue from enrolled students is \$20,920, currently reflecting a shortage of about \$27000. While it will be difficult to meet the targets for Kindergarten program in the first year, the number of enrolments for primary education centers and coaching centers expected to pick up from August 2011 when the first round of examinations in schools is complete.



5. FINANCIAL IMPLICATIONS

- a. **Business Model:** The success of the education centers lies on the ability to set up low-cost centers with minimal infrastructure and low cost study materials. The fixed costs have to be kept low & GFSP managed to achieve this by planning for multiple programs at all the centers. This not only helps in reducing the overheads of setting up & maintaining multiple centers, but makes it easier to monitor on a regular basis.
- b. **Integrating the education centers with local branch operations:** Due to the widespread presence of Grameen Koota's Microfinance operations in villages, we leveraged this network to for our centers and our branch staff.
- c. **Externalities:** We were unsure whether facilitators would be ready to work at lower salaries than those at other industries (e.g. working in factories). However, we found that many women preferred the dignity & respect associated with a teacher to higher earnings

Key success factors:

- **Facilitator Retention:** One critical factor will be Facilitator retention as a significant investment is made in their training, and there is a reputational risk associated with attrition. Thus, Grameen Koota decided to take a deposit from each facilitator upon employment, refundable at the completion of one year.
- **High Involvement of Branch Staff:** Successful implementation requires effort & enthusiasm from Grameen Koota's branch staff. It has been observed that the centers success is directly proportionate to the branch manager's enthusiasm for the program.
- **Effective Marketing:** A well timed and effective marketing campaign is essential to ensure high enrolment. Direct campaigning through centre meetings as well as door-to-door campaigns met with mixed results. Auto campaigns, poster displays, leaflet distribution were noticed to be effective.
- **Collecting Fees at the Onset:** To hedge the possibility of students leaving once they receive study materials upon enrolment, Grameen Koota & Hippocampus decided to collect student fees at enrolment in a single installment. This also reduces the burden of having to manage fee collections on a regular basis – a daunting task for facilitators who are often not efficient at accounting.
- **Hiring Education Coordinators:** Education coordinators serve as back-up in case the existing facilitators cannot attend to their responsibilities. Periodic meeting between BMs and Facilitators should be strictly enforced to ensure effectiveness of centers. The competency level of the facilitators in handling children (KG in particular) should be appraised during these meetings. This is currently being done through education coordinators appointed by Hippocampus and will eventually be taken over by hiring similar coordinators within Grameen Koota.
- **Extended Timings:** For the KG program, there were many requests from parents to extend the timings of the classes till evening so that they do not have to leave work to come back to pick them up from the centers. When the option was given to leave the children for an additional fee, most parents rejected the idea.
- **Technology based coaching:** There is lower acceptance of video-based coaching among villagers as they are not used this mode of coaching. Both students as well as their parents will take time to get used to this concept.





6. PILOT FINDINGS

- a. **Popularity of fee-based education centers.** The primary education centers as well as kindergarten centers were more easily accepted by parents as compared to the coaching centers for SSLC students. The concept of using videos for coaching is still quite novel not only for students & their parents, but also for the branch staff campaigning for the program.
- b. **Identifying the right personnel to act as Facilitators.** The success or the failure of the centers directly depends on the ability of the facilitators to impart the course content. For this reason, all the facilitators have to go through multiple rounds of test & interview in order to get selected. While it is easy to take the decision to hire a certain numbers of teachers to ensure that the programs can begin on time & enough students can be enrolled, Grameen Koota in consultation with Hippocampus consciously decided to ensure that there should not be a compromise on the quality of facilitators selected.
- c. **Competition with Local government schemes.** Some local schemes run by the government for education (e.g. Anganwadis), can be a barrier to attracting children, as facilitators of these Programs have threatened withdrawal of the scheme if parents send their kids to these education centers. Grameen Koota has had to intervene to explain to customers that this is illegal.
- d. **Identifying appropriate centers in villages for all programs.** In many centers, it was difficult to host all the programs in the same premises & hence multiple premises have been finalized in a few such places.
- e. **Getting involvement from local branch staff.** As there was no direct incentive provided for these programs initially, not all branch managers were very enthusiastic about the program. Multiple rounds of training, explanation & guidance was needed to ensure that branches get involved closely in implementation. In some cases, regular loan disbursement work & other branch administration duties also led to slower implementation and delays.
- f. **Ability of teachers to handle queries from parents.** Many teachers, being young, were not able to handle queries & concerns raised by parents. This can lead to drop-outs and potentially avoided through a monthly Parent - Teacher meeting where all outstanding issues are discussed with senior management.

7. KEY CHALLENGES

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8. CONCLUSION

Good quality education is the cornerstone of a child's life. It is the medium through which children dream of reaching the echelons denied to their forefathers. There is a need in rural areas for good quality affordable education, so that children in those areas do not remain disadvantaged as compared to their urban counterparts.

In the long run establishment of more such centres will help in creating goodwill not only towards Grameen Koota but the microfinance industry in general. Utilizing established links with communities, Grameen Koota has been able to engage deeply clients in an attempt to bridge the gap in the education systems between rural and urban areas. We have also leveraged the experience of partners like Hippocampus and Swami Vivekanand Youth Movement in the education sector. The Curriculum goes beyond the regular classroom pedagogy, making learning an enjoyable process for children in rural areas and improving their communication and language skills, thereby encouraging them not to drop out of school.

Starting and running the Hippocampus education centres has been a very engaging and challenging experience for the entire team at Grameen Koota. Challenges have ranged from logistics, competing government schemes to acceptance of new methods of coaching. The project team has come up with innovative methods to overcome each challenge and a lot of effort has gone into ensuring coordination among various stakeholders in each of the distinct villages where the centres are located.

The Hippocampus education centres have the potential to be a viable business model while simultaneously having significant social impact. The key factor in making this a success is to ensure that the quality of delivery continues.





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