



Digital Financial Services & Market Segmentation: Using the Education Sector as a Model

by Andrew Lake, Senior Banker – Digital Finance

Does the burgeoning low-fee schools sector provide a useful outlet for customer segmentation in digital financial services? CapPlus believes the answer is “Yes.” Schools can be viewed from three separate yet interconnected roles, each useful for financial institutions looking to develop or increase their digital financial services.

Schools and parents as clients

Digital financial services can be valuable to schools, reducing the need for recording many small payments and handling lots of cash. Schools have instant access to their balances, making transaction accounts more attractive and simplifying bill payment. Furthermore, digital school fee collection (or digital school fee loans to parents) can be a win-win for both parties, making it easier for parents to pay in many small amounts when they have money on hand, building their households' financial resilience.

Financial institutions also benefit, as they can monitor schools' cash flow situations more closely, develop real-time credit scoring, and accept digital loan payments. This could have the effect of enabling schools to access formalized lending at a lower cost than their current informal lending providers.

Schools as consumer aggregator

Schools may also provide a channel to other markets, such as the parents, a large base of potential clients with relatively homogeneous needs. These consumers can benefit from electronic payments, savings, and credit - everything that any retail customer could use, aggregated by a shared link to the school.

The brand alignment with schools provides a potential bonus in the possibility of using the school itself as an agent, allowing the school to earn revenue while adding value to parents' experience.

Schools as payroll provider

In this final role, schools can be offered products that address their roles as employers. Schools could pay their teachers' salaries electronically, providing increased convenience to both parties. The teachers' usage profile would likely mimic that of most retail customers; that is, they would benefit from savings facilities and access to credit to meet their needs.

The workers can be approached similarly to students' parents: they represent a group of potential customers with similar needs who are already part of the sector that the financial institution is serving.

Implementing digital financial services

As with any strategic implementation, it is important to address critical issues prior to beginning a digital project, such as:

- Start with a clear strategy and target market
- View digital services as a fundamental business strategy project, not a technology project
- Pilot and take results seriously – be willing to delay launch
- When partnering, make sure everyone wins

[Click here](#) to watch video of the full webinar and learn the other lessons from this implementation, as well as successful case studies. CapPlus would also be happy to explore and assist with your goals and needs for digital financial services directly; reply to this email if you'd like to discuss further how we can execute a digital implementation at your institution.

CapPlus: Recent Highlights

Pioneered and published new research revealing the extent and nature of the private affordable education sector in five cities

Expanded and strengthened partnerships with financial institutions in Africa, Asia, Central America & MENA

Hosted 500+ participants at in-person forums and webinars

Began establishing partnerships to implement our Education Markets Impact Initiative

Improving education outcomes sustainably through financial market transformation

CapPlus' **Education Markets Impact Initiative (EMII)** will catalyze a self-sustaining market in education finance, building upon the self-interest of parents, schools and financial institutions. EMII's integrated components are designed to increase financial inclusion and access to education, improve learning outcomes, and engage government on a systems basis:

1. Provide affordable, patient debt to financial institutions to lend to schools with embedded incentives for improving learning outcomes
2. Spur higher quality education at schools by piloting a range of traditional and cutting-edge education interventions and incentives to improve learning outcomes, accompanied by rigorous evaluation
3. Equip financial institutions with both digital and traditional methods to finance not only schools for infrastructure and quality improvements, but also parents to increase their economic resiliency
4. Engage education regulators in shared learning from experimental approaches to drive improved learning outcomes on a sustainable basis

Contact Lynn Pikholtz at lynn@capplus.org to discuss how your organization or financial institution can become part of this game-changing vehicle.



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