



Impact Capital
for Development

CASE STUDY FEBRUARY 2023



Extending the Frontiers of Digital School Fees Payments

How SchoolPay is easing school fees payments
in rural schools in Northern Uganda

Acknowledgments

UNCDF would like to acknowledge the contribution of the Service Cops team, Meronie Kamukama, Osbert Muganga, Peter Baingana, Patrick Muhumuza, Ivan Muhwezi, Ambroze Oguma, Joseph Kiiza Ndiho, Mathias Kamugasho, Arthur Rutaroh, Charity Atukwatsa and David Kajoba for originating this publication. We would also like to acknowledge the contribution of the District Education Officers and Municipal Education Officers of the districts in the project area who worked alongside Service Cops Limited. We want to acknowledge the UNCDF team: Julio Malikane, Technical Specialist, Digital Health and Education; Martha Olwenyi, Results Management Specialist; Rachael Kentenyingi, Communication Specialist; and Naomi De Groot, Communication and Knowledge Management Specialist, who have contributed significantly to the review, structuring and coordination of the production of this publication. Finally, we thank SIDA for partnering with UNCDF in Uganda and making this publication possible.

February 2023. Copyright © UN Capital Development Fund.

All rights reserved. The views expressed in this publication are those of the author(s) and do not necessarily represent the views of UNCDF, the United Nations or any of its affiliated organizations or its Member States. Mention of any firm or licensed process does not imply endorsement by the United Nations. The designations employed and the presentation of material on the maps and graphs contained in this publication do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations or UNCDF concerning the legal status of any country, territory, city or area or its authorities, or concerning the delimitation of its frontiers or boundaries.

Cover photo © Service Cops





KEY TAKEAWAYS

- There is still room for innovation in the education market. Care must however be taken to ensure that the models developed match the traditional ways of operations for them to succeed.
- The success of a digital innovation in the education sector, as well as other sectors, depends on the ability of that innovation to complement other innovations in the market, or those newly introduced to the market.
- The education sector, unlike other sectors, is a unique one. It embraces technology fast but in a phased manner and with a guarantee that such technology is provided through partners such as banks in the case of digital payments. It is further important to note that adoption of such technology requires constant engagement with the schools and parents to ensure usage.
- The success of technical innovations in the education sector depends on the business model which must create an outstanding value proposition to all stakeholders in order to be appreciated and ensure uptake.
- Government officials such as District Education Officers and Municipal Education Officers play a very important role in the success of a digital innovation in the education sector.
- The support of market facilitators such as UNCDF is very important in creating visibility, changing mindsets, and establishing models that are sustainable for digital innovations.

Introduction

African countries have a vibrant education industry whose school fees collections are still largely based on the traditional model of bank deposits and cash payments at the school. Whereas these countries have relatively high levels of mobile money activity, very few schools outside urban centers accept digital school fees payments, which could make the process far cheaper and more manageable. In regions where financial inclusion is limited, mobile money and related technologies promise lower costs and a more scalable alternative to traditional banking in solving problems associated with school fees collections.

With emerging trends in mobile banking and digital technology, a mobile holistic school fees collection platform is a more convenient, reliable, and effective means of paying school fees while addressing the key challenges which stakeholders such as students, banks, schools, and parents face in the value chain. These challenges include high costs and time spent in long queues in banks, congestion at schools while making direct cash payments, and fraud.

As part of its global 'Leaving no one behind in the digital era' strategy, UNCDF in 2019 supported Service Cops to scale up a range of digital education solutions to rural communities in Northern Uganda. The project aimed to scale up digital school fees payments using a platform called SchoolPay. The project also aimed to develop, pilot, and scale up school fees savings and loans along with the additional SchoolPay enhancements of the school management system to monitor attendance of both teachers and students; develop a pocket money management solution for students; and support enhanced eLearning through the platform.

Whereas findings from the field indicate that there is a huge demand for innovative digital solutions, the risk averseness by key market players such as banks and telecoms has impacted roll out. In rural communities, this is compounded by infrastructure challenges such as a lack of computers and poor internet access.

The project aimed to alleviate these market constraints using a market systems development approach.

Market Constraints

Educational institutions continue to be burdened by challenges associated with traditional cash-based systems of school fees payment and paper-based practices of managing day-to-day operations of schools pertaining to student and teacher attendance, finance, student data, academics, and reporting management. These challenges, in turn, affect parents, students, policymakers, and other stakeholders depending on their needs in the education sector. These challenges are more pronounced in Northern Uganda, a region with a higher poverty rate than other regions. Northern Uganda also hosts the highest number of refugees in the country. To mitigate some of the mentioned constraints in this region, UNCDF provided a grant and technical assistance to Service Cops to scale up and mainstream a range of digital education technologies in Kiryandongo District, West Nile, Acholi and Lango subregions. The partnership aimed to achieve the following:

- Reduction of costs in school fees payments
- Improved access to education financing and savings
- Ability to provide an ecosystem-based solution that looks at all the needs of the stakeholders in the education sector
- Improved access to digital microinsurance for school fees payments
- Reduction in fraud and increased school fees collections
- Improved reporting
- Improved service delivery through digitalized processes in the school management solution
- Address the tedious reconciliation process due to the use of manual procedures

The Solution: SchoolPay

SchoolPay is a universal web-based and mobile (USSD and smart application) school fees collection solution developed by Service Cops, targeting learning institutions to enhance their capacity to provide safer and easier ways for school fees or tuition payments. It uses multiple payment channels such as mobile money, mobile banking platforms, banking channels such as agency banking, as well as other payment aggregator channels like Payway and Interswitch. The solution is integrated with multiple banks to allow real-time reconciliations and a mobile integration component from telecoms to banks. The schools using the platform are provided with a web-based interface to keep track of transactions as they occur in real-time.

It also incorporates a school management solution with features such as school fees, loans and savings, insurance, and attendance management. This gives the school the leeway to decide which features to use and connect to other external systems through an open Application Programming Interface (API).

Since its inception into the Ugandan market in 2015, usage across various schools has grown to over three million students, 40% female. However, this was concentrated in urban schools.

UNCDF’s partnership with SchoolPay aimed to extend these services to traditionally underserved communities in Northern Uganda and Kiryandongo District. The usage rates in this region have grown by over 50%, with over 240,000 students (40% female) enrolled since 2020.

How the SchoolPay Platform Works

E-school fees payment and collection: SchoolPay provides a universal payment solution that enables parents to pay school fees easily anywhere at any time. Each student is assigned a unique payment number to use while making a transaction.

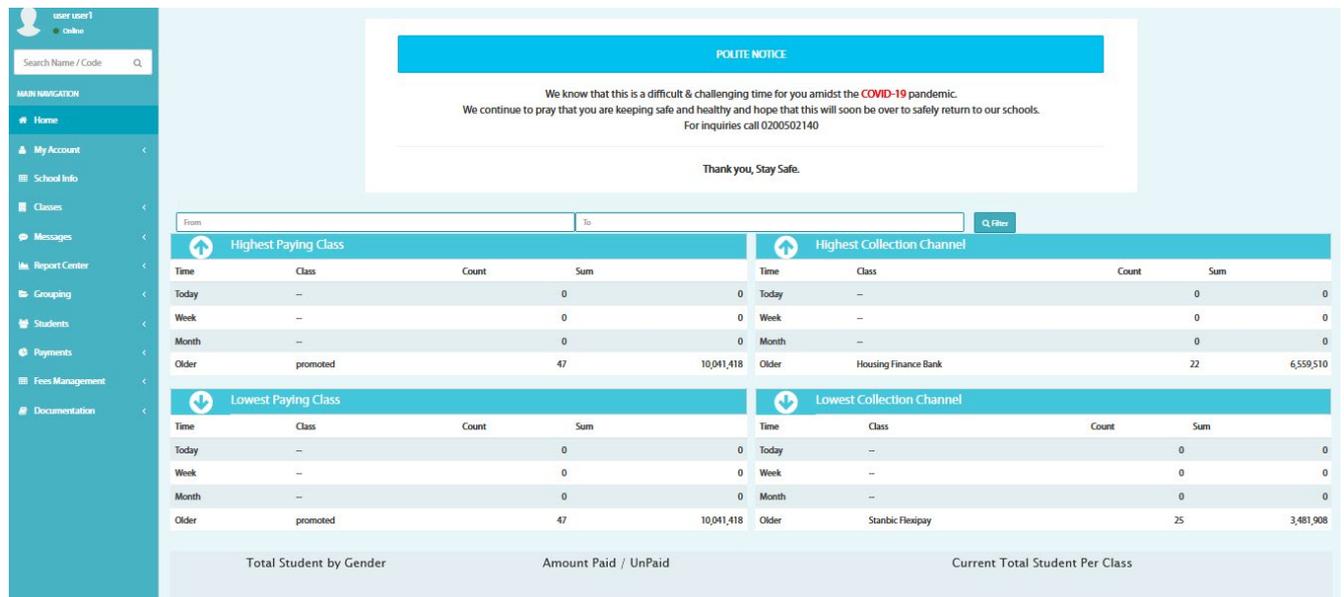


FIGURE 1: A screengrab of the SchoolPay school fees payment solution (school facing)

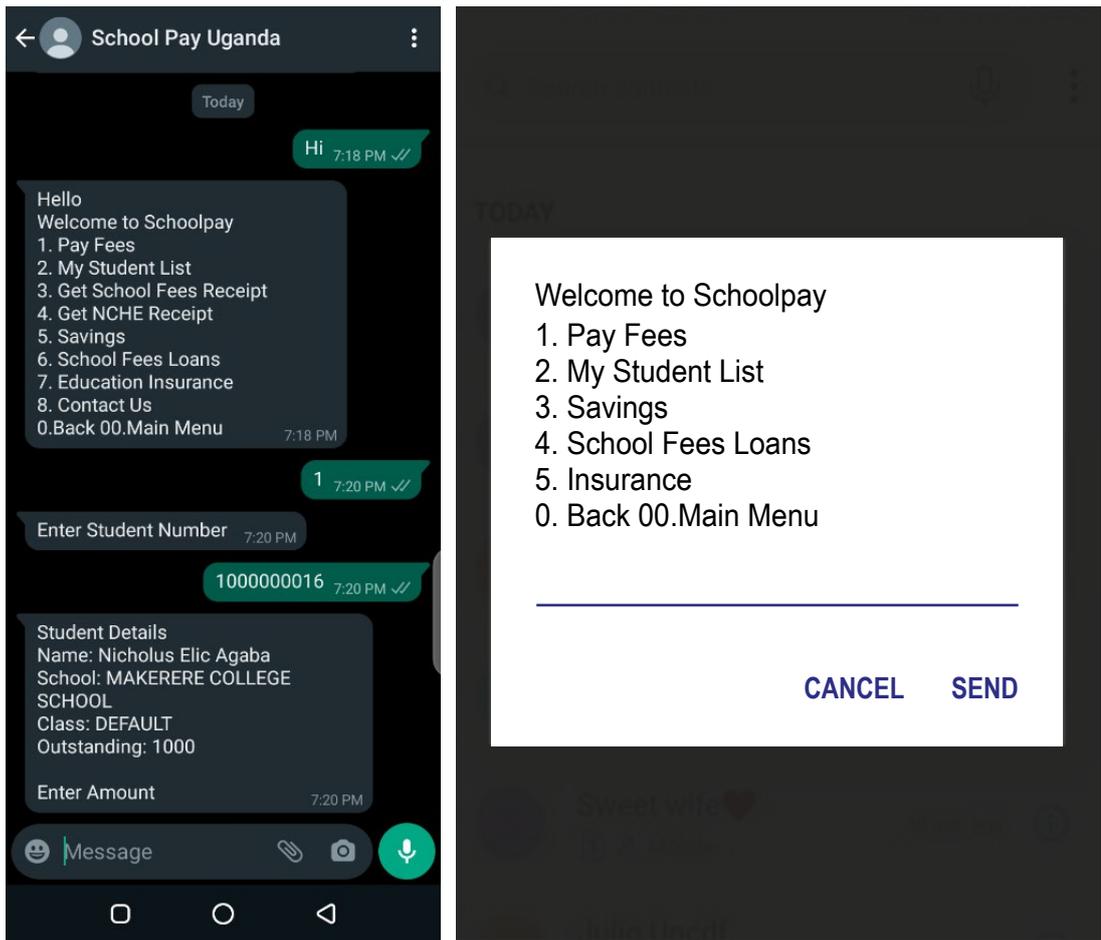


FIGURE 2: Screenshots of WhatsApp BOT and menu items on the USSD of SchoolPay

Additional SchoolPay Features

Attendance management: This feature keeps track of teachers’ and students’ attendance using biometrics. This information can be accessed from anywhere at any time.

Loans and savings: Most parents in rural areas are low-income earners and do not have multiple income streams, which leads to some students dropping out of school. Therefore, with a school fees loans and savings solution, parents can plan their finances and ensure that their children keep in school.

Note: While the technology to enable digital savings and loans has been developed, this service is not yet available to users.

Education insurance: The Asume Education scheme, currently delivered through Edge Micro Insurance Limited, in partnership with Centenary Bank, is a microinsurance product for the education sector tailored to support the continuity of education for learners on a termly and annual basis at affordable insurance market rates. Depending on the premiums paid for digitally, a student can continue their education in the event of an occurrence such as the death of a parent or guardian or loss of employment due to permanent disability for the insurance period. The education insurance policy will provide financial security for education.

Interlinkage of actors in digital school fees payments

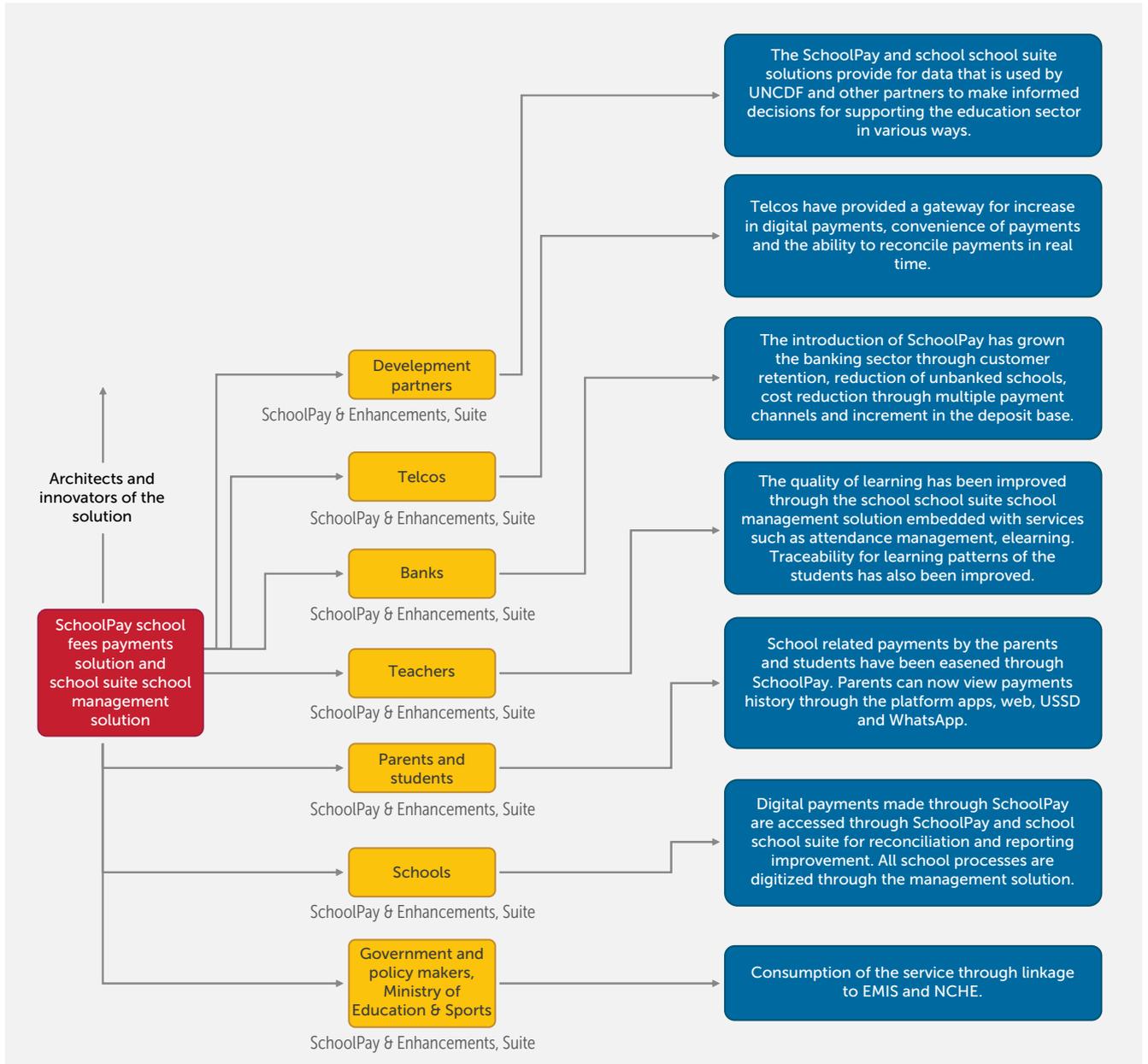


FIGURE 3: Interlinkage of education actors, SchoolPay solutions and the services rendered

The SchoolPay platform offers a direct linkage of school accounts to commercial banks. With the increased visibility of school payments through SchoolPay, some banks have now introduced loan products that avail financing to schools.

PILOTING SCHOOLPAY: A case of Mvara Secondary School

Mvara Secondary School, located in Arua, is one of the schools that have adopted the SchoolPay platform as part of the UNCDF/SchoolPay partnership. The school has completely stopped cash payments. Below are some of the benefits that the school has registered.

- 1** Improved reporting on student data, performance and school fees collections through the management information system provided.
- 2** Improved payment convenience across multiple payment channels, such as mobile money. This ultimately has led to cost reduction in terms of transport.
- 3** Reduction in time and money lost because of time spent by parents and students in the banking halls queuing up to transact.
- 4** Real time reconciliation of payments made across multiple payment channels in the bank.

JOYCE, A PARENT

Joyce is a parent at Mvara Secondary School in Arua. She used to travel over 100 km to and from her home in Bucia Sub-county to make school payments in the bank in Arua City. She spent UGX 40,000 (about US\$6) on transport and meals every time she travelled. She would then spend over an hour in the banking hall, dedicating an entire day to school fees payments.



I used to travel to Arua town three times every month because I pay school fees in instalments. With SchoolPay, I now pay fees from the comfort of my home. I save money and time to do my work," says Joyce.

ALBERT E. NZAMA, BURSAR

Albert E. Nzama is a school bursar at Mvara Secondary School in Arua. He testifies that the digital payments system has not only eased his work but also saved the school money. With the school enrollment of 800 students, Albert used to receive over 2,000 copies of bank slips because parents pay fees in about three instalments per term on average. Reconciling the payments was a daunting task for him. The school spent about UGX 600,000 (US\$ 160) per term on bank statements alone.



I had to get a bank statement every week to confirm payments made using bank slips by the students in addition to direct cash payments at school. Thanks to digital payments, my work is now easier, and I have become more efficient," says Albert.

ROBERT MUGISA, HEAD OF FINANCE - PEAS

Robert Mugisa is the Head of Finance at PEAS, an organization UNCDF partnered with in the past to pilot digital school fees payments. He observes that digital school fees payments presented an opportunity to cut down on forgeries at the banks and increase access to bank statements hence improving the reconciliation of payments.



The digital system has eliminated cases of fraud and forgeries of bank slips. Some students and parents also used to fall prey to fraudsters and conmen in banking halls and the towns, but we don't receive such cases anymore," says Robert.

Evaluating the Effectiveness of SchoolPay

Awareness

- A midterm evaluation survey conducted in the project areas shows that most participants knew about the SchoolPay digital payments, and 91.9% of the users are very likely to recommend the solution.
- Most administrators, parents and teachers learned about SchoolPay in 2019 primarily through partners such as banks, telecoms, and the schools their children attended.
- About 50% of the parents interviewed indicate that they learned about the solution through their children studying in other schools using the solution, headteachers, and fellow parents in other schools.
- The recruitment of 30 school fees digital promoters, referrals from schools, and partnerships with government policymakers, such as District Education Officers and Municipal Education Officers, have increased the number of parents paying school fees digitally.

Usage

- From June 2020 to date, SchoolPay has registered over three million students/parents countrywide who are actively transacting through the SchoolPay platform, demonstrating the relevance of digital payments in the education sector. Over 40% of the paying parents are women.
- By the beginning of 2022, 677 schools had been enrolled on SchoolPay in Northern Uganda. Most enrolled schools no longer accept cash payments, driving usage further. Over 240,000 people (40% women and 100% youth) in the pilot region are using the SchoolPay platform. This demonstrates that younger people have been faster in adopting digital school payments than older ones.

Implementing this project in rural areas has increased the ability of parents to pay digitally and improved the management of operations in schools.

Boosting digital payments

In schools such as Mvara Secondary School and the PEAS network of schools, cash payments at the school were abolished, and all payments are made through either SchoolPay or the bank. This has led to an increased collection of fees at the school attributed to the convenience of payments. Schools also stopped printing out bank slips and guided the parents on how to pay fees using the codes through the school circulars distributed at the end of the academic term. The schools did more sensitization through general PTA meetings and trained teachers on how to use the system.

Although the adoption of digital solutions is increasing daily, there is still a need to organize training and workshops to equip users (parents, teachers, students, and administrators) with the necessary skills to utilize the platform fully. This is especially critical for the elderly, a majority of whom have children in higher institutions of learning where payments are either controlled by the government or are still using the traditional ways of payment.

Impact of lockdowns

Whereas schools and different stakeholders are starting to embrace the technology, and people have taken the initiative to learn how to operate digital gadgets and embrace E-Learning, the COVID-19 pandemic greatly affected the usage of these solutions. Owing to the fact that students were not going to school consistently between 2020 and 2021, payments dropped, affecting the operation of schools, a majority of which depend on school fees as their operating cash. This is evidenced in the reports analyzed through the platform.

However, findings from the evaluation reveal that the COVID-19 pandemic has influenced about 71.4% of the parents interviewed in the project area to start using digital payments. This is because the SchoolPay partners have deliberately encouraged their payers to use digital platforms such as mobile money and agency banking. More so, the fear of infection further propelled the use of digital payments.

Challenges that impacted the SchoolPay platform pilot

Going into the partnership, UNCDF and Service Cops were aware of the challenges that affect the uptake and usage of technological innovations in the education space, including limited access to the required infrastructure such as phones, computers, internet, electricity to charge phones, and inadequate digital skills. This is why the SchoolPay platform uses USSD technology that can be accessed with a basic phone, does not require internet connectivity, and gives prompts that make it easier for people with basic literacy skills to use.

Infrastructure challenges, however, still impacted access and usage of digital solutions, especially in rural communities.

- Schools, especially in rural areas, have poor infrastructure, slow internet and unstable network, which cause the delay of the system. Moreover, not all banks have embraced the SchoolPay platforms, and some of these schools have accounts with non-compatible banks.
- There was some resistance from some teachers and parents due to the fear of change and inadequate digital skills.

Challenges parents in the project areas have faced in using digital payments:



Data further reveals that 46.1% of the parents interviewed are comfortable using SchoolPay through mobile money rather than banking channels. This is because most parents have no access to formal banking institutions and use a mobile money account as their bank.

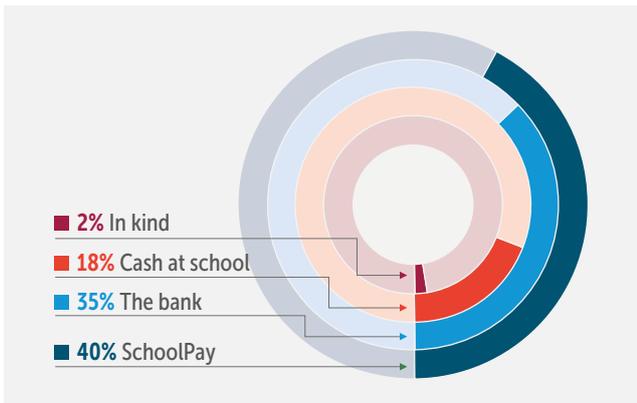


FIGURE 4: Mode of school fees payments used by respondents in the midterm evaluation

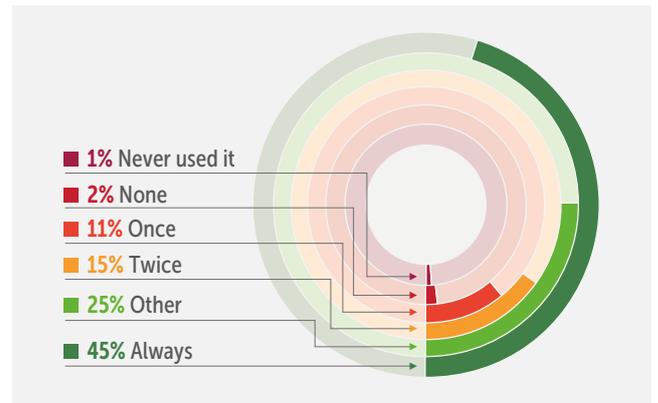


FIGURE 5: The frequency of SchoolPay usage by respondents



FIGURE 6: Influencers of SchoolPay Usage according to respondents in the midterm evaluation

The data also shows that at least 32% of the people interviewed use the SchoolPay solution because it is convenient.

Reasons for using SchoolPay:



SchoolPay Usage by Schools

Findings indicate that about 55% of the school administrators were not using the SchoolPay solution because the system had not been rolled out to their schools. Other reasons included little or no knowledge about the system, limited access to electricity, and a need for gadgets to operate the system.

The uptake of the school management solution, particularly the teacher attendance management solution, is still relatively low, with only 54 schools out of the 600 registered using the solution. The low uptake is attributed to the fear that it would contribute to the loss of jobs for the monitored teachers. Schools have been more keen on using the platform to monitor student attendance than teacher attendance. Teachers were amazed at how the innovation saved them time taking students' roll calls. The school administrators appreciated the system because it has eased monitoring. An attendance rate of 81% of students was registered in schools using the service. Whereas the use of QR codes and digital ticking presents cost-efficient methods of monitoring attendance, the biometric method was preferred by most schools as the more convenient method.

Savings and Loans Products within SchoolPay

The school fees savings platform is yet to pick up, with only about 56 people currently using the platform for savings. Their accrued savings total about UGX 2,300,000 (approximately US\$ 630). Of the active savers, 60% are women. Being a new business model, this demonstrates the potential for growth. While the project could not deploy a school fees loans solution, the platform to provide school fees was developed and is ready for deployment. Service Cops is seeking financing to pilot a business case for school fees loans in the market that can easily be consumed by the other sector players such as the banks.

Efforts are being taken to create a mindset change among the teachers and schools through sensitizations using District Education Officers as agents, which ultimately, and gradually is creating an increase in digital models of attendance and usage of the school management solution.

Additional Considerations

- Most rural areas do not have digital channels like mobile money and bank agents to support digital solutions.
- Internet costs should be subsidized, and network boosters should be installed to increase connectivity in rural areas.
- Schools, especially in rural areas, require reliable power supply like solar systems.
- School fees savings and loans are a much-needed solution. The risk averseness of financial partners such as banks to take on new models such as school fees loans presents a delayed uptake of innovation in school payments, ultimately depriving the target market of a much-needed service. However, this is largely informed by the current policies and regulations that prioritize collateral over credit history in the extension of credit. The involvement of policymakers right at the onset of these innovations will create an enabling environment while enforcing compliance.
- The uptake of solutions in the education market is gradual. Schools appreciate taking on solutions in phases rather than giving them all the solutions at a go.
- Mass enrollment and involvement of city/municipal/district education officers will help increase the uptake of digital solutions.

- A lot of effort must be invested in knowledge dissemination about the product, especially among the elderly population, who are the largest school fees payers. This will promote uptake and usage.
- Capacity building through workshops and training to improve the usage of digital solutions is still necessary.
- Piloting solutions using new market models such as the school fees loans needs the support of market facilitators such as UNCDF as they act as catalysts for other players such as the banks and telecoms who are usually risk averse.

Conclusion

Strategic investment is critical in bridging the gap by bringing access, availability, and affordability of digital services in the education sector to rural areas of Uganda. As education sector technocrats invest more time in developing successful curricula and exam formats, the digital payment system increases the effectiveness of the fees collection system and enhances student achievements. Institutions might use it to make their offices and business processes paperless. Both parents and administrators gain from the digital payment system at educational institutions. It allows parents to download receipts for all prior transactions and pay their children's fees on time and at their convenience. It enables organizations and managers to safeguard funds, save time, and transition to paperless office operations.

However, partnerships with financial institutions, mobile network operators, and stakeholders in the education sector are essential for scaling up digital innovations in education. This is because, more than any other partner in the market, these institutions provide credibility and confidence. Therefore, if they are to succeed, all innovations in school payments must involve commercial financial institutions.

The devastating impact of the COVID-19 epidemic has taught us that stakeholders must concentrate on digitalizing the whole education value chain. Instead of being viewed as sources of revenue, these digital platforms must be seen as a critical social good in expanding financial inclusion and lowering illiteracy and dropout rates.

Additionally, digitization helps the sector deal with problems brought about by financial constraints and cost pressures, expanding management oversight needs, tighter controls over how funds are used, and the demand for better data for system-wide choices.

More investments are crucial in improving market coverage to ensure no one is left behind in the digital era. Additional support to the ecosystem is critical since the model relies on partnerships while derisking certain investments to allow more innovations to build on top of the initial value proposition. The role of market facilitators such as UNCDF in availing funds to test untested models such as school fees loans presents an opportunity to positively influence access to education in Uganda.



LEAVING NO ONE BEHIND IN THE DIGITAL ERA

The UNCDF strategy 'Leaving no one behind in the digital era' is based on over a decade of experience in digital financial inclusion in Africa, Asia and the Pacific. UNCDF leverages digital finance in support of the Sustainable Development Goals (SDGs) to achieve the vision of promoting digital economies that leave no one behind. The goal of UNCDF is to empower millions of people by 2024 to use services daily that leverage innovation and technology and contribute to the SDGs. To achieve this vision UNCDF uses a market development approach and continuously seeks to address underlying market dysfunctions that exclude people living in the last mile.

ABOUT THE UN CAPITAL DEVELOPMENT FUND

The United Nations Capital Development Fund (UNCDF) is the United Nations' flagship catalytic financing entity for the world's 46 Least Developed Countries (LDCs). With its unique capital mandate and focus on the LDCs, UNCDF works to invest and catalyse capital to support these countries in achieving the sustainable growth and inclusiveness envisioned by the 2030 Agenda for Sustainable Development and the Doha Programme of Action for the least developed countries, 2022–2031.

UNCDF builds partnerships with other UN organizations, as well as private and public sector actors, to achieve greater impact in development; specifically by unlocking additional resources and strengthening financing mechanisms and systems contributing to transformation pathways, focusing on such development themes as green economy, digitalization, urbanization, inclusive economies, gender equality and women's economic empowerment.

A hybrid development finance institution and development agency, UNCDF uses a combination of capital instruments (deployment, financial & business advisory and catalysation) and development instruments (technical assistance, capacity development, policy advice, advocacy, thought leadership, and market analysis and scoping) which are applied across five priority areas (inclusive digital economies, local transformative finance, women's economic empowerment, climate, energy & biodiversity finance, and sustainable food systems finance).

ABOUT SERVICE COPS LIMITED

Service Cops Limited is a private limited liability company incorporated and headquartered in Kampala, Uganda, with subsidiaries in Rwanda, Zambia, Kenya, and Ethiopia. Incorporated in 2009, the company has been in existence for 13 years now as an innovative, customer-centered financial technology (fintech) and business processes outsourcing (BPO) firm. Service Cops is one of the leading Fintechs supporting several financial institutions in East and Central Africa and runs partnerships with over 19 banks and major core banking service suppliers in the region. The company serves over four million customers monthly.

Service Cops Limited creates solutions that enhance its partners' and clients' revenue generation potential, reduce costs, and improve and ease their business processes. The idea was conceived by four professionals through routine Wednesday coffee meetings. The relentless pursuit of the idea saw the four professionals leave their formal jobs to form Service Cops.

Thirteen years down the road, Service Cops has grown into a regional outfit with a presence in four countries across Africa, providing cutting-edge digital solutions in different sectors of the economy, such as education, insurance, finance and banking, real estate, health, agriculture, microfinance, and payments. Indeed, the company has had an impact on the service industry. Through its technology and unique business process of outsourcing solutions locally and beyond.

digital.info@uncdf.org [UNCDF.ORG](https://www.uncdf.org) [@UNCDFDigital](https://twitter.com/UNCDFDigital) [in UNCDF](https://www.linkedin.com/company/uncdf)

For more information, contact:

Rachael Kentenyngi | Communication Specialist | [✉ rachael.kentenyngi@uncdf.org](mailto:rachael.kentenyngi@uncdf.org)