

Three examples of startups with education solutions for low income communities in Pakistan



This practice paper is primarily aimed at businesses, entrepreneurs, start-ups and not for profits interested in designing education innovations that reach less wealthy market segments in Pakistan and elsewhere. The paper presents succinct case-studies based on the experience of three IIm Ideas 2 supported education start-ups. Each of the start-ups has used different strategies to make their solution more affordable to students from lower/lower-middle income households and/or to low-fee schools.

For the purpose of this paper, low income households are defined as households with a monthly household income of less than Rs. 33,000 (\$8 per day). Low fee schools are defined as having school fees less than Rs. 1,200 per month (\$8.6). The case-studies are intended to spark ideas about how to make business-based education solutions accessible to a bigger market and to markets that may reap the biggest benefits from using them.



Why reaching lower income market segments in Pakistan makes good sense

The education case

- With a literacy rate of 58 per cent, more than 20 million children and young people between the ages of 5 and 16 not in school, and low levels of learning among those who are in school, there is an urgent need for solutions that improve quality education in Pakistan.
- According to ASER (2018), children from poorer households are much less likely to be in school and learning than their wealthier counterparts (Figures 1 and 2). There is an urgent need for solutions that improve education for children and young people from poorer households in Pakistan, especially girls and young women.

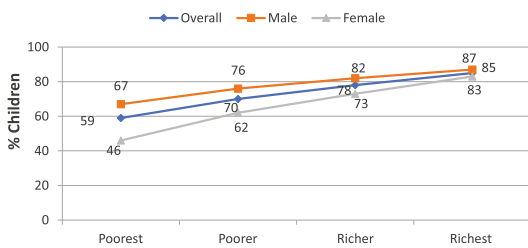


Figure 1: Enrolment by Wealth and Gender
Source: ASER 2018

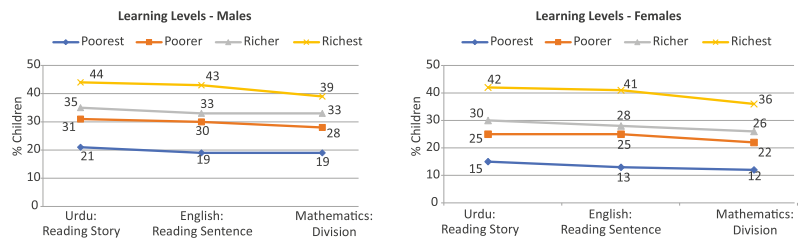


Figure 2: Learning – Wealth & Gender Matters
Source: ASER 2018

The business case

- At least half of households in Pakistan have an average monthly income between Rs. 19,742 to Rs. 28,020 (\$140-201) for an average family size of 6 (PSLM, 2015-16). This is a large potential market, given the population in Pakistan.
- There are an estimated 70,000 low fee private schools in the Pakistan accounting for around 27 per cent of the total schools in the country. These schools cater to low income groups and typically charge less than Rs. 1200 (\$8.6) per month (Saeed and Usman, 2014). This is a competitive market and schools are keen to find ways to increase their enrolment (and income).
- Parents in Pakistan spend a significant amount of money on their children’s education. On an average, parents incur an annual education expenditure of Rs. 12-25,000 per annum depending on whether they send their children to public or private schools (Alif Ailaan, 2015) The breakdown of these expenditures is presented in Figure 3.

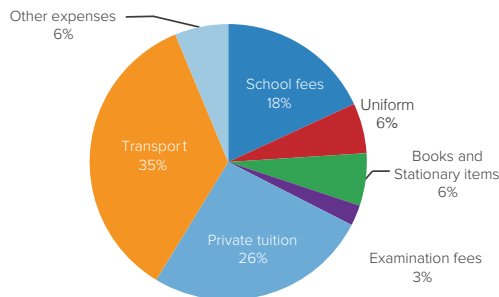


Figure 3: Household expenditures on Education
Source: Alif Ailaan, 2015

The case above demonstrates the urgent need (and market potential) for education solutions to reach low income households and/or low-cost private schools. However, any start-up that wants to sell to this market must ensure that the target customer is willing and able to pay for their proposed product or service.

Strategies used by three education start-ups to design solutions for low income markets

This section of the paper presents the strategies used by three education start-ups to reach lower income households and/or low-fee private schools.



Case-study 1: RADEC

radectechnologies.com [facebook.com/radectech/](https://www.facebook.com/radectech/) [@RadectechPK](https://twitter.com/RadectechPK)

Business Opportunity

Women (and men) in rural and remote communities are looking for opportunities to earn an income or to supplement their existing income. Offering after-school tuition is an attractive source of income generation for the educated women and men given the high demand of private tuition.

Low fees schools in Pakistan look for low-cost educational resources and content to enhance quality of learning in their classrooms and attract more students. As less than 31% of the population has access to internet (PTA,2019), they cannot access the freely available resources that are available on the internet.

Business Model

RADEC has designed a low-cost device called EDUPI. The EDUPI device contains a small computer (a Raspberry Pi) with pre-loaded educational content including video lectures, games, stories, test papers and other assessments that can be used by tutors and teachers with students.

RADEC does not design the content themselves. Instead, they offer existing content (subject to the necessary permissions and copyright agreements being in place). The content can be accessed without internet and the EDUPI device can be connected to an LED screen or projector so that content can be viewed by lots of students.

RADEC markets the EDUPI device to 'edupreneurs' – individuals who want to set up tuition centres (or have a tuition centre already) and school owners. After the initial outlay of Rs 10,000 to purchase the device from RADEC, the edupreneur pays a monthly subscription via easypaisa. The monthly subscription includes regular content updates. The solution has been sold to more than 100 edupreneurs.

Strategy for Reaching Low Income Customers

Affordable Technology: The EDUPI device is a relatively cheap solution (as compared with some smartphones, laptops, tablets etc) and it does not require an internet connection. This is especially useful in remote rural communities where internet connectivity is not available and in communities not able to pay for internet access.

Integrating Edupreneurs into Value Chain: RADEC offers an opportunity to earn an income as an edupreneur or to increase your income if you are already an edupreneur or school owner. Edupreneurs, on average, are able to earn from Rs. 4000 - 6000 per month depending on the location of the center and number of students enrolled in the classes.

Case-study 2: ClassNotes

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**CLASS
NOTES**

Business Opportunity

In Pakistan, students in Matriculation and Intermediate classes (grade 10 and grade 12) must appear for Board examinations. Scores in these exams play an important role in determining access to higher education and job prospects. To ensure that they do well in these examinations, the large majority of students in both urban and rural areas pay for private tuition.

Tuition costs impose a significant burden on low-income families. In urban centres, the cost of tuition ranges from Rs. 500 to Rs. 50,000 per month depending on the number of subjects taken and popularity of the instructor/academy (Dar, 2013). Students who cannot afford tuitions remain at a disadvantage as there are limited resources for self-study for local board examinations.

Business Model

ClassNotes offers an education platform that provides free access to digital content to help students prepare for their national board examinations. Students who log on to the website have access to study notes, practice questions and past papers.

ClassNotes will soon be launching a mobile application that offers video lectures, tutorials, assessments, and personalized study plans. ClassNotes has around 250,000 students use their website every month and receive around 2.5 million views every month. Currently, all content is free.

ClassNotes is planning to adopt a freemium business model. They will earn money through premium services on their mobile application. Access to notes, video lectures and tutorials will remain free to students. ClassNotes will charge a small fee whereas students for mock tests, personalised feedback and study plans, and score/merit predictions. The monetization model is expected to be rolled out by mid-2019.

Strategy for Reaching Low Income Customers

Relevant content: Students from less wealthy households will almost certainly be sitting the Board exams; they are unlikely to sit for O and A levels examinations. The Board exams are aligned with the national curriculum and to the content taught in school. All these features make ClassNotes content highly relevant.

Local Content: ClassNotes enables students to access digital content that is aligned with the national curriculum. With self-preparation material available, students do not have to spend hefty amounts of money on tuition or guidebooks which reduces the cost of exam preparation.

Economies of scale: Selling to lots of students will enable ClassNotes to keep the price of premium content relatively low.

Case-study 3: Ausomatic

 ausomatic.com  [@Ausomatic](https://twitter.com/Ausomatic)



Business Opportunity

There are more than 70,000 low fee private schools in Pakistan. These schools cater to lower-middle and low-income households and typically charge less than PKR 1,200 per month (Saeed and Usman, 2014). School owners are reluctant to invest in new products and services unless it gives them a competitive or market edge, and they have relatively small amounts of money to invest.

The majority of low fee private schools do not have learning management systems and cannot afford the more sophisticated systems currently available in the market.

Business Model

Ausomatic offers a cloud-based Learning Management System (LMS). With the system, the schools can track key metrics such as attendance and student progress and share updates with the parents via SMS, which enables teachers, administration and parents to be actively more involved in a child's learning.

The Ausomatic product is broken down into 26 modules. Each module operates as a stand-alone product but it can also be added to other modules to build a system. Schools can purchase only the modules they need, when they need them. The solutions has been adopted by 10+ schools in Pakistan.

Strategy for Reaching Low Income Customers

Break your product into smaller, affordable parts: Ausomatic offers its LMS as 26 stand-alone modules. Schools can choose the modules they want to buy, based on their needs and resources. This means that schools do not have to pay for functions they do not require and that the outlay (at any one time) can be kept low.

Spread cost across multiple users: The cost is passed on to parents through a small increase in fees. Because the fee is spread across many users, the increase is small (as low as Rs 10 per month). In return, parents get monthly updates on the attendance and learning outcomes of the students.



The case-studies highlights some of the ways in which education start-ups have been able to enter the market with solutions targeted to lower-middle and low-income households, see Table 1. Each start-up has used clever, yet appropriate, business strategies to overcome some of the barriers faced by this target group, such as the willingness and ability to pay. Through this paper, we hope to encourage more inclusive and equitable quality education solutions in Pakistan.

Table 1: Business strategies for lower/lower-middle income households and/or low-fee schools

Strategy	RADEC	ClassNotes	Ausomatic
Deployed affordable technology	X	X	X
Responded to customer pain points	X	X	X
Offered relevant content	X	X	
Modular, add-on, bundling of product and/or services		X	X
Created inclusive value chain	X		
Economies of scale		X	

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About Ilm Ideas 2

Ilm Ideas 2 is a programme funded by UKaid and managed by Cambridge Education, part of the Mott MacDonald Group. The programme engages with a wide variety of players, primarily from the private sector, to design, test and transition to scale innovative approaches to improving the supply and demand for quality education in Pakistan. The programme provides grant funding and advisory services. Ilm Ideas 2 also partners with business and technology incubators in Pakistan to support education start-ups (very new businesses) with innovative products and services.



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