



Product Description

Need Assessment

The competition that is gathering momentum in the financial services sector requires that organizations in the sector seek out new market segments to serve profitably and new ways to serve the markets in order to enhance their creation of value. Credit Options has identified the following needs that arise from the quest to create more value;

- A need exists for financial institutions (FIs) and Micro Finance Institutions (MFIs) to provide services to the un-banked throughout the country in a cost effective manner (no banking halls all over the country and no expensive paper pushing).
- A need exists for FIs and MFIs to grow their ‘top line’ by increasing revenue from each account held. Setting up new services will prove very useful going forward.

The Proposed Solution Sets

Credit Options has developed the SmartMoney Payment System. The system facilitates the operation of an e-purse or electronic wallet based on smart card technology that can be loaded with value and used at designated outlets such cash-points and retailers to withdraw cash and or pay for goods/services. Cash deposits can also be allowed at selected outlets making the SmartMoney card a ‘portable bank account’. Credit Options creates the SmartMoney card for each target customer on the instructions of an FI or MFI that takes up a franchise to use the SmartMoney payment system and forwards to the FI or MFI to deliver to their customer

Acceptance is an extremely important component of the SmartMoney Payment system. Credit Options is committed to setting up acceptance points throughout the country. Indeed, there is need to have an acceptance point within walking distance from any given point in a town. That is the SmartMoney promise. SmartMoney Payment System will be enhanced to provide a ‘loyalty’ function that will make it very attractive to retailers as they will have a tool for enhancing customer retention.

Solution Set Number One – SmartMoney for the branchless FI or MFI

FI or MFI signs Franchise Agreement to offer the SmartMoney single fee ‘Portable Account’ to its customers and prospective customers.
FI or MFI provides the necessary hardware – a personal computer, a Smart card Reader and a GSM/GPRS modem with SIM card per site.
Credit options SmartMoney Centre Install Software at all agreed sites.
Customer or prospective customer completes a SmartMoney Portable Account as designed by the FI or MFI
Application form forwarded to SmartMoney Centre for card preparation

SmartMoney Centre prepares and personalizes a SmartMoney card for each applicant and returns to the FI
FI releases SmartMoney card to the applicant ensuring to capture biometrics
FI or MFI issues with a SmartMoney card bearing the FI or MFI logo. SmartMoney logo is preprinted to enhance acceptance. The card is the delivery medium for the Portable Account.
Card (Portable Account) is used for transactions like a normal bank account eg deposits cash not required for immediate use or withdrawal cash required/pays for goods. NB FI or MFI will reimburse outlet for any amounts withdrawn or spent
Customer commits to save a certain amount of money in a special account at the FI or MFI by signing a letter authorizing FI or MFI to debit their Portable Account at agreed intervals for an agreed amount. Funds on this account will determine whether customer qualifies for a loan when they apply.
When loan is applied for and approved, loan funds are disbursed by being loaded remotely to the customers Portable Account (card) by FI or MFI
Customer withdraws money according to their requirements from any SmartMoney merchant
Merchant forwards the payment information via SmartMoney Payment System Switch to FI or MFI
FI or MFI forwards EFTs through their bank to reimburse the merchant net of any collections on behalf of FI or MFI if they are authorized to 'receive'
Meanwhile, customer, through the group, deposits money to FI or MFI collection account to cover repayment, savings quota for special account held at FI or MFI and any other money not for immediate use that client does not wish to hold in cash
Customer, through the group, delivers deposit slip to local FI or MFI office.
FI or MFI loads funds onto SmartMoney card by entering the figures into their local system. This information is then relayed to SmartMoney Switch. If customer visits any SmartMoney outlet, they will find their balance properly updated.
On loan repayment date, FI or MFI initiates direct debits to the client card account and credits loan account and the non-withdrawal savings account in their own loan monitoring/accounting system.
When client next presents card at outlet, they will notice that the repayment and savings amount have been reduced from their card balance NB SmartMoney Payment System will have informed outlets remotely.
FI checks that suspense account is balancing using the reports.

Impact for FI or MFI

Achieves cost reduction and/or containment and revenue enhancement as follows;

- No more expensive cheque writing and movement to deliver loans.
- No more expensive paper movement and manual processing.
- FI/MFI field officers are freed from paper pushing to concentrate on the task of getting and keeping customers.
- FI/MFI earns a monthly fee from each ‘portable bank account’

Competition

SmartMoney for the branchless FI or MFI will be a first of its kind. There are no huge barriers to entry but it makes little sense to duplicate a payment network that is in place. Speed to market is therefore essential for Credit Options.

Solution Set Number Two – SmartMoney to deliver salaries

This solution set works as follows:

FI signs Franchise Agreement to issue SmartMoney cards
FI provides the necessary hardware = A personal computer, a GSM/GPRS Modem, a SIM card (or a wireless connection when transaction volumes dictate) and a Smart Card reader. Specifications will be provided.
Credit Options SmartMoney Centre installs the SmartMoney Payment System application at site agreed with FI
FI agrees with employer (most likely a customer) to issue employees with SmartMoney cards
Each employee completes an application form
Application form forwarded to SmartMoney Centre for card preparation
SmartMoney Centre prepares and personalizes a SmartMoney card for each applicant and returns to the FI
FI releases SmartMoney card to the applicant ensuring to capture biometrics
Payment originator (Employer, tea company, coffee agency etc) forwards payment files to the FI. Payment originator also transfers cleared funds to FI or issues cheque in favour of FI Funds held on suspense account by FI = float for the FI
FI processes the payments immediately upon receipt using the SmartMoney Payment System.
SmartMoney Centre provides the switching facilities to remotely load funds onto the relative cards
Cardholder withdraws funds or uses card to pay for goods and/or services at any outlet with a ‘SmartMoney’ logo.
SmartMoney Centre directs the transaction to the FI that issued card using the SmartMoney Payment System Switching facility.
SmartMoney Payment System provides FIs and Acceptors with the necessary reports – reports are available at the terminal within the FI
Using the reports FI settles the transaction by paying the ‘SmartMoney’ acceptor by debiting the suspense accounts where funds were deposited (locally or through EFT

Impact for FI or MFI

This solution set presents an FI or MFI with the opportunity to sell a salary processing product without going through the taxing and expensive process of product development. A monthly charge will accrue to the FI/MFI who will also benefit from ‘float’ funds in respect of salaries that are partially withdrawn.

Competition

Some banks like Diamond Trust and CFC are already offering salary processing and delivery to flower farms through Automated Teller Machines. They basically position ATMs at the farms and open virtual accounts for workers who then get an ATM card to facilitate salary withdrawal. This service has just but scratched the surface of the market segment. There are huge numbers of employees to go after who are still being paid cash salaries and with the security situation being so desperate, employers will be keen to sign up.

Cost Comparisons for the SmartMoney Customer

Recommended cost to customer is a maximum Shs200. FI or MFI retain Shs100 and pays Shs100 to Credit Options Limited.

	Postbank	Coop Bank	Consolidated	Diamond Trust Bank	SmartMoney portable bank account
Opening balance	500	1500	1000	1000	Nil
Card fees	300	200		0	500
Total opening cost to customer	800	1700	1000	1000	500
Monthly fee if below minimum	300	200	200	Nil	Nil
Salary processing fee	100	250	100	Nil	Nil
Single monthly charge	N/a	N/a	N/a	490	200
Total fees	400	450	300	490	200

Other Solution Sets

The SmartMoney payment System presents opportunities for deployment in other areas. We will be looking at SmartMoney Gold card targeted at ‘members only’ clubs and a SmartMoney Business card aimed at providing a solution to the perennial problem of salespersons being relieved of their days takings by robbers. This will help grow the number of cards issued and therefore our revenues and those of an issuer FI or MFI.

Impact for Credit Options Limited

Credit Options Limited seeks to franchise the use of the SmartMoney Payment System to various FIs and MFIs in return for a transaction fee Shs100 as indicated above. It is up to the franchisee to determine what their target market is able to pay to set their margin. It may not be wise to charge more than Shs200 bearing in mind the charges levied by banks for similar accounts.

Risk

Risk	Factor	Mitigation
Lost card ends up in the wrong hands	High	Biometric access - Access to card contends through fingerprint.
'Stranger' gains access to SmartMoney Payment System and loads selected SmartMoney cards with funds not backed by deposits at bank	Low	Network security <ul style="list-style-type: none"> • Network is password protected • Encryption • Software firewall (when on GSM network) • Hardware firewall (when on combined GSM and wireless network) • This is a dedicated network not a public network.
Employee of Credit Options or technology partner with access to System loads selected cards with unfunded amounts or creates cards and loads unfounded amounts to the cards and proceeds to withdraw.	Low	<ul style="list-style-type: none"> • Clearly defined access levels to enforce separation of duties. • Direct access to database shuts down the whole system • System log records all logins to any system site including the activities undertaken.
System downtime.	Medium	System has a mirror server. If one server fails, the other picks up to ensure system availability.

About Credit Options Limited

Credit Options Limited is a company incorporated in the Republic of Kenya with ambitions to develop into a world-class consumer financial services organization with emphasis in the payments area. We have already set the stage for achieving the desired status by bringing to market successful products. What's more, we are always looking out for new opportunities to satisfy our target market. A payment distribution and collection product that employs smart card technology, the subject of this proposal is one such opportunity. The deployment of this electronic purse also opens the door for targeting various other markets segments. (A comprehensive profile is available).

About Health Data Systems Limited

Health Data Systems Limited (HDS) is a Kenyan Company, providing information technology solutions to the health sector. The company has developed a data warehouse that will see health providers, relevant medical schemes, and patients come together in sharing information through a dedicated and secure information database and a healthcare information network. Based on smart card technology, the solution will be expected to reduce the time taken to process information about a patient, the credit period, as well as fraudulent claims. The solution has an e-purse function. The professional manner in which their product was developed caused us to select HDS as our technology partner.