

# Zimbabwe moves to cashless society as US\$3 million deal yields fruit

Saturday, 12 November 2011 17:37



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Smartpayment Solutions (Smartpay), in conjunction with South Africa's NET1, will on the 22nd of this month kick off a pilot project of Net1's Universal Electronic Payment System (UEPS) in Chitungwiza following the successful conclusion of a venture capital transaction in excess of US\$3 million.

The deal, which got the green light from the Reserve Bank of Zimbabwe (RBZ) a few years ago and had initially failed to take off due to capital constraints, is now on course. Smartpay acting

managing director Ms Miriam Mutizwa said her organisation is excited to offer Net1's UEPS's switch in Zimbabwe as it embodies a branchless banking model (bank without banking halls).

"The RBZ gave the nod for us to implement NET1's UEPS in Zimbabwe a few years ago, but the acquisition of the switch was stalled by the challenges of raising the required amount in foreign currency to implement the project. "We will be rolling out 200 Point of Sale (POS) in the Chitungwiza municipal area. That is more than 200 branches any bank can have. "South Africa's NET1, who are the suppliers of the technology, offered us a venture capital arrangement in excess of US\$3 million. NET1 will pull out after an agreed number of years, leaving us to run the project. The project is in line with the country's indigenisation laws. So presently NET1 is both supplier of the switch as well as investor," she said.

Smartpay's electronic banking concept is targeted at the un-banked, under-banked and facilitation of cashless transactions market with a prepaid smart card or debit card issued via retail and community agents thus creating "a branchless banking model". Smartpay will also offer an affordable suite of banking products and services offered via the smart card, which becomes the physical bank account under-written by various financial institutions that will join Smartpay's electronic banking concept.

Services offered via the smart card will range from wage payments, pension payments, social grant payments, cash deposits, cash withdrawals, wage payments, balance inquiries (directly from the card), transaction lists (directly from the card), deposit without card, wallet to wallet transfers (from primary to savings and vice versa), money transfers between smart cards, bank accounts and un-banked people, third party bill payments to registered, linked and once-off merchants, amongst others. Smart card technology is fast becoming an everyday thing in our culture and daily lives.

Ms Mutizwa said Smartpay's smart card has 155 wallets and presently the country utilising the most wallets in Africa is Ghana, which is utilising eight. The successful implementation of Smartpay's electronic banking concept could be a major stride towards the country becoming a cashless society. Financial experts argue that cash is expensive — a cost on society — and should be replaced by a cashless society as processing a transaction on a card is cheaper than handling cash.

In a report, the European Commission last year calculated that the total cost to society of all payment methods including cash, cheques and payment cards equates to between 2-3 percent of gross domestic product (GDP). To put this figure into context, the entire European Union agricultural sector equates to 2,1 percent of GDP, which means the EU member states spend more on payment costs than it does to

produce food.

Market watchers believe Zimbabwe needs UEPS technology as a sanctions busting measure, as policymakers will need not to worry about importing US dollar notes and coins as we move to a cashless economy, with added features such as ability to transact where there is no connectivity. In Ghana, Net1's UEPS was endorsed by the Bank of Ghana (Central Bank) leading to the formation of Ghana Interbank Payment and Settlement System (GhIPSS). A subsidiary of the Bank of Ghana was established to manage the National Switch (e-Zwich).

All banks in Ghana run on the e-Zwich system, and Barclays Bank runs what are known as Susu bank accounts on the back of the system for informal traders such as those of Mupedzanhamo, Mbare Musika and makorokoza in the mining sector. In Botswana the system is used to provide insurance to villagers and social grants through Choppies supermarkets, while in Malawi the system is used for the distribution of anti-retroviral drugs, inputs and payments for agro inputs and produce. It is also used for fuel by BP Malawi and trades as MalSwitch under the custody of the Malawi central bank.

In South Africa four million pensioners use the smartcard as an account and need not travel further than their local areas. Ms Mutizwa said her organisation will enter into an agreement with them for retail penetration of the previously untapped rural and remote markets, thus providing financial inclusion. She added that Smartpay has already sealed a deal with a State-controlled financial institution where the physical cash sits before it is created on the electronic card as e-Value.

"It is Smartpay's wish to see all banks on the switch to provide a convenient and secure form of banking to every Zimbabwean citizen. Net1's integrated switching, settlement, clearing and smart card payment system is rapidly attracting central banks, banks and governments worldwide. "The solution offered entails a country deploying one integrated infrastructure with multiple users making use of the various applications, products and services provided.

"The UEPS technology provides a turnkey solution enabling a common platform for all electronic payments, as well as broadening the scope for branchless banking across the country. It makes sense for banks to team up with countrywide distributors that can accommodate in their branches/ outlets a bank agency desk to open and register bank accounts as well as offer all the products and services. This allows Zimbabwe to rapidly bank the majority of their population in the most cost-effective manner," explained Ms Mutizwa.

She added that the system makes use of smart card technology and offers proven and tested "state-of-the-art" security protocols. "It is important to note that the security of the system is not dependent on the POS and automated teller machine (ATM) hardware infrastructure or back-end host. The security will occur between the two smart cards transacting with each other.

"Biometric fingerprint technology will also be used as the method of identification throughout the entire system. Above all, offline and online and Real Time transaction processing will enable all citizens to open a smart card bank account and transact anywhere, anytime in the urban, semi-urban, rural and deep rural environments of Zimbabwe," she said.

NET1 is a technology company based in South Africa which is also listed on the NASDAQ Stock Market that provides its (UEPS), as an alternative payment system to address numerous government initiatives which focus on enhancing the lifestyle of their poorest citizens, establishing transparent systems of government and transforming rural towns and villages into vibrant and integrated economic zones.

NET1 believes that it is the first company worldwide to implement a system that can enable the billions of people who generally have limited or no access to a bank account to affordably conduct electronic transactions with each other, and other financial service providers.

The NET1 offline settlement system will also enable all merchants and financial services companies situated in deep rural areas to participate in the system without the need for network connectivity and not only completing transactions off line but on Real Time.

Experts opine that the NET1/ Smartpay system will allow the financial institutions to tap securely into an “untouched” market to create local capital by deposit mobilisation of the monies in the informal sector.

“These deposits will be resident in a trust account in the participating banks.”The value for each user is stored on the smart card, allowing the banks to reinvest the deposits generated and grant affordable loans to small and medium businesses.”