



Diamond Bank , NET 1 target the un-banked with SmartSwitch

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By Babajide Komolafe, Assist Business Editor
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Diamond Bank in collaboration with South Africa's Net 1 U.E.P.S. Technologies, Inc and Innovative Capital and Investments Limited have launched SmartSwitch Nigeria Limited, a company, which will introduce a first-of-its-kind electronic payment system to further, streamline e-payments in Nigeria. The new system will apply advanced information technology to make flexible and secure on-line and off-line electronic payments possible for the un-banked and under-banked citizens of Nigeria.

The new company will provide a fully integrated payment, switching and settlement system suitable for multiple applications, products and services meeting the requirements of the un-banked and under-banked populations.

SmartSwitch Nigeria will be the first of its kind in the country and is expected to have a substantial impact on Nigeria's financial industry. Designed to bring the un-banked into the formal sector, the new channel will revolutionise Nigeria's e-payment system and set the trend for future development in Smartcard solutions.

Explaining the rationale for introduction of SmartSwitch at a press launch last week, managing director, chief executive, SmartSwitch Nigeria, Mr. Olatokunbo Kotoye, stated, "One of the major challenges here involves the cost of processing low deposit and low turnover accounts that many banks find too unprofitable to deal with. There is an urgent need for appropriate technology that will enable banks to process millions of small transactions profitably. As most clients at this level will be illiterate, the technology must be very easy to use by the client and affordable to implement by the bank.

With less than two million functional debit and credit cards in Nigeria today, ePayment has not yet penetrated two per cent of the market. This fact clearly demonstrates why Nigeria remains predominantly a cash based economy to date."

He explained further that, "The objective of SmartSwitch is to deploy a UEPS-based transaction switch that manages a variety of financial and non-financial smart card applications designed to address the needs of the banked, under-banked, and un-banked populations in Nigeria. SmartSwitch will seek to offer all the citizens of Nigeria access to financial services and products, irrespective of whether they reside in urban, semi- rural or deep rural areas of Nigeria. Our primary aim is to enhance the life of the masses by providing access to previously unavailable financial services and products. We are able to do this because we have technology that operates perfectly without power and telecommunications. I would like to repeat this — The UEPS technology works when there is NO NEPA and NO GSM NETWORK!

This means ePayment can now happen everywhere in the country including the remote towns and villages in Nigeria. We will soon see a Nigeria where funds are transferred electronically from one illiterate trader to another in different states over the SmartSwitch Network. The UEPS, the Universal Electronic Payment System is a world first in the application of financial technology to the un-banked and under-banked. It has live applications in over eight African countries including South Africa, Ghana, Namibia, Malawi, Rwanda, Burundi, Mozambique and now Nigeria, the most populous country in Africa.

The UEPS is simply the method of loading, spending and settlement. Customers are able to effect transactions offline in underdeveloped areas due to the lack of communications infrastructure. All transactions occur between two smart cards at a Point Of Sale (POS) terminal rather than through a host mainframe.

This is the fundamental difference between the UEPS and traditional electronic payment systems. With the UEPS the transaction happens in real time as funds are physically moved from the buyers smartcard to the sellers smartcard, but this happens offline as the Point Of Sale (POS) terminal is not connected to the host computer during the transaction."



All transaction activities like cardholder authentication and fund availability verification are conducted between the cards independent of the host computer.

The traditional electronic payment systems imported from developed countries requires a live connection to the host computer for each transaction. This connection is typically done via a phone call, or a GSM call in countries like Nigeria where the PSTN network is not widespread. With a GSM call costing about N40 in Nigeria you can easily see why the masses have been left out of the e-payment revolution to date.

Our solution deals effectively with the challenge of providing a safe, secure and affordable means for the masses to participate in the electronic payment revolution. Many companies and institutions will be able to provide their services and products directly to the masses. This will include Pension Payments to the elderly, wage payments to employees and also rural cash transfers amongst many others”.