

FINMARK TRUST

MAKING FINANCIAL MARKETS WORK FOR THE POOR

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Penrich Employee Benefits

Penrich Employee Benefits is a term lender in Botswana, serving people who aren't eligible to borrow from commercial banks. It is about to expand its offering, using a chip based platform to reach people in remote rural areas. Together with Bank Gaborone and the Bathomatla Funeral Group, it will offer a chip based card, which will deliver a range of financial services, including a Mzansi type bank account with no minimum deposit threshold and minimal bank charges.

The scheme, which will be known as SmartSwitch Botswana, is based on the Universal Electronic Payment System (UEPS), an alternative payment system for the unbanked and underbanked populations of developing economies. It will make use of the point of sale (POS) infrastructure of a major retailer, with 160 outlets across the country. People will be able to make purchases and conduct banking transactions, including card-to-card remittances.

Penrich's client base is made of the membership of its empowerment partner, the Manual Workers' Union, which represents workers employed by the Botswana government on rolling five-year contracts.

When Penrich was founded in September 2000, the first challenge was the mammoth task of collecting repayments from people who were paid in cash at more than 600 paypoints, some of them in remote areas. In response to pressure from the union and Penrich, the Botswana government centralised the payment system in 2002 and payments were then made by cheque or directly into an employee's bank account

But credit was only the point of departure and Penrich soon started offering other services and products.

Having surveyed 4000 union members about their financial needs, Penrich discovered many people borrow money for funerals. So it set up a funeral scheme — becoming the first term lender in Botswana to offer funeral insurance. The product, launched in 2001, provides P4 000 worth of cover for a P16 monthly premium. The scheme now has over 20 000 members.

In June 2003, Penrich concluded a joint venture with the Bathomatla Funeral Group which makes it possible for members to get the services of an undertaker on credit until the insurance money is available to be paid direct to the undertaker. Union members have contributed to the growth of the scheme by using their dividend payments to provide free tents and general equipment for funerals.

In October 2004, Penrich launched a low cost, legal insurance scheme, setting up a call centre and two full time legal practitioners. It has been rebranded as Thari Legal Shield (Thari is the sling traditionally used by Batswana women to carry their children in). And, from March, it will be run as a quasi legal firm with lawyers available in Gaborone, Francistown and Maun. It has more than 6 000 members.

In December 2005, the company launched a low cost medical insurance for people who are unable to afford conventional products: the Penrich Medical Provida.

Its latest venture is in partnership with Net-1/SmartSwitch, which provides UEPS for SmartSwitch Botswana.

Penrich has 60 employees working at its 10 branches in Gaborone, Selibe-Phikwe, Francistown, Kasane, Kanye, Lobatse, Palapye, Maun, Gantsi and Molepolole.

Net 1 UEPS Technologies Inc

Low income people in Namibia will soon have access to a smart card that can cater for up to 255 different wallets. The card can be used for various smart card applications, both financial and non-financial. These include savings and other banking services, wage payments, third party bill payments, social security grants, health care management and identification, local money transfers and many other financial services and government applications.

The service, which will be more cost effective than existing banking products, will be provided by SmartSwitch Namibia, a 50%-50% joint venture between Net 1 UEPS Technologies Inc and Nampost, the Namibian post office. Registration, enrolment and issuing of smart cards to Nampost's 250 000 existing customers started in January 2006. The point of sale (POS) equipment has been deployed at NamPost's 120 branches throughout Namibia. The existing Nampost product offerings such as Savings Accounts, SAYE, Savings Certificate and Fixed Term Deposits have been re-written and will now be managed via the Net1 smart card technology.

The new switching settlement and smart card payment system will draw on a float account held in the Nampost bank account, at the institution of their choice, to allow clients to transact with other card holders.

A smart card is loaded with funds, to make it a secure, portable card account. Transactions take place in real time, but offline, through a portable offline smart card reader. Customers are identified with the Net 1 biometric fingerprint methodology. When the client registers and the smart card is issued, ten fingerprints are taken and the images are converted into templates and stored on the chip of the smart card. A customer wanting to make purchases or draw cash from the card will have to present one. The transaction will only take place when a successful match is made against the template stored on the card. It will debit the customer card and credit the merchant card with the value due.

At the end of the business day, or as and when required, bank tellers and/or merchants dial up once, either through the normal telephone lines or via GPRS (GSM network), to settle the transactions stored on their merchant cards to the SmartSwitch back-end system. The amounts due to the merchants and/or participating bank/post offices etc are paid via the central clearing system to their traditional bank accounts.