Proposal: Buy Now, Pay Later (BNPL) Project

1. Objective of the BNPL Project

The BNPL initiative aims to support the growth of businesses selling electronics and furniture, providing consumers with a flexible credit option while ensuring businesses are paid in full. This project will drive sales for businesses, generate revenue through subscription fees and loan interest, and provide a seamless, risk-managed credit system.

2. How the BNPL System Works

- Business Subscription: Participating businesses will pay an annual subscription fee of 100,000 TZS to access the BNPL platform. With 1,000 businesses subscribing, this can generate 100 million TZS annually in revenue.

- Consumer Purchase Process:
  1. Initial Payment: Consumers make an upfront payment of 40% of the total purchase price.
  2. Loan for the Remaining 60%: The BNPL system covers the remaining 60% through a loan, allowing consumers to take the product home immediately.

- Loan Eligibility:
  - The customer provides their bank details for credit verification.
  - The system uses NMB Bank APIs to assess the customer's last 4 months of cash flow.
  - The loan amount is capped at the customer's monthly salary, with a maximum initial loan of 500,000 TZS.
  - The loan is repayable over three months.

- Repayment Process: A standing order will be established on the customer's account to automatically deduct payments at the end of each month.

3. Collateral and Risk Management

- Collateral: The electronics and furniture purchased act as collateral. If the consumer defaults, the product will be repossessed, and the 40% initial payment will not be refunded.
- Creditworthiness Check: The NMB Bank API ensures only eligible customers receive loans, minimizing risk by analyzing verified income and cash flow data.
- Standing Orders: Automated deductions ensure timely repayment, reducing the likelihood of default.

4. Interest and Service Charges

The BNPL system offers a competitive yet profitable model for credit:

- 10% Total Monthly Charge:
+ Transaction charges

The consumer will pay 10% of the loan amount per month, making the terms clear and manageable.

5. Financial Projections and Profitability

- Business Subscriptions: With 1,000 businesses subscribing at 100,000 TZS annually, LINDAPESA will generate 100 million TZS annually from subscription fees.

- Loan Issuance and Interest Income:
  - Assuming LINDAPESA issues 500 million TZS in loans per month, the 10% monthly charge will generate 50 million TZS in monthly revenue.
  - Over the course of a year, this amounts to 600 million TZS in revenue from interest and transaction fees.

This financial model ensures profitability from both subscription fees and loan issuance, with the potential for further growth as the maximum loan amount increases beyond 500,000 TZS and the number of businesses grows.

6. Benefits to Businesses

- Immediate Full Payment: Businesses are paid the full price upfront, improving cash flow and minimizing financial risk.
- Increased Sales: By offering BNPL, businesses make higher-priced items like electronics and furniture more accessible to consumers, boosting overall sales.
- Steady Subscription Revenue: Businesses contribute an annual subscription fee, generating consistent revenue for the platform.

7. Benefits to Consumers

- Flexible Payments: Consumers can spread the cost of larger purchases over three months, reducing financial strain.
- Quick Credit Approval: Credit checks using NMB Bank's APIs allow for a quick and secure assessment, enabling fast loan approvals.
- Product-Backed Loans: Consumers have the option to finance high-value electronics and furniture, with the product itself serving as collateral.

8. Implementation Timeline

- Phase 1: Platform Development (2-3 months):
  - Integration with NMB Bank's APIs for credit verification.
  - Development of loan management features, standing order setup, and automatic deduction processes.

- Phase 2: Business Onboarding and Consumer Rollout (1 month):
  - Onboarding businesses and implementing the subscription model.