

Rural Bank Mobile Phone Banking Applications for Microfinance Clients in the Philippines

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Mobile Phone Banking

Challenges and Opportunities:

- Large numbers of rural microfinance clients with high transaction costs
- Expansion of low-cost, cell phone networks in Asia, Africa, and Latin America
- Opportunity to operate “virtual bank accounts” to pay for services or transfer money utilizing SMS
- Significant advantage: existing infrastructure and millions of mobile phone users



Environment and Business Drivers

Opportunities

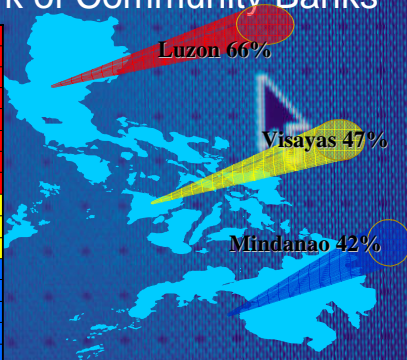
- International remittance business. Over US\$10Billion for 2005.
- More than half of the population live in rural areas.
- Rural areas are an under-served market due to high transaction costs.
- New technology in mobile communications enables RBs to:
 - Offer existing and new banking services at very low cost
 - Optimize operating efficiency
 - Improve customer service and increase value of relationships
- Existing adequate base of cell phone users among RB clients

Rural Banks in the Philippines

- Philippine rural banking network coverage: 760 rural banks with over 2,000 branches
- 50 year history
- US\$2 billion in assets
- Over 5 million deposit accounts
- Over 1 million borrowers

A Wide-Reaching National Network of Community Banks

Reg 1	75%
Reg 2	58%
CAR	25%
Reg 3	93%
Reg 4	75%
NCR	24%
Reg 5	50%
Reg 6	68%
Reg 7	50%
Reg 8	24%
Reg 9	24%
Reg 10	61%
Reg 11	68%
Reg 12	51%
Reg 13	30%
ARMM	6%



Microenterprise Access to Banking Services Program

The MABS Program provides technical assistance and training to rural banks in microfinance best practices. The program is designed to assist banks to develop the capability to profitably provide financial services to microenterprises.



Globe Telecom

- One of the leading mobile phone operators in the Philippines
- Over 12 million subscribers
- Over US\$1B annual revenue
- Cell phone industry processes approx. 200 million messages per day in the Philippines
- New micro-payment system initiated in Oct 2004 called G-Cash
- Over 1.3 million G-Cash subscribers today
- Over \$260 million in G-Cash transactions since Oct 2004

What is G-CASH?



- Cash-less and card-less micro payment over a mobile phone.
- The country's first and only mobile wallet service
 - Purchase goods and services
 - Micro-finance applications
 - Tax and bill payments
 - Send and receive money person to person or P2P
 - Domestic and international remittances

G-CASH



M-Commerce service. Transactions not merely limited to remittances.

Registration is one-time and SMS-based. Only a self-assigned mobile PIN and recipients' mobile number are required for transactions.

G-Cash is cardless. Transactions and remittances are text-based.

SIM in existing Globe cell phone users can be used. No need to change SIMs.

Phone-to-phone transactions. No additional equipment needed. Deployment is faster, cheaper.

PIN-locking process to keep the account secure. Subscribers can claim G-Cash at Business Centers if they lose their phone.

Environment for Electronic Banking



- **Evolution of the retail and financial sectors:**
 - Sophisticated and developed cell phone market and competitive banking sector
 - 40% of population are cell phone users
 - Up to 90% of current rural bank clients have access to cell phones
- **Level of financial/electronic literacy:**
 - Text messaging popular in the Philippines
 - Over 200 million text messages sent daily

Environment for Electronic Banking

- **Regulatory and Policy Environment:**
 - Recognized by the Philippine Central Bank as a new payment system
 - Anti-Money Laundering Features
 - Partner Accreditation
 - Cash-In/Cash-out Documentation
 - Over-the-air subscriber registration
 - Wallet and Transaction limits



Text A Payment



An innovative electronic banking service that uses cell phone's short messaging services (SMS) function to send money to the bank to pay for loan amortizations or deposit funds utilizing G-Cash, Globe's electronic money platform.

Customer Perspective: The Value Proposition

- **Features:**
 - Loan Payments and Money Transfers
- **Accessibility:**
 - Large network of conveniently located merchants
- **Affordability:**
 - Saves substantial travel time for clients in rural areas
 - Reduced interest rate/service fee for clients paying via text
- **Ease of use:**
 - Easy to use, fast & user friendly
 - As simple as sending a text message
 - Transactions anywhere, anytime in seconds



Institutional Perspective: The Business Case

- **Functionality:**
 - Facilitates micro payments and bills payments
 - Can be used for domestic and international remittances
 - Deposits and withdrawals
- **Fees and Charges:**
 - Low cost to banks
- **Efficiency Gains:**
 - Reduction in operating costs (collection and posting)
 - Increase in productivity of staff
 - Fast, safe and easy to use



Institutional Perspective: The Business Case

- **Controlling Development Costs:**
 - No additional equipment or infrastructure investment, only a cell phone needed.
- **Partnerships & Distribution Network:**
 - System builds on existing network of over 12 million cell phone users and 500,000 merchants.
- **Multiple Business Cases:**
 - Low fee high volume business model
 - Globe collects text fee US\$0.02; merchant collects 1% service charge; banks reduce collection costs, improve efficiency & outreach



Thank You!!!

*For more information, please contact Chemonics International.
A full report on mobile phone banking in the Philippines will be
available shortly at www.chemonics.com.*