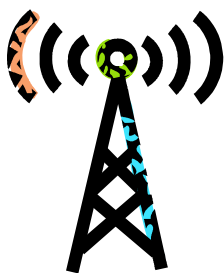


# RBAP Text-A-Payment & G-Cash Cash-in/Cash-out Services

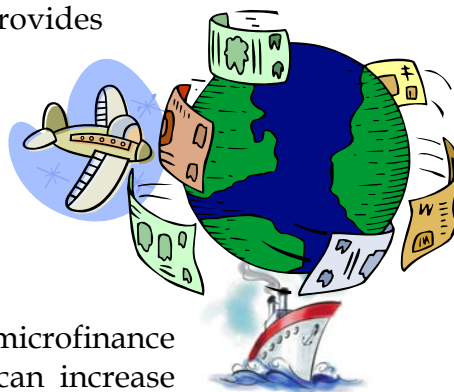
*Innovative Banking Services at Your Fingertips*

## Introduction



Innovations in Information and Communications Technology (ICT) play an important role in the technological development of the Philippine banking sector. ICT plays a crucial part in increasing transparency and improving banking service delivery. In developing countries, ICT can be utilized to develop innovative banking application which can be used to reach clients in all levels of the society.

In the Philippines, the mobile phone industry provides technology which is secure, reliable and affordable. Through the 2<sup>nd</sup> generation evolved mobile phone technology, SMS services can now be utilized by banks in mobile banking transactions. Mobile banking services in the Philippines include payment transactions, deposit transactions and fund transfers.



The use of mobile phone technology impacts microfinance activities of rural banks in three distinct ways. It can increase efficiency by making microfinance activities faster, cheaper, in fewer steps, at lower costs and involving less people. Second, mobile phone technology makes microfinance services more interactive, more transparent and with fewer errors. It provides a secure method of payment which reduces fraud, counterfeit and theft. Lastly, on the innovation front, it can help rural banks derive new products and services, explore customer bases and create new value propositions. In general, mobile phone services can improve efficiency and productivity of rural banks and the microfinance products and services they offer by introducing technology that will expand its client base, reduce costs and accelerate processing of loan payments, therefore, more time for portfolio management and generating new loan accounts.



In November of 2004, the Rural Bankers Association of the Philippines (RBAP), in coordination with the MABS Program, signed an agreement with Globe Telecom-GXI to pilot test the RBAP Text-A-Payment. Text-A-Payment, or TAP for short, is an innovative micro loan collection service conceptualized and initiated by MABS that utilizes the technology of G-Cash.

After MABS and GXI conducted an initial assessment and got approval from Bangko Sentral ng Pilipinas (BSP) on February 1, 2005, 4 banks were selected (2 banks in Mindanao and 2 banks in Luzon) pilot test sites for Text-A-Payment. During the months of January and February, 2005, MABS and GXI jointly conducted training to the pilot banks. The training included orientation of banks' staff and borrowers on G-Cash and Text-A-Payment policies and procedures which included security considerations, borrowers and banks responsibilities, contingency plans in order to handle any potential problems and concerns.

The conduct and experience of the Text-A-Payment pilot testing were documented, discussed and analyzed.

### **Product/Service Details : Text-A-Payment**

The "Text-A-Payment" service is an innovative mobile technology product that uses the SMS technology of Globe Telecom to pay for microfinance loan payments of borrowers. RBAP is now working with Globe Telecom-

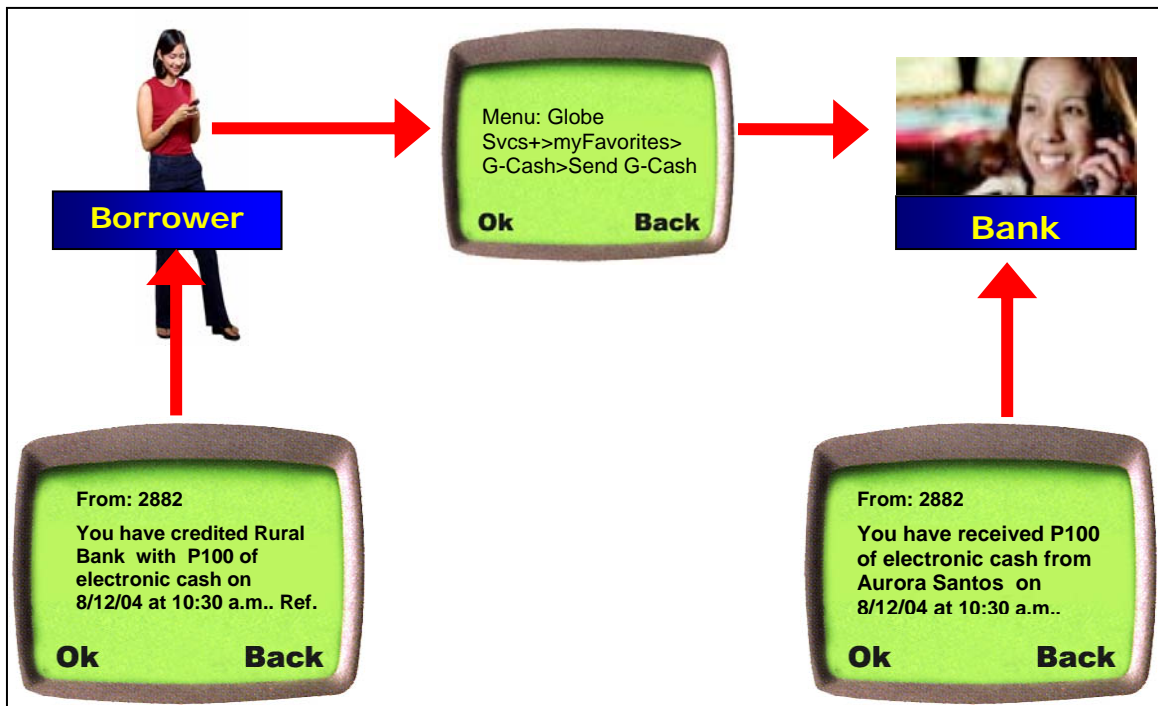
GXI, to utilize their "G-Cash" technology developed by Globe Telecom that transforms a typical mobile phone into a virtual/electronic wallet. New, existing and repeat borrowers can utilize the service for payments of their microfinance loans.



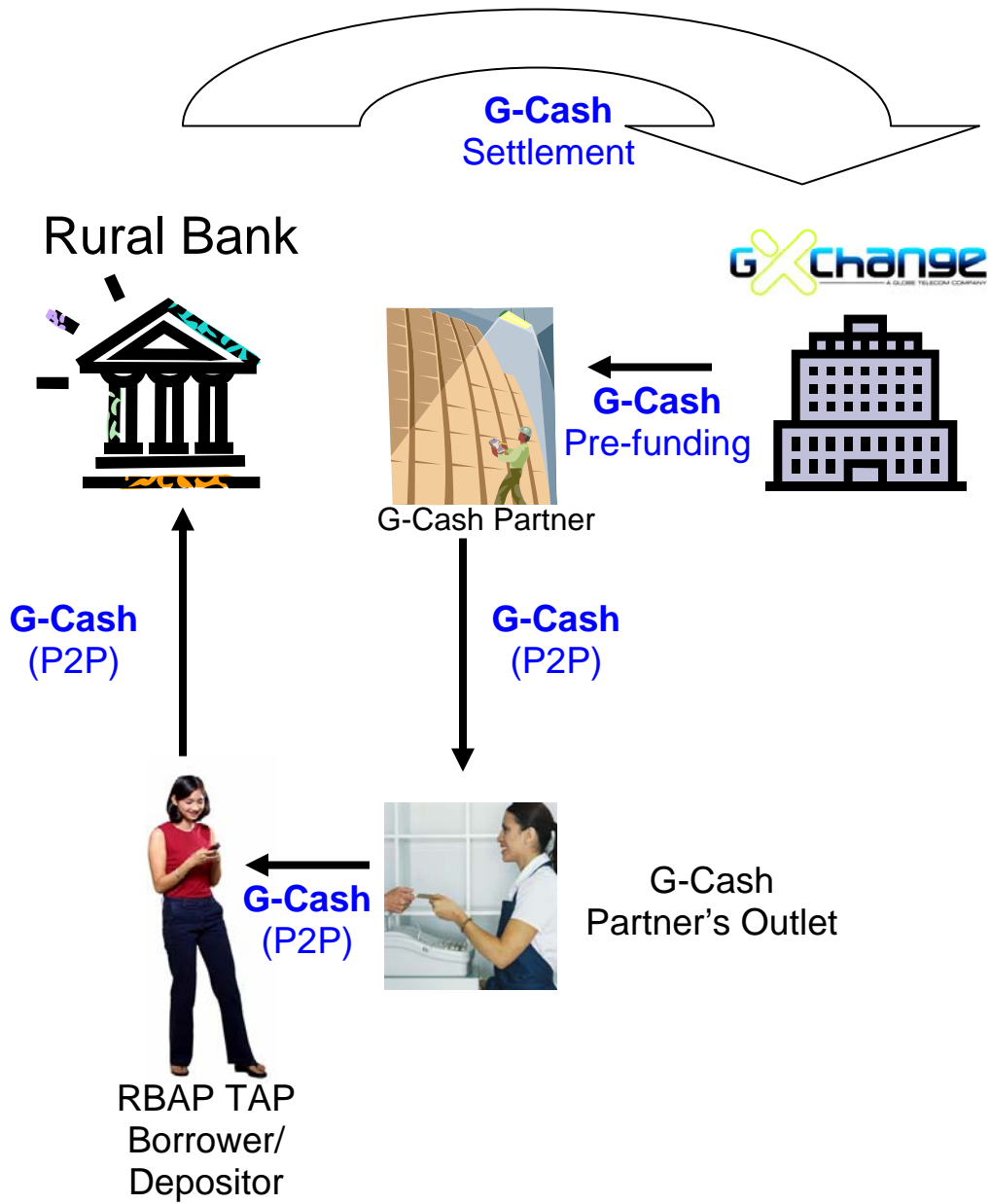
The G-Cash product of Globe is an SMS based technology that turns a cellphone into an electronic wallet. With G-Cash, Globe and Touch Mobile subscribers can easily and conveniently send and receive cash and make payments through SMS or texting. G-Cash offers payments, phone to phone fund transfer and domestic money transfer services all via text or SMS. Globe has partnered with various merchants nationwide who now readily accept G-Cash as a secure money payment service.

How does it Work?

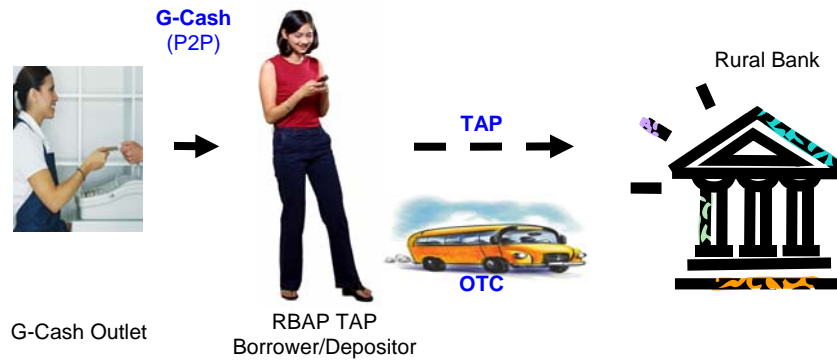
Sending of G-Cash Value



Text-A-Payment Transaction Flow :



An Illustration of the Financial Benefits of G-Cash Text-A-Payment :



	TAP	Over the Counter	Advantages of TAP
<b>Direct Costs</b> (assume P1,000 deposit and min. fare)	P10 G-Cash In service fee	P16 roundtrip	P6 savings
<b>Opportunity Costs</b> (assume travel and branch transaction time takes 4 hrs, and depositor makes P200 when engaging in business for 4 hrs)	None	P200	P200 additional earnings
<b>Total Costs per transaction</b>	P10	P216	<b>P206 savings</b>
<b>Risks</b>	None	Holdup	No cash-in-transit risks

In summary, TAP's benefits are as follows:

- **Direct Cost Savings.** Clients can just text their loan amortization or deposits to the bank anytime, anywhere and without going to the bank. Assuming minimum fare of P8.00, transport cost savings is at least P16/week or P64/month, not to mention other incidental expenses like food, etc.
- **Opportunity Cost Savings.** At present, borrowers/depositors spend up to half a day to visit and transact with a branch. For a tricycle driver, 4 hours gained may translate to P200 in additional revenue.
- **Elimination of cash-in-transit risk.** Bringing cash to the bank to pay for loan or make deposit exposes borrowers to risk of snatching or holdup. Texting payments to the bank eliminates such risk.

- **Optimization of resources.** For the rural banks, collection costs are reduced by relying less on collectors and optimizing their time instead to look for other borrowers or depositors, and expand client portfolio. Since payment is electronic, transaction processing may be automated thereby decreasing back office costs. With borrowers and depositors remitting payments through text, the banks' lobby spaces are also optimized.

### Product/Service Details : G-Cash Cash-in/Cash-Out Fund Transfer/Remittance Service

Cash-in/Cash-out is an exciting feature of the G-Cash services. It allows fund transfer (P2P) by using ordinary mobile phones. The potential of an affordable service is immeasurable in a country like the Philippines, where over 30 million people own or have access to mobile phones.

The approval by the Bangko Sentral ng Pilipinas of the Cash-in/Cash-out G-Cash service will definitely make waves in the local remittance business. Currently, the industry is being served by courier service companies, banks, pawnshops, and mega stores. For banks offering the traditional remittance service, the cost would be around 10% of the remitted amount. However, using the G-Cash Cash-in/Cash-out service, the cost of remitting money would drop to approximately 2% and while offering a fast, efficient, reliable and safe mode of sending money.

### G-Cash Cash-in/Cash-Out Service : What More Does it Offer?

Other than local remittance, the service can also be utilized as :

- a. Cash Withdrawal
- b. Bills payment
- c. Alternative online Cash Management solution

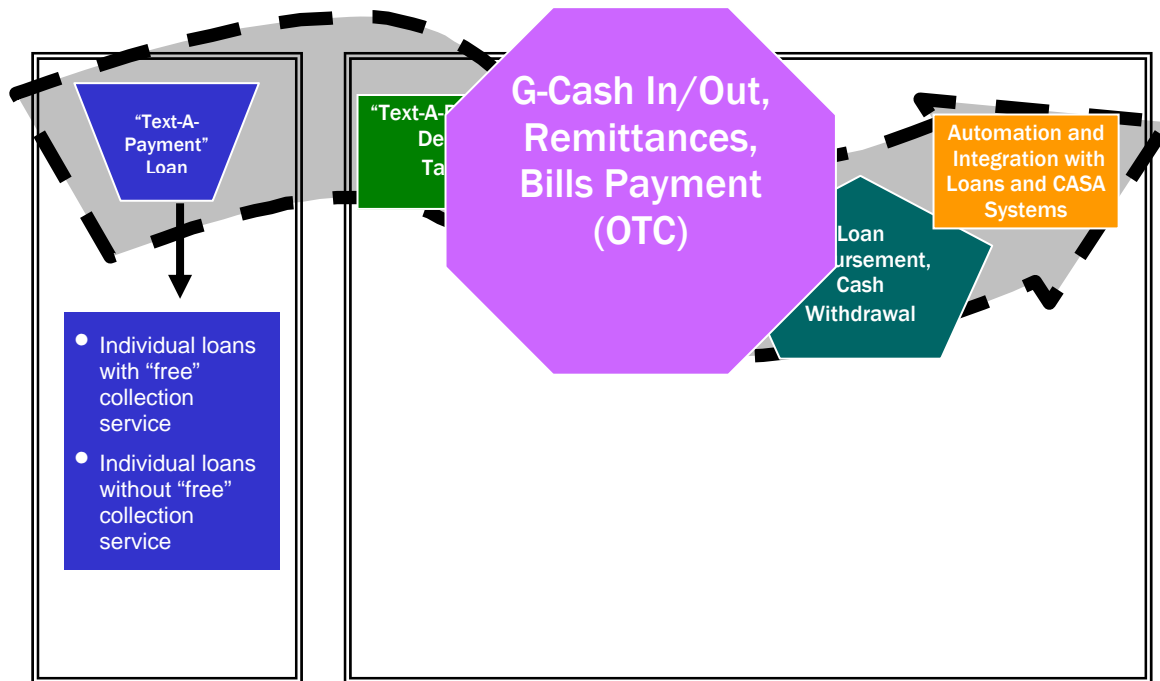
### Benefits of Cash-in/Cash-out :

- For the Client
  - Cost Savings
  - Time savings and convenience
  - Minimize risk from theft/robbery

- For the Bank
  - Increase revenues from new/additional fee-based services. May be offered to non-depositors.
  - Increase revenues by taking advantage of and participating in remittance business
  - Increase revenues from higher value of relationship with client by improving client satisfaction and loyalty through better service
  - Increase revenues from more clients brought by good testimonials from more satisfied clients
  - Low transaction cost
  - No huge capital or operating expenses required

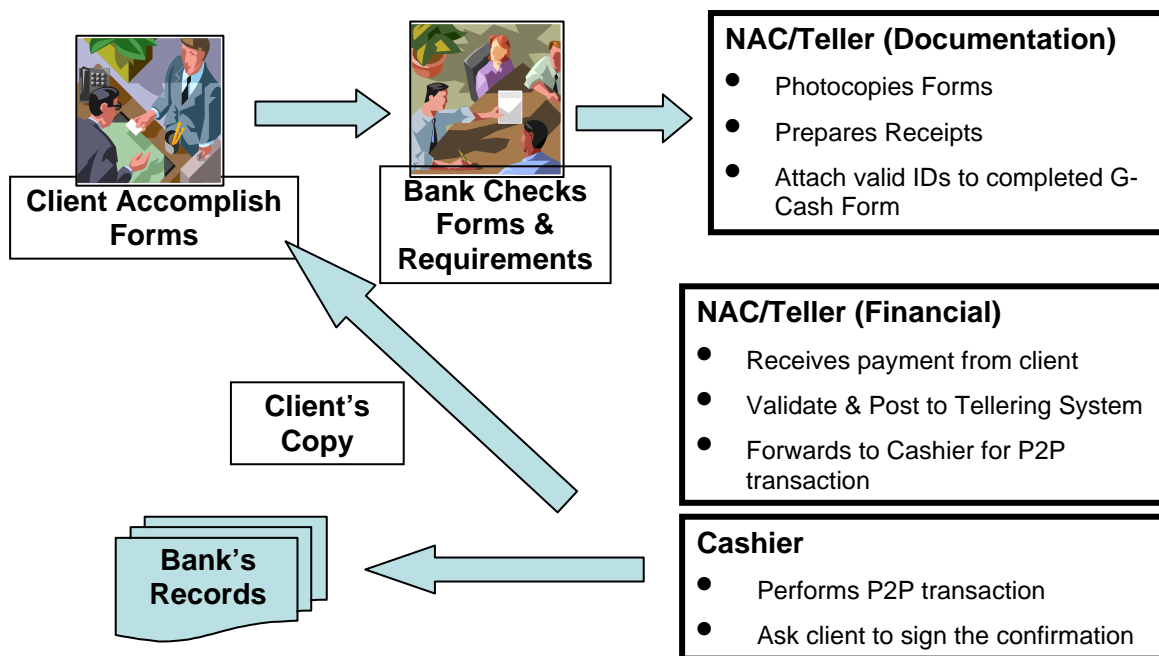
The road map in the application of G-Cash Services :

The wide array of services that G-Cash offers can be drawn into a road map where beyond TAP, the rural banks can continue to enjoy the benefits of G-Cash through the Cash-in/Cash-out service.

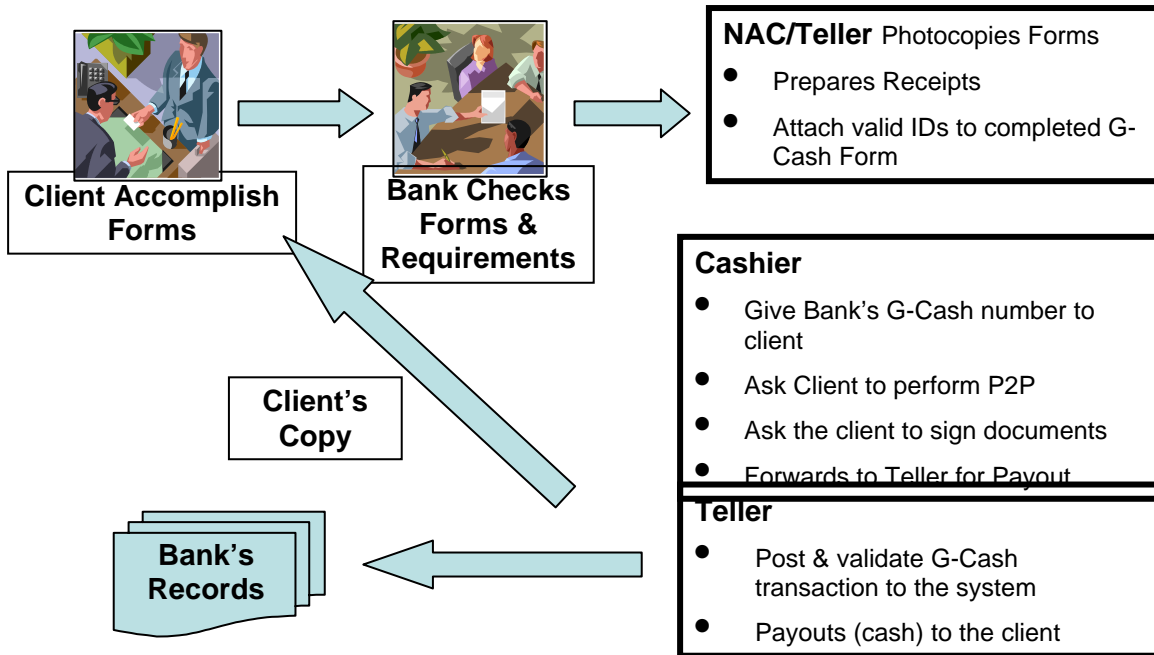


G-Cash Cash-in/Cash-Out Service : How does it work?

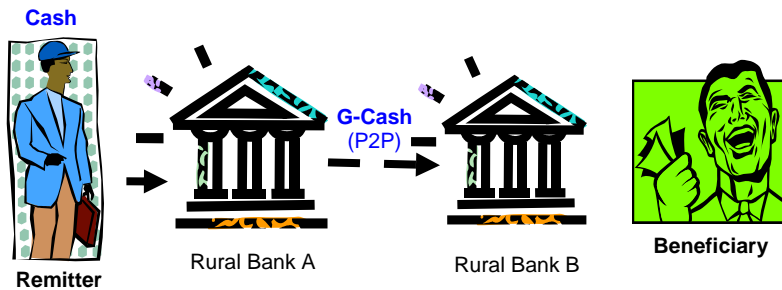
Cash-in Transaction Flow:



Cash-out Transaction Flow:



An Illustration of the Financial Benefits of G-Cash Cash-in/Cash-out Service :



	G-Cash	Brand W	Advantages of G-Cash
<b>For the Client:</b> <b>Transaction Cost</b> (assume P2,000 remittance) (assume 2% remittance fee)	P82.47 (P41.65 fee from remitter to Rural Bank A, P40.82 fee from beneficiary paid to Rural Bank B.) Remitter tells beneficiary the G-Cash Ref. No. from RB A's cellphone. Beneficiary quotes G-Cash Ref No. to RB B to claim remittance.	P150 for remitter	<b>P67.53 savings</b>
<b>For the Bank:</b> <b>Fee-based Income</b> (assume P2,000 remittance) (assume 2% remittance fee)	P41.65 fee for RB A P40.82 fee for RB B (RB may increase its fee)	P36 share - RB A \$0.21 share - RB B (~P11.5 for P700)	RB can set fees lower than Brand W to get more clients while earning more at the same time

G-Cash Settlement Process

