



USAID
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Enhancing Rural Banks' Competitive Advantage Through Mobile Money

61st Annual National Convention and General Membership Meeting

May 21, 2014



About SIMM

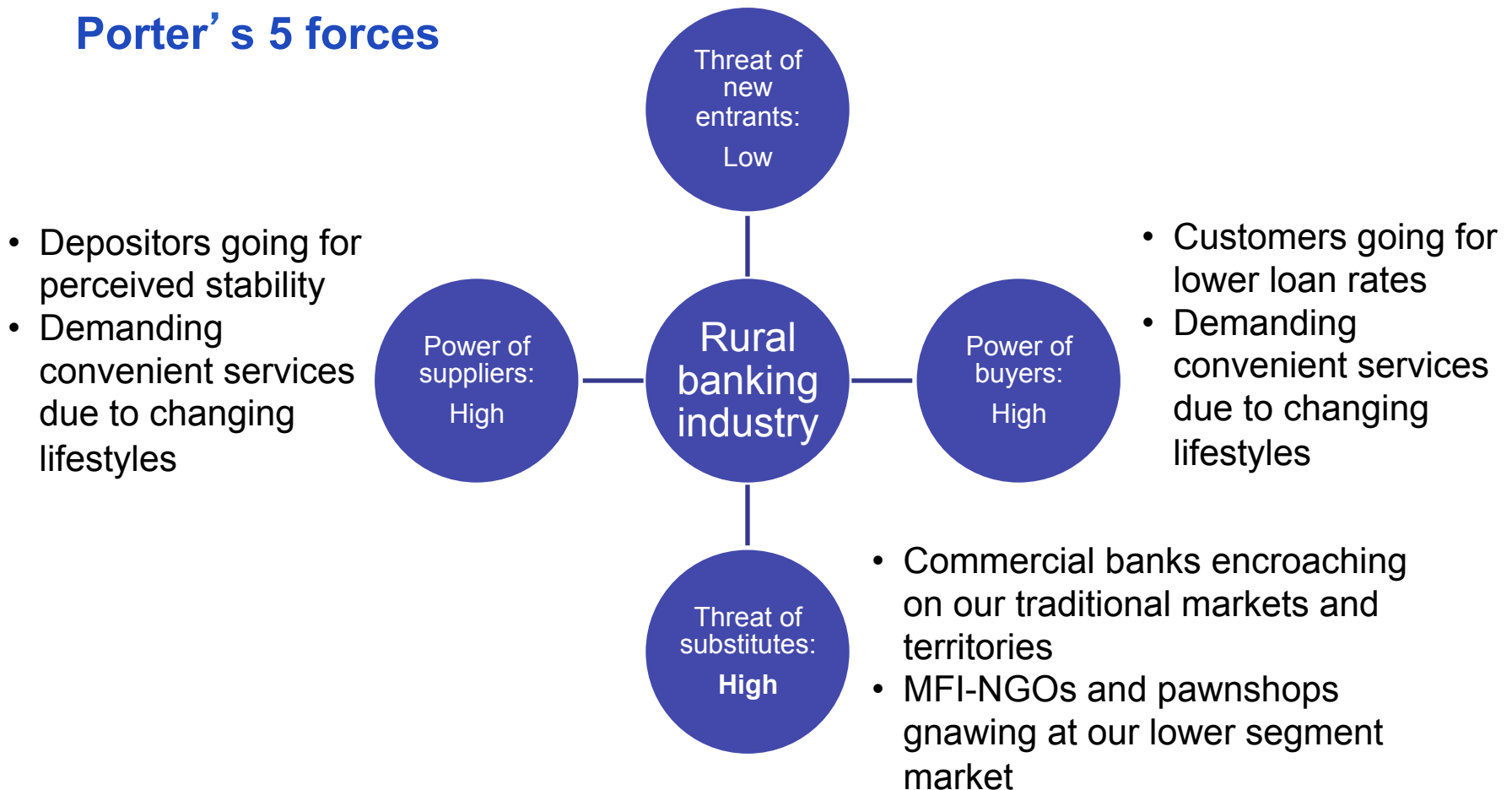


- 2-year program funded by USAID. Started in April 2012.
- Objective is to increase **financial inclusion** with two inter-connected goals:
 1. Boost expansion and rapid adoption of m-money services
 2. Create an enabling environment for m-money
- Agreed between Pres. Aquino and USAID Administrator Rajiv Shah in June 2012 in Washington, DC.
- Supports GPH objective of inclusive growth in the Philippine Development Plan
- Supports USAID objectives for Partnership for Growth
- Working with LGUs and MFIs to use mobile money to:
 - Disburse payroll, grants and loans to over 250,000 people
 - Collect taxes, fees and loan amortization



Challenging times for the rural banking industry

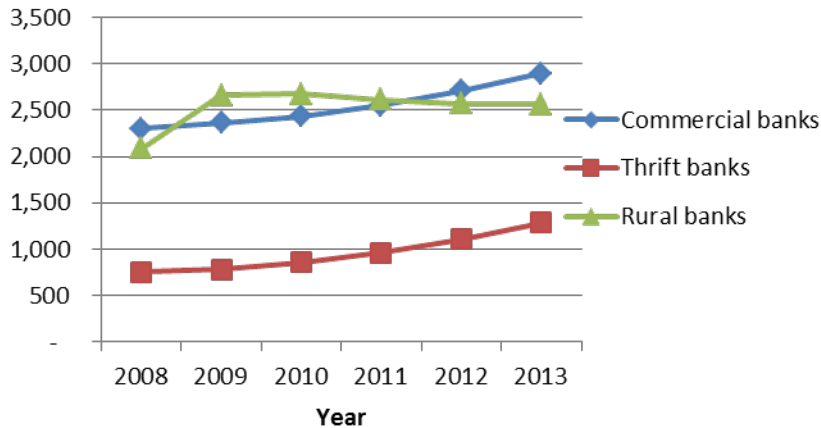
Porter's 5 forces



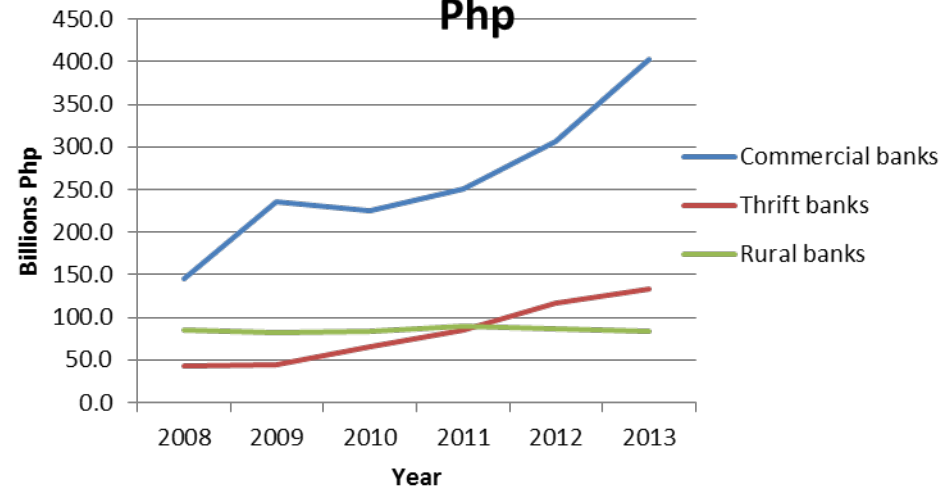


Commercial banks encroaching in our traditional markets

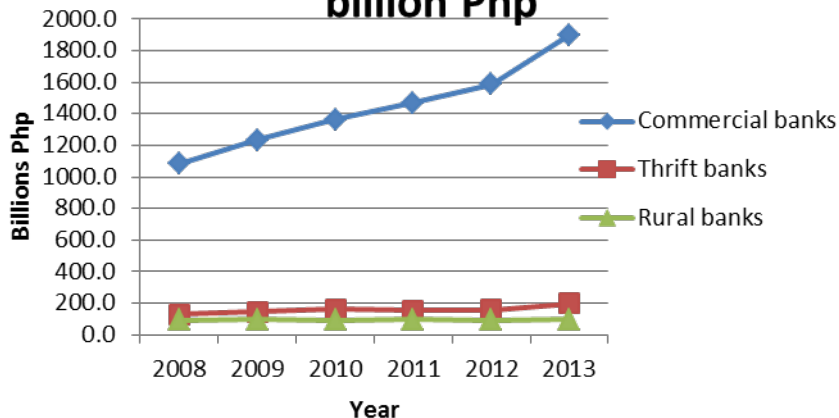
No. of banking offices (excl NCR)



Loan Portfolio (excl NCR), in billion Php



Deposit Liabilities (excl NCR), in billion Php



**And cornering market share,
attracting our customers**



SWOT Analysis for strategic directions

| | | |
|--|---|--|
| <p>Goal: Sustain our rural banking business</p> | <p>Internal Strengths</p> <ol style="list-style-type: none"> 1.Excellent customer service 2.Close and personal customer relationships 3.Knowledge of local culture and practices 4.Agri loan products | <p>Internal Weaknesses</p> <ol style="list-style-type: none"> 1. Technology 2. Operational capacity 3.Marketing capability |
| <p>Opportunities</p> <ol style="list-style-type: none"> 1.Large untapped market 2.Decreasing cost of technology, or improving access to technology like e-banking, e-payments, including m-banking and m-payments | <p>Strategic Options Using Strengths to Maximize Opportunities</p> <ol style="list-style-type: none"> 1.Deliver banking services and excellent customer service to the untapped areas using m-banking technology 2.Sustain customer loyalty by offering convenient e/m-banking with warm customer relationship | <p>Strategic Options Using Opportunities to Minimize Weaknesses</p> <ol style="list-style-type: none"> 1. 2. |
| <p>Threats:</p> <ol style="list-style-type: none"> 1.Commercial banks 2.MFI-NGOs and pawnshops | <p>Strategic Options Using Strengths to Minimize Threats</p> <ol style="list-style-type: none"> 1. | <p>Strategic Options Using Weaknesses to Steer Clear of Threats</p> <ol style="list-style-type: none"> 1. |



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**Scaling Innovations in Mobile Money
(SIMM) Project**

Case study: First Isabela Cooperative Bank (FICO Bank)

- Started over 35 years ago with 2 coops and 47 Samahang Nayons
- Operating in Regions I to III
- Now has 27 branches with over Php 2B in resources
- Implemented outsourced m-banking model using Globe's GCash in February 2014. Piloted in 2 municipalities.
- Strategic directions:
 - Get more customers from remote areas and mobilize deposits as least cost funding source to maximize net interest margin while keeping cost structures in favor of variable costs
 - Defend current customer base by giving them convenient m-banking service with ATM/debit card for Puregold, Robinsons Mall, SM City, and other establishments with Bancnet/Megalink POS



Extending banking services beyond bank branches

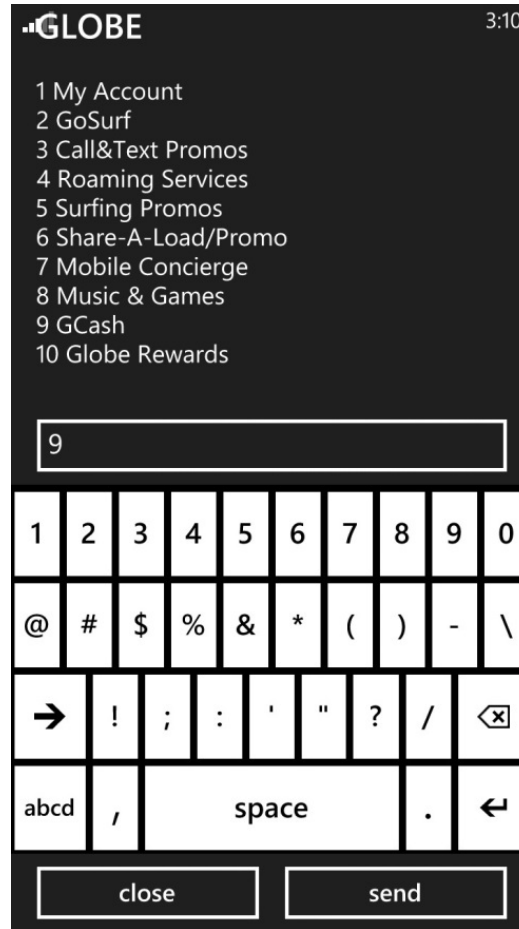


Benito Soliven:

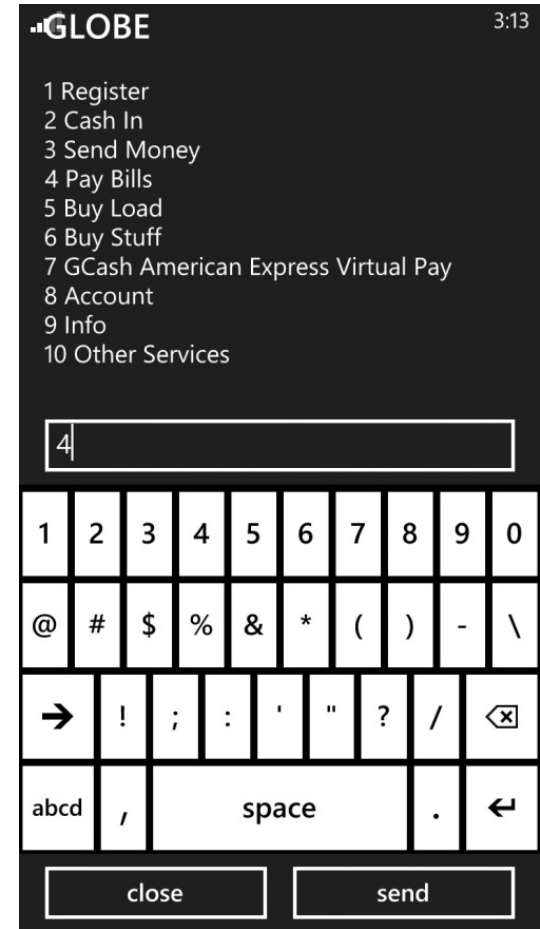
- 4th class municipality 19 kilometers away from Cauayan City
- Travel time from Benito Soliven to Cauayan City is around an hour (round trip) and costs PHP100



Go to GCash



Select GCash (9)



Pay bills (4)



Select FICO Bank (5)



8:29

GLOBE

FICO Transaction
1 FICO Deposit
2 FICO Loan Payment

1

| | | | | | | | | | |
|------|---|-------|---|---|---|---|---|----|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 0 |
| @ | # | \$ | % | & | * | (|) | - | \ |
| → | ! | ; | : | ' | " | ? | / | <x | |
| abcd | , | space | . | ← | | | | | |

close send

Select Deposit

8:34

GLOBE

Enter Amount in Php (1-8 digits)

20

| | | | | | | | | | |
|------|---|-------|---|---|---|---|---|----|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 0 |
| @ | # | \$ | % | & | * | (|) | - | \ |
| → | ! | ; | : | ' | " | ? | / | <x | |
| abcd | , | space | . | ← | | | | | |

close send

Enter amount

8:34

GLOBE

Enter 4-digit MPIN.

| | | | | | | | | | |
|------|---|-------|---|---|---|---|---|----|---|
| q | w | e | r | t | y | u | i | o | p |
| a | s | d | f | g | h | j | k | l | |
| ↑ | z | x | c | v | b | n | m | <x | |
| &123 | , | space | . | ← | | | | | |

close send

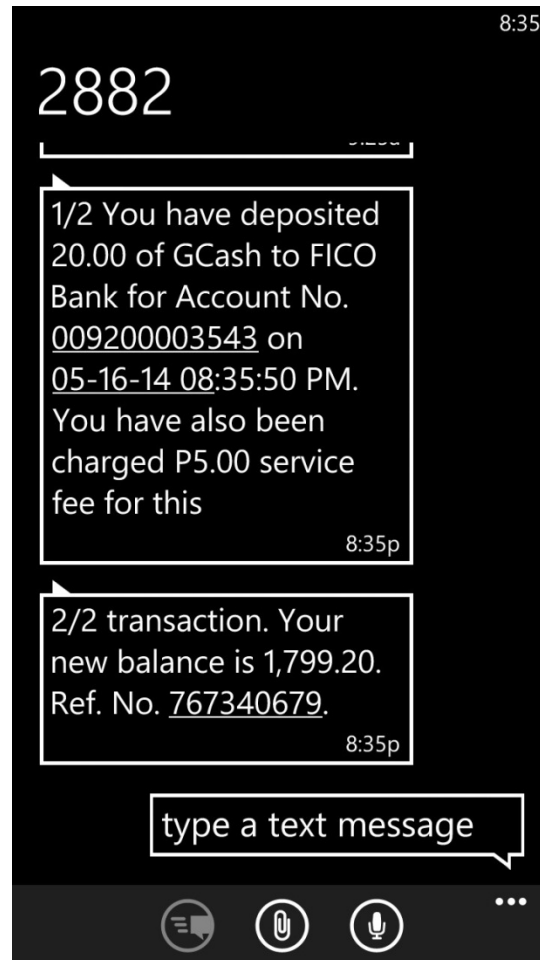
Enter M-PIN



Enter Account No.
(with check digit)



Request for confirmation



Confirmed! Transaction confirmation message.



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Scaling Innovations in Mobile Money (SIMM) Project





Deposit and Loan Collections Uploading Process



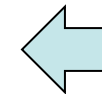
Payer pays through mobile phone



Mobile Money provider sends electronic copy of payment transactions to LGU at 4pm



Upload collection file to book deposits and collections and update customers' accounts



Total daily collection deposited to FICO Bank's account in the Settlement bank



Partnership with First Isabela Cooperative Bank

- FICO Bank launched mobile financial services in February 2014
 - Microloan disbursements
 - Microloan and jewelry loan repayments
 - Deposits (Wais na Nanay Savers Club). With just 1 trial campaign during pilot in Benito Soliven, 35 new depositors with over Php 50k in deposits mobilized with zero fixed costs.
- **449** mobile money users with a total transaction volume of **PHP4.5** million since February 2014
- FICO Bank mobile financial services can be easily accessed via Globe's USSD menu



Mobile financial services has enabled FICO Bank to:

- Tap a previously unbanked sector – microentrepreneur-housewives – for microdeposits
- Reach inner baranggays of municipalities within 1-2 hour distance of existing branches
- Cross-sell and promote products via new customer touch points (CICO agents)
- Streamline operations
- Improve client experience



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Partnerships with rural banks

- Formalize partnership with Valiant Bank and 1st Valley Bank to provide technical assistance for mobile financial services (loans payments, deposits, and payroll product)
- Support marketing and promotion of RuralNet



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Thank you

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