



Mobile Phone Banking and Mobile Commerce Solutions: Factors to Consider

Building new delivery channels and enhanced financial infrastructure

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Phnom Penh, Cambodia

Country Context: Philippines

- Population: 88.7 million
- Rural Population: 50%
- Per Capita GNI: \$1,320
- Pop. In Poverty: 30%
- Annual Remittances: \$14 B
- Mobile Phone Subscriber Base: 47.5 M
- # of Mobile Phones per 1,000 people: 536



Challenges for Rural Banks to reach Rural Clients

High Transaction Costs

- Transportation Cost
- Time to travel to & from the bank
- Loss of business opportunity
- Security risk





Technology Solution: Mobile Phone Banking

Mobile Phone Banking & Mobile Payments

- Brings the potential to expand outreach of microfinance & banking services
- Being driven by:
 - Falling cost of technology
 - Competition
 - Ability to offer banking services at very low cost.



Factors to Consider:

- Customer Perspective
- Institutional Perspective
- Local Environment for M-Banking



Customer Perspective: The Value Proposition

Factors to Consider

- **Features:**

- What needs does the e-banking solution meet?

- **Accessibility:**

- Distribution of transaction points

- **Affordability:**

- Transaction costs need to be low

- **Ease of use:**

- Easy to use, fast & user friendly

Philippine Example

- **Features:**

- Loan Payments, Remittances, Bill Payments, Salary, Deposits, Withdrawals

- **Accessibility:**

- Network of conveniently located merchants

- **Affordability:**

- Travel & Transaction costs
 - Reduction in interest rates & service fees

- **Ease of use:**

- As simple as sending a text message
 - Transactions anywhere in seconds

Institutional Perspective: The Business Case

Factors to Consider

- **Functionality:**
 - Narrow or widely focused functionality
- **Fees and Charges:**
 - Need for an appropriate revenue strategy
- **Efficiency Gains:**
 - Can the institution substantially increase business transactions at lower cost?

Philippine Example

- **Functionality:**
 - Facilitates micro payments and can be used for domestic and international money transfer
 - Future uses include 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

Factors to Consider

- **Controlling Development Costs:**
 - Need to ensure positive returns on investment
- **Partnerships & Distribution Network:**
 - Multiple business partnerships are essential
 - Need a wide enough network focused on accessibility and ease of use
- **Multiple Business Cases:**
 - Each partner must benefit through reduced costs, increased efficiency, or direct income

Philippine Example

- **Controlling Development Costs:**
 - No additional equipment or infrastructure investment, only a cell phone needed.
- **Partnerships & Distribution Network:**
 - System builds on existing network of 13 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

Environment for M-Banking

Factors to Consider

Evolution of the retail and financial sectors:

- Nature of financial and retail market is important for determining functionality

•Level of financial/electronic literacy:

- Influences nature of transactions

Philippine Example

•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
- Almost 1 billion text messages sent daily

Environment for M-Banking

Factors to Consider

Regulatory and Policy Environment

-Need supportive environment for electronic banking. Bring the regulators on board - early!

•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

Benefits for Rural Banks

- Increase reach and grow client base without necessarily adding branches
- Optimize value of client relationship and loyalty through better customer service
- Offer new risk-free fee-based services that clients need
- Expand microfinance business which is profitable and with high repayment rate
- Participate in the growing international and domestic remittance business
- Reduce operating costs

“Text-A-Payment” Loan Collection or Deposit Taking Process

G-Cash
Out

BAP TAP
Receiver/Depositor



G-Cash
(P2B)



TAP

OTC



	TAP	OTC	Advantages of TAP
Direct Costs (assume P1,000 deposit and min. fare)	P10 G-Cash In service fee	P16 roundtrip	P6 savings
Opportunity Costs (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
Total Costs per transaction	P10	P216	P206 savings
Risks	None	Holdup	No cash-in-transit risks

Benefits of Text-A-Payment



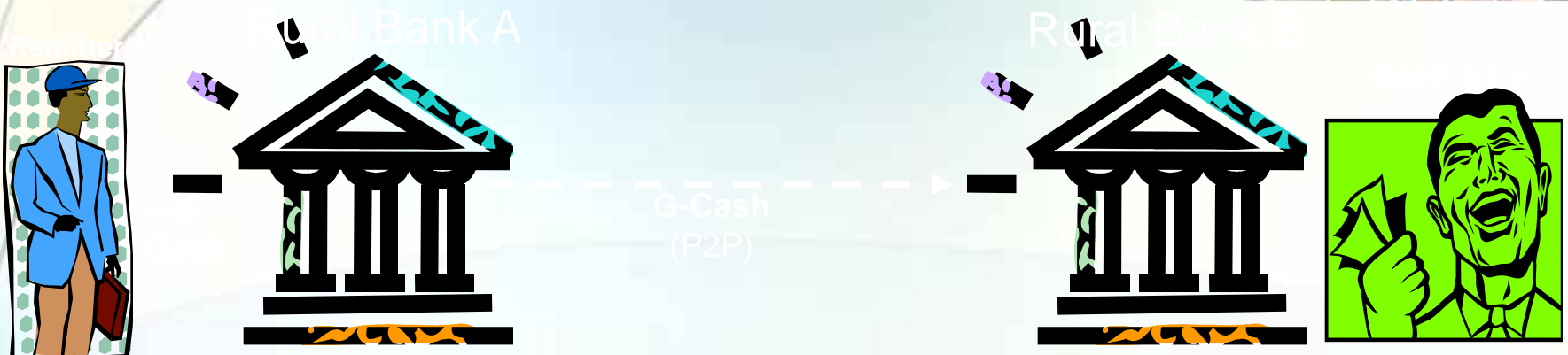
- **For the Client**

- Cost Savings
- Time savings and convenience
- Minimize risk of holdup

- **For the Bank**

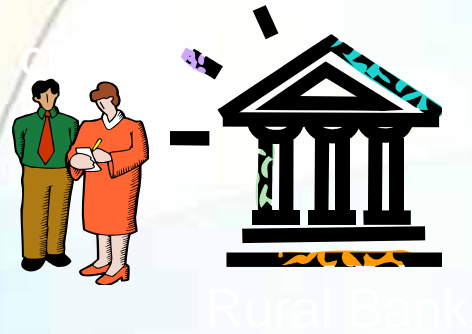
- Increase revenues from higher value of relationship with client by improving client satisfaction and loyalty through better service
- Increase revenues from more clients brought by good testimonials from more satisfied clients
- Low transaction cost
- No huge capital or operating expenses required
- Unclog lobby space

Remittance



	G-Cash	Brand W	Advantages of G-Cash
For the Client: Transaction Cost (assume P5,000 remittance) (assume 2% remittance fee)	P102 (P51 fee & text from remitter to Rural Bank A, P51 fee & text 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.	P500 for remitter	P 398 savings
For the Bank: Fee-based Income (assume P5,000 remittance) (assume 2% remittance fee)	P50 fee for RB A P50 fee for RB B (RB may increase its fee)	P36 share - RB A P36 share-RB B	RB can set fees lower than Brand W to get more clients while earning more at the same time

Bills Payment / Tax Payment



G-Cash



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

Loan Disbursement or Cash Withdrawal Process

G-Cash



G-Cash

Outlets



G-Cash
OTC



Borrower/Depositor enrolled w/
the bank for remote cash
withdrawal or loan disbursement

	G-Cash	OTC	Advantages of G-Cash
Direct Costs (assume P1,000 withdrawal and min. fare)	P10 G-Cash Out service fee	P16 roundtrip	P6 savings
Opportunity Costs (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
Total Costs	P10	P216	P206 savings
Risks	None	Holdup	No cash-in-transit risks
Convenience	Can withdraw at bus terminals, ports, anywhere		Can withdraw even during emergencies

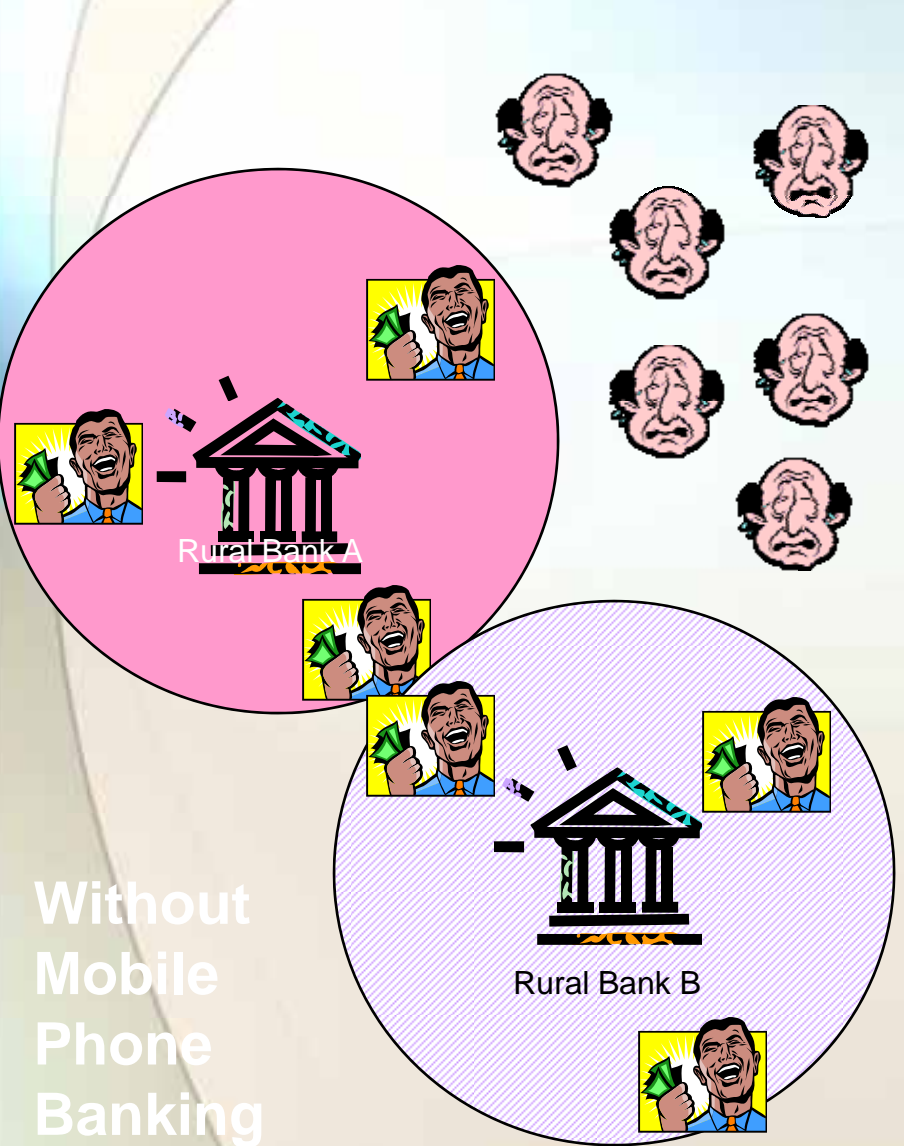
ATM

G-Cash

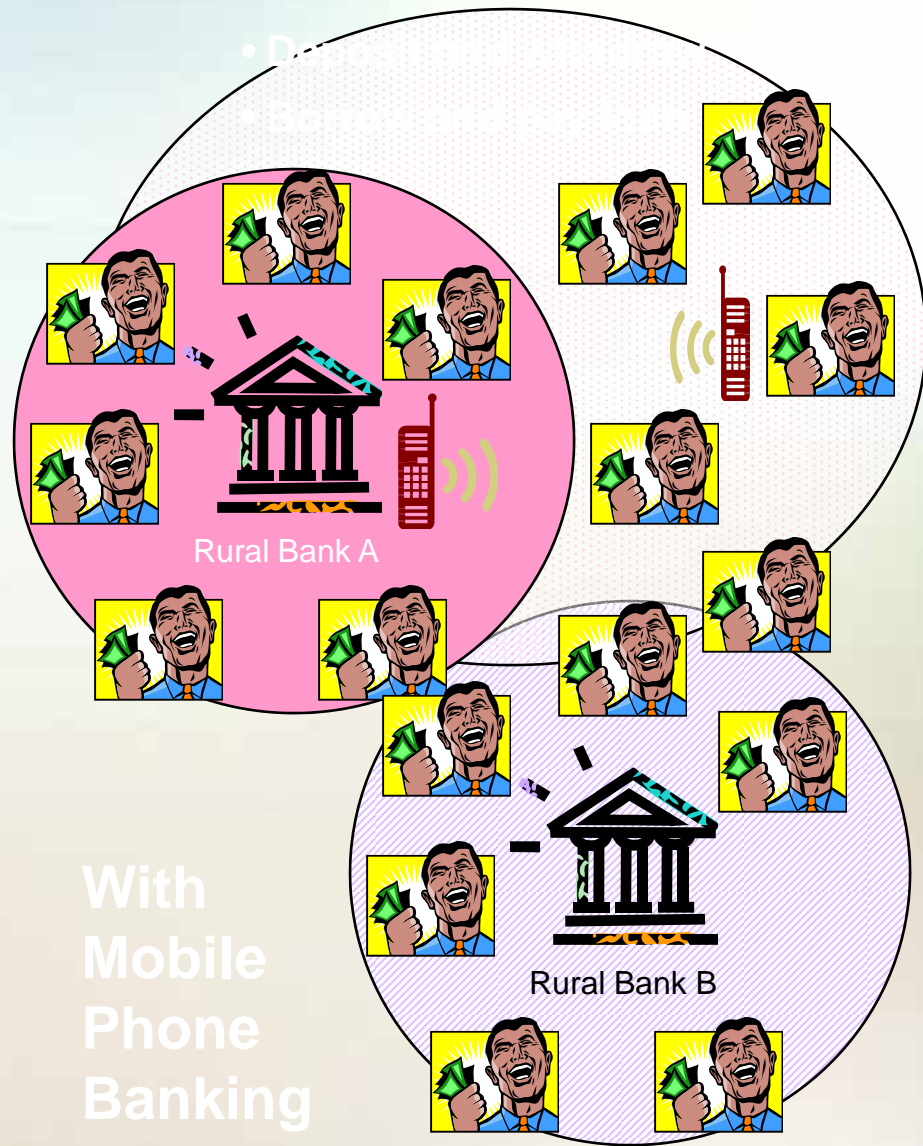


	ATM	G-Cash	Advantages of G-Cash
For the Client: <ul style="list-style-type: none"> Transaction Cost (assume P1,000 withdrawal) Accessibility 	P10-11 / transaction Requires minimum maintaining balance 2,000 ATM's mostly in urbanized areas	P10 G-Cash Out fee Potentially tens of thousands of G-Cash outlets including RB branches.	No min. maintaining balance. Good coverage in countryside.
For the Bank: <ul style="list-style-type: none"> Investment required 	Joining fee for ATM network P400-800k/ATM	P3k / cellphone	Minimal investment and operating cost required

Big Picture: Increasing market reach and service coverage

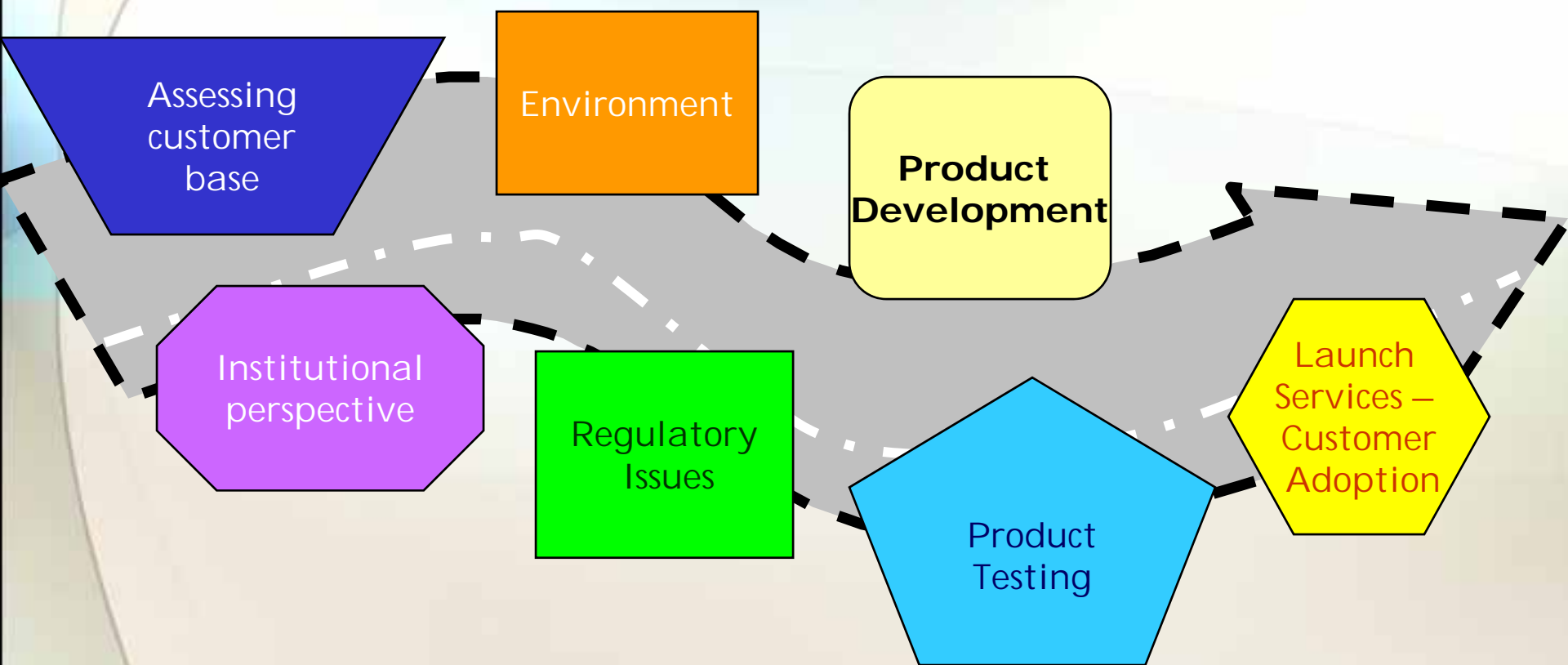


Without
Mobile
Phone
Banking
Services



With
Mobile
Phone
Banking
Services

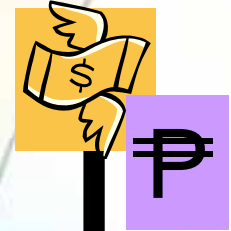
Development Roadmap for M-Banking & M-Payment Services



Rural Bank M-Banking & M-Commerce Ecosystem via GCash



Intl. / Dom Remco's



Rural Bank



Text-A-Sweldo
(Salary Disbursement)



Text-A-Remittance
Cash-in/Cash-out
(Face-to-Face Wallet Funding)



Text-A-Withdrawal
(Withdrawal from Bank Account to GCash Wallet)



Text-A-Credit
(Loan / Credit Disbursement)



Text-A-Payment
(Loan payment)

Text-A-Deposit (Deposit to Bank Account)

P2P
(Domestic Remittance)



GCash2Load
(Airtime Credit Purchase)



P2P
(Purchase of Goods /Services)



Text-a-BillPay
(Bills Payment)



Keys to Successful Mobile Payment Solution

- Consumer Adoption
- Merchant Adoption
- Viable Business Models for Banks, Merchants, Telecoms, Third Parties (cash-in/cash-out locations)
- Easy Access to Convert



ELECTRONIC MONEY



Current Activities

Marketing to Promote Adoption

- **Eco-System Rollout:** Rural banks now registering
 - New & Existing Bank Clients
 - Merchants
- **Telecom Co-Branding with Rural Banks**
 - Marketing Materials
 - Banners
 - Articles



Current Activities

Training Consumers & Merchants

- Overcoming initial fear of USE technology and SECURITY of their money.
- Whether it is the bank, the merchant, the end user, presenting the unique benefits helped.
- Globe offered 10% discount on pre-paid airtime load using G-cash; opportunity to earn; frequency of use establishes security, ease and convenience.

Current Activities

Ensuring Easier Access to E-Money

- ✓ More accredited cash-in/cash-out centers - 1,800 locations including 364 bank branches
- ✓ Text-A-Withdrawal allows depositors to withdraw savings and convert to G-Cash
- ✓ Merchants able to sell electronic money (limits)
- ✓ Unique business benefits for those selling electronic money:
 - 1% fee earned per transaction is higher than interest rate on the bank deposit
 - low fee transaction with bank
 - no hassle withdrawal in seconds

Current & Future Developments

- Developed a Mobile Banking Website www.mobilephonebanking.rbap.org as information portal particularly for rural banks, clients, local merchants, & customers
- Intensive effort on electronic payment ecosystem rollout
- Development of interface to automate m-banking transactions



The screenshot shows the website interface for "MOBILE PHONE BANKING FOR CLIENTS OF RURAL BANKS". The page features a navigation menu on the left with options like Home, About Us, and Frequently Asked Questions. The main content area is titled "Mobile Phone Banking and Mobile Payments Solutions" and includes a photo of a woman using a mobile phone. A sidebar on the right lists "Latest Updates" with headlines such as "Globe-MABS program catches Gates' attention". The footer contains logos for G-CASH and RBAP, along with a "Web Statistics" section.

Thank You

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Websites:

www.rbapmabs.org

www.mobilephonebanking.rbap.org

www.youtube.com/RBAPMABS