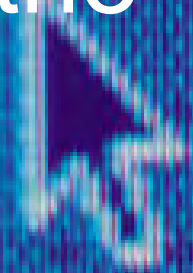


Electronic Banking: A Case Study of a Telecommunications Company and Rural Banks in the Philippines



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MABS Philippines

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Santa Cruz, Bolivia
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Electronic Banking

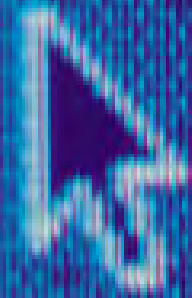
- Brings the potential to extend low-cost banking services to a large number of un-banked individuals especially in rural areas.
- Being driven by falling cost of technology, by the competition, and the ability to offer banking services at very low cost.



Electronic Banking: Opportunities and Challenges

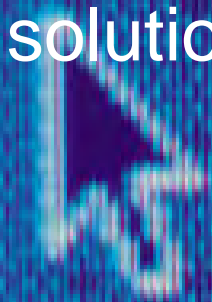
Considerations:

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



Customer Perspective: The Value Proposition

- **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



Institutional Perspective: The Business Case

- **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?



Institutional Perspective: The Business Case

- **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



Environment for Electronic Banking

- **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
- **Regulatory and Policy Environment**
 - Need supportive environment for electronic banking.
Bring the regulators on board – early!



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



A Business Case Study of a Telecommunications Company and Rural Banks in the Philippines

“Text-A-Payment”

A mobile banking solution for micro and small enterprise clients, especially in rural areas

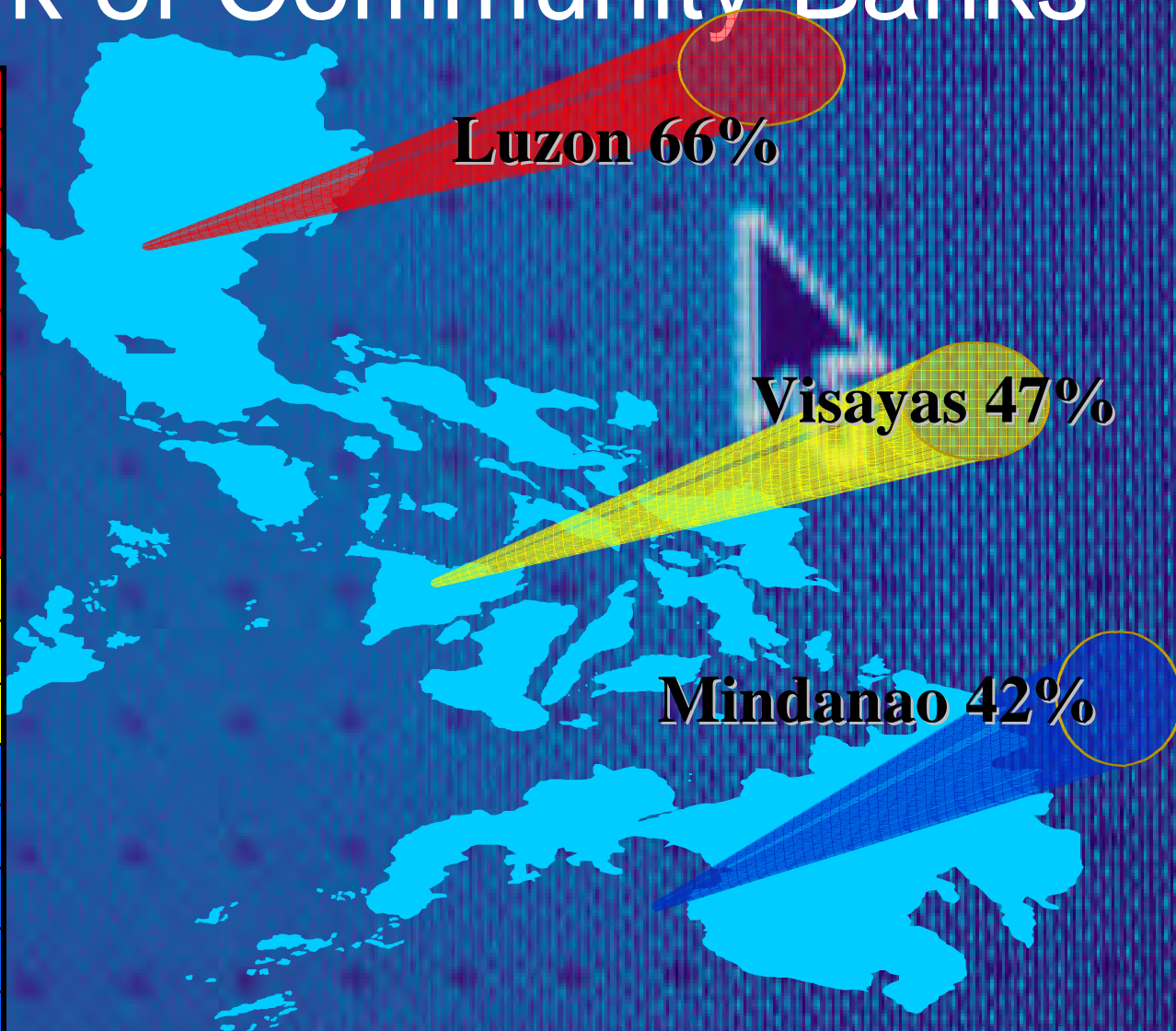


Rural Banks in the Philippines

- 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%





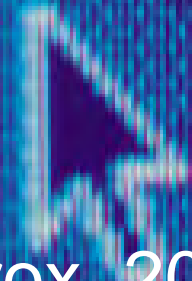
Microenterprise Access to Banking Services Program

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 13.5 million subscribers
- Over US\$1B annual revenue
- Cell phone industry processes approx. 200 million messages per day in the Philippines
- Alliance partners include 7 mobile operators in Asia with close to 70 million subscribers
- Alliance partnership involves sharing of technology, innovation, and best practices including marketing programs.



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.**

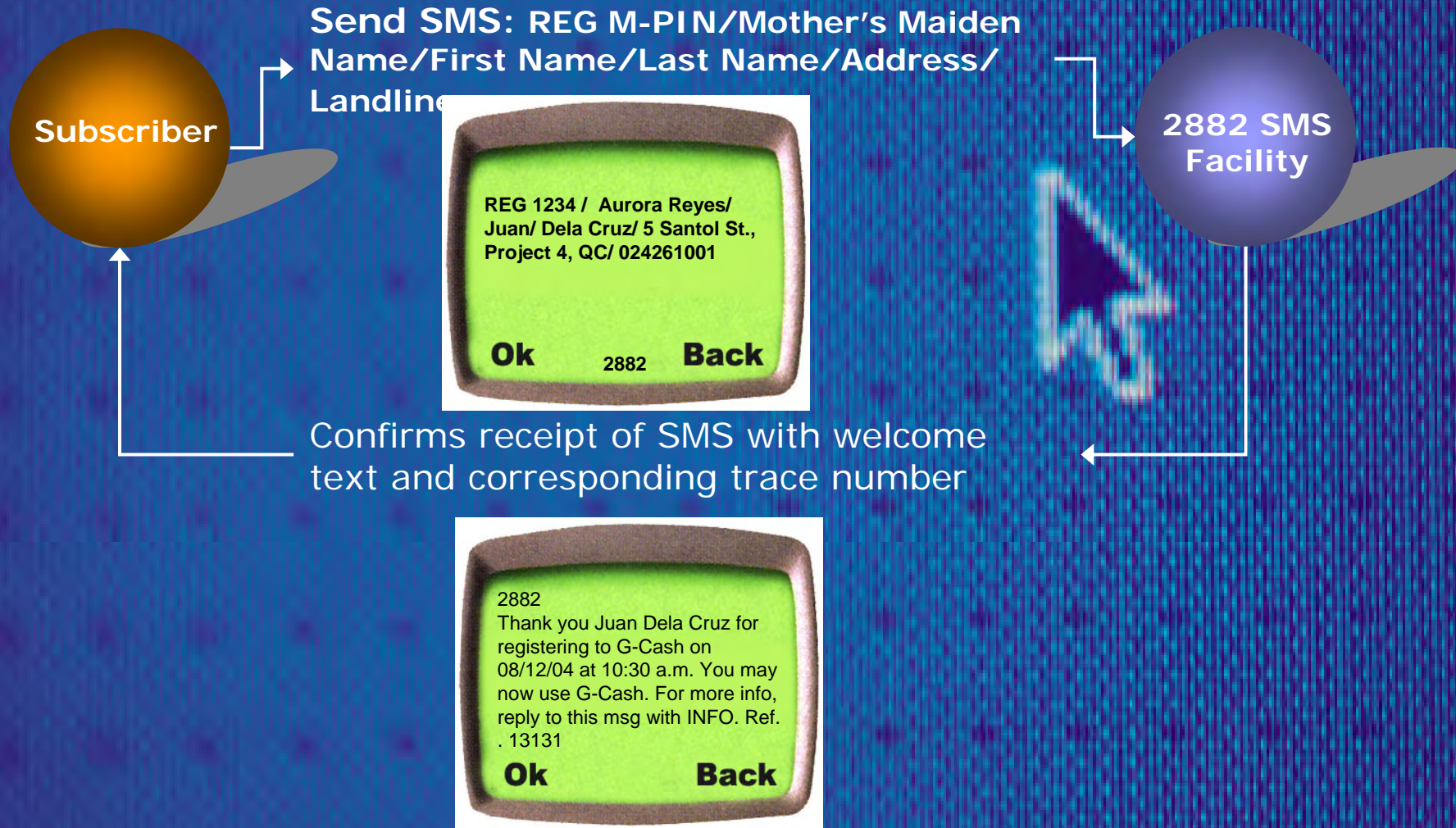
PIN-locking process to keep the account secure. Subscribers can claim G-Cash at Business Centers if they lose their phone.

Text A Payment

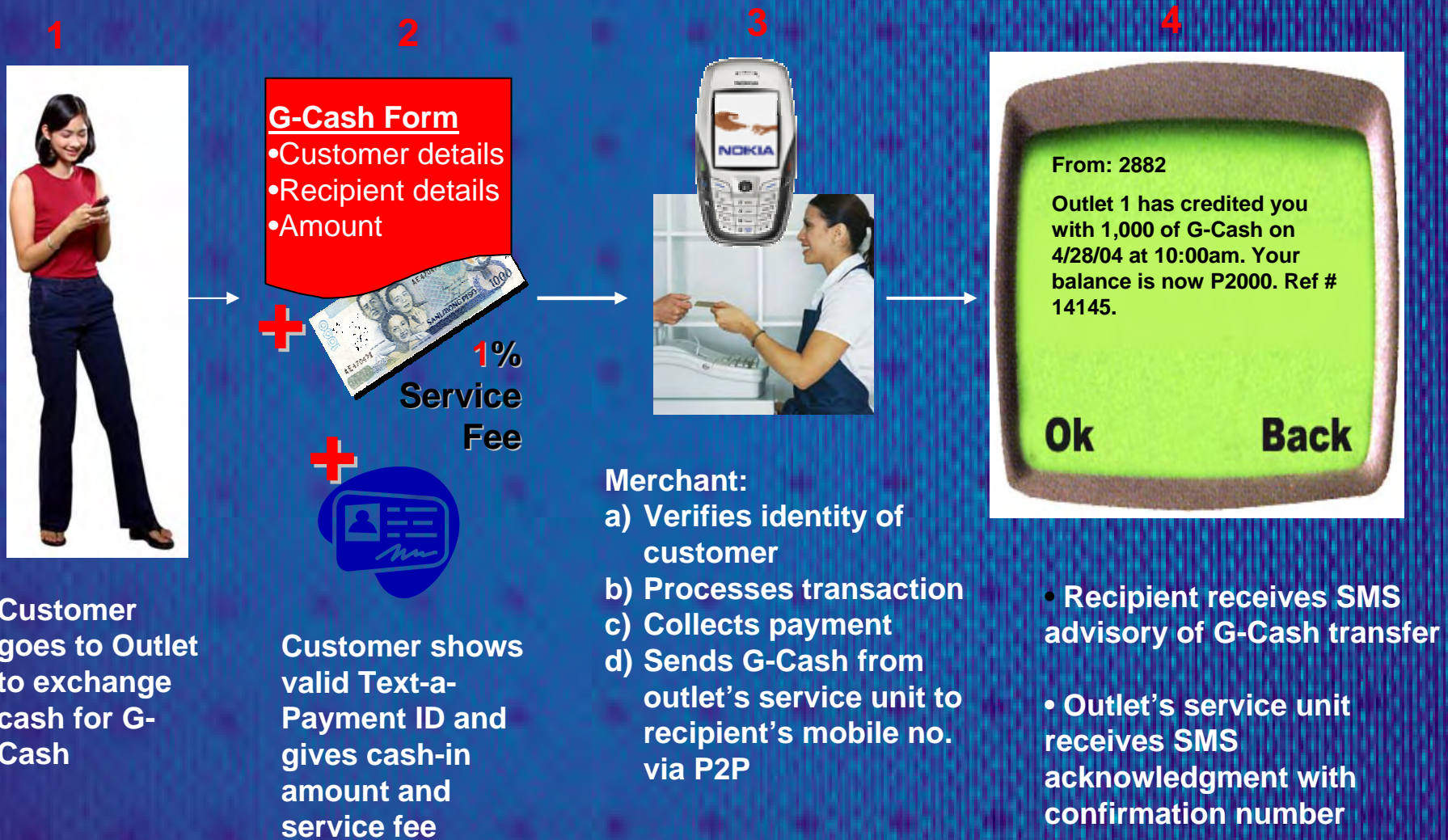
An innovative electronic banking service that uses cell phone's short messaging services (SMS) function to pay for loan amortizations using G-Cash, Globe's electronic money platform.



Subscriber Registration



Customer Cash-in



P2P Transfer

Loan Payment using G-Cash



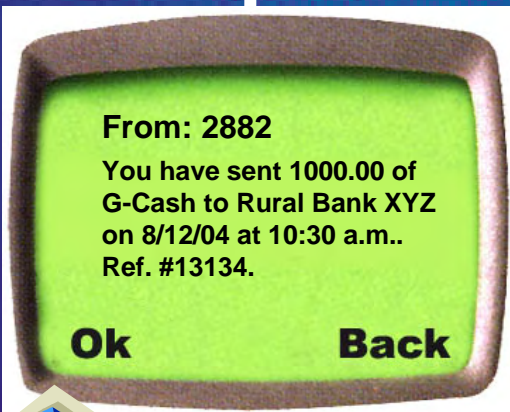
Client



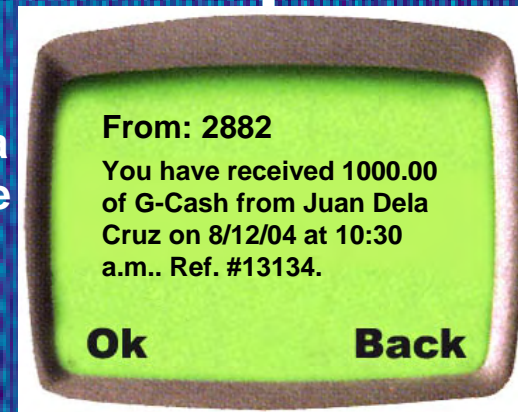
Enter amount and PIN.
Send to 2882+10 digit
mobile no. of recipient
Fee: only P1.00/send



Rural Bank



Both the sender and recipient receive a
**SMS advisory with corresponding trace
number**

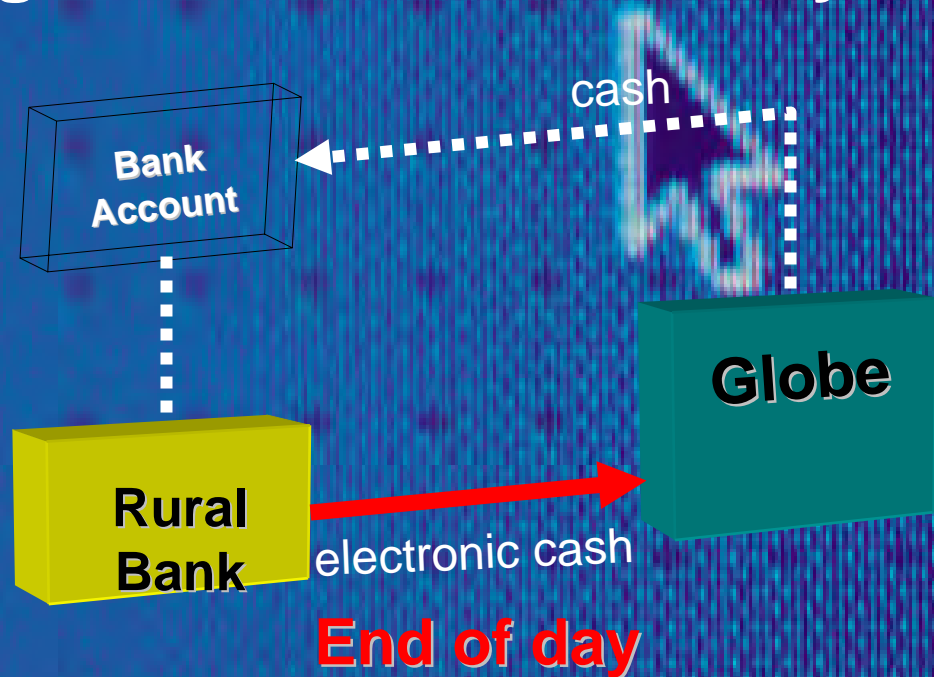


Rural Bank Settlement Procedure

- Transfer ending balance to Globe daily.

❖ *Globe will automatically pull out the electronic cash from the rural bank's wallet.*

❖ *Globe will automatically deposit cash into settlement bank account.*



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 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



- **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 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



Thank You!!!

