Field Visit Briefing

GF™

GRAMEEN® FOUNDATION

Connecting the World's Poor to Their Potential

CARD MRI

Center for Agriculture and Rural Development



- **Clients Served: 2.1 Million**
- **Persons Insured: 8.9 Million**
- **Branches and Offices: 1,445**
- **Presence in 16 of 17 Regions in the Philippines**



Nanay Violy



Center Meeting



MBO/Unit



CARD Bank Branch



Nanay Violy

CASH-IN

CASH-OUT



KabaliCARD Agent

BALANCE INQ

LOAN DISBURSEMENT

PAYMENTS

Key Features:

- Telco-agnostic
- Agents in the barangay (village)
- Using Bank Account

In the Philippines

- 609 out of 1634 (37%) municipalities without bank branch (end-December 2011)
- 42 Mn "unbanked" (BSP October 2012 report)
- Only 2 out of 10 households have a deposit account (2009 Consumer Finance Survey)

CARD Business Decisions

- Increase footprint in rural areas
- Decrease interest rate
- Decrease cost of products and services
- Concentration on the ‘ultra-poor’

MFS Program Objectives

- Improve operational efficiency
- Improve access and convenience
- Demonstrate sustainable account and transaction volume

MFS Pilot Objectives

- Recommend the manner of integrating mobile technology to CARD Bank’s products and services through Matapat (ATM account)
- Identify an MFS business case including an operational model within the context of improving customer convenience and access to services.

MFS Pilot Design

Phase 1: Prototype
(Oct 2012)
2 centers

DATA
1) MFS transaction data
2) MIS loan & savings data
3) Small sample of quantitative & qualitative interviews

Phase 2: Pilot
(Jan 2013)
7 MFS vs. 7 Control centers

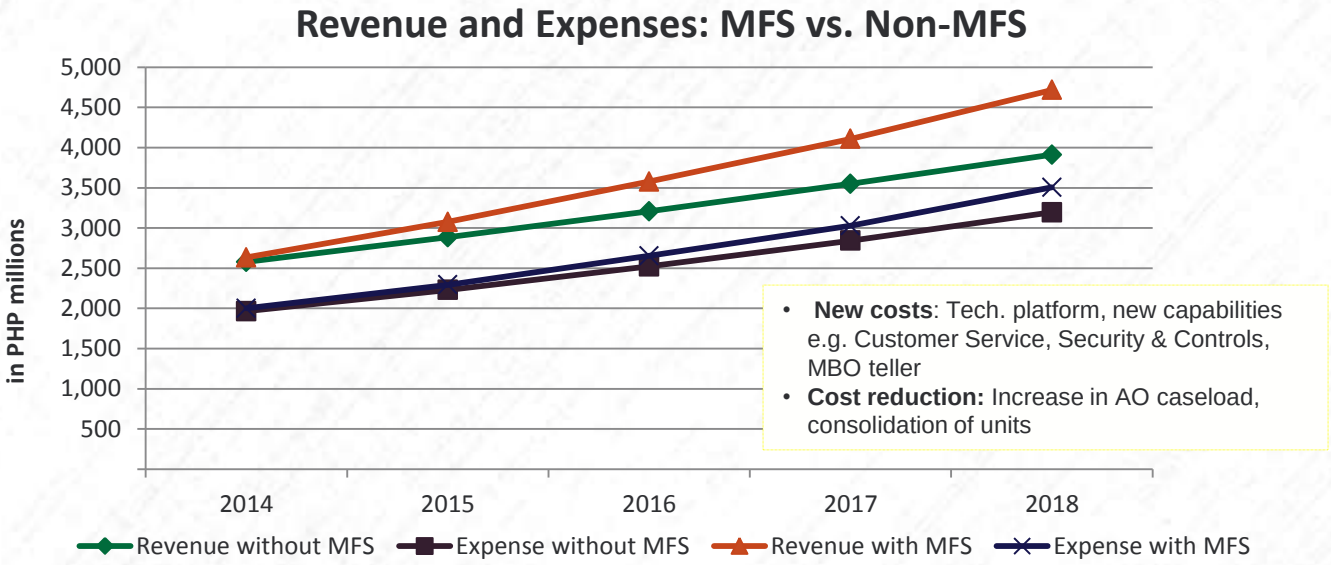
DATA
1) MIS loan & savings data from Jan 2012 to May 2013
2) Baseline data
3) Follow-up survey in April-May 2013 (3-4 month impact)

Next phase:

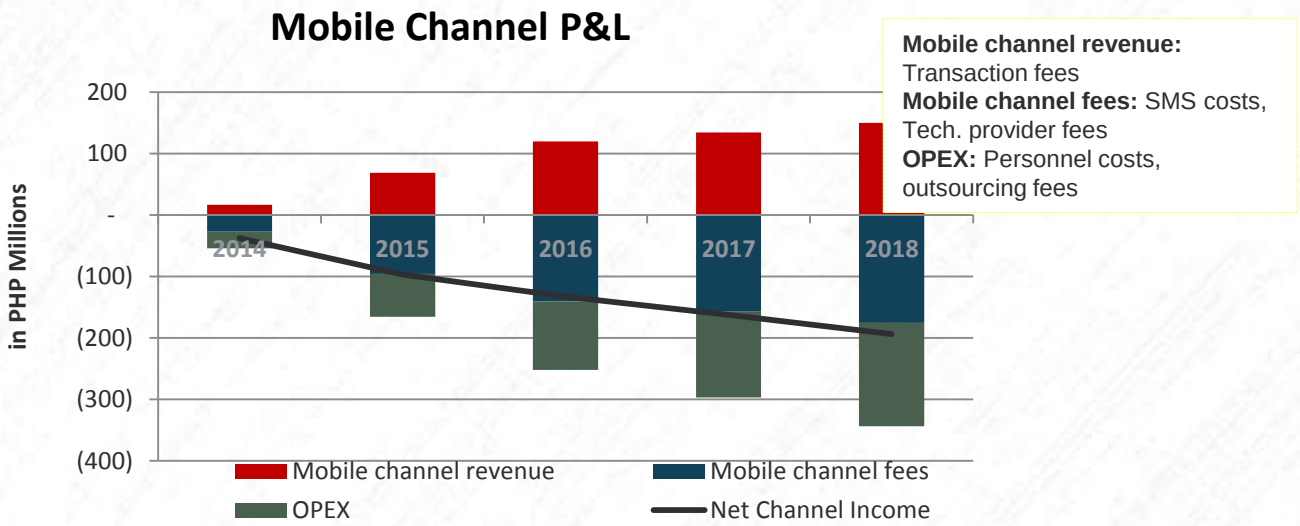
Bank-wide roll-out

Business Case for the Bank

Whilst OPEX growth for both MFS and non-MFS models is largely the same, revenue on current forecasts creates a significant delta between the two models, in favor of MFS. MFS assumes 15% CAGR growth whereas non-MFS assumes 11%.



It is important to understand the costs of the mobile channel, minus additional OPEX. CARD will not generate enough transaction fees from the agent model to cover the cost of channel. Profitability must be driven by additional products and cross-sell of its core loan business. By year 5 the channel will be costing CARD approximately Php190 Mn.



Value Proposition to the Client

A key objective of the MFS project with CARD Bank is to improve customer access and convenience. Using data gathered from quantitative research, we've been able to compute per transaction costs under the manual system (control) and MFS (treatment).

Money out is transportation cost (control) or transaction fee (treatment).

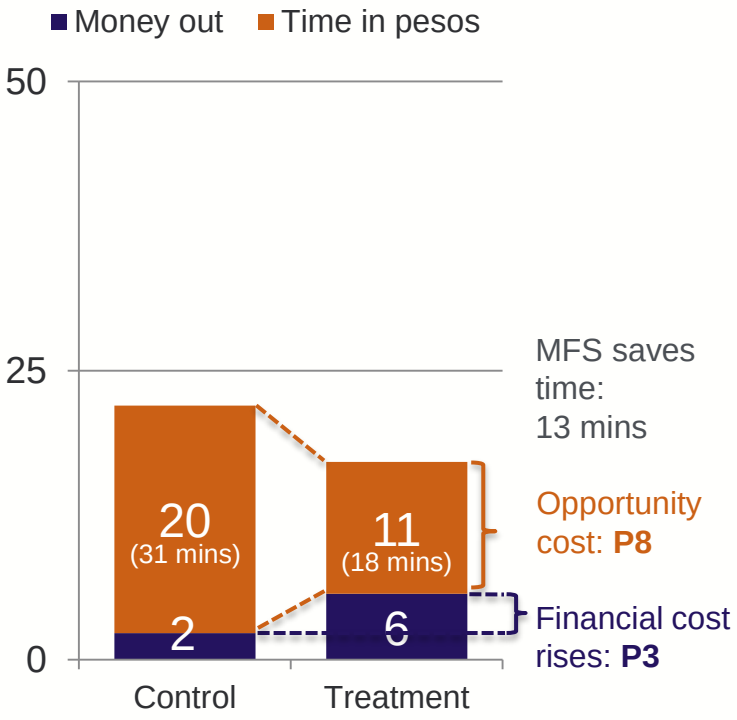
Time in pesos (opportunity cost) is calculated based on member's earning capacity (P0.63/min, based on region's minimum wage).

Under the manual system, deposits are done at the center while members must travel to their MBO for withdrawals. Under MFS, both transactions may be done within the village.

On average, 80% of members deposit every week while 5.5-7.2% of members withdraw every week.

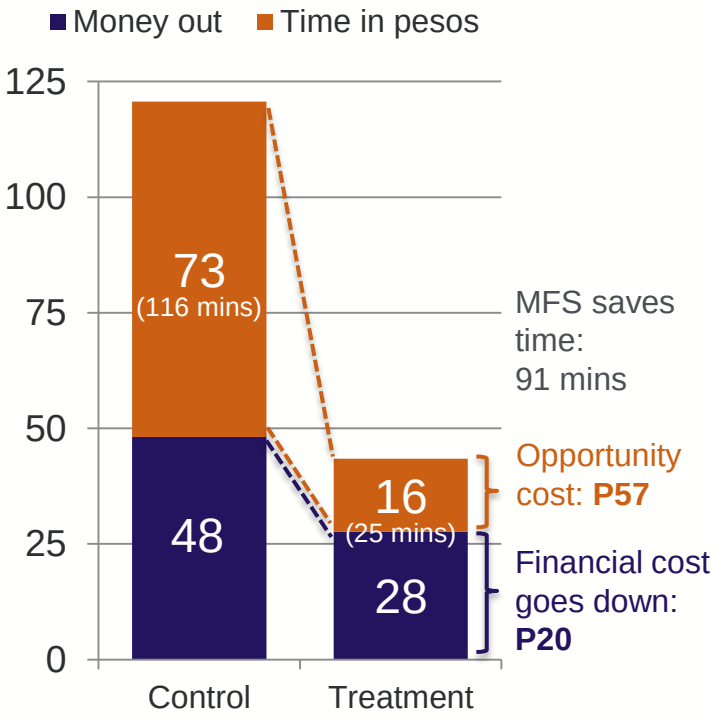
Figures shown are rounded off. Exchange rate used is PhP 43 : USD 1.

Per deposit (cash-in)



Total cost saving: P8 – P3 = **P5 ($0.11) per deposit**

Per withdrawal (cash-out)



Total cost saving: P57 + P20 = **P77 ($1.80) per withdrawal**

Effects on Loans and Savings

Loan Outcomes

During the MFS pilot, a number of operational changes were made to the loan repayment procedure.

1. Members in MFS centers now make weekly loan payments privately out of the Matapat account.
2. Cash deposit and repayment are no longer accepted during center meetings.

The comparison of loan performance between MFS and control centers suggest the following overall effect of MFS:

- ⇔ loan volume
- ⇔ full payment by loan maturity date
- 2% on-time full weekly payments (effect of MFS on missing installments is concentrated among **young members** (below median, or ≤ 43 years old) and **new members** (joined CARD after 2011, or <1.5 years ago))

Savings Outcomes

More than half of the CARD members are savers without loans. A reduction in the opportunity and financial costs of making transactions could encourage greater usage of savings accounts among MFS users. The analysis compares the aggregate savings figures across all savings accounts at CARD between MFS and control centers.

- ⇔ deposit frequency
- ⇔ ave weekly deposit amt
- 4-6% withdrawal frequency (savers in MFS are more than twice as likely to withdraw)
- P24-P39 ave weekly withdrawal amt

Here also are results among those who had a *regular deposit habit* before MFS was rolled out:

- P23 ave weekly deposit amt
- P30 ave weekly withdrawal amt
- ⇔ total savings balance

These findings suggest that a Matapat account with MFS is *maybe* being used as a transactional account by some members.

But among those who did <u>not</u> have a regular deposit habit before MFS began:

- ⇔ deposit frequency
- P23 ave weekly withdrawal amt
- P931 total savings balance

We'll be keeping an eye on this trend as we increase data points.

Discipline, and the time to build it, seems to affect how well clients will be able to adapt the MFS to their needs. Those with less discipline may need support to maximize the benefits of MFS.

	Group 1	Group 2	Group 3
6:00 am	Assemble at Mandarin Hotel Lobby		
6:15 am	Depart Hotel		
8:00 am	San Pablo, Laguna		
9:00 am	Center meeting	Center meeting	Center meeting
10:00 am	MFS Center meeting	Interview agent & clients	Interview agent & clients
11:00 am	MBO	Branch	MBO
11:45 am	Lunch at Sulyap		
1:00 pm	Depart for Manila		
Group Lead	Aya Silva	Bernice Sandejas	Becca Paguio
Participants	Ann Mei Chang Tess Espenilla Kristen Roggemann Mely Agabin Salima Fazal-Karim Mark Ruiz	Alice Liu Brooke Patterson Shireen Santosham Max Cuvellier Erika Tatad Armine Francisco	Frances Bowen Day Elizabeth Berthe Elisa Minischetti Catherine Highet Jill Lava Nono Coliangco

See you at 6am!