e-Payments Snapshot: ASKI & BanKO

USAID promotes increased access to and usage of electronic payments in order to deepen financial inclusion, accelerate broad-based economic growth, and instill transparency into funding flows. These snapshots describe the experiences of USAID- and non-USAID-funded organizations that have begun to replace cash with e-payments so that others can apply their lessons learned to their own transition to e-payments.

Overview: Alalay Sa Kaunlaran Inc. (ASKI), based in the Philippines, is a non-government organization offering microfinance, health and insurance programs, and community development projects to its clients in three regions. In 2012, ASKI introduced the use of mobile money in partnership with BPI Globe BanKO, the Philippine's first mobile phone-based, microfinance-focused bank, to replace their traditional check disbursement for loans to clients.

Target Group: The target clients for the project are new and current clients availing of loans from ASKI. The project started in 14 ASKI branches and is currently being rolled-out in four additional branches.

Primary Activities: The following steps make up the process for introducing mobile money to clients:

- ASKI account or project officers conduct orientation on mobile money for target clients.
- The mobile banking specialist (MBS), a designated staff member from ASKI, assists clients in the KYC process and BanKO account opening, either in the ASKI branch or in the community. For most clients this is simple, except for some clients who are unable/unfamiliar to use mobile phones.
- The project officer prepares the loan documentation and submits it for processing to the bookkeeper, who verifies entries for accuracy and completeness and then forwards to the MBS.
- The MBS then transacts the loan disbursements using the BanKO system.
- Clients receive notice of their loans through an SMS and have the option to cash-out the e-money either at BanKO agents or ATMs.

Transitioning from Cash to Mobile Money

Loan disbursements to clients in selected branches continue as part of the transition from cash to electronic payments. In the initial phase to transition clients to mobile money in 2012, ASKI targeted 1,708 clients, mostly rice and crop farmers, disbursing loans totaling around Php 40 million ($909,000) through mobile money. In the second phase in April 2014, another Php 4.5 million ($102,000) was released to 394 additional clients including farmers, micro and small entrepreneurs.

During a branch orientation for a client, a BanKO mobile banking specialist discusses the features of the mobile banking platform introduced by BanKO and ASKI.

In addition to using mobile money for loan disbursements, ASKI is also making payments to staff using the same platform including their payments for performance incentives, patronage refunds and income from their shares in the ASKI Employees Credit Cooperative and ASKI Multi-purpose Cooperative.

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Challenges and Lessons Learned

ASKI adopted the BanKO platform through a phased approach, with an initial pilot-test of the systems in a few branches, and with their own staff payments, all in preparation for plans to fully convert all loan releases through mobile money in all 55 ASKI branches once the system is running smoothly. Even with this phased approach, ASKI faced challenges. First, there are still a limited number of BanKO agents easily accessible in the villages, and identifying and setting up potential partners to be BanKO agents has been a challenge. The second challenge is to lower the BanKO transaction fees to be competitive with other remittance agents and mobile banking operators. Currently, BanKO charges clients 2% of the amount for every over-the-counter withdrawal. Another challenge is developing a robust information and education campaign with appropriate print materials on mobile banking technology to convince clients it will be effective and cost efficient. Finally, additional processes were included in the loan disbursements using the BanKO system, which has required more staff time. For example, the cash/check loan disbursement process includes processing of client loan origination, preparation of checks and disbursements, while using the BanKO platform also requires an additional process of entering data in the BanKO system, client account opening with BanKO and then loan release.

Benefits of Mobile Money

Despite challenges there are many benefits realized by both ASKI and their clients. The clients have experienced benefits including savings from travel expenses and the time it took to get to the branch, where they would have to wait for long hours to cash their loan checks. They no longer have to pay for transportation or food allowance, and have extra time to spend on other productive activities instead of going to the branches. With the time and resources saved, the clients will have more time to oversee their respective businesses/livelihoods and focus on other more important things. In addition, clients are less vulnerable to the risk of handling cash and they can use their BanKO accounts for remittance services for sending and receiving money from their loved ones – both local and abroad. The account can also be used as a savings mechanism and they can make deposits on a daily or weekly basis without any cost. The deposits are earning interest of 3% per annum compared to other banks with only 0.75% to 1% per annum. They can also make purchases at supermarkets or department stores using the ATM cards, and have the convenience of receiving their loans wherever they live.

> *"The use of this technology is more beneficial than of using checks upon loan releases. It is time saving and even safer"*- Laurence Tenoria, 24, a client living in Brgy. Ligaya, Gabaldon,

Looking at the initial results of the project, ASKI has also realized benefits from mobile money, including the convenience of cashless and paperless transactions, cost efficiencies, and security of their savings and investments. Overall the cost savings on each loan disbursed with mobile money $1.18 per loan or a savings of 24% against the original cost.

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