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BUILDING RESPONSIBLE
PARTNERSHIPS



M-Banking for the coffee growers of Colombia



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Banco de Bogotá 

Sponsors

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IDB



Banco de Bogotá



- Banco de Bogotá was founded in 1870
- Second largest bank in Colombia.

- Total Assets US\$ **17.7** Billion
- Revenue US\$ **2.5** Billion
- Net Income US\$ **291.8** Million
- ROA 2.6%
- ROE 18.2%

- Clients Aprox. 2 Million
- Employees Aprox. 10.000
- Branches 653
- ATM's 980

The National Federation of coffee growers of Colombia was created in 1927 as a democratic, non-profit organization with the sole objective of improving the living standards of Colombia's coffee growers.

In Colombia, coffee is grown in over 500 municipalities, located in 18 different provinces, by over 400,000 households. Coffee plantations are small, 1.5 hectares on average.

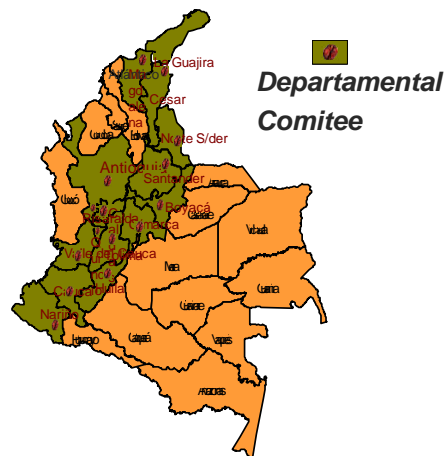
Project Goals

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.... the situation in 2005

Banco de Bogotá



42% Adult
Unbanked

Source:
Asobancaria

Cash substitution

- Transaction fees
- Security

Access to Financial
Services

- Unbanked
- Geographically dispersed

Financial Inclusion

- Ecosystem
- Payments
- Microcredit

Project Roll Out

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First Phase

A **payments network** and an **Ecosystem** were established to provide the NFCG with an instrument whereby coffee growers could sell their product and purchase goods and work materials using a **Smart Card (e-wallet)**.

Transactions

- Deposits by Coffee sales
- Cash withdrawals in ATM's
- e-wallet Inquiries
- Purchases & Payments
- Cash withdrawals from retail stores
- Last transactions inquiries
- Coffee price
- Deposits by transferences
- Loans, and subsidies



**Smart Card
(e-wallet)**

Second Phase

M-banking system was developed to expand financial services for coffee growers, facilitating the use of the **Smart Card e-wallet** using a **mobile phone**.

Transactions

- SMS Technology
- e-wallet Inquiries
- Subsidies inquiries
- Purchases & Payments
- Last transactions inquiries
- Coffee price
- Payments



Investments Aprox. US\$5 Million



How does it work?

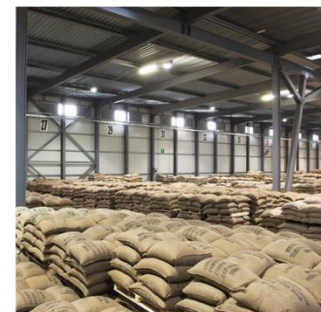
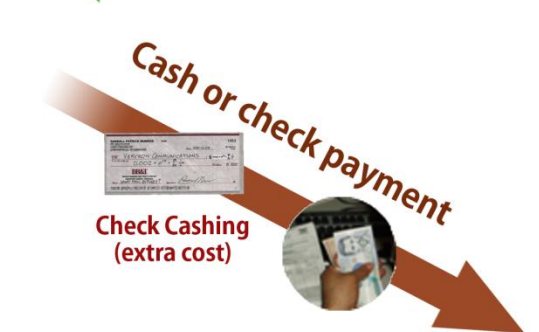
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BEFORE



Coffee Grower



Coops

Supplies Store



How does it work?

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How they interact in the ecosystem

NOW

GROWERS



STORES



Players
in the
ecosystem

MOBILE PHONE
OPERATOR

NATIONAL
FEDERATION OF
COFFEE GROWERS



BANK



Growers purchase
work materials

Stores process payments
through mobiles

Transactions reach the bank
via SMS or https

NFCG sends resources
to the bank

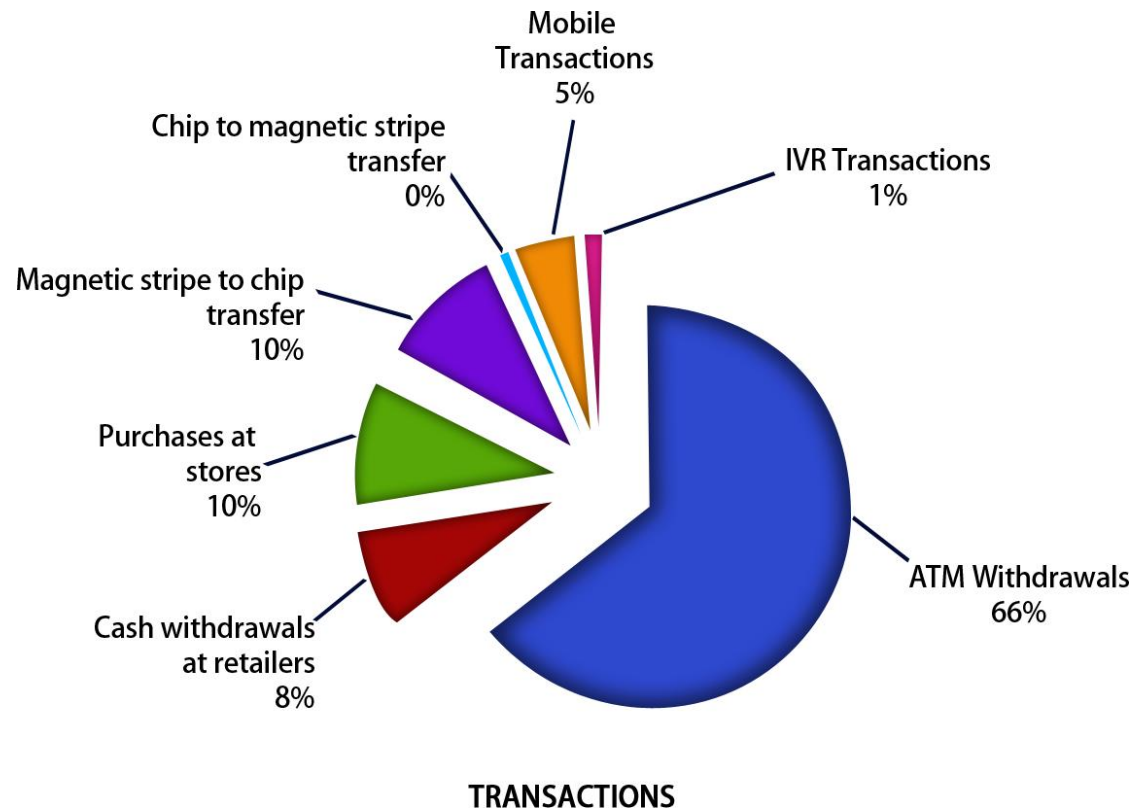
Results

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NFCG Smart Card transaction channels

- Mobile transactions was in production at the end of 2009



Results

Banco de Bogotá



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Quantitative

Cash substitution

- 1.602 agents, cash-in / out
- Active participation of 35 coffee Coops.
- 1.2 MM of transferences between government subsidies and NFCG resources US\$105.7 MM

Access to Financial Services

- 51.2% CG with alternative access to an FS within 5 years
- 500 municipalities, located in 18 different provinces.
- More than 2.000 ATM's
- 1.630 Private POS plus access to REDEBAN / VISA networks

Financial Inclusion

- 300.000 Smart Cards issued
- 2.3 MM of transactions worth US\$207.3 MM
- 22.948 Microcredit worth US\$50.6 Millions

Qualitative

Cash substitution

- No intermediary costs
- Reduce security problem
- Efficiency in NFCG cash management
- Paves the way for transition from a "Cash-economy" to an "e-economy"

Access to Financial Services

- Stronger sense of belonging to NFCG
- Greater transparency, reliability and control in the administration of NFCG & Government resources
- Renovation of old coffee plantations

Financial Inclusion

- Working capital translates into reduction of poverty in rural areas
- Almost 70% of the coffee growers have access to a mobile phone
- Access to a microcredit is a reality for CG



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Problems & Challenges

Culture	<ul style="list-style-type: none">• Training• Cash-In coffee sales, subsidies, loans and transferences
Project sustainability	<ul style="list-style-type: none">• No transactional fees for users in the Ecosystem• Cover the tax issues• NFCG funds stored in Banco de Bogotá
Lack of regulation	<ul style="list-style-type: none">• Involve the government before the project begins• Review developed countries regulations.
Illiteracy	<ul style="list-style-type: none">• Training• Loyalty programs
Smart Cards Supply	<ul style="list-style-type: none">• Maintain stock enough for at least one year• Prefer local providers
Communications networks	<ul style="list-style-type: none">• V-SAT• M-Banking
Ecosystem	<ul style="list-style-type: none">• Proper Ecosystem – Loyalty programs• Involve private networks – Social cost



Lessons Learned

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- Sustainability will not always have to be based on a fee structure.
- Part of the business case is coming from the NFCG
- M-banking is an effective way to provide financial services and to increase financial inclusion
- Be innovative and dare to take a risk
- Build the ecosystem preferably with partners that are already well established
- Launch the project with a clear business plan



Lessons Learned

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- Partnering with organizations and government helps.
- No matter how extended illiteracy in the country is, technology, training and leadership will make it possible.
- Cultural and social aspects must be carefully taken into account.
- To ensure that technology is adopted, implement a service that makes its use indispensable.
- ... **Microcredit is an effective way to gain financial inclusion and M-banking is the tool that can bring it to the unbanked**



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