



## CENTER FOR AGRICULTURE & RURAL DEVELOPMENT (CARD):

*Using the PPI to Promote Microsavings and Enhance Targeted Marketing to the Poor*

### Introduction

The Center for Agriculture and Rural Development (CARD), a Philippine microfinance institution (MFI), was created as a social development foundation in 1986. Established with the vision of being a bank created for and owned by landless rural women, CARD began a Grameen style group lending program focused on outreach and sustainability. In 1997, CARD Bank, Inc. was created after securing a license from the Central Bank of the Philippines to operate as a micro-finance oriented Rural Bank. This allowed the newly transformed institution to accept deposits. CARD Bank currently serves more than 580,000 clients, including 490,000 active voluntary depositors, across the country.

In 2009, CARD Bank was selected to participate in Grameen Foundation's Microsavings Initiative, a three-year project funded by the Bill & Melinda Gates Foundation meant to set the bank on the path to another major transformation, from a credit focused institution to a bank that provides a full suite of financial services tailored more precisely to its poor clientele. CARD Bank and Grameen Foundation together are focusing their efforts on four areas, which will enhance the bank's ability to deliver savings services to its clients by:

- ▣ Developing CARD Bank's capacity for market research and product development,

- ▣ Establishing savings oriented marketing and financial literacy programs;
- ▣ Enabling CARD Bank to conduct financial transactions in the field; and
- ▣ Building CARD Bank's overall institutional capacity.

This case study will describe some of the initial steps that CARD Bank and Grameen Foundation have taken to achieve these goals, how the Progress out of Poverty Index® (PPI®) has played a pivotal role, and how CARD Bank is using PPI data to set targets and track progress towards reaching more and more poor customers. The fact that CARD Bank has chosen to collect PPI data for a census sample of its over 580,000 clients creates a unique opportunity for compelling results based on the analysis of this information.

### Why the PPI?

More complete and accurate information on its clients was crucial to CARD Bank's ability to carry out its work as part of the Microsavings Initiative. Therefore, the bank needed a tool that could facilitate improved data collection across the institution. CARD Bank adopted the PPI from among competing poverty assessment tools due to its desire for:

- More comprehensive information on client poverty levels (beyond the simple, isolated measures, such as housing quality or food security, that they had used previously);
- Greater statistical rigor in its analysis of client poverty data;
- Better tracking of progress toward its poverty targets (a particular goal of the Board of Directors); and
- The ability to integrate its poverty tool with its existing banking software.

CARD Bank began using the PPI, a country-specific poverty assessment tool, in 2006, but did not have a sufficient technology platform or the necessary controls to rigorously analyze its clients' poverty status until it joined the Microsavings Initiative. CARD Bank updated its Management Information Systems (MIS) to include a special form for the collection of PPI data and manually linked its databases, such that data entered in each of

its 45 branches is now available in the database at headquarters. These steps gave the bank the ability to conduct business analytics on its clients' savings behavior.

## Making Institution-wide Use of the PPI Possible

Many improvements are necessary to both institutional processes and operational practices in order for CARD Bank to reap the full benefits of collecting and analyzing its PPI data. The bank is in the process of adopting a new core banking system that will replace the existing array of manually linked databases with one centralized database to support more frequent and extensive data collection for the PPI. CARD MRI's Research Unit<sup>1</sup> is now planning to track PPI data over time for all its cli-

<sup>1</sup> CARD Bank is part of a group of entities known together as CARD Mutually Reinforcing Institutions (MRI). The Research Unit for CARD MRI provides research services to all of the MRI entities, including CARD Bank.

### Highlights of CARD Bank's Participation in the Microsavings Initiative

**CARD Bank has taken many steps to meet its goal of recruiting 350,000 new savers in 3 years and to achieve the project's social performance objectives:**

- **Technology is the Foundation** – CARD Bank enhanced its existing MIS to allow for easy entry of PPI data and integration of this data with existing client financial information, which laid the groundwork for more sophisticated data analysis.
- **Expanding the Sample is Powerful** – Impressed with the utility of the results from the preliminary PPI sample, CARD Bank decided to pursue a census-based approach, collecting PPI data on over 580,000 clients, demonstrating a huge commitment by senior management to the PPI.
- **Product Design Rather than Poverty Level Most Influences Savings Rates** – Using the PPI to determine clients' poverty levels is allowing CARD Bank to see how product design affects both the demand for and use of savings products for poor clients.
- **Better Data Builds Confidence for Improved Decision-Making** – By using enterprise-wide poverty data collection (through PPI), CARD Bank is obtaining better information for use in strategic and operational decision-making, such as for market research, product development, and general performance management.

**CARD Bank's 5-year poverty targets for outreach to new clients based on the \$2.50/day/PPP Line:**

	2010	2011	2012	2013	2014
<b>% Below \$2.50/day/PPP</b>	45%	49%	53%	57%	60%
<b>% Above \$2.50/day/PPP</b>	55%	51%	47%	43%	40%

ents. The census-based approach implies that CARD Bank's nearly 580,000 clients will all have PPI scores collected for them when they 1) become a member of the bank, 2) initiate a new loan cycle, 3) open a savings account, or 4) exit the institution. This creates a very large data set, which provides CARD Bank the opportunity to innovatively use the information – expanding the use of a poverty assessment tool to become a source of information for business analytics and targeted product marketing. These recent changes in how PPI is collected and the data analyzed are greatly enhancing how poverty data and its interpretation can shape management decisions at the bank.

## Microsavings at CARD Bank

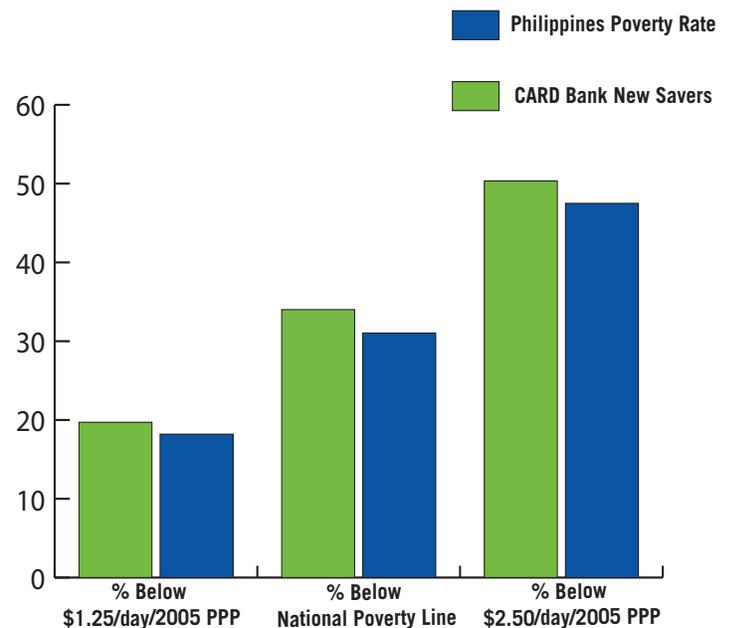
CARD Bank offered voluntary savings products for more than ten years with varying levels of success. The bank believed if it offered savings products, its customers would automatically sign up. As that was not the case, there is now a strong focus on product development, marketing, and selling the bank's savings products.

CARD Bank offers several types of savings accounts. Two of the most frequently used products are the compulsory account with the option to voluntarily contribute more than the amount collected in the weekly center meetings and a 'demand deposit<sup>2</sup>' or 'regular' savings account that requires going to a branch to make transactions. The compulsory savings account tends to serve lower income clients who usually have lower average balances, largely made up of the minimal amount the client must contribute each month as part

<sup>2</sup> This account is a basic savings account that allows for withdrawals at any time. Known as a "demand deposit account" globally, this type of account is known as a "regular" savings account in the Philippines.

of their participation in the program. The other savings product is a voluntary account not tied to membership in the loan program. This product tends to serve less poor clients who are capable of maintaining higher average balances. However, as preliminary results on product uptake show, not all clients follow this pattern. A small subset of clients (0.5%) who save in the compulsory account maintain quite high balances (more than \$500), using this account for their voluntary savings due to its convenience. By studying the characteristics of the clients that are relatively poor but who manage to save significant amounts, it should be possible to learn how to tailor future products to encourage similar behavior from larger groups of clients with similar demographic characteristics.

The graph below shows the poverty rates for the Philippines as a whole and CARD Bank's new savings clients across three distinct poverty lines: the \$2.50/day (2005 PPP line) that CARD Bank has established as its social performance guideline, the \$1.25/day poverty line used for the Microsavings Initiative,



and the National Poverty Line for the Philippines, which falls between the other two. In all cases, CARD Bank’s savings clients are poorer on average than the general population.

## Preliminary Findings

In March of 2010, the bank carried out a Baseline Poverty Information Survey for 203 of its voluntary savings clients. The new PPI data gathered through this survey—based on a representative sample and linked with the information on clients’ savings patterns—gave the bank the ability to analyze its poverty and savings data in a new way.

The analysis of this data has caused CARD Bank to rethink how to market its savings products to more effectively reach the very poor. Based on the PPI data, the bank is planning to produce different promotional strategies for different market segments. Business planning documents will also incorporate poverty data, for example CARD Bank’s current marketing plan is being designed based on the results of the PPI, which is now being collected on a consistent basis.

Analysis of the data shows that an individual’s poverty status does not influence the clients’ ability to save as much as their access to a suitable savings product. For example, the compulsory account seems to offer easier access to poorer clients who can make deposits during center meetings, rather than the clients who use the voluntary account, who must go to a branch to conduct their transactions. Already this information has been used to design additional products and increase the accessibility of both loan and savings products, through lower minimum balances as well as taking deposits at the customer’s home or business, which make these products more inclusive of the very poor.

Previously, CARD Bank had used traditional socio-economic demographics for differentiating its customers. Now, combining the traditional information with the enhanced PPI data, a much more focused segmentation of clients is possible. After analyzing data from a sample of almost 168,000 clients, CARD Bank found that poverty level, socio-economic indicators, length of time as a client, the mix of products selected, and the client’s financial profile were the most effective attributes for segmenting its customers.

ATTRIBUTES	Compulsory Account	Compulsory + Voluntary Account	TOTAL	Voluntary Savings Account Penetration
	0	20,389	15	20,404
1	44,862	131	44,993	.29%
2	56,148	457	56,605	.81%
3	30,891	688	31,579	2.18%
4	13,787	541	14,328	3.78%
<b>TOTAL</b>	166,077	1,832	167,909	1.09%

With 3 or 4 Attributes	Average Penetration
44,678	3%

% Cross Sell Opportunity
27%

CARD Bank has also segmented its savings clients into those that have a compulsory account, which are the vast majority, and those who have both the compulsory account and the voluntary savings account (currently only 1% of total clients). Data analyzed indicated that those clients who have both savings accounts tend to be less poor, maintain higher average balances (over 3,000 PHP or \$69), have been with CARD Bank longer (>2.5 years), and have some sort of salaried employment. CARD Bank sees compelling opportunities for cross selling the voluntary savings account to those of its clients who meet 3-4 of the above attributes and do not currently have an account. As the table above shows,

those customers having all four of these attributes have an almost four times greater chance than average of having a voluntary account. Further analysis showed that 27% of the almost 168,000 clients surveyed had 3 or 4 of these attributes, but did not yet have a voluntary account. This represents the cross selling opportunity that is currently untapped, and reveals the extent of the potential for targeted marketing of the voluntary savings account to this sub-group. Targeted marketing can make potential customers more aware of their options for saving with CARD Bank, and could allow the bank to greatly expand the number of clients who take advantage of this type of account.

## Challenges and Opportunities

On the one hand, tracking poverty scores for hundreds of thousands of clients in rural areas and encouraging savings among new clients are certainly not without their challenges. On the other hand, collecting and analyzing PPI data for such a large number of clients creates many unique opportunities for CARD Bank to enhance its operations through the strategic application of its PPI and savings product data. Some of the main challenges and opportunities for CARD Bank to take advantage of the information available from its use of the PPI are:

### Challenges

- ❑ Launching a new commercial core banking system and facilitating its adoption throughout CARD Bank. However, the advantages will also be significant as this new system will allow the bank to house all of its poverty and financial data for clients in one integrated database and facilitate the analysis of clients' PPI data over time.
- ❑ Implementing a census approach for collecting PPI data on all of CARD Bank's more than 580,000 clients means collecting a PPI

score every time a member joins the bank, takes a loan, opens a savings account, or exits the bank. In addition to the operational challenges of collecting this data, the existence of multiple PPI scores for each client in a given year necessitates the development of decision rules to guide researchers on which PPI score to use for each client during the next phase of data analysis.

- ❑ Collecting PPI data from savings account holders who are not also center members presents a new challenge for the bank, as these clients do not have the same obligations to the bank as members, who attend weekly meetings and have outstanding loans.
- ❑ Developing reports that are clear, complete, relevant, and easily understood by staff is an ongoing process. The challenge is to disseminate these reports and their findings throughout the organization in a way that can help various levels of staff, from senior management to field officers, understand the information relevant to them and act on its implications.

### Opportunities

- ❑ Advanced business analytics to support business planning, targeted marketing, and poverty assessment, which are available due to the bank's enhanced MIS and its expansion of PPI data collection.
- ❑ Improved market segmentation and product design can be obtained by exploring trends in product uptake so the bank can identify opportunities to fill gaps in its portfolio of products and fulfil any currently unmet client demands. By having better data, CARD Bank's management is able to better segment its clients, thus giving the bank the ability to move down market by targeting those who live on less than \$1.25 per day with more accessible savings products.

□ Enhanced reporting is possible so that PPI data viewed together with other client data, both financial and demographic, can show progress on poverty outreach and branch performance by account officer and location. This type of analysis will be possible with the new core banking system.

## Lessons Learned

Making the transition from a manually managed data set collected in a few branches and analyzed occasionally to an automated, bank-wide data set analyzed annually certainly represents a challenge on several fronts. The table on the following page outlines some of the key activities that CARD Bank undertook to overcome these challenges and integrate the analysis of its clients' poverty data and financial information. The table also lists lessons learned by CARD Bank that are relevant for other institutions interested in replicating their approach.

## Looking Forward

The PPI has proven itself a useful tool for shaping the development and evaluation of microsavings products at CARD Bank. The utility of the data from the PPI's pilot sample convinced the bank's management to collect census data i.e. PPI scores for more than 580,000 clients at least once a year. This is an impressive feat, as CARD Bank is the largest MFI to date that has committed to collecting PPI data for for such a large number of clients. The bank is using the data collected through the PPI to create a series of new products for the poor, and using its poverty data to improve marketing, segmentation, and outreach to clients. CARD Bank's efforts to improve its products and expand its services to the poor continue to evolve as the PPI data is combined with clients' financial and demographic information and continually analyzed for business development purposes. ■

## *Lessons from CARD Bank in Using the PPI*

<b>Topic</b>	<b>Pre-Requisites for Success</b>	<b>Steps Taken at CARD Bank</b>	<b>Lessons Learned</b>
Buy-in	Demonstrate value of data to inform decision-making (through a small pilot of 203 clients).	Ensure quality control measures produce accurate data that reflects the customer base.	Management's endorsement of PPI to field staff was key to improving data collection.
Management Information System (MIS)	Invest in improved MIS to make rigorous data integration and analysis possible.	Created a customized form in the bank's home grown MIS to automate PPI data entry. Linked all databases manually in order to integrate PPI data into one complete dataset.	Effective database management facilitated rigorous analysis, making sophisticated data interpretation possible.
Training	Commit to building organizational capacity through improved personnel training.	Create and integrate training on PPI implementation into standard staff orientation for loan officers and unit managers.	Consistent data collection requires explicit processes monitored by senior management and implemented by well-trained field staff.
Enforcement	Establish processes for effective field implementation of data collection and recording.	Tasked Internal Audit with quality control on data collection through client home visits and field staff evaluations during semi-annual branch visits. Oversight of PPI data entry is included in the monitoring checklist used by senior managers during their weekly branch visits.	Internal Audit and Human Resources Departments help establish quality control procedures. Good PPI implementation is included in staff's performance reviews.
Reporting	Reports that clearly present the most relevant data and are tailored to different levels in the organization help the bank monitor its performance.	Grameen Foundation designed a report template integrating poverty data with clients' financial information to present this data to management on a monthly basis.	Reports that interpret the data's implications rather than simply presenting poverty data are more useful to management.

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To learn more about or contact CARD Bank, visit their website at <http://cardbankph.com>

Photos and graphics inside provided by Grameen Foundation and CARD Bank.

This case study demonstrates one program's innovative use of the PPI as a tool to advance its social mission, offering valuable lessons for pro-poor organizations.

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