



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)
- Greater statistical rigor in its analysis of client data
- Better tracking of progress toward its poverty targets (a particular goal of the Board of Directors)
- The ability to integrate its poverty tool with its existing banking software.

CARD Bank began using the PPI, a country-specific tool, but did not have a full technology platform and the necessary controls in place to rigorously analyze its clients' status until it joined Grameen Foundation's 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 43 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.

## Key Challenges

Many improvements are necessary to both institutional processes and operational practices in order for CARD Bank to reap the full benefits of the PPI. 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 clients. The census-based approach implies that

<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 50,000 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 "**

## 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%

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

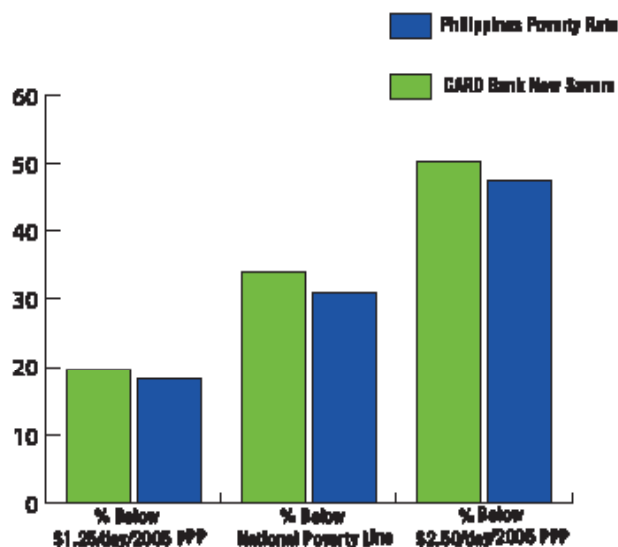
CARD Bank offered voluntary savings products for more than ten years with varying levels of success. The bank believed if it offered savings products, its customers would automatically sign up. As that was not the case, there is now a strong focus on product development, marketing, and selling the bank's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

<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.

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.

This graph shows the poverty rates for both 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 deposit pickups 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 over 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	Com- pulsory Account	Compul- sory + Voluntary Account	TOTAL	Voluntary Savings Account Penetra- tion
	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%
TOTAL	166,077	1,832		1.09%

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

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 for more than 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 demonstrated in the table above, Customers who have all four of these attributes have an almost four times greater chance than average of having a voluntary account. Further analysis of the sample showed that 27% of the 168,000 clients surveyed had 3-4 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





## ***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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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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