



Final Report

Submitted to IMTFI to fulfill Administrative requirements of project closing pursuant to

subaward 2011-2572

Mobile Phone Cash In Cash Out Service in a Frontier Area: The Dynamics of New Money Technology and Embedded Systems of Money Relationships

Synopsis

Technological advances on mobile technology has made it possible to transfer money faster and cheaper even to distant areas. Philippine based service providers have turned this technology into a multimillion peso business. Development practioners have drumbeated its potential, particularly in financial services, in serving frontier areas or geographically distant , hard to reach locales with pockets of economically challenged and socially excluded populations.

Frontier areas have money ecologies that develop in the context of poverty , coping and distance from centers of power and commerce.



The research site is Dapdap Village, Calauag Municipality, Quezon Province in the Philippines. Dapdap Village is a 7 hour bus ride from Manila (The capital) with a 2 hour boatride from the town proper via a large vessel or a 45 minute, possibly more dangerous route (should the weather change) via the next town. While access is challengiis ng, Dapdap is far from isolated. Residents trade goods and conduct business in the town proper and traders in adjacent towns and cities.

The research studied the structured money relations wherein money is exchange and gleaned insights on how this is affected by the possibilities brought by mobile phone money transfer technology. In the picture, a resident raises his cell phone next to a tree to find a signal.



Money is exchanged in daily life as seen in livelihood and coping mechanisms. The exchanges are embedded in systems of structured relationships that is both as dependency and strategy for household survival. DapDap has 350 households that interact and exchange money among themselves, with socio-economic partners in nearby towns and even with employers, business partners and relations in other places for remittance.

To highlight these structured money relationships, the study conducted a housing index based on proxy the make up of houses. HH1 are cement houses , HH2 are houses made of native materials

but well maintained and finally HH3 are houses with native materials that seemed patched up , in disarray

Sitio*	Household Index 1	Household Index 2	Household Index 3
			
Bundok	2	3	3
Centro	5	3	0
Dundulit	1	2	1
Kinasadyangan	0	3	0
Sampitan	2	2	2
Sulok	1	0	3
Uno	5	2	0
Total	16	15	9

* *SITIO is a political subdivision within the village along geographic lines and headed by an elected “kagawad” (councilor) who ideally represents the sitio in the “Barangay” (village local governance unit)*

The housing index was used as a proxy for socio-economic status. 40 households belonging to different levels were then interviewed monthly to glean insights on money exchanges, financial instruments, use of mobile money and preference for money exchange.

Some illustrations (ideal types) of relationships between households is as follows:

HH1	HH2	hh3
Is usually the owner of the larger stores that serve the “poblacion” or center of Dapdap village	Owners of smaller stores that serves smaller sections of Dapdap or areas further from the center	Composed of households whose main asset is labor and usually in debt to store owners. Payment for labor is usually made less loans made for consumption smoothing

HH1	HH2	HH3
House is electrified	Houses in varying stages of electrification	Connects or taps electricity for a fixed fee a month based on agreement and utilization (1 bulb is usually \$3 -4 a month. Augmented by the use of kerosene lamps that utilize . 25cents of fuel per 12 hour use

The structured economic relationships between these households may be seen in the following case (Pseudonyms are given for key informants)

a.) “Ramon” is in his 60's and owns 10 hectares of land dedicated to coconut. In between coconut harvests and periods of low yield due to calamities, Ramon augments the family income with fishing and seaweed production. All his money making endeavours are sufficient for consumption smoothing. Currently, a large portion of his land is pawned to a distant relative. The money was used to pay a large trader to compensate for a “ business misunderstanding”. He

pawned his land to get cash to clear his name and not to cut his ties with the trader or lose face. In this transaction, cash was exchanged hands in a face to face manner.

Ramon's wife opened a small store to tide them over difficult times. In their advanced years, access to cell phones is through the younger members of the household whom they ask to call or send SMS for them. Their preference is for exchanging money is face to face and they prefer to deal with people they know. They are aware that mobile phone cash in cash out but prefer to use the older and more established remittance services in case this is required for emergencies. Their store is potentially a site to establish a mobile money cash in cash out business but they choose not to for two reasons: a.) They don't have the confidence to handle the technology and would rather stick with the livelihood based on coconut and fishing. b.) Ramon believes that those that have the mobile cash in cash out business are considered wealthy and as such, their neighbors might treat them differently.

In town, there are three service providers of mobile phone cash in cash out services. Competition has been fierce resulting in the lowering of service fees from 6% of transaction amount to 4%. Note that the providers are informal set ups and are not subject to the 2% mandated rates that registered service providers follow.

Some of the summary findings are as follows:

- 1.) Households have sufficient access to cell phones and are aware of money transfer via mobile phone technology.
- 2.) While awareness is high, use is limited due to the preference for “face to face” transactions. These transactions are usually exchanges in daily life where loans, payments for labor are made.
- 3.) The few instances where mobile phone based transfer is utilized are cases that are exemplars such as when one gets employment and needs remittance services or when speed is necessary.
- 4.) Cellphones and their varied uses have permeated Philippine society even in hard to reach places. The potential of cellphones based cash transfer technology in these areas for facilitating savings and remittance remain. However, adoption of the technology lags due to the preference for face to face transactions steeped in social relationships that are still heavily influenced by local norms.
- 5.) More than the potential that this technology brings, it is the weight of daily life and coping that forms the context of money exchange that affect preference for use.

