

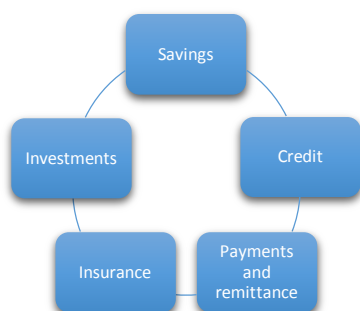
# **NATIONAL BASELINE SURVEY ON FINANCIAL INCLUSION**

Bangko Sentral ng Pilipinas

## Background

The Bangko Sentral ng Pilipinas (BSP) defines financial inclusion as **a state wherein there is effective access to a wide range of financial products and services by all.**

“Effective access” does not only mean that there are financial products and services that are available but also encompasses four broader components as depicted in the diagram. Aside from physical access to financial products and services, these products and services must be appropriately designed, of good quality and relevant to lead to actual usage that can benefit the person accessing the said service.



“Wide range of financial products and services” refers to a full suite of basic products and services such as savings, credit, payments and remittance, insurance, and investments for different market segments, particularly those that are traditionally unserved and underserved.

Crucial to the work in advancing financial inclusion is a comprehensive and robust data framework. This is important in monitoring progress, identifying gaps, establishing priorities and crafting evidence-based financial inclusion policies. At present, there are available information coming from financial service providers (i.e., supply-side) but these do not present a complete picture of financial inclusion in the country.

The **National Baseline Survey on Financial Inclusion (NBSFI)** is the first nationally representative survey of Filipino adults dedicated to collect financial inclusion data from the perspective of the actual and potential users of financial products and services (i.e., demand-side). It aims to provide a more holistic picture of financial inclusion in the Philippines in terms of access, usage, quality and perceived welfare.

This report, which presents the topline findings of the NBSFI, is structured as follows: Section I describes the general financial access situation while Section II tackles financial transactions. Sections III, IV, V and VI cover savings, credit, payments and remittance, and insurance, respectively.

## About the Survey

The NBSFI is a nationally representative survey of Filipino adults. Data collection was done through face-to-face interviews administered using structured questionnaire. The sample size is 1,200 adults which are defined as individuals aged 15 years old and above. The sample came from both the National Capital Region (NCR) and areas outside NCR (Balance Luzon, Visayas and Mindanao).

The survey instrument was designed by the Inclusive Finance Advocacy Staff (IFAS). The questionnaire was peer-reviewed<sup>1</sup> by jurisdictions that have implemented national financial inclusion surveys such as Comisión Nacional Bancaria y de Valores (CNBV) of Mexico, Bank of Tanzania and the World Bank, and was approved by the Philippine Statistics Authority (PSA).

Data collection, encoding and processing were performed by the Social Weather Stations (SWS), a local survey firm with thirty years of experience in generating accurate, timely and credible data on social, political and economic issues. Pilot-testing was done in the Fourth Quarter of 2014 while the actual survey was rolled out in the First Quarter of 2015.

Multi-stage probability sampling<sup>2</sup> was employed in selecting the respondents. The survey has sampling error margins of  $\pm 3\%$  for national percentages and  $\pm 6\%$  for area percentages. Aside from geographical disaggregation, the results could be further profiled by gender, age group, educational attainment and socio-economic class<sup>3</sup>.

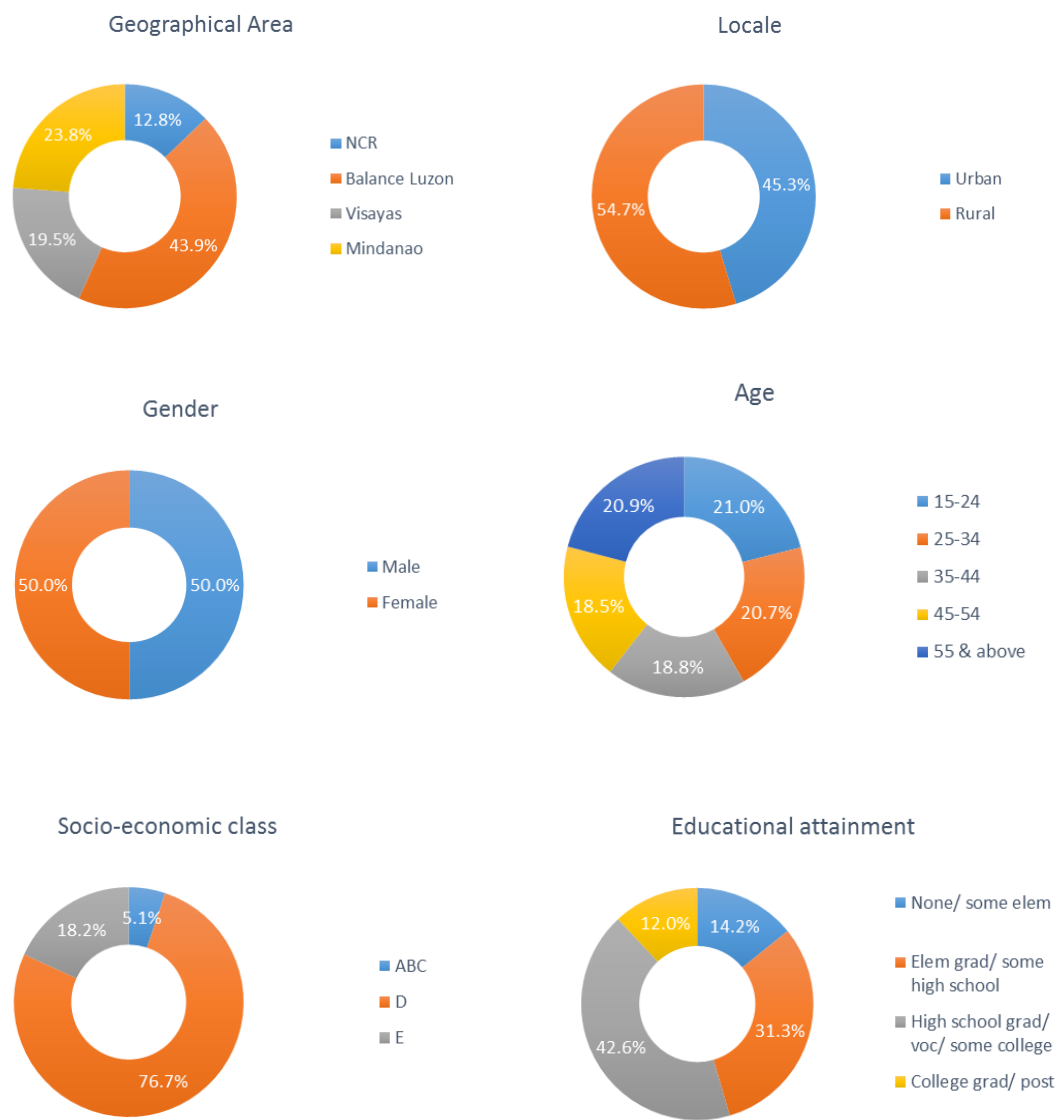
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<sup>1</sup> The peer-review was made possible by the BSP's membership in the Financial Inclusion Data Working Group (FIDWG) of the Alliance for Financial Inclusion (AFI), a global network of central banks and other financial inclusion policy making bodies in developing countries that provides its members with the tools and resources to share, develop and implement their knowledge of financial inclusion policies.

<sup>2</sup> See Annex A for details of the sampling methodology

<sup>3</sup> Socio-economic class refers to the classification rating of the respondent as observed/assessed by the field interviewer based on the physical appearance of the respondents' house. The following categories were used:

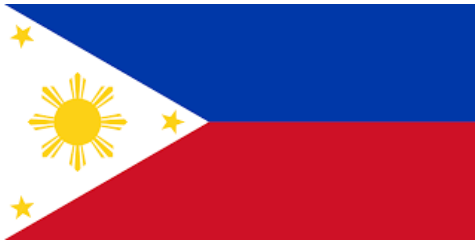
AB (Upper class)	The most affluent group whose homes and lifestyle exude an obvious disregard for or lack of economizing.
C (Upper/middle class)	The homes and lifestyles reflect comfortable living and the capacity to indulge in a few luxuries.
D (Lower class)	Households who have some comfort and means but basically thrive on a hand-to-mouth existence.
E (Extremely low class)	Those who evidently face great difficulties in meeting their basic survival needs.



Respondents come from a good mix of both genders and locality (urban-rural). In terms of respondent distribution across geographical areas, the percentage shares mimic the Philippine population, with Balance Luzon having the most number of respondents, followed by Mindanao, then Visayas and finally NCR. Most of the respondents belong to socio-economic class D. There is more or less equal distribution across age groups.

This maiden report presents a descriptive analysis of the NBSFI results. Discussions are confined at the national level, since sub-national estimates at the regional, provincial, city or municipal level are not within the scope of the survey. Further segmentation and in-depth investigation of collected data as well as empirical modeling of patterns and relationships will be the focus of forthcoming reports.

## The Philippines: An Overview



Population (2010)*	92.34 million
Land area*	300,000 km <sup>2</sup>
Number of islands	7,107
Main islands	Luzon, Visayas, Mindanao
Capital	Manila
Administrative Units	
Regions	17
Provinces	81
Cities	144
Municipalities	1,490
Official languages	Filipino, English
Simple literacy (2000)*	92.3%
Unemployment rate (January 2015)*	6.6%
Poverty incidence (First Semester 2014)*	25.8%
Average annual family income (2012)*	PhP 235,000
Gross Domestic Product (GDP) (2014)*	PhP 7.2 trillion
GDP quarter-on-quarter growth (2014 Q4)*	6.9%
Inflation rate (April 2015) **	2.2%
Exchange rate (May 2015) **	USD 1 ≈ PhP 45

\*Philippine Statistics Authority (PSA)

\*\*Bangko Sentral ng Pilipinas (BSP)

## Highlights

### ACCESS

- Filipino adults are most aware of banks (98.3%), pawnshops (95.7%) and automated teller machines or ATMs (93.5%). There is relatively low awareness of other access points such as microfinance NGOs (30.5%), e-money agents (25.6%) and non-stock savings and loan associations or NSSLAs (13.6%).
- Among those who are aware of access points, 7 out of 10 adults said that banks are accessible. However, other access points such as pawnshops, ATMs, payment centers, money changers and remittance agents are perceived to be nearer and easier to reach. The least accessible financial service providers (FSPs) are NSSLAs and insurance agents/companies.
- The most typical means of reaching an access point is through public transportation, either via three- or four-wheeled vehicle. Some access points such as cooperatives and e-money agents are most commonly reached by walking only. On the average, it takes 21 minutes to go to the nearest access point. In terms of cost, the average roundtrip fare to reach an access point is PhP 43 (approximately USD 1).
- The average length of time to reach the nearest bank and ATM is 26 and 22 minutes, respectively. A two-way trip to the nearest bank and ATM costs PhP 52 and PhP 47, respectively. Length of travel time and cost of travel is lower for other access points such as remittance agents and payments centers.

### ***Financial transactions***

- For those who are aware of access points, majority (71%) have transacted with payment centers, remittance agents (58.6%) and pawnshops (51.6%). Among adults who have performed financial transactions, the most commonly experienced transaction is paying bills (72.3%), followed by sending/receiving money (62.5%) and withdrawing cash (56.4%).
- 5 out of 10 Filipino adults have experienced transacting with banks. In Metro Manila and Balance Luzon, more than half of the adult population have performed banking transactions, 35% of adults in Visayas and 43% of adults in Mindanao. 55% of adults in urban areas have done banking transactions compared with 45% in rural areas. The percentage of adults who have experienced transacting with a bank decrease with levels of income and education. The percentage is higher for females and older adults.
- There are geographic peculiarities in financial transactions. For instance, many adults in Mindanao have transacted with cooperatives and microfinance NGOs. The percentage of adults who have performed transactions in NSSLAs and pawnshops is relatively high in Visayas compared with other regions. While the percentage of those who have experienced transacting with access points is often higher in urban areas, more clients transact with cooperatives, microfinance NGOs and e-money agents in rural areas.
- There are also disparities in terms of socio-economic class. The percentage of adults who have transacted with access points is usually higher in class ABC except for NSSLAs, cooperatives, lending/financing companies and payment centers where more adults are coming from class D. Adults who experienced transacting with microfinance NGOs are mostly coming from class E.

### ***Savings***

- 4 out of 10 Filipino adults (43.2%) currently have savings, 32.3% used to save in the past but have stopped saving money, while the remaining 24.5% have never experienced saving money.
- 7 out of 10 adults (68.3%) who are saving money keep their savings at home. 32.7% of adults with savings put their money in banks while others save through cooperatives

(7.5%), NSSLAs (0.8%) and informal savings groups (2.6%).<sup>4</sup> The main purpose of saving money is to have something to use in case of emergencies (63.8%). Most adults are also saving for future expenses on food (55.6%) and education (47.4%).

- 6 out of 10 adults (62.8%) with bank account indicated that the bank's reputation is their number one consideration in opening a deposit account. Around 50% mentioned interest rate as another major consideration, followed by minimum maintaining balance (45.9%), proximity of the banking office (39.8%) and treatment by bank employees of their clients (34.8%).
- 65% of adults who save but are not saving in banks cited lack of money as the main reason for not having a bank account. The other reasons include the lack of need for a bank account (16.9%), limited knowledge and capability to manage an account (16.8%), cost (11.2%), distance of the bank (7.6%), failure to meet documentary requirements (4.6%), among others.

### **Loans**

- Most Filipinos have or had debt – 47.1% of adults borrow money, while 33.8% did so in the past and do not borrow anymore. Only 19.1% of adults do not borrow at all.
- For those who borrow money, the main source of borrowing is mainly informal – from family, relatives or friends (61.9%) and informal lenders (10.1%). Bank as a source of borrowing stood only at 4.4%, lower than the percentage of adults who borrow from lending/financing companies (12%), cooperatives (10.5%), microfinance NGOs (9.9%) and government entities (6.1%).<sup>4</sup> The main purpose for borrowing money is to buy food (59.5%), school related expenses (38%), and to finance emergencies (32.7%).
- Half of the adult population with outstanding loan in a formal financial institution have a personal loan which was reported to be commonly sourced from lending/financing companies. Other common types of loan among adults with outstanding credit are microfinance (20.2%), salary (19.5%) and business (12.9%).
- The primary considerations in borrowing money are interest rate (57.5%), loan amount (41.7%), period to pay for the loans (35%), and ease of loan application (33.1%). Reputation of the credit institution or lender (24.5%), amortization (14.9%), collateral (14.3%) fees and other charges (11.4%), and processing time (11%) are also considered.

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<sup>4</sup> The questions about institutions used in saving or borrowing money allow for multiple responses.



## ***Payments and remittance***

### *Person to Person (P2P) transactions*

- Filipino adults are most aware of ATMs as means of sending and receiving money or remittances to/from persons. 69.2% are aware of ATMs; followed by pawnshops (65.5%) and remittance agents (62.4%). Among those who are aware of remittance channels, most people have experienced using remittance agents at 63%, followed by pawnshops (51%) and ATMs (38%).
- 44% of Filipino adults had remittance transactions in the past six months. Most of the remittance transactions are on the receiving end which comprised 59%. 23% both sent and received while the remaining 18% sent money only.
- For those who sent remittances in the past six months, 91% sent to their families while 6% sent to their friends. On the other hand, for those who received remittances, 90% received from their families while 7% received from friends.
- The purpose of remittances received is mainly for food (71%). Some other uses are for education (39%), medical expenses (28%) and emergencies (22%). Very few cited using the remittance for productive purposes such as buying assets (13%) and starting a business (6%).

### *Person to Government (P2G), Person to Business (P2B), Government to Person (G2P) and Business to Person (B2P) transactions*

- Filipino adults are most aware of ATM (48.2%) as a delivery channel for sending and receiving money or payments to/from government and businesses. Among those who are aware of delivery channels for payments, the percentage of those who have used the delivery channel is highest for *bayad centers* at 69.5%, followed by remittance agents (30.5%) and ATMs (30%).
- 42% of Filipino adults made payments in the past six months. 72% sent payments to the government or businesses, 14% received payments from the government or businesses, while another 14% both sent and received payments.
- 45% of P2G transactions are for payments of water and electricity bill, 35% are loan payments, 15% are for licenses while 11% are for taxes. Bulk of these payments are made in cash.

- 94% of P2B payments are bills payment (e.g., tuition fees, insurance premiums). Other P2B payments are loan payments (11%) and purchases (1%). Most often used delivery channel to pay for bills are the *bayad centers*. Loan payments are often paid through cash.
- 44% of G2P transactions are for the Conditional Cash Transfers (CCTs) of the Department of Social Welfare and Development (DSWD). 27% and 15% are for salaries and pensions for government employees, respectively. Other G2P payments include loan disbursements (12%) and benefits (8%). Delivery channel most often used to receive G2P payments is the ATM (for CCTs, salaries and pensions).
- For B2P payments, 48% are for salaries while 30% are for loan disbursements. Majority of payments are made domestically and the delivery channels most often used by businesses are those linked to banks (i.e., ATM, checks and over-the-counter) aside from cash.

### ***Insurance***

- Filipino adults see illness and medical expenses as major threats that can significantly impact their livelihood (87.5%) and would like to have insurance coverage (48.6%). Next in rank among the perceived threats are death or loss of income from main income earner (75.6%) and natural disasters (59.1%).
- Filipino adults are most aware of health insurance (77.7%), life insurance (67.3%) and accident insurance (60.3%). There is low awareness of microinsurance (14.5%), lower than other non-life insurance products like vehicle (47.4%), fire (39.1%) and building (32.2%) insurance, but slightly higher than cellphone insurance (9.5%).
- In terms of coverage, 21.7% of those who are aware of microinsurance have coverage either as directly insured or as beneficiary. This level is second only to health insurance, wherein 39.8% of those who are aware have coverage. The next highest coverage includes life insurance (20.8%), vehicle insurance (19.2%) and accident insurance (19.2%).
- The most common reason given for not having life, health or accident insurance is lack of money. The second most common reason is the perception of high cost. The most common reason for not having vehicle insurance, building insurance, cellphone insurance and microinsurance is the perceived lack of need for these types of insurance products.

### *Satisfaction with financial transactions*

- More than 50% of adults who have transacted with banks and ATMs are just somewhat satisfied with their transactions. The same is true for other access points, except for NSSLAs and cooperatives where there are more clients who indicated that they are very satisfied. The percentage of adults who are dissatisfied with financial transactions are highest among insurance agents (7.9%), payment centers (8.1%) and lending companies (9.2%).
- Experiencing problems is most common in ATMs (21.9%), followed by cooperatives (17.1%) and microfinance NGOs (16.5%). Clients are just somewhat satisfied with how the issues were resolved in most access points, except in pawnshops where they are very satisfied and in insurance agents where they are dissatisfied.

### *Sources of information*

- The three most common sources of information about fees in financial transactions are notices/flyers/brochures, bank staff and word of mouth. Other modes such as signage/billboards and internet are widely used in disseminating information on fees for remitting money, account transfers and foreign exchange. Receipts are also good sources of information for fees in account balance inquiry, bills payment, cash withdrawal and insurance.
- Word of mouth and television are the main sources of awareness for P2P, P2B, P2G, G2P and B2P transactions, across all delivery channels.

### *Fees and charges*

- Most Filipino adults perceived charges in financial transactions as just right except for some transactions such as performing money transfer between bank accounts which is perceived to be expensive.
- Fees on deposit accounts are perceived as just right with some exceptions – most of the holders of payroll accounts and time deposit think that the fees involved in their accounts are expensive.
- Interest rates and fees on loans are assessed as just right, except for the fees in housing loans and credit cards which are perceived to be too expensive. Interest rate, loan

amount, net proceeds and period of the loan are the common elements of the loan transaction which were explained to the borrowers.

- There is a positive perception on the transparency of rates and fees for payment and remittance. For payments, remittance agents, ATMs and computer (i.e., online transactions) are perceived to be very transparent. For remittance, pawnshops are perceived to be the most transparent in rates and fees at 55%, followed by banks - over the counter (45.3%) and ATMs (41.7%).

*Experience in getting a financial product*

- Around 10% of bank account holders indicated that they were offered other financial products during account opening. The most common products presented to them are investments and loans.
- Nearly 8% of those with outstanding loans stated that they were offered other financial products, mostly insurance and savings, by the financial institution during loan application. Most adults indicated that the amount of loan they received is the amount they requested. In cases when the requested amount was not approved, the amount granted was lower than the amount originally requested.
- Around 2% of respondents reported that they tried to save in a financial institution but their account application was denied. 3.6% of those with outstanding debt reported that they experienced a challenge in obtaining credit from financial institutions. Only 1% of respondents stated that their insurance application was denied. Lack of documentary requirements was one of the common reasons for denied application in these three financial products.

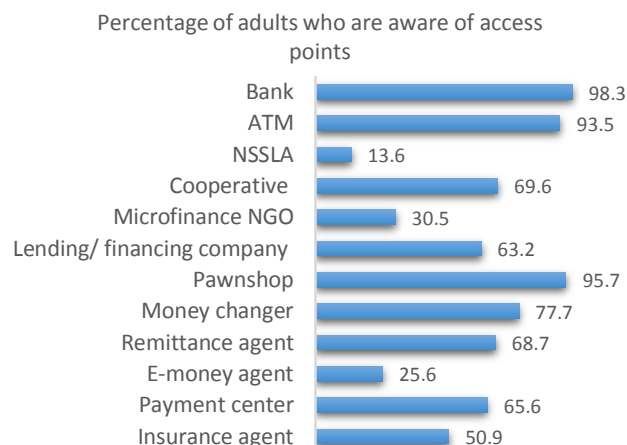
## WELFARE

- 86% of Filipino adults believe that access to financial products and services is important, while 88% state that it is beneficial to them. 85.7% of the adult population indicate that they want to have access to financial products and services coming from formal financial institutions.
- 97% of adults believe that it is important to save money and to have the means to save money. 80% of the adult population expressed desire to save in formal financial institutions.
- Filipino adults generally maintain a positive perception on the importance of borrowing (77.1%) and believe that benefits may be derived from borrowing (84.4%) to smoothen their own and their families' consumption needs. However, despite these positive perceptions, only 56.3% indicated that they would want to borrow from formal financial institutions.
- There is a positive perception on the importance and benefits of remittance and payment services. Summing up perception percentages for strongly agree and agree, 90% said it is important to them, while 92% said it is beneficial to their families. However, when asked if they would want to pay using formal financial institutions like banks and remittance agents, only 78% expressed agreement.
- Filipino adults have a high positive perception of insurance. About 90% agree that insurance is important to them and that it benefits their families. Around 80% believe that insurance will provide financial aid when unexpected circumstances happen, and they want to get insurance through formal financial service providers like insurance companies, cooperatives or banks. Majority of adults (76.6%) disagree that insurance is just for the rich.

## I. General Access Situation

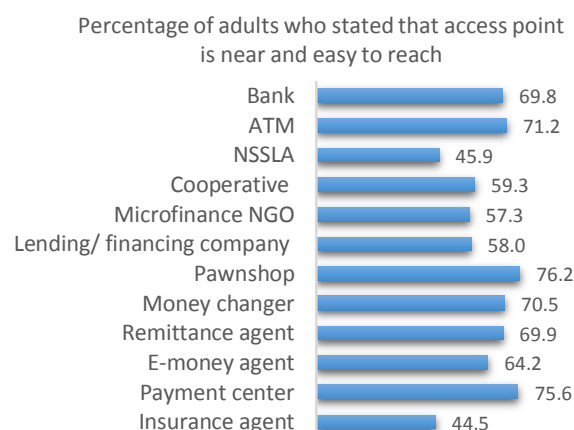
### ***Awareness of access points<sup>5</sup>***

There are marked differences in the levels of awareness of various financial service providers, with some access points more known than others. Filipino adults are most aware of banks (98.3%), pawnshops (95.7%) and ATMs (93.5%). On the other hand, there is low awareness of microfinance NGOs (30.5%), e-money agents (25.6%) and NSSLAs (13.6%).



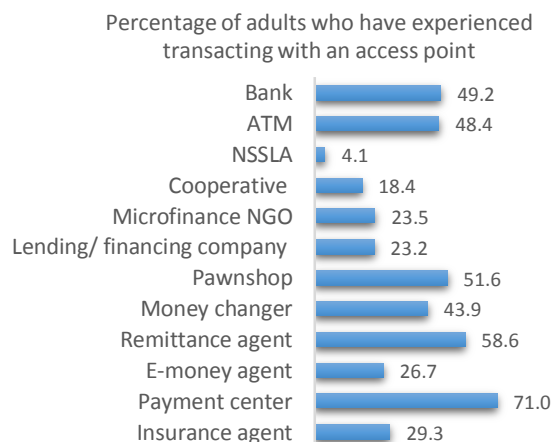
### ***Accessibility***

Among those who are aware of access points, pawnshops and payment centers are perceived to be the most accessible, with more than three-fourths of adults stating that these access points are near and easy to reach. Next are ATMs (71.2%), money changers (70.5%) and remittance agents (69.9%). Many adults (69.8%) said that banks are also easy to reach. The least accessible financial service providers are NSSLAs (45.9%) and insurance agents (44.5%).



### ***Transaction<sup>6</sup> with access points***

For those who are aware of access points, 71% have transacted with payment centers. Many have also performed financial transactions through remittance agents (58.6%) and pawnshops (51.6%). Least common are transactions with lending companies (23.2%), cooperatives (18.4%) and NSSLAs (4.1%). Almost half of adults have experienced transacting with banks and ATMs.



<sup>5</sup> See Annex B for definition of the different types of access points.

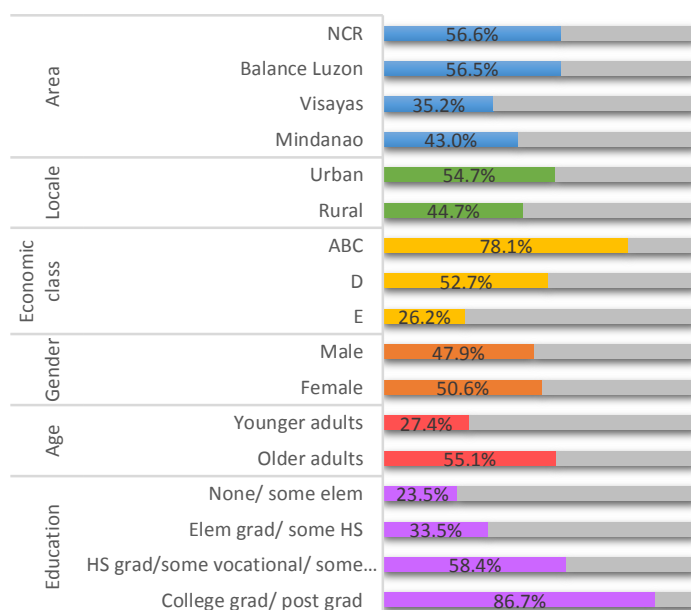
<sup>6</sup> Financial transactions include paying bills, sending/receiving money, checking account balance, transferring money between accounts, depositing and withdrawing cash, foreign exchange, and transactions pertaining to loan, credit card and insurance.

### ***Characteristics of Filipino adults who have transacted with access points<sup>7</sup>***

We noted disparities across area, socio-economic class, gender, age and educational attainment.

While more than half of the adults in Metro Manila and Balance Luzon have transacted with a bank, only 35% of adults in Visayas and 43% of adults in Mindanao have performed transactions in a bank. 55% of adults in urban areas have done banking transactions as opposed to 45% in rural areas. The percentage of adults who have experienced transacting with a bank is decreasing with levels of income and education. The percentage is higher for females and older adults (those aged 25 years old and above).

Characteristics of Filipino adults who have transacted with a bank



Analysis of the profile of adults who have performed transactions in other financial service providers revealed the following:

#### **By geographical location**

- Many adults in Mindanao have transacted with cooperatives and microfinance NGOs. For instance, 35.7% of adults in Mindanao who are aware of microfinance NGOs have transacted with these access points. This is relatively high compared to the percentage of adults who have transacted with microfinance NGOs in other regions (range is 13% - 21%).
- The percentage of adults who have performed transactions in NSSLAs and pawnshops is relatively high in Visayas compared with other regions.

#### **Urban-rural gap**

- While the percentage of those who have experienced transacting with access points is often higher in urban areas, we noted more rural clients with transactions in cooperatives, microfinance NGOs and e-money agents.

<sup>7</sup> Only those adults who are aware of an access point were asked if they have ever experienced transacting with the access point. Hence, the base population here is the number of adults who indicated that they are aware of the access point.

Percentage of adults who have transacted with access points, by geographical area

		NCR		Balance Luzon		Visayas		Mindanao
ATM		56.4%		53.4%		37.3%		43.2%
NSSLA		9.2%		0.0%		10.0%		2.3%
Cooperative		17.6%		17.9%		14.6%		21.4%
Microfinance NGO		12.7%		21.1%		19.9%		35.7%
Lending/ financing company		23.0%		26.5%		15.7%		21.8%
Pawnshop		52.1%		52.2%		55.8%		46.8%
Money changer		53.8%		51.3%		32.2%		28.2%
Remittance agent		57.3%		62.2%		46.7%		59.9%
E-money agent		27.9%		32.5%		25.8%		7.4%
Payment center		82.5%		77.6%		24.0%		53.0%
Insurance agent		27.1%		29.3%		28.0%		28.8%

Percentage of adults who have transacted with access points, urban vs. rural

		Urban		Rural
ATM		56.7%		41.1%
NSSLA		6.0%		2.1%
Cooperative		15.7%		20.1%
Microfinance NGO		20.1%		26.6%
Lending/ financing company		24.7%		20.7%
Pawnshop		54.2%		49.4%
Money changer		51.2%		36.4%
Remittance agent		61.4%		55.9%
E-money agent		24.0%		27.4%
Payment center		72.7%		59.9%
Insurance agent		32.0%		25.3%

Percentage of adults who have transacted with access points, by socio-economic class

		ABC		D		E
ATM		64.9%		50.9%		32.1%
NSSLA		0.0%		5.0%		0.0%
Cooperative		16.2%		19.6%		10.6%
Microfinance NGO		20.4%		23.2%		25.2%
Lending/ financing company		15.0%		24.0%		18.4%
Pawnshop		55.7%		53.5%		41.7%
Money changer		58.7%		46.0%		23.5%
Remittance agent		73.4%		58.2%		55.6%
E-money agent		33.3%		26.4%		8.8%
Payment center		65.4%		69.6%		48.4%
Insurance agent		44.8%		28.9%		17.1%



Percentage of adults who have transacted with access points, by educational attainment

	None/ some elem	Elem grad/ some HS	HS grad/ vocational/ some college	College grad/ post grad
ATM	27.5%	27.9%	58.4%	84.8%
NSSLA	7.3%	8.4%	1.0%	4.6%
Cooperative	16.4%	10.6%	19.5%	31.4%
Microfinance NGO	40.1%	17.4%	29.0%	8.6%
Lending/ financing company	13.1%	18.0%	24.7%	31.5%
Pawnshop	35.2%	39.3%	60.8%	67.0%
Money changer	27.9%	26.3%	49.9%	67.3%
Remittance agent	38.7%	50.5%	61.9%	74.9%
E-money agent	15.2%	21.4%	25.8%	31.6%
Payment center	42.5%	61.5%	70.6%	75.1%
Insurance agent	6.9%	18.6%	25.0%	58.1%

#### By economic class

- The percentage of adults who have transacted with access points is usually higher in class ABC except for NSSLAs, cooperatives, lending companies and payment centers where more adults are coming from class D. Adults who have an experience in transacting with microfinance NGOs are mostly coming from class E.

#### By gender and age

- Females always lead over males in terms of experience in transacting across different access points, except for NSSLAs. The percentage of older adults who have performed financial transactions is always higher than younger adults, irrespective of the type of access point.

#### By educational attainment

- Adults who have done transactions in access points are typically at least high school graduate, except for NSSLAs and microfinance NGOs where most clients are less educated.

#### ***Point of origin and mode of transportation in reaching the access point***

Home is the most common place of origin when transacting with an access point. The most typical means of reaching an access point is through public transportation, either via three- or four-wheeled vehicle. This is the observation for all types of access points except for NSSLAs, cooperatives and e-money agents which are most commonly reached by walking only.



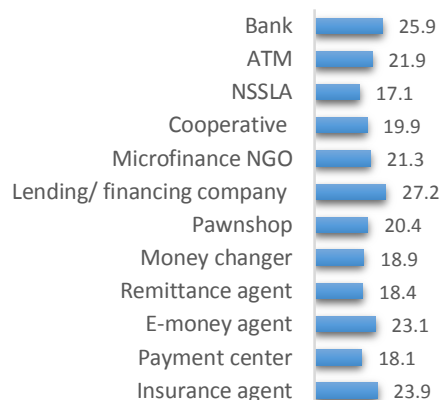
### ***Length and cost of travel to reach an access point***

On the average, it takes 21 minutes to go to the nearest access point. The average length of time to reach banks is 26 minutes which is relatively long compared with other access points. Average travel time is shorter for ATMs at 22 minutes.

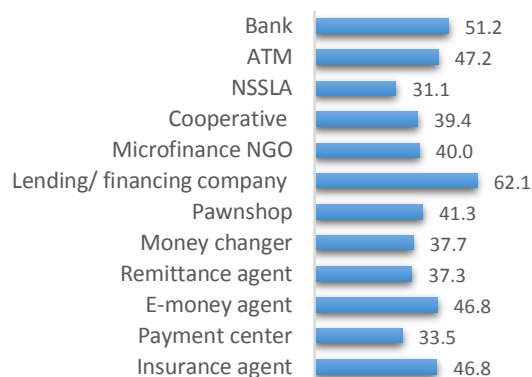
In terms of cost, the average roundtrip fare to reach an access point is PhP 43. A two-way trip to the nearest bank and ATM is PhP 52 and PhP 47, respectively. These amounts are relatively high compared to the average roundtrip cost of reaching other access points.

Travel time is shortest to reach NSSLAs (17 minutes), payments centers (18.1 minutes) and remittance agents (18.3 minutes). The average cost of two-way trip is also cheapest for these access points – NSSLAs (PhP 31), payment centers (PhP 33.5), and remittance agents (PhP 37). There is indication that going to the nearest lending/financing company is relatively costly both in terms of time and money.

Average length of time (in minutes) to go to the nearest access point



Average cost (in PhP) of roundtrip travel to go to the nearest access point



### ***Perceived importance and benefits of access to financial products and services***

Eighty-six percent (86%) of Filipino adults believe that access to financial products and services is important, while 88% stated that it is beneficial to them. There is also a desire and demand for formal financial products and services because 85.7% of the adult population indicated that they want to have access to financial products and services coming from formal financial institutions.

Perceived importance and benefits of access to financial services



## II. Financial Transactions

### ***Awareness of financial products and services***

Filipino adults who have transacted with access points are generally aware of the financial products and services offered by these access points. For banks, the most commonly associated financial services are savings, loans and cash-in/cash-out. On the other hand, savings, cash-in/cash-out and remittance are the usual financial services linked to ATMs. Savings, loans and insurance are the top three most popular financial services associated with NSSLAs, cooperatives, microfinance NGOs and lending companies.

Percentage of adults who are aware of financial services offered by different access points

	Bank	ATM	NSSLA	Coop	MF NGO	Lending investor	Pawnshop	Money Changer	Remittance agent	Emoney agent	Payment Center	Insurance agent
Savings	88.2	60.8	92.3	67.4	58.4	24.9	3.1	2.2	4.3	6.7	3.1	13.6
Loans	59.2	15.4	84.7	85.6	87.0	89.0	27.5	1.2	2.8	0.0	1.6	11.3
Insurance	22.3	4.6	45.7	25.0	39.6	17.6	6.8	1.5	4.1	0.0	1.5	80.5
Investments	17.6	3.9	23.6	11.2	8.0	7.4	5.2	0.7	0.7	0.0	0.9	5.5
Payments	33.9	14.0	7.7	16.6	19.6	14.0	18.4	3.2	18.4	12.4	95.9	18.1
Remittance	32.0	18.0	0.0	3.3	2.8	2.5	53.2	5.5	69.4	55.7	5.2	3.5
Foreign exchange	15.2	1.5	7.7	0.3	0.0	1.7	5.3	85.1	2.3	0.6	0.1	0.0
Loading (e-money)	2.7	1.8	0.0	0.3	0.0	0.3	1.8	0.8	1.4	22.6	0.4	0.0
Cash-in/ cash-out	42.8	58.6	18.4	23.4	26.0	14.4	25.1	10.3	24.0	23.0	2.5	1.4
Others	1.3	0.0	0.0	3.4	0.0	1.1	22.8	0.0	3.5	1.3	0.2	1.4

Note: Highlighted cells are the top three for each column (access point).

The financial products and services most associated with other access points are as expected. For instance, foreign exchange is the most widely known service by money changers; remittances are to remittance agents and e-money outlets; payments are to payment centers; and insurance products are to insurance agents. The results also provide insights on the evolving business model of pawnshops – more than half of Filipino adults are aware of remittance as a service offered by pawnshops. Awareness of remittance as a service in pawnshops is higher than credit or pawning.

### ***Frequency of financial transactions with access points***

Filipino adults who have done financial transactions stated that they do not regularly transact with access points. Exceptions are ATMs and payment centers where they have monthly transactions, and microfinance NGOs where they have weekly transactions.

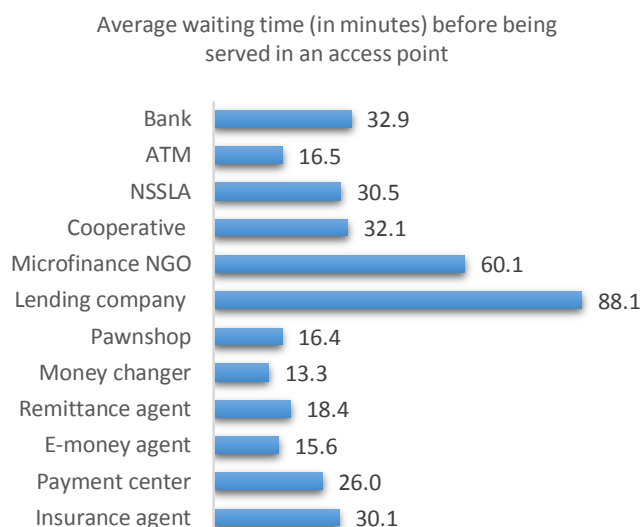
#### Frequency of financial transactions

- **Weekly:** MF NGOs
- **Monthly:** ATMs, payment centers
- **Less often:** Other access points

### ***Length of time before being served in an access point***

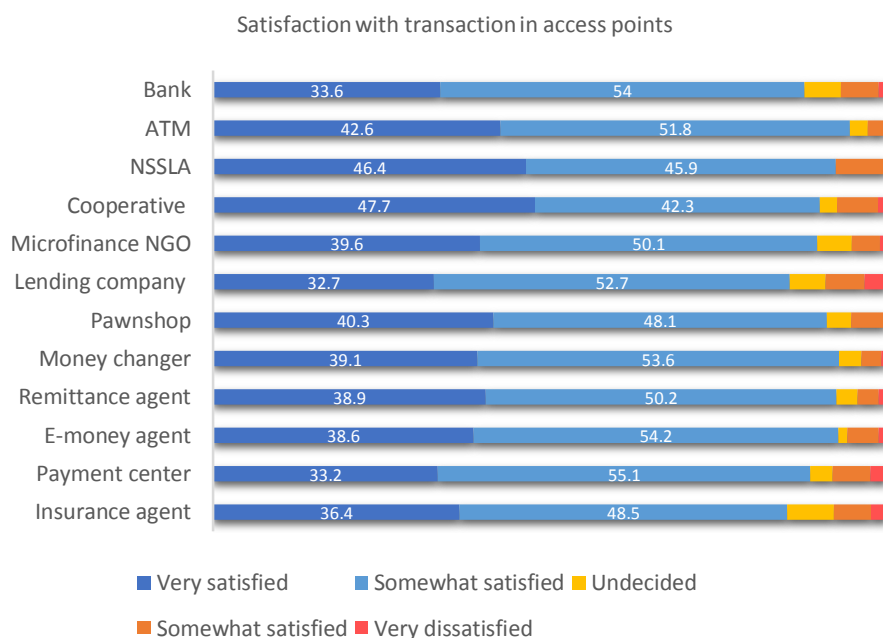
Waiting time depends on the nature of financial transaction. There is shorter waiting time for access points offering payments and remittance while longer waiting time for access points with savings and credit services.

Average waiting time is shortest for money changers (13.3 minutes), followed by e-money agents (15.6 minutes) and pawnshops (16.4 minutes). Longest waiting time is noted for banks (33 minutes), MF NGOs (60 minutes) and lending companies (88 minutes).



### ***Satisfaction with financial transactions***

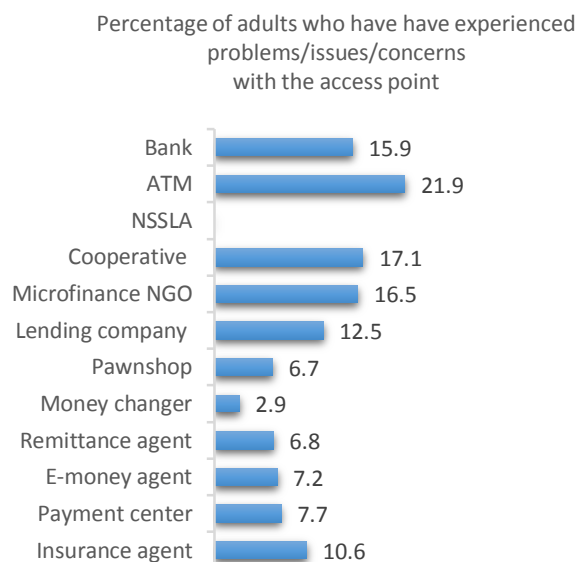
Filipino adults who have performed financial transactions are just somewhat satisfied with their transaction in most access points, except for NSSLAs and cooperatives where there are more clients who indicated that they are very satisfied (46% and 48%, respectively). Majority of adults who have transacted with banks and ATMs are just somewhat satisfied with their transactions. The percentage of adults who are somewhat dissatisfied or very dissatisfied with financial transactions are highest among insurance agents (7.9%), payment centers (8.1%) and lending companies (9.2%).



### ***Problems in transacting with an access point***

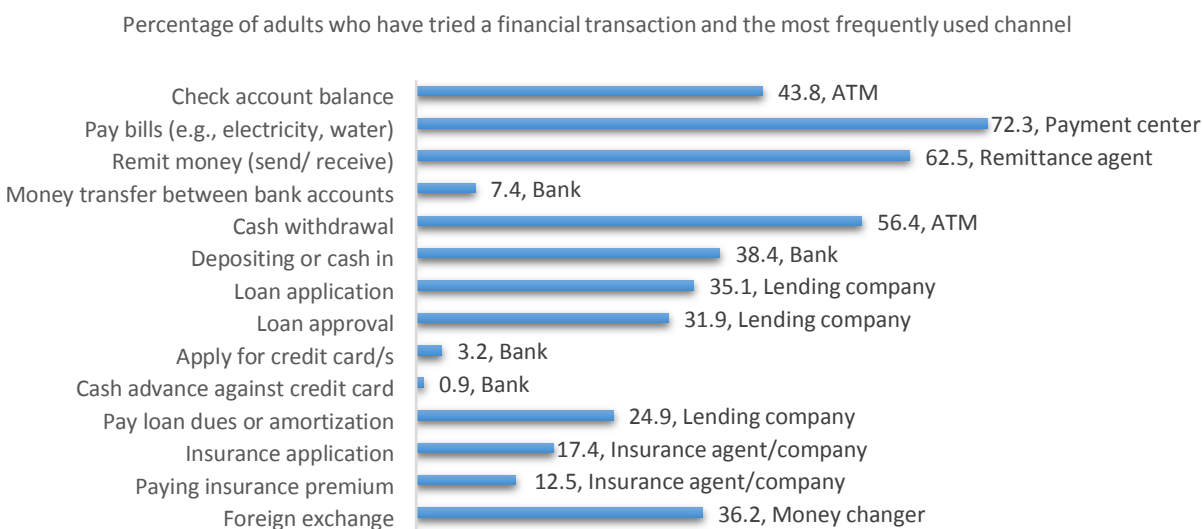
Experiencing problems is most common in ATMs (21.9%). Many have also experienced issues in transacting with cooperatives (17.1%) and MF NGOs (16.5%). Only few encountered problems in transacting with remittance agents, pawnshops and money changers. Clients of NSSLAs did not report any problems.

Among those who experienced problems, the percentage of cases resolved is highest in lending companies, MF NGOs and ATMs, and lowest in pawnshops, e-money agents and insurance agents. Clients are just somewhat satisfied with how the issues were resolved in most access points, except in pawnshops where they are very satisfied and in insurance agents where they are dissatisfied.



### ***Financial transactions tried and channel used***

The most commonly experienced transaction is paying bills (72.3%), followed by sending/receiving money (62.5%) and withdrawing cash (56.4%). Bills payment and remittance are also the most common transactions in the past six months. Only few respondents have experienced money transfer between bank accounts (7.4%), credit card application (3.2%) and cash advance against credit card (0.9%).



Balance inquiry and cash withdrawal are most often performed in ATMs. Banks are the most frequently used channel in depositing or cashing in, transferring money between accounts and credit card transactions. Lending companies are highly used for loan transactions. Insurance agents/companies are the main channels for insurance application.

### ***Frequency of financial transactions***

For Filipino adults who have financial transactions in the past six months, most of them check their account balance, deposit and withdraw cash, send or receive money, pay bills, and pay loan amortization and insurance premium on a monthly basis. Loan application is usually done every six months while cash advance on credit card is performed once a year. Some transactions such as money transfer between accounts and foreign exchange are occasional and not done on a regular basis.

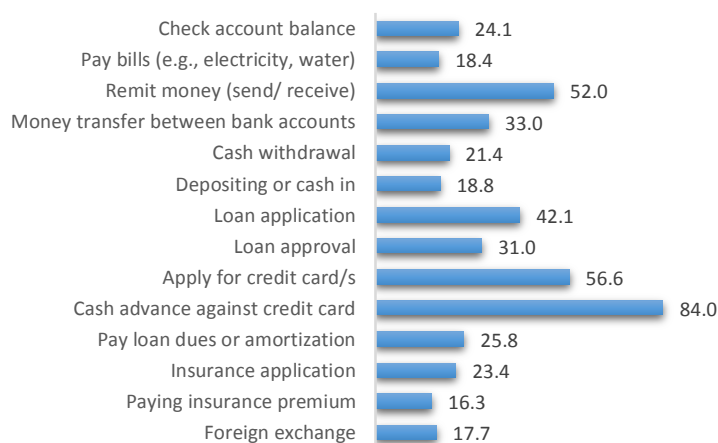
Monthly	Every 6 months	Once a year	Less often
<ul style="list-style-type: none"> <li>•Check account balance</li> <li>•Pay bills</li> <li>•Send/receive money</li> <li>•Cash deposit and withdrawal</li> <li>•Pay loan amortization</li> <li>•Pay insurance premium</li> </ul>	<ul style="list-style-type: none"> <li>•Loan application and approval</li> </ul>	<ul style="list-style-type: none"> <li>•Cash advance against credit card</li> </ul>	<ul style="list-style-type: none"> <li>•Money transfer between bank accounts</li> <li>•Apply for credit cards</li> <li>•Insurance application</li> <li>•Foreign exchange</li> </ul>

### ***Fees associated with financial transactions***

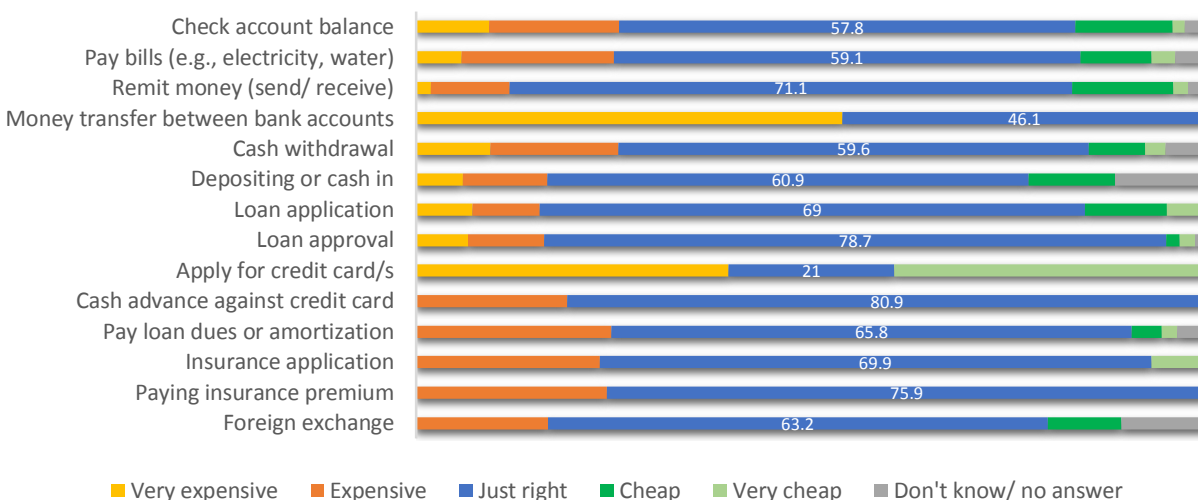
Many of those who have performed financial transactions in the past six months are aware of the fees in credit cards and remittance. However, few have knowledge of the fees in bills payment, insurance and foreign exchange.

The charges in financial transactions are perceived as just right according to most adults, except for the fees in performing money transfer between bank accounts which is perceived to be expensive, and applying for credit card which is very cheap for some but very expensive for others.

Percentage of adults who are aware of the fees in financial transactions



### Assessment of fees in financial transactions



### Sources of information about fees

The three most common sources of information about fees in financial transactions are notices/flyers/brochures, bank staff and word of mouth. Other modes are also widely used in disseminating info on fees for money remittance, account transfers, insurance and foreign exchange. For instance, among those who performed foreign exchange and remittance in the past six months, many obtained the fee information from billboards/signage aside from word of mouth, brochures and bank staff. Receipts are also good sources of information for fees in account balance inquiry, bills payment, cash withdrawal, credit card and insurance. The bill itself is the main source of information for credit card fees, aside from receipts.

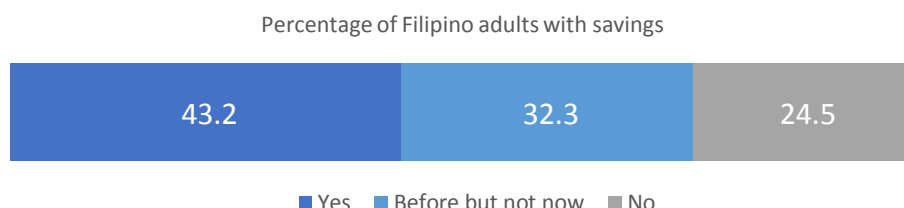
### Percentage of adults who indicated a channel/medium as the source of information about fees

	Notices/ flyers/ brochures	Newspapers	Mobile messages	Emails	Billboards/ signage	Internet/ online	Television	Radio	Bank staff	Word of mouth	Receipt	Bill
Check acct balance	33.5	2.2	0.7	0.0	0.7	4.2	4.2	4.9	35.6	10.7	28.4	0.0
Pay bills	44.0	0.0	3.6	1.3	1.9	0.8	5.2	1.3	2.5	23.1	21.4	1.5
Money remittance	22.6	1.1	3.8	0.7	14.7	1.5	8.3	1.0	6.8	38.0	10.3	0.0
Money transfer between bank accounts	36.7	0.0	5.2	0.0	10.2	24.4	0.0	0.0	50.0	24.4	5.2	0.0
Cash withdrawal	28.9	0.9	3.0	0.0	5.1	3.6	2.6	2.6	30.0	12.8	23.6	0.0
Depositing or cash in	18.6	0.0	5.2	0.0	1.4	6.7	2.4	0.0	42.7	12.3	5.9	0.0
Loan application	21.4	1.1	0.0	0.0	6.6	0.8	4.0	0.0	8.2	43.6	2.0	0.0
Loan approval	28.0	1.5	0.0	0.0	5.2	1.1	1.5	0.0	12.7	49.2	2.8	0.0
Credit card application	50.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	79.1	39.4	10.6	0.0
Cash advance against credit card	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	19.4	80.6
Pay loan dues	21.1	6.0	4.4	0.0	1.6	4.4	2.4	1.2	25.8	37.6	3.0	0.0
Insurance application	11.0	0.0	0.0	0.0	0.0	15.1	0.0	0.0	35.1	27.3	16.8	0.0
Pay insurance premium	41.6	0.0	0.0	0.0	0.0	18.9	0.0	0.0	18.9	50.7	13.1	0.0
Foreign exchange	12.2	13.7	0.0	0.0	18.3	0.0	10.8	10.8	13.9	32.1	2.9	0.0

Note: Highlighted cells are the top three for each row (type of transaction).

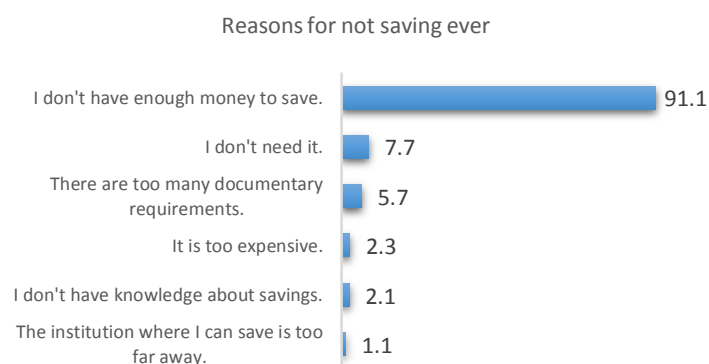
### III. Savings

Four out of ten Filipino adults (43.2%) currently save money. Around 32% used to save in the past but have stopped saving money, while the remaining 24.5% have not experienced to save money.



#### ***Filipino adults who never saved money***

Those who never saved indicated not having enough money as the main barrier (91.1%). The other reasons for not saving were mentioned only by a very small percentage of adults. Aside from saying that they do not need savings, some cited barriers such as too many documentary requirements, high cost, limited knowledge about savings and distance of the institution where savings can be deposited.

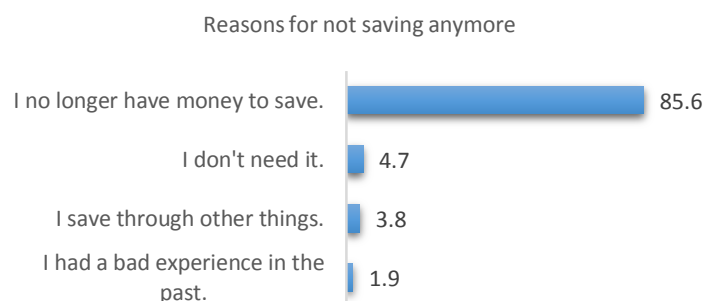


*Note: Respondents can report more than one response.*

Seventy-eight percent (78%) of those who never saved money indicated that given the chance, they would like to put aside some money to save.

#### ***Filipino adults who saved before but not now***

For those who saved before but not now, the major reason for not saving anymore is because they no longer have money to save (85.6%). The other reasons were cited only by a very small portion of adults. These include not seeing the need for it, saving through other means (e.g., property or livestock) and having a bad experience before.



*Note: Respondents can report more than one response.*

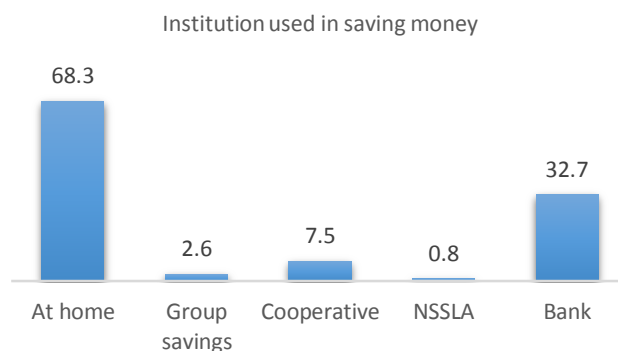
Majority (72.1%) of adults who used to save just kept their savings at home, followed by those who placed their savings in banks (28.5%), savings groups (3.2%), cooperatives (2.5%) and other means (1.7%).



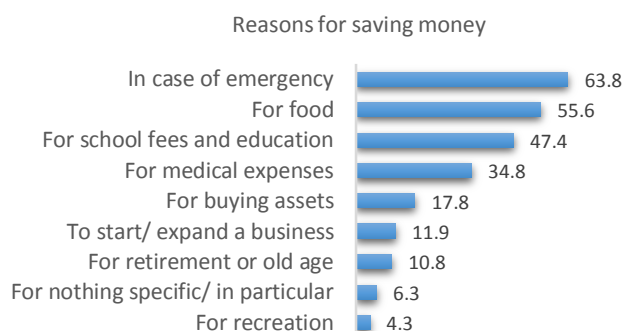
### Filipino adults who are currently saving

Seven out of ten (68.3%) Filipino adults who are saving money keep their savings at home. About one-third of adults with savings put their money in banks while others save through cooperatives (7.5%) and NSSLAs (0.8%). We also noted a segment who saves using informal savings group or *paluwagan* (2.6%). The same pattern was observed when adults were asked on where they put their savings in the past six months.

The main purpose of saving money is for emergencies (63.8%). Most adults are also saving for future expenses on food (55.6%) and education (47.4%). Saving for old age does not seem to be a priority, as only 10.8% of those who have savings stated this as a reason for saving money.



Note: Respondents can report more than one response.



Note: Respondents can report more than one response.

### Characteristics of Filipino adults with savings
















Half of the adult population in NCR who save money are putting their money in banks. The percentage is lower outside NCR, especially in Visayas and Mindanao. It should be noted though that the percentage of adults who are saving in cooperatives is higher in Visayas and Mindanao. Almost three-fourths of adults with savings in Mindanao are saving at home.

	NCR	Balance Luzon	Visayas	Mindanao
Bank	50.7	35.5	24.2	22.0
NSSLA	0.7	0.0	2.6	0.9
Cooperative	4.1	5.8	12.9	9.1
Group Savings	4.1	2.4	2.4	2.2
At home	58.8	69.1	66.8	73.9











In terms of urban-rural gap, the percentage of adults with savings in banks is higher in urban areas but the percentage of adults with savings in cooperatives or at home is higher in rural areas.


























	Urban	Rural
Bank	39.6	26.1
NSSLA	0.9	0.6
Cooperative	6.2	8.8
Group Savings	3.6	1.6
At home	64.3	72.0





















The percentage of adults with savings in banks decreases with income levels. Around 71% of adults with savings in class ABC are putting their money in banks, compared with 17% in class E. The opposite is true for those who are saving at home – only 33.3% of adults with savings in class ABC are keeping their money under the mattress, compared with 79.3% in class E.

	ABC	D	E
Bank	 71.0	 32.7	 17.2
NSSLA	 0.0	 1.0	 0.0
Cooperative	 10.1	 7.8	 5.0
Group Savings	 2.7	 2.7	 2.0
At home	 33.3	 68.9	 79.3

The gender gap is not very remarkable, except in group savings where there are noticeably more females than males. In terms of age, older adults tend to save more than younger adults. It was observed that the percentage of adults who keep their savings at home is higher among younger adults and those nearing the retirement age. Savings pattern in terms of educational attainment follows the same trend with income, with more educated adults saving in banks and less educated adults keeping their savings at home.

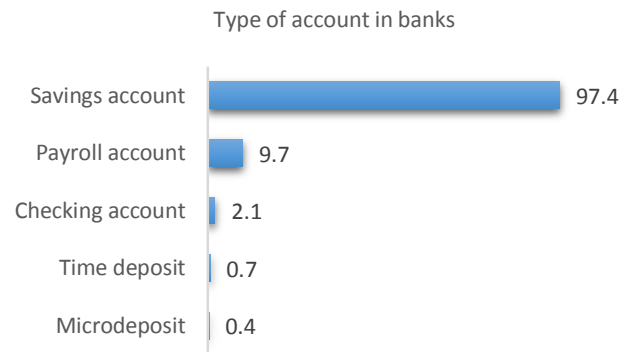
	Male	Female
Bank	 33.2	 32.1
NSSLA	 0.9	 0.7
Cooperative	 6.8	 8.2
Group Savings	 0.9	 4.1
At home	 72.7	 64.3

	15-24	25-34	35-44	45-54	55 & above
Bank	 20.5	 36.1	 36.6	 37.2	 33.8
NSSLA	 0.0	 0.0	 1.3	 0.9	 2.3
Cooperative	 1.1	 7.4	 8.1	 11.7	 11.7
Group Savings	 1.7	 2.2	 5.2	 2.8	 0.9
At home	 84.0	 64.9	 62.4	 59.2	 69.1

	None/ some elem	Elem grad/ some HS	HS grad/ some college	College grad/ post grad
Bank	 6.8	 9.8	 37.2	 67.8
NSSLA	 2.2	 1.7	 0.0	 0.6
Cooperative	 8.7	 5.9	 5.4	 14.8
Group	 4.0	 3.8	 1.8	 2.1
At home	 84.2	 83.0	 66.1	 44.0

### ***Deposit in banks***

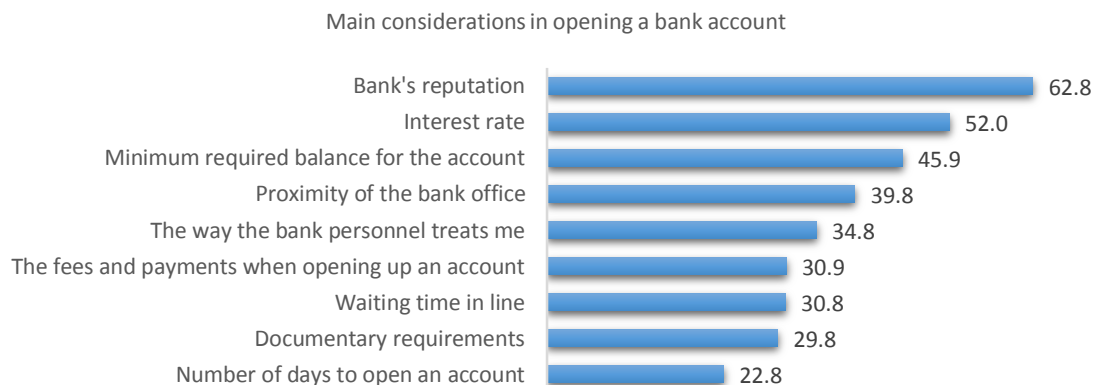
The survey looked specifically at savings in banking institutions. Among Filipino adults who are saving in banks, the most common type of deposit account is a savings account (97.4%). Ownership of other account types is less common – 9.7% for payroll account, 2.1% for checking account and 0.7% for time deposit. Very few adults reported having a microdeposit account (0.4%).



The mean and median number of deposit account per adult is 1. Roughly 80% of savings account holders have one (1) account only. Meanwhile, 17.4% of savings account holders have 2 accounts while 2.2% have three accounts.

### ***Primary considerations in opening a bank account***

Six out of ten account holders (62.8%) indicated that the bank's reputation is their number one consideration in opening a deposit account. Around half of those with bank account mentioned interest rate as another major consideration, followed by minimum maintaining balance (45.9%), proximity of the banking office (39.8%) and treatment by bank employees of their clients (34.8%). It seems that length of time to process account application is not much of a concern, with only 22.8% of the account holders citing it as a consideration.

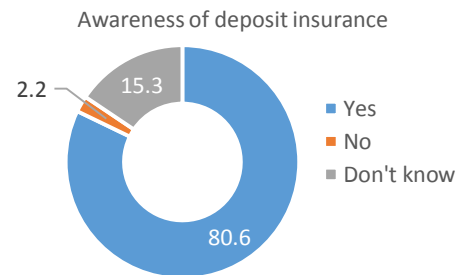


### ***Awareness and assessment of fees***

Awareness of the fees associated with deposit accounts is quite low. For instance, only 32% of savings account holders are aware of the fees involved. When asked about their perception of the fees, the respondents' typical answer is "just right" with some exceptions – most of the holders of payroll accounts and time deposit think that the fees involved in their accounts are rather expensive.

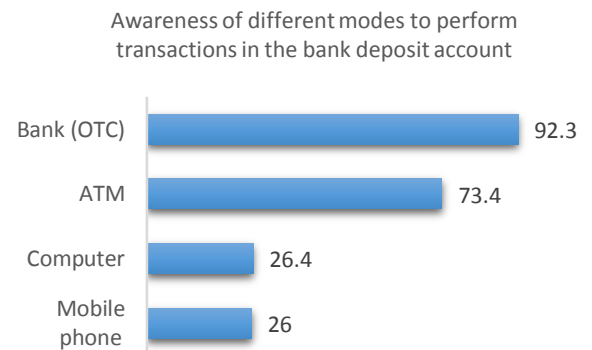
### ***Awareness of deposit insurance***

While 80.6% of Filipino adults who have a deposit account in banks are aware that their deposits are insured by the Philippine Deposit Insurance Corporation (PDIC), it is worth noting that 17.5% are not aware or do not know if their deposits in banks are insured.



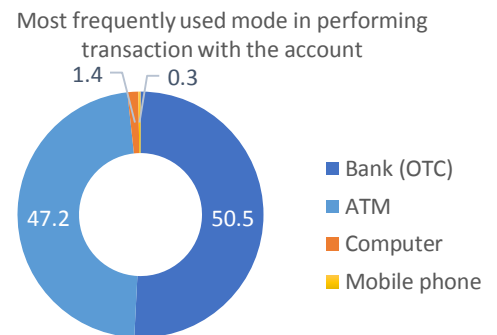
### ***Awareness of different channels to access deposit account***

The traditional over the counter (OTC) transaction is still the most popular way of transacting with a bank when it comes to matters concerning the deposit account. Ninety-two percent (92%) of bank account holders are aware of this mode, followed by transaction via ATM (73.4%). Only around one-fourth of bank account holders are aware of the more innovative ways such as accessing their accounts through computer or mobile phone (i.e., internet and mobile banking).



### ***Usage of different channels to access deposit account***

About half of bank account holders often perform transaction with their account over the counter. For another 47.2%, ATM transaction is more common. Only 1.7% of bank account holders indicate internet and mobile banking as their most common mode to access their bank account.

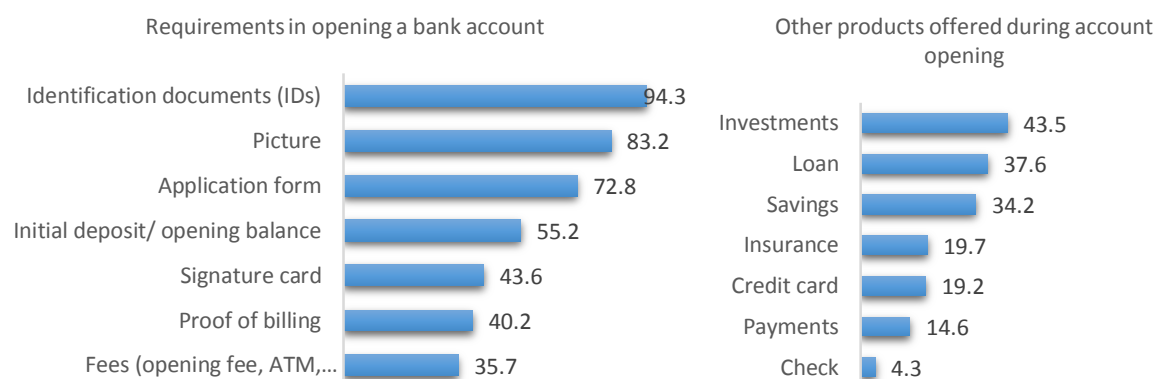


The main reason for preferring OTC is security while speed of transaction is the cited advantage for ATMs. Those who are using internet and mobile banking indicated convenience and ease of monitoring as their reasons for choosing these channels.

It was observed that most of those who are frequently using OTC or ATM perform monthly transactions on their account. On the other hand, those who are keen in using internet banking are checking their account on a weekly basis while those who are using mobile banking are accessing their account on a daily basis.

### ***Account opening experience***

Identification cards (IDs) and pictures are the most common requirements asked from account holders when they opened a deposit account.

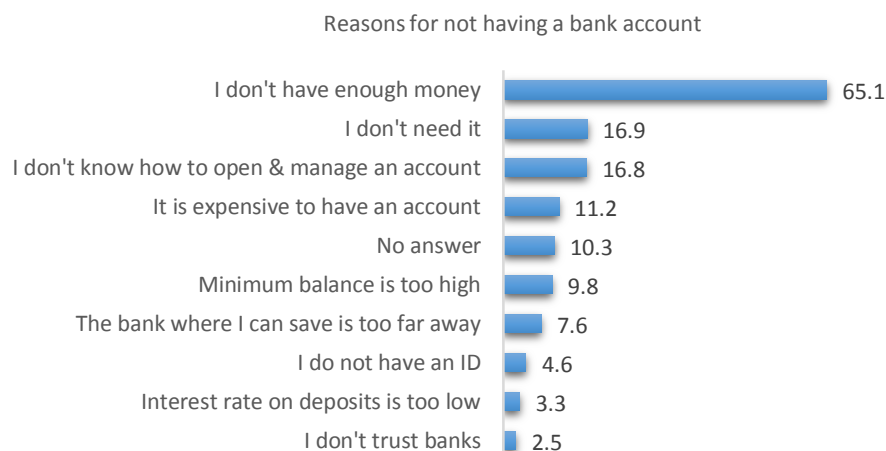


Some account holders (10%) indicated that they were offered other financial products and services by the bank during account opening. The most common products presented to them are investments and loans.

Around 2% of Filipino adults reported instances wherein they tried to save in a financial institution but their account application was denied. Lack of documentary requirements is the primary reason for denial of application, followed by not having enough money for initial deposit.

### ***Reasons for not having a bank account***

Around 67% of adults with savings do not have a bank account. These adults were asked about the reasons why they do not have one. Sixty-five percent (65%) of them cited lack of enough money as the main reason for not having an account in a bank.

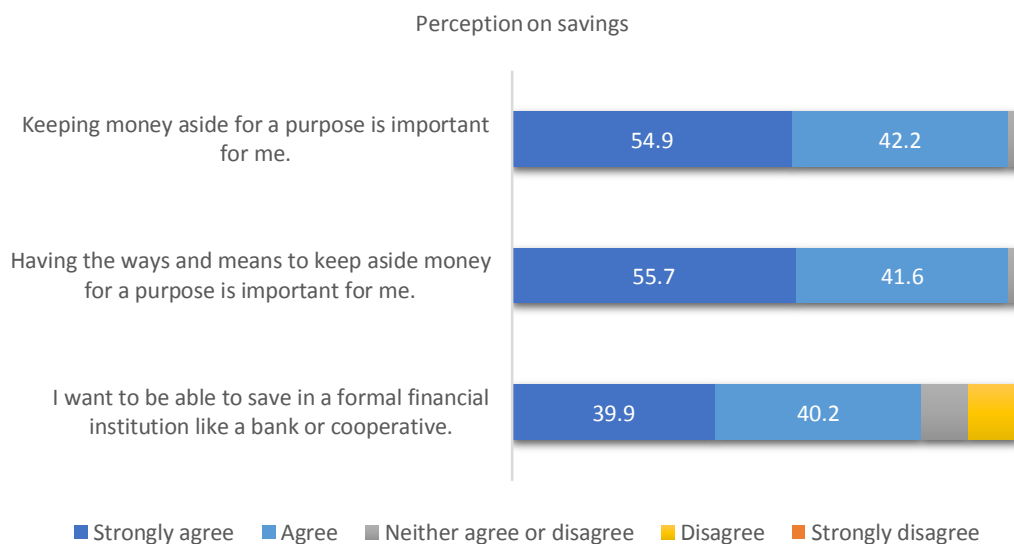


*Note: Respondents can report more than one response.*

Even if these adults have savings, they still indicated lack of money as a reason. The other reasons for not having a bank account were cited by a relatively small portion of adults. These include the lack of need for a bank account (16.9%), limited knowledge and capability to manage an account (16.8%) and cost (11.2%). It should be noted that while reasons such as distance of the bank (7.6%) and lack of ID (4.6%) are cited, these are not the primary barriers.

### ***Perceived importance and benefits of savings***

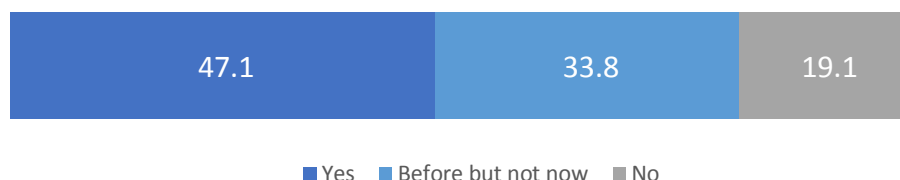
Ninety-seven percent (97%) of Filipino adults believe that it is important to save money and to have the way or means to save money. Eight out of ten adults (80.1%) expressed desire to save in formal financial institutions.



## IV. Loans

Most Filipinos have or had debt – 47.1% borrow money, while 33.8% did so in the past and do not borrow anymore. Only 19.1% of Filipinos do not borrow at all.

Percentage of Filipino adults with borrowings



### **Filipino adults who never borrow money**

Half of those who never borrow indicated that they do not have an apparent need to borrow money while a sizeable 16% perceive a need to borrow money but failed to do so because of lack of collateral. Collateral is a major challenge faced by those who try to borrow from financial institutions.

Reasons for not borrowing ever



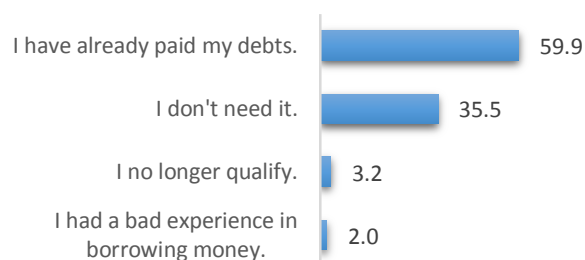
Note: Respondents can report more than one response.

The other reasons for not borrowing were mentioned only by a relatively small percentage of adults. Some cited barriers such as high interest rate (5%) and too many documentary requirements (4.7%) while a minority do not borrow money due to personal and religious reasons (3.6%). However, given the chance, 31.6% of those who do not borrow money, would borrow from a formal institution.

### **Filipino adults who borrowed before but not now**

Of the 33.8% who borrowed in the past but without current borrowing, majority (59.9%) stated that they have stopped borrowing after paying all their debts. Some did not need credit anymore (35.5%) while others no longer qualify (3.2%) and had a bad experience in borrowing money in the past (2%).

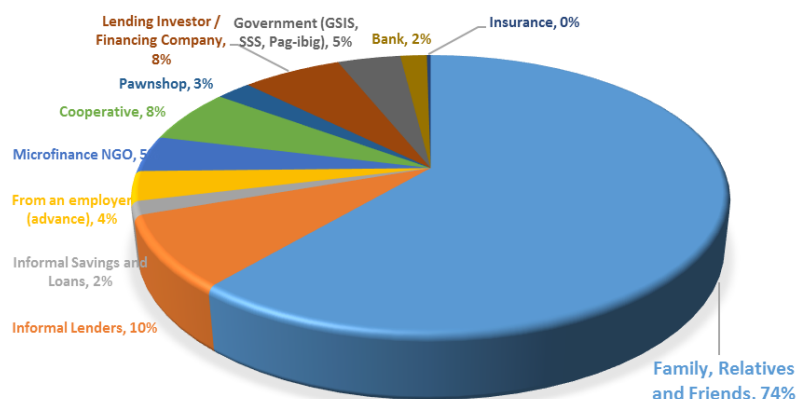
Reasons for not borrowing anymore



Note: Respondents can report more than one response.

In terms of credit source, 74.4% borrowed from people they personally know (i.e., family, friends and relatives). 10.2% borrowed from informal lenders or loan sharks. Financing/lending companies, cooperatives, and microfinance NGOs were the source for 7.9%, 7.6% and

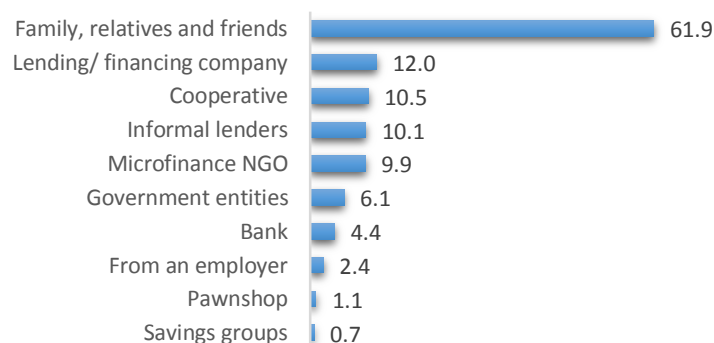
5.1% respectively, of adults who had borrowings in the past. The percentage of those who sourced funds from banks registered only at 2%.



### **Filipino adults with outstanding loan**

For the 47.1% who borrow money, the main source of borrowing is mainly informal – from family/relatives/friends (61.9%) and informal lenders (10.1%). Bank as source of borrowing stood at 4.4%, lower than the percentage of adults who borrow from lending/financing companies (12%), cooperatives (10.5%), microfinance NGOs (9.9%) and government entities (6.1%).

Sources of credit for those who have outstanding loans

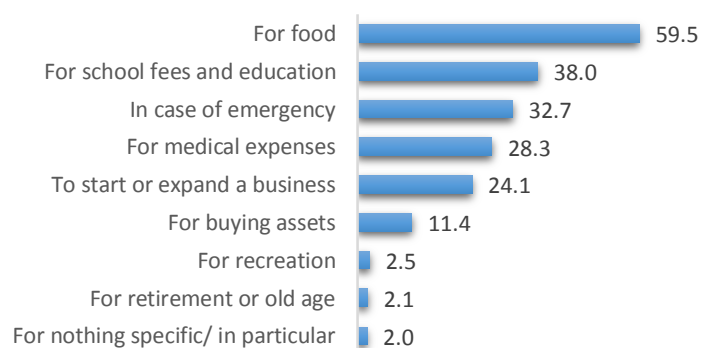


*Note: Respondents can report more than one response.*

The average number of loan per provider is one (1), except for savings groups where most of those with outstanding credit reported having 2 loans. The loan amount is usually less than Php 50,000.

The main purpose for borrowing money is to buy food (59.5%), school related expenses (38%) and to finance emergencies (32.7%).

Reasons for borrowing money

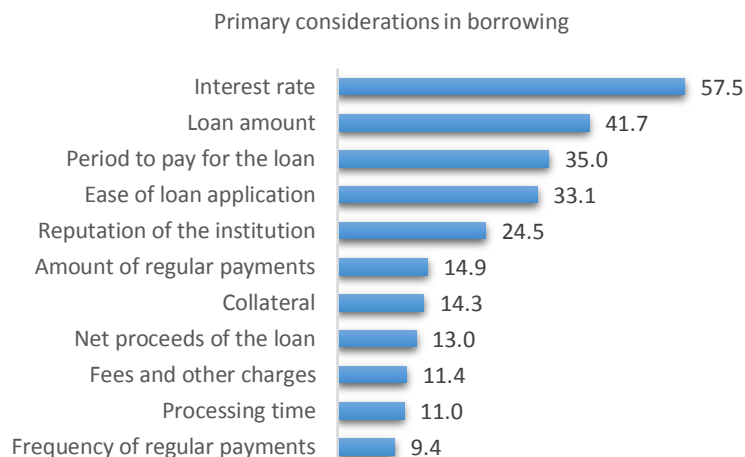


*Note: Respondents can report more than one response.*



### ***Main considerations in borrowing***

All things remaining the same, primary considerations in borrowing money are interest rate (57.5%), loan amount (41.7%), period to pay for the loans (35.0%) and ease of loan application (33.1%). Reputation of the credit institution or lender (24.5%), amortization (14.9%), collateral (14.3%), fees and other charges (11.4%), and processing time (11.0%) are considered to a certain extent.

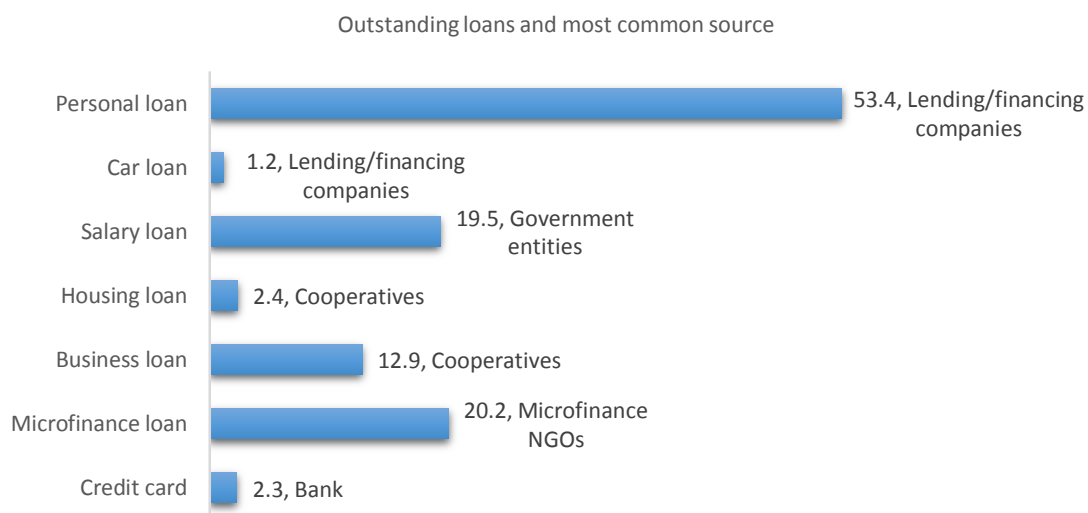


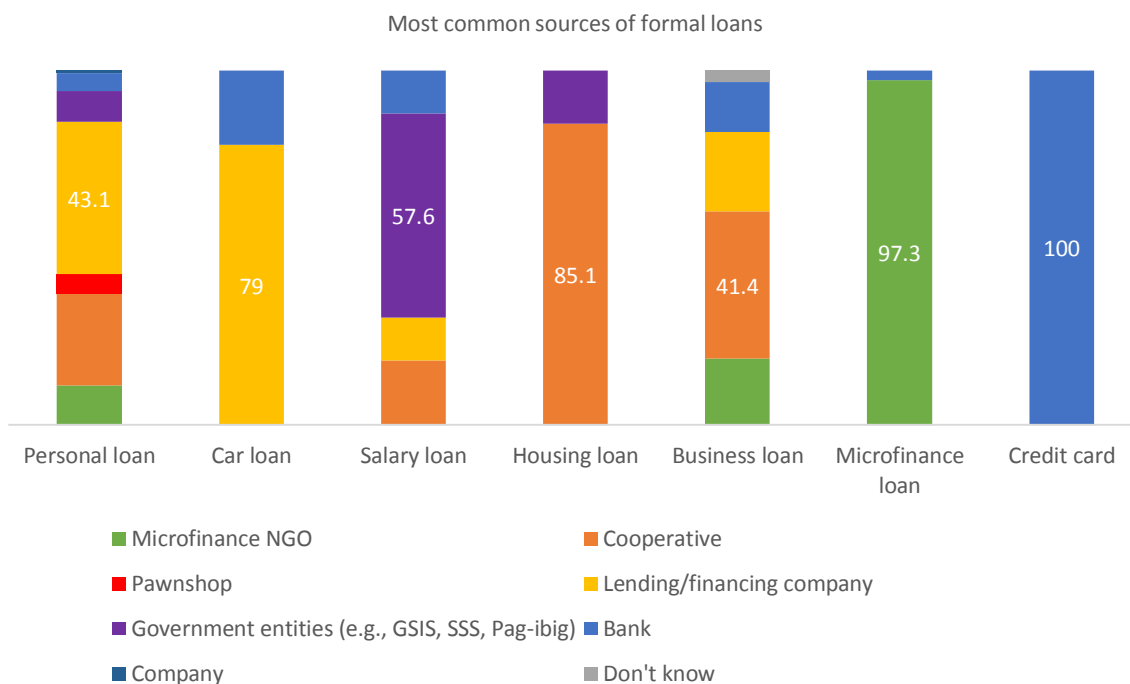
### ***Challenges encountered in obtaining credit***

Only 3.6% of those with outstanding debt reported that they experienced a challenge in obtaining credit from financial institutions. Twenty-eight percent (28%) cited not having a collateral as the problem, while others indicated the lack of documentary requirements (19.8%) and excessive interest rate (19.3%).

### ***Loans from formal financial institutions***

Half of the adult population with outstanding loan in a formal financial institution has a personal loan which was reported to be commonly sourced from lending/financing companies. Other common types of loan among adults with outstanding credit are microfinance (20.2%), salary (19.5%) and business (12.9%).





The main source of microfinance loans are microfinance NGOs. Salary loans are mostly coming from government entities (e.g., GSIS, SSS, Pag-ibig) while business loans are primarily sourced from cooperatives. Relatively few adults have car loan (1.2%), housing loan (2.4%) and credit card loan (2.3%). About 79% of those with car loan obtained the loan from lending/financing companies while 85.1% of housing loans were sourced from cooperatives.<sup>8</sup>

Most adults indicated that the amount of loan they received is the requested amount and in cases when the requested amount was not approved, the amount granted was lower than the amount requested. This was observed for all types of loans except for credit cards where the approved credit limit was higher than originally requested. On the average, the loans are below PhP 50,000 except for car loans which usually range from PhP 300,000 to PhP 500,000. In terms of timeliness of payments, most adults indicated that they are paying on or before the due date.

### ***Awareness and assessment of interest rate and fees***

There is a high level of awareness on the interest rate and fees associated with the loan. Interest rates and fees are assessed as just right, except for fees in housing loans and credit cards which are perceived to be too expensive by most borrowers. Interest rate, loan amount,

<sup>8</sup> Respondents with multiple loans per loan type were asked only of the loan with the highest amount.

net proceeds and period of the loan are the common elements of the loan transaction which were explained to the borrowers.

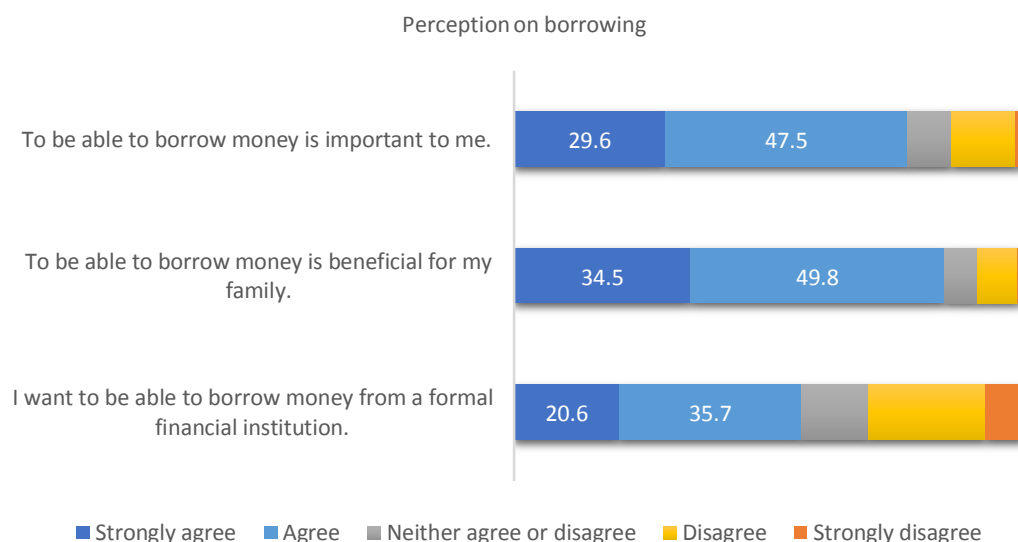
### ***Loan application experience***

Some account holders (7.9%) indicated that they were offered other financial products by the financial institution during loan application. Of those who were presented with other financial products, more than half were asked if they were interested with insurance and savings.

All survey respondents were asked if they have experienced being rejected by a financial institution when they applied for a loan. Around 3.5% of them reported instances wherein they tried to borrow in a financial institution but their loan application was denied. Lack of documentary requirements and collateral were the main reasons for the denied loan application. Other cited reasons include being overage and lack of a guarantor or co-maker.

### ***Perceived importance and benefits of credit***

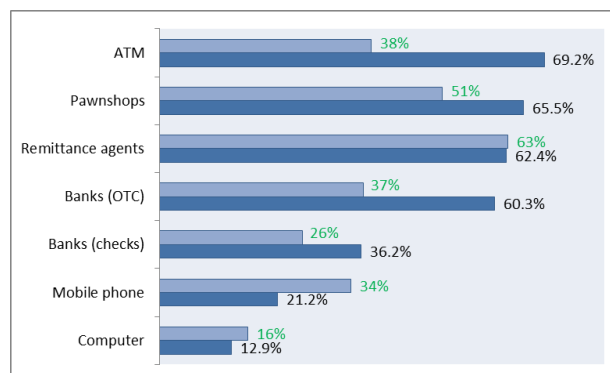
Filipino adults generally maintain a positive perception on the importance of borrowing (77.1%) and believe that benefits may be derived from borrowing (84.4%) to smoothen their own and their families' consumption needs. However, despite these positive perceptions, only 56.3% indicated that they would want to borrow from a formal financial institution such as a bank, a cooperative or a microfinance NGO.



## IV. Payments and Remittances

### *Awareness and usage of remittance channels for P2P transactions*

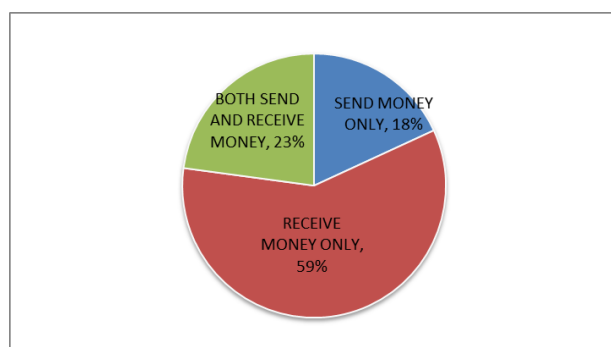
Filipino adults are most aware of ATMs as means of sending and receiving money or remittances to/from persons or what we call P2P transactions. 69.2% said they are aware of ATMs; following ATMs are pawnshops (65.5%) and remittance agents (62.4%). In terms of having experienced the use of the remittance channels, more people have experienced using remittance agents at 63%, followed by pawnshops (51%) and ATMs (38%).



### *Sources of awareness of remittance channels*

Word of mouth and television are the main sources of awareness across all remittance channels. For channels linked to bank (ATMs, OTC and check), bank staff is another leading source of awareness. Notice/flyers/brochures and billboards are also leading sources of awareness for remittance agents and pawnshop, internet/online for computer while SMS for mobile phone.

Sources of awareness	ATM	Banks (OTC)	Banks (Checks)	Pawnshop	Remittance agents	Computer	Mobile phone
Notices/Flyers/Brochures	16%	14%	14%	16%	16%	11%	9%
Newspapers	10%	10%	8%	9%	7%	11%	7%
Mobile messages (SMS)	5%	3%	3%	3%	5%	1%	16%
Emails	2%	2%	4%	1%	1%	5%	2%
Billboards/Signages	8%	6%	8%	16%	14%	6%	9%
Internet/Online	9%	8%	8%	5%	7%	39%	11%
Television	32%	31%	31%	39%	38%	37%	36%
Radio	14%	14%	15%	15%	14%	13%	10%
Bank staff	26%	38%	37%	4%	4%	7%	5%
Word of mouth	62%	54%	61%	62%	62%	44%	48%
Others	5%	2%	3%	5%	5%	5%	6%



### *Remittances in the past 6 months*

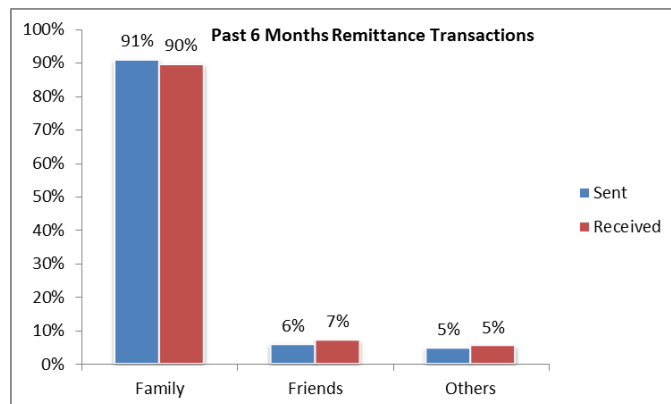
Forty-four percent (44%) of Filipino adults had remittance transactions in the past six months. Most of the remittances are on the receiving side which comprises 59%. Twenty-three percent (23%) both sent and received money while the remaining 18% sent money only.

### ***Sender and recipient of remittances***

For those who sent remittances in the past six months, 91% sent to their families while 6% sent to their friends. On the other hand, for those who received remittances, 90% received from their families while 7% received from friends.

### ***Remittances sent to families***

For remittances sent to families, 99% were sent domestically with a median amount of PhP 1,500. Remittance agents are the most often used remittance channel in sending remittances to families next are pawnshops and banks (OTC). The median fee paid for sending remittance is PhP 50.



Past 6 months remittance transactions with family	Sending	Receiving
Location		
Within PH	99%	61%
Abroad	1%	38%
Amount		
Mean	2,737.04	6,332.74
Median	1,500.00	3,000.00
Delivery channel used (top 3)		
Remittance agents	52%	40%
Pawnshops	36%	32%
ATM		14%
Banks (OTC)	6%	
Fee		
Mean	76.90	18.62
Median	50.00	0
Assessment of fees		
Too expensive	6%	
Expensive	12%	16%
Just right	66%	78%
Cheap	13%	5%
Very cheap	1%	
Don't know	2%	1%

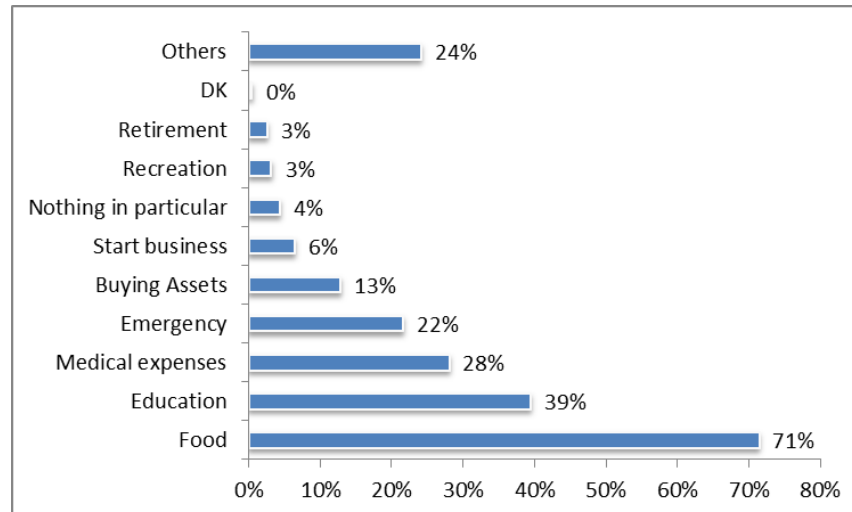
### ***Remittances received from families***

For remittances received from families, 61% are domestic in origin while 38% comes from abroad. The median amount of remittance received is PhP 3,000. Likewise, remittance agents are the most often used channel, followed by pawnshops and ATMs. The average fee being paid for receiving remittance is PhP 18.62.

Assessment of the fees involved in remitting money is generally acceptable both for sending and receiving remittances.

### ***Purposes of remittance received***

The purpose of the remittances received is mainly for food (71%). Some other uses are for education (39%), medical expenses (28%) and emergencies (22%). Very few cited purpose for productive uses like buying assets (13%) and starting a business (6%).

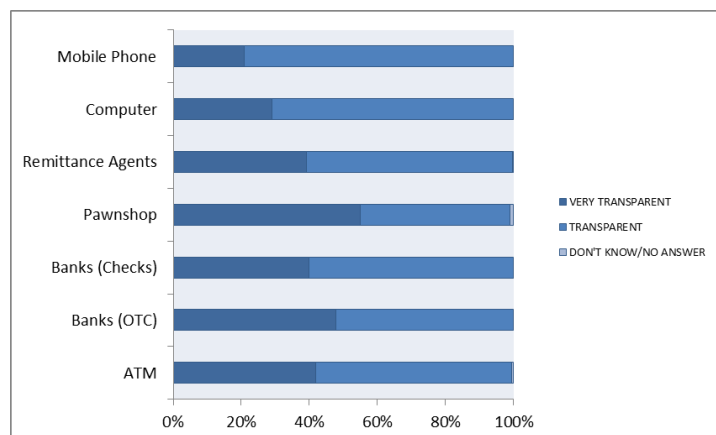


### ***Most often used and most preferred remittance channel for P2P transactions***

Remittance channel	Most used	Most preferred
ATM	16.6%	16.4%
Banks (OTC)	7.8%	8.1%
Banks (Checks)	1.3%	0.9%
Pawnshops	31.1%	30.7%
Remittance agents	40.4%	41.0%
Computer	0.6%	0.6%
Mobile phone	1.8%	1.8%
Cash	0.4%	0.4%

Remittance agents are the most often used and most preferred remittance channel for sending and receiving money to/from family or friends. Next would be pawnshops and ATMs. Top three reasons for most often used and most preferred remittance channels are 1) speed of transaction, 2) accessibility, and 3) affordability.

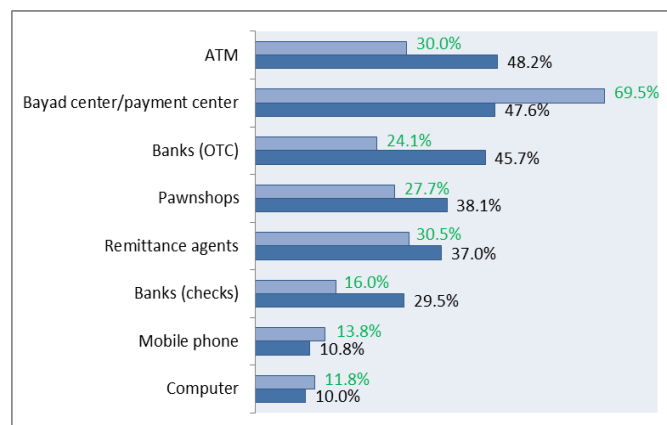
### Perceived transparency of most often used remittance channel for P2P transactions



Generally, there is a positive perception on the transparency of rates and fees for most often used remittance channels. Pawnshops are perceived to be the most transparent in rates and fees at 55% perception of very transparent among the delivery channels used in receiving and sending money for P2P transactions, followed by banks (OTC) (45.3%) and ATMs (41.7%).

### Awareness and usage of delivery channels for P2G, P2B, G2P and B2P transactions

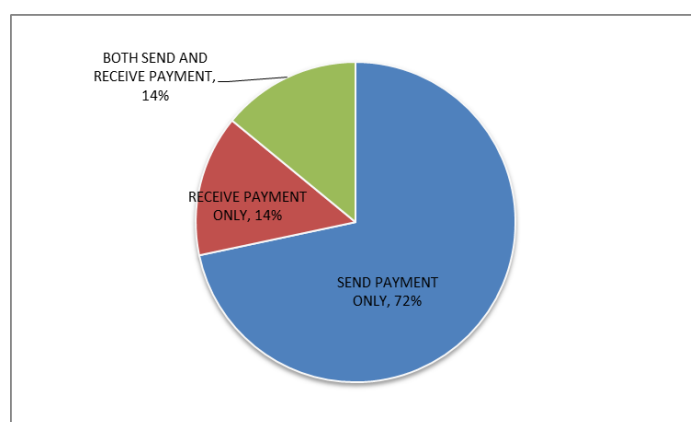
Filipino adults are most aware of ATMs, 48.2% said they are aware of these as delivery channels for sending and receiving money or payments to/from government and businesses or what we call person to government (P2G), person to business (P2B), government to person (G2P) and business to person (B2P) transactions. Next to ATMs are *bayad* centers (47.6%) and banks (OTC) (45.7%). In terms of having experienced using the delivery channels, percentage of those who have used the delivery channel is highest for *bayad* centers at 69.5%, followed by remittance agents (30.5%) and ATMs (30%).



### Sources of awareness

Similar to P2P transactions, word of mouth and television are the dominant source of awareness for P2B, P2G, G2P and B2P transactions, across all delivery channels. For channels linked to banks like ATMs, OTC and check, bank staff is another leading source of awareness. Notice/flyers/brochures and billboards are also leading sources of awareness for remittance agents and pawnshop, internet/online for computer as remittance channel while SMS for mobile phone.

Sources of information	ATM	Banks (OTC)	Banks (Checks)	Pawnshops	Remittance agents	Computer	Mobile phone
Notices/Flyers/Brochures	19%	17%	20%	19%	18%	12%	9%
Newspapers	9%	8%	10%	9%	7%	14%	11%
Mobile messages (SMS)	2%	2%	2%	2%	3%	4%	14%
Emails	2%	2%	2%	1%	1%	7%	3%
Billboards/Signages	7%	7%	8%	17%	17%	7%	9%
Internet/Online	9%	8%	11%	6%	7%	39%	12%
Television	32%	33%	36%	42%	40%	40%	42%
Radio	12%	14%	16%	15%	15%	14%	8%
Bank staff	28%	38%	36%	4%	4%	10%	7%
Word of mouth	58%	53%	55%	56%	58%	43%	52%
Others	6%	2%	1%	4%	5%		1%

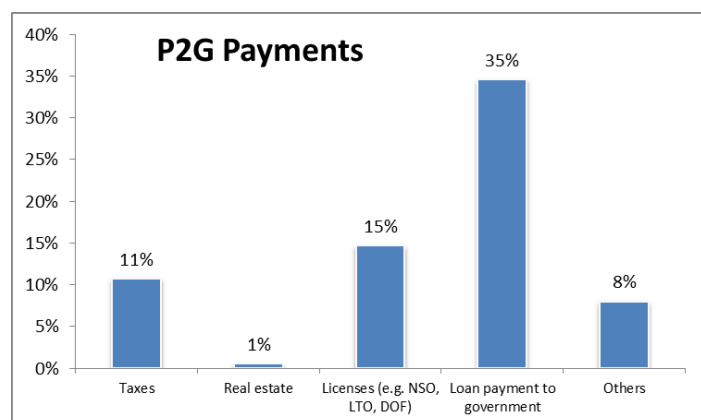


### Payments in the past 6 months

Forty-two percent (42%) of Filipino adults made payments in the past six months, 72% sent payments to the government or businesses, 14% received payments from the government or businesses while another 14% both sent and received payments.

### P2G transactions

Thirty-five percent (35%) of P2G transactions are for loan payments, 15% are for licenses while 11% are for taxes. Bulk of these payments are made in cash. Some of the loan payments are also coursed through banks (OTC) and *bayad* centers.

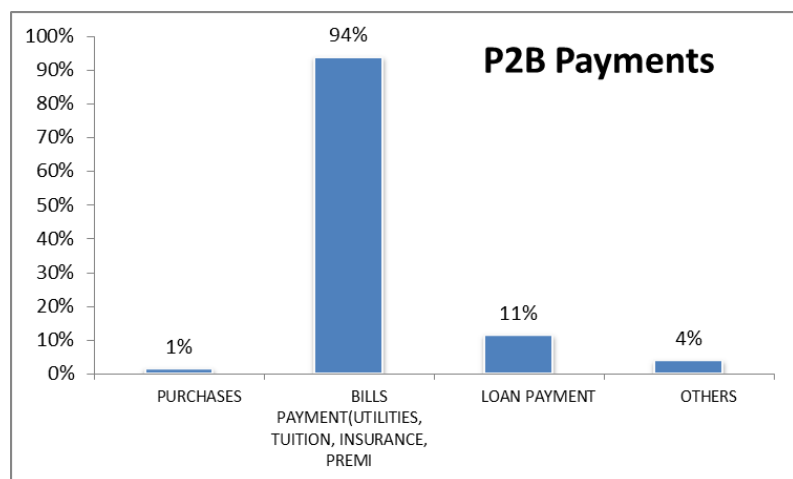


Past 6 months payment transactions with government	Taxes	Real estate	License payment	Loan payment
<u>Most often used delivery channel</u>				
ATM	15%	-	6%	4%
Cash	73%	100%	66%	53%
Bayad center/payment center	7%	-	18%	13%
Remittance agents	-	-	4%	4%
Banks (OTC)	-	-	-	18%
Banks (Checks)	-	-	-	2%
Pawnshops	-	-	-	2%
Don't know	-	-	-	4%
No answer	5%	-	6%	-



### P2B transactions

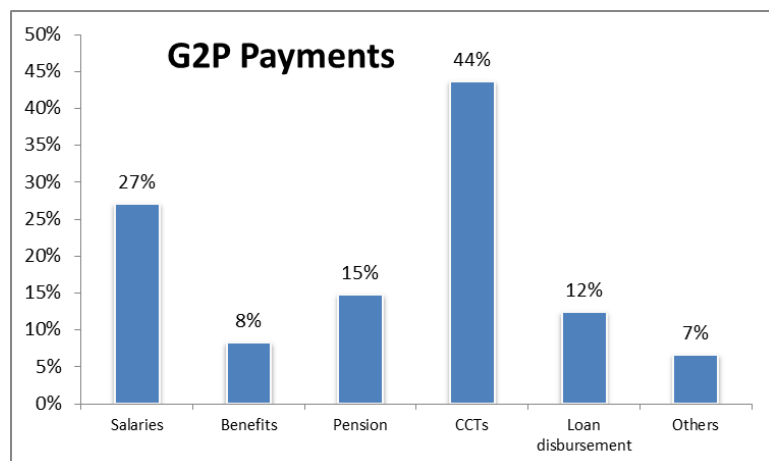
Ninety-four percent (94%) of P2B payments are bills payments (utilities, tuition, insurance, etc). Almost all of the bills payment are made domestically and done on a monthly basis. The other P2B payment activities are loan payments (11%) and purchases (1%). Delivery channels most often used to pay bills are *bayad* centers, cash for loan payments and remittance agents for purchases.



	Purchases	Bill Payment	Loan Payment
<b>Location</b>			
Domestic	100%	99%	98%
Abroad	0	0.1%	0
<b>Frequency</b>			
Weekly	35%	0.2%	38%
A few times a month		1%	4%
Monthly	29%	85%	54%
Every 3 months	16%	6%	
Every 6 months		1%	
Once a month		2%	1%
Less often	19%	4%	1%
<b>Delivery Channel used (top 3)</b>			
Bayad Centers		77%	6%
Remittance agents	52%	3%	
Banks (OTC)	29%		15%
Cash	19%	16%	65%

### G2P transactions

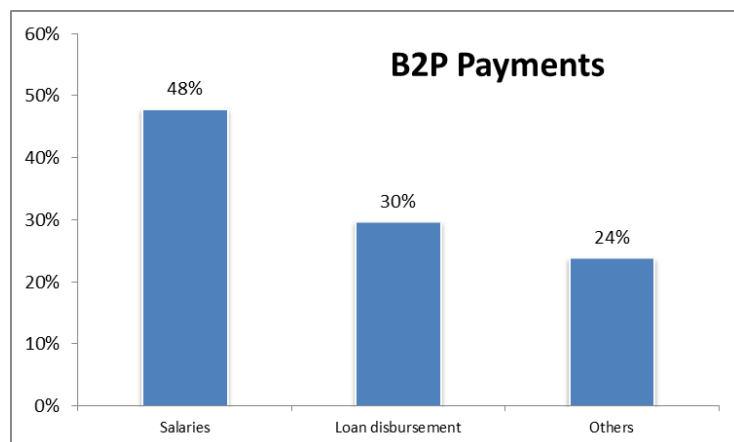
A little less than half (44%) of the G2P transactions are for the Conditional Cash Transfers (CCTs) of the Department of Social Welfare and Development (DSWD). 27% and 15% are for salaries and pensions for employees respectively. Other payments include loan disbursements (12%) and benefits (8%). Delivery channel most often used to receive payments (from CCTs, salaries and pension) for G2P transactions is the ATM. Computer, though relatively low percentage share, is being used as delivery channel of G2P payments for CCTs.



Past 6 months G2P transactions	CCTs	Salaries	Pension
<b>Location</b>			
Domestic	100%	100%	100%
<b>Frequency</b>			
A few times a month	4%	9%	
Monthly	11%	91%	100%
Every 3 months	67%		
Every 6 months	7%		
<b>Delivery channel used</b>			
ATM	66%	73%	100%
Cash	23%	18%	
Computer	4%		
Banks (checks)		9%	1%

### **B2P transactions**

For B2P payments transactions, 48% are for salaries while 30% are for loan disbursements. Majority of payments are made domestically and delivery channels most often used by businesses are those linked to banks (ATM, checks and OTC) aside from cash.



Past 6 months B2P transactions	Salaries	Loan Disbursements
<u>Location</u>		
Domestic	98%	100%
Abroad	2%	
<u>Frequency</u>		
Daily		6%
Weekly	14%	
A few times a month	37%	
Monthly	41%	38%
Every 3 months		6%
Every 6 months	2%	11%
Once a month	2%	4%
Less often	3%	36%
<u>Delivery channel used</u>		
ATM	46%	41%
Banks (OTC)	14%	34%
Banks (Checks)		17%
Cash	26%	17%

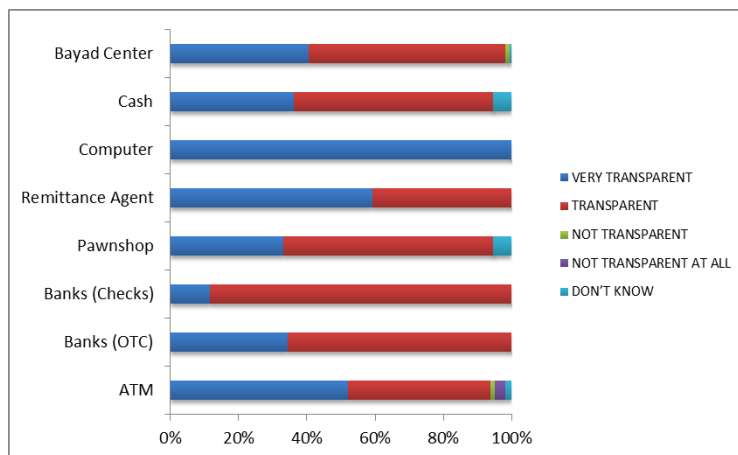
### **Most often used and most preferred delivery channel for P2G, P2B, G2P and B2P transactions**

Delivery channels	Most used	Most preferred
Bayad center	51.6%	50.2%
ATM	15.1%	16.2%
Remittance agents	4.6%	5.0%
Banks (OTC)	4.6%	5.1%
Pawnshops	2.8%	3.1%
Cash	1.8%	2.1%
Banks (Checks)	1.5%	1.1%
Computer	0.1%	0.1%
Others	17.7%	16.9%
No Answer	0.2%	0.2%

Bayad centers are the most often used and most preferred delivery channels in sending and receiving payments to/from the government and businesses. It is followed by ATMs, remittance agents and banks (OTC). Top three reasons for most often used and most preferred delivery channels are 1) accessibility, 2) speed of transaction, and 3) good service.

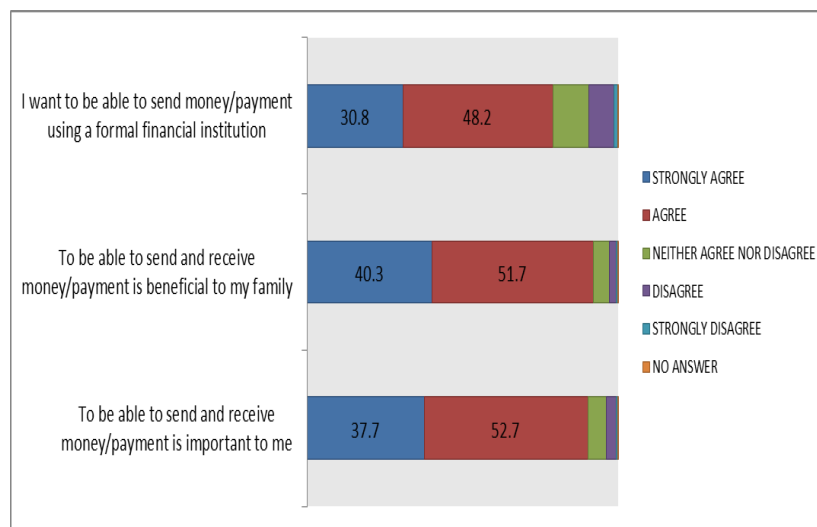
### ***Perceived transparency of most often used remittance channel for P2G, P2B, G2P and B2P transactions***

Generally, there is a positive perception in transparency of rates and fees for delivery channels most often used. Remittance agents, ATMs and computer are perceived to be very transparent for having high percentage share of “very transparent” perception, 59% for remittance agents, 52% for ATMs and 100% computer. *Bayad* centers, though they are the most often used delivery channels, were not necessarily perceived as very transparent.



### ***Perception on the importance and benefits of remittance and payments products and services***

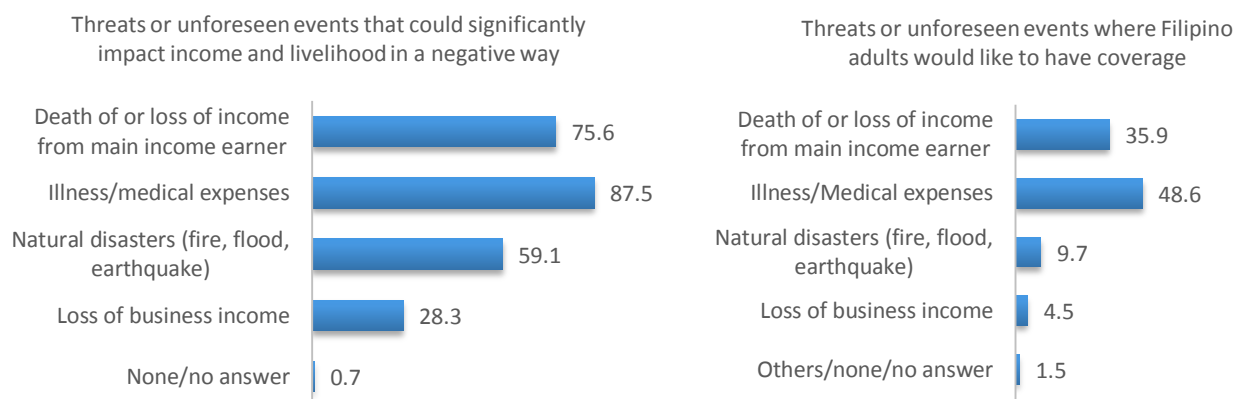
There is a positive perception on the importance and benefits of remittance and payment services. 90% agreed that these services are important, while 92% said it is beneficial to their families. However, when asked if they would want to pay using formal financial institutions like banks and remittance agents, only 78% expressed agreement.



## V. Insurance

### ***Perceived vulnerabilities***

Filipino adults see illness and medical expenses as major threats that can significantly impact their livelihood (87.5%) and would like to have insurance coverage (48.6%). Next in rank among the perceived threats are death or loss of income from main income earner (75.6%) and natural disasters (59.1%). Only 9.7% of Filipino adults would like to get insurance for natural disasters, while 35.9% would like to be insured in case of death or loss of income from main income earner. Meanwhile, a small percentage of Filipino adults see loss of business income as a threat (28.3%) and even a smaller percentage would like to get insurance coverage for it (4.5%).

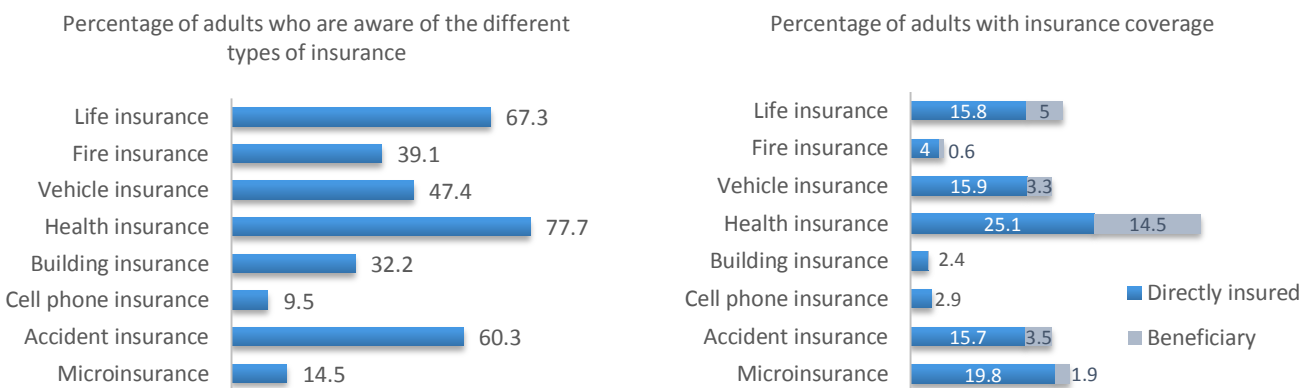


### ***Awareness and coverage of insurance***

Filipino adults are most aware of health insurance (77.7%), life insurance (67.3%) and accident insurance (60.3%). There is low awareness of microinsurance (14.5%), lower than other non-life insurance products like vehicle (47.4%), fire (39.1%) and building (32.2%) insurance, but slightly higher than cellphone insurance (9.5%).

In terms of coverage, 21.7% of those who are aware of microinsurance have coverage either as directly insured or a beneficiary. This level is second only to health insurance, wherein 39.8% of those who are aware have coverage. The next highest coverage includes life insurance (20.8%), vehicle insurance (19.2%) and accident insurance (19.2%).<sup>9</sup>

<sup>9</sup> Only those adults who are aware of insurance were asked if they have insurance coverage. These are the percentages if the base population is the total number of Filipino adults: with health insurance coverage (30.8%), life insurance (13.9%), accident insurance (11.6%), microinsurance (3.2%).



### ***Access points for insurance***

Of those who have current life insurance coverage or had one in the past, almost half personally applied for coverage through an insurance agent or broker (46.1%); 26.1% have coverage as part of their employment benefits and 11.6% have coverage thru bundled financial products. Other means include mutual benefit associations (8.9%), cooperative insurance societies (6%) and as a requirement in other types of insurance (5.9%).

In terms of access points for health and accident insurance, a similar pattern as above is observed. For Filipino adults that currently hold these types of insurance products, they also personally applied for coverage through agents or brokers, or have coverage as part of their employment benefits. Mutual benefit associations, cooperative insurance societies and other types of insurance channels (for example, government conditional cash transfer programs) are less prevalent access points.

In the case of microinsurance holders, 62.8% got microinsurance thru bundled products or packaged as a requirement for other insurance products while about 20% applied for microinsurance thru brokers or agents. Around 11% obtained microinsurance from mutual benefit associations and cooperative insurance societies, while 10.5% got it from microfinance institutions or as part of a microfinance product.

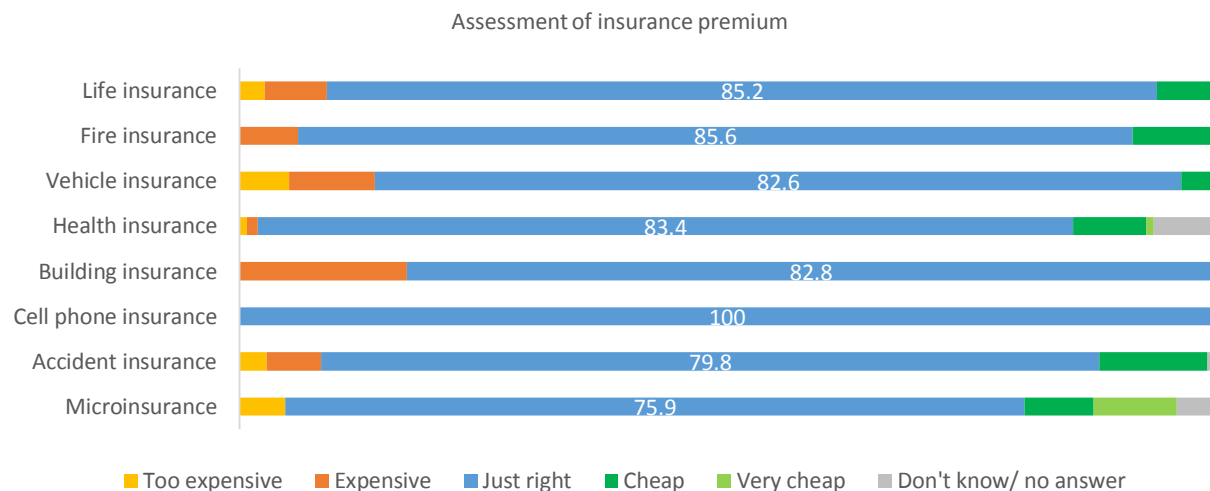
### ***Affordability of insurance premiums***

A high percentage of those that currently have life insurance believe that their premium payments are just right (85.2%), almost a tenth of them believe that it is expensive (9%), while a small percentage believe it is cheap (5.4%).

A similar pattern as above emerges in the case of Filipino adults with current health and accident insurance coverage. A high percentage of these holders believe that the premiums are just right. The difference lies in the perception of expensive premiums, wherein about a tenth

of holders of health and accident insurance believe the premiums are cheap (8%-11%), while less than a tenth that the premiums are expensive (2%-8%).

A high percentage of microinsurance holders also believe that their premium payments are just right (75.9%), over 15% think these are cheap, while less than 5% think these are expensive.



### Reasons for not having insurance

A high percentage of Filipino adults reported not ever having life insurance, health insurance, accident insurance or microinsurance (60%-80%). Except for microinsurance, the most common reason given for not having life, fire, health or accident insurance is lack of money. The second most common reason cited for not having any of these types of insurance products is the perception of high cost. The most common reason for not having vehicle insurance, building insurance and cellphone insurance is the lack of need for these types of insurance products.

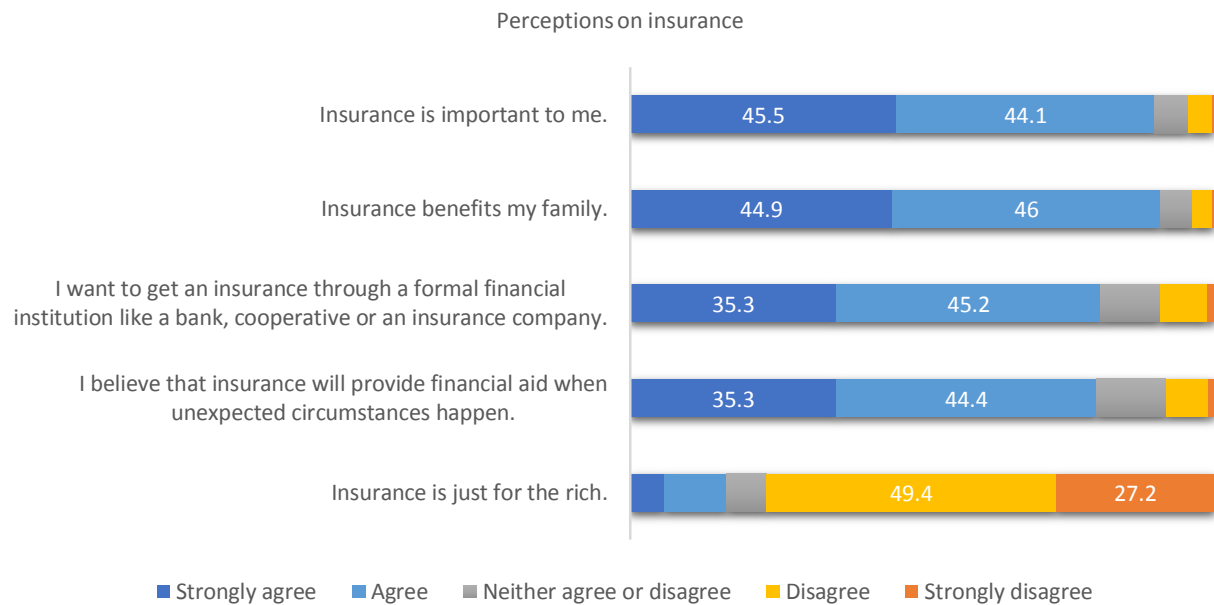
	Life	Nonlife						Microinsurance
		Fire	Vehicle	Health	Building	Cellphone	Accident	
It is too expensive.	28.8	20.5	20.8	27.2	20.2	17.5	25.7	19.9
I don't need it.	17.3	32.0	41.2	12.6	49.2	47.5	24.3	38.0
I am no longer qualified.	4.9	3.5	3.8	5.5	2.4	4.9	4.1	0.0
I do not have enough money.	52.5	35.0	29.1	57.1	28.4	32.9	50.4	37.0
I do not believe in insurance.	5.7	3.2	2.6	4.1	3.4	0.0	4.1	2.8

*Note: Highlighted cells represent the highest percentage for each column (type of insurance).*

In the case of microinsurance, the most common reason for not having one is that respondents have no need for it (38%) and they do not have enough money (37%). About 20% perceive microinsurance as expensive.

### ***Perceived importance and benefits of insurance***

Filipino adults have a high positive perception of insurance. Ninety percent agree that insurance is important to them (89.6%) and that it benefits their families (90.9%). Eighty percent believe that insurance will provide financial aid when unexpected circumstances happen (79.7%), and they want to get insurance through formal financial service providers like insurance companies, cooperatives or banks (80.5%). Majority of Filipino adults disagree that insurance is just for the rich (76.6%).



## Annex A. Technical Details of the Sampling Methodology

Multi-stage sampling is used in identifying respondents. In NCR, 60 spots are allocated proportionally among the 17 cities/municipalities. Barangays within cities/municipalities are randomly selected. Households are then selected using interval sampling from randomly generated starting points (municipal/barangay hall, school, barangay captain's house, church/chapel/mosque, health facility or basketball court) and random start (any number from 1-6). Within sampled households, respondent are randomly selected among qualified respondents (those 15 years old and above) using a probability selection table (Kish grid).

For Luzon (except NCR), Visayas and Mindanao, provinces (10 in Luzon, 5 in Visayas and 6 Mindanao) are proportionally allocated among all regions, with provision that each region must have at least one province. Within each study area, 15 municipalities and 60 spots are proportionally allocated among the sampled provinces. Barangays (with additional provision of 65% rural and 35% urban), households and respondents are identified similar to the NCR sampling procedure.

Aside from geographical stratification, the urban-rural allocation for AONCR and the 50-50% split between male and female adult respondents (done by assigning odd-number questionnaires to males and even-numbered questionnaires to females), all other demographical data in the survey (e.g., class, age, education attainment, religion, civil status, occupational status, etc.) are the result of sampling procedure.



## Annex B. Definition of Access Points

In the NBSFI, access points refer to institutions or places where a person can obtain financial products and services such as savings, credit, payments and remittance, and insurance. They include the following:

### **BSP-SUPERVISED ACCESS POINTS**

#### **BANK**

A bank refers to an entity engaged in the lending of funds obtained in the form of deposits. Banks are moneyed institutes founded to facilitate the borrowing, lending and safe-keeping of money and to deal in notes, bills of exchange, and credits.

Source: Bangko Sentral ng Pilipinas (BSP) [2011] Banking Laws of the Philippines (Book I): The General Banking Law Annotated. Manila.

#### **AUTOMATED TELLER MACHINE**

An automated teller machine (ATM) shall refer to a computerized telecommunications device that provides clients of a financial institution with access to financial transactions in a public place. It is a machine that dispenses cash with the use of an ATM card.

Source: International Monetary Fund, Financial Access Survey  
(<http://data.worldbank.org/indicator/FB.ATM.TOTL.P5>)

#### **NON-STOCK SAVINGS AND LOAN ASSOCIATION (NSSLA)**

A non-stock savings and loan association is a non-stock, non-profit corporation engaged in the business of accumulating the savings of an exclusive group of persons who make capital contributions to the association, and using such for loans to members to service the needs of households by providing long term financing for home building and development and for personal finance.

Sources: Bangko Sentral ng Pilipinas (BSP) [2011] Banking Laws of the Philippines (Book III): Special Banking Laws Annotated. Manila.

Manual of Regulations for Non-bank Financial Institutions (MORNBFI), § 4101S (2013).

#### **PAWNSHOP**

A duly organized and licensed pawnshop has the power to engage in the business of lending money on the security of personal property within the framework and limitations of P.D. No. 114, subject to the regulatory and supervisory powers of the BSP. It is synonymous to pawnbroker or pawnbrokerage.

Sources: P. D. No. 114, Sec. 3, (1973); MORNBFI, § 4101P.2 (2013)

#### **REMITTANCE AGENT**

Remittance agents shall refer to persons or entities that offer to remit, transfer or transmit money on behalf of any person to another person and/or entity. These include money or cash couriers, money transmission agents, remittance companies and the like.

Source: MORNBF, § 4511N.1 (2013)

#### **MONEY CHANGER/ FX DEALER**

Money changers, interchangeably referred to as foreign exchange dealers, shall refer to those regularly engaged in the business of buying and/or selling foreign currencies.

Source: MORNBF, § 4511N.1 (2013)

#### **E-MONEY AGENT**

A person or business that is contracted to facilitate transactions for users. The most important of these are cash-in and cash-out (i.e., loading value into the mobile money system, and then converting it back out again); in many instances, agents register new customers too. Agents usually earn commissions for performing these services.

Source: GSMA (2010). Mobile Money Definitions

### **OTHER ACCESS POINTS**

#### **COOPERATIVE**

A cooperative is an autonomous and duly registered association of persons, with a common bond of interest, who have voluntarily joined together to achieve their social, economic, and cultural needs and aspirations by making equitable contributions to the capital required, patronizing their products and services and accepting a fair share of the risks and benefits of the undertaking in accordance with universally accepted cooperative principles. Cooperatives are the supervision of the Cooperative Development Authority (CDA).

Source: RA 9520 (Philippine Cooperative Code of 2008)

#### **MICROFINANCE NGO**

Microfinance NGOs register with the Securities and Exchange Commission (SEC) as a non-stock, non-profit organization. Almost all of them collect forced savings (sometimes referred to as capital build-up) from their borrower-clients. Since they are not supposed to take deposits from their clients, they are not subject to prudential regulations.

Source: Regulatory Framework for Microfinance in the Philippines

#### LENDING INVESTOR/COMPANY

Lending Company (synonymous with lending investor) shall refer to a corporation engaged in granting loans from its own capital funds or from funds sourced from not more than nineteen (19) persons. It shall not be deemed to include banking institutions, investment houses, savings and loan associations, financing companies, pawnshops, insurance companies, cooperatives and other credit institutions already regulated by law. Lending companies/investors are under the Securities and Exchange Commission (SEC).

Source: RA 9474 (Lending Company Regulation Act of 2007)

#### FINANCING COMPANY

Financing companies are corporations, except banks, investments houses, savings and loan associations, insurance companies, cooperatives, and other financial institutions organized or operating under other special laws, which are primarily organized for the purpose of extending credit facilities to consumers and to industrial, commercial, or agricultural enterprises, by direct lending or by discounting or factoring commercial papers or accounts receivable, or by buying and selling contracts, leases, chattel mortgages, or other evidences of indebtedness, or by financial leasing of movable as well as immovable property. Financing companies/investors are under the Securities and Exchange Commission (SEC).

Source: RA 8556 (Financing Company Act of 1998)

#### INSURANCE AGENT

Any person who for compensation solicits or obtains insurance on behalf of any insurance company or transmits for a person other than himself an application for a policy or contract of insurance to or from such company or offers or assumes to act in the negotiating of such insurance shall be an insurance agent. Insurance agents and companies are supervised by the Insurance Commission (IC).

Source: RA 10607 (The Insurance Code)

#### PAYMENT CENTER

Payment centers are establishments that specialize in acceptance of payments for utilities, credit cards, insurance, government fees, etc.

Source: NBSFI Enumerator's Manual

## About IFAS

The BSP was one of the first central banks in the world to establish an office dedicated to financial inclusion when it created the Inclusive Finance Advocacy Staff in 2007.

IFAS implements, coordinates and advocates the microfinance and financial inclusion initiatives of the BSP.



**BANGKO SENTRAL NG PILIPINAS**

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