



2017

# FINANCIAL INCLUSION SURVEY

*Moving Towards Digital Financial Inclusion*

Bangko Sentral ng Pilipinas

# 2017 FINANCIAL INCLUSION SURVEY

## *Moving Towards Digital Financial Inclusion*

### **About the Cover**

The cover is a reproduction of the photo taken by Mr. Jayson Berto. It was one of the entries during the 2016 Photo Contest sponsored by the Consultative Group to Assist the Poor (CGAP).

The photo perfectly captures the vision of the Bangko Sentral ng Pilipinas (BSP) for digital financial inclusion. The BSP aims to develop a digital finance ecosystem that can facilitate the sustainable delivery of secure, convenient, and affordable financial services, especially to market segments that have long been underserved and unserved such as the agriculture sector and micro, small, and medium enterprises (MSMEs).

## About the Financial Inclusion Survey

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The **2017 Financial Inclusion Survey (FIS)** is a nationally representative survey dedicated to collect financial inclusion data from the perspective of users and non-users of financial products and services. It is the second run of the national survey with the baseline conducted in 2015 by the Bangko Sentral ng Pilipinas (BSP).<sup>i</sup>

The survey is part of the commitment of the BSP to build a comprehensive and robust data framework for financial inclusion. It is implemented every two (2) years to complement available supply-side data<sup>ii</sup> and create a more holistic picture of financial inclusion in the country.

The main objectives of the survey were: 1) to measure financial inclusion in the Philippines in terms of access (*availability of financial products and services and accessibility of institutions that offer them*), usage (*uptake of financial products and services*), and quality (*consumer experience*); and 2) to generate demand-side data on financial inclusion that would enable the BSP to identify gaps, set priorities, monitor progress, and craft evidence-based financial inclusion policies.

Data collection was done through face-to-face interviews administered using structured questionnaire covering the following areas: account ownership, savings, credit, payments, remittance, insurance, investment, financial access points, and financial needs. The sample consisted of 1,200 adults (defined as individuals aged 15 and above) from both Metro Manila Area (MMA) and areas outside MMA (Balance Luzon,<sup>iii</sup> Visayas and Mindanao).

The survey instrument was an enhancement of the questionnaire used in 2015. It was designed by the BSP Inclusive Finance Advocacy Office (IFAO) and approved by the Philippine Statistics Authority (PSA).

Data collection, encoding and processing were performed by Nielsen Philippines, a leading information and measurement company providing market research, insights and data services.<sup>iv</sup> The survey was conducted from December 2017 to February 2018.

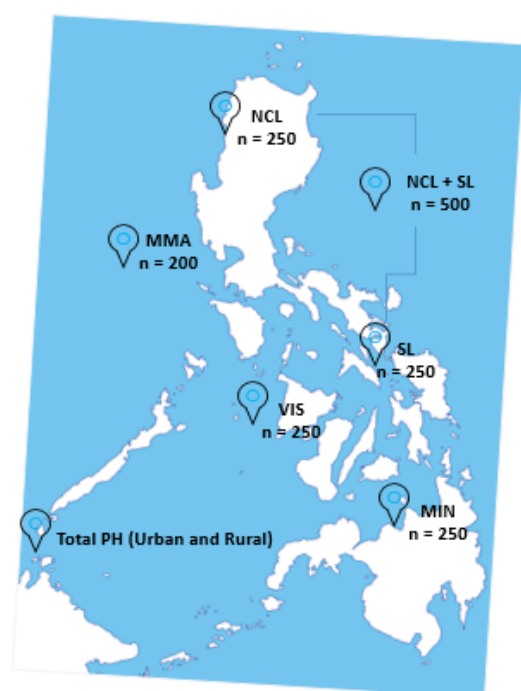
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<sup>i</sup> Available at <http://www.bsp.gov.ph/downloads/publications/2015/NBSFIFullReport.pdf>

<sup>ii</sup> Published annually through the Report on the State of Financial Inclusion in the Philippines. Please refer to [http://www.bsp.gov.ph/publications/regular\\_microfinance.asp](http://www.bsp.gov.ph/publications/regular_microfinance.asp)

<sup>iii</sup> North Central Luzon (NCL) and South Luzon (SL)

<sup>iv</sup> <http://www.nielsen.com/ph/en.html>



**Qualifications:**  
15 years old and above  
Males/ Females  
ABCDE  
**n = 1200**



Multi-stage random sampling



Door-to-door  
Face-to-face interview



Data acquisition via Computer-assisted  
personal interviewing (CAPI)

Multi-stage random sampling methodology was employed in selecting the respondents. The survey has a sampling error margin of  $\pm 3\%$ . Aside from geographical disaggregation and locale (urban, rural), the results could be further segmented by gender, socio-economic class, educational attainment, age group, marital status, and employment.

Respondents came from more or less equal mix in terms of locality, employment status, and gender. Most of the respondents belong to socio-economic class D, married, and have at least high school education. The distribution of respondents by geographical area and age group mimics the Philippine population.

#### Demographic Profile (%)



##### SEC

ABC1: 2  
C2: 6  
D: 55  
E: 37



##### Area

MMA: 14  
NCL: 22  
SL: 22  
Vis: 19  
Min: 23



##### Age

15 – 19: 18  
20 – 29: 24  
30 – 39: 21  
40 – 49: 17  
50 – 59: 11  
60 and above: 10



##### Marital Status

Married: 64  
Single: 29  
Separated: 1  
Widowed/ Widower: 5



##### Educational Attainment

Some/completed elementary: 15  
Some/completed high school: 60  
Some/completed vocational: 5  
Some/completed college or post graduate degree: 20



##### Locale

Urban: 49  
Rural: 51



##### Employment Status

Working: 46  
Non-working: 54



##### Gender

Female: 53  
Male: 47

**Total Adult Population  
68.6M**

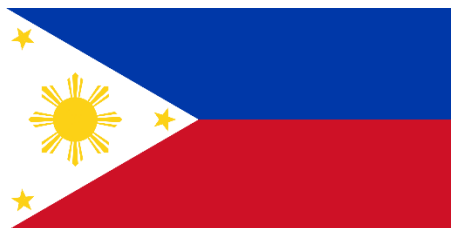
## List of Abbreviations and Acronyms

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|          |   |
|----------|---|
| ATM      | Automated Teller Machine  |
| B2P      | Business-to-Person  |
| BSP      | Bangko Sentral ng Pilipinas                                       |
| CAPI     | Computer-assisted Personal Interviewing                           |
| COD      | Cash on delivery  |
| E-Money  | Electronic Money  |
| EMI      | E-Money Issuer  |
| FISC     | Financial Inclusion Steering Committee                            |
| FSP      | Financial Service Provider  |
| G2P      | Government-to-Person  |
| GSIS     | Government Service Insurance System                               |
| IFAO     | Inclusive Finance Advocacy Office                                 |
| MF NGO   | Microfinance Non-government Organization                          |
| Min      | Mindanao  |
| MMA      | Metro Manila Area   |
| NCL      | North and Central Luzon   |
| NBFI     | Non-bank Financial Institution                                    |
| NSFI     | National Strategy for Financial Inclusion                         |
| NSSLA    | Non-stock Savings and Loan Association                            |
| OTC      | Over-the-counter  |
| Pag-IBIG | Pagtutulungan sa Kinabukasan: Ikaw, Bangko, Industria at Gobyerno |
| P2B      | Person-to-Business  |
| P2G      | Person-to-Government  |
| P2P      | Person-to-Person  |
| PSA      | Philippine Statistics Authority                                   |
| SEC      | Socio-economic Class  |
| SL       | South Luzon   |
| SSS      | Social Security System  |
| UITF     | Unit Investment Trust Fund  |
| Vis      | Visayas   |

# The Philippines: An Overview

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|  |   |
|--|---|
| Population (2015) <sup>a/</sup>                                    | 101 million   |
| Land area <sup>a/</sup>  | 300,000 sq. km  |
| Number of islands <sup>b/</sup>                                    | 7,641 <sup>v</sup>  |
| Main islands   | Luzon, Visayas, Mindanao  |
| Capital  | Manila  |
| Administrative Units <sup>a/</sup>                                 | 17 regions, <sup>vi</sup> 81 provinces,<br>145 cities, 1,489 municipalities |
| Official languages   | Filipino, English   |
| Simple literacy (2013) <sup>a/</sup>                               | 96.5%   |
| Unemployment rate (July 2017) <sup>a/</sup>                        | 5.6%  |
| Poverty incidence of population (2015) <sup>a/</sup>               | 21.6%   |
| Average annual family income (October 2016) <sup>a/</sup>          | PhP 267,000   |
| Gross Domestic Product (GDP) full year growth (2017) <sup>a/</sup> | 6.7%  |
| Inflation rate (April 2018) <sup>c/</sup>                          | 4.5%  |
| Exchange rate (May 2018) <sup>c/</sup>                             | USD 1 ≈ PhP 52.5  |
| Number of overseas Filipinos (2013) <sup>d/</sup>                  | 10.2 million  |
| Amount of cash remittances (2017) <sup>c/</sup>                    | USD 28 billion  |
| Number of unique mobile subscribers (2015) <sup>e/</sup>           | 51 million  |
| SIM penetration (2017) <sup>e/</sup>                               | 113%  |
| Smartphone penetration (2016) <sup>e/</sup>                        | 59%   |
| Percentage of individuals using the internet (2016) <sup>f/</sup>  | 55.5%   |

<sup>a/</sup>Philippine Statistics Authority (PSA)

<sup>b/</sup>National Mapping and Resource Information Authority (NAMRIA)

<sup>c/</sup>Bangko Sentral ng Pilipinas (BSP)

<sup>d/</sup>Commission on Filipinos Overseas (CFO)

<sup>e/</sup>Global System for Mobile Communications Association (GSMA)

<sup>f/</sup>International Telecommunication Union (ITU)

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<sup>v</sup> The number of islands increased from 7,107 to 7,641 based on the latest count by the National Mapping and Resource Information Authority (NAMRIA).

<sup>vi</sup> There were 18 regions in 2016. President Rodrigo Duterte issued Executive Order No. 38 (s. 2017) revoking Executive Order No. 183 (s. 2015) which created the Negros Island Region.

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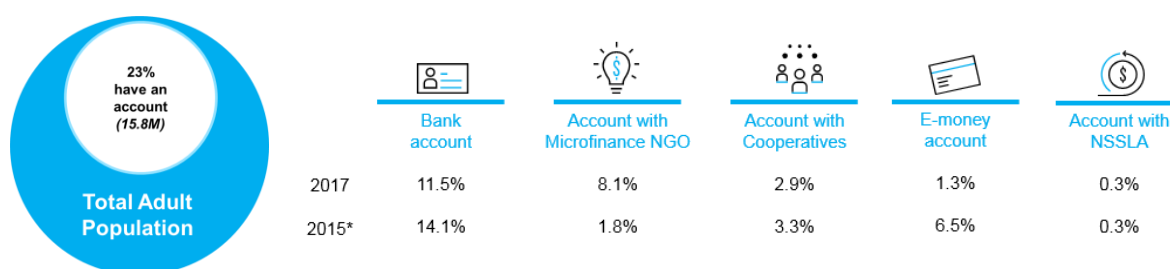
## Highlights and Key Findings

This topline report, which presents a descriptive analysis of the FIS results, is structured as follows: Sections 1-5 cover usage of financial products and services such as formal accounts, savings, credit, payment and remittance, insurance and investment. These sections include discussions on the quality dimension of financial inclusion in terms of customer satisfaction, areas for improvement, and issues encountered. Section 6 describes the financial access situation, while Section 7 tackles the financial needs of Filipino adults.

### Highlights

#### *Ownership of formal account improved modestly.*

- The number of Filipino adults with a formal account is estimated at 15.8 million or 22.6% of total adult population. This is a modest improvement from 22% based on the maiden survey in 2015.<sup>7</sup>



- Across provider types, banks continued to have a higher share (11.5%) in account penetration compared to non-banks such as MF NGOs (8.1%),<sup>8</sup> cooperatives (2.9%), and NSSLAs (0.3%). Only 1.3% of adults have an e-money account.<sup>9</sup> From 2015 to 2017, account ownership increased in microfinance NGOs; decreased in banks, cooperatives, and e-money; and unchanged in NSSLAs.
- Among account owners, the top use case is saving for emergency (42%) followed by saving for education (31%) and for business (29%). Others use the account merely for safekeeping (23%) while some consider it as a form of investment (12%). It appears that accounts are still underutilized for payment and remittance transactions as only 18% are receiving salary, 12% are sending/receiving money, and 6% are receiving pension through their account.

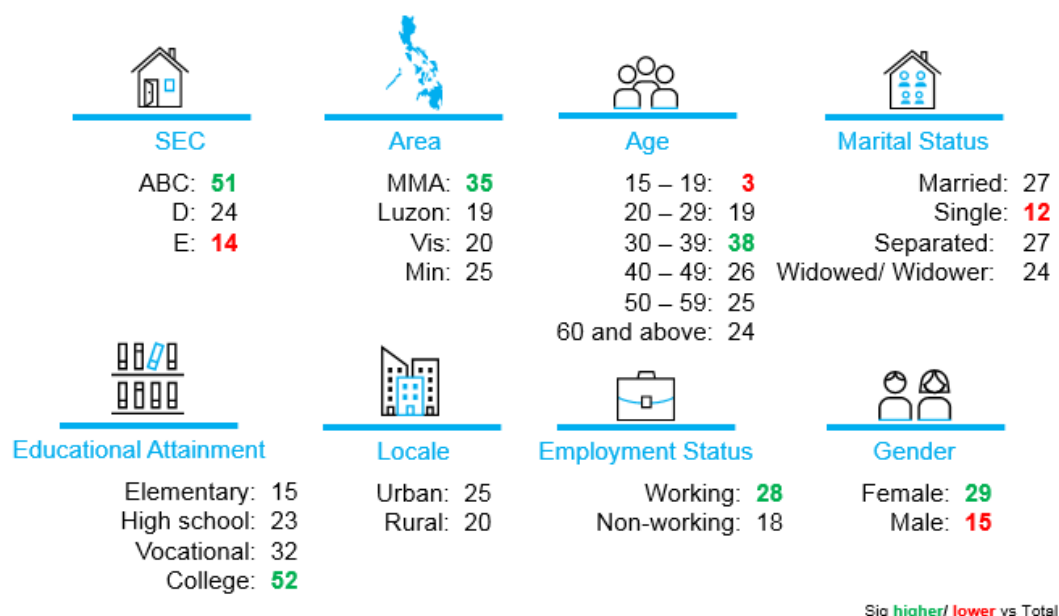
<sup>7</sup> 2015 data is based on derivation only as there was no direct question on account ownership in the baseline survey. For instance, account in formal financial institutions (bank, NSSLAs, cooperative, microfinance NGO) was measured by the percentage of adults with savings at these institutions. E-money account ownership was measured by the share of adults who have tried sending or receiving funds using e-money.

<sup>8</sup> Account in microfinance NGOs refers to compulsory savings (also known as capital build up) which is usually required as a portion of the microfinance loan.

<sup>9</sup> Note that some adults may have an account across different providers, thus the figures per provider type will not sum up to 22.6%.



- Data disaggregation revealed the segments of the population that are more or less likely to have a formal account. Marked disparities in financial inclusion levels could be seen especially in terms of income and education. Half of adults in class ABC have an account which is twice higher than class D and almost four times higher than class E. Adults who finished college are more than twice likely to have an account than high school graduates and more than thrice likely to own an account than elementary graduates.



One in three adults in Metro Manila Area own an account, significantly higher than Balance Luzon, Visayas, and Mindanao. Surprisingly, account ownership in Mindanao is higher than Balance Luzon and Visayas. The urban-rural gap in account ownership is surprisingly small, although there is a large gap (13 percentage points) between urban and rural areas in terms of bank account penetration.









While account ownership is higher for working than non-working adults as can be expected, only 28% of working adults reported having an account where their salary could be credited instead of cash disbursement.

Women are twice likely to have an account than men. It is interesting to note, however, that bank and e-money account penetration is slightly higher for men and the gender gap favoring women is driven by microfinance NGOs and cooperatives.

- Out of 52.8 million adults who do not have an account, 60% cited not having enough money as the primary reason. This is followed by the perceived lack of need (21%) and absence of documentary requirements (18%). Other reasons cited are high cost (10%), lack of knowledge in account opening (9%), lack of work/employment (8%), and lack of awareness (8%).

### **Formal savings increased.**

- The percentage of adults with savings increased to 48% in 2017 from 43% in 2015. Formal savings<sup>10</sup> increased to 18.8% in 2017 from 17.5% in 2015, driven by growth in savings in microfinance NGOs as savings in other formal institutions such as banks, NSSLAs, and cooperatives declined.

|                  | 2015 | 2017   |
|------------------|------|--|
| With savings     | 43.0 | 48.0  |
| Bank             | 14.1 | 9.0   |
| Cooperative      | 3.2  | 3.0   |
| Microfinance NGO | 1.8  | 7.0   |
| NSSLA            | 0.35 | 0.30  |
| Group savings    | 1.1  | 4.0   |
| At home          | 29.5 | 32.7  |
| Formal savings   | 17.5 | 18.8  |

*Base: Total adult population*

### **Incidence of borrowing decreased except in microfinance.**

- One in five adults (22.3%) had outstanding loans in 2017, lower than 47.1% of adults with outstanding loans in 2015. The percentage of adults relying on informal sources such as family, friends, relatives and other informal lenders significantly declined in 2017: 40% of borrowers obtained their loan from informal sources in 2017, lower than 72% of borrowers who borrowed through informal means in 2015.

Across provider types, loan incidence in 2017 is lower compared to 2015 except in microfinance NGOs. Formal borrowing<sup>11</sup> likewise decreased to 14% in 2017 from 18% in 2015. Over a third (36%) of adults think that it is difficult to obtain a loan from formal financial institutions citing documentary requirements (53%), lack of collateral (44%), lack of necessary ID (34%), and level of salary (28%) as major hurdles in applying for loans.

- Signs of overindebtedness did not appear prominently as there is an average of one loan per borrower, and 76% of adults said that they are not burdened in paying their loans while 71% reported that they pay on due date.

### **Cash is still the preferred mode of payment.**

- Only 18% of Filipino adults with an account use their account for payments. Almost two-thirds (64%) of adults who did not use their accounts for payments cited that they











<sup>10</sup> Formal savings refers to savings at formal financial institutions such as banks, NSSLAs, cooperatives, and microfinance NGOs.

<sup>11</sup> Formal borrowing refers to loans at formal financial institutions such as banks, NSSLAs, cooperatives, microfinance NGOs, lending/financing companies, pawnshops, and government institutions (e.g., GSIS, SSS).

still prefer cash in paying while 20% said that they are not aware that they could pay electronically using their account.

- Concerns on availability, trust, and distance appeared markedly in automated teller machines (ATMs), while lack of awareness and lack of connectivity are closely associated with electronic platforms such as internet banking and mobile banking. Nearly half (46%) of account holders who have access to the internet are ambivalent about e-payments due to issues such as hacking, personal security breaches, and unsafe access.







Barriers for not using channel (%)

|  |   |  |  |  |  |  |  |  |
|--|---|---|---|---|---|---|---|---|
|  |   | Not aware   | Not available   | No trust  | Branch is far/<br>can't easily<br>be reached                                      | No<br>connectivity  | Long line   | No smart<br>phone   |
|   | ATM                                       | 23  | 19  | 18  | 17  | 17  | 9   | 2   |
|   | Over-the-<br>counter/<br>branch/<br>agent | 14  | 11  | 2   | 10  | 3   | 66  | 1   |
|  | Other electronic<br>platforms             | 40  | 14  | 15  | 4   | 23  | 6   | 8   |

Base: Account holders who do not use a particular channel

- Nearly 9 out of 10 adults (88%) made payment transactions regardless of whether it is payment to the government or businesses. Personal purchases as well as bills and loan payments are the typical payment transactions of Filipino adults wherein around 60% made payments through direct cash payment.

Payment Channel (%)

|   | n = 1200 | n = 1200 | n = 186       | n = 1200           | n = 1200       | n = 180                |
|---|----------|----------|---------------|--------------------|----------------|------------------------|
|   | Taxes    | Licenses | Contributions | Personal purchases | Bills payments | Personal Loan Payments |
|  | 4        | 5        | 21            | 62                 | 57             | 60                     |
|  | -        | 1        | 1             | 16                 | 9              | 19                     |
|  | -        | -        | 10            | -                  | 12             | 1                      |
|  | 2        | -        | 48            | -                  | -              | 3                      |
|  | 1        | 1        | 11            | 1                  | 1              | 5                      |
|  | 91       | 92       | 2             | 20                 | 23             | 11                     |

- Filipino adults are net receivers as 32% of them received money from other people while 16% sent money to other people in the past six months. Incidence of remittance declined slightly from 36% receiving money and 18% sending money in 2015.

Remittance agents are overwhelmingly used by Filipino adults in sending money to and receiving money from other people. 93% of senders said they used remittance agents in sending money while 83% of receivers used them for receiving money in the past six months.

- Convenience is the top consideration in choosing a channel for payment and remittance transactions. For instance, over 70% of adults who made a remittance transaction cited convenience as the key factor in choosing a particular channel. Aside from convenience, most senders and recipients of money also cited cheaper charges, more physical access points, and faster services as the best ways to improve existing services.

***Insurance and investment penetration is similar to the level of account ownership.***

- One in five adults (17.9%) has insurance. The most common types of insurance owned are life insurance (6.8%), health insurance (5.4%), and microinsurance (4.6%).

Among those without insurance, the most common reason is lack of enough money (66%), followed by perceived lack of need (30%) and high cost (23%). Other reasons cited are slow return (5%), lack of trust of providers (4%), and lack of work (3%).

- Nearly a fourth of adults (22.5%) have some form of investment. The most common types are contributions to SSS (18.3%) and Pag-IBIG (6.8%). Only 3% of adults invest in stocks, bonds, Unit Investment Trust Funds or UITFs, mutual funds, and other managed investment schemes.<sup>12</sup>

Among those without investment, the most common reason given is lack of money due to unemployment (69%), followed by perception of high cost (17%), lack of awareness (11%), and perceived lack of need (7%).

***ATMs, pawnshops, and payment centers are the most popular touch points in terms of awareness, accessibility, and usage.***

- Access points refer to institutions or places where a person can obtain financial products and services and perform financial transactions. Filipino adults are most aware of bank branches (70%), ATMs (61%), and pawnshops (52%). ATMs (25%), pawnshops (25%), and bayad centers (24%) are deemed the most accessible access points. The usual access points where adults transact are bayad centers (17%), pawnshops (13%), ATMs (11%), and remittance agents (10%).

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<sup>12</sup> There is no survey question on investment in the 2015 survey. In the 2014 Consumer Finance Survey, only 0.4% of households have investments (stocks, bonds, mutual funds, UITFs or any other type of managed investment account aside from pension or insurance plan).





- Of those who have tried transacting with access points, most are aware of services such as remittance (52%), payments (51%), and cash in/cash out (46%). On the other hand, least awareness is observed for products such as insurance (22%), foreign exchange (17%), investments (13%), and loading of e-wallets (13%).
- Among adults who have transacted with access points, 94% did not encounter any issue. Of the 6% who reported encountering issues, only 5% contacted the relevant regulator. 58% of cases were resolved following contact with the regulator. Those who did not contact the regulator despite encountering issues cited lack of awareness on the regulator's reachability, lack of knowledge on whom to contact, avoidance of hassle, and lack of knowledge on the regulator's contact information as reasons.

***Access to technology has given way to awareness of online payments.***

- Thirty-eight percent (38%) of adults reported owning a smart phone, while 42% used the internet at least once a month of which 86% connected to the internet via mobile data. Such access to technology has given way to awareness of online payment methods, which is particularly high among class ABC and in the Metro Manila Area. PayMaya and GCash are the most recognized e-payment products, with roughly one third of adults aware of these mobile money services.

***Managing liquidity and coping with risks are the top financial needs of Filipino adults.***

- Financial needs can be grouped into four main classifications: meeting goals, liquidity (day-to-day money management), resiliency (coping with risks), and transfer of value (payments and remittances). Many Filipino adults experienced a liquidity problem recently, with 44% unable to meet regular spending needs in the past week up to the past year. Being unable to meet regular spending needs was also the most frequently experienced scenario, followed by coping with risks. Borrowing is the main tool used by Filipino adults to address their financial needs, even in situations such as unexpected shocks when insurance could have been useful.

|                                | <br>Spent money<br>on expensive things<br>(planned to buy or pay) | <br>Spent money to cope with<br>effects of expensive risks<br>(unexpected incidences) | <br>Unable to meet<br>weekly or monthly<br>spending needs | <br>Spent to start<br>or put up a business |
|--------------------------------|--|--|--|---|
| <b>Mechanism</b>               |  |  |  |   |
| Own savings                    | 50   | 26   | 17   | 28  |
| Used regular income            | 30   | 20   | 17   | 18  |
| Income from sideline           | 13   | 4  | 5  | 3   |
| Borrowed                       | 13   | 34   | 45   | 53  |
| Requested financial assistance | 8  | 30   | 18   | 3   |
| <b>Source</b>                  |  |  |  |   |
| Savings (informal)             | 49   | 23   | 18   | 25  |
| Family, friends, relatives     | 47   | 68   | 72   | 29  |
| Microfinance NGO               | 2  | 5  | 2  | 32  |

*Base: Adults who experienced the scenario in the past week up to the past year*

## Key Findings

### ***The FIS enriched the topline country indicators in the World Bank Findex.***

- As the second survey on financial inclusion conducted by the BSP, the FIS provided a good assessment of the progress made from 2015 to 2017. By providing a more in depth look at the state of financial inclusion in the country, the results of the FIS enriched the headline country indicators of the World Bank Findex released in April 2018. For instance, the FIS has a more granular disaggregation of usage of different financial products and services aside from formal accounts. Another value-adding feature of the FIS is the discussion on the quality dimension of financial inclusion in terms of customer experience, needs, satisfaction, areas for improvement, and issues encountered in accessing and using financial products and services.

### ***Survey results highlighted the gains in microfinance.***

- Microfinance responds to the particular needs of the low-income population. Significant gains in the uptake of microfinance products and services are evident in the survey results. Growth in formal savings is driven by microfinance NGOs, and it is only in microfinance NGOs where the number of borrowers experienced growth from 2015 to 2017. Among adults who spent money to start a small business and resorted to borrowing, the main source of credit are microfinance NGOs. These gains could be a result of the long and sustained effort to promote microfinance in the country.

### ***Digitalizing payments presents strong opportunity to expand financial inclusion.***

- While formal account penetration remains low and growth is modest, there are clear opportunities for greater financial inclusion enabled by digital technology. The country's young population,<sup>13</sup> high smartphone penetration,<sup>14</sup> and high internet adoption<sup>15</sup> can be significantly leveraged for electronic payments and fund transfers.

As earlier discussed, nearly 9 out of 10 adults have payment transactions of which 60% are paying in cash. Over the counter remittance transactions are very prevalent among senders and receivers of money as 93% used remittance agents in sending money while 83% used them for receiving money in the past six months. Digitizing these payment and remittance transactions is a crucial step towards digital financial inclusion.

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<sup>13</sup> Based on data from the PSA, the median age of Filipinos is 24 years old and one third of the population are millennials.

<sup>14</sup> The Global System for Mobile Communications Association (GSMA) projected that smartphone adoption in the Philippines will increase to 71% in 2020 from 59% in 2016.

<sup>15</sup> 56% based on 2016 estimate from the International Telecommunication Union (ITU) and 63% according to We Are Social (2018).

Promoting financial literacy and ensuring good market conduct are equally important in order to deepen the public's trust in digital financial services. This is in view of the consumer issues revealed by the survey such as lack of awareness and concerns on cybersecurity.

The BSP therefore aims to develop a digital finance ecosystem that supports the diverse needs of all users in a manner that is secure, sustainable, convenient, and affordable. To support this goal, the BSP implements the National Retail Payment System (NRPS), its flagship program for digital finance. The BSP has also issued regulations to democratize access to an account through the basic deposit account and create an expansive network of low-cost touch points through branch-lite units and cash agents, together with other key policy issuances and initiatives to promote digital finance. It is exciting to see how these significant developments could further expand financial inclusion in the country in the coming years.

***Women's financial inclusion is positively demonstrated across different financial products and services.***

- While bank and e-money account penetration is slightly higher for men, women are twice likely to have an account than men in general. The gender gap favoring women is driven by institutions such as microfinance NGOs and cooperatives, and is true for other financial products and services except in investments where the level is slightly higher among men. Whereas most developing countries face the persistent challenge of women's financial exclusion, the Philippines presents an interesting case wherein the level of financial inclusion is higher among women than men.



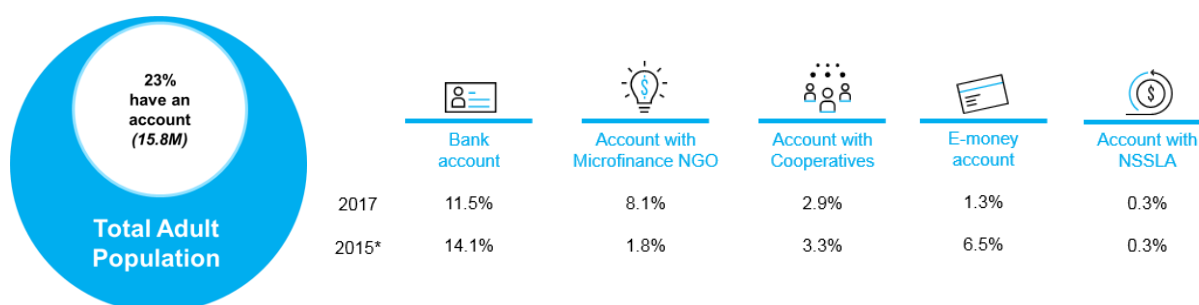
# 1. Account Ownership

Ownership of an account that can be used to save money, receive salary, send or receive remittance, and pay bills is a basic indicator of financial inclusion. Formal account refers to an account (savings, current/checking) at formal financial institutions such as banks, cooperatives, Non-Stock Savings and Loan Associations (NSSLAs), and microfinance non-government organizations (MF NGOs)<sup>16</sup> or a transactional account such as an electronic money (e-money) wallet or card provided by E-Money Issuers (EMIs).

## ***Number and share of Filipino adults with an account***

The number of Filipino adults with a formal account is estimated at 15.8 million or 22.6% of total adult population. This is a modest improvement from the 2015 estimate of 22%.<sup>17</sup>

Across provider types, incidence of account ownership is higher at banks (11.5%) compared to non-banks such as MF NGOs (8.1%), cooperatives (2.9%), and NSSLAs (0.3%). Only 1.3% of adults have an e-money account.<sup>18</sup> From 2015 to 2017, account penetration increased in microfinance NGOs; decreased in banks, cooperatives, and e-money; and unchanged in NSSLAs.



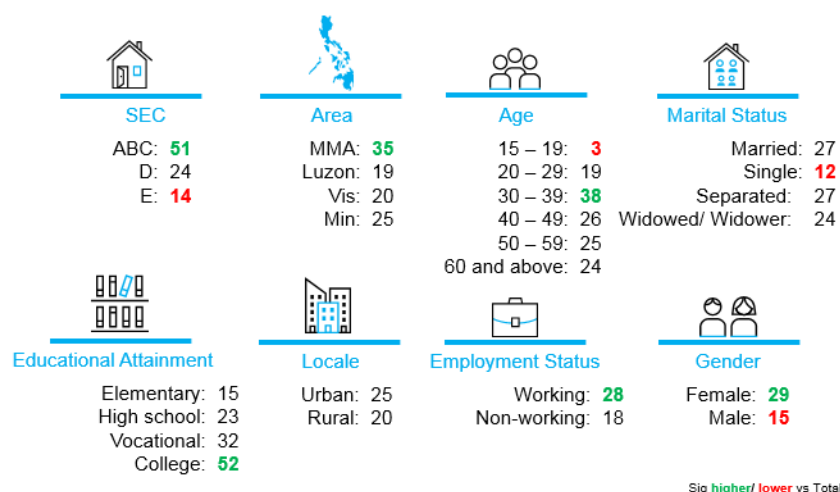
## ***Characteristics of Filipino adults who have an account***

Data disaggregation by demographic characteristics revealed the segments of the population that are more or less likely to have a formal account:

<sup>16</sup> This refers to compulsory savings (also known as capital build up) which is usually deducted from the proceeds of a microfinance loan.

<sup>17</sup> This is the first time that a comprehensive question on formal account was asked in the BSP's financial inclusion survey. The 2015 figure is just an estimate since the baseline survey asked only where respondents put their savings, and did not include a direct question on e-money accounts. E-money account ownership in 2015 was measured by the share of adults who have tried sending or receiving funds using e-money.

<sup>18</sup> Note that some adults may have an account across different providers, thus the figures per provider type will not sum up to 22.6%.



#### By income class

- More than half (51.1%) of adults in class ABC have an account, twice higher than class D (24.4%) and almost four times higher than class E (13.9%). Bank account is the most common type of account in class ABCD, while compulsory savings/capital buildup in microfinance NGO is the most common form of account in class E. The share of adults with e-money is higher in class E than class ABCD.

|                  | ABC  | D    | E    |
|------------------|------|------|------|
| With Account     | 51.1 | 24.4 | 13.9 |
| Bank             | 44.3 | 12.1 | 3.4  |
| E-money          | 1.0  | 0.9  | 2.0  |
| NSSLA            | 0.0  | 0.6  | 0.0  |
| Cooperative      | 2.8  | 3.7  | 1.6  |
| Microfinance NGO | 4.6  | 9.0  | 7.5  |

#### By educational attainment

- Incidence of account ownership increases with educational attainment. Those who finished college (51.9%) are more than twice likely to have an account than high school completers (23.3%) and more than thrice likely to own an account than elementary completers (14.7%). While the same trend exists for bank and cooperative accounts, this is not true for other account types. For e-money, NSSLA, and microfinance NGOs, the highest share is held by high school graduates.

|                  | Completed elementary | Completed high school | Completed vocational | Completed college |
|------------------|----------------------|-----------------------|----------------------|-------------------|
| With Account     | 14.7                 | 23.3                  | 31.5                 | 51.9              |
| Bank             | 8.0                  | 9.2                   | 24.6                 | 45.8              |
| E-money          | 1.3                  | 1.7                   | 0.0                  | 0.9               |
| NSSLA            | 0.0                  | 0.7                   | 0.0                  | 0.0               |
| Cooperative      | 1.9                  | 2.1                   | 6.4                  | 8.6               |
| Microfinance NGO | 5.5                  | 10.7                  | 2.2                  | 4.8               |

*By geographical area/location*

- Account penetration is significantly higher in Metro Manila Area/MMA (34.9%) than other island groups. Surprisingly, account ownership in Mindanao is higher than Balance Luzon and Visayas. The percentage of adults with e-money and NSSLA account is highest in Visayas, while the share of those with an account in cooperatives and microfinance NGOs is highest in Mindanao.

|                  | <i>MMA</i> | <i>LUZON</i> | <i>VIS</i> | <i>MIN</i> | <i>URBAN</i> | <i>RURAL</i> |
|------------------|------------|--------------|------------|------------|--------------|--------------|
| With Account     | 34.9       | 18.8         | 19.9       | 24.9       | 25.0         | 20.3         |
| Bank             | 30.8       | 9.5          | 6.2        | 8.3        | 18.1         | 5.1          |
| E-money          | 0.5        | 0.9          | 3.6        | 0.9        | 1.1          | 1.5          |
| NSSLA            | 0.0        | 0.0          | 1.6        | 0.0        | 0.0          | 0.6          |
| Cooperative      | 3.2        | 1.5          | 3.1        | 5.1        | 3.0          | 2.7          |
| Microfinance NGO | 0.9        | 8.5          | 6.2        | 13.2       | 4.6          | 11.5         |

- Account ownership in urban areas (25%) is slightly higher than rural areas (20.3%). However, there is a large gap (13 percentage points) between urban and rural areas in terms of bank account penetration. Account ownership is slightly higher in rural (1.5%) than urban (1.1%) for e-money, and significantly higher in rural (11.5%) than urban (4.6%) for microfinance NGO.

*By age*

- The concentration of account ownership is within the age group starting at 30, with peak at around 30-39 years old. Account ownership in the youngest segment (15-19 years old) appeared only in bank accounts presumably because of the kiddie and teen savings accounts offered by banks.

|                  | <i>15-19</i> | <i>20-29</i> | <i>30-39</i> | <i>40-49</i> | <i>50-59</i> | <i>&gt; 60</i> |
|------------------|--------------|--------------|--------------|--------------|--------------|----------------|
| With Account     | 3.2          | 19.1         | 37.9         | 26.4         | 25.0         | 24.0           |
| Bank             | 3.2          | 9.5          | 17.6         | 12.4         | 11.8         | 16.1           |
| E-money          | 0.0          | 1.2          | 2.0          | 2.4          | 1.2          | 0.7            |
| NSSLA            | 0.0          | 0.0          | 1.1          | 0.0          | 0.7          | 0.0            |
| Cooperative      | 0.0          | 1.8          | 6.2          | 4.1          | 1.8          | 2.5            |
| Microfinance NGO | 0.0          | 6.6          | 13.1         | 11.9         | 10.3         | 6.5            |

*By marital status*

- Account ownership among single adults is less than half of account penetration among adults who have or had spouses. There is big difference between single and married adults in microfinance NGOs (wherein most clients are married), a stark contrast not observed for other account types.

|                  | Single | Married | Separated | Widowed/<br>Widower |
|------------------|--------|---------|-----------|---------------------|
| With Account     | 11.5   | 27.4    | 26.7      | 24.0                |
| Bank             | 9.2    | 12.3    | 7.3       | 18.1                |
| E-money          | 0.7    | 1.7     | 0.0       | 0.0                 |
| NSSLA            | 0.0    | 0.5     | 0.0       | 0.0                 |
| Cooperative      | 1.6    | 3.4     | 15.3      | 0.0                 |
| Microfinance NGO | 0.6    | 11.8    | 4.1       | 6.0                 |

#### *By employment status*

- As expected, account ownership is higher for working adults. However, only 28.1% of working adults reported having an account which appears low considering that their salaries could be credited to an account instead of cash disbursement. One in five (18%) non-working adults has an account.

|                  | WORKING | NOT WORKING |
|------------------|---------|-------------|
| With Account     | 28.1    | 18.0        |
| Bank             | 16.4    | 7.3         |
| E-money          | 1.7     | 1.0         |
| NSSLA            | 0.0     | 0.6         |
| Cooperative      | 4.4     | 1.5         |
| Microfinance NGO | 8.3     | 7.9         |

#### *By gender*

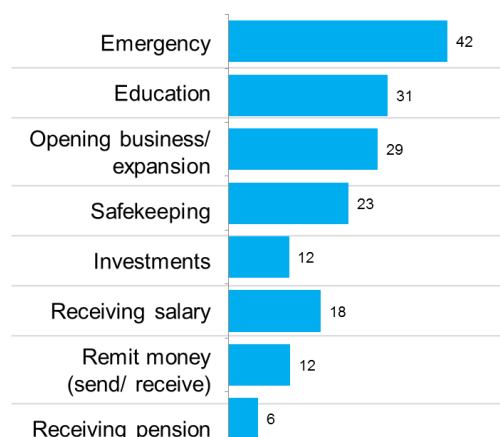
- Among women, 29.1% have an account which is almost twice higher than that of men (15.4%). While overall incidence of account ownership is significantly higher in women than men, bank and e-money account ownership is slightly higher among men. On the other hand, account ownership in cooperative and microfinance NGO is significantly higher among women.

|                  | MALE | FEMALE |
|------------------|------|--------|
| With Account     | 15.4 | 29.1   |
| Bank             | 11.6 | 11.4   |
| E-money          | 1.4  | 1.2    |
| NSSLA            | 0.2  | 0.4    |
| Cooperative      | 1.2  | 4.3    |
| Microfinance NGO | 2.2  | 13.4   |

#### ***Purpose of owning an account***

Among adults who have an account, the top use case is saving for emergency (42%) followed by saving for education (31%) and for business (29%). Others use the account merely for safekeeping (23%) and some consider it as a form of investment (12%). It appears that the usefulness of an account for payment and remittance transactions is still not being maximized

as only 18% are receiving salary, 12% are sending/receiving money, and 6% are receiving pension through their account.

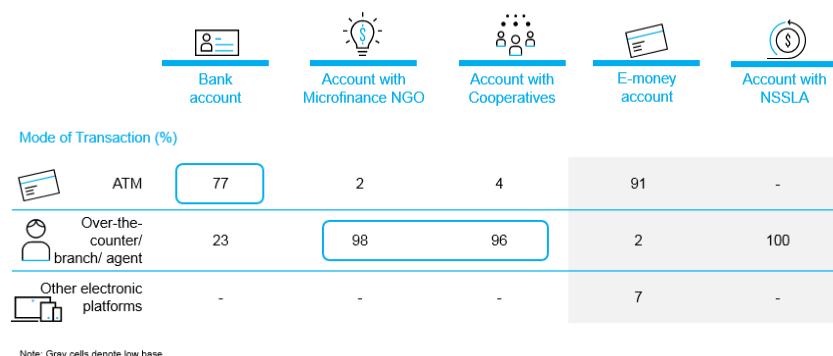


### Number of accounts and frequency of usage

Filipino adults own an average of one account, regardless of type. Frequency of transaction depends on the type of account. Adults with a bank account usually perform transactions with their account 2-3 times a month, while clients of MF NGOs transact on a more frequent basis (once a week) which reflects the nature of microfinance. Adults with e-money and account in cooperatives usually perform transactions twice a month, while those with an account in NSSLAs do not have frequent transactions (every 2 months only).<sup>19</sup>



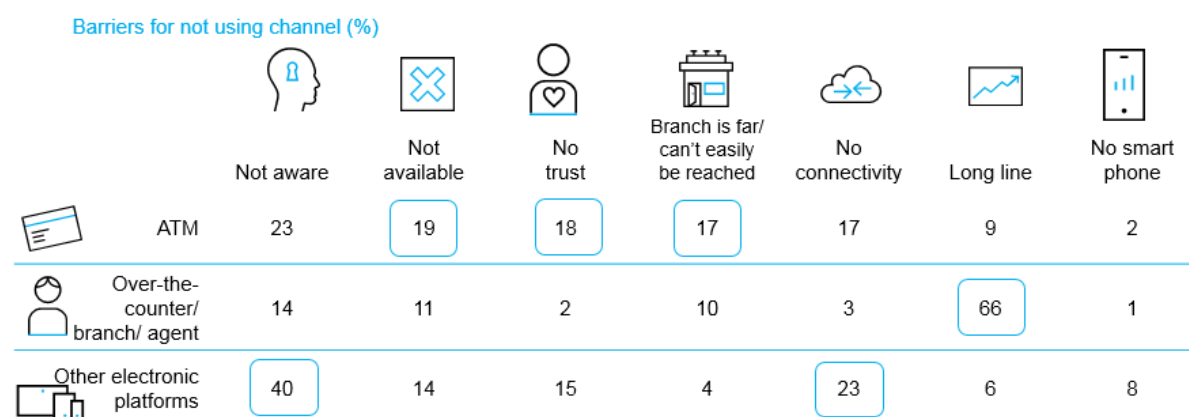
### Mode of transacting with the account



<sup>19</sup> Figures on NSSLA and e-money account have a very low base.

Bank account and e-money account are usually accessed via automated teller machines (ATMs), while account from other provider types are typically accessed over the counter (OTC). Usage of electronic platforms (internet banking, mobile application) registered only in e-money account although not significant.<sup>20</sup>

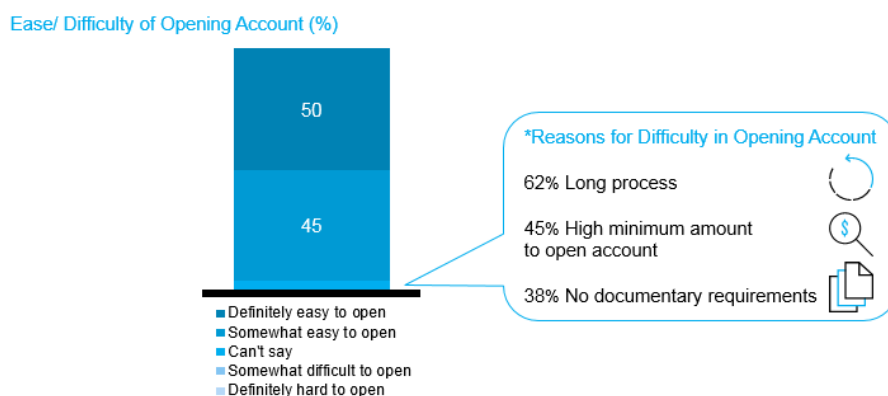
For those not using ATMs, the main reason cited is lack of awareness, followed by unavailability, lack of trust, long distance, and limited connectivity. Among those not using other electronic platforms, the main reason is also lack of awareness, followed by limited connectivity and lack of trust. Those who do not perform OTC transactions with their account cited long lines as the primary reason.



The issues of unavailability, lack of trust, and distance appeared markedly in ATMs, while lack of awareness and lack of connectivity are closely associated with other electronic platforms. As expected, the problem of long queue is the most associated concern with OTC transactions.

### Account opening experience

Almost all (95%) adults with an account stated that it is easy to open one. Of the 5% who experienced difficulties in account opening, the main reasons cited are the long process (62%), high minimum opening amount (45%), and lack of documentary requirements (38%).



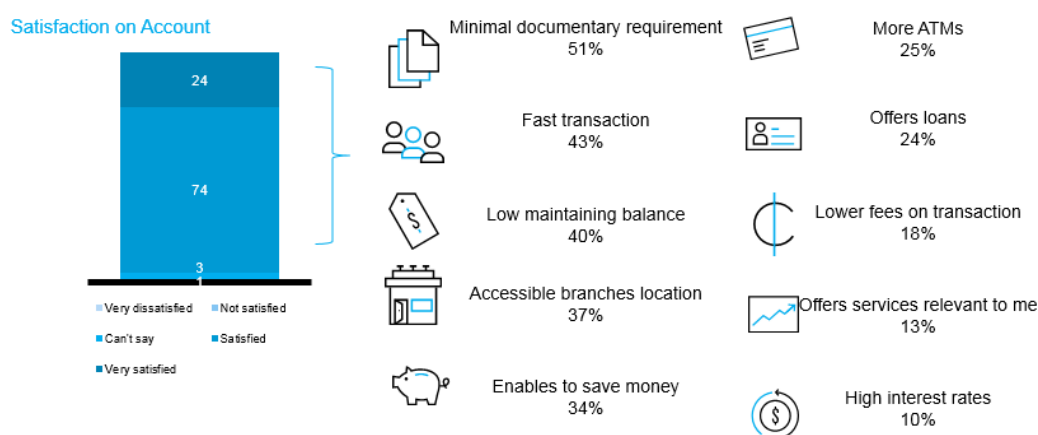
<sup>20</sup> Figures on e-money account have a very low base.

## Satisfaction with the account

Nearly all (98%) adults who own an account are satisfied with their account. Overall satisfaction is driven by factors such as number of requirements, service, and convenience. Having minimal documentary requirements brings about the highest satisfaction as stated by 51% of satisfied respondents, followed by the speed of transaction (43%) and low maintaining balance (40%).

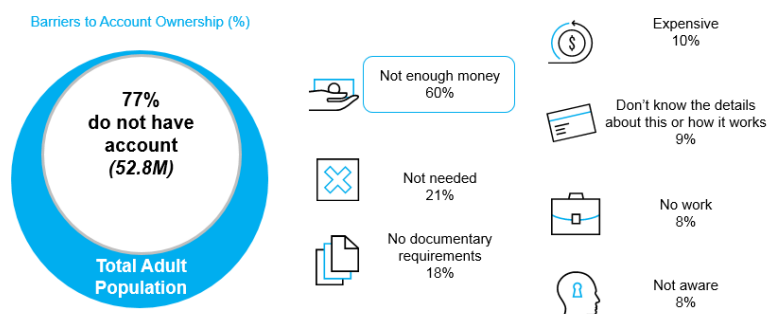
Accessible branch locations and more ATMs also contribute to overall satisfaction, as indicated by 37% and 25% of satisfied respondents, respectively.

Respondents also stated that they are satisfied with their account because it enables them to save (34%) and avail loans (24%) as well as other relevant services (13%). There are also those who are satisfied in pricing in terms of lower fees on transactions (18%) and high interest rates for placements (10%).



## Reasons for not owning a formal account

Out of 52.8 million Filipino adults who do not have an account, 60% cited not having enough money as the main reason. This is followed by lack of need (21%) and absence of documentary requirements (18%). Other reasons cited are cost (10%), lack of knowledge in account opening (9%), lack of work/employment (8%), and lack of awareness (8%).





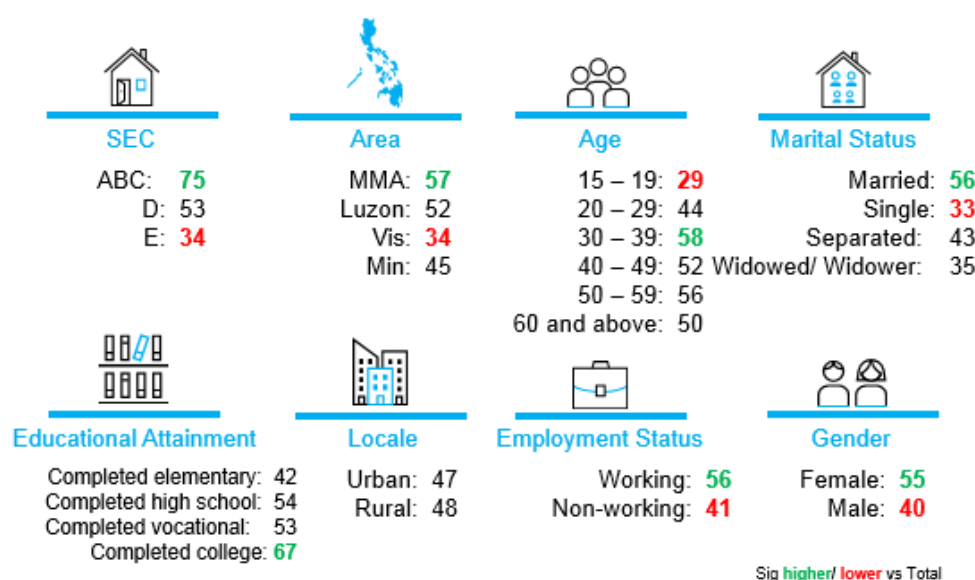
## 2. Savings

Nearly half (48%) of the total adult population had savings in 2017. This is a notable increase from the 43% of adults with savings in 2015. However, the share of adults who are saving at home (out of those who have savings) remained at 68%.

### *Characteristics of adults with savings*

A closer look at the demographic characteristics indicate that the profile of these savers are skewed toward particular segments, similar to the observations made from the baseline survey in 2015:

- Savings is significantly higher among those who are in class ABC, Metro Manila Area, aged 30-39, married, college graduates, working, and females. More than half of adults who are in Metro Manila (57%), aged 30-39 (58%), married (56%), working (56%) and females (55%) have savings. Two-thirds of college graduates (67%) and three-fourths (75%) of adults in class ABC are savers.
- Incidence of savings is significantly lower among the younger segment (aged 15-19 years old), those who are single, belong to class E, and reside in Visayas. Only around one third of these market segments have savings. Savings is also lower for non-working and male adults wherein roughly 4 out of 10 put aside any money to save.



There is not much difference in the incidence of savings in urban versus rural areas, with the share of rural savers slightly higher than urban savers.

Following the trend observed for account ownership, it is interesting to note that gender also plays a huge role in mobilizing savings. The stark contrast between savings behavior among

males and females is likely due to cultural settings. For instance, in the Philippines, the wife is usually the one who is in charge of budgeting and managing household finances.

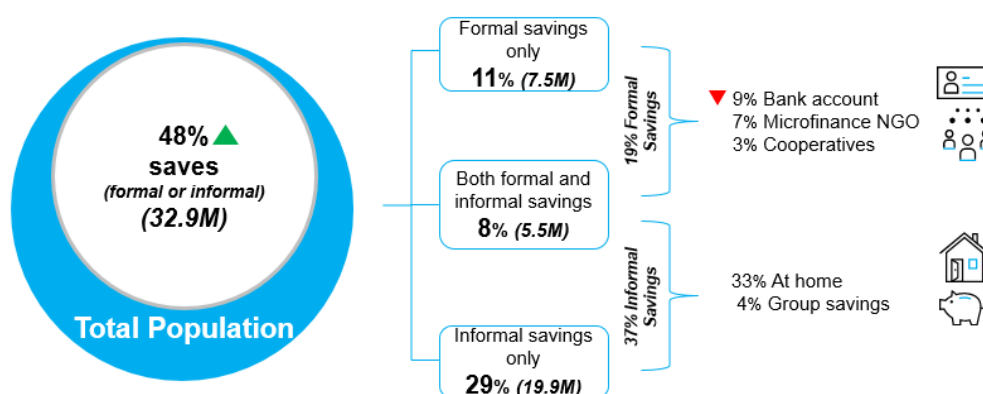
### ***Savings by type of institution***

Formal savings<sup>21</sup> increased to 18.8% in 2017 from 17.5% in 2015. Around 11% have formal savings only, while about 8% have a combination of formal and informal savings. The growth in formal savings is driven by microfinance NGOs as savings in other formal institutions such as banks, NSSLAs, and cooperatives declined.<sup>22</sup>

|                  | 2015 | 2017   |
|------------------|------|--------|
| With savings     | 43.0 | 48.0 ↑ |
| Bank             | 14.1 | 9.0 ↓  |
| Cooperative      | 3.2  | 3.0 ↓  |
| Microfinance NGO | 1.8  | 7.0 ↑  |
| NSSLA            | 0.35 | 0.30 ↓ |
| Group savings    | 1.1  | 4.0 ↑  |
| At home          | 29.5 | 32.7 ↑ |
| Formal savings   | 17.5 | 18.8 ↑ |

*Base: Total adult population*

Over a third (37%) of adults have informal savings (at home or through group savings also known as *paluwagan*), with 29% saving solely through informal means.



For the remaining half (52%) of adults who do not save, the main reason cited is still lack of money (87%) followed by lack of work (12%).

<sup>21</sup> Savings at formal financial institutions such as banks, NSSLAs, cooperatives, and microfinance NGOs.

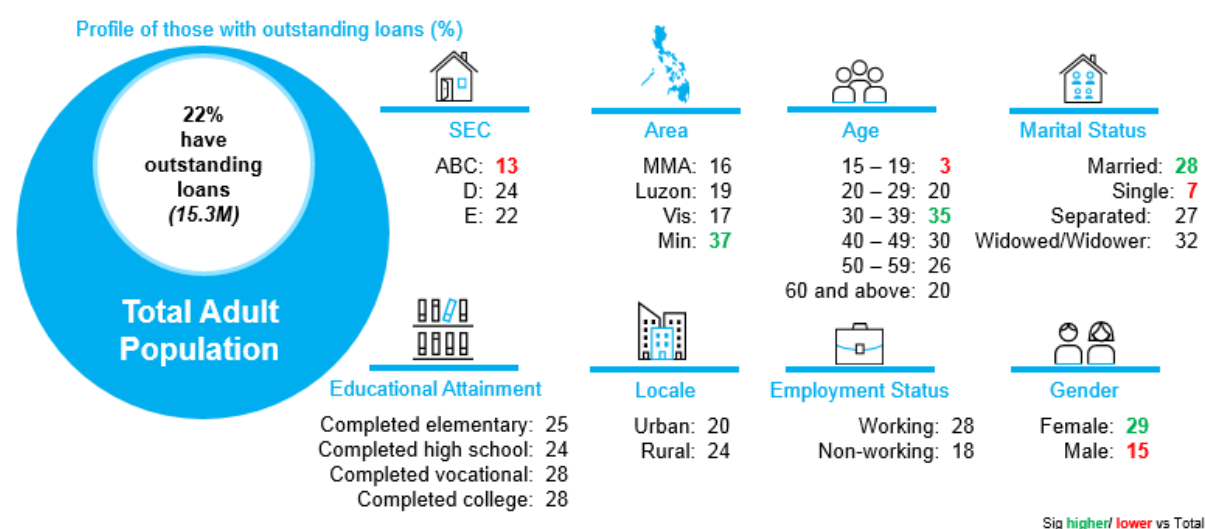
<sup>22</sup> Savings in microfinance NGOs refer to compulsory savings (also known as capital build up) which is usually required as a portion of the microfinance loan.

### 3. Loans

The proportion of Filipino adults who have or had debt stood at 29% in 2017. In terms of loan status, 19% had loans in the past while 22% have outstanding loans.

#### Characteristics of adults with loans

Loan incidence is significantly higher for females, married, aged 30-39, and interestingly higher for Mindanao. It is significantly lower for class ABC, young, single, and male adults.



#### Loans by type of institution

The proportion of adults who reported having an outstanding loan declined substantially from 2015 to 2017. Loan incidence also declined in 2017 across all formal financial institutions except microfinance NGOs. The percentage of Filipino adults having loans with microfinance NGOs increased from nearly 5% in 2015 to 7.6% in 2017.

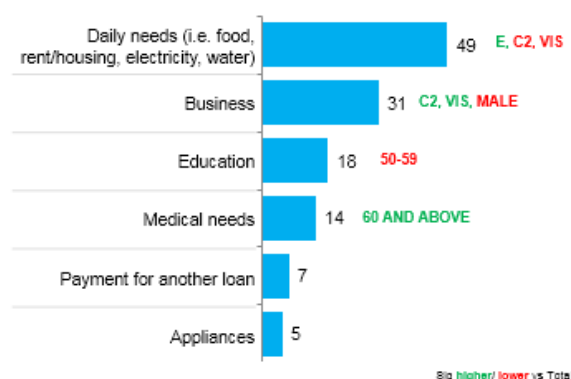
|                            | 2015 | 2017   |
|----------------------------|------|--------|
| With outstanding loans     | 47.1 | 22.3 ↓ |
| Bank                       | 2.1  | 0.6 ↓  |
| Cooperative                | 4.9  | 1.3 ↓  |
| Microfinance NGO           | 4.7  | 7.6 ↑  |
| Financing company          | 5.7  | 3.7 ↓  |
| Informal lenders           | 4.8  | 1.6 ↓  |
| Family, friends, relatives | 29.2 | 7.3 ↓  |
| Informal loans             | 33.9 | 8.9 ↓  |

Base: Total adult population

The percentage of Filipino adults relying on informal sources such as family, friends, relatives and other informal lenders likewise declined to 9% in 2017 from 34% in 2015. If figures will be rebased such that the denominator is the number of adults with outstanding loans, 40% of adults with outstanding loans borrowed from informal sources such as family, friends, relatives, and informal lending like “5-6” schemes, lower than 72% of adults with outstanding loans who borrowed through informal means in 2015.

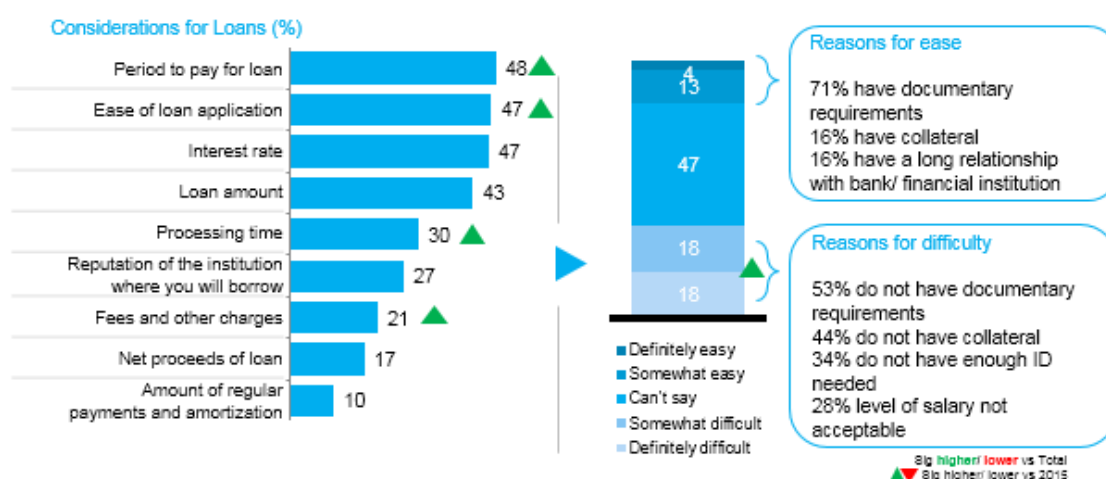
### ***Purpose of the loan***

Almost half of those with outstanding loan used it for daily personal and family needs such as food, house rentals, and utilities (e.g., electricity and water). This is significantly higher to those belonging to economic class E. Productive use of loan for business could be seen for 31% of those with outstanding loans; this is significantly higher for the Visayas region and middle class. 18% use their loans for education and 14% for medical needs (higher for Filipinos aged 60 and above). Other purposes include payment for another loan and purchase of appliances.



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

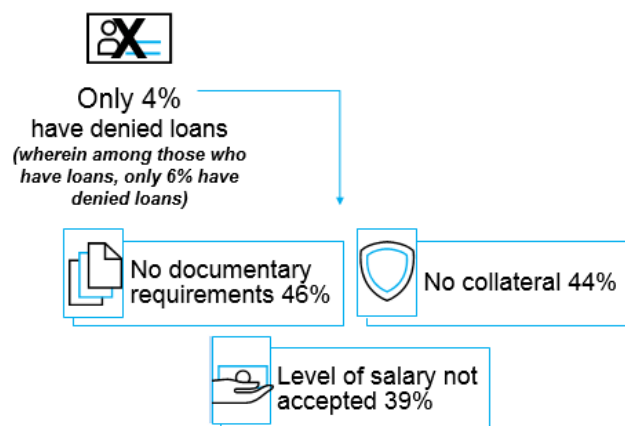
The top three considerations in taking out loans are: 1) period to pay the loan; 2) ease of loan application, interest rates; and 3) loan amount. This suggests that aside from loan product specifications, convenience and affordability are also being taken into account when applying for loan.



Over a third (36%) of Filipino adults find it difficult to obtain a loan from formal financial institutions citing documentary requirements (53%), lack of collateral (44%), and lack of necessary ID (34%) as major hurdles in applying for loans.

### Rejection of loan application

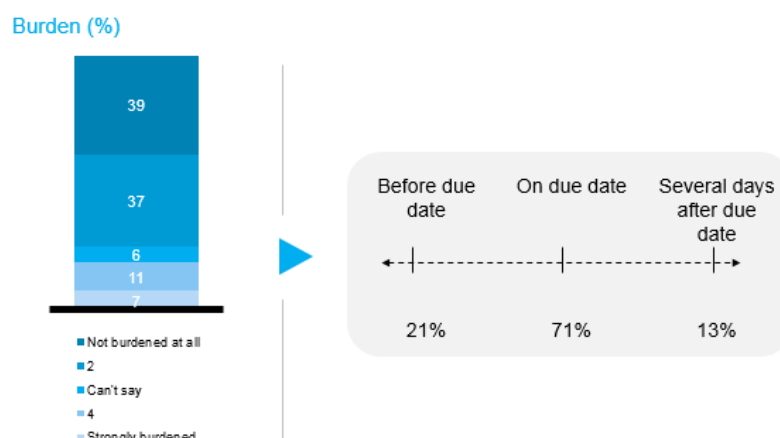
There is also very low incidence of denied loans as only 4% of total adult population and 6% of those with loans have experienced rejection of loan application. The top three cited reasons for being denied of loan are: 1) lack of documentary requirements; 2) lack of collateral; and 3) level of salary not accepted.



### Perception of over-indebtedness

Over-indebtedness is usually measured by the number of loans as having too many loans than one could manage may result in distress and eventual default. Other factors that could indicate over-indebtedness are timeliness of loan payments and level of burden experienced in paying for loan, among others.

There seems to be low indication of perceived over-indebtedness as Filipino adults have an average of one loan, and 76% said that they are not burdened in paying for their loans while 71% reported that they pay on due date.

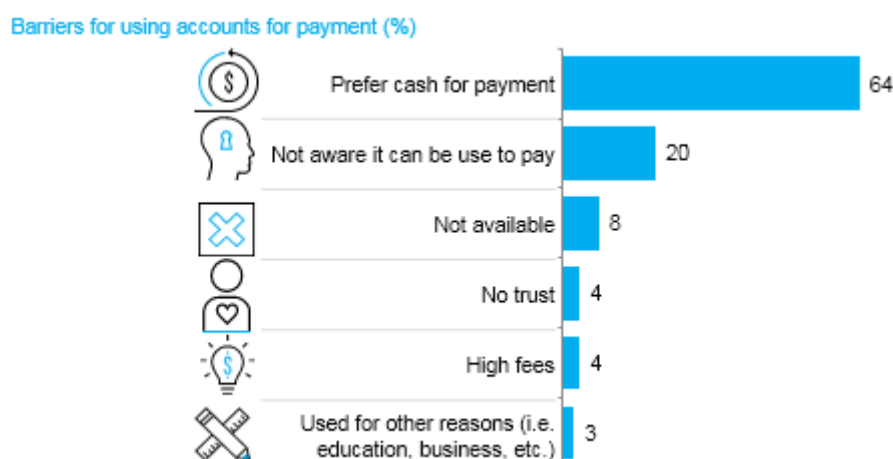


## 4. Payment and Remittance

### *Use of account for payments*

Payment is the most prevalent financial transaction done by Filipino adults, however, only 18% of Filipino adults with an account use their account for payments (4% of total adult population). This is significantly higher for employed upper class (ABC) in urban area with some or completed college or post-graduate degree.

Cash is still king as 64% of Filipino adults who did not use their accounts for payments cited that they still prefer cash in paying while 20% said that they are not aware that they could pay electronically using their account.



### *Person-to-Business/Government (P2B/P2G) payments*







88% of Filipino adults made payment transaction regardless of whether it is payment to the government or businesses.<sup>23</sup> Personal purchases (e.g., food, groceries, and clothes), bills and loan payments are the typical payments made. Cash payment through over-the-counter is the most prevalent means to pay.

- For purchases of goods, 62% paid cash directly to merchants and 16% paid on cash-on-delivery (COD) basis.
- For bills payment (e.g., water, electricity, rentals), 57% paid cash directly to billers while 12% paid through bayad centers.
- For those with contractual savings such as SSS, GSIS and Pag-IBIG, 48% paid through salary deduction, 21% paid directly to the institutions, 11% paid through bank branch, and 10% paid through bayad centers.

<sup>23</sup> This is not directly comparable to the 2015 figure of 42% because the 2015 survey was pegged on payments in the past six months which is not the case for the 2017 survey.

- For loan payments, 60% paid cash directly to loan providers while 19% said they paid on COD arrangements (these are loans from MF NGOs, financing companies, and informal loan providers which could indicate special handling of loan payments through loan officers).

Payment Channel (%)

|   | Taxes | Licenses | Contributions | Personal purchases | Bills payments | Personal Loan Payments |
|---|-------|----------|---------------|--------------------|----------------|------------------------|
|  Direct cash payment to biller/ merchant | 4     | 5        | 21            | 62                 | 57             | 60                     |
|  Cash on delivery (COD)                  | -     | 1        | 1             | 16                 | 9              | 19                     |
|  Bavad Centers                           | -     | -        | 10            | -                  | 12             | 1                      |
|  Through my company                      | 2     | -        | 48            | -                  | -              | 3                      |
|  Bank over-the-counter                   | 1     | 1        | 11            | 1                  | 1              | 5                      |
|  Don't have to pay/ don't own            | 91    | 92       | 2             | 20                 | 23             | 11                     |

Convenience is one compelling consideration in choosing payment channels to use over reliability and affordable fees. Some cited that they do not have any options in choosing how to pay which is especially true for those that paid through COD arrangements and through salary deduction.

### Person-to-Person (P2P) payments

Over a third (39%) of Filipino adults had remittance transaction in the past six months. They are net receivers as 32% of them received money from other people while 16% sent money to other people. Incidence of remittance declined slightly from 36% receiving money and 18% sending money in 2015. Incidence of receiving money is higher for female and situated in rural areas while incidence of sending money is higher for married adults in Metro Manila and Visayas.

Channel in sending/ receiving of money (%)

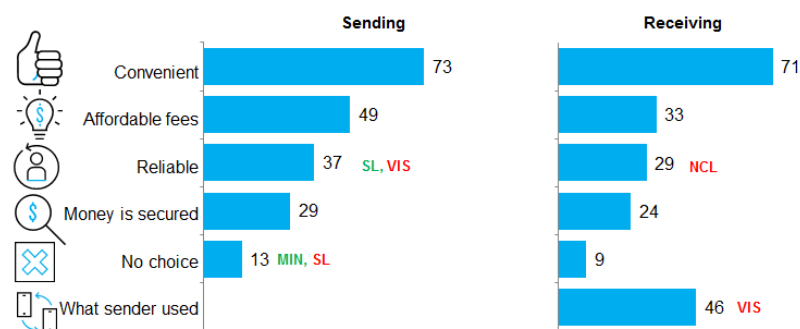
|   | Sending         | Receiving                                |
|---|-----------------|--|
| Remittance agent  | 93<br>MIN 40-49 | 83<br>VIS, MIN<br>ABC1, NCL, SL          |
| Smart Padala  | 3               | 2<br>ABC1, VIS, MIN, 40-49, 60 AND ABOVE |
| Cash or Check delivered by another person (just asked favor to deliver) | 2               | 1  |
| ATM   | 2               | 5<br>C2, E                               |
| Other electronic platforms (internet banking, mobile app)               |                 | 5<br>SL, E                               |
| Bank  | 1               | 5<br>ABC1, C2, E, VIS                    |



Remittance agents are overwhelmingly used by Filipino adults in receiving and sending money to other people. 93% of senders said they used remittance agents in sending money while 83% of receivers used remittance agents for receiving money in the past six months, with significantly higher incidence for Visayas and Mindanao area. Although, we could note that for upper and middle class, a significant percentage use bank-related channels such as bank branch and ATM as means of receiving money.

Convenience, affordable fees, and reliability of the delivery channel are the top considerations in choosing which channel to use both in sending money to and receiving money from people. Among those that receive money from other people, almost half said that they just use the delivery channel used by the sender.

Considerations for choosing channel in sending/ receiving of money (%)



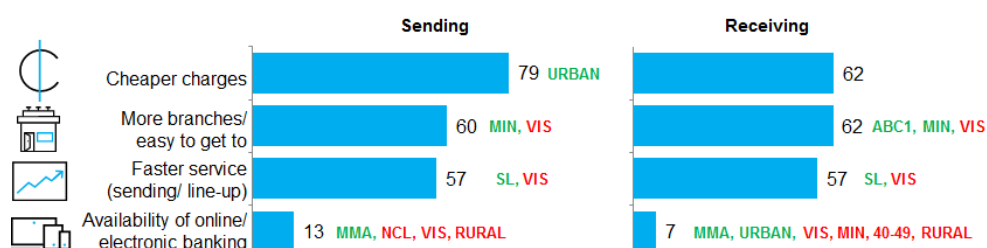
The average amount being sent is around P2,000, which is half of the average amount being received at around P4,000. Incidence of receiving money from people is more frequent than sending.

Frequency and average amount (%)

|                                      | Sending                          | Receiving    |
|--------------------------------------|----------------------------------|--------------|
| Average amount (Php)                 | Php 2,066.41                     | Php 4,282.63 |
| Average frequency (in the past year) | Every two months to once a month | Once a month |

Most senders and recipients of money cited cheaper charges, greater accessibility (more physical access points), and faster services as the best ways to improve remittance services. While cited by few, electronic or online banking is also considered an important way to improve remittance services.

Ways to improve sending/ receiving money (%)

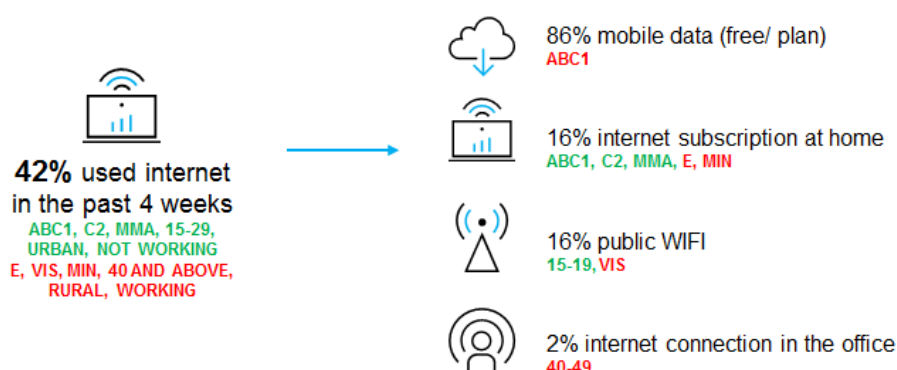


## Technology and digital payments

Thirty-eight percent (38%) of adults reported owning a smart phone, while 42% used the internet at least once a month. Internet usage is highest in economic class ABC and in the Metro Manila Area, aged 15-29, living in the urban locale, and not working. Meanwhile, usage is lowest in economic class E, in Visayas and Mindanao, aged 40 and above, living in the rural area, and working.

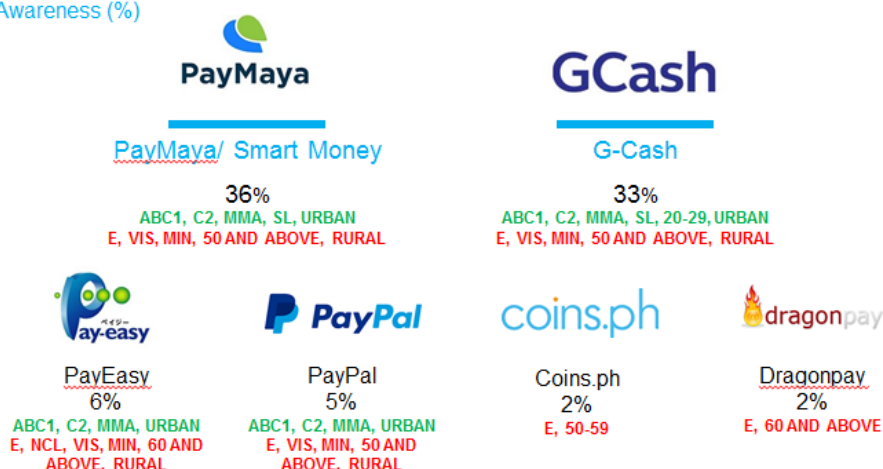
Most adults (86%) who used the internet in the past month connected to the internet via mobile data. This is followed by home subscription (16%), public WIFI (16%), and office connection (2%). Notably, internet use via mobile data is lowest in economic class ABC, but home subscription is greater in the same economic class and in the Metro Manila Area.

Internet Usage (%)



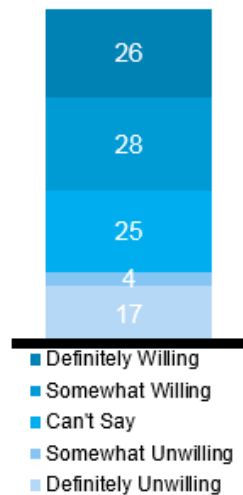
Such access to technology has given way to awareness of online payment methods, which is particularly high among the upper class and in the Metro Manila Area. PayMaya and G-Cash are the most recognized e-payment service providers. Only few are aware of other channels such as PayEasy (6%), PayPal (5%), Coins.ph (2%), and Dragonpay (2%).

E-payment Awareness (%)



Despite significant internet usage and awareness of online payment methods, 46% of those with account and using the internet remain ambivalent about e-payment due to issues of security and safety. Hacker presence (25%), personal security (21%), and unsafe access (12%) are the primary reasons for the unwillingness to use e-payment. Combined, these comprise 58% or more than half of the responses. Other reasons include weak signal, scams, lack of awareness on how to use e-payment, and lack of trust in online transaction.

Willingness in accessing online (%)



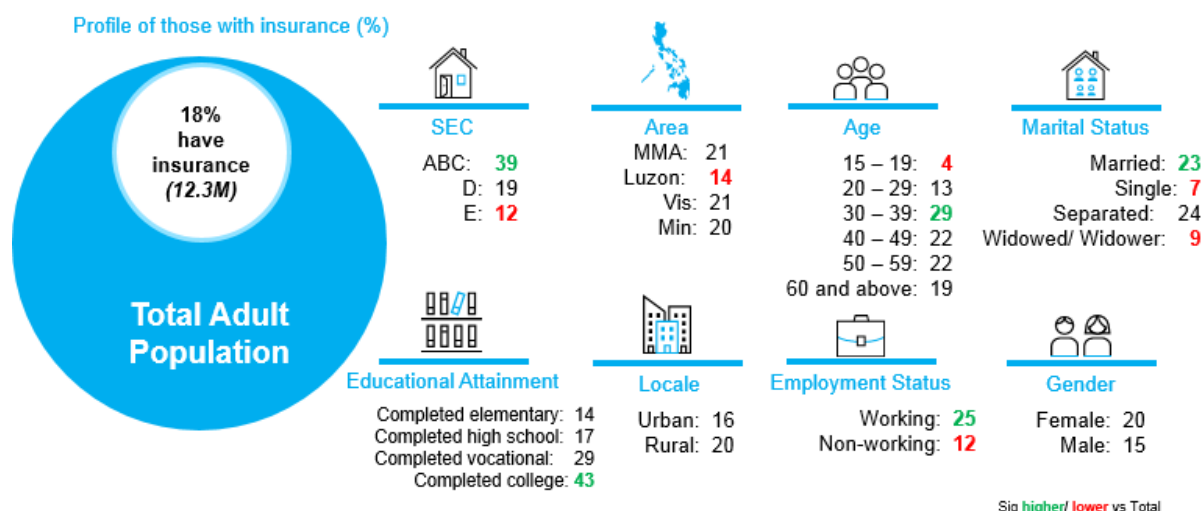
Reasons for unwillingness to access

- 25% Presence of hackers
- 21% Personal security
- 12% Not safe to access
- 11% Weak signal
- 6% Presence of scam
- 6% Not aware on how to use it
- 6% No trust in online transaction

## 5. Insurance and Investment

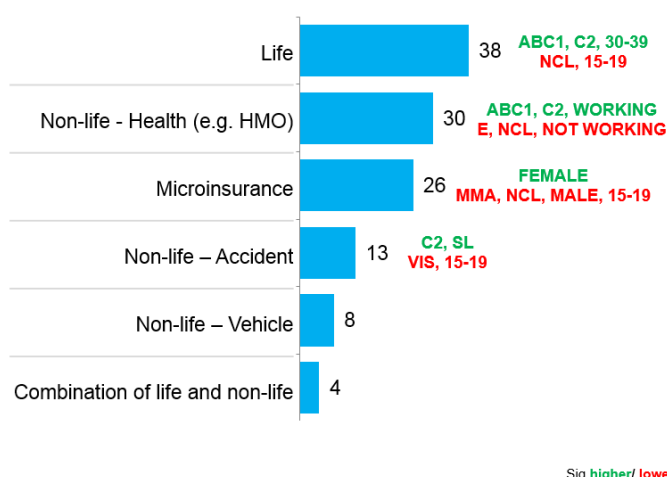
### Insurance penetration and characteristics of adults with insurance

Nearly 18% of Filipino adults have insurance.<sup>24</sup> Insurance uptake is significantly higher for class ABC, aged 30-39, college graduates, married, and working adults, but significantly lower for class E, Luzon, aged 15-19, single or widowed, and non-working adults.



### Types of insurance products owned

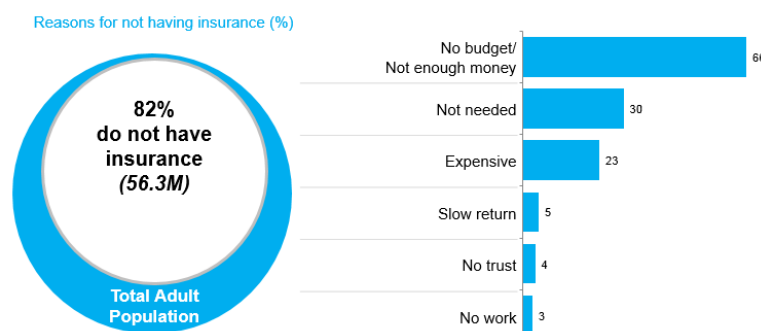
Among adults with insurance, the most common types of insurance owned are life insurance (38%), health insurance (30%), and microinsurance (26%). These are followed by other non-life insurance products such as accident insurance (13%) and vehicle insurance (8%).



<sup>24</sup> This is not directly comparable with the baseline survey. The 2015 survey asked whether the respondent has insurance or is a beneficiary of insurance, while the 2017 survey asked only if the respondent personally owns insurance.

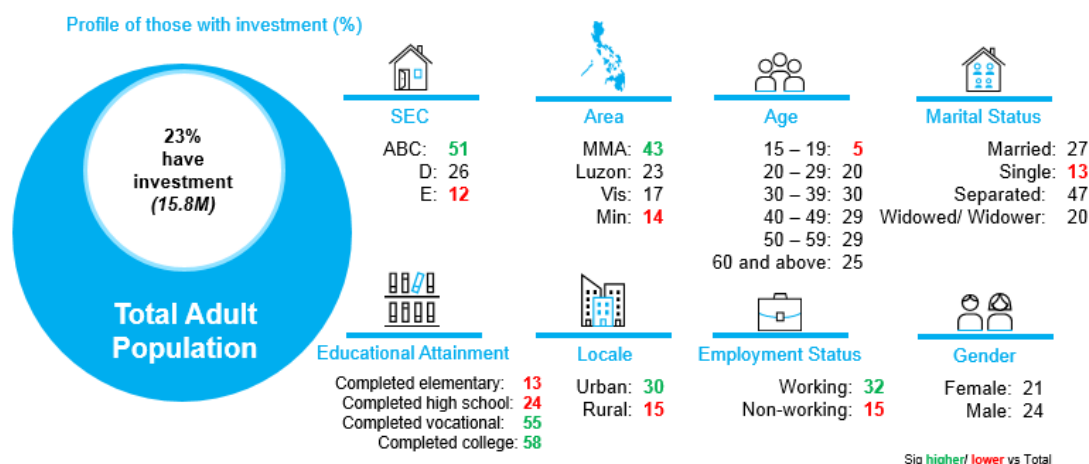
## Reason for not having insurance

Among those who do not have insurance, the most common reason is lack of enough money/ no budget (66%). Some do not see the value in availing (30%), while others say it is too expensive (23%). A few say it provides slow return (5%), while others either do not trust the providers (4%) or do not have work that will enable them to buy an insurance product (3%).



## Investment penetration and characteristics of adults with investment

Nearly a fourth of adults (22.5%) have some sort of investment.<sup>25</sup> Investment uptake is significantly higher for class ABC, vocational and college graduates, and working adults as well as in Metro Manila and urban areas. It is significantly lower for class E, aged 15-19, single, and non-working adults as well as in Mindanao and rural areas.

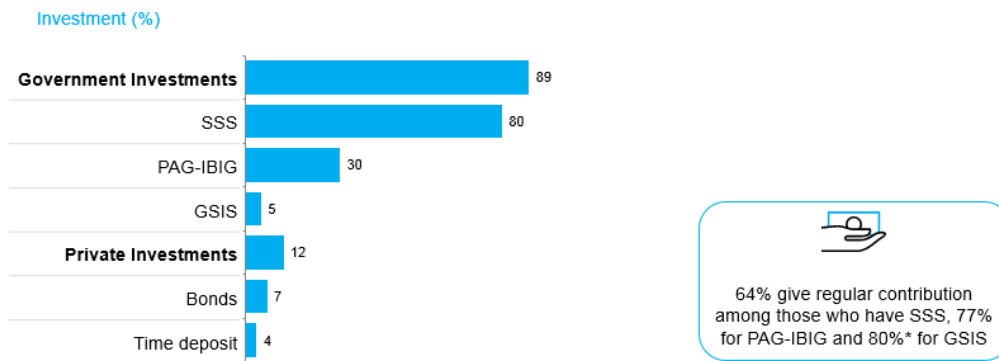


## Types of investments owned

Among those with investment, the most common types are SSS (80%) and Pag-IBIG (30%). Only 3% of adults invest in stocks, bonds, Unit Investment Trust Funds or UITFs, mutual funds, and other managed investment schemes.<sup>26</sup>

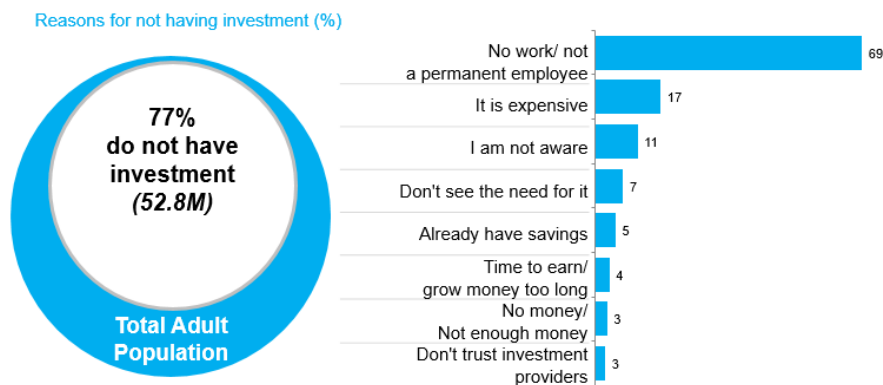
<sup>25</sup> There was no survey question on investment in the 2015 baseline survey.

<sup>26</sup> Based on the 2014 Consumer Finance Survey, only 0.4% of households have investments (mutual funds, UITFs, stocks, bonds or any other type of managed investment account aside from pension or insurance plan).



### ***Reasons for not having investment***

Among those without investment, the most common reason is lack of money due to unemployment (69%). The next most common reason is the perception of high cost (17%), followed by lack of awareness (11%) and perceived lack of need (7%).



## 6. Financial Access Points

Access points refer to institutions or places where a person can obtain financial products and services and perform financial transactions. Distance to access points and lack of awareness of the products and services they offer are common deterrents to adoption and usage of formal financial products and services.

### ***Awareness of access points***

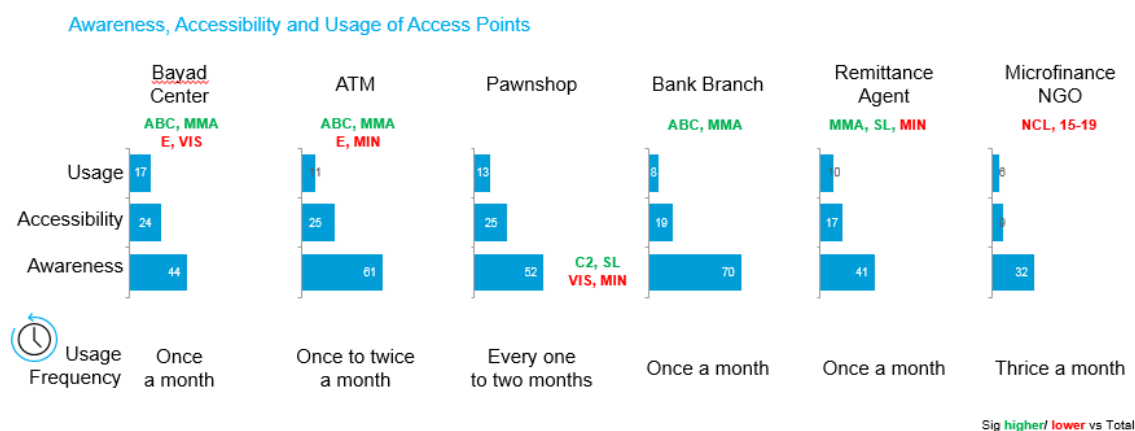
Based on the 2017 results, Filipino adults remain most aware of banks (70%), ATMs (61%), and pawnshops (52%). Compared with 2015 baseline results, however, awareness has generally declined as previous levels are breaching 90% for each of the said access points. On the other hand, relatively low awareness has been observed for insurance agents (13%), e-money agents (10%), and non-stock savings and loan associations or NSSLAs (3%).

### ***Accessibility***

The same trend has been observed for accessibility of the access points, which also declined based on 2015 levels. ATMs (25%), pawnshops (25%), and bayad centers<sup>27</sup> (24%) are deemed the most accessible access points by the respondents.

### ***Transaction with access points***

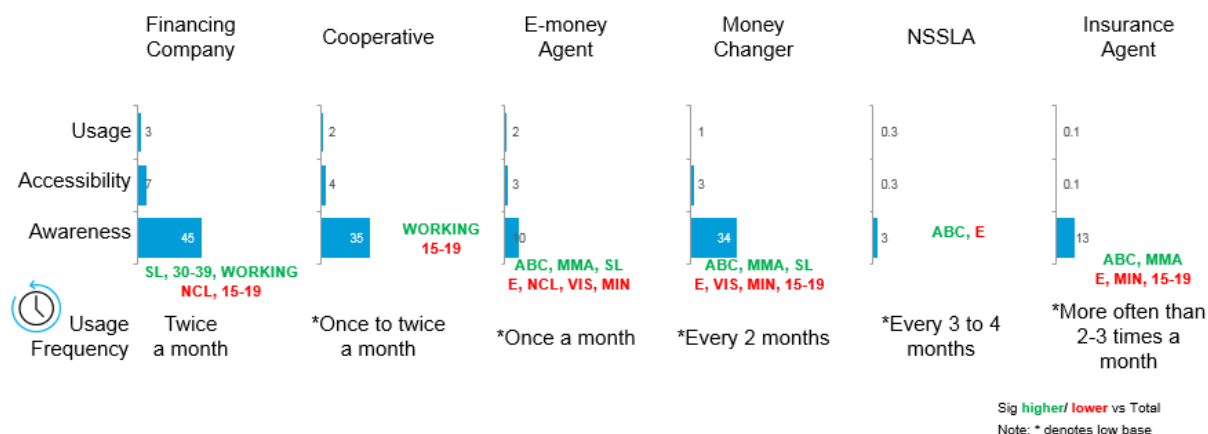
The current percentage of Filipino adults who have tried transacting with access points has likewise dropped compared to 2015 results. The usual access points where adults transact are bayad centers (17%), pawnshops (13%), ATMs (11%), and remittance agents (10%). Frequency of usage varies across access points, with the most frequent reported for microfinance NGOs with three transactions monthly and pawnshops with the least frequency at every one to two months.



<sup>27</sup> Bayad centers are payment outlets where people can pay their bills (e.g., water, electricity, telephone, etc.), loans, and other payables.



### Awareness, Accessibility and Usage of Access Points



### Characteristics of adults who have transacted with access points

Looking closely at demographic characteristics suggest that:

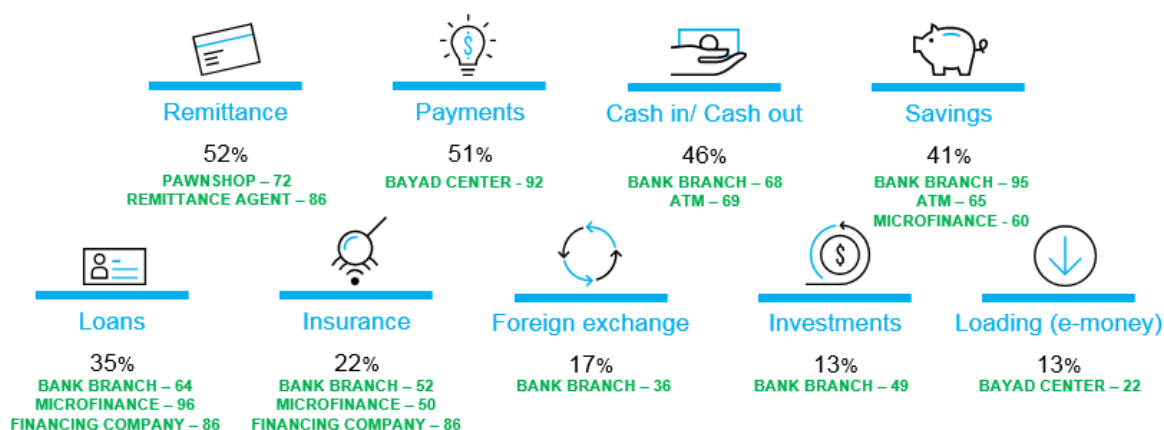
- Banks, ATMs, and bayad centers appeal significantly to class ABC and those residing in Metro Manila. Preference for bayad centers is less significant among class E and those residing in Visayas while that of ATMs is less significant for class E and those residing in Mindanao.
- Remittance agents are significantly preferred in Metro Manila and Southern Luzon, and less likely favored in Mindanao.
- Microfinance NGOs are significantly less favored by those aged 15-19 years old, and those residing in North and Central Luzon.

### Awareness of financial products and services offered by access points

Among those who have tried transacting with any of the access points, Filipino adults are most aware of transactional products such as remittance (52%), payments (51%), and cash in/cash out (46%) services. On the other hand, least awareness is observed for more sophisticated products such as insurance (22%), foreign exchange (17%), investments (13%), and loading of e-wallets (13%).

Breaking down the responses per access point, it is interesting to note that respondents are most aware that loans are offered in MF NGOs (96%) and financing companies (86%), while a significantly lower percentage identify banks (64%) as a source of loan.

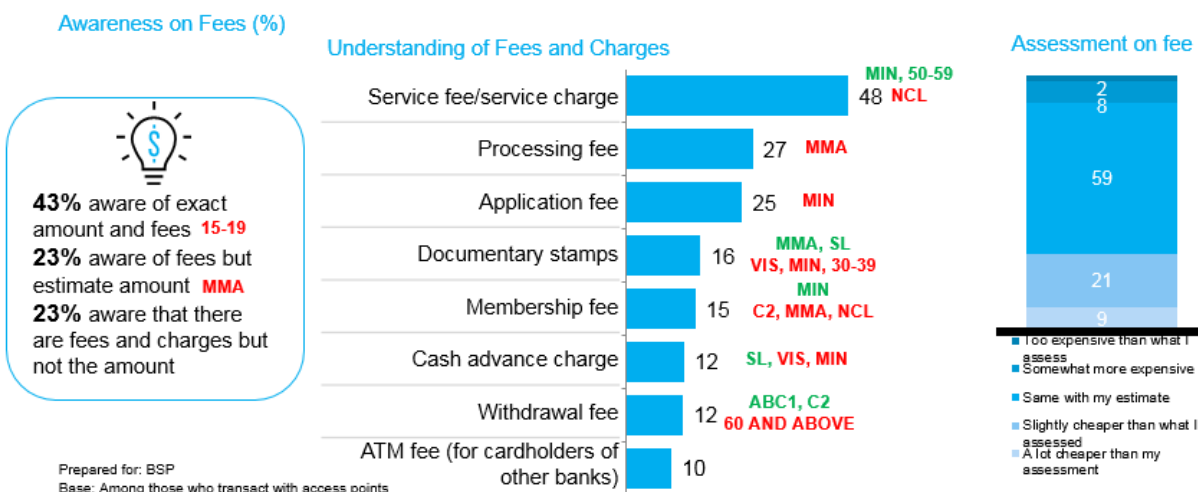
## Financial Products Aware of



## Awareness of fees

In terms of fees, there is a high awareness among Filipino adults – with 43% aware of the exact amounts, 23% aware of the estimate amounts, and 23% with no idea of the amounts charged. Fees that respondents are most familiar with are service fee/charge (48%), processing fee (27%), and application fee (25%).

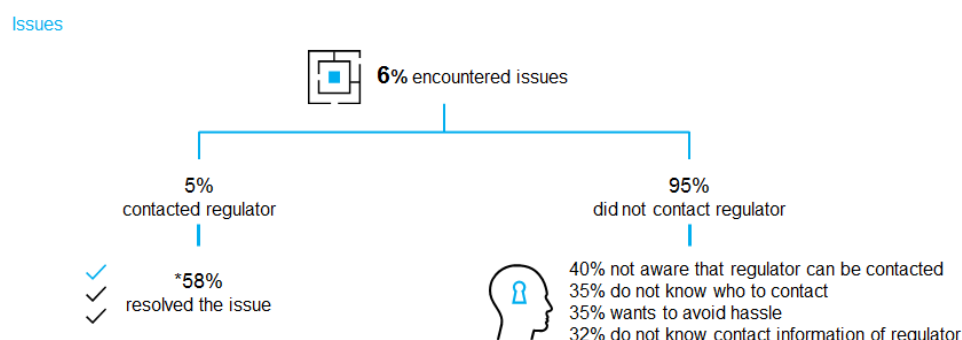
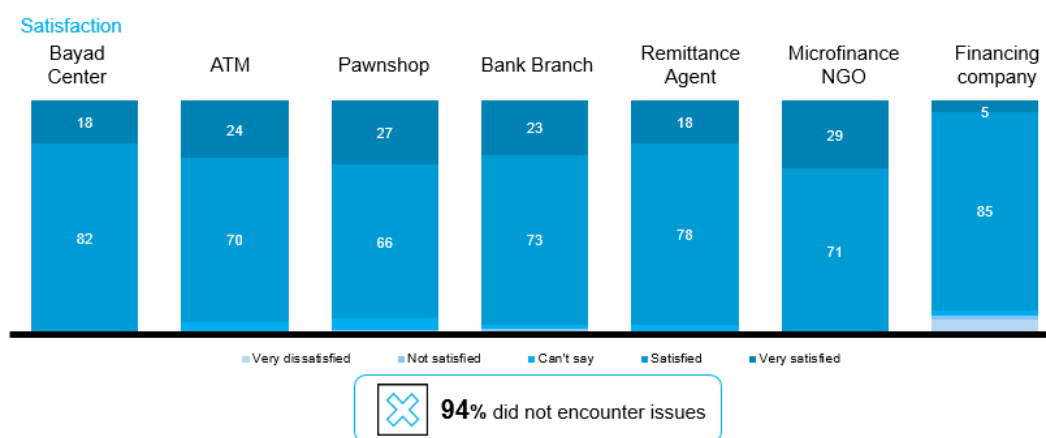
Majority of the respondents (59%) likewise said that the fees charged are almost the same as their expected or estimated amounts. Moreover, 21% even stated that the fees are slightly cheaper than what they assessed. These results suggest that fees are not considered a hindrance when it comes to transacting with formal financial access points.



## Issues encountered in transacting with access points

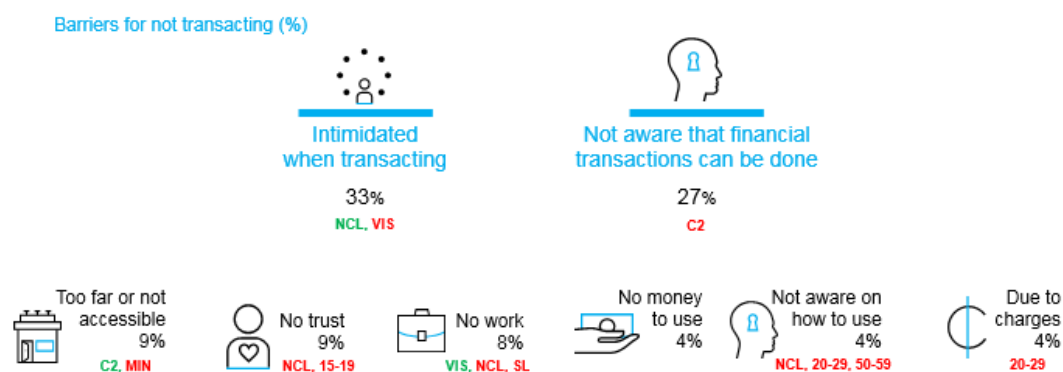
Satisfaction is high overall, with 94% of those who have transacted with access points stating that they did not encounter issues related to the use of access points. Of the 6% who reported encountering issues, only 5% contacted the relevant regulator (i.e., Bangko Sentral ng Pilipinas, Securities and Exchange Commission, Insurance Commission). Fifty-eight percent (58%) of cases were resolved following contact with the regulator. However, most did not

contact the regulator (95%) despite encountering issues, due to lack of awareness on the regulator's reachability, lack of knowledge on whom to contact, avoidance of hassle, and lack of knowledge on the regulator's contact information.



### Reasons for not transacting with access points

For those who have not tried transacting with access points, top reasons cited for not transacting are the feeling of intimidation (33%) and lack of awareness that financial transactions can be performed at the access point (27%). Other responses include inaccessibility of access point (9%), lack of trust (9%), unemployment of respondent (8%), lack of money (4%), and charges (4%).



## 7. Financial Needs

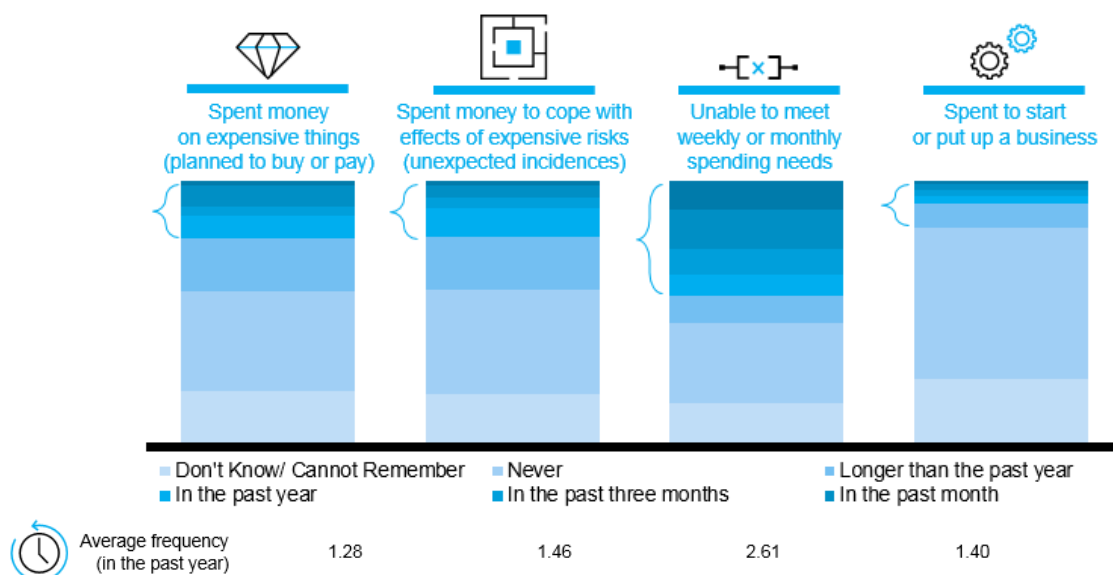
The needs-based approach to financial inclusion measurement follows a client-centric model recognizing that consumers choose financial products and services based on their underlying needs. These needs can be grouped into four (4) main categories: meeting goals, resiliency, liquidity, and transfer of value.<sup>28</sup>

The need for transfer of value has been extensively discussed in the section on payments and remittances. This section covers the following scenarios:

- Meeting goals: 1) spending money on expensive things that respondent plans to buy or pay for; and 2) spending money to start or put up a business
- Resiliency: spending money to cope with the effects of expensive risks due to unexpected incidences like emergencies
- Liquidity: unable to meet weekly or monthly spending needs

### ***Recently experienced and most frequently experienced scenarios***

Many Filipino adults had a recent experience of liquidity problem, with 44% unable to meet regular spending needs in the past week up to the past year. This is followed by the need to meet a goal and cope with risks (both at 21%). Only few (8%) had a recent need to spend money for starting a business. Being unable to meet regular spending needs was also the most frequently experienced scenario, followed by coping with risks.








<sup>28</sup> The needs-based approach is a measurement model developed by insight2impact (i2i), a resource center jointly hosted by Cenfri and FinMark Trust in South Africa which aims to catalyze the use of data to enable evidence-based policies and regulatory approaches as well as client-centric product design in the pursuit of sustainable financial inclusion.

## Financial tools used to cope with the scenario

Majority of Filipino adults used their own savings (50%) and regular income (30%) to meet their goals such as spending on something expensive. For other needs pertaining to resiliency and liquidity, most of them resorted to borrowing: 34% borrowed money to cope with a risk scenario while 45% borrowed money to meet liquidity needs. More than half also borrowed money to put up a business. Source of money is mainly informal, except in starting a business where microfinance NGO is the main source.

Average amount spent was highest in starting a business, followed by spending on expensive things. Regular spending needs to manage liquidity amounted to over P1,300, while average amount needed to deal with unexpected incidences was more than P7,000.

|  |  |  |  |  |
|--|---|---|--|---|
| Mechanism  | Spent money on expensive things (planned to buy or pay)                           | Spent money to cope with effects of expensive risks (unexpected incidences)       | Unable to meet weekly or monthly spending needs                                    | Spent to start or put up a business   |
| Own savings  | 50  | 26  | 17   | 28  |
| Used regular income  | 30  | 20  | 17   | 18  |
| Income from sideline   | 13  | 4   | 5  | 3   |
| Borrowed   | 13  | 34  | 45   | 53  |
| Requested financial assistance   | 8   | 30  | 18   | 3   |
| Source   |   |   |  |   |
| Savings (informal)   | 49  | 23  | 18   | 25  |
| Family, friends, relatives   | 47  | 68  | 72   | 29  |
| Microfinance NGO   | 2   | 5   | 2  | 32  |
|  Average amount spent (Php) | 9,827.45  | 7,118.92  | 1,316.99   | 10,819.92   |

## About IFAO

IFAO designs, coordinates and implements key elements of the BSP financial inclusion agenda. These elements cover the areas of (a) financial inclusion policy research and formulation; (b) financial inclusion data and measurement; (c) financial learning sessions for targeted unbanked sectors; and (d) advocacy activities. IFAO is also the technical secretariat of the inter-agency Financial Inclusion Steering Committee (FISC) of the National Strategy for Financial Inclusion (NSFI).



**BANGKO SENTRAL NG PILIPINAS**

### **Inclusive Finance Advocacy Office (IFAO)**

10th Floor, Multi-Storey Building, BSP Complex,  
A. Mabini St., Malate, Manila 1004, Philippines

[IFASinfo@bsp.gov.ph](mailto:IFASinfo@bsp.gov.ph)

t +632-7087482

f +632-7087481