



2019

FINANCIAL INCLUSION SURVEY

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About the Cover

The cover shows the key elements of the financial inclusion agenda of the Bangko Sentral ng Pilipinas (BSP). These include increasing access to finance by the agriculture sector and small businesses and promoting wider use of digital payments by building on compelling use cases of transaction accounts such as social transfers and wage payments.

Photo sources: Department of Agriculture (DA), Department of Social Welfare and Development (DSWD), Department of Information and Communications Technology (DICT), Official Gazette of the Republic of the Philippines

About the Financial Inclusion Survey

The **Financial Inclusion Survey (FIS)** is a nationally representative survey dedicated to collect financial inclusion data from users and non-users of financial products and services. The 2019 FIS is the third run of the biennial survey which began in 2015.ⁱ

The survey is part of the commitment of the Bangko Sentral ng Pilipinas (BSP) to build a comprehensive and robust data framework for financial inclusion. It complements available supply-side dataⁱⁱ to create a more holistic picture of financial inclusion in the country.

The main objectives of the survey are: 1) 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; and 2) to measure financial inclusion in the Philippines in terms of access (*accessibility of financial service providers*), usage (*uptake of financial products and services*), and quality (*consumer experience*). The 2019 round contains new elements covering digital finance, financial literacy, and perception of the BSP's financial inclusion initiatives.

The survey has a sample size of 1,200 adults from both Metro Manila Area (MMA) and areas outside MMA (Balance Luzon,ⁱⁱⁱ Visayas and Mindanao). Adults in the survey refer to individuals aged 15 years old and above. Adult population is estimated at 72 million in 2019.

Multi-stage random sampling methodology was employed in selecting the respondents. Computer-assisted personal interviewing (CAPI) was administered wherein the field interviewers used a tablet/smartphone to record answers given by the respondents during the face-to-face interview. The survey was conducted in February to March 2020, with 2019 as reference year for the questions.

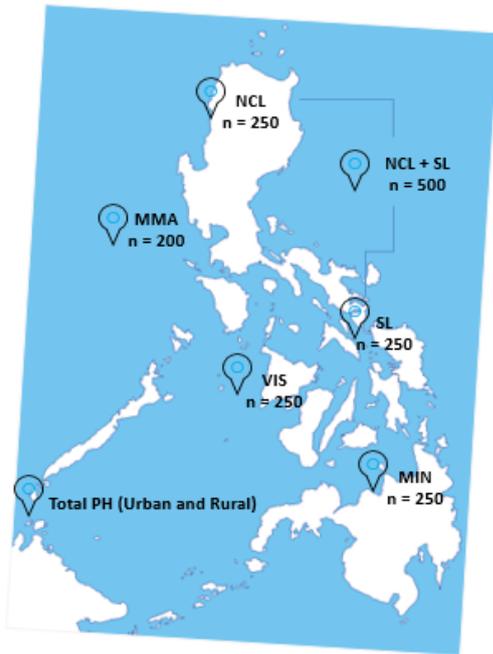
The survey instrument was an enhancement of the questionnaire used in 2017. It was designed by the BSP Center for Learning and Inclusion Advocacy (CLIA) and approved by the Philippine Statistics Authority (PSA). Data collection, encoding and processing were performed by Nielsen Philippines, a leading information and measurement company providing market research, insights, and data services.^{iv} Analysis and report-writing were undertaken by BSP-CLIA.

ⁱ Previous reports available at <http://www.bsp.gov.ph/downloads/publications/2015/NBSFIFullReport.pdf> and <http://www.bsp.gov.ph/downloads/Publications/2017/2017FISToplineReport.pdf>

ⁱⁱ 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

ⁱⁱⁱ North/Central Luzon (NCL) and South Luzon (SL)

^{iv} <http://www.nielsen.com/ph/en.html>



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



Multi-stage random sampling



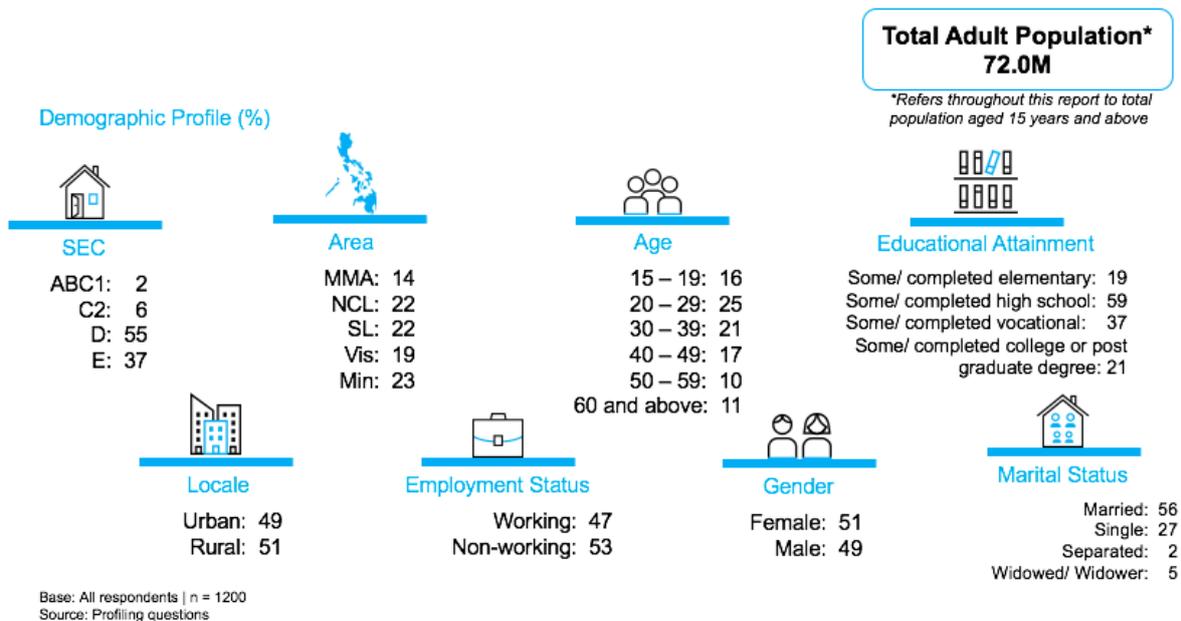
Door-to-door
 Face-to-face interview



Data acquisition via Computer-assisted
 personal interviewing (CAPI)

The sampling error margin is $\pm 3.5\%$ for national-level estimates. Aside from disaggregation by geography and locality (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.



List of Abbreviations and Acronyms

| | |
|----------|---|
| 4Ps | Pantawid Pamilyang Pilipino Program |
| ATM | Automated Teller Machine |
| BDA | Basic Deposit Account |
| BSP | Bangko Sentral ng Pilipinas |
| CAPI | Computer-assisted Personal Interviewing |
| CLIA | Center for Learning and Inclusion Advocacy |
| COVID-19 | Coronavirus disease 2019 |
| DOLE | Department of Labor and Employment |
| DOTr | Department of Transportation |
| DSWD | Department of Social Welfare and Development |
| EFT | Electronic Fund Transfer |
| E-Money | Electronic Money |
| EMI | E-Money Issuer |
| FSP | Financial Service Provider |
| GSIS | Government Service Insurance System |
| MFI | Microfinance Institution |
| MF NGO | Microfinance Non-government Organization |
| Min | Mindanao |
| MMA | Metro Manila Area |
| MSB | Money Service Business |
| NCL | North and Central Luzon |
| NSSLA | Non-stock Savings and Loan Association |
| OTC | Over-the-counter |
| Pag-IBIG | Pagtutulungan sa Kinabukasan: Ikaw, Bangko, Industria at Gobyerno |
| PESONet | Philippine EFT System and Operations Network |
| PhilSys | Philippine Identification System |
| QR Code | Quick Response Code |
| 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



| | |
|--|---|
| Population (2015) ^{a/} | 101 million |
| Land area ^{a/} | 300,000 sq. km |
| Number of islands ^{b/} | 7,641 |
| Main islands | Luzon, Visayas, Mindanao |
| Capital | Manila |
| Administrative Units ^{a/} | 17 regions, 81 provinces, 146 cities, 1,488 municipalities |
| Official languages | Filipino, English |
| Simple literacy (2013) ^{a/} | 96.5% |
| Unemployment rate (Oct 2019) ^{a/} | 4.5% |
| Poverty incidence of population (2018) ^{a/} | 16.6% |
| Average annual family income (2018) ^{a/} | PhP 313,000 |
| Gross Domestic Product (GDP) full year growth (2019) ^{a/} | 5.9% |
| Inflation rate (Dec 2019) ^{c/} | 2.5% |
| Exchange rate (Dec 2019) ^{c/} | USD 1 ≈ PhP 51 |
| Number of overseas Filipinos (2013) ^{d/} | 10.2 million |
| Amount of cash remittances (2019) ^{c/} | USD 30.1 billion |
| Number of unique mobile subscribers (2018) ^{e/} | 61 million |
| Percentage of adults with mobile phone (2019) ^{f/} | 69% |
| Percentage of adults using the internet (2019) ^{f/} | 53% |

^{a/}Philippine Statistics Authority (PSA)

^{b/}National Mapping and Resource Information Authority (NAMRIA)

^{c/}Bangko Sentral ng Pilipinas (BSP)

^{d/}Commission on Filipinos Overseas (CFO)

^{e/}Global System for Mobile Communications Association (GSMA)

^{f/}Financial Inclusion Survey (FIS)

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Highlights

Uptake of financial services among Filipino adults grew significantly. Formal account penetration climbed by 6 percentage points, while credit and insurance uptake grew by 5 percentage points. Investment ownership increased slightly by 2 percentage points.

| | 2017 | 2019 |
|----------------|------|------|
| Formal Account | 23% | 29% |
| Formal Credit | 14% | 19% |
| Insurance | 18% | 23% |
| Investment | 23% | 25% |

Account ownership improved. Ownership of a formal account is a basic indicator of financial inclusion. Account penetration grew to 28.6% in 2019 from 22.6% in 2017, equivalent to an additional 5.1 million Filipinos opening an account within that period. This 2-year jump is significantly higher than the 0.6 percentage point increase in 2017 from 2015. The top gainers in terms of demographic segments are: North/Central Luzon and the Visayas, aged 40-49, socio-economic class E, less educated (elementary graduates), working adults, rural areas, and males. Increase in account ownership also coincides with increase in adults who save, with data showing saving being the main use case of an account and savers more likely to have an account.

Among all types of account, e-money account penetration posted the highest growth. Bank account penetration barely grew to 12.2% in 2019 from 11.5% in 2017. On par with banks are microfinance NGOs where account ownership stood at 12.1%, a considerable increase from 8.1% in 2017.⁵ The most remarkable growth was seen in e-money accounts which increased to 8% in 2019 from 1.3% in 2017. From 2017 to 2019, account ownership slightly decreased in cooperatives (1.7%) and NSSLAs (0.1%).⁶

| | Overall account penetration | Bank account | Account with Microfinance NGO | E-money account | Account with Cooperatives | Account with NSSLAs |
|------|-----------------------------|--------------|-------------------------------|-----------------|---------------------------|---------------------|
| 2019 | 28.6% | 12.2% | 12.1% | 8.0% | 1.7% | 0.1% |
| 2017 | 22.6% | 11.5% | 8.1% | 1.3% | 2.9% | 0.3% |

Significant gap in account penetration is seen in socio-economic class and employment status but not in type of locality and geographic areas. Account ownership in the top socio-

⁵ This refers to compulsory savings (also known as capital build up) which is usually deducted from the proceeds of a microfinance loan.

⁶ Note that there are adults with an account across different providers, thus the figures per provider type will not sum up to the overall account penetration.

economic class (43%) is almost twice higher than in the lowest economic class (27%) while employed individuals (39%) are also twice as likely to own an account than those who are unemployed (19%). While account penetration gap in socioeconomic class remain significant, this has started to narrow compared to 2017 where class ABC posted account penetration almost four times higher than class E.

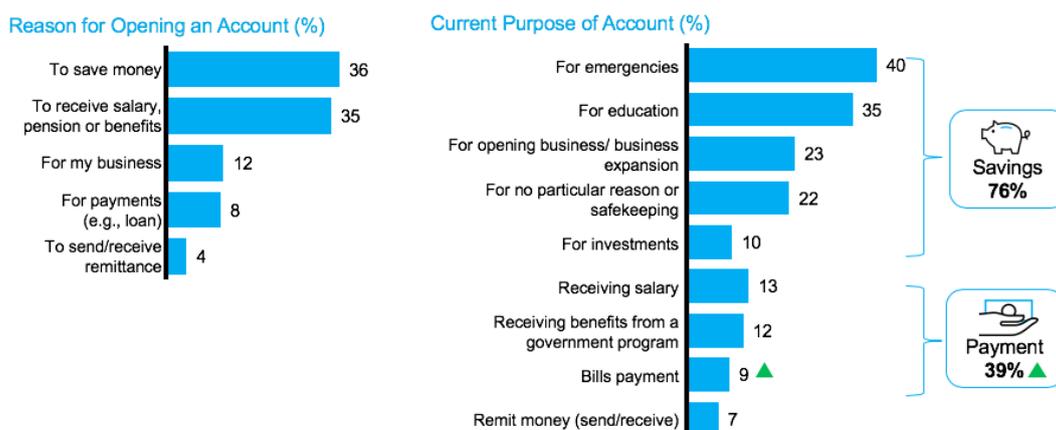
Interestingly, rural population posted a slightly higher account penetration rate (30%) compared to urban population (27%), a reverse of the 2017 gap in favor of urban population. This coincides with the increase of accounts in microfinance NGOs which have strong presence in the countryside.

Certain segments that had significantly lower account penetration rates compared to the national average in 2017 showed considerable improvements in 2019 as follows:

| | 2017 | 2019 | Growth |
|------------------------|------|------|--------|
| North/Central Luzon | 11 | 26 | 15 |
| Socio-economic class E | 14 | 27 | 13 |
| Completed elementary | 15 | 28 | 13 |
| Males ⁷ | 15 | 24 | 9 |

Despite the posted gains, these segments continue to have lower account penetration rates compared to the 2019 national average of 29%.

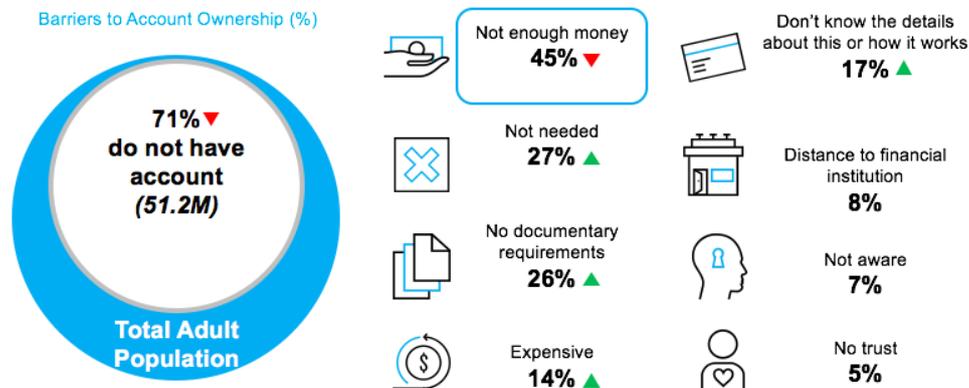
More account owners used their account for payments. While saving remains the primary use case of an account, the share of accountholders who use their account for payment transactions more than doubled to 39% in 2019 from 18% in 2017. The most cited of such transactions is receipt of salary and government benefits. For those who do not use their account for payments, topmost reason is preference for cash transactions, followed by lack of awareness that an account can be used for payments.



⁷ There is faster growth of accounts among men (9 percentage points/pp increase) than women (4 pp increase), but women (32.9%) remained more financially included than men (24.2%).

Cost concerns and perceptions on utility remain primary reasons for not owning an account.

The number of unbanked Filipino adults stood at 51.2 million in 2019, or 71% of total adult population. Lack of enough money remains the topmost reason for not having an account, as reported by almost half (45%) of the unbanked. This is followed by perceived lack of need for an account (27%) and lack of documentary requirements (26%).



Among the main considerations of accountholders in opening an account were: amount required to open an account (44%), maintaining balance (32%), documentary requirements (29%), and dormancy charges (17%). However, the survey reveals that a high 60% and 46% of adults are still unaware of the basic deposit account (BDA) and cash agents, respectively – initiatives put forward by the BSP in the last 3 years to address these considerations.

Designed as a no-frill bank account, the BDA has opening amount of P100 or less, simple requirements (e.g., any official identification document), no maintaining balance, and no dormancy charges. On the other hand, cash agents were introduced to make bank services physically accessible to more clients. These agents are retail outlets (e.g., convenience stores, pharmacies, pawnshops) where one can avail banking services (e.g., apply for a bank account including BDA, cash deposit and withdrawal, fund transfer, bills payment). The cash agent is a response to the 2015 FIS results which showed that the average fare to reach an access point was Php 43, a considerable amount for a minimum wage earner.

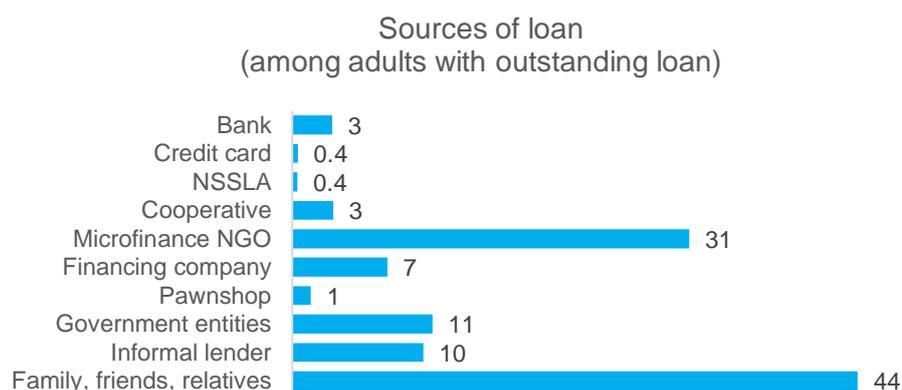
The lack of need for an account may be linked to the limited awareness of accounts as means for payment and remittance transactions.

Internet or mobile banking significantly lags behind other modes of transaction for all types of account. Bank and e-money accounts are mostly transacted via automated teller machines (ATMs) and only marginally via online or mobile platforms. Over the counter (OTC) is the most used mode of transaction for all other types of accounts. Microfinance NGO accounts registered lowest use of ATMs suggesting these are not tied to a card or other payment instruments.

Mode of Transaction Per Account Type (%)

| | Bank account | Account with Microfinance NGO | Account with Cooperatives | E-money account | Account with NSSLA |
|------------------------------------|--------------|-------------------------------|---------------------------|-----------------|--------------------|
| ATM | 74 | 7 | 19 | 60 | 32 |
| Over-the-counter | 24 | 74 | 80 | 13 | 68 |
| Person in-charge collects payments | 1 | 18 | 1 | - | - |
| Other electronic platforms | 1 | - | - | 27 | - |

Incidence of borrowing increased, but mostly from informal sources. The percentage of adults with outstanding loans increased to 33% in 2019 from 22% in 2017. Of those with loans, borrowings were sourced mostly from informal sources, particularly family and friends (44%) and informal lenders (10%). Among formal lenders, microfinance NGOs remain the top choice (31%) followed by government institutions (11%). Banks remained the least used lender among borrowers, below financing companies. Formal borrowing increased only by 4 percentage points from 2017 to 2019, while informal borrowing grew significantly by 10 percentage points during the same period.



Incidence of borrowing substantially grew in many market segments, including lower SEC (C2, D, E); all regions except South Luzon and Mindanao; those aged 20-29 and 40-49 years old; those married; those working; and across genders and locale.

The share of adults with outstanding loans is higher among women and in rural areas, reflecting perhaps strong presence of microfinance NGOs. Loan incidence for those aged 40-49 years old, married, and working is higher than the average borrowing rate. On the other hand, demographic segments such as class ABC, unmarried and young adults have lower-than national average borrowing rate.

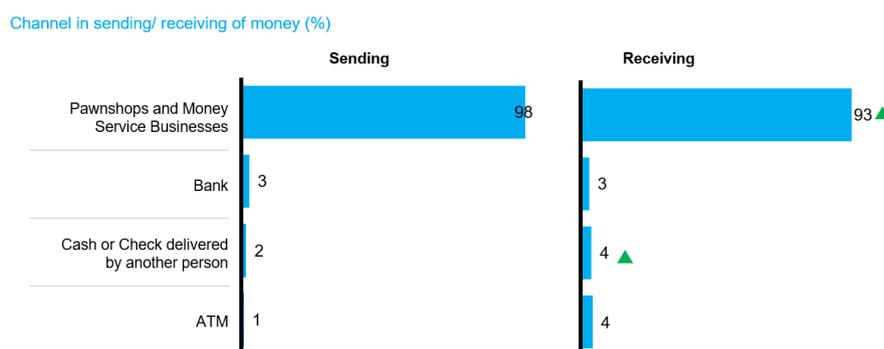
Almost half of adults (49%) recently experienced being unable to meet regular spending needs in the past week up to the past year, a slight increase from 44% in 2017. It is therefore not surprising that majority of the borrowers used their loan, whether formal or informal credit, to meet basic day-to-day consumption needs.

Uptake of insurance and investments improved. The share of adults with insurance grew to 23% in 2019 from 18% in 2017. Among insurance policyholders, life insurance (39%) is the most common type of insurance owned, followed by microinsurance (30%) and health insurance (29%). Similar to accounts, among those without insurance, the most common reason is lack of enough money (64%), followed by perceived lack of need (25%) and high cost (25%).

Investment ownership increased to 25% of adults in 2019 from 22.5% in 2017. The most common types are contributions to SSS (88%) and Pag-IBIG (52%). Only 3% of investment owners invest in stocks, bonds, Unit Investment Trust Funds or UITFs, mutual funds, and other managed investment schemes.

Investment is highly tied to employment, as the most common reason for not having an investment is lack of money due to unemployment (66%). This is followed by perception of high cost (20%), lack of awareness (15%), and perceived lack of need (11%). It is worth noting that unlike for account, loan and insurance ownership, rural population is twice less likely to own an investment than their urban counterparts.

Pawnshops and money service businesses (MSBs) remained the top remittance channels. Engaging in remittance transactions continue to be evident among Filipinos with 37% of adults sending money and 48% receiving these transfers. These figures exceed account penetration at 29%, suggesting untapped client base for account-based remittance transactions. Pawnshops and money service businesses (MSBs) were the top remittance channels used by 98% of senders and 93% of receivers. Banks, physical delivery, and ATMs were the next chosen options but each comprise a share of less than 5%. Only 1% chose to remit money online. Majority of remittances were domestic: 37% were into sending and 43% into receiving. On the other hand, 15% of adults were receiving remittances from international sources, and only 1% were sending money abroad.



Payment transactions remain significantly cash-heavy, with OTC preferred over the other modes. Even the least cash-heavy transactions such as payment of government loans and contributions are skewed toward OTC. Salary deduction is an alternative mode for payment of government loans (43%), social contributions (42%) and taxes (16%). Only 1% of payers paid their bills online, while a measly 0.1% paid their personal loans via auto-debit or auto-credit arrangement.

Payment Channel – Sending (%)

| | n = 103 | n = 88 | n = 50 | n = 162 | n = 909 | n = 859 | n = 133 | n = 758 |
|---------------------------|---------|----------|------------------|---------------|--------------------|----------------|----------------|----------|
| | Taxes | Licenses | Government Loans | Contributions | Personal purchases | Bills payments | Personal Loans | Services |
| Cash (OTC) or check | 84 | 100 | 57 | 58 | 100 | 99 | 99 | 100 |
| Online | - | - | - | - | - | 1 | - | - |
| Auto-debit or auto-credit | - | - | - | - | - | - | 0.1 | - |
| Salary deduction | 16 | - | 43 | 42 | - | - | 0.5 | - |

Disbursements from the government such as salaries (75%), loan proceeds (76%) and benefits (56%) are mainly received in cash, while majority (60%) of pension payouts are received through an account.

In the private sector, payments received in the form of business income (100%) and loan proceeds (97%) are also predominantly received in cash. For payment of salaries, 88% of recipients received their salary via cash/check while only 12% received their salary through an account.

Payments Received (%)

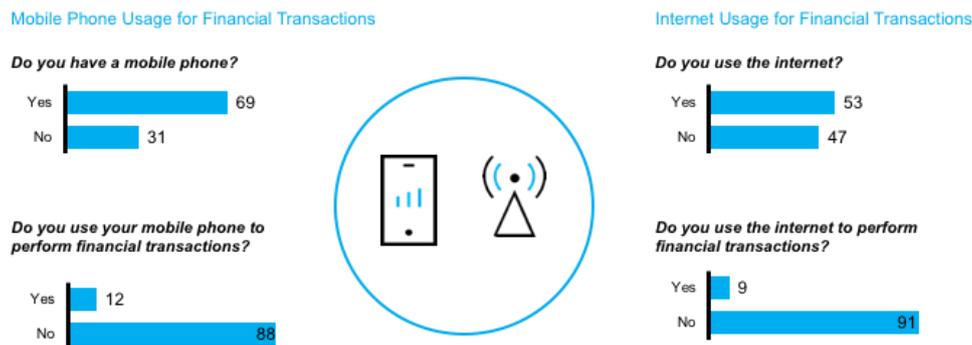
| Base | | Through account | Cash/Check |
|------|---------------------------|----------------------|------------|
| 50 | Government | Salaries | 25 |
| 50 | | Benefits | 44 |
| 63 | | Pension | 60 |
| 11* | | Loan Proceeds | 24 |
| 255 | Business/ Personal | Salaries | 12 |
| 82 | | Loan Proceeds | 3 |
| 1* | | Dividends | 0 |
| 170 | | Income from business | 0 |

Pawnshops and payment centers have the highest utilization rate. Filipino adults are most aware of ATMs (90%), pawnshops (82%), and banks (77%). Pawnshops and ATMs are also perceived to be the most accessible, together with bayad centers. In terms of actual usage, pawnshops (31%) and bayad centers (27%) are the usual access points where adults transact. These two access points also have the highest utilization rates at 38% and 42%, respectively. The utilization rate represents the percent in which those who are aware of access points have tried to use said access points.

More adults contacted a financial regulator to lodge their complaint. Among adults who transacted with access points, the share of those who encountered issues increased significantly to 37% in 2019 from 6% in 2017. Of those who encountered problems in their transactions, 84% said that their issues have been resolved. Of the 16% whose issues were not resolved, 10% contacted the relevant regulator which is higher than the corresponding figure (5%) in 2017.

Only 1 in 10 adults use their mobile phones and the internet for financial transactions. Sixty-nine percent (69%) of adults have a mobile phone. Three-fourths (75%) of mobile phone owners own a smartphone. This is equivalent to 52% of total adult population with a smartphone, which is significantly higher than 38% in 2017. However, only 12% of mobile phone owners use their mobile phones to perform financial transactions.

More than half (53%) of adults are using the internet. Most internet users (89%) are accessing the internet through mobile data. Only 9% of those with internet access are using the internet for financial transactions.



Lack of awareness is the main reason for not using mobile phone or the internet for financial transactions, followed by lack of trust, weak signal or slow internet connection, and preference to transact at the bank or ATM.

Gaps in smartphone ownership and internet access can be seen in terms of locality, geography and income. In urban areas, 6 in 10 adults are smartphone owners and internet users compared to 4 in 10 in rural areas. While 7 in 10 adults in Metro Manila have a smartphone and use the internet, this figure drops as we go farther from the capital (Balance Luzon – 6 in 10, Visayas – 4 in 10, Mindanao – 3 in 10). In terms of income, 8 in 10 adults in socio-economic class ABC own a smartphone and are using the internet which is twice higher than class E where 4 in 10 adults have a smartphone and with access to the internet.

Filipino adults could answer 1 in 3 financial literacy questions correctly. More than half (55%) of adults knew the concept of inflation. One third gave the correct answer on simple and compound interest. Out of three (3) financial literacy questions, the biggest percentage of adults (41%) got one correct answer only. Very few (8%) got all three questions correctly.

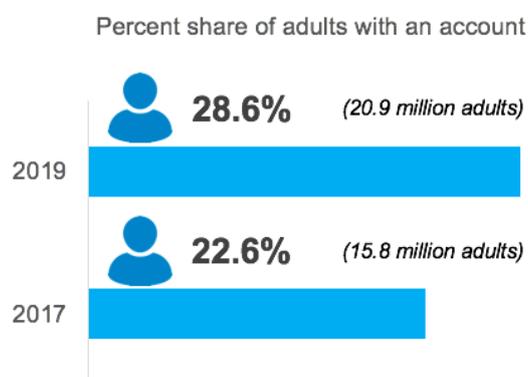
Only 1 in 4 Filipino adults were aware of the BSP's initiatives on financial inclusion. One fourth (25%) of adult population knew any of the initiatives launched by the BSP regarding financial inclusion. Of those who were aware, 91% indicated that the BSP's programs and policies on financial inclusion help Filipinos to have increased access to financial services.

1. Account Ownership

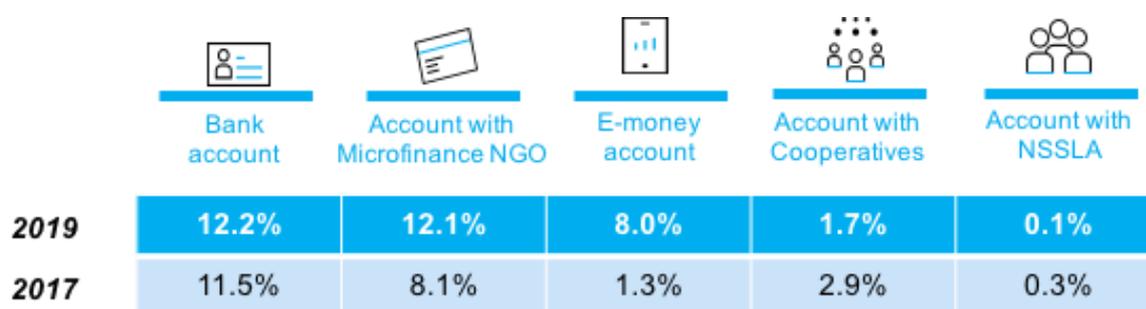
A basic indicator of financial inclusion is ownership of an account held in a formal institution including banks, e-money issuers, and microfinance institutions (MFIs). This account can be used to save money; send or receive remittance, income, and benefits; and make day-to-day payments.

Account penetration

Account ownership significantly improved to 28.6% in 2019 from 22.6% in 2017. The number of Filipino adults with an account increased to 20.9 million in 2019 from 15.8 million in 2017, equivalent to 5.1 million adults who became financially included in the span of two years. This 2-year jump is significantly higher than the 0.6 percentage point increase in 2017 from 22.0% in 2015.



Bank account penetration grew modestly to 12.2% in 2019 from 11.5% in 2017. On par with banks are microfinance NGOs where account ownership stood at 12.1%, an increase from 8.1% in 2017.⁸ The most remarkable growth was seen in e-money accounts which increased to 8% in 2019 from 1.3% in 2017. From 2017 to 2019, account ownership slightly decreased in cooperatives (1.7%) and NSSLAs (0.1%).⁹



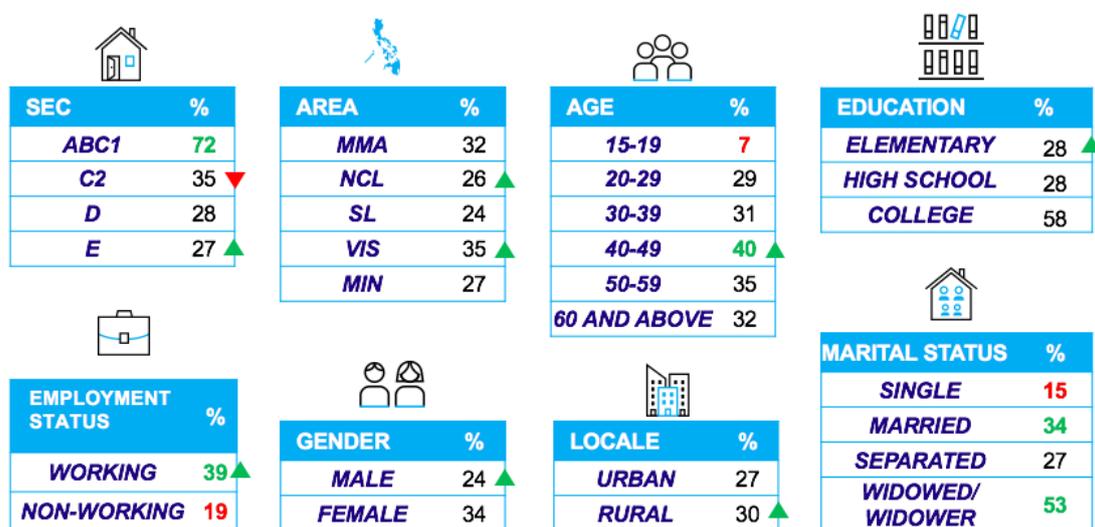
Base: Total adult population

⁸ This refers to compulsory savings (also known as capital build up) which is usually deducted from the proceeds of a microfinance loan.

⁹ Note that some adults may have an account across different providers, thus the figures per provider type will not sum up to 28.9%.

Profile of Filipino adults with an account

The top gainers in terms of demographic segments are socio-economic class E, North/Central Luzon and the Visayas, aged 40-49, less educated (completed elementary), working adults, males, and rural areas.



Sig higher/ lower vs Total

▲ ▼ Sig higher/ lower vs 2017

Other income factors such as being a remittance-receiving household, owning a business, and receiving financial assistance from the government (i.e., Pantawid Pamilyang Pilipino Program or 4Ps) increased the likelihood of account ownership.



Certain segments that had significantly lower account penetration rates compared to the national average in 2017 showed considerable improvements in 2019 as follows:

| | 2017 | 2019 | Growth |
|------------------------|------|------|--------|
| North/Central Luzon | 11 | 26 | 15 |
| Socio-economic class E | 14 | 27 | 13 |
| Completed elementary | 15 | 28 | 13 |
| Males | 15 | 24 | 9 |

Despite the posted gains, these segments continue to have lower account penetration rates compared to the 2019 national average of 29%.

The succeeding discussion describes the demographic segmentation of account ownership:

By income class

- Account penetration in class ABC1 is twice higher than class C2. Uptake of accounts in class D and E is almost at the same level with national average. Bank account is the most common type of account in class ABCD, while compulsory savings/capital buildup in microfinance NGOs is the most common form of account in class E.

| | ABC1 | C2 | D | E |
|-------------------------|-------------|-----------|----------|----------|
| With Account | 72.2 | 34.6 | 27.6 | 27.0 |
| Bank | 58.7 | 23.2 | 12.2 | 8.2 |
| E-money | 21.1 | 7.7 | 9.3 | 5.4 |
| NSSLA | 0.0 | 0.3 | 0.2 | 0.0 |
| Cooperative | 2.6 | 1.6 | 1.8 | 1.7 |
| Microfinance NGO | 0.0 | 6.4 | 10.6 | 15.8 |

By educational attainment

- College graduates are twice likely to have an account than non-college graduates. Nearly 6 in 10 adults who completed college have an account, while only 3 in 10 adults who did not reach college are banked. Higher account ownership for more educated adults is observed in bank and cooperative accounts. On the other hand, adoption of e-money and MFI account is highest among adults who completed elementary education only.

| | Elementary | High School | College |
|-------------------------|-------------------|--------------------|----------------|
| With Account | 27.9 | 28.5 | 58.2 |
| Bank | 5.3 | 10.3 | 50.8 |
| E-money | 10.7 | 7.4 | 8.8 |
| NSSLA | 0.0 | 0.0 | 0.2 |
| Cooperative | 0.4 | 2.6 | 6.1 |
| Microfinance NGO | 16.0 | 13.9 | 10.0 |

By geographical area/locale

- Account penetration is surprisingly highest in Visayas and lowest in Balance Luzon. Bank and e-money accounts are the most common types of account in Metro Manila, while account in microfinance NGOs is the most prevalent outside Metro Manila. Accounts in microfinance NGOs and cooperatives have the highest share in Visayas, followed by Mindanao.
- Account ownership in rural areas is slightly higher than urban areas. This appears to be driven by microfinance NGOs where account penetration in rural areas is twice

higher than urban areas. Bank and e-money account ownership is higher in urban areas.

| | MMA | LUZON | VIS | MIN | | URBAN | RURAL |
|-------------------------|------|-------|------|------|--|-------|-------|
| With Account | 32.0 | 25.2 | 35.4 | 27.3 | | 27.3 | 29.8 |
| Bank | 18.0 | 9.5 | 17.6 | 9.6 | | 13.6 | 11.0 |
| E-money | 16.2 | 8.1 | 6.5 | 4.1 | | 8.5 | 7.5 |
| NSSLA | 0.0 | 0.0 | 0.0 | 0.5 | | 0.1 | 0.2 |
| Cooperative | 1.0 | 0.9 | 3.4 | 2.3 | | 1.6 | 1.9 |
| Microfinance NGO | 3.0 | 10.7 | 17.6 | 15.7 | | 8.1 | 15.9 |

By age

- Only 8% of young adults (aged 15-19) have an account which is significantly lower than other age groups. Account penetration starts to improve at age bracket 20-29, with peak at 40-49 years old. Bank accounts are the most common type of account for millennials (20-39 years old) and senior citizens (> 60 years old). Microfinance drives account ownership in Gen X (40-59 years old). E-money is the most widely used type of account among young adults.

| | 15-19 | 20-29 | 30-39 | 40-49 | 50-59 | > 60 |
|-------------------------|-------|-------|-------|-------|-------|------|
| With Account | 6.9 | 29.0 | 31.3 | 40.4 | 35.1 | 31.6 |
| Bank | 2.3 | 15.8 | 14.5 | 13.0 | 12.1 | 13.8 |
| E-money | 4.6 | 8.5 | 7.5 | 12.8 | 6.2 | 6.7 |
| NSSLA | 0.0 | 0.0 | 0.0 | 0.3 | 0.0 | 0.8 |
| Cooperative | 0.0 | 2.1 | 1.6 | 1.9 | 4.3 | 1.1 |
| Microfinance NGO | 0.0 | 9.4 | 12.8 | 19.6 | 23.7 | 13.3 |

By marital status

- Married adults are twice likely to have an account than single adults. There is a big difference in account ownership between single and married adults in microfinance NGOs, a stark contrast not observed in other account types.

| | Single | Married | Separated | Widowed/ Widower |
|-------------------------|--------|---------|-----------|---------------------|
| With Account | 15.4 | 33.9 | 27.4 | 52.6 |
| Bank | 8.7 | 13.1 | 8.2 | 20.1 |
| E-money | 5.4 | 8.1 | 8.7 | 13.9 |
| NSSLA | 0.0 | 0.1 | 0.0 | 1.5 |
| Cooperative | 0.6 | 2.3 | 2.0 | 2.6 |
| Microfinance NGO | 1.3 | 17.4 | 10.3 | 23.9 |

By employment status

- Working adults are twice likely to have an account than non-working adults. The share of working adults with an account improved significantly to 39.5% in 2019 from 28% in 2017.

| | WORKING | NOT WORKING |
|-------------------------|----------------|--------------------|
| With Account | 39.0 | 19.3 |
| Bank | 18.1 | 7.0 |
| E-money | 9.9 | 6.2 |
| NSSLA | 0.3 | 0.0 |
| Cooperative | 2.6 | 0.9 |
| Microfinance NGO | 16.4 | 8.2 |

By gender

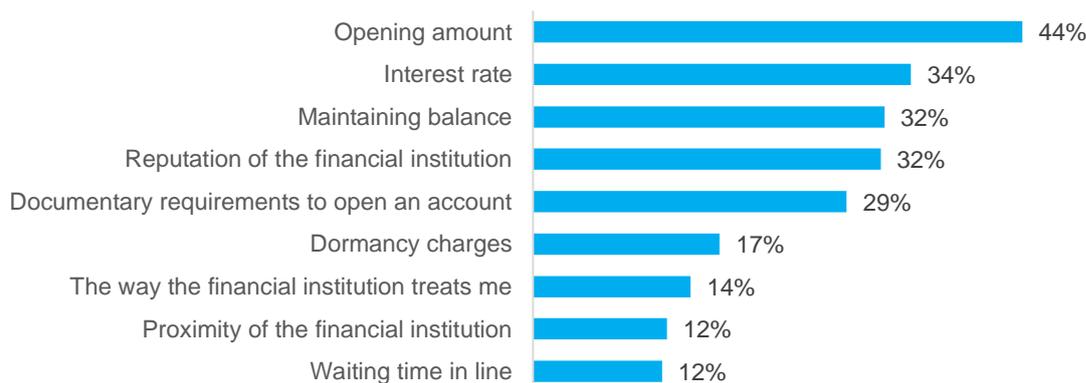
- While women remain more financially included than men, the gender gap favoring women narrowed to 8.7 percentage points in 2019 from 13.7 percentage points in 2017. This was due to slower growth of accounts among women. Account ownership among women grew by 3.8 percentage points to 32.9% in 2019. On the other hand, account penetration in men increased by 8.8 percentage points to 24.2% in 2019. Bank account ownership is higher among men. Ownership of e-money accounts and accounts in cooperatives and microfinance NGOs is higher among women. The gender gap in favor of women was highest (10.5 percentage points) in microfinance NGOs.

| | MALE | FEMALE | GENDER GAP |
|-------------------------|-------------|---------------|-------------------|
| With Account | 24.2 | 32.9 | 8.7 |
| Bank | 13.8 | 10.7 | -3.1 |
| E-money | 7.6 | 8.3 | 0.7 |
| NSSLA | 0.1 | 0.1 | 0.0 |
| Cooperative | 0.9 | 2.5 | 1.6 |
| Microfinance NGO | 6.8 | 17.3 | 10.5 |

Primary considerations in opening an account

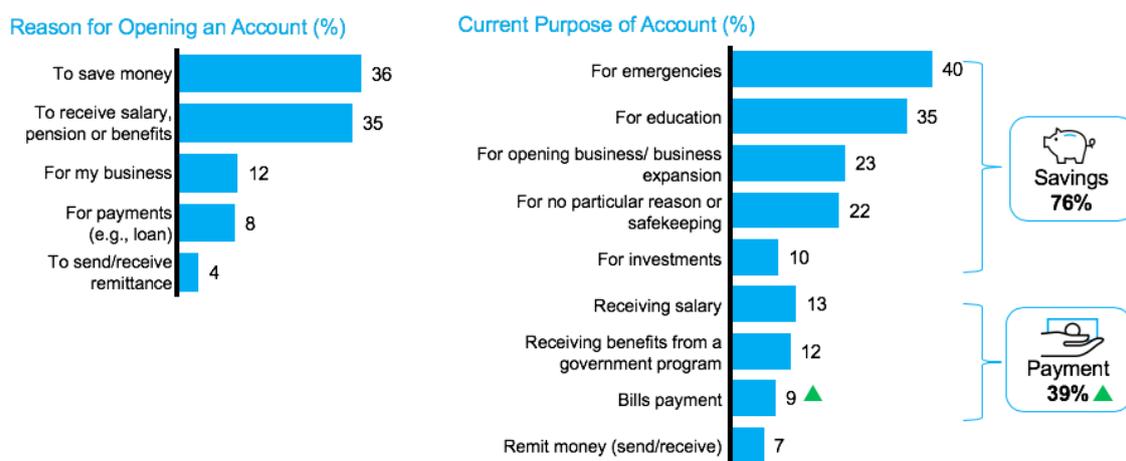
The amount required to open an account is the top consideration of accountholders (44%) in opening an account. Other main considerations are interest rate (34%), maintaining balance (32%), reputation of the financial institution (32%), and documentary requirements to open an account (29%). Dormancy charges (17%) and the way the financial institution treats its customers (14%) are considered as well. It appeared that accountholders are less concerned about distance of the financial institution (12%) and waiting time (12%) in deciding whether or not to open an account.

Primary considerations in opening an account



Reason for opening an account and current purpose of account

A third (36%) of accountholders opened an account to save money, and the other third (35%) to receive salary and benefits. In terms of current purpose of account, more than three-fourths (76%) of accountholders use their account to save (for emergencies, education, business, safekeeping, investment) while 39% use their account for payment transactions, a significant jump from just 18% in 2017. Worth highlighting is the share of accountholders who use their account for bills payment which increased to 9% in 2019 from 4% in 2017.

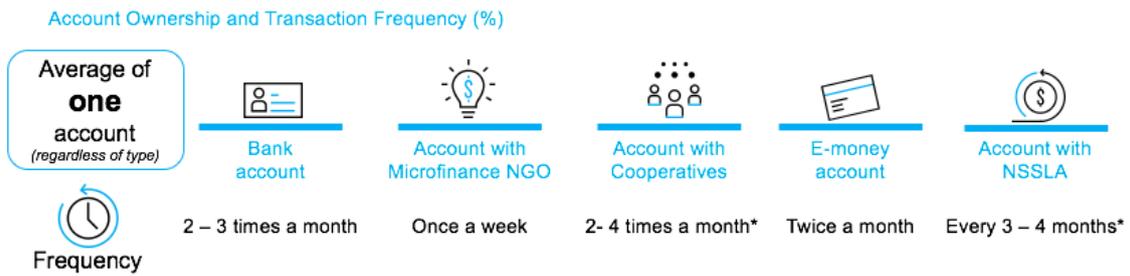


▲▼ Sig higher/ lower vs 2017

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. E-money accountholders usually perform transactions twice a month, while those with an account in cooperatives and NSSLAs do not have frequent transactions.¹⁰

¹⁰ Figures on cooperatives and NSSLAs have a very low base.



Mode of accessing the account

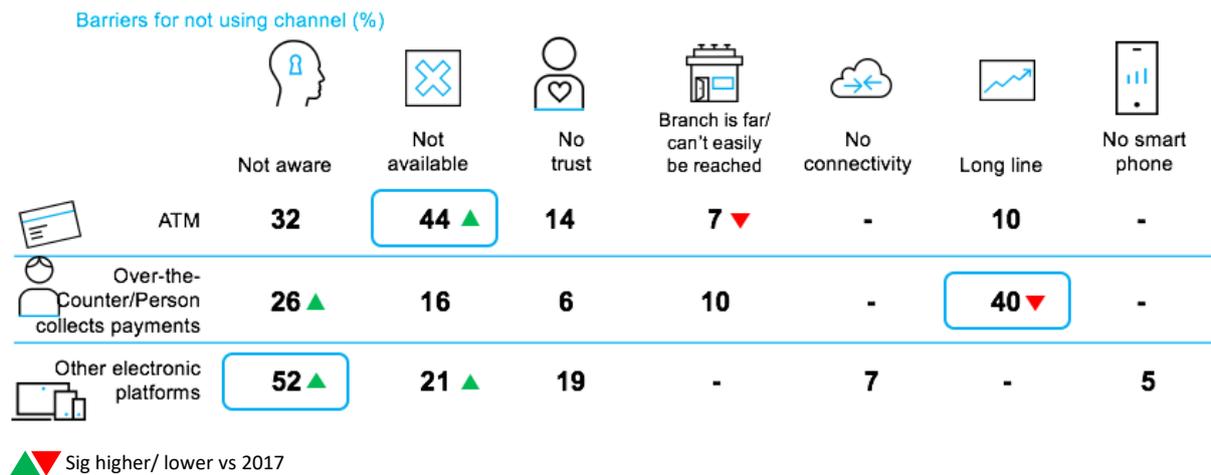
Bank and e-money accounts are usually accessed via automated teller machines (ATMs), while accounts from other provider types are typically accessed over the counter (OTC). Transactions with collectors who collect savings and loan payments from clients are common in microfinance.

Electronic platforms (internet banking, mobile application) are being used by e-money accountholders (27%) and marginally by bank accountholders (1%). More than three-fourths (79%) of users of electronic channels are comfortable in using these digital channels, while 20% are very comfortable.

Mode of Transaction Per Account Type (%)

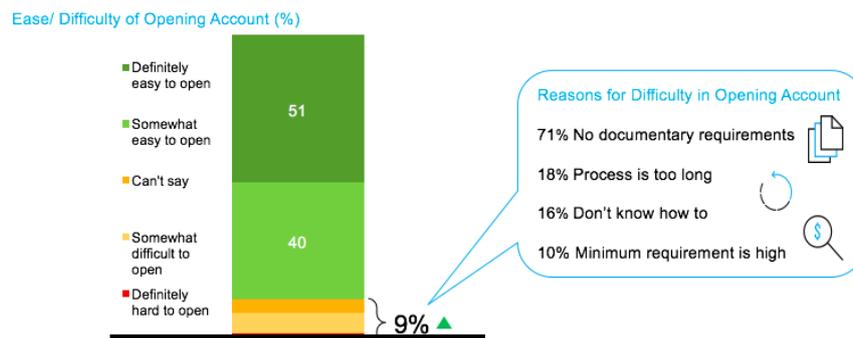
| Mode of Transaction | Bank account | Account with Microfinance NGO | Account with Cooperatives | E-money account | Account with NSSLA |
|------------------------------------|--------------|-------------------------------|---------------------------|-----------------|--------------------|
| ATM | 74 | 7 | 19 | 60 | 32 |
| Over-the-counter | 24 | 74 | 80 | 13 | 68 |
| Person in-charge collects payments | 1 | 18 | 1 | - | - |
| Other electronic platforms | 1 | - | - | 27 | - |

For those who do not use ATMs, the main reason cited is unavailability, followed by lack of awareness in using ATMs. Among those who do not use other electronic platforms, the main reason is lack of awareness, followed by unavailability and lack of trust. Respondents who cited long lines as the primary reason for not liking OTC transactions have decreased to 40% in 2019 from 66% in 2017.



Account opening experience

Nine in ten (91%) accountholders stated that it is easy to open an account. Of the 9% who experienced difficulties in account opening, majority (71%) cited documentary requirements as the main reason, followed by long process (18%), unfamiliarity with account opening process (16%), and high minimum opening amount (10%).



Satisfaction with the account

Nearly all (97%) of accountholders are satisfied with their account. Overall satisfaction is driven by factors such as low maintaining balance and fast transaction. Enabling the accountholder to save money and accessibility of branches also bring satisfaction as stated by 27% of satisfied respondents, followed by lower fees on transactions (26%) and availability of more ATMs (25%).

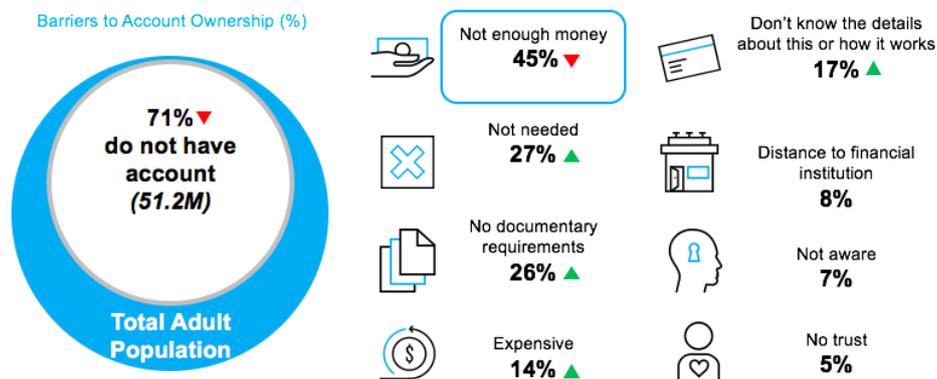
Respondents also stated that they are satisfied with their account because of minimal documentary requirements (23%) and availability of loans (21%) as well as other relevant services (13%). There are also those who are satisfied with the account's enhanced security features (12%), high interest rates (12%), and availability of online channels (5%).



▲ ▼ Sig higher/ lower vs 2017

Reasons for not owning a formal account

The number of unbanked Filipinos declined to 51.2 million in 2019 from 52.8 million in 2017, or a reduction of 1.6 million. Cost and utility concerns were the primary reasons for not owning an account. Lack of enough money remained the topmost reason for not having an account, as reported by almost half (45%) of the unbanked. This is followed by perceived lack of need for an account (27%) and lack of documentary requirements (26%).



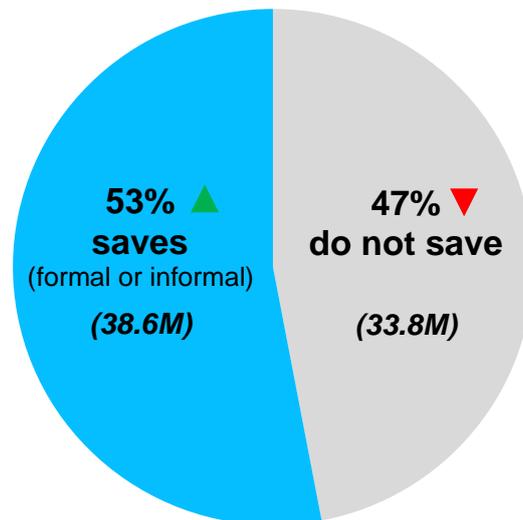
▲ ▼ Sig higher/ lower vs 2017

The survey revealed that 60% of adults were still unaware of the basic deposit account (BDA) – an initiative put forward by the BSP in 2018 to address these considerations. As a no-frill bank account, the BDA has opening amount of P100 or less, no maintaining balance, no dormancy charges, and simple requirements (e.g., any official identification document). The Philippine Identification System (PhilSys), once fully rolled out, will also help address account opening issues due to lack of acceptable IDs.

The lack of need for an account, on the other hand, may be linked to the perception that an account can be used only for saving money. This is largely due to preference for cash transactions, followed by low level of awareness that an account can be used for payments and fund transfers.

2. Savings

In 2019, over half (53%) of the total adult population had savings, a substantial increase from the 48% with savings in 2017. While informal ways of saving (i.e., saving at home, group savings) remain prevalent among adults who save money, the share of informal savers decreased to 51% in 2019 from 68% in 2017.



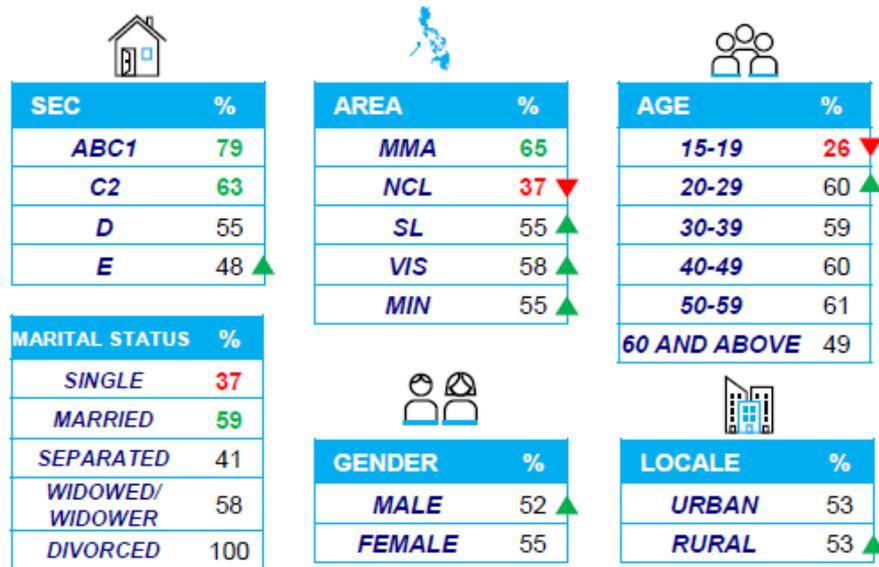
Characteristics of adults with savings

Incidence of savings significantly grew particularly among young adults aged 20-29 years old, those who are working, in lower SEC E, and rural areas and regions outside Metro Manila except North Central Luzon. Below is a detailed look at the demographic characteristics of savers:

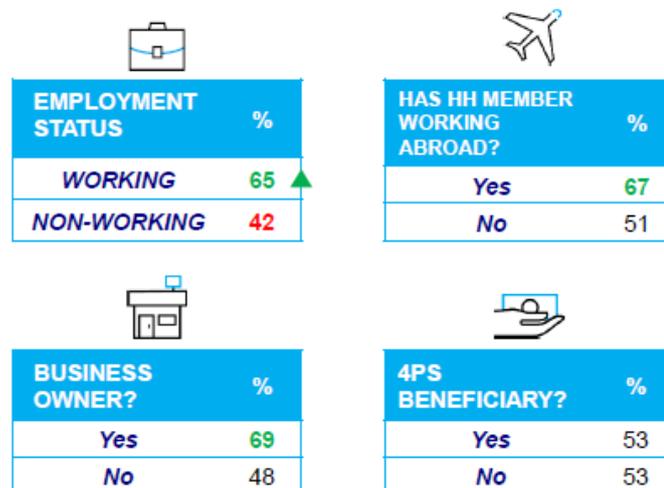
- Consistent with 2017, incidence of savings remains considerably higher among those who are in class ABC, Metro Manila area, those married, and those working. It is worth noting that in 2017, those in class E and Visayas have been considered as trivial segments compared to other SECs and areas when it comes to savings. In 2019, substantial gains have been observed for both segments. From roughly one-third (34%) of savers for each segment in 2017, there are now almost half of adults in class E (48%) and over half residing in Visayas (58%) who are savers.
- On the other hand, savings incidence is notably lower among young adults aged 15-19 years old, those who are single, residing in NCL area, and those non-working. Only about one-fourth (26%) of young adults, over one-third (37%) of those who are single and those who live in NCL, and over two-fifths (42%) of those who are non-working are savers.

- In terms of gender, savings behavior is still prevalent among females but the gap between genders has considerably tapered in 2019. There is not much difference in the savings incidence now, with over half of male (52%) and female (55%) being savers – a notable improvement from the 2017 gap between male (40%) and female (55%) savers.

In the Philippines, financial inclusion policies and programmatic initiatives are generally non-gender discriminatory, but this result is a welcome development in closing the gender gap.



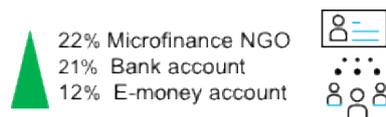
- Sources of funds also play a huge role in mobilizing savings. Incidence of savings is observed to be significantly higher among those with employment (65%), and those with other funding sources such as household members working abroad (67%) and own business/es (69%). On the average, respondents said 12.53% of their income goes to savings.



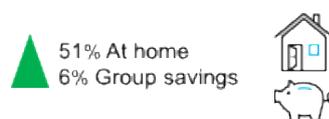
Savings by institution

The rise in savings incidence is a result of considerable growth in both formal and informal savings, albeit the former remains less popular compared to the latter with majority (51%) of savers still opting to keep their savings at home. For formal savers, the top choices were microfinance NGOs (22%), bank account (21%), and e-money account (12%) .

Formal savings

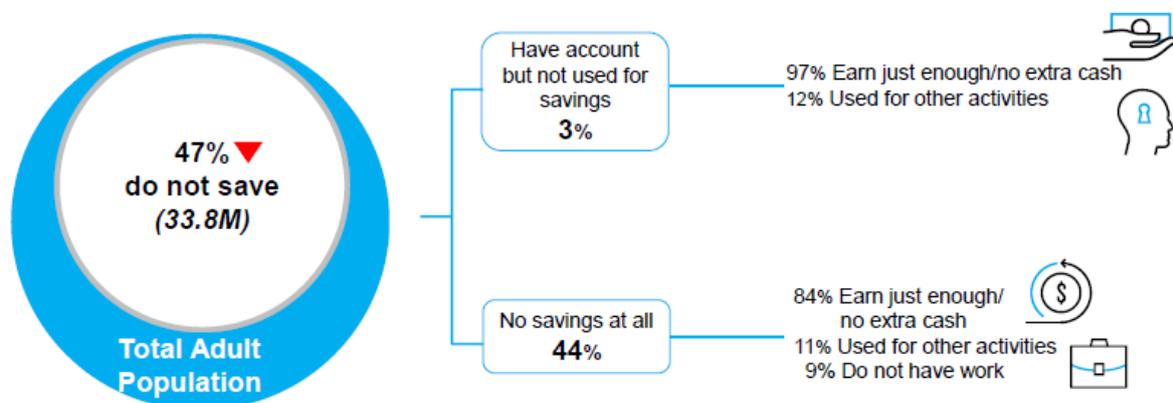


Informal savings



Reasons for not saving

For the remaining 47% of adults who do not save, 3% have accounts which are not used for savings while 44% do not save at all. Regardless of having an account, the primary reason cited for not saving is still lack of money (e.g., earn just enough, money used for other activities) and unemployment.

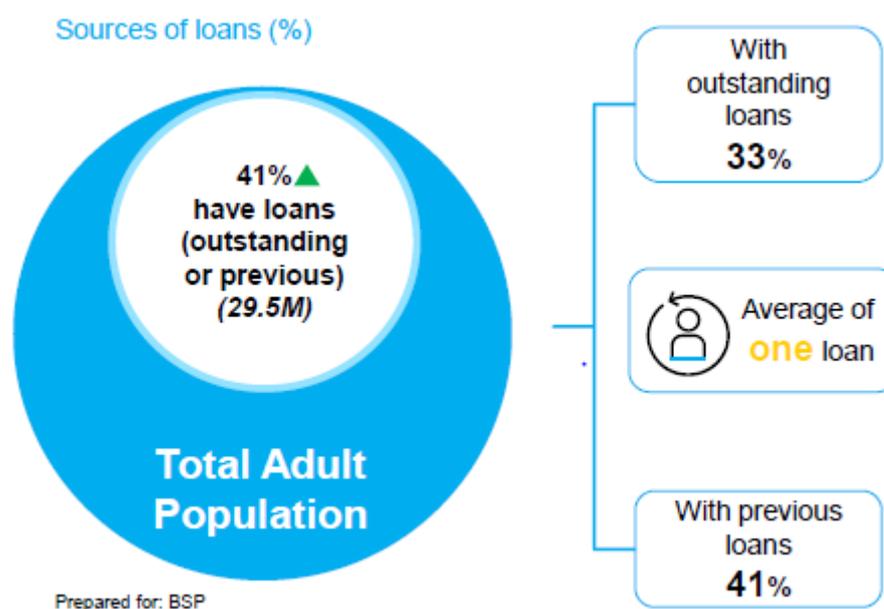


When asked what can enable them to save, top answers are having a better pay or another job (43%), cutting down on expenses (33%), looking for better deals or cheaper offers when spending (27%), financial assistance from the government (24%), and financial education (20%).

3. Loans

Like savings, the percentage of Filipino adults who have or had debt notably increased to 41% in 2019 from only 29% in 2017.

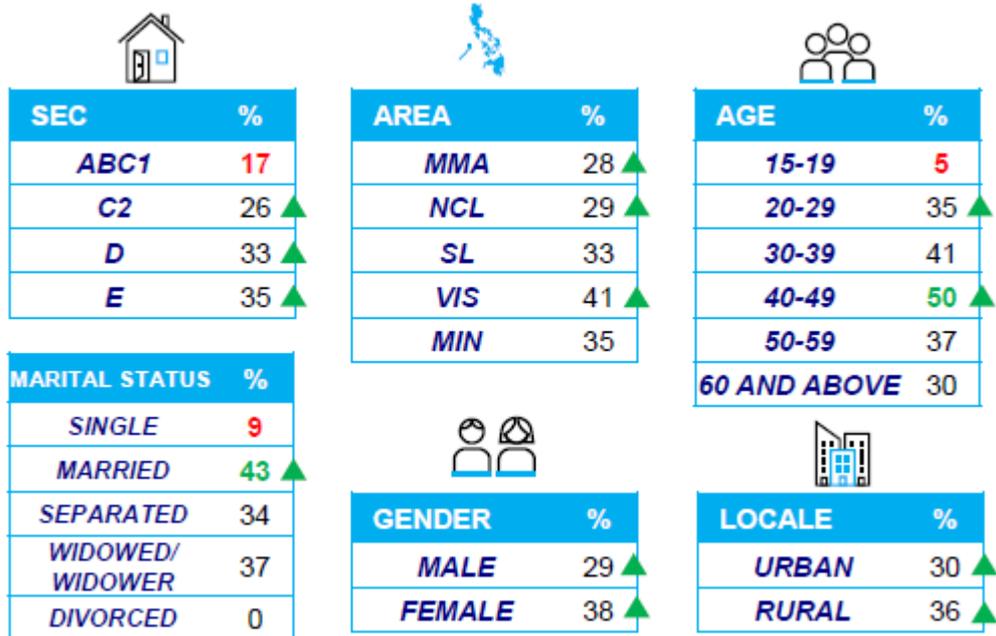
The survey also captured loan incidence based on present borrowing status. There are 41% of adults who had previous loans while only 33% have outstanding loans. This is contrary to 2017 results, wherein percentage of previous borrowers (19%) is lower than that of current borrowers (22%), suggesting that there may have been changes in borrower payment behavior in 2019.



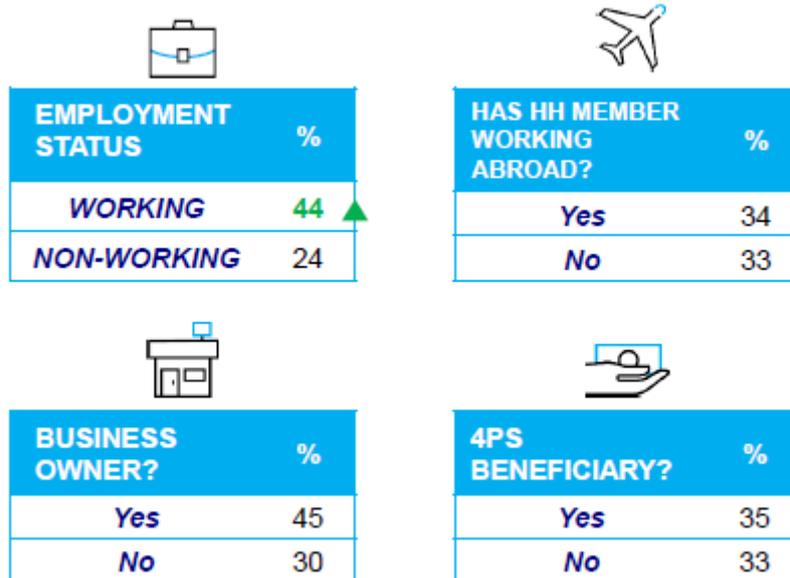
Characteristics of adults with outstanding loans

Of the 33% of adults with outstanding loans, incidence substantially grows among lower SEC (C2, D, E); Metro Manila, North Central Luzon, and Visayas; those aged 20-29 and 40-49 years old; those married; those working; and across genders and locale. Further details on the demographic characteristics of those with loans are as follows:

- As in 2017, loan incidence is notably higher among those aged 40-49 years old, married, and working. Conversely, it remains significantly lower among those from higher SEC (ABC1), young adults aged 15-19 years old, and single.
- Loan incidence considerably increased for both females and males, but more significantly so among males which almost doubled to 29% in 2019 from 15% in 2017. The gender gap, however, is still in favor of females at 38% in 2019 and 29% in 2017.



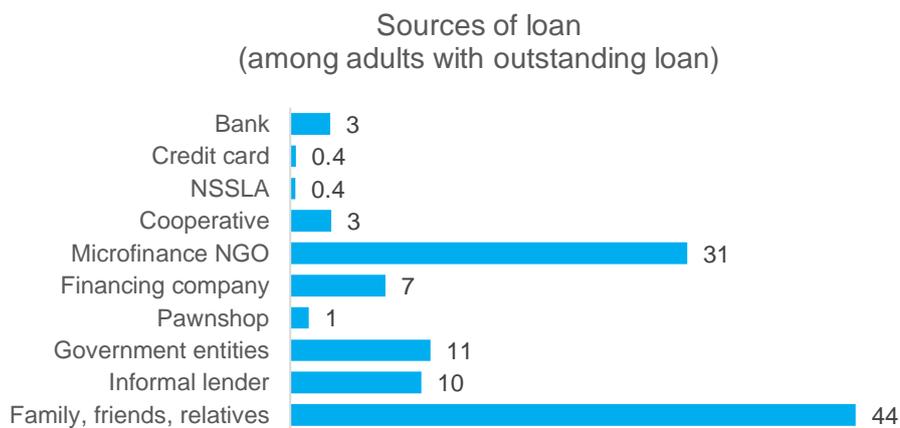
- Significant gap in loan uptake is evident only in employment status and business ownership, in favor of the employed and business owners.



Loans by type of institution

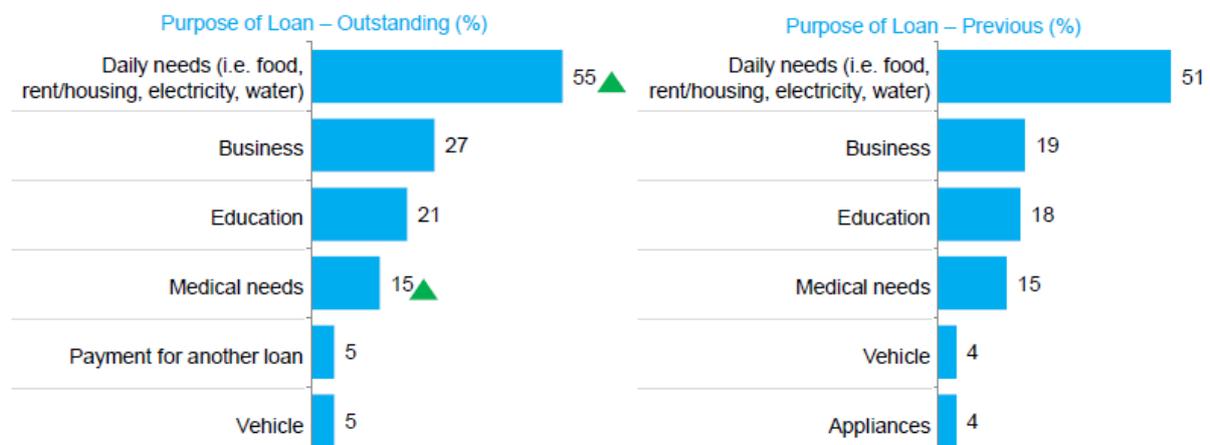
Informality remains among borrowers, with considerable increase in proportion of borrowers opting for loans from family and friends, and informal lenders. Four in ten adults (44%) with outstanding loans borrowed from family and friends. Meanwhile, 10% of those with outstanding loans borrowed from informal lenders.

Among formal lenders, microfinance NGOs were the top choice (31%) followed by government institutions (11%). Banks remained the least used lender among borrowers, below financing companies.



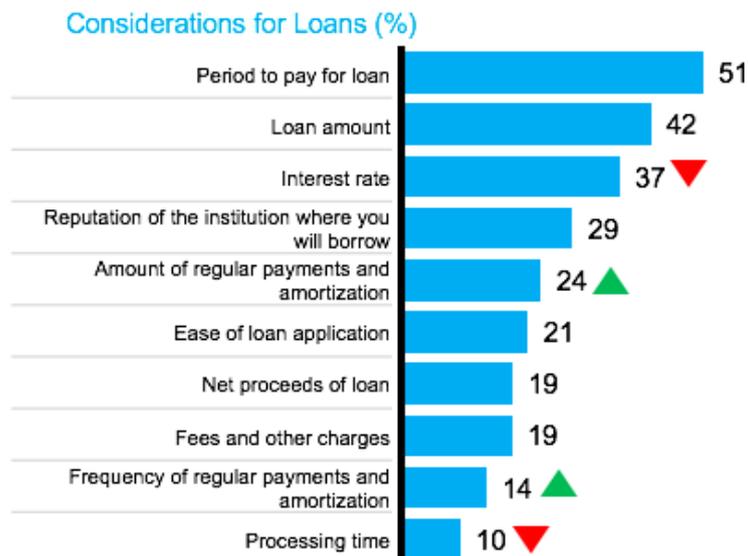
Purpose of the loan

Loans are primarily used to meet basic needs, with over half of both those with outstanding loans (55%) and those with previous loans (51%) using it for essentials such as food, house rentals, and utilities. Meanwhile, loans are less commonly used for businesses, education, and medical expenses.



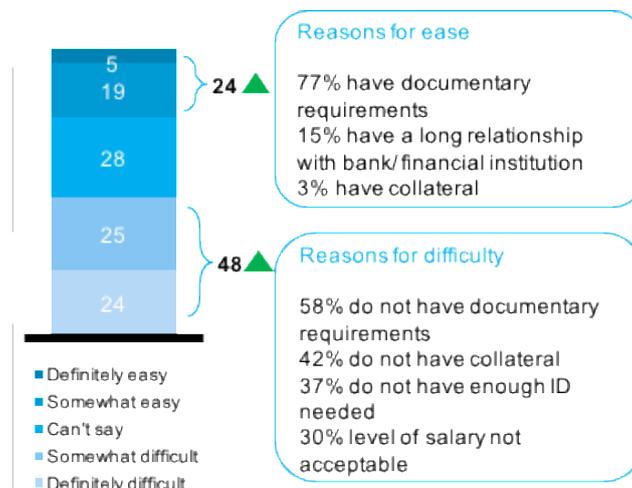
Main considerations in borrowing

Loan tenor and costs are the primary loan considerations among borrowers, with top results being: 1) period to pay for the loan, 2) loan amount, and 3) interest rate. Borrowers are also increasingly getting more concerned on the amount and frequency of loan amortizations.



Perception on borrowing from formal financial institutions

When asked about their perception on how easy it is to apply for loans from formal financial institutions, almost one-fourth (24%) of adults find applying for a loan in a formal institution easy while nearly half (48%) perceive it difficult. Documentary requirement is the top reason for both assessments, cited by 77% of those who find it easy and 58% of those who find it difficult (58%).

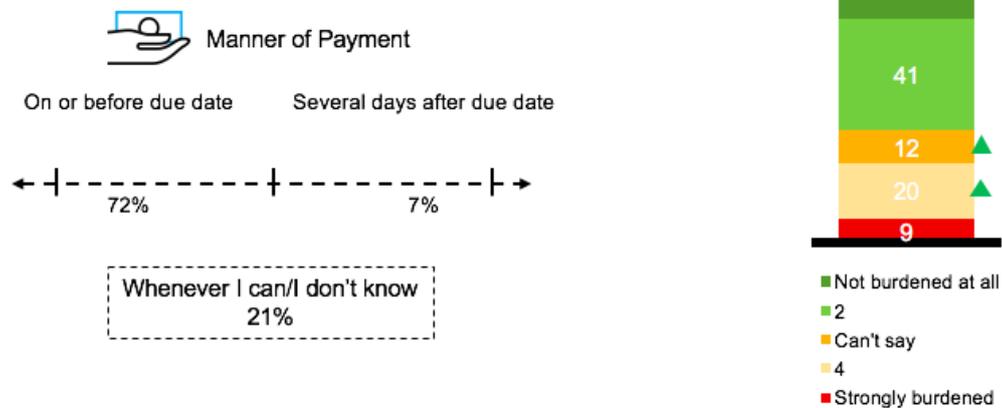


Adults who perceived that it is difficult to borrow from formal financial institutions also cited collateral as another main reason. It is interesting to note though that only 2% of borrowers were actually required to provide collateral when they applied for a loan.

Timeliness of loan payments

Majority (72%) of borrowers reported being able to pay on or before the due date; only 7% make delayed payments. Almost 30% feel burdened by their loan obligation, higher than the 18% in 2017.¹¹

Loan Burden (%)



¹¹ Note that there are adults who have loans from multiple sources, thus the figures will not sum up to 100%.

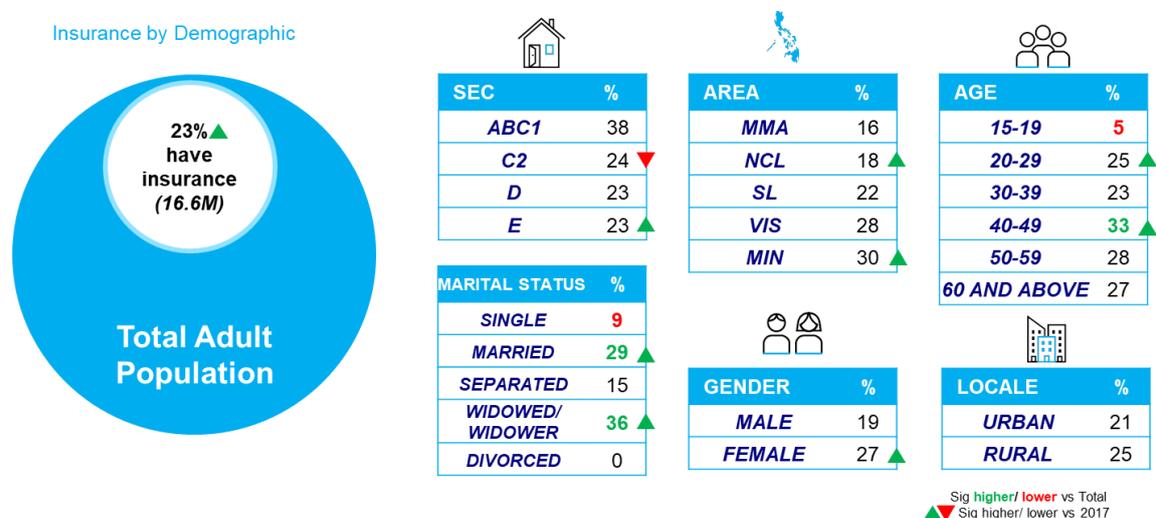
4. Insurance and Investment

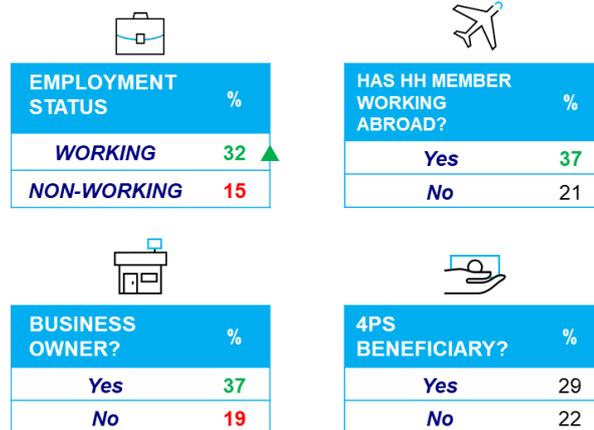
Insurance penetration and characteristics of adults with insurance

The number of Filipino adults with insurance in 2019 is estimated at 16.6 million or 23% of the total adult population. This notable growth from the 2017 estimate of 12.3 million (or 18% of adults) is attributed to significant improvement in insurance ownership among those who are in economic class E, residing in NCL and Mindanao, aged 20-29 and 40-49, females, and working adults. Such improvement outpaced the substantial decline in the number of adults with insurance who are in economic class C2.

By demographic characteristics, the following observations have been noted:

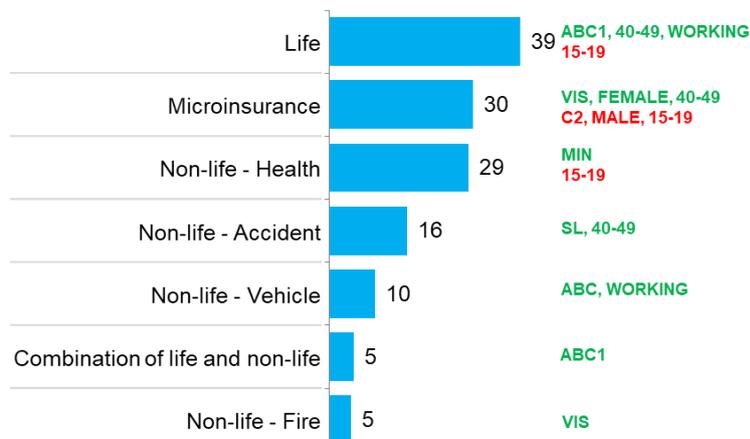
- Insurance uptake is significantly higher among adults who are aged 40-49 years old, married and widowed/widower, working, with a household member working abroad, and business owners. Over a third of these adults are more likely to be insured than other segments.
- In contrast, the incidence of insurance ownership is notably lower among the youngest segment, those who are single, non-working, and non-business owners. Only 5% of adults aged 15-19 years old and 9% of those who are single have insurance, while those who are unemployed (15%) and who do not own a business (19%), twice lower than those who are working and business owners, respectively, are insured.
- Survey results also show that women (27%) are more likely to have insurance than men (19%), while the difference in the incidence of insurance ownership does not vary much between localities, with rural areas (25%) slightly higher than urban areas (21%). While the findings also seem not to have any significant contribution to overall insurance penetration, it is worth mentioning that one in three 4Ps beneficiaries has insurance.





Types of insurance products owned

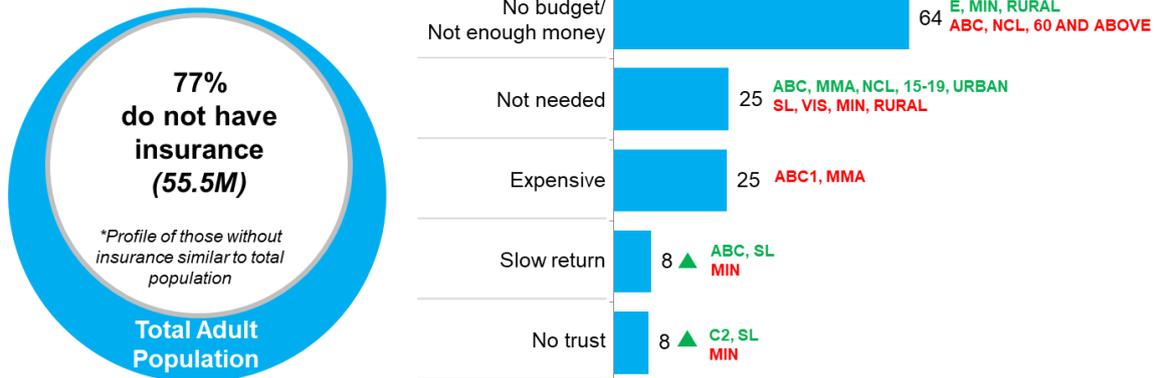
Among adults with insurance, life insurance (39%) is still the most common type of insurance owned, particularly among the upper class, middle-aged, and working adults. This is followed by microinsurance (30%) and health insurance (29%), which are common in Visayas and Mindanao, respectively. Other insurance products owned include accident insurance (16%), vehicle insurance (10%), a combination of life and non-life insurance (5%), and fire insurance (5%).



Reasons for not having insurance

Budget remains the top barrier to insurance ownership, with 64% of the 55.5 million adults who do not have insurance cited lack of enough money or no budget as the primary reason. This is considerably higher among those in economic class E, residing in Mindanao, and living in the rural areas, but significantly lower among the upper class, those in NCL, and aged 60 and above. Some do not feel the need for insurance (25%), especially among adults in class ABC, in Metro Manila, NCL, and urban areas, and those aged 15-29 years old, while others say that it is too expensive (25%). Other reasons cited are the slow return of insurance (8%) and lack of trust in service providers (8%), which have shown a substantial increase from the 2017 levels. Both reasons are noticeably higher among adults in the upper and middle class and those residing in South Luzon.

Reasons for not having insurance (%)



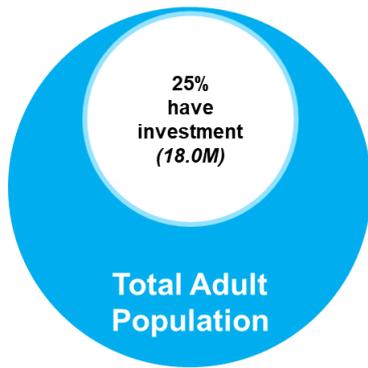
Investment penetration and characteristics of adults with investment

Investment ownership increased to 25% of the total adult population in 2019 from 22.5% of adults in 2017. Substantial growth over the two years is observed among those who are aged 20-29 years old, males, and working adults.

Demographic data showed the segments of the adult population that are more or less likely to hold investment, viz:

- Similar to the observations in the 2017 survey, investment uptake in 2019 is significantly higher among the upper class, residing in Metro Manila and urban areas, those who are males and are employed. More than half of adults in economic class ABC1 (55%) and those residing in Metro Manila (51%) have an investment. Over a third of adults belonging to economic class C2 (39%), living in the urban areas (34%), and working (37%), and one-third (30%) of those who are males put any money to invest.
- On the contrary, the incidence of investment ownership is considerably lower among adults who are in economic class E (16%); residing in NCL (16%), Visayas (18%), and Mindanao (16%) as well as in rural areas (16%); aged 15-19 years old (2%); single (15%); females (19%); non-working (14%); and 4Ps beneficiaries (8%).
- Meanwhile, it is interesting to note that the incidence of having investment among men is almost twice higher than women, a stark contrast in insurance ownership favoring women. Similarly, there is a huge gap in investment penetration between localities wherein adults in urban areas are twice as likely to hold investment as those in rural areas. The same trend can be observed in terms of employment favoring those who are employed. Moreover, adults who are 4Ps beneficiaries are less likely to invest as expected given their limited income and other priority expenses for basic needs such as food, clothing, and shelter, among others.

Investment by Demographic



| SEC | % | AREA | % | AGE | % |
|------|----|------|----|--------------|----|
| ABC1 | 55 | MMA | 51 | 15-19 | 2 |
| C2 | 39 | NCL | 16 | 20-29 | 31 |
| D | 28 | SL | 31 | 30-39 | 30 |
| E | 16 | VIS | 18 | 40-49 | 27 |
| | | MIN | 16 | 50-59 | 28 |
| | | | | 60 AND ABOVE | 25 |

| MARITAL STATUS | % | GENDER | % | LOCALE | % |
|---------------------|-----|--------|----|--------|----|
| SINGLE | 15 | MALE | 30 | URBAN | 34 |
| MARRIED | 25 | FEMALE | 19 | RURAL | 16 |
| SEPARATED | 23 | | | | |
| WIDOWED/ WIDOWER | 32 | | | | |
| DIVORCED | 100 | | | | |

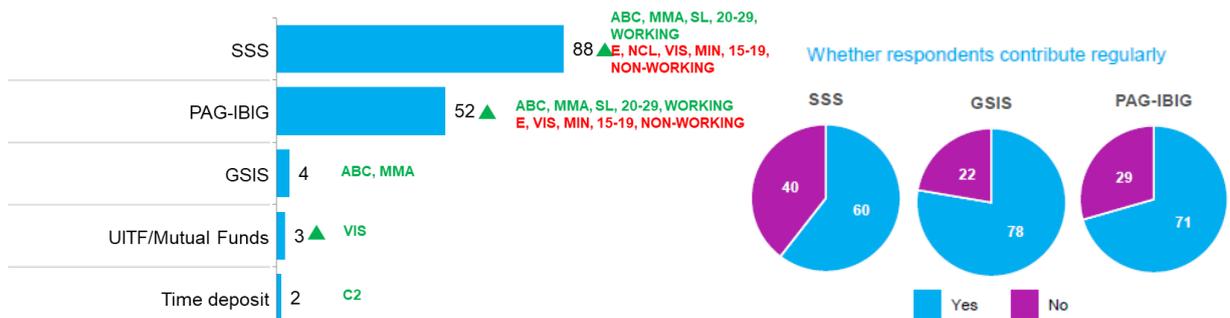
▲ Sig higher/ lower vs Total
▼ Sig higher/ lower vs 2017

| EMPLOYMENT STATUS | % | HAS HH MEMBER WORKING ABROAD? | % |
|-------------------|----|-------------------------------|----|
| WORKING | 37 | Yes | 32 |
| NON-WORKING | 14 | No | 24 |

| BUSINESS OWNER? | % | 4PS BENEFICIARY? | % |
|-----------------|----|------------------|----|
| Yes | 29 | Yes | 8 |
| No | 23 | No | 27 |

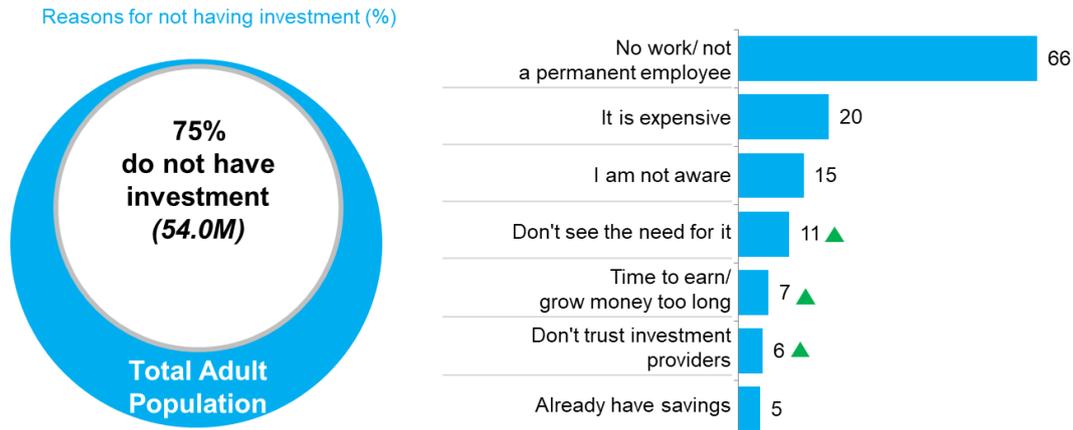
Types of investments owned

Among the 18 million adults with investment, SSS (88%) and Pag-IBIG (52%), which notably increased from 80% and 30% shares, respectively, in 2017, are still the most common types of investments owned in 2019. These investment accounts are more common among the upper class (ABC), those residing in Metro Manila and South Luzon, younger segment (aged 20-29), and working adults. A much smaller percentage of investors have investments in GSIS (4%), Unit Investment Trust Funds (UITFs) or mutual funds (3%), and time deposit (2%). Those with investments with SSS, GSIS and Pag-IBIG are likely to be regular contributors.



Reasons for not having investment

Among the 54.0 million adults who do not have any investment, the primary reasons cited are work instability (66%), perception of high cost (20%), and lack of awareness (15%). Other reasons cited are perceived lack of need (11%), slow return of investment (7%), and lack of trust in investment providers (6%), which have recorded a notable increment from the 2017 estimates. Also, a small portion (5%) of those without investment said that they already have savings.

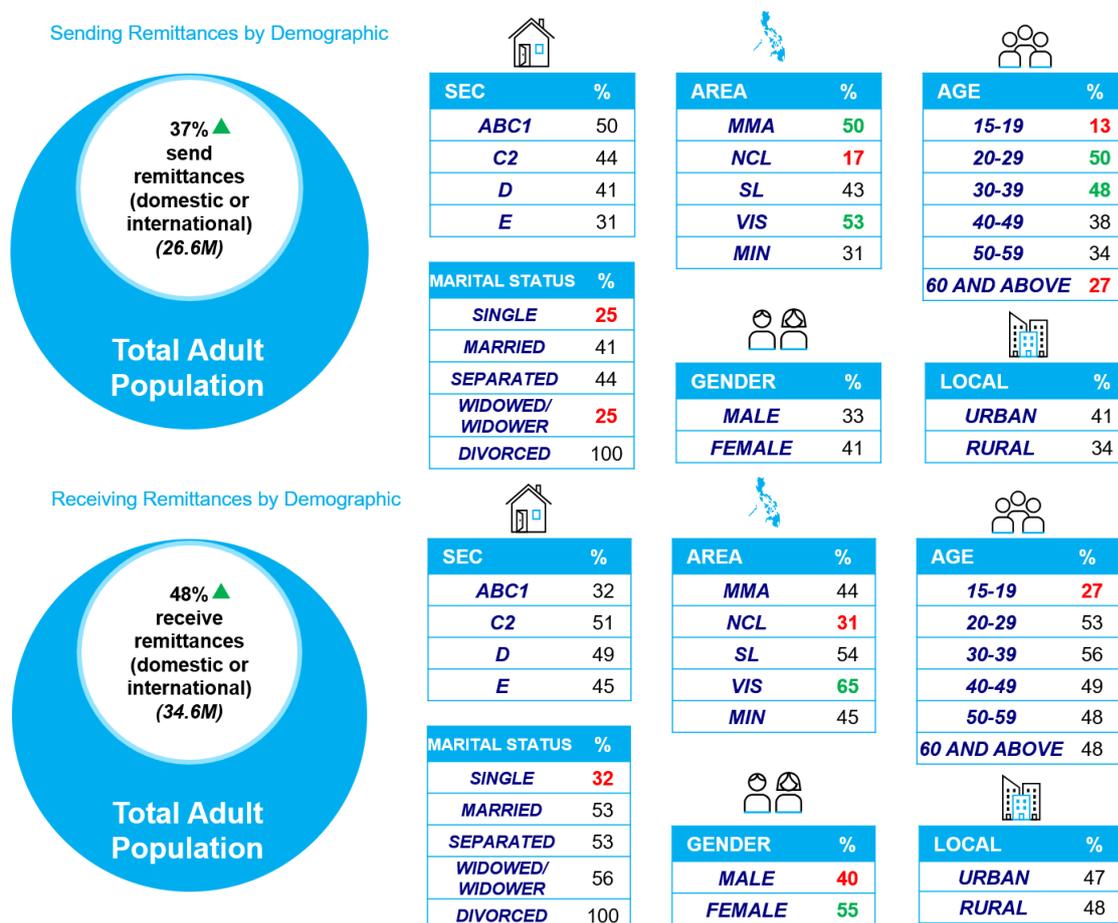


5. Remittance

Incidence of remittance¹²

Remittances continue to be an important financial service among Filipinos with 37% of adults sending and 48% receiving remittance, mostly domestic. Only 1% and 15% of adults send and receive cross-border remittances, respectively.

The Visayas outpace Metro Manila and other areas in terms of share of population sending or receiving remittances. A higher percentage of Class ABC are senders than receivers, while the reverse is true for the Class E. Moreover, as with the uptake of formal accounts, loans and insurance, females outperform males in remittances, whether as senders or receivers.

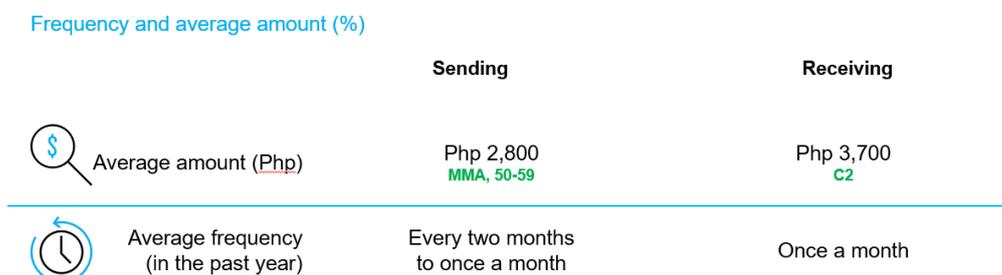


¹² In general, the results on Remittances from both the 2019 FIS and 2018 National Migration Survey (NMS 2018) are aligned specifically in terms of level of remittances, gender aspects and characteristics of remittance recipients. The 2018 NMS is the first nationwide survey on migration in the Philippines which was jointly implemented by the Philippine Statistics Authority (PSA) and the University of the Philippines Population Institute (UPPI).

Accessed through: <https://psa.gov.ph/sites/default/files/2018%20NMS%20Final%20Report.pdf>

Frequency and amount of remittance

Receiving remittances is not only done more frequently (once a month) but are also higher in value. Survey estimates that the average money received per transaction is at PhP3,700 as compared with the PhP2,800 sent.

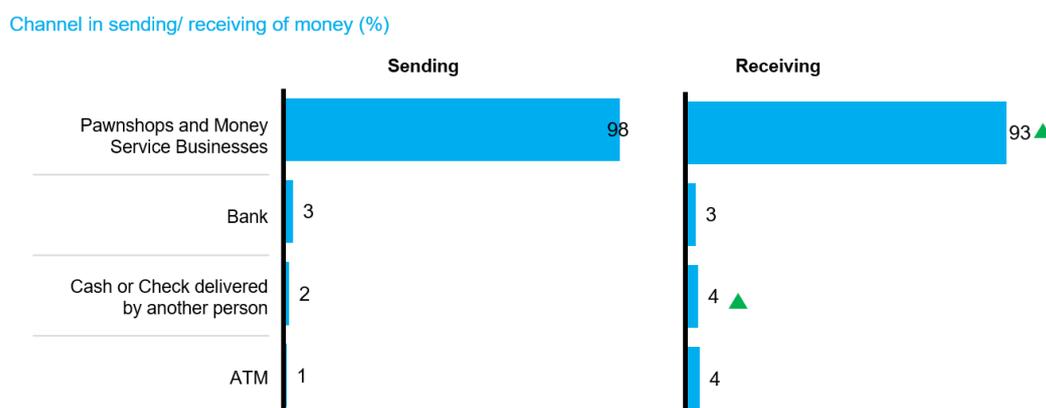


Larger amounts (PhP7,000 and up on average) of remittances were coursed through ATMs and bank branches, while lower amounts (PhP3,000 and below on average) were sent online, through pawnshops, and physical delivery (i.e., cash or checks brought by another person and trucking).

| | Mean | Median | Mode |
|-----------------------------------|-------|--------|--------|
| ATM | 8,638 | 2,000 | 2,000 |
| Online (internet or mobile phone) | 2,223 | 1,500 | 2,000 |
| Pawnshop | 2,782 | 1,500 | 1,000 |
| Bank | 7,045 | 10,000 | 10,000 |
| Cash or check delivered | 1,807 | 1,000 | 500 |
| Trucking/Delivered | 2,961 | 5,000 | 5,000 |

Remittance channel

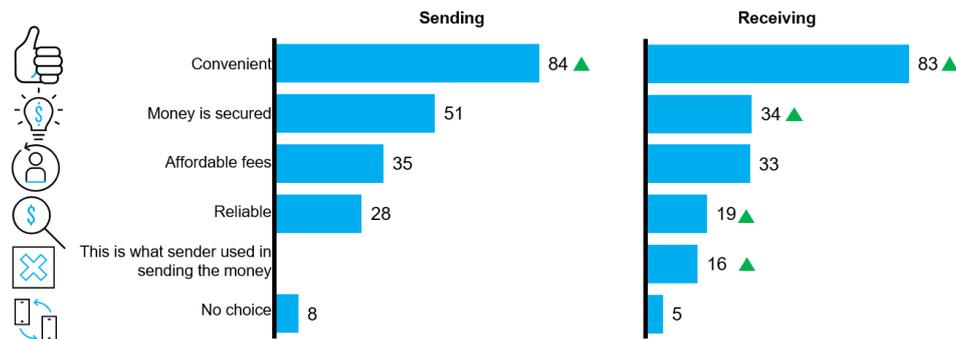
Pawnshops and money service businesses remain the top remittance channels used by 98% of senders and 93% of receivers. Banks, physical delivery and ATMs were the next chosen options, but each comprise a share of less than 5%. Lastly, only 1% chose to remit money online.



Consideration in choosing remittance channel

Adults engaged in remittance transactions mainly considered convenience, security of money, and affordability in choosing a remittance channel. Moreover, as compared with the 2017 results, said factors, along with *what sender also used in sending money*, were found to be more prominent responses among recipient adults.

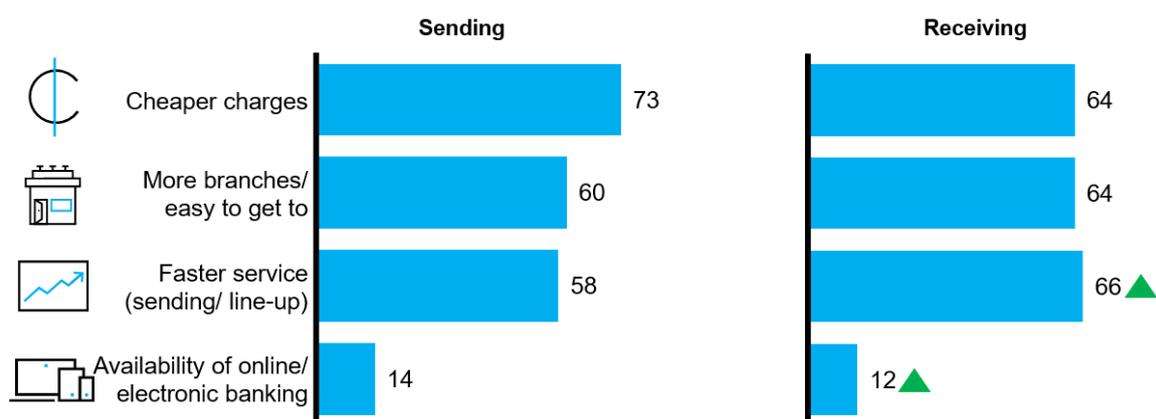
Considerations for choosing channel in sending/receiving of money (%)



Ways to improve remittance services

Respondents expressed that minimizing charges as well as increasing accessibility and convenience of remittance service providers could improve the overall experience of transferring money. Notable are the increases from 2017 in the number of remittance-receiving adults who expressed that services provided can be made faster (i.e., sending/lining-up), and availability of online/electronic banking be expanded.

Ways to improve sending/receiving money (%)



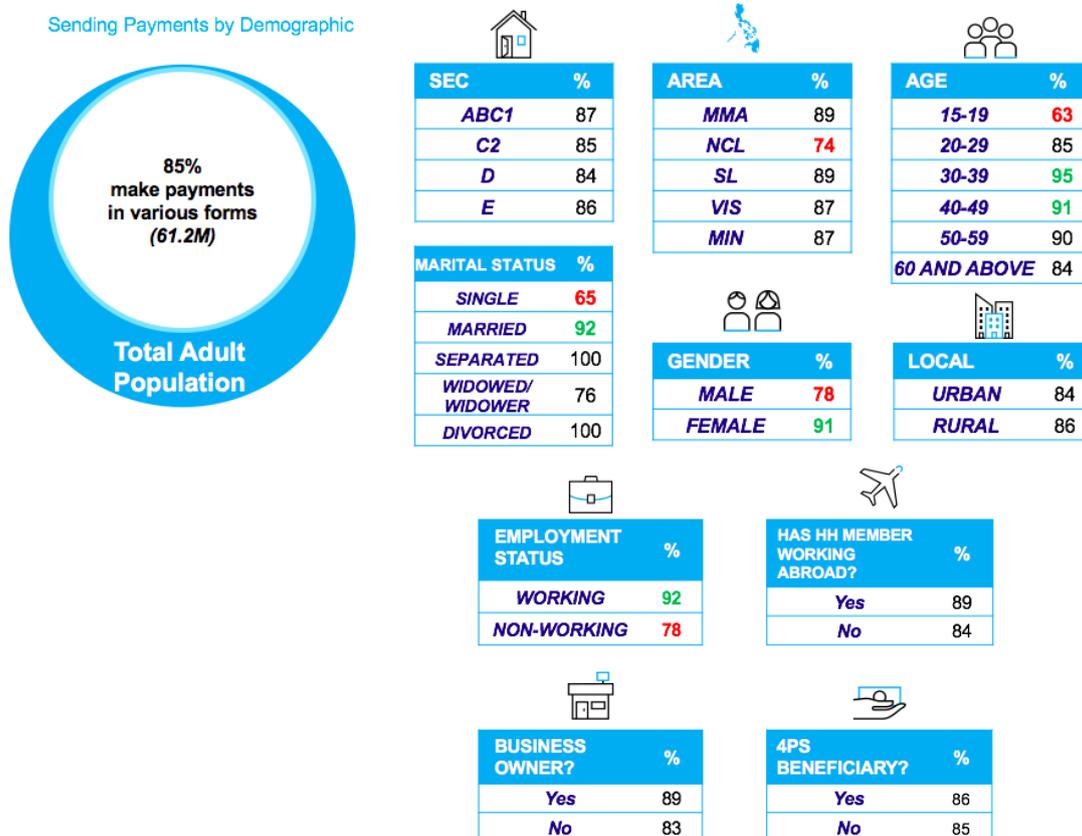
6. Payment

Incidence of Making Payments

In 2019, payments continue to be the most dominant financial transaction made, with 61.2 million Filipinos representing 85% of the adult population making payments to government (e.g., taxes, licenses, loans, contributions) and private institutions (e.g., bills payment, loans, purchases and services).

Payment transactions have been widespread even across socio-economic classes (SEC), with 87% of the upper income quartile doing payments, significantly at par with 86% of those coming from the lowest income quartile. Geographically, payments have been done substantially in Metro Manila Area and the Southern Luzon Area, with a significantly lower proportion relative to others in the North Central Luzon area wherein only 74% of the population made payments.

Across age demographics, payments have been done mostly by middle-aged individuals, with 95% of those aged 30-39, and 91% of those aged 40-49 making payment transactions. Females likewise appear to make significantly more payments than males, with 91% of females doing payments compared to 78% of males. Payment transactions also appear to be made significantly higher by those who are working at 92%, compared to those who are non-working at 78%.



Channel for making payment

Across all types of payment transactions, settlement by cash (over the counter) remains the most preferred channel of payment. Only 1% of payers paid their bills online, while a measly 0.1% paid personal loans via auto-debit or auto-credit. Salary deduction is also an important payment mode alternative for taxes (16%), government loans (43%) and social contributions (42%).

Payment Channel – Sending (%)

| | n = 103 | n = 88 | n = 50 | n = 162 | n = 909 | n = 859 | n = 133 | n = 758 |
|---------------------------|---------|----------|------------------|---------------|--------------------|----------------|----------------|----------|
| | Taxes | Licenses | Government Loans | Contributions | Personal purchases | Bills payments | Personal Loans | Services |
| Cash (OTC) or check | 84 | 100 | 57 | 58 | 100 | 99 | 99 | 100 |
| Online | - | - | - | - | - | 1 | - | - |
| Auto-debit or auto-credit | - | - | - | - | - | - | 0.1 | - |
| Salary deduction | 16 | - | 43 | 42 | - | - | 0.5 | - |

Consideration for choosing channel of making payment

Majority (85%) of those who preferred cash for making payments cited convenience as primary reason, while 49% of those who paid through salary deduction did so due to lack of choice.

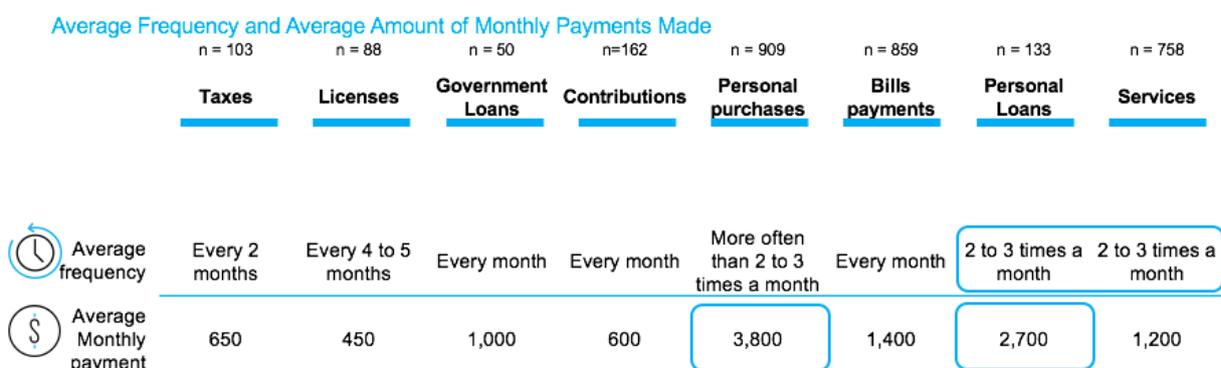
Channel Consideration (%)

| | n = 1034 | n = 60 |
|------------------|---------------------|------------------|
| | Cash (OTC) or check | Salary deduction |
| Convenient | 85 | 39 |
| Money is secured | 28 | 18 |
| Affordable fees | 20 | 4 |
| Reliable | 19 | 14 |
| I have no choice | 18 | 49 |

Frequency of payments to government (P2G) / payments to businesses (P2B) and average amount paid

P2B payments are made more frequently than P2G transactions, with personal purchases and payments for personal loans and services made at least 2-3 times per month. Average

monthly payment amount is also highest for personal purchases and loan payments at an average of Php3,800 per month and Php2,700 per month, respectively. Payment of licenses is the least frequently made and lowest amount of payment transaction.



Ways to improve manner of making payment

In the 2019 survey, respondents are of the view that improvements in sending payments may be made by having faster service (82%), having an all in one access card (37%), and making payment available via electronic/online means (13%). Improvements in faster service are demanded more by those residing in Mindanao and aged above 60 years old, while improvements via an all-in-one access card are demanded more by those residing in urban areas and the middle class.

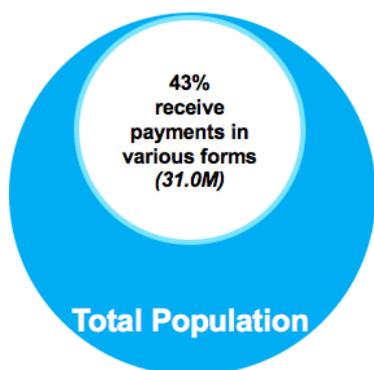
Payment Improvements - Sending (%)



Incidence of Receiving Payments

While 85% of adults make payments to the government and businesses, only 43% (31 million Filipinos) receive payments. A bigger percentage of males (51%) receive payments compared to females (35%) – a reversal of the gender gap in sending payments. A high 71% of employed individuals are payment recipients, four times higher than the unemployed at only 17%. There are no significant differences in percentage of payment recipients in urban and rural populations. Mindanao, however, has the lowest percentage of payment recipients among major area groupings.

Receiving Payments by Demographic



| SEC | % | AREA | % | AGE | % |
|------|----|------|----|--------------|----|
| ABC1 | 50 | MMA | 57 | 15-19 | 12 |
| C2 | 53 | NCL | 43 | 20-29 | 49 |
| D | 43 | SL | 47 | 30-39 | 49 |
| E | 41 | VIS | 40 | 40-49 | 49 |
| | | MIN | 32 | 50-59 | 52 |
| | | | | 60 AND ABOVE | 49 |

| MARITAL STATUS | % | GENDER | % | LOCAL | % |
|---------------------|----|--------|----|-------|----|
| SINGLE | 25 | MALE | 51 | URBAN | 44 |
| MARRIED | 47 | FEMALE | 35 | RURAL | 42 |
| SEPARATED | 57 | | | | |
| WIDOWED/ WIDOWER | 55 | | | | |
| DIVORCED | 0 | | | | |

| EMPLOYMENT STATUS | % | HAS HH MEMBER WORKING ABROAD? | % |
|-------------------|----|-------------------------------|----|
| WORKING | 71 | Yes | 54 |
| NON-WORKING | 17 | No | 42 |

| BUSINESS OWNER? | % | 4PS BENEFICIARY? | % |
|-----------------|----|------------------|----|
| Yes | 60 | Yes | 47 |
| No | 38 | No | 42 |

Channel for receiving payments

Payments coming from both the government and private sector (business/personal sources) continue to be received dominantly in the form of cash/check.

Disbursements from the government such as salaries (75%), loan proceeds (76%), and benefits (56%) are mainly received in cash, while majority (60%) of pension payouts are received through an account.

In the private sector, payments received in the form of business income (100%), loan proceeds (97%), and salaries (88%) are also predominantly received in cash. For payment of salaries in the private sector, 88% of recipients received their salary via cash/check while only 12% received their salary through an account.

Payments Received (%)

| Base | | |  Through account |  Cash/Check |
|------|-------------------------------|----------------------|---|--|
| 50 | Government | Salaries | 25 | 75 |
| 50 | | Benefits | 44 | 56 |
| 63 | | Pension | 60 | 40 |
| 11* | | Loan Proceeds | 24 | 76 |
| 255 | Business/ Personal | Salaries | 12 | 88 |
| 82 | | Loan Proceeds | 3 | 97 |
| 1* | | Dividends | 0 | 0 |
| 170 | | Income from business | 0 | 100 |

Consideration for choosing channel of receiving payment

Convenience is the most cited reason by both those who prefer to receive payments in cash (78%) and through an account (82%). Interestingly, 25% of those who receive payments in cash said that they had no choice, higher than the 15% of those who receive it through account.

Considerations in receiving payments (%)

| | n=107 | n=467 |
|--|-----------------|------------|
| | Through account | Cash/Check |
|  Convenient | 82 | 78 |
|  Money is secured | 38 | 25 |
|  Reliable | 15 | 15 |
|  I have no choice | 15 | 25 |
|  Affordable fees | 6 | 9 |

Frequency of payments received from government (G2P)/businesses (B2P) and average amount received

When it comes to payments received, the most common types are salaries which are given once a month for those receiving government payments, and 2-4 times a month for those receiving payments from private sources. The same is true for income from businesses which are received 2-3 times a month on average. Meanwhile, salaries received from the government average Php11,600 per month, while salaries received from private sources average Php9,500 per month. Income from businesses also have significant value, averaging Php10,500 per month.

Payments Received (%)

| | | |  Average Frequency |  Average Monthly Receipt |
|------|-------------------------------|----------------------|---|---|
| Base | | | | |
| 50 | Government | Salaries | Once a month | 11,600 |
| 50 | | Benefits | Every 2 months | 2,800 |
| 63 | | Pension | Once a month | 4,000 |
| 11* | | Loan Proceeds | * | * |
| 255 | Business/ Personal | Salaries | 2 to 4 times a month | 9,500 |
| 82 | | Loan Proceeds | Every 2 to 3 months | 6,800 |
| 1* | | Dividends | * | * |
| 170 | | Income from business | 2-3 times a month | 10,500 |

Ways to improve manner of receiving payment

Similar to ways of improving the manner of making payments, improvement via faster service/line-up is the most preferred at 79%, followed by having an all-in-one access card at 38% and availability of electronic/online payment at 13%. The demand for faster service is significantly higher among those residing in Mindanao area and population aged 60 years old and above, while having an all-in-one access card is significantly high among the middle-class and those residing in urban areas. At the same time, the demand for improvement thru availability of electronic and online payment is significantly higher among the middle class.

Payment Improvements - Receiving (%)



7. Financial Access Points

Access points refer to institutions or places where a person can obtain financial products and services and perform financial transactions. Despite the increasing access to formal financial products and services, the 2019 survey showed that lack of knowledge and perception, rather than lack of resources or accessibility, are the main drivers for not transacting with financial access points.

Awareness of access points

Based on the 2019 results, most Filipinos are aware of at least one access point. Filipino adults remain most aware of ATMs (90%), pawnshops (82%), and banks (77%). On the other hand, awareness level is low for e-money agents (36%), insurance agents (27%), and non-stock savings and loan associations or NSSLAs (12%), similar to the 2017 results.

Awareness of various access points is also generally higher in Metro Manila. However, in South Luzon, there is significantly higher awareness of remittance agents, while in Visayas and Mindanao, there is significantly higher awareness of cooperatives.

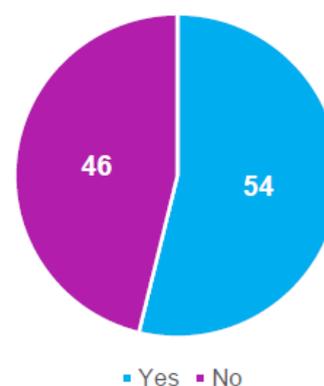
Overall, there is a significant increase in the awareness of various access points in 2019 as compared to 2017.

Accessibility of access points

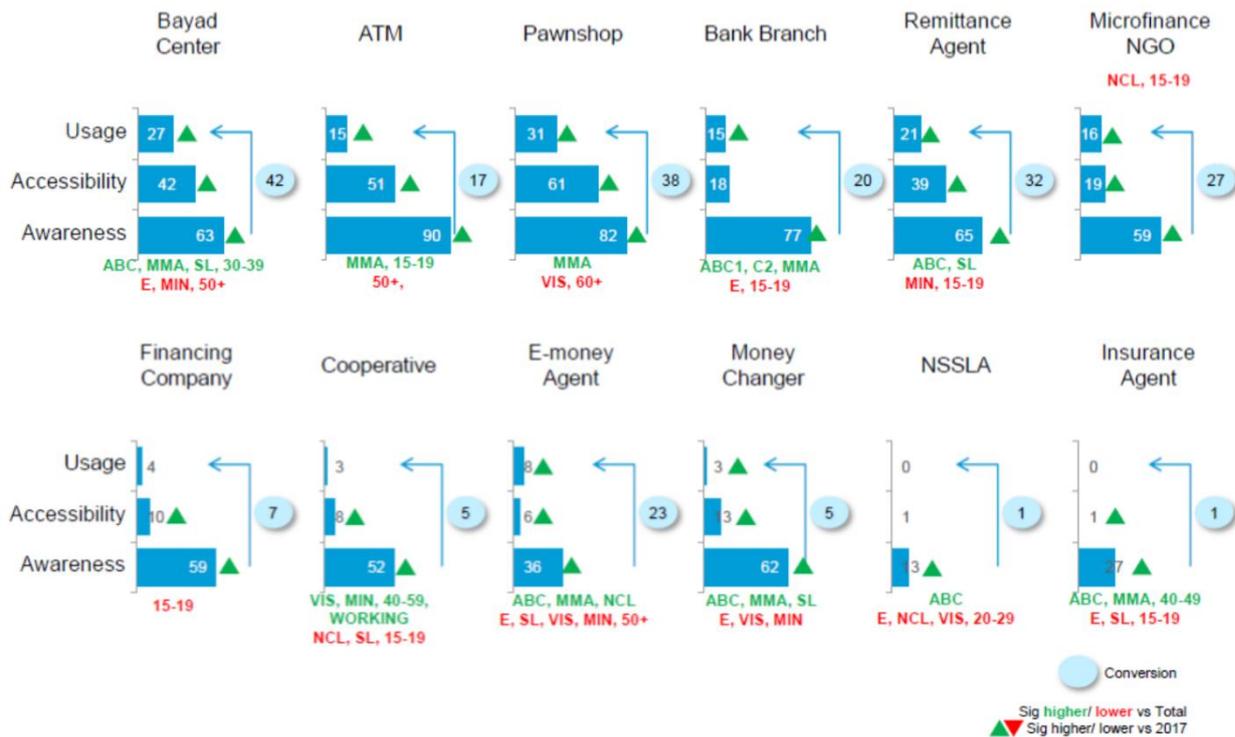
Pawnshops (61%), ATMs (51%), and bayad centers (42%) remain as the most accessible to those who are aware of access points. Additionally, most of the access points are significantly more accessible to Filipino adults based on the 2019 results as compared to 2017.

Awareness and accessibility of cash agents

A little over half of Filipino adults said that they are aware of bank cash agents. This type of agents are retail outlets (e.g., convenience stores, pharmacies, pawnshops) where one can avail banking services (e.g., apply for a bank account, cash deposit and withdrawal, fund transfer, bills payment). However, of those who are aware of cash agents, only 1% said that they have access to them.



Awareness, Accessibility and Usage of Access Points (%)



Transaction with access points

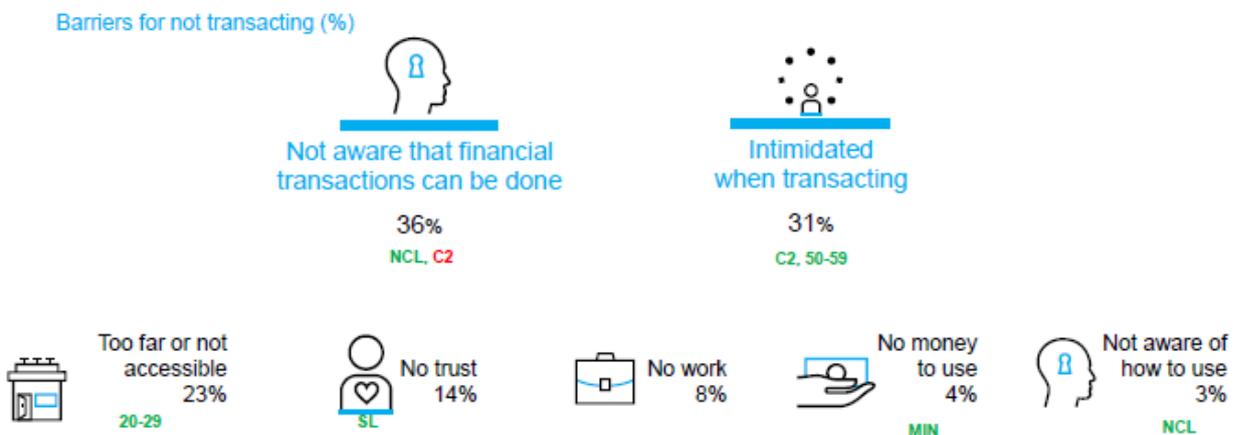
A similar trend is observed in terms of usage of these access points. The percentage of Filipino adults who have transacted in access points increased compared to 2017 results. Pawnshops (31%), bayad centers (27%), and remittance agents (21%) continue to be the usual access points where adults transact. Conversely, these three access points also have the highest utilization rates at 38%, 42%, and 32%, respectively. The utilization rate represents the percent in which those who are aware of access points have tried to use said access points.

It is interesting to look at the demographics of those who transact at bayad centers and pawnshops which are the top two access points with highest utilization rate. Bayad centers are the most common access point that respondents from Luzon, including Metro Manila, transact with, as well as Filipino adults aged 15-19, 40-49, and 60 and above. On the other hand, pawnshops are typical to those residing in Visayas and Mindanao and adults aged 20-39 and 50-59.

Reasons for not transacting with any access points

The top reasons cited by those who have access to access points but did not conduct any transaction are lack of awareness that financial transactions can be performed at these points (36%), and intimidation when transacting in access points (31%).

Other reasons that prevent them from transacting in access points are the distance/inaccessibility of access points (23%), lack of trust (14%), unemployment (8%), lack of money (4%), and lack of knowledge in using access points (3%).

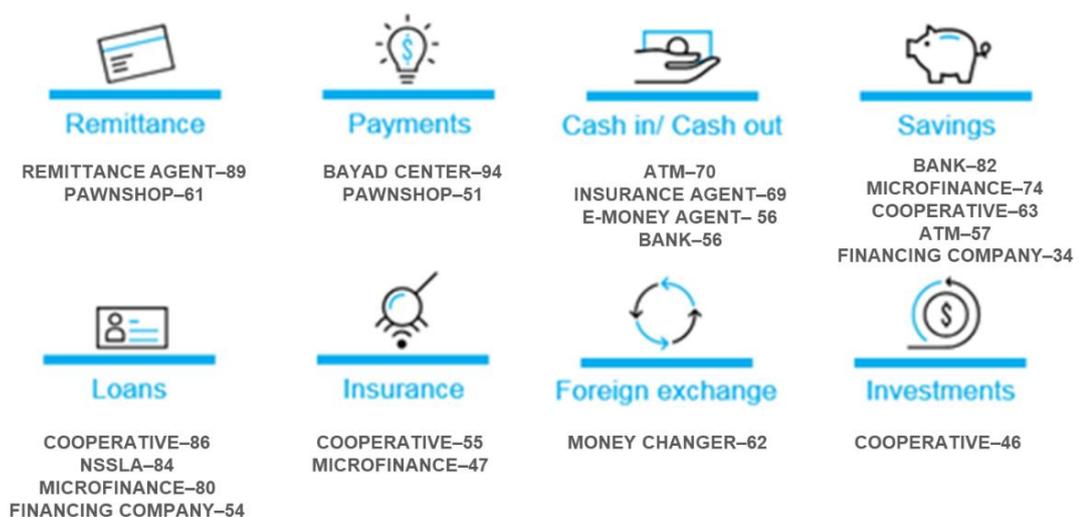


Awareness of financial products and services offered by access points

Adults who have transacted with access points have high level of awareness of the following financial products and services: 1) savings; 2) cash-in/cash-out or deposit/withdrawal; 3) loans; and 4) payments and remittance:

- Savings are closely associated with banks (82%), followed by microfinance NGOs (74%) and cooperatives (63%).
- Awareness of cash-in/cash-out services is highest in ATMs (70%), banks (51%) and e-money agents (56%).
- There is high level of awareness for loans offered by cooperatives (86%), NSSLAs (84%) and microfinance NGOs (80%).
- Nine in ten adults (94%) are aware of payment services of Bayad Centers, followed by pawnshops (51%). Pawnshops are more known for remittance (61%). Nearly 9 in 10 adults (89%) are aware of remittance services of remittance agents.

Financial Products Aware of

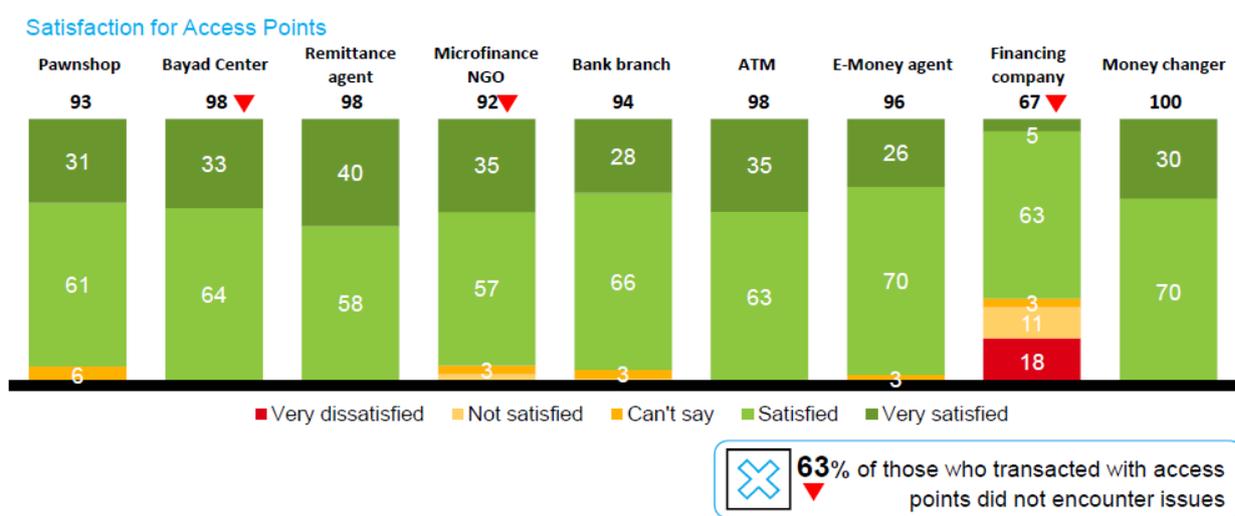


It is interesting to note that respondents are significantly aware of more products in microfinance NGOs and cooperatives compared to other access points like banks. Those who use these access points identified savings, loans and insurance as products being offered in microfinance NGOs and cooperatives, while only savings and cash in/cash out services are more significantly associated with banks.

Frequency of transaction with access points

The 2019 results also presented similarities with the 2017 survey wherein frequency of usage varies across access points, with the most frequent reported for insurance agents with more than 2-3 transactions a month,¹³ followed by microfinance NGOs with two to three transactions per month. Pawnshops and remittance agents, on the other hand, have the least frequency at every one to two months.

Satisfaction with transaction with access points



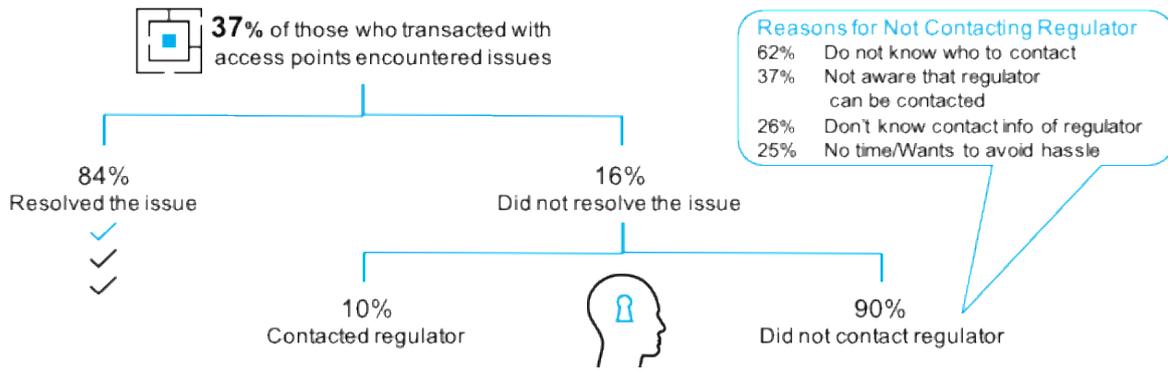
Satisfaction across most access points is generally high, posting a rating above 90%. Financing companies received the lowest satisfaction rating at 67%, with 18% of its users reported being very dissatisfied in their transactions.

Issues encountered with access points

Although only 37% of those who transacted with access points encountered issues in 2019, this significantly increased from the 6% reported in 2017. Also, there are more users of ATMs, banks, and remittance agents who reported encountering issues with these access points compared to other access points.

¹³ Figure for insurance agents has a low base.

Issues Encountered with Access Points



Furthermore, the most common issues encountered with access points noted by the respondents are long line/queue, long service time, and security of personal information, among others.

Resolution of issues

84% of those who encountered issues in their transactions said that their issues have been resolved, incidence of which is highest for users of cooperatives, ATMs, and banks. The least percentage share of resolutions, however, happened to users of money changers, bayad centers, and microfinance NGOs.

Incidence of contacting financial regulator on issues

Of the 16% whose issues were not resolved, only 10% contacted the relevant regulator (i.e., Bangko Sentral ng Pilipinas, Securities and Exchange Commission, Insurance Commission). Among access points, incidence of users contacting the regulator is highest for microfinance NGOs and financing companies, albeit, at lower rates. On the other hand, issues that were not resolved by users of bayad centers, remittance agents, and pawnshops were the least reported to regulators in 2019.

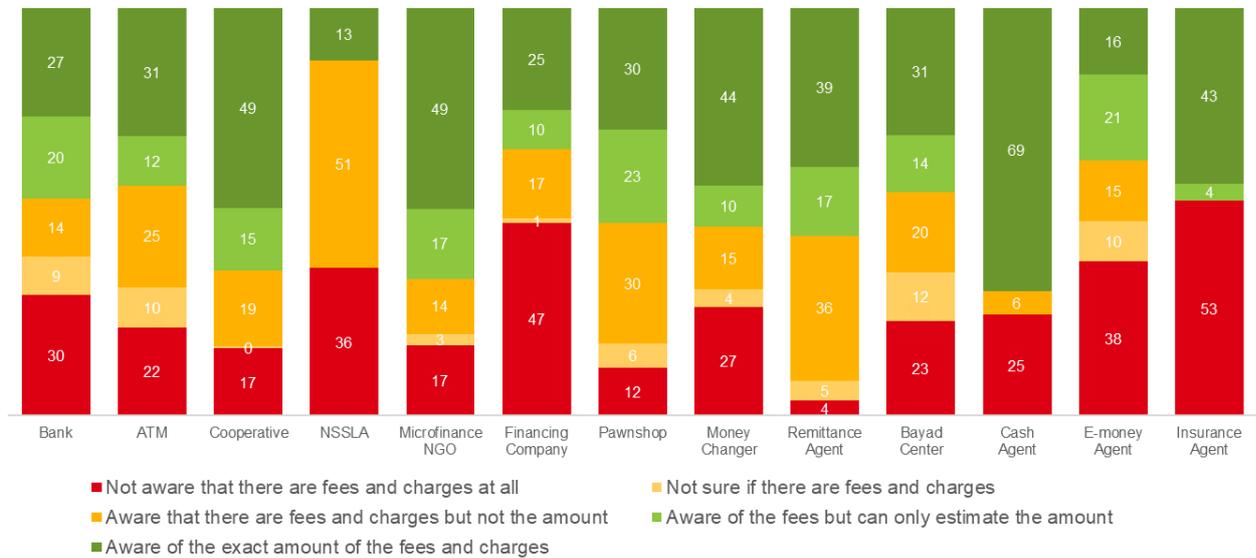
Reason for not contacting regulator on issues

The main reason of those who did not contact the regulator is lack of knowledge on who to contact (62%). Other reasons cited are lack of awareness that regulators can be contacted (37%), lack of knowledge on the regulator’s contact information (26%), and time constraints/perceived hassle of contacting the regulators.

Awareness of fees and charges

Among those who transact in access points, there is high awareness when it comes to fees and charges, particularly among users of remittance agents (91%) and pawnshops (82%).

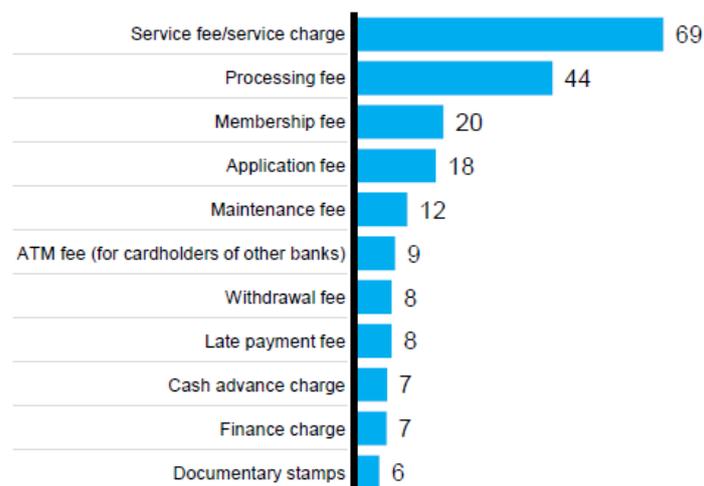
Despite this, there is still a significant increase among the respondents who are not aware of fees and charges at all compared to 2017.¹⁴



Understanding of fees and charges

69% of those who are aware of fees and charges in access points are familiar with service fee/charge, 44% with processing fees, and 20% with membership fees.

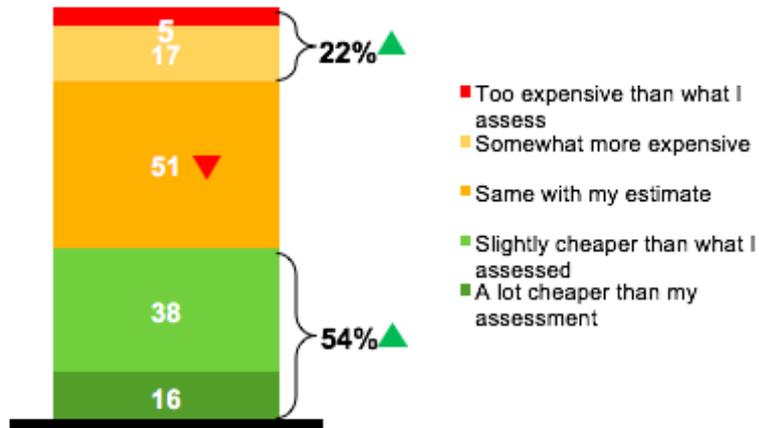
Awareness of service fees/charges is highest for those who transact in remittance agents (82%), followed by financing companies (74%) and bayad centers (70%). For processing fees, on the other hand, this is most common for users of NSSLAs (94%) and microfinance NGOs (59%).



¹⁴ While it may seem that those who transacted with cash agents are aware of the exact amount of fees and charges, it should be noted figure for cash agents has a low base.

Fees of access points

Fifty one percent (51%) of the respondents stated that the fees and charges in different access points are within their estimates, slightly lower than the 59% who said the same in 2017. Moreover, in 2019, 22% respondents said that the fees are more expensive than expected, twice higher than the 10% in 2017.¹⁵



¹⁵ Note that there are adults who transacted with several access points, thus the figures will not sum up to 100%.

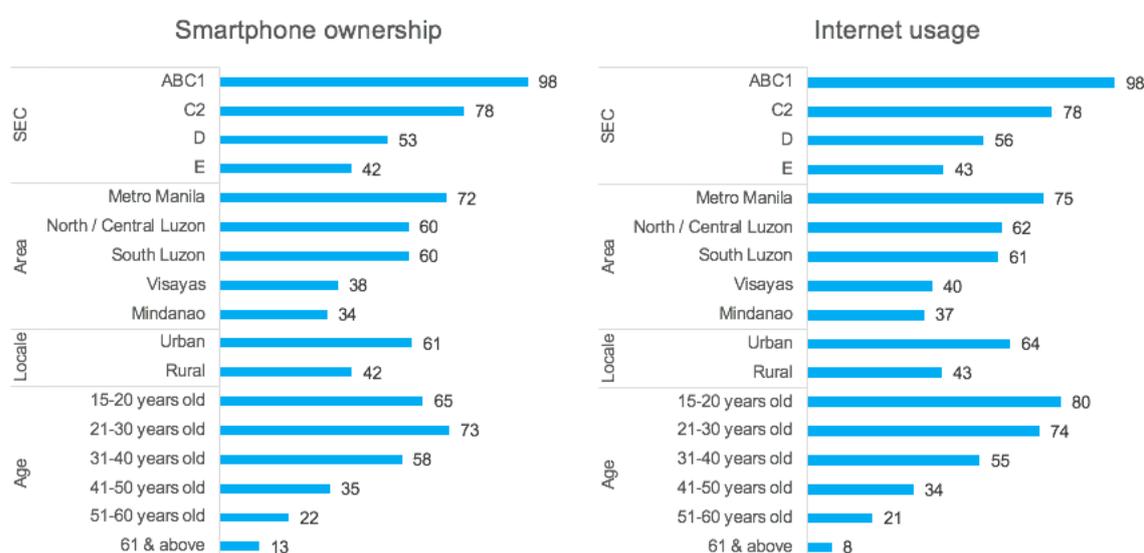
8. Digital Finance

Mobile phone ownership and access to the internet

Sixty-nine percent (69%) of the total adult population have mobile phones. Three-fourths (75%) of mobile phone owners own a smartphone. This is equivalent to 52% of total adult population with a smartphone, which is significantly higher than 38% in 2017.

In terms of internet usage, more than half (53%) of the adult population are using the internet. Most internet users (89%) are accessing the internet through mobile data. Other channels of internet usage include home subscription (11%), internet shop (5%), and public WIFI (5%). Among these channels, only home subscription and public WIFI have recorded a notable decline from the 2017 levels.

Gaps in smartphone ownership and internet access can be seen in terms of locality, geography, income, and age. In urban areas, 6 in 10 adults are smartphone owners and internet users compared to 4 in 10 in rural areas. While 7 in 10 adults in Metro Manila have a smartphone and use the internet, this figure dropped as we go farther from the capital (Balance Luzon – 6 in 10, Visayas – 4 in 10, Mindanao – 3 in 10). In terms of income, 8 in 10 adults in socio-economic class ABC own a smartphone and are using the internet which is twice higher than class E (4 in 10 adults). Smartphone ownership and internet usage decrease with age, with higher adoption among young adults and lower uptake among older segments.

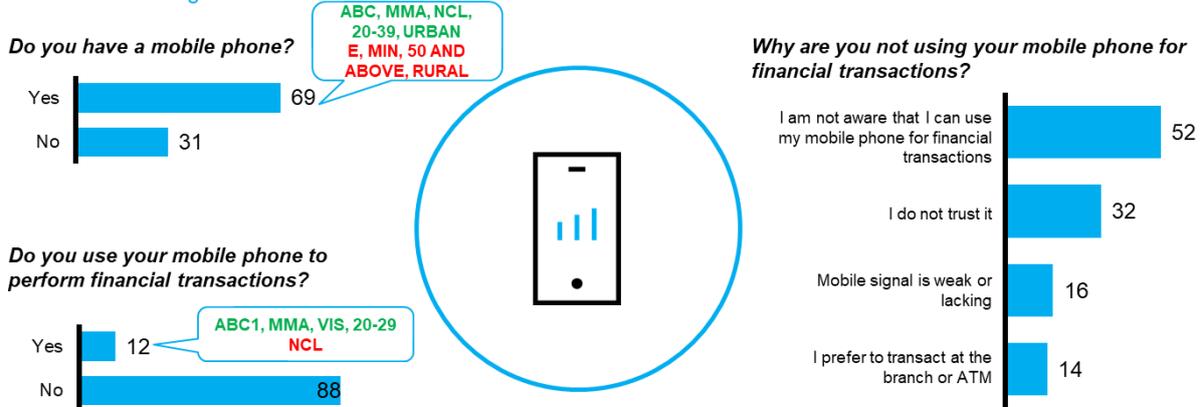


Mobile phone use for financial transactions

Only 12% of mobile phone owners, especially those in the upper class, in Metro Manila and Visayas, and the younger segment, use their mobile phones to perform financial transactions. For the remaining 88% who are not using their mobile phones for financial transactions, the

primary reason cited is still lack of awareness (52%), followed by lack of trust (32%), weak or lacking mobile signal (16%), and preference for branch or ATM transactions (14%).

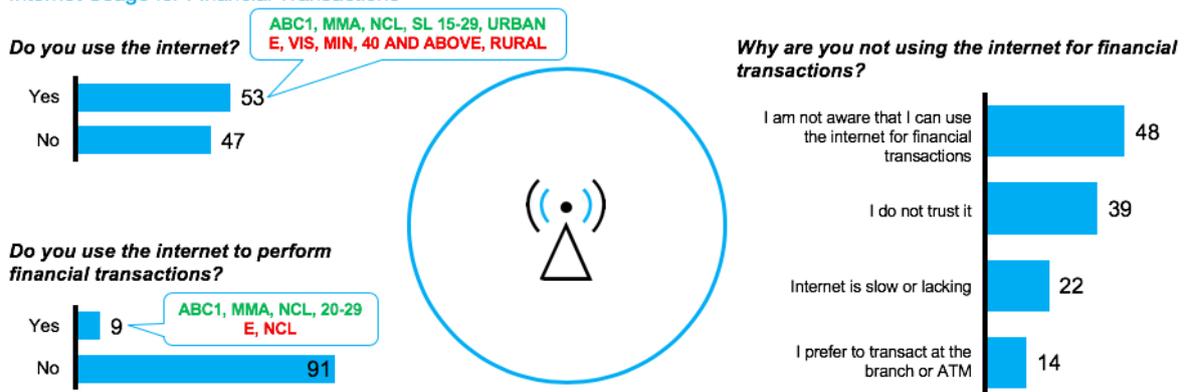
Mobile Phone Usage for Financial Transactions



Internet use for financial transactions

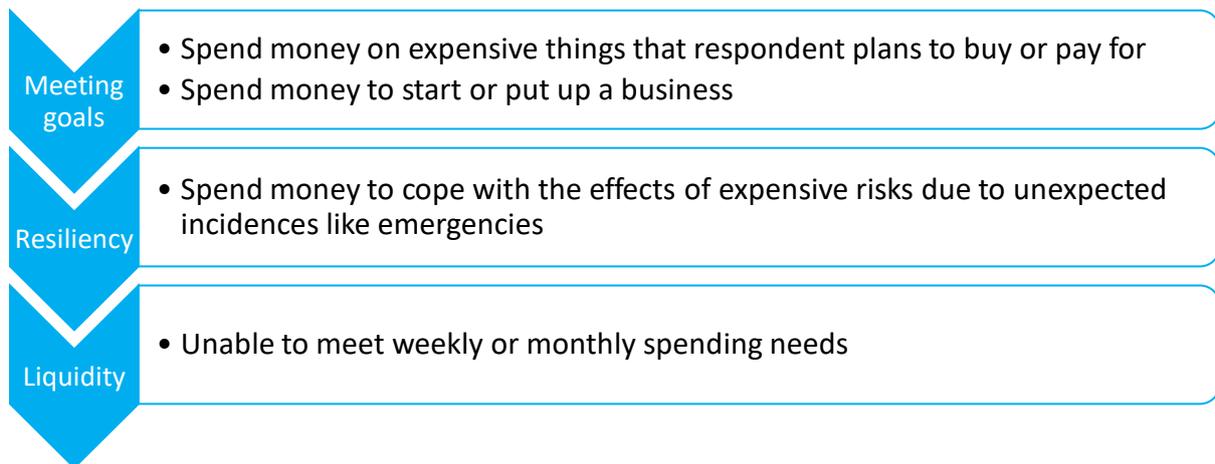
Only 9% of internet users are using the internet for financial transactions. Almost half (48%) of those who are not using the internet for financial transactions cited lack of awareness as the primary reason. Over a third of adults (39%) mentioned a lack of trust in online transactions, while nearly a fourth (22%) reported a weak or lacking signal. Meanwhile, only 14% of respondents said that they still prefer to transact at the branch or through ATM.

Internet Usage for Financial Transactions



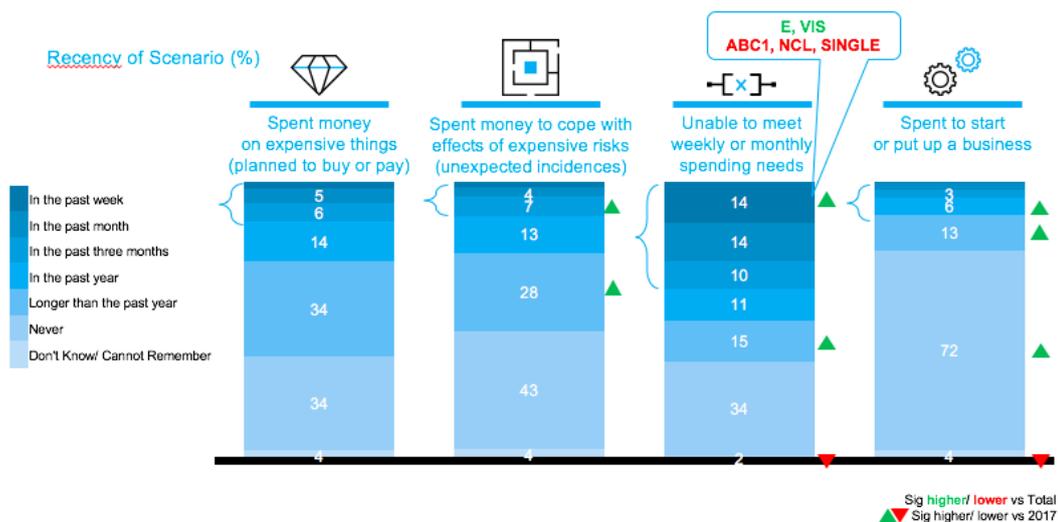
9. Financial Needs

Consumers choose financial products and services based on their needs which can be grouped into four (4) main categories: meeting goals, resiliency, liquidity, and transfer of value.¹⁶ The need for transfer of value has been extensively discussed in the section on payments and remittances. This section covers the following scenarios:



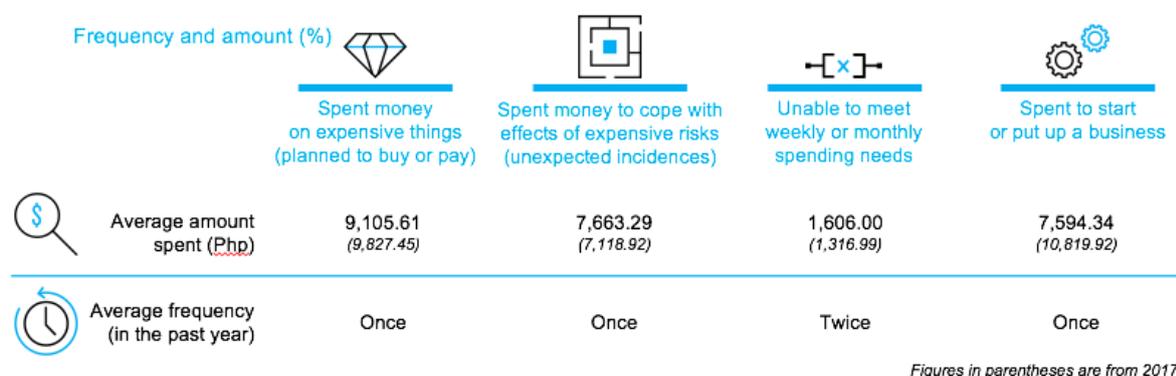
Recently experienced scenarios

Almost half of adults (49%) recently experienced a liquidity problem in terms of being unable to meet regular spending needs in the past week up to the past year, an increase from 44% in 2017. The need to meet a goal and cope with emergencies were experienced recently by 28% and 25% of adults, respectively. These two scenarios were experienced by 21% of adults in 2017. While only 12% had a recent need to spend money for starting a business, this is an increase from 8% in 2017.



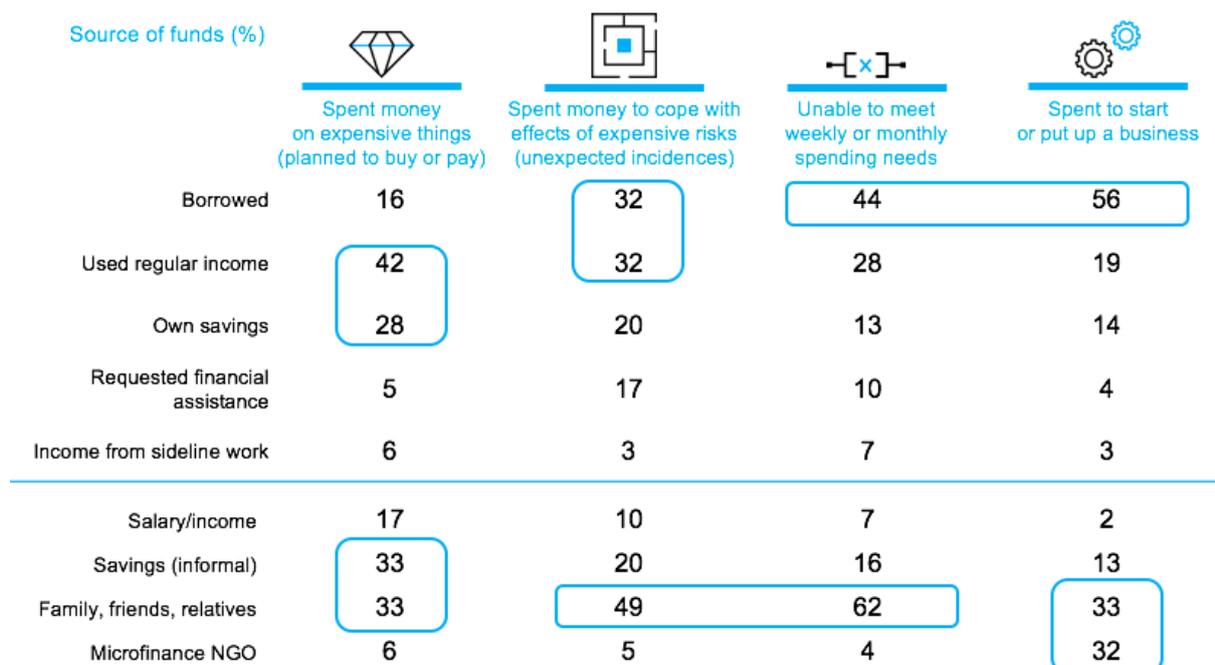
¹⁶ The needs-based approach is a measurement model developed by insight2impact (i2i), a resource center jointly hosted by Cenfri and FinMark Trust in South Africa which aims to catalyze the use of data to enable evidence-based policies and regulatory approaches as well as client-centric product design in the pursuit of sustainable financial inclusion.

Being unable to meet regular spending needs was also the most frequently experienced scenario. Average cost to meet this need is P1,606 which is an increase from P1,317 in 2017. Average amount spent was highest in buying something expensive and starting a business, although the cost of meeting these goals decreased from 2017 to 2019. The average amount needed to deal with unexpected shocks increased by more than P500 to P7,663 in 2019.



Financial tools used to cope with the scenario

Majority of Filipino adults used their regular income (42%) and savings (28%) to meet their goals such as spending on something expensive. For other needs pertaining to resiliency and liquidity, most of them resorted to borrowing: 32% borrowed money to cope with a risk scenario while 44% borrowed money to meet liquidity needs. More than half (56%) also borrowed money to put up a business. Source of money is mainly informal, except in starting a business where microfinance NGO is one of the main sources.



10. Financial Literacy

Financial literacy is the knowledge and understanding of available financial products and services and the ability to use them to manage one's financial resources. It is important to note that financial knowledge contributes to consumers' capability in planning and decision-making skills to be financially healthy. This understanding is not limited to the availability of financial products but also the awareness of financial concepts that affect services.

To evaluate the respondents' knowledge on financial concepts like inflation and interest, three (3) questions were added to the 2019 Financial Inclusion Survey.¹⁷

Question: Suppose you have P1000. Assuming that the rate of increase in prices is 10% this year and there is no change in your income, which of the following statements is true about the things you can buy with P1000?

- 1- I can buy more goods today than last year
- 2- I can buy the same amount of goods as last year.
- 3- I can buy less goods today than last year.
- 4- It depends on the types of things that I want to buy.
- 5- I do not know.

Question: You put P100 in a savings account with guaranteed annual interest rate of 2%. How much would be in your account at the end of one year?

- 1- P102
- 2- P110
- 3- P120
- 4- I do not know.

Question: After 5 years, your account will have...

- 1- More than P110
- 2- Exactly P110
- 3- Less than P120
- 4- Impossible to tell from the information given
- 5- I do not know.

Knowledge on inflation and interest

Based on the 2019 result, there is a higher percentage of Filipino adults that are aware on the effects of inflation (55%). Older survey participants scored higher (those between 20 to 40 years old) than the younger ones (15-19 years old). Surprisingly, respondents from rural locales tend to answer the questions correctly rather than those from urban areas. Thirty-three percent (33%) of adults thought that inflation is based on consumers' choice on goods to purchase rather than the increase in prices and services.

¹⁷ There is no available data on financial literacy in the 2017 financial inclusion survey. This is the first time financial education was included in the FIS.

The survey also shows that a third of the respondents gave the correct answer on interest-related questions, but the other third answered that they do not know as how their savings grow. This is a worrisome result since two thirds of the adult respondents have little to no idea of computing annual interest rate. It could be noted that findings are affected by educational attainment in demographics. Those who finished primary education have the highest percentage of giving the incorrect or uncertain answer to Questions 2 and 3. Majority of the respondents from Metro Manila (MMA) gave the correct answers on both annual interest questions while those from North-Central Luzon (NCL) were the highest in answering they don't know.

Knowledge on Inflation

Suppose you have P1000. Assuming that the rate of increase in prices is 10% this year and there is no change in your income, which of the following statements is true about the things you can buy with P1000?

| | |
|--|--|
| I can buy more goods today than last year | 3% |
| I can buy the same amount of goods as last year. | 9% |
| <input checked="" type="checkbox"/> I can buy less goods today than last year. | 55% 20-29 15-19 |
| It depends on the types of things that I want to buy. | 33% |
| I do not know. | 1% |

Knowledge on Interest Rate

You put P100 in a savings account with guaranteed annual interest rate of 2%. How much would be in your account at the end of one year?

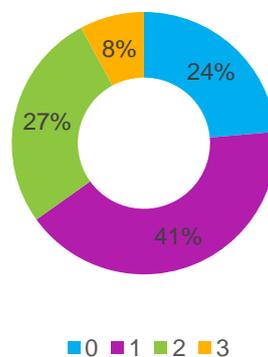
| | | |
|--|-----|--|
| <input checked="" type="checkbox"/> P102 | 32% | ABC, MMA, MIN, 30-39 VIS, 40-49 |
| P110 | 15% | |
| P120 | 22% | |
| I do not know. | 32% | ABC1, NCL, 15-19, 60+ |

After 5 years, your account will have...

| | | |
|--|-----|--|
| <input checked="" type="checkbox"/> More than P110 | 33% | ABC, MMA |
| Exactly P110 | 19% | |
| Less than P110 | 7% | |
| Impossible to tell from the information given | 8% | MMA, URBAN SL, MIN, RURAL |
| I do not know. | 33% | |

The results of the survey questions suggest that while Filipino adults may be aware of the effects of inflation, they still have a poor grasp on how interest works on savings and the effect of compounding interest. Out of three (3) financial literacy questions, the biggest percentage of adults (41%) got one correct answer only. Very few (8%) got all three questions correctly, while almost one-fourth (24%) obtained a zero score.

Number of correct answers



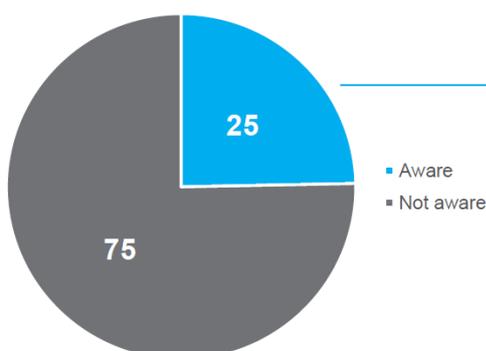
11. Perception of BSP's Financial Inclusion Initiatives

The BSP conducts activities aimed at increasing the financial literacy of various targeted audiences. The overall vision is to build an inclusive financial system where there is effective access to a wide range of appropriate financial products and services. The BSP believes that promoting financial education and consumer protection is a shared responsibility among financial institutions, the BSP, and the financial consumers.

To look into how Filipino adults are aware of these programs, two questions were included in the Financial Inclusion survey to see respondents' awareness and perception on the BSP's financial inclusion initiatives.

In the recent report, only 1 in 4 Filipino adults (25%) know any of the initiatives launched by the BSP regarding financial inclusion, majority of whom come from the ABC class with the highest numbers coming from Metro Manila (MMA) and Mindanao (MIN) areas. Majority of respondents (91%) who are aware of BSP's financial inclusion initiatives indicated that the central bank's programs and policies on financial inclusion help Filipinos to have increased access to financial services.

Awareness of BSP's Programs and Policies



Perception of BSP's Financial Inclusion Initiatives

How much do you agree with this statement: BSP's programs and policies help Filipinos to have increased access to financial services such as savings, loans, payments and remittance?

| | | |
|----------------------------|-----|-------|
| Completely Agree | 35% | } 91% |
| Agree | 56% | |
| Neither agree nor disagree | 6% | |
| Disagree | 2% | |
| Completely disagree | 0% | |

Concluding Notes

Gaps in account ownership and use of financial services are driven by income factors more than locality and geography. People who are in higher socio-economic class, employed, and receiving remittance from abroad are at least twice as likely to be financial included. The poorest segment, class E, always lags behind in usage of financial services except for loans which are mostly informal. Metro Manila is not better off than other regions in terms of account, credit, and insurance. The urban-rural gap is not always evident, with rural areas even outperforming urban areas in uptake of all financial services except investment. Aside from income, gender may be another possible determinant of gaps in usage of financial services, with the gender gap favoring women being manifested across all financial products except investment.

Considering the importance of microfinance institutions (MFIs), measures should be in place to support them in the post-COVID period. MFIs play a significant role in delivering a range of services in rural areas and low-income segments. The pandemic has affected MFIs especially in terms of liquidity to continue lending to their target market. Measures should be in place to address potential liquidity concerns of MFIs post-quarantine period. The crisis also underscored the need for MFIs to revisit their ‘high-touch’ model and explore opportunities for digital transformation considering their heavy reliance on face-to-face transactions. Assistance in the form of funding or matching grants may help MFIs to use digital platforms and adopt electronic payments for various operations such as disbursements and collections.

Improving digital connectivity is key to digital financial inclusion. Digital connectivity is crucial to realize the potential of digital financial services. Poor internet connection and infrastructure, if left unaddressed, will continue to hinder advances in digital finance. While locality and geography do not seem to be a major barrier to usage of financial services, they do create a digital divide in terms of smartphone ownership and access to the internet. Income is another contributor to the digital divide. Rural areas, regions outside Metro Manila and those who belong to lower socio-economic class are at a disadvantage. Making fast internet connection affordable and widely available is a crucial enabler for digital financial services to flourish, along with the Philippine ID System (PhilSys).

Financial education, digital literacy, and consumer protection are vital to address the behavioral dimension of financial inclusion. Lack of awareness figures prominently in reasons for not using financial services. Financial education programs should be able to improve understanding not only of the importance of saving formally and having an account but also knowing what type of account is appropriate for one’s needs (BDA, e-money) and where to access these products (cash agents, mobile phone). Uptake of other financial instruments such as insurance and investment also leave much to be desired. Ownership of these products is highly tied to employment, with segments such as non-working and young adults having the lowest levels of adoption. Part of financial literacy is teaching the importance of investment for asset accumulation and insurance for protection against unexpected shocks as highlighted by the pandemic.

Financial education will also help increase awareness of the BSP's policies and initiatives on financial inclusion, including BDA and cash agents. The BSP should continue promoting BDA and cash agents in its information dissemination platforms. In this way, the public will have a better appreciation not only of these financial products and services but also of the BSP's initiatives to bring the financial system closer to the people.

While 7 in 10 unbanked adults have a mobile phone, lack of awareness and trust are the main barriers to usage of mobile phone and the internet for financial transactions. Even for those with account, low adoption of digital channels is due to lack of awareness and trust. Promoting digital literacy and cyber hygiene and ensuring effective redress mechanism and consumer protection will deepen the public's trust in digital financial services. The launch of the BSP chatbot (BSP Online Buddy or BOB) for automated complaints handling will provide the public a more accessible and efficient means to engage the BSP on financial consumer concerns.

Affordable and convenient digital payments for any transaction can help address perceived lack of need for an account. While the unbanked do not typically see the need for an account, most of them (over 80%) have various payment transactions. They receive benefits from the government and wages from employers; they pay government fees, loan amortizations, utilities and bills. These are transactions that can be conveniently made through digital payments. Yet, survey showed these transactions are typically made in cash. If salaries and government benefits can be shifted to digital payments, the unbanked will be compelled to open an account. If payment of bills and payment to market vendors can be affordably and conveniently made through digital payments, the unbanked will appreciate the value of owning an account – the key requirement for digital payment – beyond saving. Aside from payments, remittance is another low hanging fruit. The number of senders and receivers of money exceed those with an account, suggesting untapped client base for transaction accounts and digital payments.

The COVID-19 pandemic has demonstrated the necessity and benefit of digital payments, creating opportunities to accelerate broad-based adoption. Since government disbursements in cash are unexpectedly high, government can lead the digitalization efforts. For instance, more than half (56%) of recipients of government benefits received the funds via cash or check. Other compelling use cases include salary disbursement and retail payments. For wage payment, 60% of working adults do not have an account. In terms of retail payments, the use of online banking for fund transfers (PESONet and InstaPay) and QR code for day-to-day payments such as transportation have been gaining traction as an alternative to cash because of the imposed movement restrictions and the public's aversion to face-to-face transactions for health reasons.

The BSP will therefore continue to intensify coordination with other government agencies such as the Department of Social Welfare and Development (DSWD), Labor and Employment (DOLE), and Transportation (DOTr) as well as the private sector (banks and fintechs) to promote widespread adoption of accounts and digital payments.

About CLIA

CLIA designs, coordinates and implements the BSP's policies and initiatives on financial inclusion, financial education and consumer protection. It supports the BSP's strategic objective to establish an inclusive financial system wherein there is informed and effective use, by all Filipinos, of accessible, available and suitable financial services delivered by responsible financial institutions.



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