

[illegible]

Is the Philippine financial system inclusive? What is the role of the BSP in financial inclusion?

The Philippines is considered a thought leader in financial inclusion, in light of the many initiatives and gains in microfinance and more recently in mobile financial services.

Financial inclusion is a state wherein there is effective access to a wide range of financial services for all.

Effective access does not only mean that there are financial products and services that are available. These products and services must be appropriately designed, of good quality and relevant to benefit the person accessing the said service.

Wide range of financial services refers to a full set of basic services for different market segments, particularly those that are traditionally unserved/underserved.

Financial products and services

Savings

- Microdeposit
- Special purpose
 - Youth
 - Education
 - Retirement
 - Overseas Filipinos

Credit

- Microenterprise
- Micro-agri
- Housing microfinance
- Personal/consumer

Payments

- Remittances
- Government payments
- Conditional cash transfers (CCT) and other government pay-outs
- ATM/debit card
- Electronic payments

Insurance

- Microinsurance
- Life
- Health
- Property
- Agriculture

Importance of financial inclusion

Access to financial services is important for every household and business. Some evidence indicate that access to basic financial services such as savings, payments and credit make a positive difference in people's lives. Financial inclusion therefore carries the potential of improving the well-being of the poor and the growth of micro, small and medium enterprises. In addition, a growing body of literature suggests that greater financial inclusion contributes to financial stability and economic development and is critical for achieving inclusive growth.

An inclusive financial system is not only pro-growth but also pro-poor, which along with other interventions, reduces income inequality and poverty. Financial exclusion, on the other hand, leaves the disadvantaged and low income segments of society with no choice other than informal options, making them vulnerable to financial distress, debt and poverty.



Notes:

1. The definition of financial inclusion is based on several internationally accepted definitions set forth by entities such as the World Bank, the Consultative Group to Assist the Poor (CGAP) and the Asian Development Bank (ADB).
2. Sources on the importance of financial inclusion include CGAP, World Bank and papers of Dupas and Robinson (2009) and Beck, Demirgüç - Kunt and Honohan (2008, 2009).
3. Photos are taken from the Rural Bankers Association of the Philippines - Microenterprise Access to Banking Services (RBAP-MABS) website.

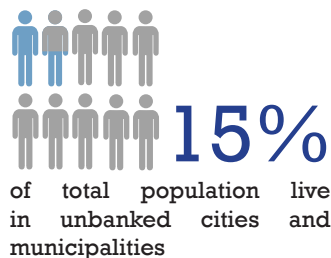
Measuring financial inclusion

Robust, objective and reliable data can provide meaningful insights on the state of financial inclusion that can be used to identify gaps, establish priorities and craft evidence-based policies. There are four lenses through which financial inclusion can be measured:

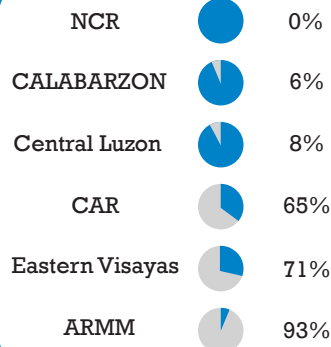


Access to finance scenario

Access to financial services remains an important challenge especially in an archipelago comprising 7,107 islands with a population of more than 92 million people. While there is a sustained increase in the number of banks and ATMs, the distribution is highly skewed towards highly populous and urbanized areas.



% of unbanked cities and municipalities



with at least one banking office
 unbanked

archipelagic barriers pose a big challenge to financial access

For every **10,000** adults

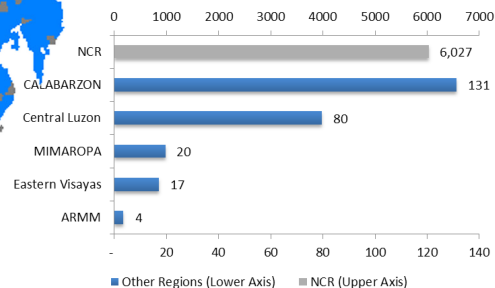


1 Bank



2 ATMs

Number of banks
per 1,000 sq. km habitable area



Notes: Population count based from 2010 NSO data
All figures are as of end-June 2012 (BSP)

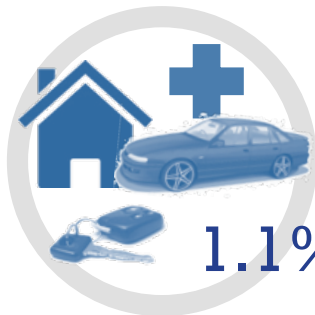
Usage of financial services

The 2009 Consumer Finance Survey (CFS) suggests that only 2 out of 10 Filipino households have a deposit account in a formal financial institution. Data from the World Bank 2011 Findex indicate that only 10.5% of Filipino adults had a loan from a formal financial institution in the past year. These gaps present both a challenge and opportunity to ensure that access translates into effective usage of available products and services.

2 out of 10

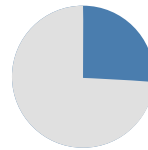


Filipino households have
a deposit account



1.1%

share of insurance premiums to GDP



26.6%

of adults have
a deposit account



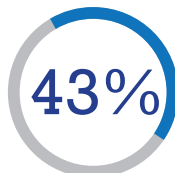
10.5%

of adults had a loan
in a formal financial
institution in the past
year



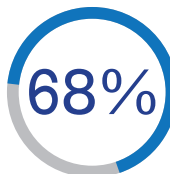
55%

of adults are users of
money transfer and
loan and bill payment
service providers



43%

of the total number
of deposit accounts



68%

of the total amount
of deposits

are concentrated in NCR

Opportunities

Developments in technology, regulations in electronic money and innovations brought by new business models transform the delivery of financial services from the traditional brick and mortar infrastructure to a system supplemented by authorized alternative financial service providers (FSPs), new players like telecommunication companies and innovative delivery channels.



Alternative FSPs such as remittance agents, money changers/foreign exchange dealers and pawnshops that are increasingly being used as remittance channels may help increase access to financial services of underserved and unserved municipalities in the Philippines. The poor (those under Class D and E) are already using these alternative FSPs for money transfers and remote bills and loans payments.



Considering that mobile phone users outnumber those with bank accounts, mobile banking and electronic money (e-money) also present a significant opportunity to access financial services.

26,000+
alternative FSPs

95%
among users of alternative
FSPs are considered poor

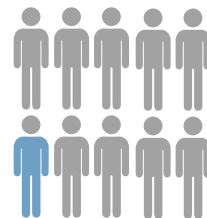
  **87.4%**

mobile phone penetration in the
Philippines

Because of alternative FSPs, only...

 **23%**
of the 1,634 cities and
municipalities remain unserved

8%
of total population live
in unserved cities and
municipalities



 **150 Million+**
Php535 Billion+
number and amount of
e-money transactions in 2011

With an enabling policy environment together with technology-driven innovations, alternative FSPs and delivery channels can become effective ways to access and use different financial products and services.

Note: Usage data are gathered from the Philippine Deposit Insurance Corporation (PDIC), Insurance Commission (IC) and demand study on domestic payments in the Philippines conducted by Bankable Frontier Associates (BFA). Figure on mobile phone penetration is obtained from Mobile Southeast Asia Report 2012.

BSP and its role in financial inclusion

The BSP recognizes financial inclusion as a worthy policy objective that can be pursued alongside the promotion of stability and efficiency in the financial system. To ensure a coordinated BSP-wide focus in pursuing programs supportive of financial inclusion, a high-level Inclusive Finance Steering Committee, headed by the BSP Governor, was constituted in 2012.

The BSP pursues the development of an inclusive financial system by looking at a holistic approach based on four key areas:

Regulation and Supervision

The BSP maintains a proactive stance in ensuring a policy environment conducive to financial inclusion. The enabling regulatory environment has led to the development of a dynamic microfinance industry within the banking system and the establishment of governing policies and framework for electronic money (e-money) and mobile banking.

Advocacy

Advocacy efforts to promote financial inclusion foster local and international linkages to increase access to finance and promote use of financial services by different market segments. The BSP is deeply involved in various projects and activities in partnerships with other public and private sector stakeholders.

Financial Education and Consumer Protection

Financial education is important to make the public capable of managing their finances and understanding their rights as consumers of financial products and services. The BSP implements a multi-dimensional Economic and Financial Learning Program (EFLP) that involves information campaigns and consumer education programs to increase awareness and financial literacy of the targeted audiences.

Data and Measurement

There is a need to collect inclusion-relevant information to better assess the levels and trends of financial inclusion in the country. The BSP is stepping up efforts in developing a comprehensive financial inclusion data framework to monitor progress and inform evidence-based policy making.

About IFAS

In 2007, the BSP was the first central bank in the world to establish an office dedicated to financial inclusion when it created the Inclusive Finance Advocacy Staff.

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



BANGKO SENTRAL NG PILIPINAS

For inquiries, please contact:

Inclusive Finance Advocacy Staff (IFAS)

10th Floor, Multi-Storey Building,

BSP Complex,

P. Ocampo St. cor. A. Mabini St., Malate,

Manila 1004, Philippines

t +632-7087482

f +632-7087481