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Saving is the discipline of regularly setting aside a portion of one's income for future use, to achieve financial goals, or manage emergencies. Higher household savings, when deposited in the formal financial system, often lead to higher economic growth as savings are channeled to other productive uses.

What is Savings?

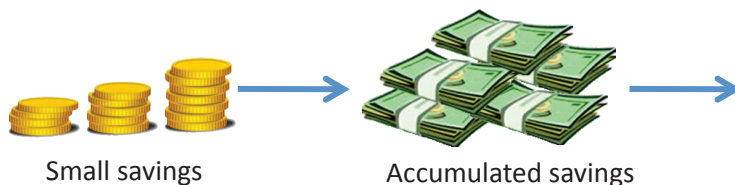


Aling Rosa sells home-made delicacies, the ingredients of which she buys using her husband's income. Although the business is very small, Aling Rosa plans to expand it, one step at a time. Every week she sets aside a portion of her income in her bank account, which she intends to use to grow the business.

After a year, Aling Rosa and her husband have enough money to buy more ingredients and supplies for cooking. They are able to significantly increase their daily production of delicacies. As their income increases, they are also able to save more money and plan bigger investments for their business.

In what other instances can your savings be used?

Savings is the money that people set aside for future use to achieve financial goals or manage emergencies.



Health



Business



Education



Housing

Future uses

The Rule of Savings

☒ Income – Savings = Expenses

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Our incomes are spent almost immediately on basic necessities such as food, water, clothing, and other daily expenses. Accumulating savings is hard work but should be considered a fundamental part of money management. Savings should be prioritized and regularly practiced. Expenses or consumption can be reduced to generate more savings.

***The Filipino culture gives importance to savings, as evident in the local proverb
“Kapag may isinuksok, may madudukot.”***

Savings Mechanisms

Savings is sometimes considered as accumulated cash, excess money, or bank deposits with balances that are held for long periods of time. However, there is a wide variety of savings mechanisms which suit different needs and preferences.

COIN BANKS



Keeping money at home is a traditional method of saving. Low income families often lack access to formal financial services and resort to storing their savings in coin banks at home.

PHYSICAL ASSETS



Some people choose to save by buying assets, usually property that can be converted into cash. Examples of assets include land, livestock, machinery, and jewelry.

BANKS



Savings accounts in banks enable people to deposit money for safekeeping while earning interest at the same time. Some banks facilitate savings transactions through technological innovation like electronic money wallets (e-money) or mobile financial services.

Advantages of Saving in a Bank



Earns interest



Money is safeguarded



Money can be withdrawn quickly



Deposit is insured



Opens up access to other financial services like credit



Did you know that...

The Philippine Deposit Insurance Corporation (PDIC) was created in 1963 by virtue of Republic Act No. 3591 to insure deposits of the general public in all banks. Should a bank close, a depositor can get his money back, amounting up to **PhP500,000** (maximum deposit insurance coverage).



Savings Landscape in the Philippines

1 out of 4



Filipino households with some form of savings



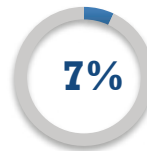
of income goes to savings



where most low income groups keep their savings



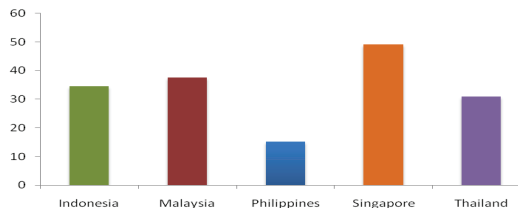
women manage household finances and are more inclined than men to save



of remittance from an OFW family member goes to savings



main reasons for saving money



Savings (as a % of GDP) lags behind Asian neighbors

P2,000



median amount of savings at home and bank, respectively

P10,000



2 out of 10



Filipino households have a deposit account



main reason for not having a deposit account



most popular type of depository institution

Sources: 2009 Consumer Finance Survey and 2013 Consumer Expectations Survey (BSP), 2012 Family Income and Expenditure Survey (NSO), Savings for the Poor in the Philippines (Diaz et. Al., 2011), Demand Study on Domestic Payments in the Philippines (BFA, 2010), World Bank Development Indicators

Savings Products

Regular savings or checking accounts

These deposits are very liquid since they can be withdrawn anytime. They can be accessed over the counter (OTC), through an ATM machine, phone, internet or checks (for checking account).



Time Deposits

These are deposits held for a fixed term (30, 90, 180 days or more). They cannot be withdrawn anytime otherwise penalties will be applied. They pay higher yields compared to regular savings accounts.



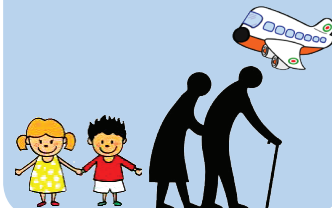
Microdeposits

These are deposits that cater to the needs of low-income individuals. They have a minimum maintaining balance not exceeding PhP100 and no dormancy charges.



Savings accounts for specific market

These are deposit accounts that have special features to benefit specific segments of the market. Examples include kiddie savings, Overseas Filipino savings, and pensioner savings accounts.



Compulsory or pledged savings. These are deposit accounts typically attached or bundled with loans of microfinance clients. Aside from developing the savings habit of clients, banks with microfinance services use these types of accounts to facilitate loan repayment or as security in case of loan default. Some compulsory savings accounts require a minimum amount that cannot be withdrawn.



Important things you need to know about a savings account



Interest rate: rate of return the bank will give you for maintaining your deposit with them, usually termed annually



Initial deposit: initial amount required to open the savings account



Maintaining balance: minimum amount that should be maintained in your account to earn interest or to avoid penalties

Average daily balance: average daily amount contained in your account within a period of time



Withdrawal fee: fee that may be imposed upon withdrawal from your account



Dormancy fee: fee that may be charged when your account is inactive for a period of time

Closing fee: fee that may be imposed when you close your account



Microdeposits



In 2010, the BSP issued Circular 694 which expanded microfinance products to include **microfinance savings deposits or microdeposits**. Microdeposits are savings accounts designed to cater to the needs of low income sectors, including microfinance clients. Usual barriers faced by low income individuals such as high maintaining balance and dormancy charges are not present in a microdeposit account.

Features of a Microdeposit

- Has minimum maintaining balance not exceeding PhP100
- No dormancy charges
- Average daily balance does not exceed PhP40,000

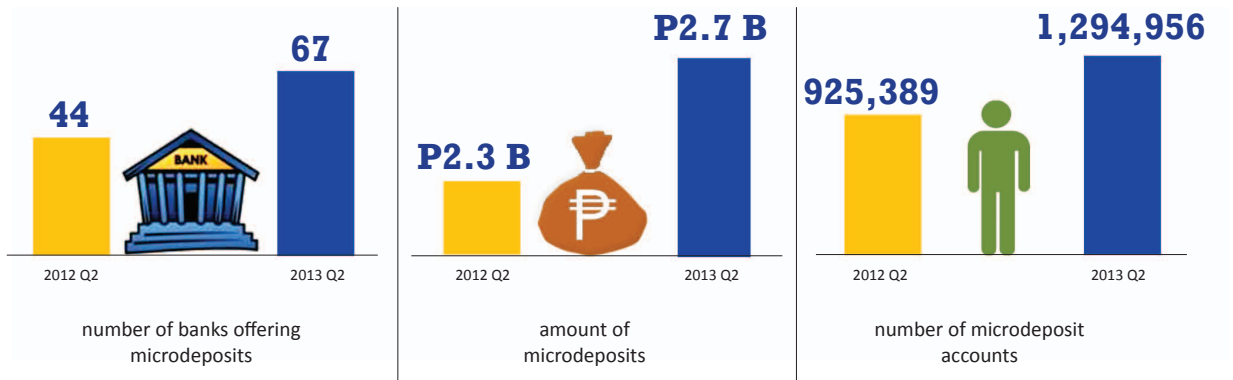


Did you know that...

Initially, BSP regulations set the average daily balance (ADB) for microdeposits at PhP15,000. In 2013, the BSP issued Circular 796 to increase the ADB to PhP40,000. This enhancement makes the features of microdeposit accounts more responsive to the fact that even low income people have the capacity to build up their savings.



Deposits and withdrawals from microdeposits can be done in a **microbanking office (MBO)**. An MBO is a “scaled-down” or simplified office where banking transactions can be performed. MBOs enable and facilitate access to financial services in areas where it may not be feasible to establish a full bank branch.



Banking on the Future



“To the Philippine youth...fair hope of my Fatherland.”

Jose Rizal, *National Hero*

The BSP advocates increased awareness among the youth on the importance of savings, and encourages school children to save through various programs.

Kiddie Savings Program

- Implemented starting 2012 in collaboration with banks
- 12 banks currently participating in the program

From Bamboo (Coin Bank) to Bangko (Bank)

- A pilot community project in collaboration with university students
- Children are taught money management lessons and given bamboo coin banks
- About half of the 300 school children given coin banks estimated to have opened bank accounts

Tulong Barya Para sa Eskwela (Coins for Schools)

- Coin collection program in public schools to increase awareness on the value of coins
- Gathered 12,289,419 pieces of coins amounting to PhP13.1 million
- Resulted in PhP21.5 million savings for the BSP in terms of production cost
- Savings donated to public schools for the purchase of computers

Financial Literacy Lessons for Elementary School Children

- Developed teaching guides for use of teachers in elementary schools

BSP Kiddie Savings Program

Kiddie savings accounts have an initial deposit of PhP100, with no maintaining balance requirement.

Participating banks conduct deposit-taking activities in school premises.

Over 400,000 kiddie savings accounts were opened since 2012.



Source: BSP Corporate Affairs Office

Saving Successfully



Save now
Save regularly
Save more

Tips to Grow Savings

- ✓ Save first, then allocate the rest of your income to expenses
- ✓ Save at least 10% of your income
- ✓ Spend wisely
- ✓ Pay your debts on time
- ✓ Specify your savings goals
- ✓ Find a savings product that matches your goals
- ✓ Plan the amount and regularity of saving
- ✓ Start saving, the earlier, the better
- ✓ Follow your savings plan with DISCIPLINE
- ✓ Monitor your savings account and look forward to bigger amounts

Adapted from Microfinance Opportunities

"You should watch what the ants do and learn from them. They have no ruler, no boss, no leader. But in the summer, they gather food and save it. So when winter comes, there is plenty to eat."

Proverbs 6:6-8



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.

From Nothing to Something

The couple Zenaida and Domingo Guray used to live in a pigpen, with cartons as beds. Fish paste (bagoong) and rice were regular meals. With limited income from odd jobs, life was hard. But this was a long time ago. The couple now own a proper house, a piggery, a tilapia fishpond, and a three-hectare land, all providing good income.

How did life turn around for the Gurays? It started with Zenaida saving one peso per day in a coin bank. When her savings reached Php500, the couple bought their first piglet, fed it with locally-available kangkong, and sold it after four months. From one piglet and regular savings, they grew the piggery business and enjoyed good returns.

Zenaida's inspiring story was striking. She won the Masikap Award of the Citi Microentrepreneur of the Year Awards in 2008. It was savings that saved the Gurays from extreme poverty.



Zenaida Guray of Ma. Aurora, Aurora

Source: Alalay sa Kaunlaran, Inc



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