



# Report on the State of Financial Inclusion in the Philippines

Bangko Sentral ng Pilipinas

## Background

The 2014 Report on the State of Financial Inclusion in the Philippines, the fourth one since the maiden release in 2011, forms part of the stocktaking process of the BSP as it continues to promote financial inclusion in the country. It builds on the data elements presented in the previous status reports<sup>1</sup> and serves as an inventory of the progress made from 2013 to 2014.

The scope of this report is confined to information coming from financial service providers (i.e., supply side). Recently, the BSP released the results of the National Baseline Survey on Financial Inclusion (NBSFI) which measured financial inclusion from the perspective of Filipino adults (i.e., demand side).<sup>2</sup> The availability of both supply-side and demand-side data has enabled the development of a more robust and comprehensive data framework which provides a holistic picture of financial inclusion in the country.

The report is structured as follows: Section I describes the financial access situation by discussing the reach of banks and other financial service access points at the national and subnational levels (region, province, city and municipality). Section II covers usage of financial products and services, using available information on deposits, loans, microfinance, microinsurance and electronic money. Section III presents the key indicators of financial inclusion.

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<sup>1</sup> Previous reports can be found at [http://www.bsp.gov.ph/about/advocacies\\_reports.asp](http://www.bsp.gov.ph/about/advocacies_reports.asp)

<sup>2</sup> The NBSFI report can be accessed at:

<http://www.bsp.gov.ph/downloads/publications/2015/NBSFIFullReport.pdf>

## List of Abbreviations and Acronyms

AFI	Alliance for Financial Inclusion
ARMM	Autonomous Region in Muslim Mindanao
ATM	Automated Teller Machine
BSP	Bangko Sentral ng Pilipinas
CALABARZON	Cavite, Laguna, Batangas, Rizal, Quezon
CAR	Cordillera Administrative Region
CDA	Cooperative Development Authority
E-Money	Electronic Money
EMI	E-Money Issuer
FII	Financial Inclusion Index
FSP	Financial Service Provider
FRP	Financial Reporting Package
GSIS	Government Service Insurance System
IC	Insurance Commission
LGU	Local Government Unit
MBA	Mutual Benefit Association
MBO	Micro-Banking Office
MC/FXD	Money Changer/ Foreign Exchange Dealer
MCPI	Microfinance Council of the Philippines
MF NGO	Microfinance Non-Government Organization
MIMAROPA	Mindoro, Marinduque, Romblon, Palawan
NBFI	Non-Bank Financial Institution
NBQB	NBFI with Quasi-Banking
NBSFI	National Baseline Survey on Financial Inclusion
NSSLA	Non-stock Savings and Loan Association
OBO	Other Banking Office
Pag-IBIG	Pagtutulungan sa Kinabukasan: Ikaw, Bangko, Industria at Gobyerno
PSA	Philippine Statistics Authority
PSIC	Philippine Standard Industrial Classification
RA	Remittance Agent
RBAP	Rural Bankers Association of the Philippines
R/CB	Rural and Cooperative Bank
SEC	Securities and Exchange Commission
SME	Small and Medium Enterprise
SOCCSKSARGEN	South Cotabato, Cotabato, Sultan Kudarat, Sarangani, General Santos City
SSS	Social Security System
TB	Thrift Bank
U/KB	Universal and Commercial Bank

## Highlights

### Access

- The total number of domestic banking offices increased by 4% to 10,315 in 2014 from 9,884 in 2013. While bank count increased, majority were still situated in urbanized areas – 71% of offices were in cities while 22% were in 1<sup>st</sup> and 2<sup>nd</sup> class municipalities. Only 7% of banking offices were located in 3<sup>rd</sup> to 6<sup>th</sup> class municipalities.
- The number of unbanked LGUs (i.e., cities and municipalities) decreased to 595 in 2014 from 604 in 2013. Even though 10 municipalities lost banking presence in 2014, banks were established in 19 previously unbanked municipalities, resulting to a net increase in the number of municipalities with at least one banking office. The establishment of MBOs was the primary reason for banking presence in municipalities which became banked in 2014.
- The number of operating MBOs went up by 11% to 517 in 2014 from 465 in 2013. The number of LGUs without a regular bank branch but are being served by MBOs increased to 64 in 2014 from 56 in 2013. The number of banks with MBO operations climbed to 35 in 2014 from 25 in 2013.
- It may be intuitive that banking offices are situated in higher income, more populated areas – 77% of 5<sup>th</sup> - 6<sup>th</sup> class municipalities did not have banking presence. However, it is worth noting that 17% of 1<sup>st</sup> - 2<sup>nd</sup> class and 39% of 3<sup>rd</sup> - 4<sup>th</sup> class municipalities were still unbanked. This suggests that there are unbanked areas whose level of economic activity is not necessarily low.
- While the goal of financial inclusion is universal access to financial services, it may not necessarily mean having banking presence in all LGUs. This is where other FSPs<sup>3</sup> come into the picture. Other FSPs are important access points of financial services especially in areas where banking presence was either lost or not yet established. Data showed that other FSPs were present in municipalities that lost banking presence in 2014. Also, 67% of unbanked LGUs had access to other FSPs. Only 12% of LGUs remained financially unserved if other FSPs were considered.
- The presence of other FSPs have also widened the range of available financial services in an area. In 2014, around 68% of LGUs had at least three different choices of formal financial institutions in their locality.

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<sup>3</sup> Other FSPs include NSSLAs, credit cooperatives, pawnshops and other NBFIs, RAs, MCs/FXDs and e-money agents.

## Usage

### Deposits

- Deposits in banks rose by 5% to 47.4 million accounts in 2014 from 45.3 million accounts in 2013. The number of depositors grew by 4% to 37.6 million in 2014 from 36.2 million in 2013. In terms of amount, the total value of bank deposits accrued by 12% to P8.5 trillion in 2014 from P7.6 trillion in 2013.
- Deposits from individuals increased by 2% to P4 trillion in 2014 from P3.8 trillion in 2013. Individual deposits comprised 47% of the total amount of bank deposits in 2014, lower by 2 percentage points from 49% share recorded in 2013.
- In 2014, P58 billion or around 0.7% of the total amount of deposits were considered dormant. The percentage of dormant accounts was lowest among TBs at 0.4%, while U/KBs and R/CBs both had 0.7% of their deposits classified as dormant.
- Micro-deposits of banks with microfinance operations increased by 33% to 2 million accounts in 2014 from 1.5 million accounts in 2013. The amount of micro-deposits likewise increased by 34% to P4 billion in 2014 from P3 billion in 2013.
- Based from estimates, 97.6% of formal savings were held by banks. Cooperatives and NSSLAs held a minor share at 1.8% and 0.6%, respectively.

### Loans

- The total loan portfolio of the banking system expanded by 20% to P5.1 trillion in 2014 from P4.2 trillion in 2013. By economic activity, bank loans were mostly allocated to real estate activities (21%), manufacturing (18%), and wholesale and retail trade (16%). Consumer loans increased by 26% to P519.8 billion in 2014 from P412.5 billion in 2013. The microcredit portfolio of banks with microfinance activities grew by 31% to P11.4 billion in 2014 from P8.7 billion in 2013.
- Outside the banking system, it was estimated that there were almost P1 trillion worth of formal loans. These include loans coming from government entities such as GSIS, SSS and Pag-IBIG, financing companies, NSSLAs, NBQBs, pawnshops, cooperatives, and microfinance NGOs. Altogether, these loans comprised 16% of the formal credit market while the remaining 84% were held by banks.

### Microinsurance

- In 2014, there were 39 banks with approved authority to cross-sell microinsurance products. These banks, together with other licensed micro-insurance providers, continued

to expand their client base. Data from the IC indicated that the number of individuals with microinsurance coverage increased to 29 million in 2014 from 28 million in 2013.

### *E-Money*

- In 2014, there were 10.9 million registered e-money wallets of which 6.9 million were considered active. These were higher than the recorded figures in 2013 with 8 million registered e-wallets of which 5.3 million were active. The number of cash cards linked to e-money increased by 17% to 21.9 million in 2014 from 18.7 million in 2013.
- From 217 million transactions in 2013, the number of e-money transactions jumped by 26% to 273 million transactions in 2014. In terms of amount, the total value of e-money transactions rose by 11% to P385.5 billion in 2014 from P348 billion in 2013.

### *Financial inclusion indicators*

- The number of banks per 10,000 adults increased to 2 in 2014 from 1 in the previous years, while the ratio of ATMs to adults remained at 2 ATMs per 10,000 adults. In terms of geographical reach, bank density stayed at 7 banks per 100 km<sup>2</sup> while ATM density increased by 1 unit to 11 ATMs per 100 km<sup>2</sup> in 2014.
- Regression analysis revealed that three regions were still not able to meet the minimum number of banks per 100 km<sup>2</sup>. These were Eastern Visayas, SOCCSKSARGEN and ARMM. Eastern Visayas and ARMM did not also meet the minimum number of ATMs per 100 km<sup>2</sup>.
- In terms of usage, account penetration stayed at roughly 7,000 deposit accounts per 10,000 adults. From 2013 to 2014, deposit-to-GDP ratio increased from 65% to 67%, while credit-to-GDP ratio climbed from 37% to 40%.
- Taking all indicators into account, the Financial Inclusion Index (FII) of the country increased to 0.68 in 2014 from 0.66 in 2013 which indicates improvement in the overall state of financial inclusion in the country. The top three regions were NCR, Region IV-A (CALABARZON), and Region 7 (Central Visayas) while the bottom three regions were Region 9 (Zamboanga Peninsula), Region 8 (Eastern Visayas), and ARMM. Laguna emerged as the most financially inclusive province, while Maguindanao was the province with the lowest level of financial inclusion.

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### **Number and reach of banks and ATMs**

- The number of domestic banking offices<sup>4</sup> (head offices, branches and other offices) increased by 4% to 10,315 in 2014 from 9,884 in 2013. Growth was driven by U/KBs whose network expanded by 7%. U/KBs also held 56% of the overall physical composition of the banking system.

Banking Group	No. of offices		Growth	Percent Share (in 2014)
	2013	2014		
Universal & Commercial Banks	5,410	5,787	7.0%	56.1%
Thrift Banks	1,828	1,920	5.0%	18.6%
Rural & Cooperative Banks	2,646	2,608	-1.4%	25.3%
All Banks	9,884	10,315	4.4%	100.0%

- The ATM network expanded by 8% to 15,692 in 2014 from 14,528 in 2013.<sup>5</sup> U/KBs had the largest share (85%) of the ATM network. Highest growth was observed among R/CBs at 41%, although this was equivalent only to an increase of 140 units compared to 884 additional ATMs of U/KBs.

Banking Group	No. of ATMs		Growth	Percent Share (in 2014)
	2013	2014		
Universal & Commercial Banks	12,449	13,333	7.1%	85.0%
Thrift Banks	1,740	1,880	8.0%	12.0%
Rural & Cooperative Banks	339	479	41.3%	3.1%
All Banks	14,528	15,692	8.0%	100.0%

### **Regional distribution**

- Banking presence improved in all regions except for ARMM where the number of banks stayed at 21 offices. Meanwhile, ATM count increased across all regions. While concentration remained at Metro Manila, CALABARZON, and Central Luzon, the highest growth rates were observed outside these areas. SOCCSKSARGEN and Bicol Region achieved the highest growth in bank count, while Caraga and Cagayan Valley experienced the most remarkable growth in the number of ATMs.<sup>6</sup>

<sup>4</sup> This report counted only those offices that are located inside the country. If branches of Philippine banks abroad were included, the total number of operating banking units was 10,361 in 2014.

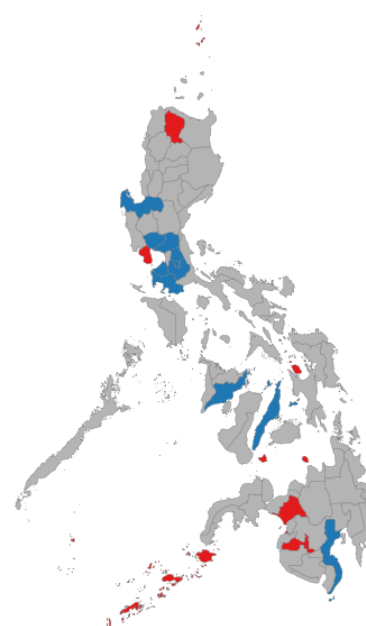
<sup>5</sup> If ATMs of Philippine banks abroad were included, ATM count was 15,695 in 2014.

<sup>6</sup> Growth was driven by the expansion of universal banks in these areas.

Region		Banks			ATMs		
		2013	2014	Growth	2013	2014	Growth
	NCR	3,141	3,275	4%	6,184	6,511	5%
	CAR	150	155	3%	188	210	12%
I	Ilocos Region	436	456	5%	435	489	12%
II	Cagayan Valley	310	329	6%	215	258	20%
III	Central Luzon	998	1,033	4%	1,250	1,407	13%
IV-A	CALABARZON	1,509	1,566	4%	2,107	2,254	7%
IV-B	MIMAROPA	220	234	6%	176	196	11%
V	Bicol Region	353	380	8%	320	362	13%
VI	Western Visayas	572	600	5%	621	702	13%
VII	Central Visayas	653	683	5%	1,104	1,177	7%
VIII	Eastern Visayas	183	186	2%	221	235	6%
IX	Zamboanga Peninsula	199	201	1%	210	223	6%
X	Northern Mindanao	347	368	6%	400	435	9%
XI	Davao Region	388	396	2%	594	642	8%
XII	SOCCSKSARGEN	197	214	9%	310	347	12%
XIII	Caraga	207	218	5%	165	213	29%
	ARMM	21	21	0%	28	31	11%
Philippines		9,884	10,315	4%	14,528	15,692	8%

### Provincial distribution

- The number of banking offices increased in 57 out of 81 (70%) provinces, did not change in 16 provinces (20%) and declined in 8 provinces (10%).<sup>7</sup>
- In 2014, Cebu, Laguna, Batangas, Cavite, and Pampanga were the top provinces in terms of bank count. On the other hand, Basilan, Apayao, Batanes, Tawi-Tawi, and Maguindanao were the provinces with the least number of banking offices.



Provinces with most and least number of banking offices

■ Bottom 10 Provinces  
■ Top 10 Provinces

<sup>7</sup> The eight provinces with reduced bank count were Abra, Agusan del Sur, Bulacan, Compostela Valley, Lanao del Sur, Leyte, Southern Leyte, and Zamboanga del Norte. This could be attributed to the closure of banking offices, especially in the provinces of Bulacan, Southern Leyte and Zamboanga del Norte where several rural banks closed down in 2014.



Ranking of provinces in terms of bank count (2014)			
Top 10		Bottom 10	
Cebu	516	Basilan	1
Laguna	433	Apayao	3
Batangas	351	Batanes	3
Cavite	343	Tawi-Tawi	4
Pampanga	291	Maguindanao	4
Bulacan	271	Biliran	5
Davao del Sur	269	Camiguin	5
Iloilo	249	Siquijor	5
Pangasinan	242	Sulu	6
Rizal	230	Lanao del Sur	6

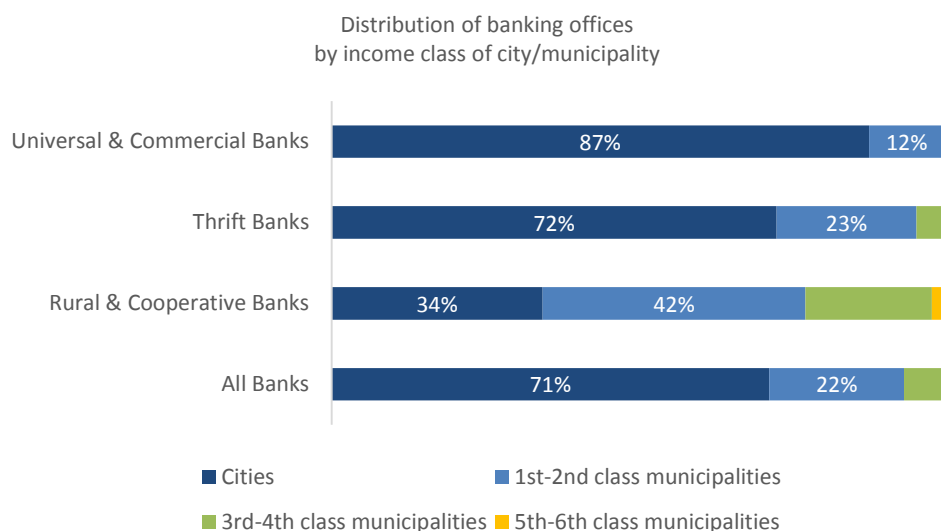
- Provincial distribution of ATMs resembled that of banks. The top provinces with most number of banking offices were also the ones with many ATMs. The bottom 3 provinces (Basilan, Apayao, Batanes) in terms of bank count also belonged to the bottom group in terms of ATM count, although Dinagat Islands was the province with the lowest ATM count (only 1 ATM servicing the whole province).<sup>8</sup>

Ranking of provinces in terms of ATM count (2014)			
Top 10		Bottom 10	
Cebu	912	Dinagat Islands	1
Laguna	701	Apayao	3
Cavite	627	Basilan	3
Davao del Sur	510	Batanes	3
Pampanga	450	Davao Occidental	3
Batangas	397	Ifugao, Mountain Province	4
Bulacan	380	Camiguin, Guimaras, Maguindanao, Romblon, Tawi-Tawi	6
Rizal	370		
Negros Occidental	280		
Iloilo	266		

### ***City and municipal distribution***

- As of 2014, majority (71%) of banking offices were still situated in cities, while 22% were in 1<sup>st</sup> - 2<sup>nd</sup> class municipalities. Only 7% were located in lower class municipalities. The bias toward highly urbanized areas was most prominent among U/KBs, where 99% of offices were in cities and high income municipalities. TBs had a slight presence in 3<sup>rd</sup> - 6<sup>th</sup> class municipalities (5%). Around 24% of R/CBs were in 3<sup>rd</sup> - 6<sup>th</sup> class municipalities, demonstrating their proximity to the countryside.

<sup>8</sup> Dinagat Islands had seven (7) banking offices in 2014. Bottom 10 provinces had at most six (6) banking offices.



- While U/KBs and TBs were only able to reach 22% and 27% of LGUs respectively, their physical reach improved from 2013 to 2014. R/CBs, on the other hand, were present in 58% of LGUs but their physical reach declined slightly to 953 LGUs in 2014 from 961 LGUs in 2013 due to closure of some offices.

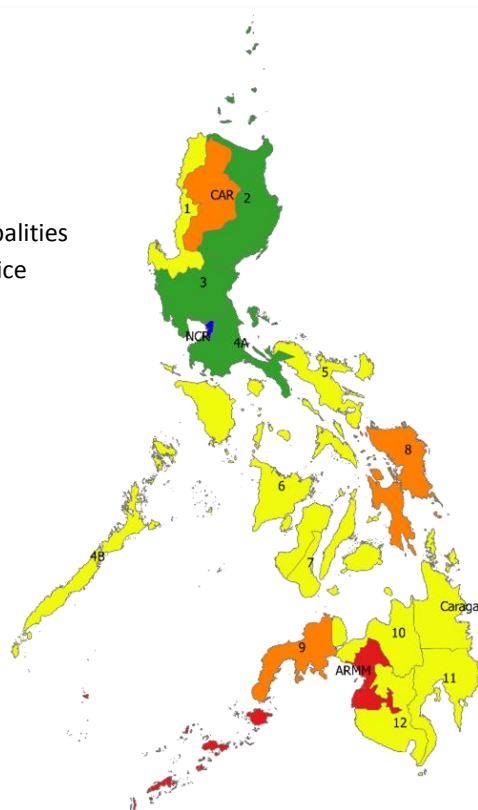
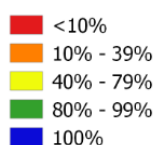
Banking Group	No. of cities & municipalities reached		% share	
	2013	2014	2013	2014
Universal & Commercial Banks	319	360	19.5%	22.0%
Thrift Banks	404	434	24.7%	26.6%
Rural & Cooperative Banks	961	953	58.8%	58.3%
All Banks	1,030	1,039	63.0%	63.6%

### **Unbanked situation**

- The number of unbanked LGUs decreased to 595 in 2014 from 604 in 2013. In percentage terms, banking offices were present in nearly 64% of the country's 1,634 LGUs.
- At the regional level, 7 regions experienced improvement. Greatest improvement was observed in Bicol Region where 7 previously unbanked municipalities gained banking presence because of the establishment of 6 MBOs and 1 OBO. On the other hand, 7 regions showed no improvement while 3 regions (Zamboanga Peninsula, Davao Region and Caraga) experienced reduced banking presence.

Region	Total no. of cities & municipalities (a)	No. of cities & municipalities with at least one banking office (b)		% Share (b/a)		Remarks
		2013	2014	2013	2014	
NCR	17	17	17	100.0%	100.0%	100% coverage
CAR	77	26	26	33.8%	33.8%	No improvement
I Ilocos Region	125	91	91	72.8%	72.8%	No improvement
II Cagayan Valley	93	73	76	78.5%	81.7%	↑
III Central Luzon	130	120	121	92.3%	93.1%	↑
IV-A CALABARZON	142	134	135	94.4%	95.1%	↑
IV-B MIMAROPA	73	46	47	63.0%	64.4%	↑
V Bicol Region	114	75	82	65.8%	71.9%	↑
VI Western Visayas	133	105	105	78.9%	78.9%	No improvement
VII Central Visayas	132	84	84	63.6%	63.6%	No improvement
VIII Eastern Visayas	143	39	39	27.3%	27.3%	No improvement
IX Zamboanga Peninsula	72	28	26	38.9%	36.1%	↓
X Northern Mindanao	93	60	60	64.5%	64.5%	No improvement
XI Davao Region	49	37	36	75.5%	73.5%	↓
XII SOCCSKSARGEN	50	33	34	66.0%	68.0%	↑
XIII Caraga	73	52	50	71.2%	68.5%	↓
ARMM	118	10	10	8.5%	8.5%	No improvement
Philippines	1,634	1,030	1,039	63.0%	63.6%	↑

Percentage of cities and municipalities with at least one (1) banking office



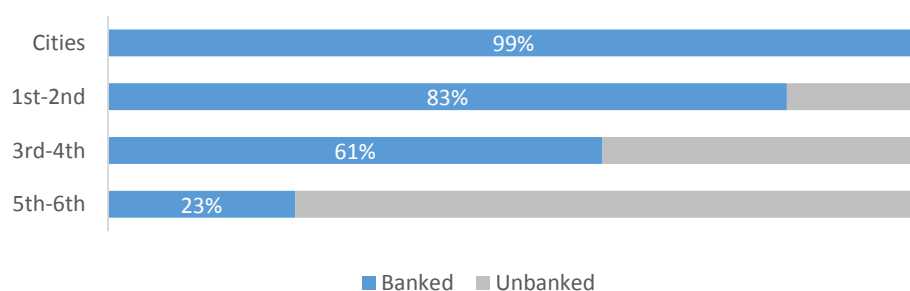
### Characteristics of banked versus unbanked municipalities

- As expected, banked municipalities had larger population size and lower poverty incidence. The population of banked areas (38,000) was twice as many as unbanked areas (19,000). Poverty incidence in banked areas was lower by 18.5 percentage points.
- Forty-eight percent (48%) of banked municipalities were under 1<sup>st</sup> – 2<sup>nd</sup> income class while 44% belonged to the 3<sup>rd</sup> – 4<sup>th</sup> class. Only 8% were 5<sup>th</sup> – 6<sup>th</sup> class municipalities.
- While 40% of unbanked municipalities were classified as belonging to the 5<sup>th</sup> – 6<sup>th</sup> class, a sizeable portion (45%) belonged to the 3<sup>rd</sup> – 4<sup>th</sup> income class suggesting that there are still unbanked municipalities whose level of economic activity is not necessarily low.

	Banked municipalities	Unbanked municipalities
Median population	38,125	19,117
Median poverty incidence	22.7	41.2
Income class distribution	<p>■ 1st-2nd ■ 3rd-4th ■ 5th-6th</p>	<p>■ 1st-2nd ■ 3rd-4th ■ 5th-6th</p>

- Banking presence decreases with LGU income class. In 2014, ninety-nine (99%) of cities were banked<sup>9</sup>, while 83% of 1<sup>st</sup> – 2<sup>nd</sup> class municipalities had at least one banking office. Sixty-one percent (61%) of 3<sup>rd</sup> – 4<sup>th</sup> class municipalities had banking presence while only 23% of 5<sup>th</sup> – 6<sup>th</sup> municipalities were banked.

Banked vs unbanked, by LGU classification



<sup>9</sup> The only unbanked city is Canlaon City in Negros Oriental.

### Municipalities that lost/gained banking presence

- Ten (10) municipalities lost banking presence in 2014.<sup>10</sup> It is worth noting though that these areas still have access to other FSPs particularly credit cooperatives, pawnshops and e-money agents.<sup>11</sup>

Region	Province	Municipality	Other Financial Service Providers (FSPs)							Total	
			Savings, credit & other services			Credit & other services		Payments, remittance & other services			
			NSSLAs	Credit Coops	MF NGOs	Pawnshops	Other NBFIs	Remittance Agents, Money Changers/ FX Dealers	E-money agents		ATMs
Ilocos Region	Pangasinan	Basista	0	✓ 1	0	✓ 7	0	✓ 1	✓ 2	0	11
Central Visayas	Cebu	Tabogon	0	0	0	✓ 3	0	0	✓ 1	0	4
Eastern Visayas	Leyte	Burauen	0	✓ 1	✓ 1	✓ 5	0	✓ 5	0	✓ 1	13
Eastern Visayas	Southern Leyte	Padre Burgos	0	0	✓ 2	✓ 2	0	0	✓ 1	0	5
Zamboanga Peninsula	Zamboanga del Norte	President M. A. Roxas	0	0	0	0	0	0	✓ 1	✓ 1	2
Zamboanga Peninsula	Zamboanga del Norte	Sergio Osmena, Sr.	0	✓ 1	0	0	0	0	0	0	1
Davao Region	Compostela Valley	Laak (San Vicente)	0	0	0	✓ 1	0	0	✓ 2	0	3
Davao Region	Compostela Valley	New Bataan	0	✓ 3	0	0	0	0	✓ 1	0	4
Caraga	Surigao del Sur	Lanuza	0	0	0	0	0	0	0	0	0
Caraga	Agusan del Norte	Remedios T. Romualdez	0	✓ 1	0	0	0	0	0	0	1

- In 2014, banking presence was established in 19 previously unbanked municipalities. These municipalities had an average population of 34,000 with poverty incidence of 37% and many were located in Bicol Region.<sup>12</sup> All of these municipalities gained banking presence because of MBOs and OBOs. MBOs were put up in 11 municipalities while OBOs was the reason for banking presence in the remaining 8 municipalities.

	Region	Province	Municipality	Reason for banking presence
I	Ilocos Region	Pangasinan	Mapandan	MBO
II	Cagayan Valley	Cagayan	Calayan	MBO
II	Cagayan Valley	Cagayan	Amulung	OBO
II	Cagayan Valley	Cagayan	Lasam	OBO
III	Central Luzon	Nueva Ecija	Pantabangan	Regular branch, OBO
IV-A	CALABARZON	Quezon	Perez	MBO
IV-B	MIMAROPA	Oriental Mindoro	Bulalacao	MBO
V	Bicol Region	Albay	Malinao	MBO

<sup>10</sup> In 7 out of 10 municipalities, the lost banking presence was due to bank closures. In the remaining 3 municipalities, only the branch of a normally operating bank was closed down.

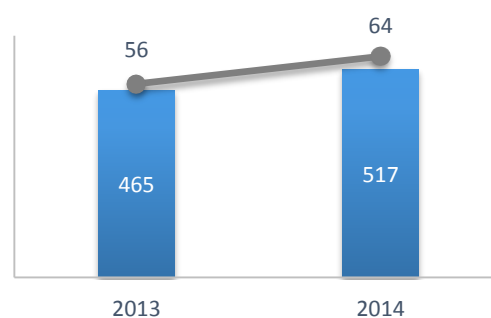
<sup>11</sup> Note that only credit cooperatives were considered in determining access situation. The other one municipality (Lanuza, Surigao del Sur) which does not seem to have financial access has a cooperative that is offering some sort of financial services based from CDA data.

<sup>12</sup> In the Philippines, the average population per LGU is 56,500 while national poverty incidence is 25.8% as of First Quarter 2014. Note that the municipalities which became banked have smaller population and higher poverty incidence.

V	Bicol Region	Camarines Sur	Bombon	MBO
V	Bicol Region	Masbate	Mandaon	MBO
V	Bicol Region	Masbate	Monreal	MBO
V	Bicol Region	Sorsogon	Casiguran	MBO
V	Bicol Region	Sorsogon	Castilla	MBO
V	Bicol Region	Catanduanes	Bato	OBO
VII	Central Visayas	Negros Oriental	Mabinay	OBO
VIII	Eastern Visayas	Biliran	Biliran	OBO
VIII	Eastern Visayas	Northern Samar	Laoang	OBO
XI	Davao Region	Davao del Sur	Sulop	OBO
XII	SOCCSKSARGEN	South Cotabato	Tampakan	MBO

**Micro-banking offices**

- In 2014, there were 517 operating MBOs present in 334 municipalities. This was higher by 11% from 465 MBOs in 2013. The number of LGUs being served by MBOs alone increased to 64 LGUs in 2014 from 56 LGUs in 2013.<sup>13</sup> Seventy percent (70%) of areas being served by MBOs alone were 3<sup>rd</sup> – 6<sup>th</sup> income class municipalities.



■ Number of MBOs in operation  
 ● Number of cities/municipalities without regular banking offices but with MBOs








- The Province of Masbate appeared to have benefitted the most from increased access to banking services through MBOs. This province had the most number of municipalities without regular banking offices but have MBOs.

	Areas with MBOs	Areas served by MBOs alone
Median population	51,675	32,232
Median poverty incidence	22.0	38.4
Income class distribution		

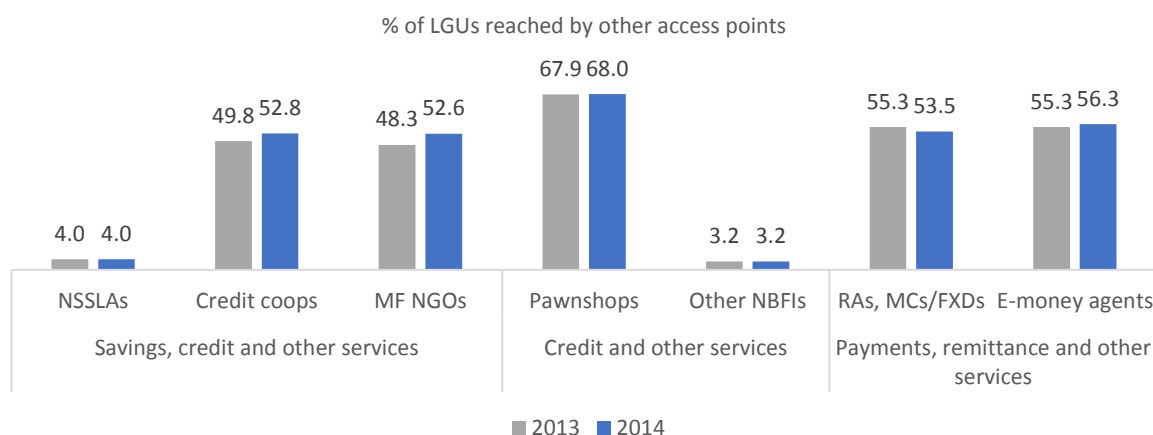
<sup>13</sup> A particular microfinance-oriented bank dominates the roll out of MBOs in previously unbanked areas.

### Other financial service providers

- The number of other FSPs increased to 47,000 in 2014 from 44,000 in 2013. Their geographical reach likewise improved. There was noticeably higher growth and increased geographical outreach among e-money agents, MF NGOs and credit cooperatives.

Services	Financial Service Provider	2013 <sup>r/</sup>	2014	Growth
Savings, credit and other services	 NSSLAs	198	199	0.5%
	 Credit cooperatives <sup>14</sup>	2,822	3,202	13.5%
	 MF NGOs <sup>15</sup>	1,812	2,190	20.9%
Credit and other services	 Pawnshops	17,652	17,422	-1.3%
	 Other NBFIs <sup>16</sup>	138	137	-0.7%
Payments, remittance and other services	 RAs, MCs/FXD <sup>17</sup>	10,834	10,478	-3.3%
	 E-money agents <sup>18</sup>	10,620	13,435	26.5%

<sup>r/</sup> Revised



<sup>14</sup> Data from CDA as of end-year 2013 (latest available) showed that there were 7,247 cooperatives offering financial services (savings and credit) out of 10,675 reporting cooperatives.

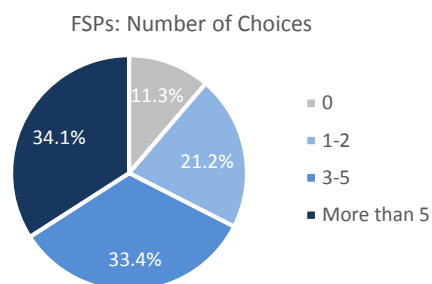
<sup>15</sup> Based only from a sample of MF NGOs. In 2014, 16 MF NGOs responded to the BSP request for data.

<sup>16</sup> Other NBFIs include lending investors and financing companies (that are affiliated with BSP-supervised banks), credit card companies, investment companies, securities dealers/brokers, government NBFIs and credit granting entities (excluding MF NGOs) which are supervised by the BSP.

<sup>17</sup> These exclude Globe and Smart outlets.

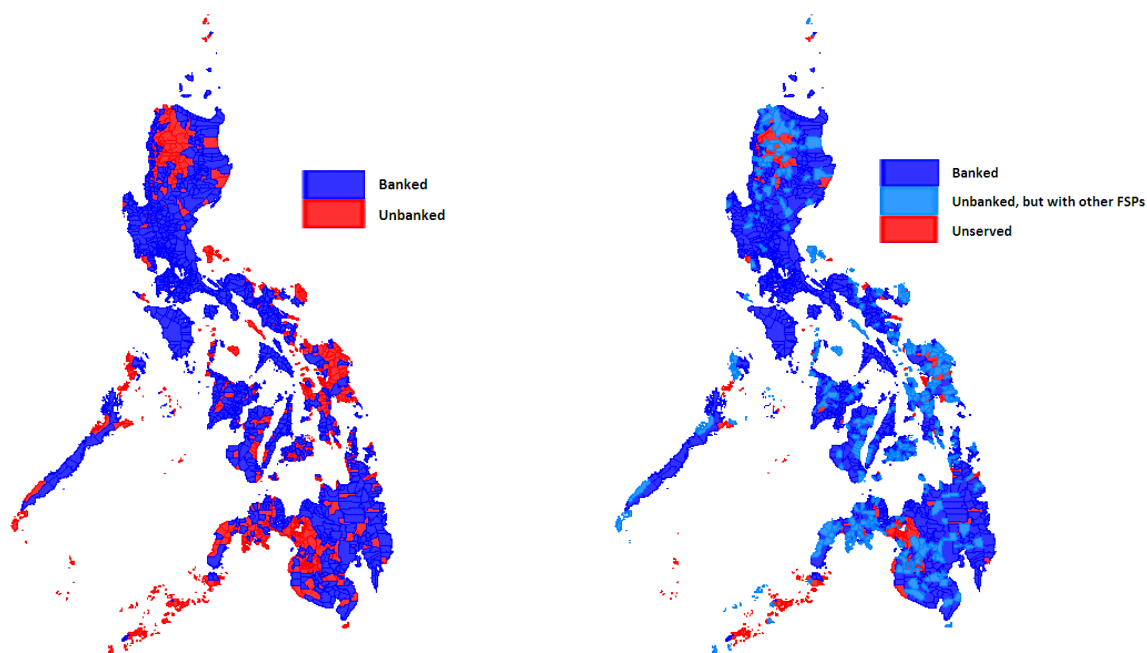
<sup>18</sup> These are active agents. The count includes pawnshops, RAs and MCs/FXD which also serve as e-money partner outlets.

- The presence of other FSPs have also widened the range of available financial services in an area. In 2014, around 68% of LGUs had at least three different choices of formal financial institutions in their locality.



- Because of the presence of other FSPs in areas not served by banks, there would be a significant reduction in the percentage of unserved LGUs. Out of 595 unbanked LGUs, 396 (or 67%) had other access points. This means that only 12% of LGUs remained unserved.

	2013		2014	
	Number of LGUs	% to Total	Number of LGUs	% to Total
1. With banking presence	1,030	63.0%	1,039	63.6%
2. Without banking presence	604	37.0%	595	36.4%
2.1 Without banking presence but with other access points <sup>19</sup>	398	24.4%	396	24.2%
2.2 Without any access point	206	12.6%	199	12.2%
With at least one access point (1 + 2.1)	1,428	87.4%	1,435	87.8%



<sup>19</sup> In the AFI Core Set of Financial Inclusion Indicators, access points are defined as regulated entities where both cash-in and cash-out transactions can be performed. Following this definition, “other access points” exclude MF NGOs (since these are not prudentially regulated) and ATMs (since there are no data on the number of ATMs that can perform both cash-in and cash-out). Around 11% remained financially unserved if ATMs and MF NGOs were considered.



## USAGE

### Deposits in banks

- The total number of deposit accounts<sup>20</sup> increased by 4% to 47.4 million accounts in 2014 from 45.4 million accounts in 2013. While deposit accounts remained concentrated in NCR, other regions such as MIMAROPA and Bicol Region had been experiencing remarkable growth rates in the past two years. This could be attributed to the growing number of banks and ATMs, especially for Bicol Region which as discussed earlier achieved one of the highest growth rates in the number of banking offices.

Region		Number of deposit accounts (in millions)			% Share to Total	
		2013	2014	Growth	2013	2014
	NCR	19.41	20.02	3%	42.8%	42.3%
	CAR	0.75	0.79	5%	1.7%	1.7%
I	Ilocos Region	1.57	1.62	3%	3.5%	3.4%
II	Cagayan Valley	0.95	0.99	5%	2.1%	2.1%
III	Central Luzon	3.48	3.71	6%	7.7%	7.8%
IV-A	CALABARZON	6.04	6.30	4%	13.3%	13.3%
IV-B	MIMAROPA	0.72	0.82	14%	1.6%	1.7%
V	Bicol Region	1.28	1.41	11%	2.8%	3.0%
VI	Western Visayas	2.27	2.42	7%	5.0%	5.1%
VII	Central Visayas	2.76	2.93	6%	6.1%	6.2%
VIII	Eastern Visayas	0.69	0.72	4%	1.5%	1.5%
IX	Zamboanga Peninsula	0.78	0.83	6%	1.7%	1.8%
X	Northern Mindanao	1.26	1.30	3%	2.8%	2.7%
XI	Davao Region	1.62	1.68	4%	3.6%	3.5%
XII	SOCCSKSARGEN	0.96	1.01	4%	2.1%	2.1%
XIII	Caraga	0.70	0.72	2%	1.5%	1.5%
	ARMM	0.111	0.122	9%	0.2%	0.3%
Total		45.35	47.37	4%	100.0%	100.0%

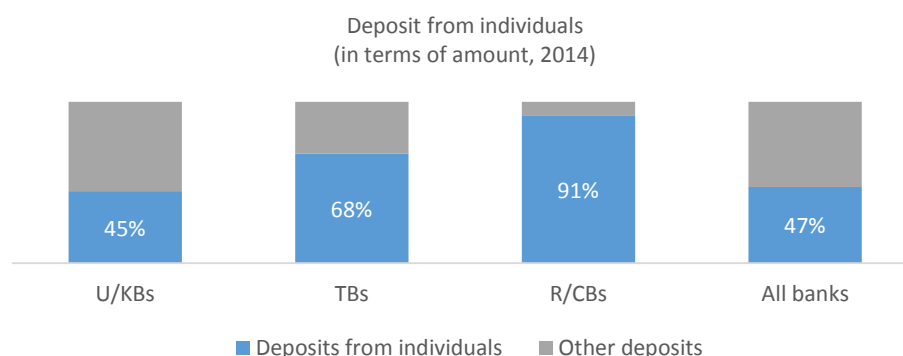
- The number of depositors grew by 4% to 37.6 million in 2014 from 36.2 million in 2013. Most (81%) were depositors of U/KBs, while TBs and R/CBs held a minority share of 11% and 8%, respectively.
- In terms of amount, the total peso value of bank deposits accumulated by 12% from P8.5 trillion in 2014 from P7.6 trillion in 2013. Again NCR held a large chunk of

<sup>20</sup> Data obtained from the PDIC. Unless otherwise stated, all other deposit data were sourced from the BSP.

deposits, but the highest growth rates were observed in Mindanao regions such as ARMM, Caraga and Zamboanga Peninsula.<sup>21</sup>

Region	Amount of deposits (in billion pesos)			% Share to Total	
	2013	2014	Growth	2013	2014
NCR	5,347.9	5,916.4	11%	70.8%	69.9%
CAR	64.6	71.7	11%	0.9%	0.8%
I Ilocos Region	121.2	133.5	10%	1.6%	1.6%
II Cagayan Valley	73.3	85.6	17%	1.0%	1.0%
III Central Luzon	337.2	392.8	16%	4.5%	4.6%
IV-A CALABARZON	467.7	536.0	15%	6.2%	6.3%
IV-B MIMAROPA	37.7	44.6	18%	0.5%	0.5%
V Bicol Region	79.0	90.7	15%	1.0%	1.1%
VI Western Visayas	194.1	217.3	12%	2.6%	2.6%
VII Central Visayas	368.1	430.7	17%	4.9%	5.1%
VIII Eastern Visayas	58.7	70.6	20%	0.8%	0.8%
IX Zamboanga Peninsula	60.0	70.9	18%	0.8%	0.8%
X Northern Mindanao	98.2	114.9	17%	1.3%	1.4%
XI Davao Region	129.5	150.2	16%	1.7%	1.8%
XII SOCCSKSARGEN	68.4	80.5	18%	0.9%	1.0%
XIII Caraga	39.7	47.8	21%	0.5%	0.6%
ARMM	6.3	7.6	21%	0.1%	0.1%
Philippines	7,551.6	8,461.9	12%	100.0%	100.0%

- Deposits from individuals increased by 2% to P4 trillion in 2014 from P3.8 trillion in 2013. Individual deposits comprised 47% of the total amount of bank deposits in 2014, lower by 2 percentage points from 49% share recorded in 2013. Deposits from individuals had the largest share among R/CBs (91%).



<sup>21</sup> U/KBs were the main drivers of deposit growth in ARMM, with growth rates of 20% and 30% for Sulu and Tawi-Tawi respectively. TBs achieved the highest growth rates in most provinces of Caraga. In Zamboanga Peninsula, R/CBs experienced the highest deposit growth.

- The amount of dormant accounts increased by 42% to P58 billion in 2014 from P40.8 billion in 2013. Relative to the total amount of deposits, the share of dormant accounts slightly increased to 0.7% in 2014 from 0.5% in 2013. The percentage of dormant accounts was lowest among TBs at 0.4%, while U/KBs and R/CBs both had 0.7% of their deposits classified as dormant.
- In 2014, deposit accounts amounting to P15,000 and below made up 75.5% of all deposit accounts in banks. The number of these accounts increased by 5% to 35.8 million in 2014 from 34.1 million in 2013. Growth in deposit accounts below P15,000 was highest among TBs at 9%, followed by R/CBs (5%) and U/KBs (4%).

Deposit Size	Number of deposit accounts (in millions)			% Share to Total	
	2013	2014	Growth	2013	2014
P 15,000 and below	34.1	35.8	5%	75.2%	75.5%
P 15,000.01 - P 40,000	3.6	3.7	3%	8.0%	7.9%
P 40,000.01 - P 100,000	2.9	3.0	3%	6.5%	6.4%
P 100,000.01 - P 500,000	3.1	3.2	4%	6.9%	6.9%
Above P 500,000	1.5	1.6	6%	3.3%	3.4%
Total	45.3	47.4	5%	100.0%	100.0%

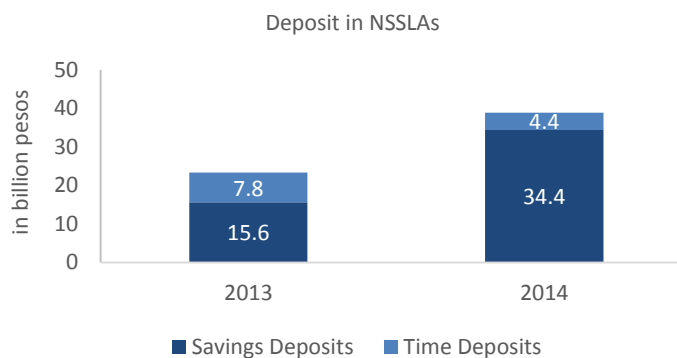
- In terms of amount<sup>22</sup>, the increase in the total peso value of bank deposits was due to the increase in value of deposit accounts above P500,000. The amount of accounts belonging to this deposit bracket increased by 13% to P7.4 trillion in 2014 from P6.6 trillion in 2013.

Deposit Size	Amount of deposits (in billion pesos)			% Share to Total	
	2013	2014	Growth	2013	2014
P 15,000 and below	67.1	68.6	2%	0.9%	0.8%
P 15,000.01 - P 40,000	87.6	92.2	5%	1.2%	1.1%
P 40,000.01 - P 100,000	177.8	185.4	4%	2.3%	2.2%
P 100,000.01 - P 500,000	702.1	739.2	5%	9.2%	8.7%
Above P 500,000	6,574.2	7,436.8	13%	86.4%	87.3%
Total	7,608.9	8,522.3	12%	100.0%	100.0%

<sup>22</sup> The total amount of deposits here includes deposits in branches of Philippine banks abroad. Hence the figure will not tally with the total amount of deposits as presented in the regional distribution.

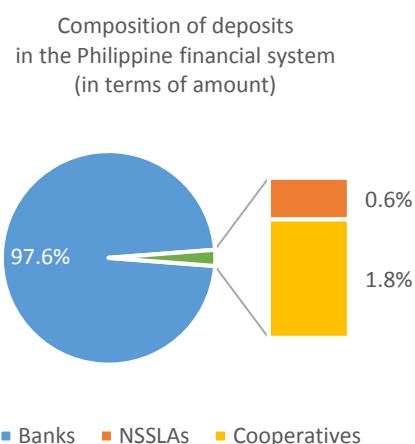
### Deposits in non-banks

- Deposits in NSSLAs soared by 66% to P38.8 billion in 2014 from P23.3 billion in 2013. In 2014, 89% of deposits in NSSLAs were savings deposits while the remaining 11% were time deposits.<sup>23</sup>



- Based from CDA data, cooperatives held 6.5 million savings accounts amounting to P66.7 billion pesos.<sup>24</sup>

- Almost 98% of formal savings were held by banks, followed by cooperatives and then NSSLAs. This pattern was consistent with the NBSFI results where it was found out that among those who have savings, 33% save in banks while 7.5% and 0.8% save in cooperatives and NSSLAs, respectively.<sup>25</sup>



### Loans in banks

- The total amount of bank loans<sup>26</sup> increased by 20% to P5.1 trillion in 2014 from P4.2 trillion in 2013. While NCR accounted for 85% of the total amount of loans outstanding in the banking sector, loan growth was remarkable in regions outside NCR. Highest loan growth was observed in Cagayan Valley at 41%.<sup>27</sup>

<sup>23</sup> Only the value of deposits in NSSLAs is available, there are no data on the number of deposit accounts.

<sup>24</sup> As of 2013 (latest available)

<sup>25</sup> Estimates were as of 2013. For banks, only deposits by individuals were considered to make them more comparable with deposit data of cooperatives and NSSLAs.

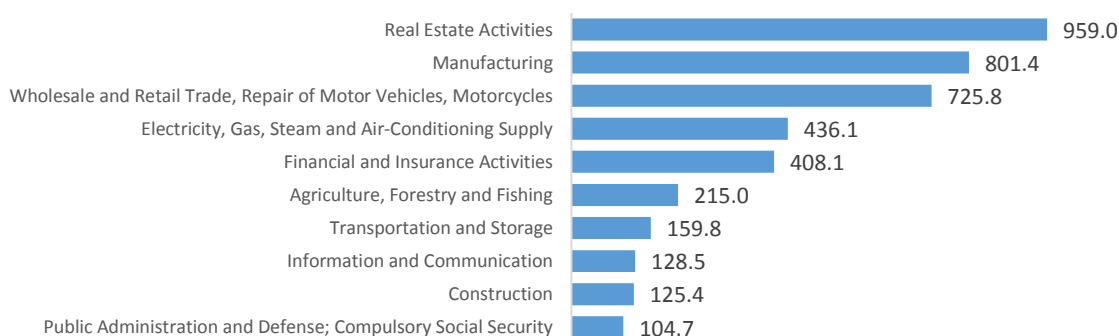
<sup>26</sup> Existing data on the amount of loans include all loans granted by banks, interbank loans and reverse repurchase with the BSP and other banks.

<sup>27</sup> Loan growth was driven by U/KBs and TBs, with growth rates of 56% and 41% respectively. In terms of location, most prominent growth rates were observed in Isabela (63% growth among U/KBs) and Cagayan (104% growth among TBs).

Region	Amount of loans (in billion pesos)			% share to total	
	2013	2014	Growth	2013	2014
NCR	3,629.6	4,336.9	19%	85.4%	85.1%
CAR	10.8	11.9	11%	0.3%	0.2%
I Ilocos Region	26.8	31.2	16%	0.6%	0.6%
II Cagayan Valley	24.4	34.4	41%	0.6%	0.7%
III Central Luzon	90.7	119.8	32%	2.1%	2.3%
IV-A CALABARZON	93.2	107.5	15%	2.2%	2.1%
IV-B MIMAROPA	11.6	14.5	25%	0.3%	0.3%
V Bicol Region	25.7	31.1	21%	0.6%	0.6%
VI Western Visayas	54.1	62.7	16%	1.3%	1.2%
VII Central Visayas	133.0	165.1	24%	3.1%	3.2%
VIII Eastern Visayas	15.7	20.4	29%	0.4%	0.4%
IX Zamboanga	17.3	19.7	14%	0.4%	0.4%
X Northern Mindanao	31.6	36.3	15%	0.7%	0.7%
XI Davao Region	47.5	59.1	25%	1.1%	1.2%
XII SOCCSKSARGEN	24.9	32.1	29%	0.6%	0.6%
XIII Caraga	11.2	14.2	27%	0.3%	0.3%
ARMM	1.3	1.6	26%	0.03%	0.03%
Philippines	4,249.3	5,098.3	20%	100.0%	100.0%

- By economic activity, bank loans were mostly allocated to real estate activities (21%), manufacturing (18%), and wholesale and retail trade (16%). Roughly 5% of loans were provided to agriculture and fishery. While 2013 and 2014 data were not directly comparable due to changes in industry classifications<sup>28</sup>, there was noticeable loan growth for sectors such as accommodation and food service, construction, and human health and social work activities.<sup>29</sup>

Banking system loans (in billion pesos), by economic activity  
Top 10 main sectors

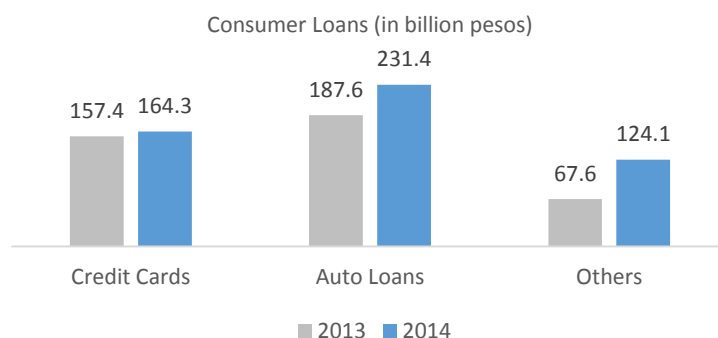


- Consumer loans increased by 26% to P519.8 billion in 2014 from P412.5 billion in 2013. Growth was highest among loans for consumption other than credit cards and auto loans. These included salary loans which amounted to P73.1 billion in 2014.<sup>30</sup>

<sup>28</sup> 2014 industry classifications were based on the 2009 PSIC (effective June 2014) while the previous years were based on the 1994 PSIC.

<sup>29</sup> Data on exposures to all sectors can be accessed at [http://www.bsp.gov.ph/banking/bspsup\\_pbs.asp](http://www.bsp.gov.ph/banking/bspsup_pbs.asp)

<sup>30</sup> Salary loans were reported as a separate account in the FRP starting 2014.

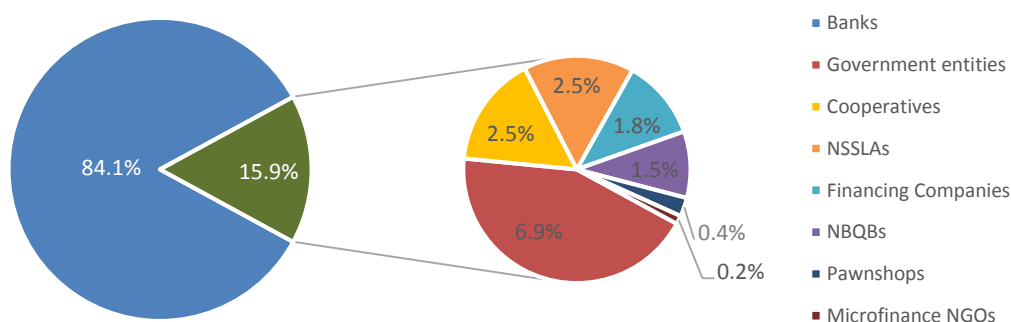


### Loans in non-banks

- It was estimated that there were almost P1 trillion worth of formal loans outside the banking system. These included loans coming from government entities such as GSIS, SSS and Pag-IBIG, financing companies, NSSLAs, NBQBs, pawnshops, cooperatives, and microfinance NGOs. Altogether, these loans comprised 16% of the formal credit market while the remaining 84% were held by banks.

Credit source	Amount of loans outstanding (in billion pesos)
Banks	5,098.3
Government entities (GSIS, SSS, Pag-IBIG) <sup>31</sup>	419.5
Cooperatives <sup>32</sup>	152.7
NSSLAs	151.2
Financing Companies <sup>33</sup>	110.1
NBQBs	91.2
Pawnshops	25.7
Microfinance NGOs <sup>34</sup>	11.6

Composition of loans in the Philippine financial system  
(in terms of amount)



<sup>31</sup> Based on published annual reports and financial statements (GSIS, 2013; SSS, 2013; Pag-IBIG, 2014)

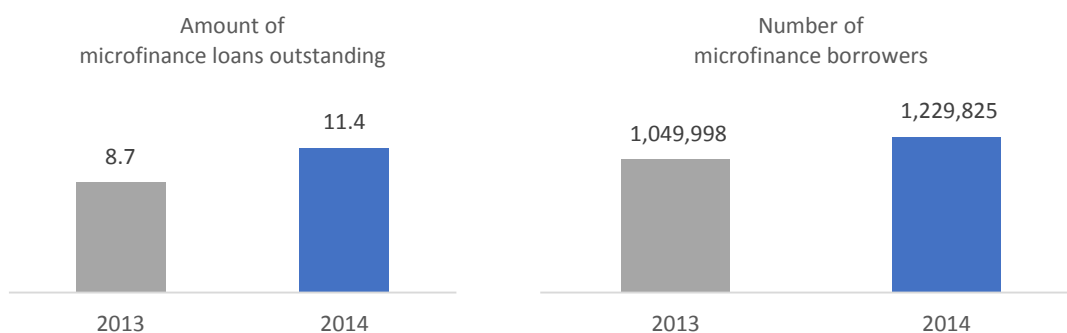
<sup>32</sup> Source: CDA (Big Data on Cooperatives, 2013)

<sup>33</sup> Source: SEC (Consolidation of Financial Data of Financing Companies, 2010)

<sup>34</sup> Based on a survey of 16 MF NGOs with 2.5 million borrowers. These MF NGOs are considered as the key players in the MF NGO sector and are members of the MCPI.

### Microfinance in the banking sector

- In 2014, there were 176 banks with microfinance operations serving 1.2 million borrowers with loans outstanding amounting to P11.4 billion. While the number of microfinance banks slightly decreased, the microfinance loan portfolio and number of borrowers managed to expand by 31% and 17%, respectively.



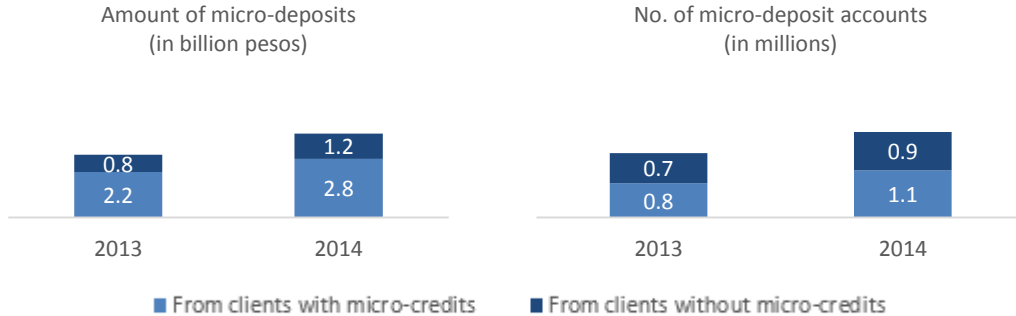
- Banks' offering of different microfinance products also improved in 2014, as could be seen in growth per product type. Microfinance Plus loans, for example, expanded by 95% to P217 million in 2014 from P111 million in 2013.

	2013	2014
Microenterprise Loans	168 banks P7.4 billion	162 banks P9.4 billion
Microfinance Plus	19 banks P111 million	25 banks P217 million
Micro-Agri Loans	33 banks P295 million	27 banks P343 million
Housing Microfinance Loans	16 banks P263 million	16 banks P334 million
Micro-deposit Accounts	69 banks P2.96 billion 1.5 million accounts	71 banks P3.97 billion 2 million accounts
Microinsurance <sup>35</sup>	40 banks 27.96 million	39 banks 29 million individuals

- The total amount of micro-deposit accounts climbed by 34% to P3.97 billion in 2014 from P2.96 billion in 2013. In terms of volume, the total number of micro-deposit accounts rose by 36% to 2 million accounts in 2014 from 1.5 million accounts in 2013. While majority of micro-deposit accounts came from clients with micro-credits

<sup>35</sup> The data on the number of Filipinos who are covered by microinsurance were sourced from the IC. The reported number of Filipinos with microinsurance coverage are not solely due to banks offering microinsurance services, as there are other companies that are selling microinsurance products.

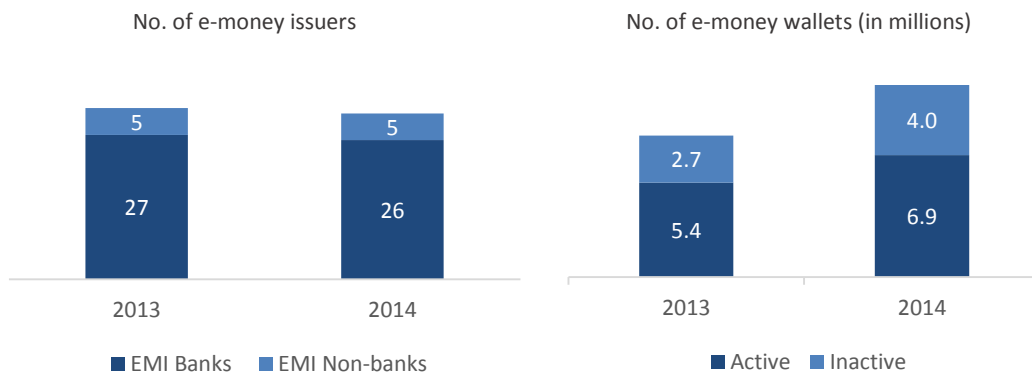
(compulsory savings), micro-deposits from clients without micro-loans comprised 45% of the total number of micro-deposit accounts and 30% of the total peso value of micro-deposits.



- In 2014, there were 39 banks with approved authority to cross-sell microinsurance products. RBAP data showed that the total number of insured clients by rural banks with microinsurance rose by 39% to 1.9 million in 2014 from 1.4 million in 2013.<sup>36</sup> Data from the IC indicated that the number of individuals with microinsurance coverage increased to 29 million in 2014 from 28 million in 2013.

**E-Money**

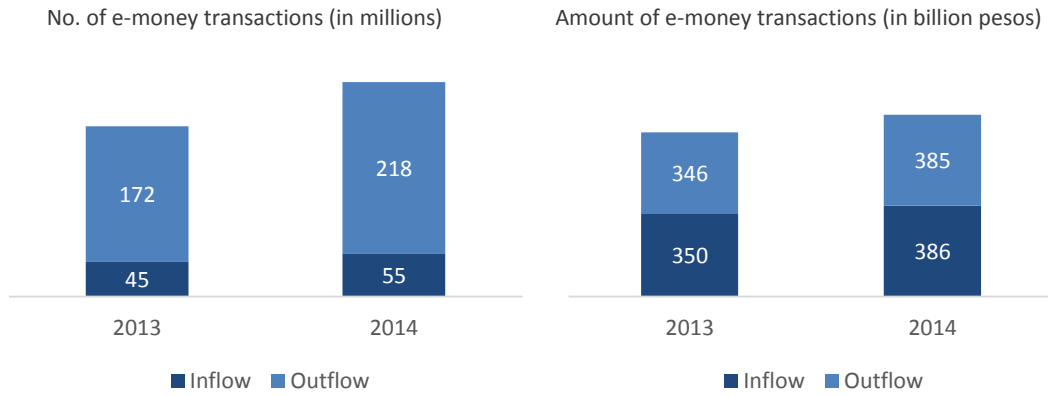
- The number of EMIs slightly decreased to 31 issuers in 2014 from 32 issuers in 2013, but the number of e-money wallets (GCash and Smart Money) increased by 36% to 10.9 million in 2014 from 8 million in 2013. Around 63% (6.9 million) of registered e-money wallets in 2014 were considered active.<sup>37</sup>



<sup>36</sup> Based from the data submitted by 6 commercial insurance companies and 2 MBAs that have existing partnership with rural banks.

<sup>37</sup> GCash defines active accounts as those having at least one transaction per month. Smart Money, on the other hand, considers a wallet as active if it has usage in the last six months.





- The number of prepaid cards linked to e-money issued by EMI-Banks likewise increased. The number of cash cards grew by 17% to 21.9 million in 2014 from 18.7 million in 2013.
- The number of transactions that passed through e-money increased by 26% to 273 million in 2014 from 217 million transactions in 2013. In terms of amount, the total value<sup>38</sup> of e-money transactions rose by 11% to P386 billion in 2014 from P348 billion in 2013.

<sup>38</sup> Average of e-money inflows and outflows

## FINANCIAL INCLUSION INDICATORS

### Geographic penetration of banks and ATMs

- From 2013 to 2014, bank density remained at 7 banks per 100 km<sup>2</sup> while ATM density increased by 1 unit to 11 ATMs per 100 km<sup>2</sup>.<sup>39</sup>
- At the regional level, NCR was an extreme outlier with 679 banks and 1,350 ATMs per 100 km<sup>2</sup>. ARMM was at the bottom end with 1 ATM per 100 km<sup>2</sup> while bank density had not reached 1 banking office per 100 km<sup>2</sup>.
- A simple regression model<sup>40</sup> was constructed to determine the minimum number of banks and ATMs in a geographical area given its population density (adult population per 100 km<sup>2</sup>). The model was developed using provincial data. The constructed model was then fitted to regional data to see if there were regions where the minimum number of banks and ATMs were not yet achieved.

Region		Adults per 100 sq. km	Banks per 100 sq. km			ATMs per 100 sq. km		
			Actual	Minimum		Actual	Minimum	
	NCR	1,804,084	679	192	●	1,350	276	●
	CAR	34,578	4	3	●	6	3	●
I	Ilocos Region	46,323	6	4	●	6	5	●
II	Cagayan Valley	25,638	3	2	●	3	2	●
III	Central Luzon	63,940	9	6	●	12	8	●
IV-A	CALABARZON	86,519	15	9	●	21	11	●
IV-B	MIMAROPA	20,538	2	2	●	2	1	●
V	Bicol Region	33,189	3	3	●	3	3	●
VI	Western Visayas	38,601	4	4	●	5	4	●
VII	Central Visayas	53,880	7	5	●	12	6	●
VIII	Eastern Visayas	30,726	2	3	●	2	3	●
IX	Zamboanga Peninsula	30,279	3	3	●	3	3	●
X	Northern Mindanao	48,307	6	5	●	7	5	●
XI	Davao Region	30,385	4	3	●	6	3	●
XII	SOCCSKSARGEN	52,494	4	5	●	6	6	●
XIII	Caraga	34,811	4	3	●	4	3	●
	ARMM	44,775	0	4	●	1	5	●
	Philippines	48,482	7	5	●	11	5	●

<sup>39</sup> Forest land was excluded in the computation. The country's total land area is 300,000 sq. km, of which 142,076 sq. km (47%) are considered alienable and disposable. If total land area would be used, there were 3 banks and 5 ATMs per 100 sq. km. in 2014. As noted in previous status reports, bank and ATM density in the Philippines is generally higher than most countries in our peer group (Indonesia, Kenya, Mexico, Peru, Thailand).

<sup>40</sup> See Annex C for technical details

- Based from the results, three regions were still not able to meet the minimum number of banks per 100 km<sup>2</sup>. These were Eastern Visayas, SOCCSKSARGEN and ARMM. Eastern Visayas and ARMM did not also meet the minimum number of ATMs per 100 km<sup>2</sup>.
- At the provincial level, three provinces did not meet the minimum number of banks per 100 km<sup>2</sup>: Basilan, Tawi-Tawi and Sulu. Tawi-Tawi and Sulu were also not able to meet the minimum ATM count per 100 km<sup>2</sup>, together with Ifugao.
- Other financial inclusion indicators computed at the regional level are shown in Annex A. Annex B presents the country's performance in internationally developed indicators such as the AFI Core Set, G20 Basic Set and AFI Mobile Financial Services Indicators.

### ***Financial Inclusion Index (FII)***

- Indicators such as number of banks and ATM per 100 km<sup>2</sup> provide partial and incomplete information so there is a need for a more comprehensive measure of financial inclusion. To address this, a Financial Inclusion Index (FII) was developed. The FII is a single number ranging from 0 (lowest) to 1 (highest) which takes into account the different dimensions of financial inclusion. The FII can be used in monitoring progress in financial inclusion and identifying geographical areas which may need attention.
- The methodology<sup>41</sup> for FII construction followed the approach in the development of popular indices for well-being such as the Human Development Index (HDI) and the Human Poverty Index (HPI). The FII was computed at the national, regional and provincial level. It utilized supply-side data so that it could be computed on a regular basis (annually) since all indicators were readily available. It covered two basic dimensions of financial inclusion: Access and Usage.

Access. In an inclusive financial system, financial services should be accessible. The FII contained demographic and geographic indicators to measure availability of financial services. Since financial inclusion is not just about access to banking services, the indicators also considered availability of other financial service access points.

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<sup>41</sup> See Annex D for technical details

Usage. The FII considered the size of the banked population as measured by the number of deposit accounts vis-à-vis adult population.<sup>42</sup> At the regional level and national level, two additional indicators were included: deposit-to-GDP and credit-to-GDP ratios.

FII computed at the provincial level

Dimension	Indicator	Indicator weight <sup>43</sup>	Dimension weight
Access	Banks per 10,000 adults	0.3	0.5
	Other access points per 10,000 adults	0.2	
	Banks per 100 sq. km	0.3	
	Other access points per 100 sq. km	0.2	
Usage	Deposit accounts per 10,000 adults	1	0.5

FII computed at the regional and national level

Dimension	Indicator	Indicator weight <sup>43</sup>	Dimension weight
Access	Banks per 10,000 adults	0.3	0.5
	Other access points per 10,000 adults	0.2	
	Banks per 100 sq. km	0.3	
	Other access points per 100 sq. km	0.2	
Usage	Deposit accounts per 10,000 adults	0.4	0.5
	Deposit-to-GDP ratio	0.3	
	Credit-to-GDP ratio	0.3	

- Since the indicators were expressed in different units, they were standardized before being aggregated into a composite index. The indicators were normalized based on “distance to a reference”.<sup>44</sup> For access indicators, the reference point was the maximum value except outliers.<sup>45</sup> For usage indicators:
  - The reference value for the number of deposit accounts per 10,000 adults was based on the Philippines’ Maya Declaration commitment. Since the country committed to “nurture an enabling policy and operating environment that will make it possible for all adults to have a deposit account”, the number of deposit accounts per 10,000 was set to 10,000 so that there would be 1:1 ratio between adults and accounts.

<sup>42</sup> While there are savings in non-bank institutions such as non-stock savings and loan association (NSSLAs) and cooperatives, data on the number of accounts in these institutions are not available.

<sup>43</sup> Weights are slightly higher for banks since they offer a full range of financial services compared to other FSPs.

<sup>44</sup> This approach measures the relative position of an indicator with respect to a reference point. The reference could be a target to be reached or the maximum value (group leader).

<sup>45</sup> Using Tukey’s method of outliers, an outlying observation is one that exceeds  $Q3 + 1.5*(Q3 - Q1)$  where Q1 is the First Quartile and Q3 is the Third Quartile of the dataset. Setting the reference point to be the maximum value will drive down the FII of other provinces/regions if the maximum is an outlier.

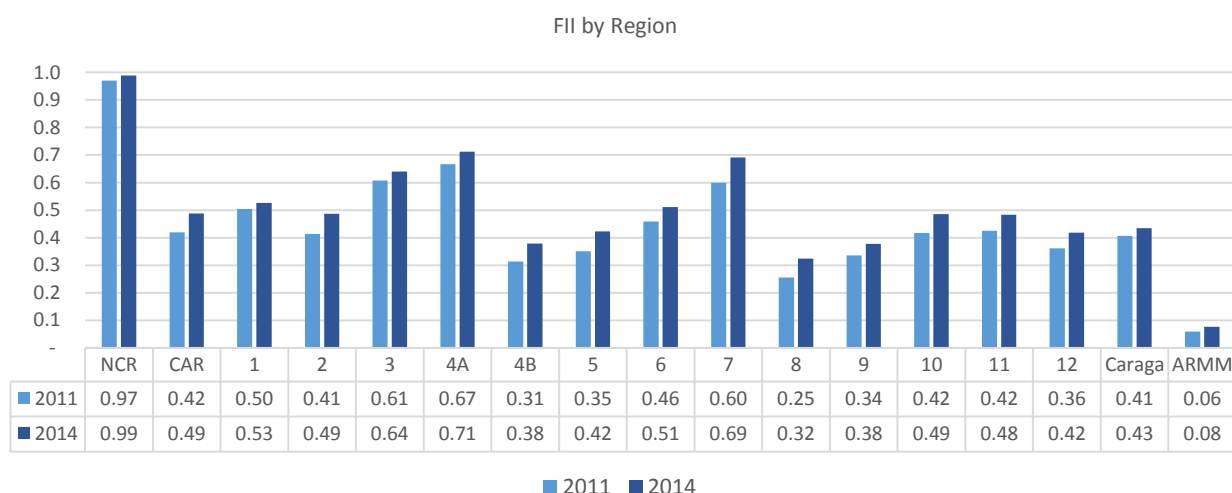
- The reference point for the ratio of deposit and credit to GDP was set in the following manner: For all regions except NCR, the ratios were set to 50%. The reference value for NCR and for the country was set to 100%.

#### *FII computed at the national level*

- All indicators were increasing through the years, except for deposit accounts per 10,000 adults and deposit-to-GDP ratio which decreased in 2012. In 2014, there were roughly 2 banks and 5 other FSPs per 10,000 adults. As discussed earlier, bank density stood at 7 banks per 100 km<sup>2</sup>, while there were around 26 other FSPs per 100 km<sup>2</sup>. There were almost 7,000 deposit accounts per 10,000 adults. The ratio of deposit and credit to GDP stood at 67% and 40%, respectively.
- The FII increased from 0.62 in 2011 to 0.68 in 2014 which indicates improvement in the overall state of financial inclusion in the country.

Dimension	Indicator	2011	2012	2013	2014
Access	Banks per 10,000 adults	1.40	1.42	1.47	1.50
	Other FSPs per 10,000 adults	4.09	5.16	5.35	5.27
	Banks per 100 sq. km	6.35	6.60	6.96	7.26
	Other FSPs per 100 sq. km	18.52	23.94	25.38	25.57
Usage	Deposit accounts per 10,000 adults	6,776.40	6,328.18	6,729.79	6,866.73
	Deposit-to-GDP ratio	0.55	0.54	0.65	0.67
	Credit-to-GDP ratio	0.33	0.34	0.37	0.40
FII		0.62	0.62	0.66	0.68

#### *FII computed at the regional level*



- In 2014, the top three regions were NCR, Region IV-A (CALABARZON), and Region 7 (Central Visayas). The bottom three regions were Region 9 (Zamboanga Peninsula), Region 8 (Eastern Visayas), and ARMM.
- Financial inclusion generally improved across all regions from 2011 to 2014. Greatest improvement was observed in Central Visayas, followed by Region 2 (Cagayan Valley) and Region 5 (Bicol).

*FI Index computed at the provincial level*

- In 2014, Laguna was the top province with an FII of 0.97, while Maguindanao was the province with the lowest FII value at 0.03.
- Seven out of the top ten provinces were in Luzon, one from Visayas and two from Mindanao. On the other hand, eight out of the bottom ten provinces were in Mindanao, with one each from Luzon and Visayas.

*Top 10*

Island Group	Province	FII (2014)
Luzon	Laguna	0.97
Luzon	Benguet	0.95
Mindanao	Davao del Sur	0.88
Luzon	Cavite	0.82
Luzon	Batangas	0.80
Visayas	Cebu	0.79
Luzon	Pampanga	0.76
Mindanao	Misamis Oriental	0.74
Luzon	Zambales	0.73
Luzon	Bataan	0.72

*Bottom 10*

Island Group	Province	FII (2014)
Mindanao	Compostela Valley	0.17
Visayas	Northern Samar	0.16
Luzon	Apayao	0.16
Mindanao	Sarangani	0.11
Mindanao	Sulu	0.11
Mindanao	Tawi-Tawi	0.10
Mindanao	Davao Occidental	0.07
Mindanao	Lanao del Sur	0.07
Mindanao	Basilan	0.05
Mindanao	Maguindanao	0.03

- In summary, a geographical approach to financial inclusion should consider Eastern Visayas and ARMM as priority regions. At a more granular level, the bottom ten provinces deserve attention. Moving forward, the BSP will continue to use the FII as an analytical tool to monitor these focus geographical areas and guide the formulation of targeted interventions to address the financial inclusion gap.

## Annex A. Other Regional Indicators

### Number of banks per city/municipality

Number of banks per city

Region	2013	2014	Growth
NCR	196.3	204.7	4%
CAR	75.0	77.5	3%
I Ilocos Region	48.4	50.7	5%
II Cagayan Valley	77.5	82.3	6%
III Central Luzon	71.3	73.8	4%
IV-A CALABARZON	83.8	87.0	4%
IV-B MIMAROPA	110.0	117.0	6%
V Bicol Region	50.4	54.3	8%
VI Western Visayas	35.8	37.5	5%
VII Central Visayas	40.8	42.7	5%
VIII Eastern Visayas	26.1	26.6	2%
IX Zamboanga	39.8	40.2	1%
X Northern Mindanao	38.6	40.9	6%
XI Davao Region	64.7	66.0	2%
XII SOCCSKSARGEN	39.4	42.8	9%
XIII Caraga	34.5	36.3	5%
ARMM	10.5	10.5	0%
Philippines	68.6	71.6	4%

Number of banks per municipality

Region	2013	2014	Growth
NCR	3,141.0	3,275.0	4%
CAR	2.0	2.1	3%
I Ilocos Region	3.8	3.9	5%
II Cagayan Valley	3.5	3.7	6%
III Central Luzon	8.6	8.9	4%
IV-A CALABARZON	12.2	12.6	4%
IV-B MIMAROPA	3.1	3.3	6%
V Bicol Region	3.3	3.6	8%
VI Western Visayas	4.9	5.1	5%
VII Central Visayas	5.6	5.9	5%
VIII Eastern Visayas	1.3	1.4	2%
IX Zamboanga	3.0	3.0	1%
X Northern Mindanao	4.1	4.4	6%
XI Davao Region	9.0	9.2	2%
XII SOCCSKSARGEN	4.4	4.8	9%
XIII Caraga	3.1	3.3	5%
ARMM	0.2	0.2	0%
Philippines	6.6	6.9	4%



### Number of banks and ATMs per 10,000 adults

Number of banks per 10,000 adults

Region	2013	2014	Growth
NCR	3.68	3.76	2%
CAR	1.25	1.26	1%
I Ilocos Region	1.18	1.21	3%
II Cagayan Valley	1.27	1.32	4%
III Central Luzon	1.33	1.34	1%
IV-A CALABARZON	1.70	1.72	1%
IV-B MIMAROPA	1.10	1.14	4%
V Bicol Region	0.89	0.94	5%
VI Western Visayas	1.06	1.10	3%
VII Central Visayas	1.29	1.31	2%
VIII Eastern Visayas	0.594	0.591	-1%
IX Zamboanga Peninsula	0.88	0.87	-1%
X Northern Mindanao	1.11	1.16	4%
XI Davao Region	1.21	1.21	0%
XII SOCCSKSARGEN	0.70	0.75	6%
XIII Caraga	1.16	1.20	3%
ARMM	0.088	0.086	-2%
Philippines	1.47	1.50	2%

Number of ATMs per 10,000 adults

Region	2013	2014	Growth
NCR	7.24	7.48	3%
CAR	1.56	1.71	9%
I Ilocos Region	1.18	1.30	10%
II Cagayan Valley	0.88	1.03	18%
III Central Luzon	1.66	1.83	10%
IV-A CALABARZON	2.38	2.48	4%
IV-B MIMAROPA	0.88	0.96	9%
V Bicol Region	0.81	0.89	11%
VI Western Visayas	1.16	1.28	11%
VII Central Visayas	2.17	2.27	4%
VIII Eastern Visayas	0.72	0.75	4%
IX Zamboanga Peninsula	0.93	0.97	4%
X Northern Mindanao	1.29	1.37	6%
XI Davao Region	1.85	1.96	6%
XII SOCCSKSARGEN	1.10	1.21	9%
XIII Caraga	0.93	1.17	26%
ARMM	0.12	0.13	8%
Philippines	2.16	2.28	6%



Legend:  Top 3  Bottom 3

**Number of banks and ATMs per 100 km<sup>2</sup>**

Number of banks per 100 sq. km				Number of ATMs per 100 sq. km			
Region	2013	2014	Growth	Region	2013	2014	Growth
NCR	651.23	679.01	4%	NCR	1,282.14	1,349.93	5%
CAR	4.22	4.36	3%	CAR	5.29	5.91	12%
I Ilocos Region	5.38	5.62	5%	I Ilocos Region	5.36	6.03	12%
II Cagayan Valley	3.19	3.38	6%	II Cagayan Valley	2.21	2.65	20%
III Central Luzon	8.28	8.58	4%	III Central Luzon	10.38	11.68	13%
IV-A CALABARZON	14.34	14.89	4%	IV-A CALABARZON	20.03	21.43	7%
IV-B MIMAROPA	2.20	2.34	6%	IV-B MIMAROPA	1.76	1.96	11%
V Bicol Region	2.89	3.11	8%	V Bicol Region	2.62	2.96	13%
VI Western Visayas	4.03	4.23	5%	VI Western Visayas	4.38	4.95	13%
VII Central Visayas	6.77	7.08	5%	VII Central Visayas	11.45	12.21	7%
VIII Eastern Visayas	1.79	1.81	2%	VIII Eastern Visayas	2.16	2.29	6%
IX Zamboanga Peninsula	2.61	2.64	1%	IX Zamboanga Peninsula	2.75	2.92	6%
X Northern Mindanao	5.26	5.58	6%	X Northern Mindanao	6.07	6.60	9%
XI Davao Region	3.59	3.67	2%	XI Davao Region	5.50	5.95	8%
XII SOCCSKSARGEN	3.60	3.91	9%	XII SOCCSKSARGEN	5.67	6.35	12%
XIII Caraga	3.80	4.00	5%	XIII Caraga	3.03	3.91	29%
ARMM	0.39	0.39	0%	ARMM	0.52	0.57	11%
Philippines	6.96	7.26	4%	Philippines	10.23	11.04	8%

**Number of deposit accounts per 10,000 adults**

Region	2013	2014	Growth
NCR	22,716	23,004	1%
CAR	6,263	6,468	3%
I Ilocos Region	4,267	4,315	1%
II Cagayan Valley	3,871	3,977	3%
III Central Luzon	4,631	4,810	4%
IV-A CALABARZON	6,813	6,918	2%
IV-B MIMAROPA	3,580	3,980	11%
V Bicol Region	3,223	3,486	8%
VI Western Visayas	4,219	4,421	5%
VII Central Visayas	5,426	5,633	4%
VIII Eastern Visayas	2,245	2,291	2.0%
IX Zamboanga Peninsula	3,462	3,593	4%
X Northern Mindanao	4,052	4,080	1%
XI Davao Region	5,027	5,114	2%
XII SOCCSKSARGEN	3,433	3,508	2%
XIII Caraga	3,948	3,941	0%
ARMM	468	500	7.0%
Philippines	6,738	6,886	2%

Legend:  Top 3  Bottom 3



## Annex B. Internationally Developed Indicators

### *The AFI Core Set of Financial Inclusion Indicators*

	2013	2014
Adult population (in millions) <sup>46</sup>	67.3	68.8
Total number of relevant administrative units (i.e., cities and municipalities)	1,634	
<b>Access Dimension:</b>		
Total number of bank branches	9,884	10,315
Total number of cash-in & cash-out agents	24,029	22,628
Total number of other cash-in & cash-out access points <sup>47</sup>	31,651	31,438
Number of access points per 10,000 adults	9.7	9.4
% of administrative units with at least one access point	87.4%	87.8%
% population living in administrative units with at least one access point	96.4%	96.5%
<b>Usage Dimension:</b>		
% of adults with at least one type of regulated deposit account <sup>48</sup>	26.6%	31.3%
Number of deposit accounts per 10,000 adults	6,738	6,885
% of adults with at least one type of regulated credit account <sup>45</sup>	10.5%	11.8%

### *The G20 Basic Set of Financial Inclusion Indicators*

Categories	Indicators	2013	2014
Formally banked adults	% of adults with an account at a formal financial institution	26.6%	31.3%
	Number of deposit accounts per 1,000 adults	674	689
Adults with credit by regulated institutions	% of adults with at least one loan outstanding from a regulated financial institution	10.5%	11.8%
Formally banked enterprises	% SMEs with deposit account at a formal financial institution <sup>49</sup>	97.9%	
Enterprises with outstanding loan or line of credit by regulated institutions	% SMEs with an outstanding loan or line of credit <sup>49</sup>	30.5%	
Points of service	Number of branches per 100,000 adults	14.7	15.0

<sup>46</sup> Derived from the NSO census based population projection

<sup>47</sup> Other cash-in & cash-out access points include non-stock savings and loans associations (NSSLAs), non-bank financial institutions (NBFIs), pawnshops, remittance agents, money changers/foreign exchange dealers and credit cooperatives.

<sup>48</sup> Sourced from the World Bank Findex. The survey started in 2011 and is done every 3 years. Figures for 2013 used 2011 data.

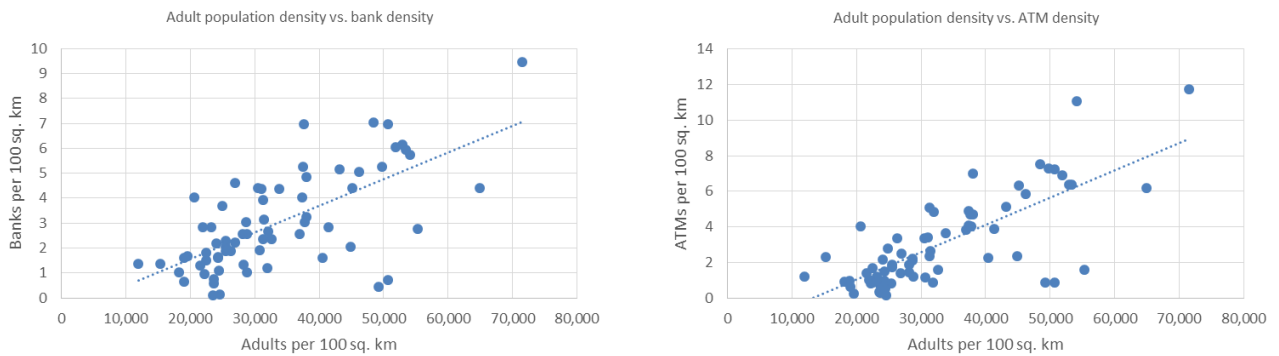
<sup>49</sup> Source from the World Bank Enterprise Surveys. The percentage reported is the average for small and medium enterprises.

**AFI Mobile Financial Services (MFS) Indicators**

Indicator	2013 <sup>r/</sup>	2014
MFS models	3	3
MFS cash points	182,637	160,684
Active MFS cash points	169,228	151,491
MFS accounts	26.7 million	32.8 million
Active MFS accounts	24 million	28.8 million
Administrative units with MFS cash points	1,080	1,122
MFS types	8	8
MFS deployments	2	2
Ave value (\$) of MFS transactions per month	692 million	720 million
Ave volume of MFS transactions per month	18 million	23 million

<sup>r/</sup> Revised

### Annex C: Simple Regression Model to Predict the Minimum Number of Banks and ATMs per 100 km<sup>2</sup> Given Adult Population Density



In Ordinary Least Squares (OLS) regression, the general form of the model is given by

$$y_i = \beta_0 + \beta_1 x_i + \varepsilon_i$$

- where  $y_i$  – dependent variable
- $x_i$  – independent variable
- $\varepsilon_i$  – error term
- $\beta_0$  – constant term
- $\beta_1$  – slope/ regression coefficient

#### Bank density

	Coef.	Std. Err.	t	P>t
adults_per100sqkm	0.0001067	0.0000144	7.39	0.00*
constant	-0.5712149	0.5130675	-1.11	0.27

\*Statistically significant

The model to predict bank density is given by

$$bank\ density = -0.5712149 + 0.0001067 * adults\_per100sqkm$$

#### ATM density

	Coef.	Std. Err.	t	P>t
adults_per100sqkm	0.000154	0.0000167	9.22	0.00*
constant	-2.05028	0.5937791	-3.45	0.00

\*Statistically significant

The model to predict ATM density is given by

$$ATM\ density = -2.05028 + 0.000154 * adults\_per100sqkm$$

### Annex D: FII Methodology

Suppose there are  $m$  dimensions where each dimension contains  $n$  indicators. The following are the steps to construct the FII:

1. Standardize the component indicators of each dimension.

$$X_i = \begin{cases} \frac{A_i}{M_i}, & A_i < M_i \\ 1, & A_i \geq M_i \end{cases}$$

where

$X_i$  = standardized indicator

$A_i$  = actual value of indicator  $i$

$M_i$  = reference value for indicator  $i$

2. Aggregate the indicators to form the dimension index.

$$D_j = \sum_{i=1}^n w_i X_i$$

where

$w_i$  = weight of standardized indicator  $X_i$ ,  $0 \leq w_i \leq 1$  and  $\sum_{i=1}^n w_i = 1$ .

3. Aggregate the dimensions to form the FII

$$FII = \sum_{j=1}^m \omega_j D_j$$

where

$\omega_j$  = weight of dimension  $D_j$ ,  $0 \leq \omega_j \leq 1$  and  $\sum_{j=1}^m \omega_j = 1$ .

#### About IFAS

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

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



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