



Report on the State of Financial Inclusion in the Philippines

Bangko Sentral ng Pilipinas

Report on the State of Financial Inclusion in the Philippines

About the Cover

The cover is a reproduction of the painting entitled “Salamat suki” (Thank you, customer) by Mr. Ralph William Villaluz from the Far Eastern University. The painting was one of the entries during the Microfinance Art Competition conducted by the Bangko Sentral ng Pilipinas in 2013. In Mr. Tan’s words, the painting depicts:

“A healthy exchange between a skilled artisan with people who buy his products. The concept of *bilhin ang sariling atin* (buy our own) is to cultivate partnership between consumer and producer, a bond that benefits. The Philippines is known to export quality handicrafts and interior decorations, with the gift that we get from the natural resources we have, different goods and products are offered and small businesses bloom.”

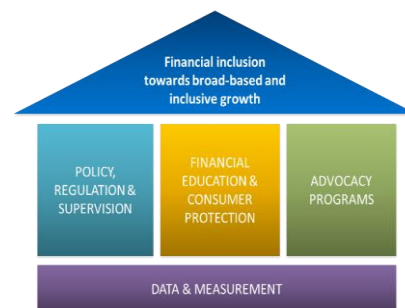
Background

The **Report on the State of Financial Inclusion in the Philippines** is an annual report produced by the Bangko Sentral ng Pilipinas (BSP) to assess the levels and trends in financial inclusion in the country using information gathered from different formal financial service providers. This report, which is the fifth edition since the maiden release in 2011, provides an opportunity to look back and see how financial inclusion has changed in the past five years.¹ In 2015, the BSP released the results of its baseline demand-side survey² on financial inclusion to complement this report which is based on supply-side data.

In the BSP, financial inclusion is considered as a strategic objective that can be pursued alongside the three pillars of central banking, namely: 1) price stability, 2) financial stability, and 3) efficient payments system. Financial inclusion is the BSP's way of bringing the financial system closer to the people, and rebranding it not as a system exclusive for the rich but for all Filipinos who need effective access to a wide range of appropriate financial products and services.

At the national level, financial inclusion has become a priority with the implementation of the National Strategy for Financial Inclusion (NSFI)³ which was launched in July 2015. In June 2016, Executive Order No. 208 was signed to institutionalize the Financial Inclusion Steering Committee (FISC), the governing body that provides strategic direction, guidance and oversight in the implementation of the NSFI.⁴

The NSFI envisions a financial system that is accessible and responsive to the needs of the entire population toward a broad-based and inclusive growth. It considers four (4) key pillars of financial inclusion, namely: 1) policy and regulation, 2) financial education and consumer protection, 3) advocacy, and 4) data and measurement.



This report supports the fourth pillar, which recognizes the critical role of data in identifying gaps, setting priorities, monitoring progress, and formulating evidence-based policies for financial inclusion. It is also intended to increase awareness about financial inclusion among different stakeholders and provide market intelligence to both public and private sector.

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 level. Section II covers usage of financial products and services, using available information on deposits, loans, microfinance, microinsurance, and electronic money. The supporting annexes contain additional information on the different financial inclusion indicators.

¹ Previous supply-side reports are available at http://www.bsp.gov.ph/about/advocacies_reports.asp

² The report of the National Baseline Survey on Financial Inclusion (NBSFI) can be accessed at: <http://www.bsp.gov.ph/downloads/publications/2015/NBSFIFullReport.pdf>

³ <http://www.bsp.gov.ph/downloads/Publications/2015/PhilippinesNSFIBooklet.pdf>

⁴ http://www.bsp.gov.ph/publications/tables/2016_06/news-06152016a1.pdf

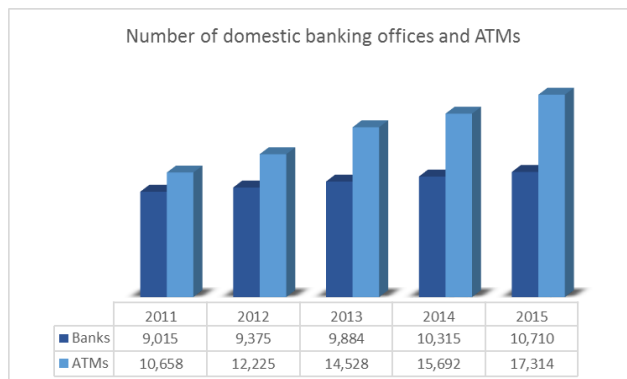
List of Abbreviations and Acronyms

AFI	Alliance for Financial Inclusion
ARMM	Autonomous Region in Muslim Mindanao
ASEAN	Association of Southeast Asian Nations
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
FAS	Financial Access Survey
FII	Financial Inclusion Index
FIDWG	Financial Inclusion Data Working Group
FSP	Financial Service Provider
FXD/MC/RA	Foreign Exchange Dealer/Money Changer/Remittance Agent
IC	Insurance Commission
IFAO	Inclusive Finance Advocacy Office
IMF	International Monetary Fund
LGU	Local Government Unit
MBO	Micro-banking Office
MF NGO	Microfinance Non-government Organization
MIMAROPA	Mindoro, Marinduque, Romblon, Palawan
NBFI	Non-bank Financial Institution
NBSFI	National Baseline Survey on Financial Inclusion
NIR	Negros Island Region
NSSLA	Non-stock Savings and Loan Association
OBO	Other Banking Office
P2P	Person-to-Person
PSA	Philippine Statistics Authority
R/CB	Rural and Cooperative Bank
SME	Small and Medium Enterprise
SOCCKSARGEN	South Cotabato, Cotabato, Sultan Kudarat, Sarangani, General Santos City
TB	Thrift Bank
U/KB	Universal and Commercial Bank
W2W	Wallet-to-Wallet

Financial Access

Number of banks and ATMs

In 2015, there were 10,710 banking offices in the country. Banking offices grew at an average annual rate of 4% from 2011 to 2015. The physical network of banks is complemented by 17,314 ATMs⁵ which increased at a faster rate of 13% in the past 5 years.



Geographic distribution of banks and ATMs

Banks and ATMs remain concentrated in NCR and neighboring regions (CALABARZON and Central Luzon). ARMM and CAR are consistent in the bottom 2 in terms of number of banks and ATMs.



Region	Banks		ATMs	
	2015	2014-15 Growth	2015	2014-15 Growth
NCR	3,379	3.2%	7,097	9.0%
CAR	159	2.6%	229	9.0%
I Ilocos Region	486	6.6%	557	13.9%
II Cagayan Valley	347	5.5%	296	14.7%
III Central Luzon	1,088	5.3%	1,569	11.5%
IV-A CALABARZON	1,621	3.5%	2,566	13.8%
IV-B MIMAROPA	246	5.1%	221	12.8%
V Bicol Region	397	4.5%	417	15.2%
VI Western Visayas	426	*	466	*
VII Central Visayas	620	*	1,197	*
VIII Eastern Visayas	200	7.5%	247	5.1%
NIR Negros Island Region	281	*	407	*
IX Zamboanga Peninsula	215	7.0%	254	13.9%
X Northern Mindanao	376	2.2%	454	4.4%
XI Davao Region	408	3.0%	708	10.3%
XII SOCCSKSARGEN	222	3.7%	363	4.6%
XIII Caraga	218	0.0%	233	9.4%
ARMM	21	0.0%	33	6.5%
Philippines	10,710	4%	17,314	10%

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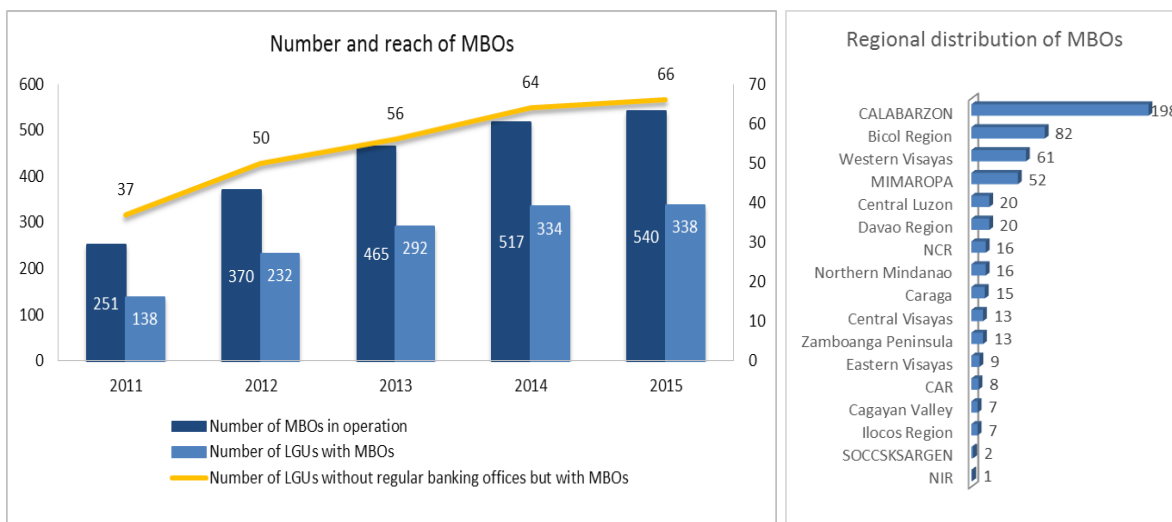
*NIR is a newly created region, formed by combining the provinces of Negros Occidental (previously in Region VI) and Negros Oriental (previously in Region VII). Thus, 2014 and 2015 figures are not comparable for Regions VI and VII, while 2015 figures for NIR serve as the baseline.

⁵ Out of the total number of ATMs, 56% are on-site while 44% are off-site. The latter refers to stand-alone ATMs located in convenient areas such as shopping malls, train stations, among others.

Eastern Visayas belongs to the bottom 3 in terms of bank count, while MIMAROPA belongs to the bottom 3 in terms of ATM count. The number of banks increased in all regions except Caraga and ARMM where bank count did not change. The number of ATMs grew in all regions. It is encouraging that growth is higher in some regions where banking presence is needed the most.

Role of micro-banking offices (MBOs)

Out of 652 banks (head offices), 39 banks are using MBOs to set up presence in areas which do not have a full-blown branch. There were 540 MBOs operating in 338 local government units or LGUs (i.e., cities and municipalities) in 2015, of which 66 LGUs were being served by MBOs alone.



From 2011 to 2015, MBOs increased at an average annual rate of 22% which is faster than the growth of other types of banking offices and ATMs. MBOs are also the main reason for banking presence in previously unbanked LGUs.

At the regional level, MBOs are mostly found in CALABARZON, Bicol Region, Western Visayas, and MIMAROPA. There are still untapped opportunities in terms of expanding financial access through MBOs. For instance, ARMM has no MBO while all other regions except the top 4 have at most 20 MBOs.

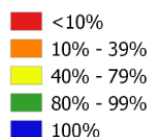
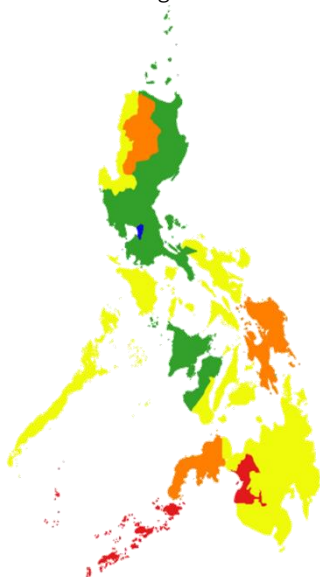
Unbanked situation

The number of unbanked LGUs slightly declined to 591 LGUs in 2015 from 595 LGUs in 2014. The percentage share of unbanked LGUs remained at 36%.

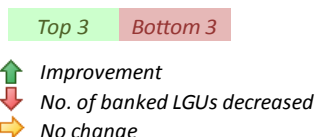
Situation	Number of LGUs	Remarks
Unbanked in 2014	595	
• Less: Banked LGUs in 2015	18	These LGUs gained banking presence due to the establishment of: <ul style="list-style-type: none"> – MBOs and OBOs (13 LGUs) – Microfinance-oriented branches (2 LGUs) – Regular branches (3 LGUs)
• Plus: Unbanked LGUs in 2015	14	These LGUs lost banking presence due to closure of the only bank located in the area. On a positive note, all of them have access to other financial service access points.
Unbanked LGUs in 2015	591	

There is a mixed picture at the regional level. Six (6) regions experienced improvement in terms of banking presence while another 6 regions showed no improvement (excluding NCR where all LGUs are already banked). The number of unbanked LGUs increased in 4 regions.

Percentage of LGUs with at least one banking office



Region	Total no. of LGUs (a)		No. of LGUs with at least one banking office (b)		% Share (b/a)		
	2014	2015	2014	2015	2014	2015	
NCR	17	17	17	17	100.0%	100.0%	→
CAR	77	77	26	25	33.8%	32.5%	↓
I Ilocos Region	125	125	91	91	72.8%	72.8%	→
II Cagayan Valley	93	93	76	76	81.7%	81.7%	→
III Central Luzon	130	130	121	122	93.1%	93.8%	↑
IV-A CALABARZON	142	142	135	134	95.1%	94.4%	↓
IV-B MIMAROPA	73	73	47	47	64.4%	64.4%	→
V Bicol Region	114	114	82	84	71.9%	73.7%	↑
VI Western Visayas	133	101	105	83	78.9%	82.2%	↑
VII Central Visayas	132	107	84	73	63.6%	68.2%	↑
VIII Eastern Visayas	143	143	39	43	27.3%	30.1%	↑
NIR Negros Island Region	---	57	---	36	---	63.2%	
IX Zamboanga Peninsula	72	72	26	27	36.1%	37.5%	↑
X Northern Mindanao	93	93	60	58	64.5%	62.4%	↓
XI Davao Region	49	49	36	36	73.5%	73.5%	→
XII SOCCSKSARGEN	50	50	34	34	68.0%	68.0%	→
XIII Caraga	73	73	50	47	68.5%	64.4%	↓
ARMM	118	118	10	10	8.5%	8.5%	→
Philippines	1,634	1,634	1,039	1,043	63.6%	63.8%	↑



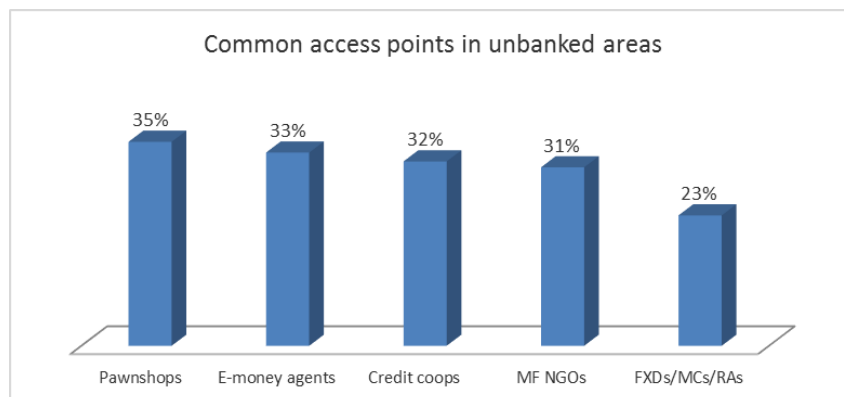
Other financial service access points

In 2015, there were over 57,000 other financial service access points consisting of NSSLAs, credit cooperatives, microfinance NGOs, pawnshops, FXDs/MCs/RAs, e-money agents and other NBFIs.⁶ In the past 5 years, average growth is highest among e-money agents⁷ followed by other NBFIs and lowest among pawnshops, NSSLAs and FXDs/MCs/RAs.⁸

Indicators	2011	2012	2013	2014	2015	Ave. annual growth rate (2011-2015)
Non-stock savings and loan associations (NSSLAs)	174	195 ●	198 ●	199 ●	200 ●	4%
Credit cooperatives	---	2,639	2,822 ●	3,202 ●	3,331 ●	8%
Microfinance NGOs	---	---	1,812	2,190 ●	2,062 ●	8%
Pawnshops	16,729	17,335 ●	17,652 ●	17,422 ●	17,238 ●	1%
Other non-bank financial institutions (NBFIs)	99	137 ●	138 ●	137 ●	163 ●	14%
Remittance agents, money changers/ FX dealers	8,095	9,263 ●	10,834 ●	10,478 ●	10,666 ●	7%
E-money agents	12,190	18,545 ●	24,029 ●	22,628 ●	23,781 ●	20%

● Positive growth compared to previous year
● Negative growth compared to previous year

Pawnshops remain the most accessible with presence in 68% of all LGUs. They are also the most common access points in unbanked areas, followed by e-money agents, credit cooperatives, and MF NGOs.



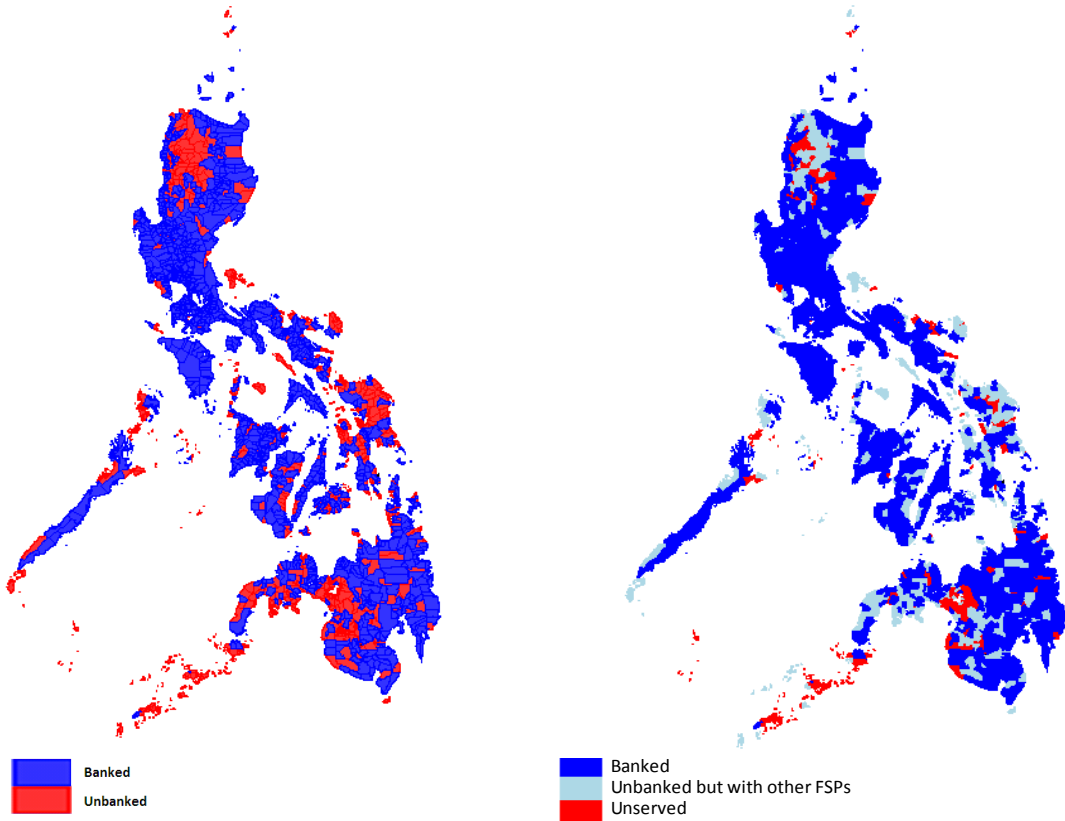
⁶ Other NBFIs include lending investors and financing companies (that are affiliated with BSP-supervised banks), credit card companies, investment companies, securities dealers/brokers, government NBFIs, and credit granting entities (excluding microfinance NGOs) which are supervised by the BSP.

⁷ It should be noted that registered e-money agents include pawnshops and FXDs/MCs/RAs which are also serving as agents. At present, a complete listing of all agents is not yet available which makes it difficult to identify retail agents (e.g., grocery stores, shops, etc.).

⁸ The decrease in the number of pawnshops and FXDs/MCs/RAs in recent years (2014-15) is due in part to the continuing cleanup of the registry to remove entities which are on the list but are found to be inexistent based on the results of inspection.

While 36% of 1,634 LGUs remained unbanked, the percentage would drop to 11.8% if other access points were considered. Indeed, non-bank financial service providers help provide basic financial services and create access points that can be channels to broader financial services, especially in unbanked areas.

	2014		2015	
	Number of LGUs	% to Total	Number of LGUs	% to Total
With banking presence	1,039	63.6%	1,043	63.8%
Without banking presence	595	36.4%	591	36.2%
<ul style="list-style-type: none"> Without banking presence but with other access points⁹ 	396	24.2%	398	24.4%
<ul style="list-style-type: none"> Without any access point 	199	12.2%	193	11.8%



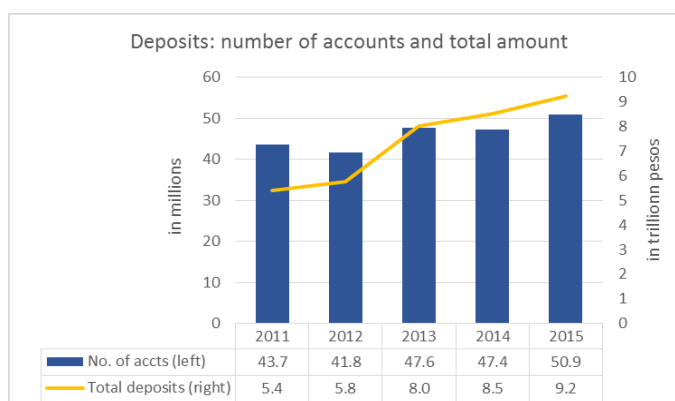
⁹ In the Core Set of Financial Inclusion Indicators developed by the Alliance for Financial Inclusion (AFI), access points are defined as regulated entities where both cash-in and cash-out transactions can be performed. Following this definition, “other access points” include NSSLAs, credit cooperatives, pawnshops, FXDs/MCs/RAs, other NBFIs, and e-money agents; and 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).

Usage of Financial Products and Services

Deposits in banks

In 2015, there were 50.9 million deposit accounts from 40.4 million depositors with a total amount of P9.2 trillion.¹⁰

In the past 5 years, the number and amount of deposits grew at an average annual rate of 4% and 15%, respectively.



Geographic distribution of bank deposits

While more than 40% of deposit accounts¹¹ are in NCR, other regions such as MIMAROPA and Bicol Region have been experiencing remarkable growth rates in the past 3 years.

Region		Number of deposit accounts (in millions)			% Share to Total	
		2014	2015	Growth	2014	2015
	NCR	20.0	21.3	6.5%	42.3%	41.9%
	CAR	0.8	0.8	4.1%	1.7%	1.6%
I	Ilocos Region	1.6	1.7	7.9%	3.4%	3.4%
II	Cagayan Valley	1.0	1.0	5.1%	2.1%	2.0%
III	Central Luzon	3.7	4.0	8.1%	7.8%	7.9%
IV-A	CALABARZON	6.3	6.8	7.9%	13.3%	13.3%
IV-B	MIMAROPA	0.8	1.0	17.2%	1.7%	1.9%
V	Bicol Region	1.4	1.6	14.9%	3.0%	3.2%
VI	Western Visayas	2.4	2.6	8.2%	5.1%	5.1%
VII	Central Visayas	2.9	3.1	7.2%	6.2%	6.2%
VIII	Eastern Visayas	0.7	0.8	11.7%	1.5%	1.6%
IX	Zamboanga Peninsula	0.8	0.9	6.8%	1.8%	1.7%
X	Northern Mindanao	1.3	1.4	6.9%	2.7%	2.7%
XI	Davao Region	1.7	1.8	9.2%	3.5%	3.6%
XII	SOCCSKSARGEN	1.0	1.1	6.6%	2.1%	2.1%
XIII	Caraga	0.7	0.8	5.8%	1.5%	1.5%
	ARMM	0.12	0.13	4.1%	0.3%	0.2%
Total		47.4	50.9	7.5%	100.0%	100.0%

Top 3 Bottom 3

¹⁰ The usual caveat holds that deposit data is subject to multiple counting because a person may have two or more accounts in a bank or in several banks.

¹¹ Regional distribution of deposit accounts was obtained from the PDIC. Unless otherwise stated, all other deposit data were sourced from the BSP.

NCR also holds the bulk of deposits in terms of amount, but higher growth rates were observed among regions in the bottom 3 such as MIMAROPA and ARMM.

Region		Amount of deposits (in billion pesos)			% Share to Total	
		2014	2015	Growth	2014	2015
	NCR	5,916.4	6,194.3	4.7%	69.9%	67.6%
	CAR	71.7	83.6	16.6%	0.8%	0.9%
I	Ilocos Region	133.5	158.0	18.4%	1.6%	1.7%
II	Cagayan Valley	85.6	100.8	17.8%	1.0%	1.1%
III	Central Luzon	392.8	456.0	16.1%	4.6%	5.0%
IV-A	CALABARZON	536.0	620.9	15.8%	6.3%	6.8%
IV-B	MIMAROPA	44.6	54.6	22.3%	0.5%	0.6%
V	Bicol Region	90.7	107.4	18.5%	1.1%	1.2%
VI	Western Visayas	217.3	149.9		2.6%	1.6%
VII	Central Visayas	430.7	463.5		5.1%	5.1%
VIII	Eastern Visayas	70.6	84.9	20.2%	0.8%	0.9%
NIR	Negros Island Region	---	142.0	---	---	1.5%
IX	Zamboanga Peninsula	70.9	83.6	17.9%	0.8%	0.9%
X	Northern Mindanao	114.9	132.3	15.1%	1.4%	1.4%
XI	Davao Region	150.2	174.3	16.0%	1.8%	1.9%
XII	SOCCSKSARGEN	80.5	93.8	16.5%	1.0%	1.0%
XIII	Caraga	47.82	55.81	16.7%	0.6%	0.6%
	ARMM	7.6	9.6	27.4%	0.1%	0.1%
	Philippines	8,461.9	9,165.4	8.3%	100.0%	100.0%

Top 3 Bottom 3

Bank deposits by bucket size

Deposit accounts amounting to P5,000 and below make up 64% of all deposit accounts in banks, suggesting that many accounts are owned by small depositors. The number of these accounts increased by 7% to 32.6 million in 2015. Around 3.5% of accounts are above the maximum deposit insurance coverage which is P500,000.

In terms of amount¹², the increase in the total value of bank deposits is driven by accounts in the upper buckets. Growth is lowest among deposits amounting to P5,000 and below, both in terms of number of account and amount.

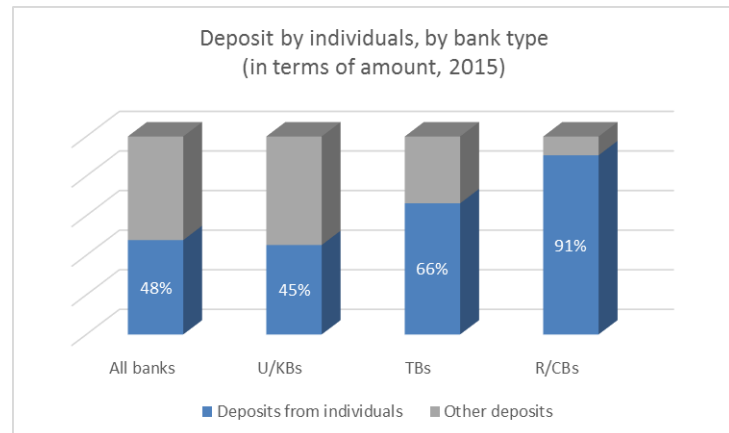
¹² The total amount of deposits here includes deposits in branches of Philippine banks abroad. Hence the figure will not tally with the total amount of deposits as presented in the regional distribution.

Deposit Size	Number of deposit accounts (in millions)			% Share to Total	
	2014	2015	Growth	2014	2015
P 5,000 and below	30.4	32.6	7.0%	64.2%	63.9%
P 5,000.01 - P 40,000	9.1	9.8	7.9%	19.1%	19.2%
P 40,000.01 - P 500,000	6.3	6.8	8.4%	13.2%	13.3%
Over P 500,000	1.6	1.8	11.5%	3.4%	3.5%
Total	47.4	50.9	7.5%	100.0%	100.0%

Deposit Size	Amount of deposits (in billion pesos)			% Share to Total	
	2014	2015	Growth	2014	2015
P 5,000 and below	21.4	22.5	4.9%	0.3%	0.2%
P 5,000.01 - P 40,000	139.4	151.2	8.5%	1.6%	1.6%
P 40,000.01 - P 500,000	924.7	1,002.3	8.4%	10.8%	10.9%
Over P 500,000	7,436.8	8,055.3	8.3%	87.3%	87.3%
Total	8,522.3	9,231.3	8.3%	100.0%	100.0%

Deposit from individuals

Of the total peso value of deposits, 87% are above the maximum deposit insurance coverage of P500,000. This suggests that deposit data is being masked by deposits of larger depositors (e.g., private firms and corporations). Disaggregated data shows that almost only half (48%) of the total value of deposits come from individuals.



Deposits from individuals increased by 9% to P4.4 trillion in 2015 from P4 trillion in 2014. Individual deposits have the largest share in R/CBs (91%) and lowest share in U/KBs (45%), which reflects the clientele that each bank type serves.

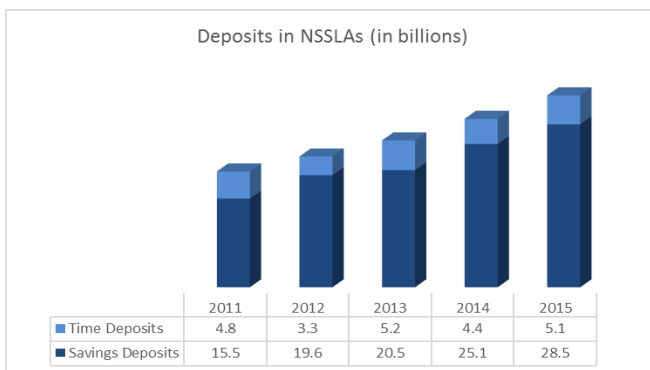
Dormant accounts

The amount of dormant accounts increased by 27% to P73.6 billion in 2015 from P58 billion in 2014. Dormant accounts make up 0.8% of the total amount of deposits.

Deposits in non-banks

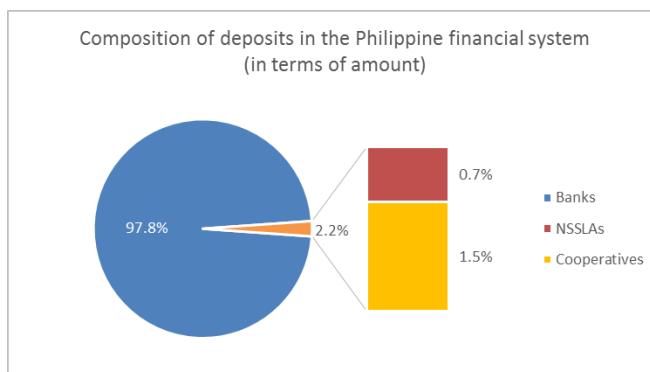
In 2015, deposits in NSSLAs amounted to P33.6 billion, 85% of which are savings deposits while the remaining 15% are time deposits.¹³

From 2011 to 2015, the amount of deposits in NSSLAs increased at an average annual rate of 13%, slightly lower than the growth rate of bank deposits.



Cooperatives, on the other hand, hold 6.5 million savings accounts amounting to P66.7 billion pesos.¹⁴

Based on estimates, almost 98% of formal savings are held by banks, followed by cooperatives and then NSSLAs.¹⁵



Loans in banks

The total amount of bank loans¹⁶ increased by 14% to P5.8 trillion in 2015 from P5.1 trillion in 2014. While NCR accounts for 85% of the total amount of loans outstanding in the banking sector, loan growth is remarkable in several regions outside NCR such as Ilocos, Cagayan, and MIMAROPA. Highest loan growth was observed in MIMAROPA at 23%.^{17, 18}

¹³ Only the amount of deposits in NSSLAs is available, there are no data on the number of deposit accounts.

¹⁴ Data as of 2013 (latest information obtained from the CDA)

¹⁵ For banks, only deposits by individuals were considered for comparability with deposit data of cooperatives and NSSLAs.

¹⁶ Existing data on the amount of loans include all loans granted by banks, interbank loans and reverse repurchase with the BSP and other banks.

¹⁷ Loan growth was driven by thrift banks particularly in the Province of Occidental Mindoro.

¹⁸ Additional information on loans by economic activity and consumer loans can be found at http://www.bsp.gov.ph/downloads/Publications/2015/StatRep_2Sem2015b.pdf

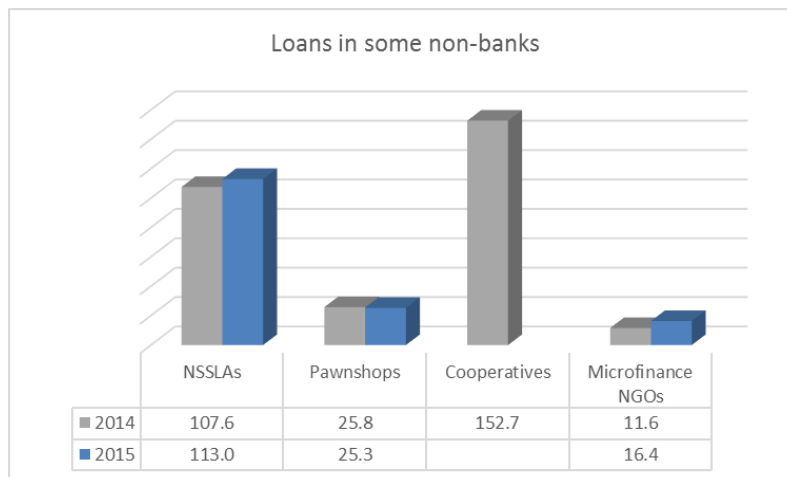
Region		Amount of loans			% share to total	
		2014	2015	Growth	2014	2015
	NCR	4,336.9	4,945.6	14.0%	85.1%	85.3%
	CAR	11.9	12.4	4.1%	0.2%	0.2%
I	Ilocos Region	31.2	36.4	16.7%	0.6%	0.6%
II	Cagayan Valley	34.4	41.0	19.1%	0.7%	0.7%
III	Central Luzon	119.8	130.6	9.0%	2.3%	2.3%
IV-A	CALABARZON	107.5	117.7	9.5%	2.1%	2.0%
IV-B	MIMAROPA	14.5	17.8	23.3%	0.3%	0.3%
V	Bicol Region	31.1	34.9	12.5%	0.6%	0.6%
VI	Western Visayas	62.7	41.3	*	1.2%	0.7%
VII	Central Visayas	165.1	186.5	*	3.2%	3.2%
VIII	Eastern Visayas	20.4	21.6	5.9%	0.4%	0.4%
NIR	Negros Island Region	*	36.6	*	*	0.6%
IX	Zamboanga Peninsula	19.7	21.7	10.2%	0.4%	0.4%
X	Northern Mindanao	36.3	38.8	7.0%	0.7%	0.7%
XI	Davao Region	59.1	62.0	4.9%	1.2%	1.1%
XII	SOCCKSARGEN	32.1	36.1	12.6%	0.6%	0.6%
XIII	Caraga	14.22	16.21	14.0%	0.3%	0.3%
	ARMM	1.6	1.7	6.2%	0.0%	0.0%
Philippines		5,098.3	5,798.9	13.7%	100%	100%

Top 3 Bottom 3

*NIR is a newly created region, formed by combining the provinces of Negros Occidental (previously in Region VI) and Negros Oriental (previously in Region VII). Thus, 2014 and 2015 figures are not comparable for Regions VI and VII, while 2015 figures for NIR serve as the baseline.

Loans in non-banks

Among non-banks lending mostly to individual clients, growth is highest among MF NGOs where the total amount of outstanding loans increased by 41% to P16.4 billion in 2015.¹⁹ Pawnshop loans decreased slightly by 2% to P25.3 billion in 2015. However, loans in MF NGOs and pawnshops are relatively small compared to the amount of outstanding loans in NSSLAs and cooperatives.²⁰

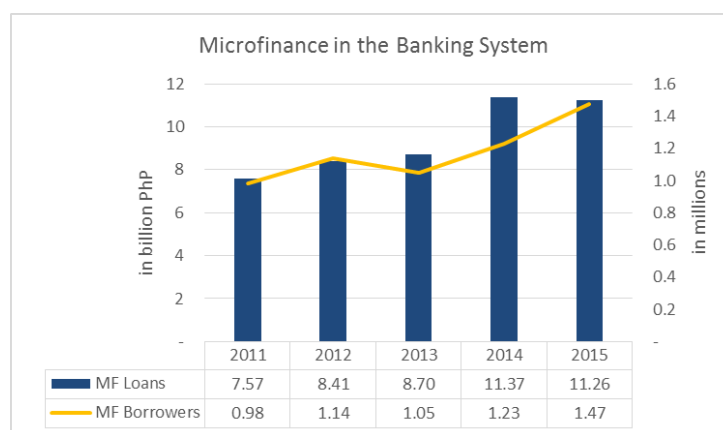


¹⁹ Based only on a sample of 16 MF NGOs in 2014 and 15 MF NGOs in 2015.

²⁰ Data as of 2013 (latest information obtained from the CDA).

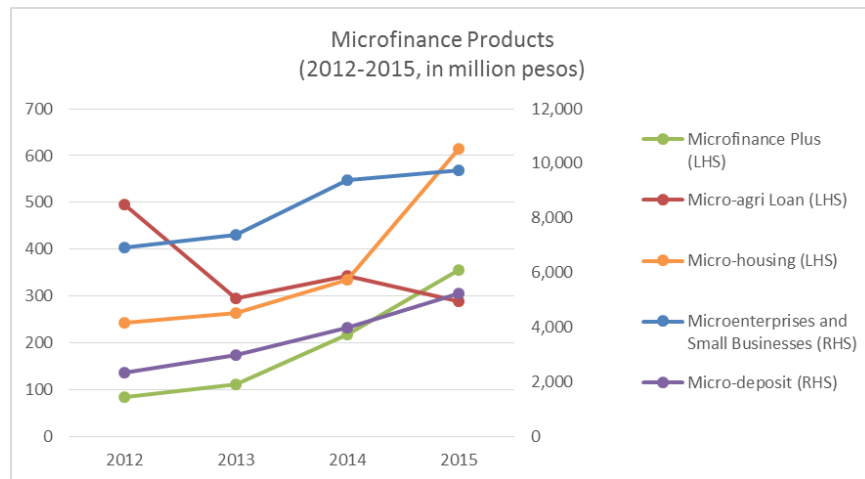
Microfinance in the banking sector

In 2015, there were 170 banks with microfinance operation serving 1.5 million borrowers with loans outstanding amounting to P11.3 billion. From 2011 to 2015, the banks' microfinance loan portfolio and number of microfinance borrowers grew at an average annual rate of 11%.



Banks' offering of different microfinance products generally improved in 2015 and followed a positive growth trajectory since 2012, except for micro-agri-loans. Average annual growth in the past 4 years is highest in Microfinance Plus, followed by housing microfinance loans.

		2014	2015	Growth	
Microfinance Loans	Banks	176	170	↓	-3%
	Borrowers	1,229,825	1,471,896	↑	20%
	Amount (in million pesos)	11,372.8	11,255.6	↓	-1%
Microenterprise Loans	Banks	162	157	↓	-3%
	Borrowers	1,091,279	1,268,671	↑	16%
	Amount (in million pesos)	9,395.6	9,762.8	↑	4%
Microfinance Plus	Banks	25	32	↑	28%
	Borrowers	5,854	10,699	↑	83%
	Amount (in million pesos)	216.7	355.9	↑	64%
Micro-Agri Loans	Banks	27	31	↑	15%
	Borrowers	39,097	34,342	↓	-12%
	Amount (in million pesos)	342.7	287.7	↓	-16%
Housing Microfinance Loans	Banks	16	18	↑	13%
	Borrowers	17,263	84,556	↑	390%
	Amount (in million pesos)	334.5	615.1	↑	84%
Micro-deposit	Banks	71	69	↓	-3%
	Accounts (in millions)	2.0	2.6	↑	29%
	Amount (in million pesos)	3,966.8	5,237.8	↑	32%



In 2015, there were 2.6 million micro-deposit accounts amounting to P5.2 billion. While the majority of micro-deposit accounts come from clients with outstanding loans (i.e., compulsory savings), the share of micro-deposits from clients without micro-loans has been increasing since 2012. In 2015, micro-deposits from clients without loans accounted for 47% of the total number of micro-deposit accounts and 31% of the total amount of micro-deposits.

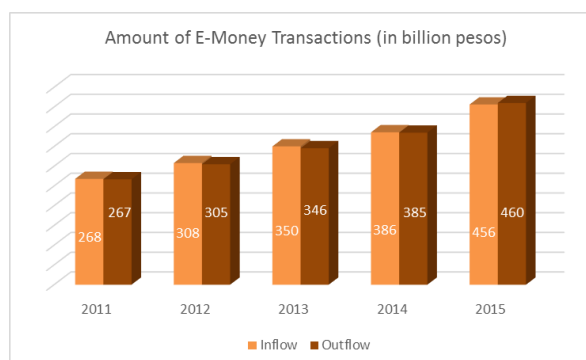
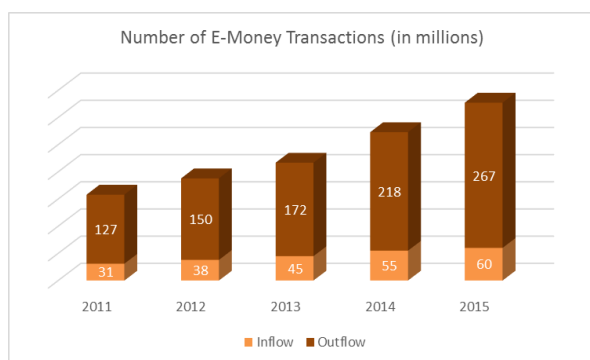
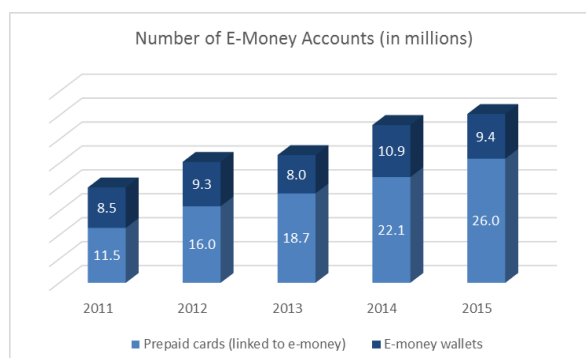
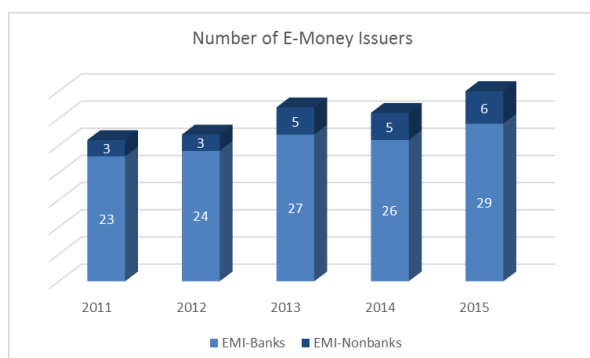


In 2015, there were 34 banks with approved authority to cross-sell microinsurance products. These banks partner with insurance companies licensed to offer microinsurance. Data from the Insurance Commission (IC) indicate that there are 47 microinsurance providers (out of 132 licensed insurers) with 28.7 million microinsurance policyholders as of end-year 2015.

E-Money

The number of EMIs increased to 35 issuers in 2015 from 31 issuers in 2014. The total number of e-money accounts (e-wallets and cards linked to e-money) increased by 7% to 35.3 million in

2015 from 33 million in 2014. From 2011 to 2015, growth is faster in cards (average annual growth of 23%) than e-money wallets (average annual growth of 4%).



In 2015, there were 327 million e-money transactions amounting to P456 billion (inflows) and P460 billion (outflows). In the past 5 years, average annual growth in the number and amount of e-money transactions stood at 20% and 14%, respectively.

Available data show that e-money is mainly used for person-to-person (P2P) or wallet-to-wallet (W2W) transfers with 88.7 million transactions amounting to P143 billion in 2015. Next are bills and merchant payments, but the volume and value are small compared to fund transfers. Usage of e-money is still relatively low at an average of 9 transactions per account per year.

Usage of e-money (2015)

	Number of Transactions (in millions)	Amount (in billion pesos)
Payment to merchants	4.0	4.1
Bills payments	7.2	6.2
Transfers to other Subscribers (P2P/W2W)	88.7	143.0




Annexes

Annex A. Cross-country comparison

Definition of financial inclusion

An operational definition of financial inclusion is important because it gives direction on what initiatives should be pursued and helps in identifying the benchmarks against which success or failure can be measured.

While financial inclusion generally means universal access to financial services, its exact definition varies per country, depending on the challenges and market realities that the country is facing. The following table presents the definition in the Philippines and in select countries:

SOUTHEAST ASIA	
	<p>Philippines Financial inclusion is a state wherein there is effective access to a wide range of financial products and services by all.</p> <p>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 lead to actual usage that can benefit the person accessing the said product or service.</p> <p>Wide range of financial products and services refers to a full suite of products and services (savings, credit, insurance, payment, remittance, investment) for different market segments, particularly those that are traditionally unserved and underserved.</p>
	<p>Indonesia The right of every individual to have access to a full range of quality financial services in a timely, convenient, informed manner and at an affordable cost in full respect of his/her personal dignity. Financial services are provided to all segments of the society, with a particular attention to low-income poor, productive poor, migrant workers and people living in remote areas.</p>
	<p>Malaysia An inclusive financial system that best serves all members of society, including the underserved, to have access to and usage of quality, affordable essential financial services to satisfy their needs towards shared prosperity²¹</p>

²¹ No official definition but this is the vision

SOUTH ASIA



India

Financial inclusion is the process of ensuring access to appropriate financial products and services needed by vulnerable groups such as weaker sections and low-income groups at an affordable cost in a fair and transparent manner by mainstream Institutional players.



Pakistan

Financial inclusion is defined as access to formal financial services including savings, credit, insurance and payments vis-à-vis formal financial intermediaries, at an affordable cost.

PACIFIC ISLANDS



Fiji

Financial inclusion is defined as an enabling environment where all adults, irrespective of where they live, socio-economic status or gender, have access to, and are able to effectively use a broad range of affordable and appropriate financial services and products that are complemented by appropriate financial education and consumer protection policies.

LATIN AMERICA



Brazil

Increased and improved access to financial services in three main ways: by expanding and strengthening distribution channels for financial services; by developing instruments to better adapt financial services to the needs of lower-income segments of the population; and by guaranteeing the quality of financial services provision.



Mexico

Access and use of formal financial services within an appropriate regulatory framework that guarantees consumer protection arrangements and promotes financial education to improve financial capacity in all segments of the population.

SUB-SAHARAN AFRICA



Nigeria

Financial inclusion is achieved when adults have easy access to a broad range of formal financial services that meet their needs at affordable cost. These products include payments, savings, credit, insurance and pensions.



Tanzania

Regular use of financial services, through payment infrastructures to manage cash flows and mitigate shocks, which are delivered by formal providers through a range of appropriate services with dignity and fairness.

Source: Country financial inclusion reports and national strategy documents

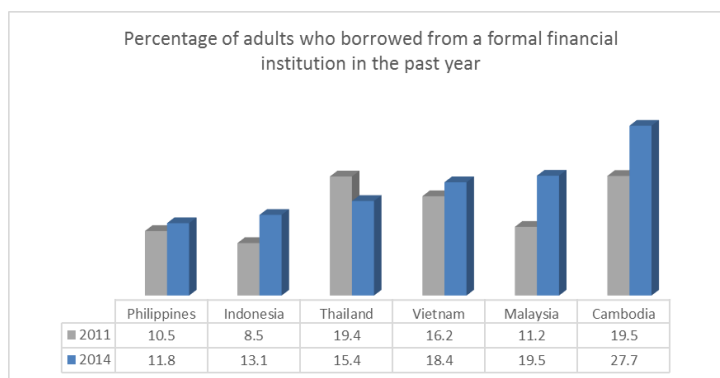
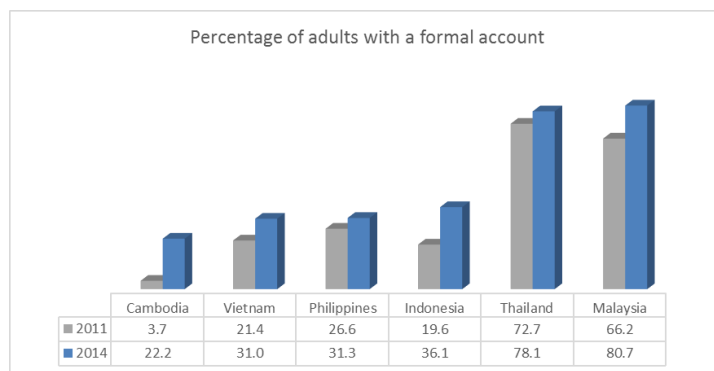
Financial Inclusion Indicators

This section describes how the Philippines compares with other countries based on financial inclusion indicators generated by various international agencies.

1. World Bank Findex

Findex is a database of demand-side financial inclusion information. It is based on interviews with around 150,000 adults in over 140 countries. In the charts below, the Philippines is compared to its ASEAN peers²² based on the two (2) runs of Findex in 2011 and 2014.

Formal account penetration in the Philippines is higher than Vietnam and Cambodia, but lower than Indonesia, Thailand and Malaysia.²³ The Philippines is the least improved country with 4.7 percentage points increase, compared to the most improved country which is Cambodia whose percent share of adults with formal account grew by 18.5 percentage points. In terms of formal credit, the Philippines has the lowest percentage of adults with borrowings from a formal financial institution and one of the countries with modest improvement from 2011 to 2014.



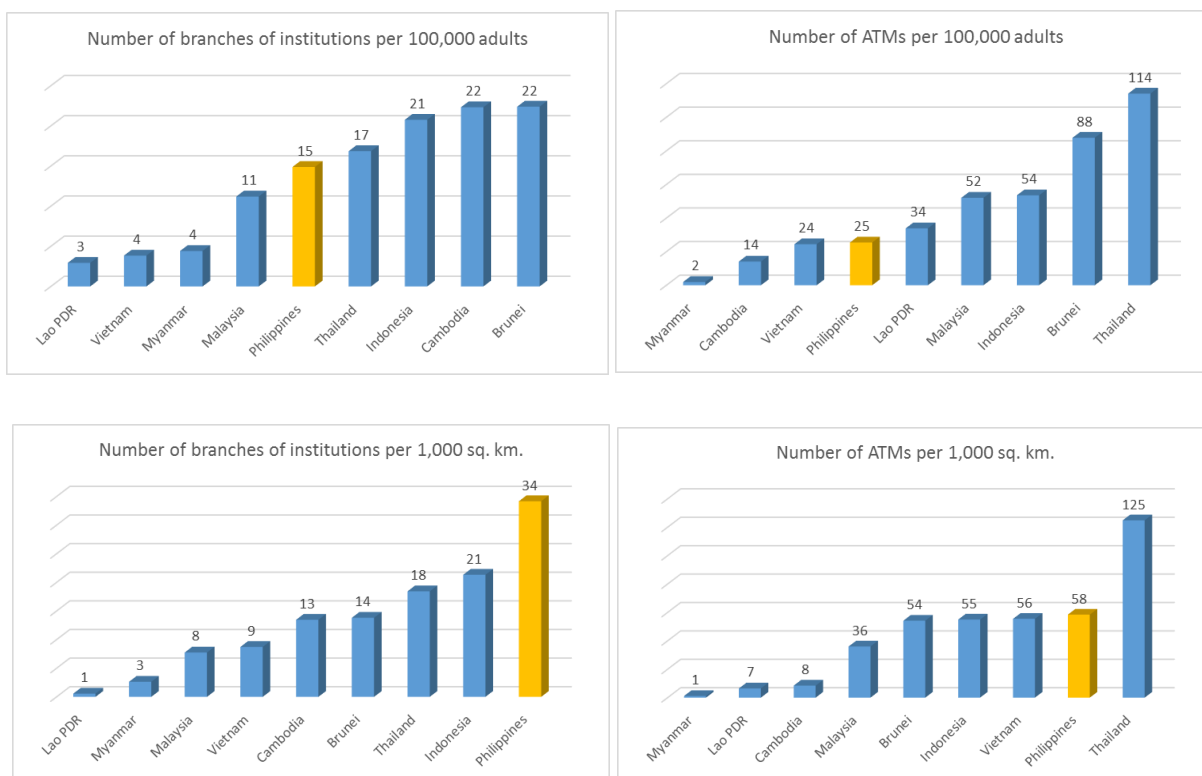
²² Only for ASEAN countries with data for both 2011 and 2014.

²³ Singapore was excluded in the cross-country comparison in light of its high level of financial inclusion (96.4% of Singaporeans have a formal account based on the 2014 Findex).

2. International Monetary Fund Financial Access Survey (IMF FAS)

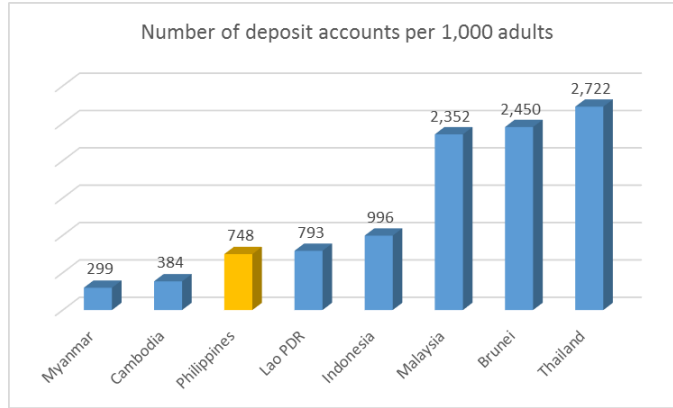
FAS is a source of global supply-side data on access to and use of financial services comparable across countries. Data are collected directly from participating governments, mostly central banks.

In comparison with our ASEAN peers, it can be seen that the Philippines is generally in the middle group in terms of number of branches of institutions²⁴ and ATMs per 100,000 adults. The country ranks high in terms of number of branches and ATMs per 1,000 square kilometers²⁵, indicating smaller distance to the nearest branch or ATM and thus easier geographic access. On usage, the number of deposit accounts per 1,000 adults in the Philippines is lower than most of our peers except Cambodia and Myanmar.



²⁴ Include commercial banks, credit unions, financial cooperatives, deposit-taking MFIs and other deposit takers.

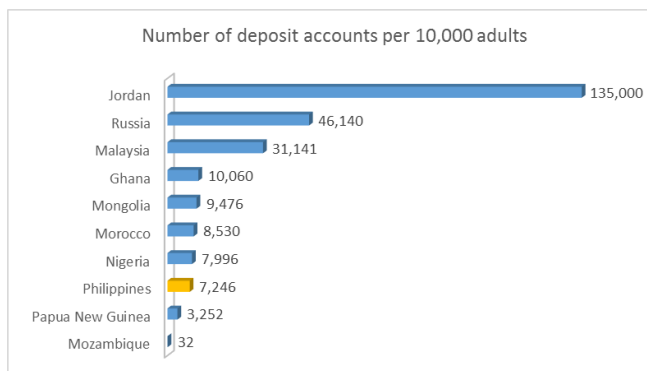
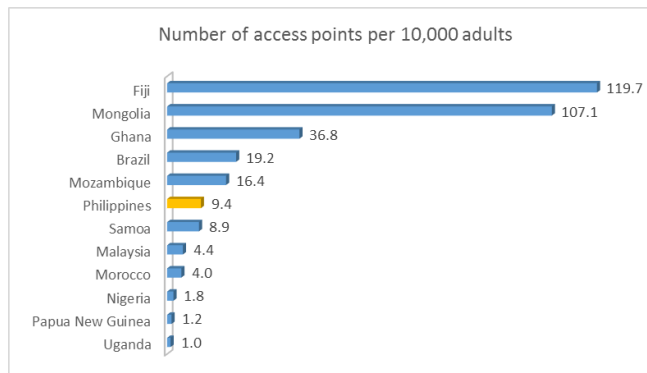
²⁵ IMF uses total land area in computing this indicator.



3. Alliance for Financial Inclusion (AFI) Data Portal

AFI is a global network of financial policymakers from developing and emerging countries working together to increase access to appropriate financial services for the poor. To date, it has 115 member institutions (central banks, finance ministries, financial regulatory institutions) from 94 developing countries.

In comparison with countries that has submitted data for the year 2015, the Philippines is in the middle group in terms of number of access points per 10,000 adults but at the lower end in terms of deposit accounts per 10,000 adults.



Annex B. Selected access and usage indicators, by region

Number of banks per city/municipality

Region		2014	2015	Growth
	NCR	192.6	198.8	3%
	CAR	2.0	2.1	3%
I	Ilocos Region	3.6	3.9	7%
II	Cagayan Valley	3.5	3.7	5%
III	Central Luzon	7.9	8.4	5%
IV-A	CALABARZON	11.0	11.4	4%
IV-B	MIMAROPA	3.2	3.4	5%
V	Bicol Region	3.3	3.5	4%
VI	Western Visayas	4.5	4.2	-7%
VII	Central Visayas	5.2	5.8	12%
VIII	Eastern Visayas	1.3	1.4	8%
NIR	Negros Island Region		4.9	
IX	Zamboanga Peninsula	2.8	3.0	7%
X	Northern Mindanao	4.0	4.0	0%
XI	Davao Region	8.1	8.3	3%
XII	SOCCSKSARGEN	4.3	4.4	4%
XIII	Caraga	3.0	3.0	0%
	ARMM	0.2	0.2	0%
	Philippines	6.3	6.6	4%

Number of banks per 10,000 adults

Region		2014	2015	Growth
	NCR	3.76	3.82	1%
	CAR	1.26	1.27	1%
I	Ilocos Region	1.21	1.27	5%
II	Cagayan Valley	1.32	1.36	3%
III	Central Luzon	1.34	1.38	3%
IV-A	CALABARZON	1.72	1.74	1%
IV-B	MIMAROPA	1.14	1.17	3%
V	Bicol Region	0.94	0.96	2%
VI	Western Visayas	1.10	1.30	19%
VII	Central Visayas	1.31	1.44	9%
VIII	Eastern Visayas	0.59	0.62	5%
NIR	Negros Island Region		0.85	
IX	Zamboanga Peninsula	0.87	0.91	5%
X	Northern Mindanao	1.16	1.15	0%
XI	Davao Region	1.21	1.22	1%
XII	SOCCSKSARGEN	0.75	0.76	2%
XIII	Caraga	1.20	1.18	-2%
	ARMM	0.09	0.08	-2%
	Philippines	1.50	1.52	2%

Number of ATMs per 10,000 adults

Region		2014	2015	Growth
	NCR	7.48	8.01	7%
	CAR	1.71	1.83	7%
I	Ilocos Region	1.30	1.45	12%
II	Cagayan Valley	1.03	1.16	12%
III	Central Luzon	1.83	1.99	9%
IV-A	CALABARZON	2.48	2.75	11%
IV-B	MIMAROPA	0.96	1.05	10%
V	Bicol Region	0.89	1.01	13%
VI	Western Visayas	1.28	1.43	11%
VII	Central Visayas	2.27	2.77	22%
VIII	Eastern Visayas	0.75	0.77	3%
NIR	Negros Island Region		1.23	
IX	Zamboanga Peninsula	0.97	1.08	12%
X	Northern Mindanao	1.37	1.39	2%
XI	Davao Region	1.96	2.12	8%
XII	SOCCSKSARGEN	1.21	1.24	2%
XIII	Caraga	1.17	1.26	7%
	ARMM	0.13	0.13	4%
	Philippines	2.28	2.46	8%

Legend: Top 3 Bottom 3

Number of banks per 100 sq. km.

Region	2014 ^{r/}	2015	Growth
NCR	679.01	700.57	3%
CAR	4.53	4.64	3%
I Ilocos Region	5.62	5.99	7%
II Cagayan Valley	3.38	3.57	5%
III Central Luzon	8.58	9.03	5%
IV-A CALABARZON	14.89	15.41	4%
IV-B MIMAROPA	2.34	2.46	5%
V Bicol Region	3.11	3.25	4%
VI Western Visayas	4.23	5.18	22%
VII Central Visayas	7.08	8.79	24%
VIII Eastern Visayas	1.81	1.95	8%
NIR Negros Island Region		3.29	
IX Zamboanga Peninsula	2.97	3.18	7%
X Northern Mindanao	4.50	4.60	2%
XI Davao Region	5.37	5.53	3%
XII SOCCSKSARGEN	2.93	3.04	4%
XIII Caraga	4.00	4.00	0%
ARMM	0.33	0.33	0%
Philippines	7.27	7.55	4%

Number of ATMs per 100 sq. km

Region	2014 ^{r/}	2015	Growth
NCR	1,349.93	1,471.43	9%
CAR	6.13	6.69	9%
I Ilocos Region	6.03	6.87	14%
II Cagayan Valley	2.65	3.04	15%
III Central Luzon	11.68	13.02	12%
IV-A CALABARZON	21.43	24.39	14%
IV-B MIMAROPA	1.96	2.21	13%
V Bicol Region	2.96	3.41	15%
VI Western Visayas	4.95	5.67	14%
VII Central Visayas	12.21	16.97	39%
VIII Eastern Visayas	2.29	2.41	5%
NIR Negros Island Region		4.76	
IX Zamboanga Peninsula	3.29	3.75	14%
X Northern Mindanao	5.32	5.55	4%
XI Davao Region	8.70	9.60	10%
XII SOCCSKSARGEN	4.75	4.97	5%
XIII Caraga	3.91	4.28	9%
ARMM	0.49	0.53	6%
Philippines	11.05	12.20	10%

* Based on habitable land area

Number of deposit accounts per 10,000 adults

Region	2014	2015	Growth
NCR	23,004	24,077	5%
CAR	6,468	6,597	2%
I Ilocos Region	4,315	4,567	6%
II Cagayan Valley	3,977	4,098	3%
III Central Luzon	4,810	5,080	6%
IV-A CALABARZON	6,918	7,276	5%
IV-B MIMAROPA	3,980	4,550	14%
V Bicol Region	3,486	3,917	12%
VI Western Visayas	4,421	5,237	18%
VII Central Visayas	5,633	6,600	17%
VIII Eastern Visayas	2,291	2,503	9%
NIR Negros Island Region		3,627	
IX Zamboanga Peninsula	3,593	3,766	5%
X Northern Mindanao	4,080	4,268	5%
XI Davao Region	5,114	5,472	7%
XII SOCCSKSARGEN	3,508	3,660	4%
XIII Caraga	3,941	4,085	4%
ARMM	500	509	2%
Philippines	6,886	7,249	5%

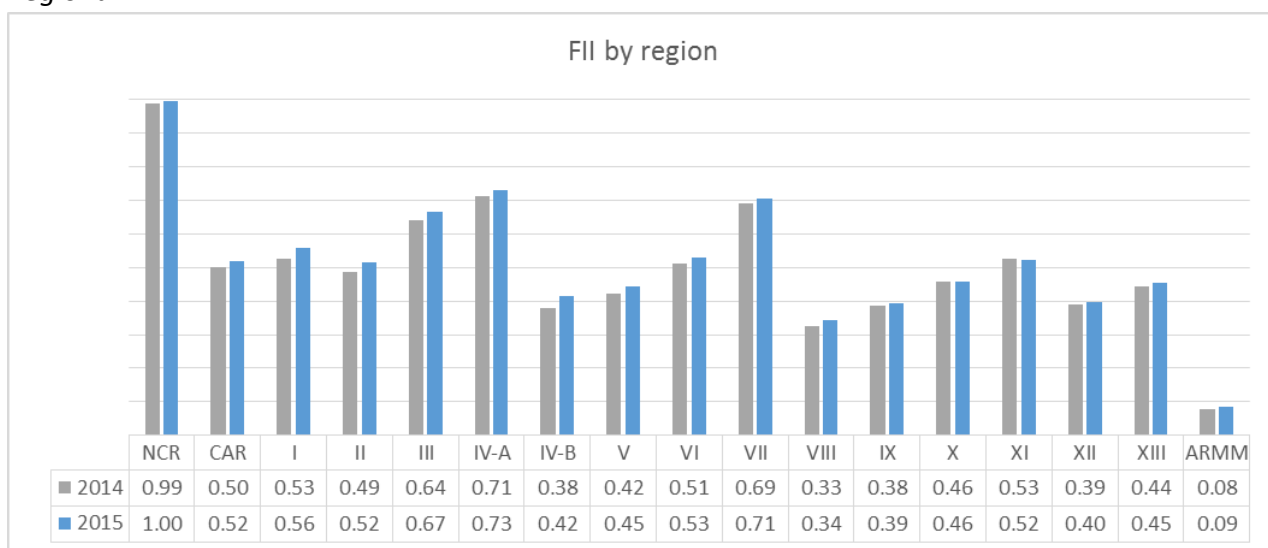
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Annex C. Financial Inclusion Index

National

Dimension	Indicator	2011	2012	2013	2014	2015
Access	Banks per 10,000 adults	1.40	1.42	1.47	1.50	1.52
	Other FSPs per 10,000 adults	4.09	5.16	5.35	5.28	5.43
	Banks per 100 sq. km	6.35	6.60	6.96	7.27	7.55
	Other FSPs per 100 sq. km	18.52	23.94	25.38	25.59	26.88
Usage	Deposit accounts per 10,000 adults	6,776	6,328	6,730	6,886	7,246
	Deposit-to-GDP ratio	0.55	0.54	0.65	0.67	0.69
	Credit-to-GDP ratio	0.33	0.34	0.37	0.40	0.44
FII		0.62	0.62	0.66	0.68	0.70

Regional



Provincial

Region	Top 10 Provinces	FII
4-A	LAGUNA	0.983
CAR	BENGUET	0.954
11	DAVAO DEL SUR	0.831
4-A	BATANGAS	0.829
4-A	CAVITE	0.824
7	CEBU	0.805
3	PAMPANGA	0.795
3	ZAMBALES	0.744
10	MISAMIS ORIENTAL	0.742
3	BATAAN	0.724

Region	Bottom 10 Provinces	FII
CAR	APAYAO	0.171
8	NORTHERN SAMAR	0.164
11	COMPOSTELA VALLEY PROVINCE	0.162
12	SARANGANI	0.112
ARMM	SULU	0.108
ARMM	TAWI-TAWI	0.096
11	DAVAO OCCIDENTAL	0.076
ARMM	LANAO DEL SUR	0.073
ARMM	BASILAN	0.066
ARMM	MAGUINDANAO	0.028

Annex D. Financial Inclusion Indicators developed by AFI FIDWG

Core Set

	2014	2015	
Background Indicators			
Adult population (in millions)	68.8	70.3	
Total number of relevant administrative units	1,634		
Total number of branches (banking offices)	10,315	10,710	↑
Total number of e-money agents	22,628	23,781	↑
Total number of other cash-in & cash-out access points ^{1/}	31,438	31,598	↑
Access			
Total number of access points per 10,000 adults	9.36	9.40	↑
% of administrative units with at least one access point	87.8%	88.2%	↑
% of adult population living in an administrative unit with at least one access point	96.5%	96.6%	↑
Usage			
% of adults with at least one type of regulated deposit account ^{2/}	31.3%		
Number of deposit accounts per 10,000 adults	6,885	7,246	↑
% of adults with at least one type of regulated credit account ^{2/}	11.8%		
Number of credit accounts per 10,000 adults	no data	no data	

^{1/} Include credit cooperatives, NSSLAs, pawnshops, MCs/FXDs/RAs, and other BSP-supervised NBFIs.

^{2/} Source: World Bank Global Findex (2014)

Mobile Financial Services Indicators

	2014	2015	
Background Indicators			
Number of MFS cash points	160,684	193,080	↑
Active MFS cash points	151,491	188,569	↑
Administrative units with MFS cash points	1,122	1,137	↑
MFS accounts (in millions)	32.8	35.3	↑
Active MFS accounts (in millions)	28.8	32.4	↑
Value of MFS transactions (in billion PHP)	386	458	↑
Volume of MFS transactions per month (in millions)	273	327	↑
Access			
Number of MFS cash points per 10,000 adults	23.4	27.5	↑
Percentage of relevant administrative units with MFS cash points	69%	70%	↑
Percentage of active MFS cash points	94%	98%	↑
Usage			
Percentage of adults with at least one MFS account*	4.2%		
Number of MFS accounts per 10,000 adults	4,761	5,024	↑
Percentage of active MFS accounts	88%	92%	↑
Value in USD of MFS transactions monthly (in millions)	720	810	↑
Average number of MFS transactions per active MFS cash point monthly	150	145	↓

*Source: World Bank Global Findex (2014)

SME Finance Indicators

	2009	2015	
Percentage of enterprises with a checking or savings account			
Small	97.2%	90.9%	↓
Medium	98.5%	96.2%	↓
SME*	97.9%	93.6%	↓
Percentage of enterprises with bank loans/line of credit			
Small	21.1%	22.6%	↑
Medium	39.9%	38.9%	↓
SME*	30.5%	30.8%	↑

*Average for small and medium enterprises

Source: World Bank Enterprise Surveys

About IFAO

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



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