

Report on the State of Financial Inclusion in the Philippines

2017



BANGKO SENTRAL NG PILIPINAS



Background

The Report on the State of Financial Inclusion in the Philippines is part of the stock-taking exercise of the BSP to assess the levels and trends in financial inclusion in the country. The 2017 report provides supply-side data on financial inclusion in terms of access and usage, sourced from BSP-supervised institutions and other sources such as the Cooperative Development Authority (CDA) and Insurance Commission (IC). It further presents comparison across other jurisdictions.

The report, which is the seventh edition since the maiden release in 2011, also serves as an inventory of the progress made in the past seven years (2011-2017). Year-on-year comparisons versus 2016 data and latest available figures as of June 2018 are likewise highlighted for relevant sections.

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 formal financial products and services in terms of deposits, loans, microfinance, microinsurance, and electronic money. The supporting annexes contain additional information on the different financial inclusion indicators.

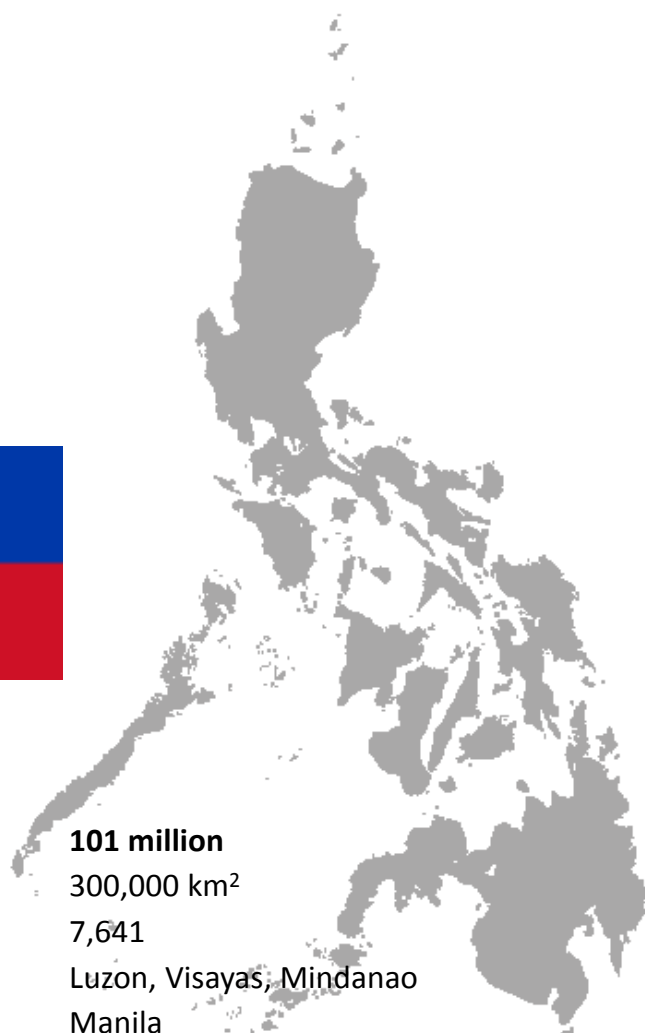
Previous reports can be accessed at:
http://www.bsp.gov.ph/about/advocacies_reports.asp

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
BDA	Basic Deposit Account
CALABARZON	Cavite, Laguna, Batangas, Rizal, Quezon
CAR	Cordillera Administrative Region
CDA	Cooperative Development Authority
CLIA	Center for Learning and Inclusion Advocacy
EFT	Electronic Fund Transfer
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/RTC	Foreign Exchange Dealer/Money Changer/Remittance and Transfer Company
IC	Insurance Commission
IMF	International Monetary Fund
LGU	Local Government Unit
MBO	Micro-banking Office
MF NGO	Microfinance NGO
MIMAROPA	Mindoro, Marinduque, Romblon, Palawan
NBFI	Non-bank Financial Institution
NIR	Negros Island Region
NRPS	National Retail Payments System
NSSLA	Non-stock Savings and Loans Association
P2P	Person-to-Person
PSA	Philippine Statistics Authority
R/CB	Rural and Cooperative Bank
SME	Small and Medium Enterprise
SOCCSKSARGEN	South Cotabato, Cotabato, Sultan Kudarat, Sanagani, General Santos City
TB	Thrift Bank
U/KB	Universal and Commercial Bank
W2W	Wallet-to-Wallet

The Philippines

An Overview



Population (2015) ^{a/}	101 million
Land area ^{a/}	300,000 km ²
Number of islands ^{b/}	7,641
Main islands	Luzon, Visayas, Mindanao
Capital	Manila
Administrative Units ^{a/}	17 regions, 81 provinces, 145 cities, 1,489 municipalities
Official languages	Filipino, English
Simple literacy (2013) ^{a/}	96.5%
Employment rate (July 2018) ^{a/}	94.6%
Poverty incidence of population (2015) ^{a/}	21.6%
Average annual family income (Oct 2016) ^{a/}	PhP 267,000
Gross Domestic Product (GDP) full year growth (2017) ^{a/}	6.7%
Inflation rate (Oct 2018) ^{c/}	6.7%
Exchange rate (Oct 2018) ^{c/}	USD 1 ≈ PhP 53
Number of overseas Filipinos (2013) ^{d/}	10.2 million
Amount of cash remittances (2017) ^{c/}	USD 28 billion
Number of unique mobile subscribers (2015) ^{e/}	51 million
SIM penetration (2017) ^{e/}	113%
Smartphone penetration (2017) ^{e/}	63%
Percentage of individuals using the internet (2016) ^{f/}	55.5%

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^{a/} Philippine Statistics Authority

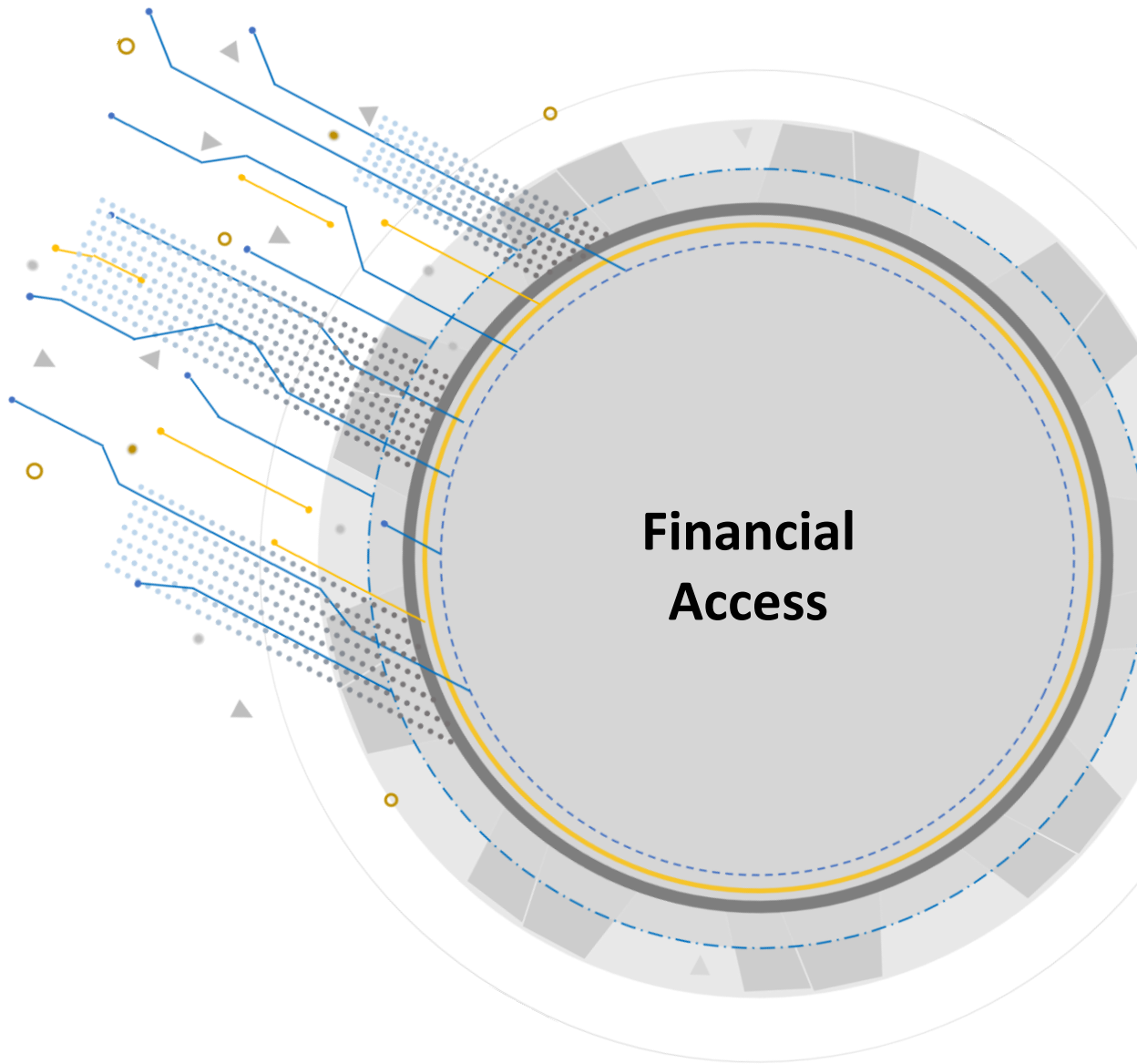
^{b/} National Mapping and Resource Information Authority

^{c/} Bangko Sentral ng Pilipinas

^{d/} Commission on Filipinos Overseas

^{e/} Groupe Speciale Mobile Association (GSMA)

^{f/} International Telecommunication Union (ITU)



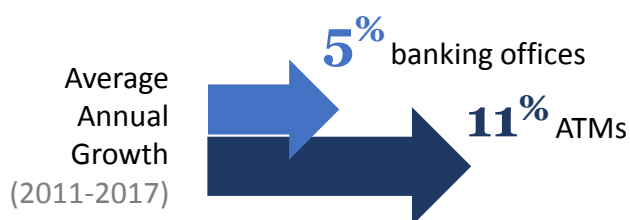
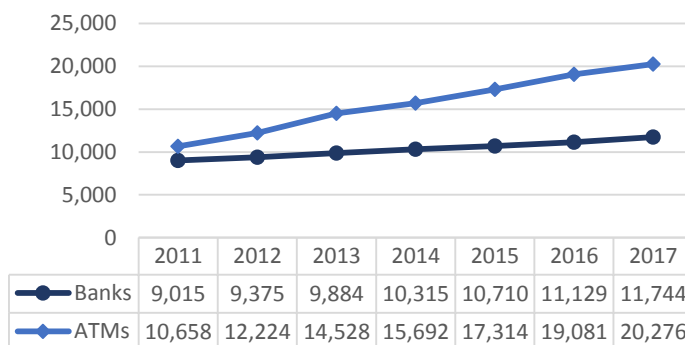
**Financial
Access**

Number of banks and automated teller machines (ATMs)

The number of banks continue to increase, with 11,744 banking offices nationwide as of end-2017. From 2011 to 2017, the growth of banking offices translated to an average annual rate of 5%, or equivalently around 455 new banking offices that are being put up every year.¹

ATMs likewise continued to grow, reaching 20,276 units as of end-2017. ATMs exhibited a faster rate of growth in the past seven years as compared to banking offices. With an 11% average annual growth, this indicates that roughly 1,600 new ATMs are being set up yearly.²

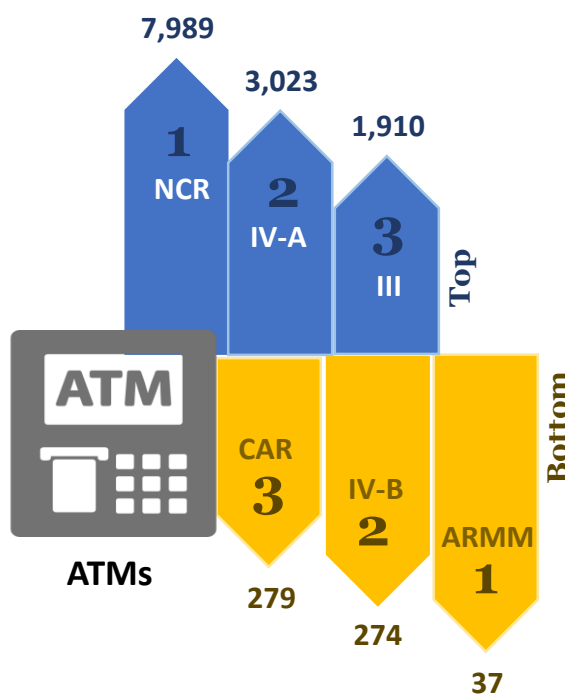
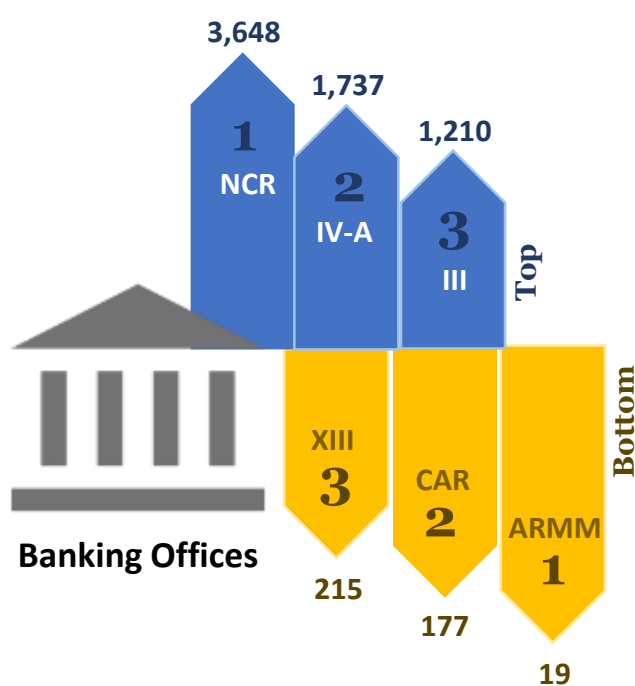
Number of banking offices and ATMs



Geographic distribution of banks and ATMs

Similar to 2016, the concentration of banks and ATMs in 2017 remained in NCR, followed by Regions IV-A (CALABARZON) and III (Central Luzon). CAR and ARMM were both at the bottom three in terms of both bank and ATM penetration.

Other underserved regions were Region XIII (Caraga) in terms of bank count, and Region IV-B (MIMAROPA) in terms of ATM count.



¹ Banking office count excludes 48 banking offices located outside the Philippines which primarily cater to overseas Filipinos.

² ATM count excludes 3 ATMs located outside the Philippines which primarily cater to overseas Filipinos. Of the total ATMs, 56% were on-site while 44% were off-site. On-site ATMs are located in the banking office while off-site ATMs are stand-alone units located in convenient areas such as shopping malls, train stations, and other public places.



Region	Banks			ATMs		
	2016	2017	2016-17 Growth	2016	2017	2016-17 Growth
NCR	3,504	3,648	4.1%	7,669	7,989	4.2%
CAR	165	177	7.3%	255	279	9.4%
I Ilocos Region	520	584	12.3%	614	677	10.3%
II Cagayan Valley	358	388	8.4%	354	400	13.0%
III Central Luzon	1,146	1,210	5.6%	1,748	1,910	9.3%
IV-A CALABARZON	1,665	1,737	4.3%	2,848	3,023	6.1%
IV-B MIMAROPA	267	278	4.1%	250	274	9.6%
V Bicol Region	428	464	8.4%	479	527	10.0%
VI Western Visayas	455	690	*	550	965	*
VII Central Visayas	628	789	*	1,302	1,511	*
VIII Eastern Visayas	210	227	8.1%	291	323	11.0%
NIR Negros Island Region	297	*	*	466	*	*
IX Zamboanga Peninsula	220	225	2.3%	291	309	6.2%
X Northern Mindanao	383	396	3.4%	497	544	9.5%
XI Davao Region	424	447	5.4%	776	814	4.9%
XII SOCCSKSARGEN	232	250	7.8%	396	411	3.8%
XIII Caraga	208	215	3.4%	260	283	8.8%
ARMM	19	19	0.0%	35	37	5.7%
Philippines	11,129	11,744	5.5%	19,081	20,276	6.3%

The number of banks increased in all regions except in ARMM where no additional banking offices were established. The number of ATMs grew in all regions. It is worth noting that growth in banks and ATMs were higher in regions outside the top three.³

Legend

Top 3 Bottom 3

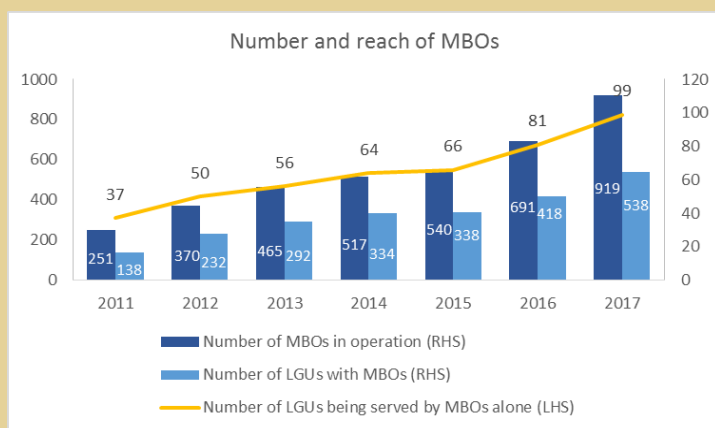
Branch-lite network

Branch-lite is a concept which allows banks to perform banking activities and services chosen from an expanded menu of transactional and non-transactional activities. This gives the bank the flexibility to determine the appropriate size and model of a banking office for a specific area

or locality based on market needs.

BSP Circular No. 987 dated 28 December 2017 liberalized the classifications of banking offices under the branch-lite framework.

From micro-banking offices (MBOs) to branch-lite...



In 2017, there were 919 MBOs operating in 538 local government units or LGUs (i.e., cities and municipalities), of which 99 LGUs were being served by MBOs alone. With their presence in areas where it may not yet be feasible for a branch to serve, MBOs served as a means for banks to reach previously unbanked LGUs.

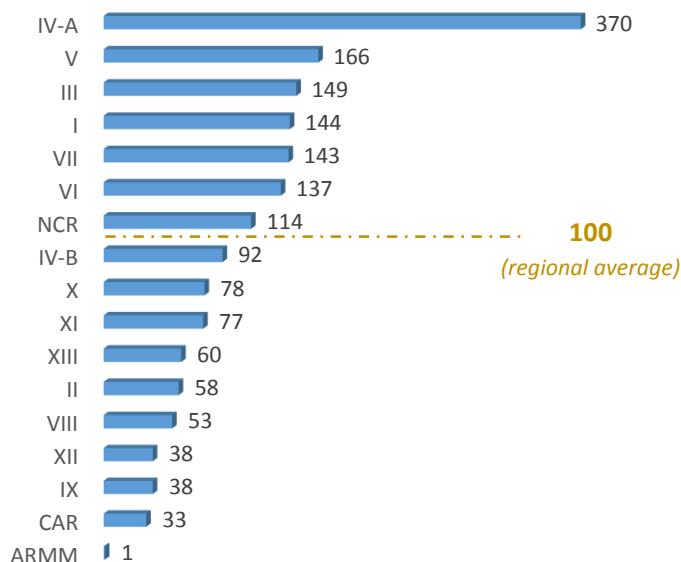
MBOs were indeed effective solutions to physical barriers in banking. However, previous regulations restrict MBOs only to banks with microfinance operations. BSP issued a regulation to expand and replicate the success of MBOs to all banks.

³ Figures for 2016 and 2017 are not directly comparable due to the abolition of the Negros Island Region (NIR), and the return of Negros Occidental and Negros Oriental to Regions VI and VII, respectively.

As of June 2018, out of 581 banks (head offices), 155 banks have tapped branch-lite to expand physical outreach at lower cost. There were 1,751 branch-lite units operating in 738 LGUs, of which 151 LGUs were being served by branch-lite alone.

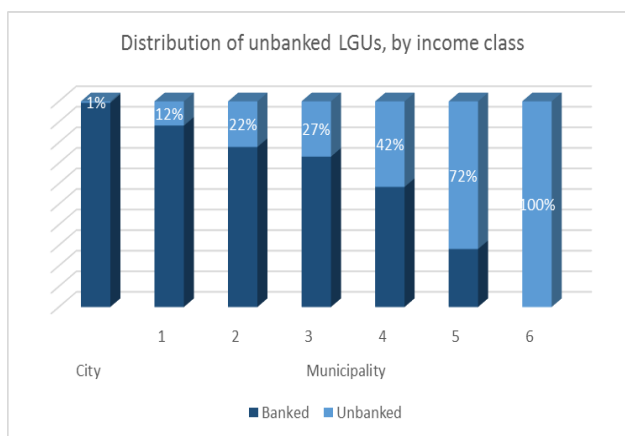
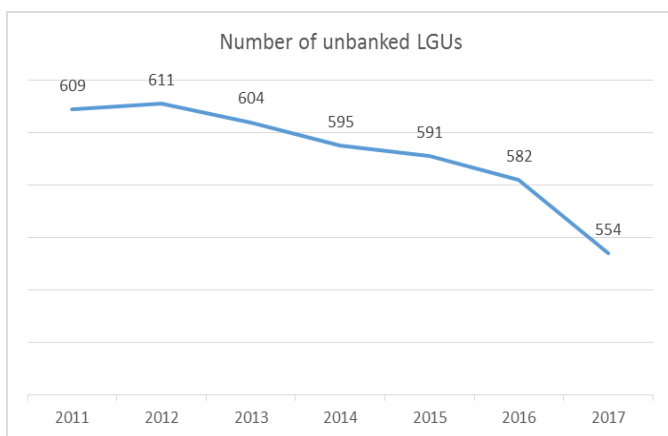
At the regional level, branch-lite units were mostly found in CALABARZON, Bicol, Central Luzon, and Ilocos. There are still untapped opportunities in terms of expanding financial access through branch-lite since ARMM only has one branch-lite while more than half of the regions have less than 100 branch-lite units (regional average).

Regional distribution of branch-lite units

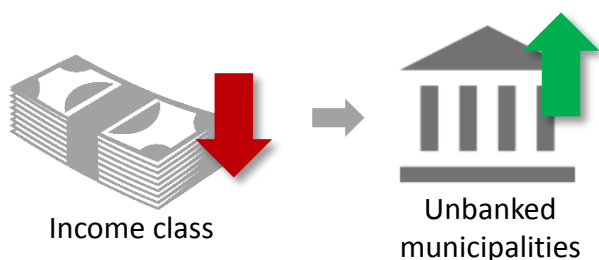


Unbanked situation

In 2017, 554 LGUs were unbanked or 33.9% of the total.⁴ While this is an improvement from 37.3% in 2011, the percentage share of unbanked LGUs declined at an average rate of only 1.6% from 2011 to 2017.



As income class decreases, the percentage share of unbanked municipalities increases.



One city (Canlaon City, Negros Oriental) out of 145 cities is still unbanked. The income level of a municipality is a significant determinant of banking presence. Only 12% of first class municipalities were unbanked, while 100% of 6th class municipalities were unbanked.

⁴ List of unbanked LGUs available at <http://www.bsp.gov.ph/banking/directories.asp>

At the regional level,⁵ 10 regions improved in terms of banking presence. CAR showed the greatest improvement, propelling it past the bottom three areas. Four regions showed no improvement (excluding NCR where all LGUs are already banked).

Only Region X (Northern Mindanao) experienced a drop in the number of banked LGUs. ARMM, Region VIII (Eastern Visayas), and Region IX (Zamboanga Peninsula) were in the top three underbanked regions of the country.

Region	Total no. of LGUs (a)		No. of LGUs with at least one banking office (b)		% Share (b/a)		
	2016	2017	2016	2017	2016	2017	
NCR	17	17	17	17	100.0%	100.0%	→
CAR	77	77	27	31	35.1%	40.3%	↑
I Ilocos Region	125	125	93	95	74.4%	76.0%	↑
II Cagayan Valley	93	93	78	78	83.9%	83.9%	→
III Central Luzon	130	130	123	126	94.6%	96.9%	↑
IV-A CALABARZON	142	142	133	135	93.7%	95.1%	↑
IV-B MIMAROPA	73	73	48	48	65.8%	65.8%	→
V Bicol Region	114	114	84	89	73.7%	78.1%	↑
VI Western Visayas	101	133	83	105	82.2%	78.9%	*
VII Central Visayas	107	132	74	95	69.2%	72.0%	*
VIII Eastern Visayas	143	143	44	48	30.8%	33.6%	↑
NIR Negros Island Region	57	*	37	*	64.9%	*	↑
IX Zamboanga Peninsula	72	72	27	28	37.5%	38.9%	↑
X Northern Mindanao	93	93	60	59	64.5%	63.4%	↓
XI Davao Region	49	49	37	38	75.5%	77.6%	↑
XII SOCCSKSARGEN	50	50	33	34	66.0%	68.0%	↑
XIII Caraga	73	73	44	44	60.3%	60.3%	→
ARMM	118	118	10	10	8.5%	8.5%	→
Philippines	1,634	1,634	1,052	1,080	64.4%	66.1%	↑

Legend

- Top 3 Bottom 3
- ↑ With increasing number of banked LGUs
 - ↓ With decreasing number of banked LGUs
 - No change

Other financial service access points

In 2017, there were over 120,000 other financial service access points⁶ comprised of NSSLAs, credit cooperatives, microfinance NGOs (MF NGOs), pawnshops, FXDs/MCs/RTCs, e-money agents, and other NBFIs.⁷ In the past seven years, average growth was highest among e-money agents⁸ and lowest among pawnshops.⁹

	2016	2017	Growth rate (2016-2017)		Ave. annual growth rate (2011-2017)	
Non-stock savings and loan associations	199	197	-1%	↓	2%	↑
Credit cooperatives	3,446	3,664	6%	↑	7%	↑
Microfinance NGOs	2,603	2,861	10%	↑	13%	↑
Pawnshops	16,698	16,582	-1%	↓	-0.1%	↓
Other non-bank financial institutions	181	218	20%	↑	15%	↑
Remittance & transfer companies, money changers/FX dealers	12,028	11,697	-3%	↓	7%	↑
E-money agents	26,028	63,195	143%	↑	39%	↑

⁵ Figures for 2016 and 2017 are not directly comparable due to the abolition of the Negros Island Region (NIR), and the return of Negros Occidental and Oriental to Regions VI and VII.

⁶ Directory of financial service access points is available at http://www.bsp.gov.ph/ifas/listoffis_dirsrch.asp

⁷ 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.

⁸ Registered e-money agents include pawnshops and FXDs/MCs/RAs which are also serving as agents. A complete listing of all agents is not available, making it difficult to identify retail agents (e.g., grocery stores, shops, etc.)






⁹ The decrease in the number of pawnshops in recent years 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.

Despite their slow growth in recent years, pawnshops were still the most accessible with presence in 73% of the 1,634 LGUs, followed by cooperatives with 71%. Pawnshops and cooperatives had wider reach than banks. Other NBFIs and NSSLAs, on the other hand, had least physical reach at 6% and 4%, respectively.

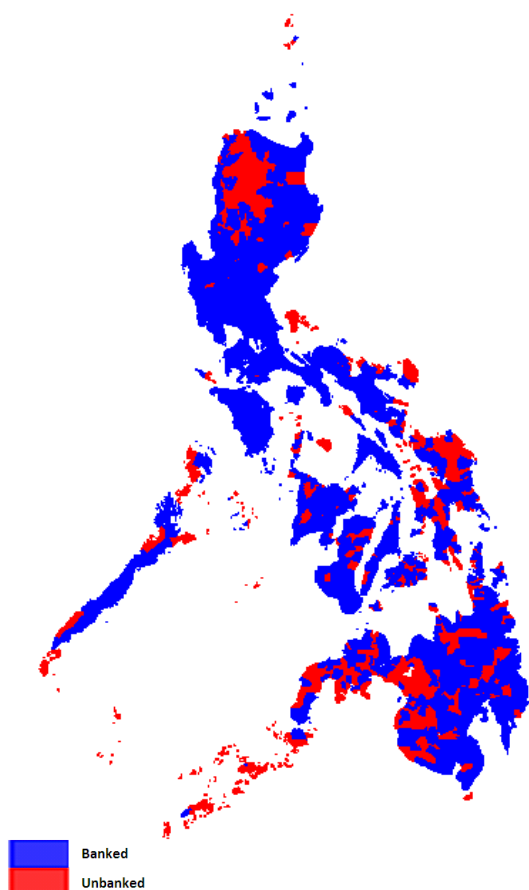
In terms of presence in unbanked areas, cooperatives were the most common access points with 47% reach, followed by pawnshops with 44% and MF NGOs with 40%.

While 34% of 1,634 LGUs were unbanked, the percentage would drop to 8% if other access points were considered. In the succeeding maps, this is most evident in CAR and Region VIII (Eastern Visayas) where the portion of “red areas” was significantly reduced from Map A to Map B.

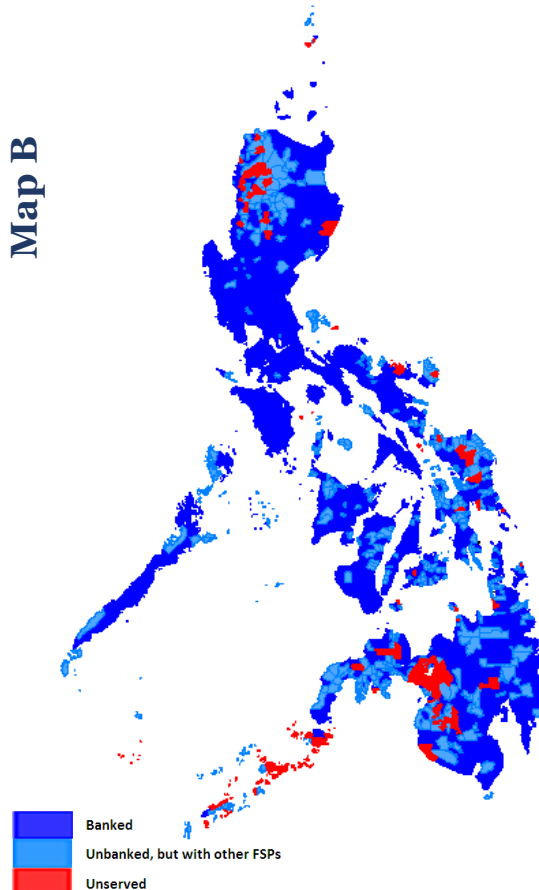
Indeed, non-bank FSPs help provide basic financial services and can be channels to broader financial inclusion in unbanked areas. It is only in ARMM where red areas were still prominent in the two maps, indicating that many LGUs in ARMM remained unserved.

	Physical reach (% of LGUs)	Presence in unbanked areas (% of LGUs)
 Pawnshops	73%	44%
 Cooperatives with credit operations	71%	47%
 MF NGOs	66%	40%
 E-money Agents	60%	35%
 FXDs/MCs/RTCs	59%	27%

Map A



Map B





Usage of Financial Products and Services

Deposit in banks

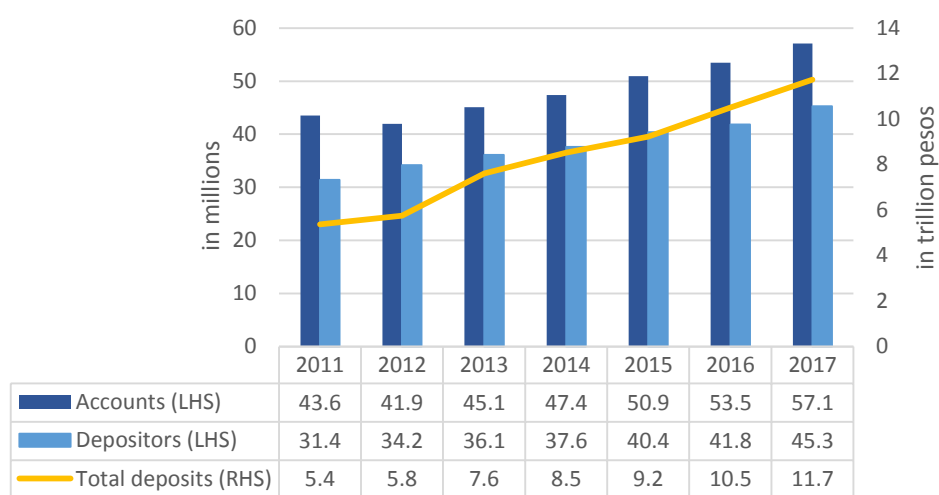
In 2017, there were 57.1 million deposit accounts from 45.3 million depositors with outstanding balance of P11.7 trillion.

From 2011 to 2017, the number of deposit accounts and depositors in banks increased at an average annual rate of 5% and 6%, respectively.

The total amount of deposits grew at an average rate of 14% during the same period.

The number of accounts is 11.8 million more than the number of depositors which indicates ownership of multiple accounts for some depositors.¹¹

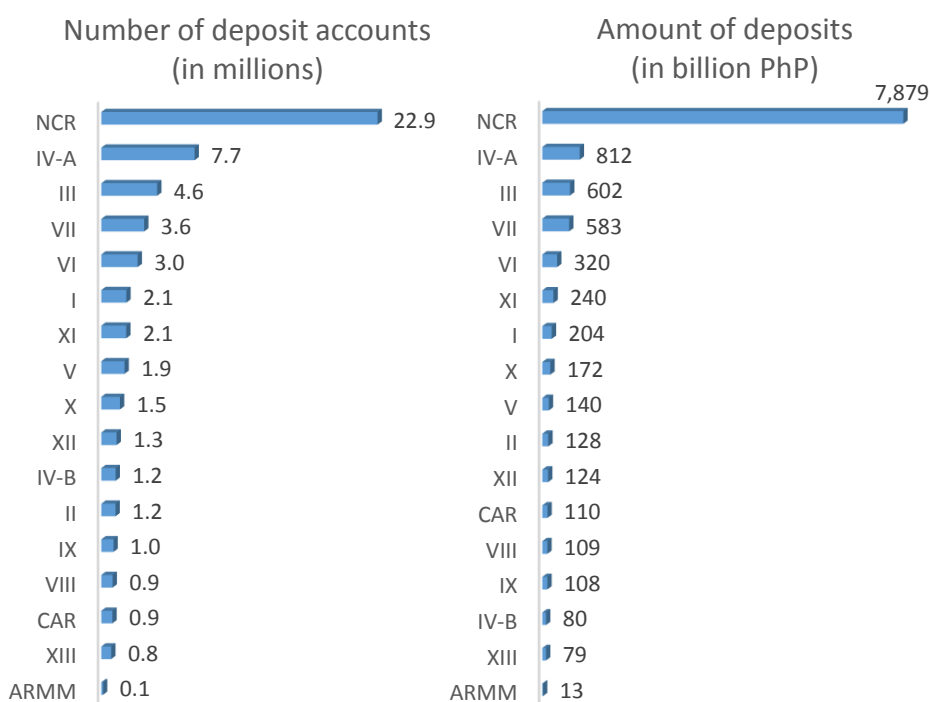
Bank deposits: number of accounts, depositors, and amount



Geographic distribution of bank deposits¹²

NCR held 40% of the total number of deposit accounts, followed by CALABARZON with 14% and Central Luzon with 8%. The bottom three regions were CAR, Caraga, and ARMM with 0.9%, 0.8%, and 0.1% share, respectively.

In terms of amount, deposits were heavily concentrated in NCR which accounted for two-thirds (67%) of the total. Caraga and ARMM were again at the bottom.



¹¹ Deposit data is subject to multiple counting because a person may have two or more accounts in a bank or in several banks.

¹² Figures for 2016 and 2017 are not directly comparable due to the abolition of the Negros Island Region (NIR), and the return of Negros Occidental and Negros Oriental to Regions VI and VII, respectively.

The 2017 figures are generally reflective of trends observed for 2016. The only exemption is the replacement of Eastern Visayas with CAR in the bottom three in terms of number of deposit accounts.

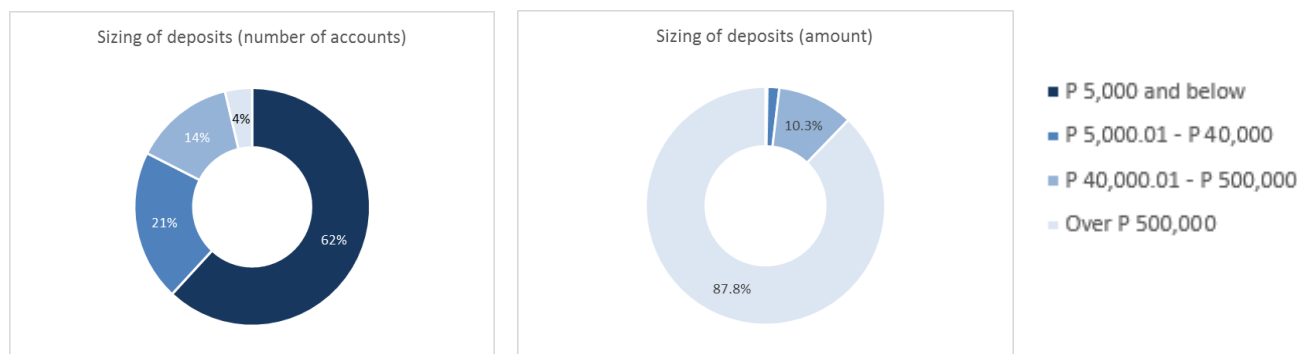
Region		Number of deposit accounts (in millions)			% Share to Total	
		2016	2017	Growth	2016	2017
	NCR	22.2	22.9	3.2%	41.2%	40.2%
	CAR	0.9	0.9	5.5%	1.6%	1.6%
I	Ilocos Region	1.9	2.1	8.7%	3.5%	3.6%
II	Cagayan Valley	1.1	1.2	8.5%	2.0%	2.1%
III	Central Luzon	4.3	4.6	7.1%	8.0%	8.1%
IV-A	CALABARZON	7.2	7.7	7.3%	13.4%	13.6%
IV-B	MIMAROPA	1.1	1.2	12.6%	2.0%	2.1%
V	Bicol Region	1.8	1.9	7.7%	3.3%	3.4%
VI	Western Visayas	1.8	3.0	*	3.4%	5.3%
VII	Central Visayas	3.0	3.6	*	5.6%	6.2%
VIII	Eastern Visayas	0.9	0.9	9.1%	1.6%	1.6%
NIR	Negros Island Region	1.3	*	*	2.4%	*
IX	Zamboanga Peninsula	0.9	1.0	6.7%	1.8%	1.8%
X	Northern Mindanao	1.5	1.5	6.0%	2.7%	2.7%
XI	Davao Region	2.0	2.1	4.9%	3.7%	3.6%
XII	SOCCSKSARGEN	1.1	1.3	10.5%	2.1%	2.2%
XIII	Caraga	0.8	0.8	4.1%	1.5%	1.4%
	ARMM	0.1	0.1	10.7%	0.2%	0.2%
Total		53.80	56.85	5.7%	100.0%	100.0%

Legend	
Top 3	Bottom 3

Region		Amount of deposits (in billion pesos)			% Share to Total	
		2016	2017	Growth	2016	2017
	NCR	7,069.1	7,879.2	11.5%	67.4%	67.3%
	CAR	96.4	110.2	14.3%	0.9%	0.9%
I	Ilocos Region	185.4	204.1	10.1%	1.8%	1.7%
II	Cagayan Valley	114.0	128.3	12.5%	1.1%	1.1%
III	Central Luzon	527.3	601.8	14.1%	5.0%	5.1%
IV-A	CALABARZON	731.3	812.4	11.1%	7.0%	6.9%
IV-B	MIMAROPA	65.1	80.3	23.5%	0.6%	0.7%
V	Bicol Region	124.6	140.3	12.6%	1.2%	1.2%
VI	Western Visayas	167.9	319.5	*	1.6%	2.7%
VII	Central Visayas	505.4	582.7	*	4.8%	5.0%
VIII	Eastern Visayas	94.3	109.2	15.7%	0.9%	0.9%
NIR	Negros Island Region	160.3	*	*	1.5%	*
IX	Zamboanga Peninsula	95.9	107.7	12.3%	0.9%	0.9%
X	Northern Mindanao	152.8	172.4	12.8%	1.5%	1.5%
XI	Davao Region	214.8	240.4	11.9%	2.0%	2.1%
XII	SOCCSKSARGEN	108.1	124.5	15.2%	1.0%	1.1%
XIII	Caraga	69.3	78.6	13.5%	0.7%	0.7%
	ARMM	10.0	13.1	30.6%	0.1%	0.1%
Philippines		10,491.8	11,704.7	11.6%	100.0%	100.0%

Bank deposits by bucket size

Deposit accounts amounting to P5,000 and below made up 62% of all deposit accounts in banks. While only 4% of the number of accounts were above the maximum deposit insurance coverage of P500,000, they held 88% of total deposits in terms of amount.



Deposit Size	Number of deposit accounts (in millions)			Amount of deposits (in billion pesos)		
	2016	2017	Growth	2016	2017	Growth
P 5,000 and below	33.2	35.4	6.3%	23.9	26.5	10.9%
P 5,000.01 - P 40,000	10.9	11.7	7.6%	151.2	168.6	11.5%
P 40,000.01 - P 500,000	7.4	7.9	7.2%	1,002.3	1,084.3	8.2%
Over P 500,000	2.0	2.1	8.7%	8,055.3	9,229.8	14.6%
Total	53.5	57.1	6.8%	9,232.8	10,509.2	13.8%

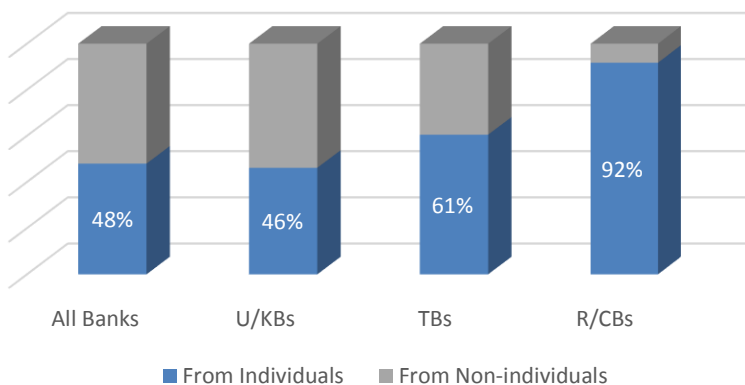
Deposits from individuals

Nearly half (48%) of the total value of deposits came from individuals. The remaining half were deposits of government institutions, banks, and private corporations.

Depositor share on total value of deposits



Deposits from individuals, by bank type



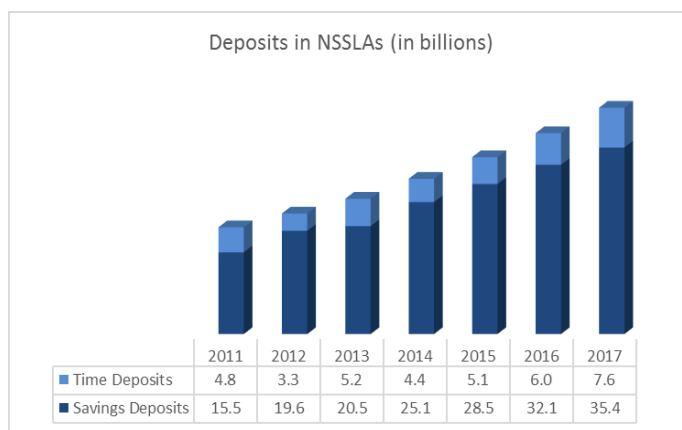
Deposits from individuals increased by 11% to P5.6 trillion in 2017 from P5.1 trillion in 2016. Individual deposits had the largest share in R/CBs (92%) and lowest share in U/KBs (46%), reflecting the clientele that each bank type serves.

Dormant accounts

The amount of dormant accounts decreased by 2% to P90 billion in 2017 from P92 billion in 2016. Dormant accounts made up less than 1% of the total amount of deposits.

Deposits in non-banks

In 2017, deposits in NSSLAs amounted to P43 billion.¹³ From 2011 to 2017, the amount of deposits in NSSLAs increased at an average annual rate of 13%, comparable with that of bank deposits.



Loans in banks

Outstanding loans in the banking sector amounted to P8 trillion in 2017, with average annual growth of 17% in the past seven years.¹⁴ NCR accounted for 85% of the total amount of loans outstanding in the banking sector.

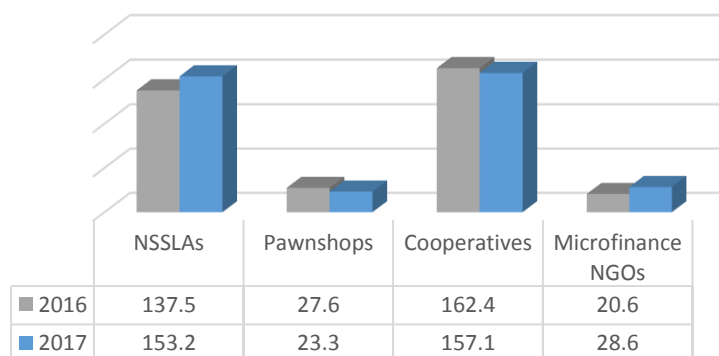
Share of loans according to economic activity (Top three)



Loans in non-banks

Among non-banks, growth was highest among microfinance NGOs where the total amount of outstanding loans increased by 39% to P28.6 billion in 2017 from P20.6 billion in 2016.¹⁷ Loans in MF NGOs and pawnshops were relatively small compared to the amount of outstanding loans in NSSLAs and cooperatives.¹⁵

Loans in some non-banks

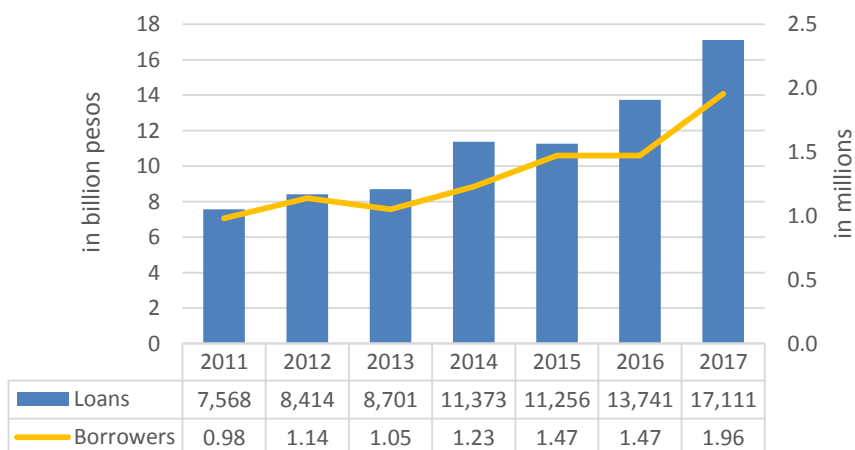


Microfinance in the banking sector

In 2017, there were 162 banks with microfinance operation serving almost 2 million borrowers with loans outstanding amounting to P17 billion.

From 2011 to 2017, the banks' microfinance loan portfolio and number of microfinance borrowers grew at an average annual rate of 15% and 13%, respectively.

Amount of outstanding microfinance loans and number of microfinance borrowers



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

¹⁴ Existing data on the amount of loans include all loans granted by banks, interbank loans and reverse repurchase with the BSP and other banks.

¹⁵ Based only on a sample of 14 MF NGOs in 2016 and 11 MF NGOs in 2017

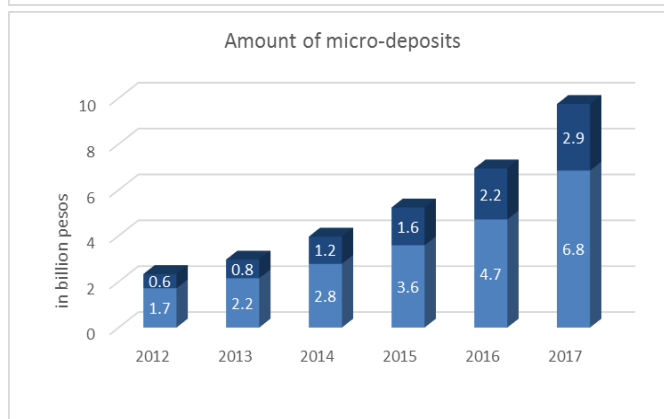
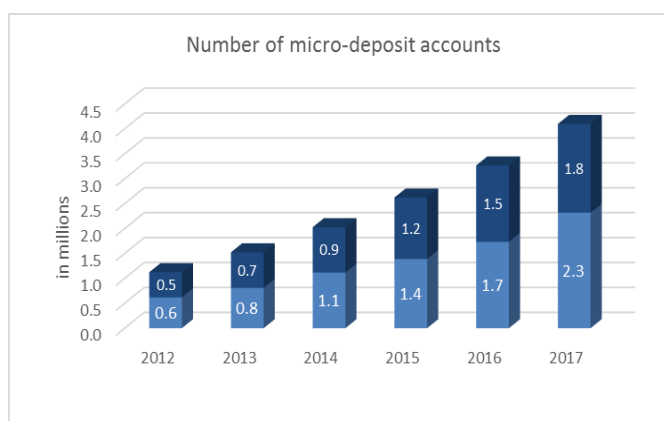
Banks' offering of different microfinance products generally improved. While the number of banks providing microenterprise loans decreased, outstanding loans for different types of microfinance products experienced sustained growth.

		2016	2017	Growth
Microenterprise Loans	Banks	156	150	● -3.8%
	Borrowers	1,436,371	1,660,846	● 15.6%
	Amount (in million pesos)	11,956.6	14,234.6	● 19.1%
Microfinance Plus	Banks	32	37	● 15.6%
	Borrowers	5,537	8,390	● 51.5%
	Amount (in million pesos)	404.4	776.5	● 92.0%
Micro-Agri Loans	Banks	26	27	● 3.8%
	Borrowers	39,987	72,480	● 81.3%
	Amount (in million pesos)	303.3	720.9	● 137.7%
Housing Microfinance Loans	Banks	17	17	● 0.0%
	Borrowers	131,375	138,380	● 5.3%
	Amount (in million pesos)	875.6	1,002.5	● 14.5%

Seventy five (75) banks have opened micro-deposit accounts to 4 million microfinance clients with outstanding balance of P9.7 billion in 2017. The number and amount of micro-deposits increased at an average annual rate of 30% and 33% respectively from 2012 to 2016, faster than the growth of regular deposit accounts.

Majority of micro-deposit accounts came from clients with outstanding loans (i.e., compulsory savings). Nonetheless, clients availing of micro-deposits only also accounted for a significant share of the total number of micro-deposit accounts and total amount of micro-deposits, at 43% and 30%, respectively.

■ From clients with micro-credits
 ■ From clients without micro-credits



From micro-deposits to basic deposit accounts (BDAs)...

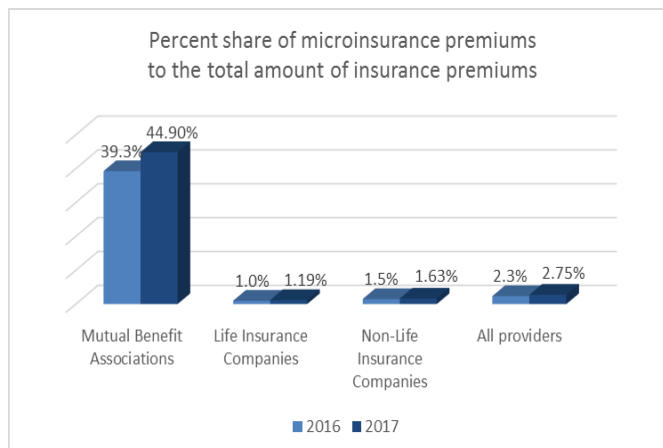
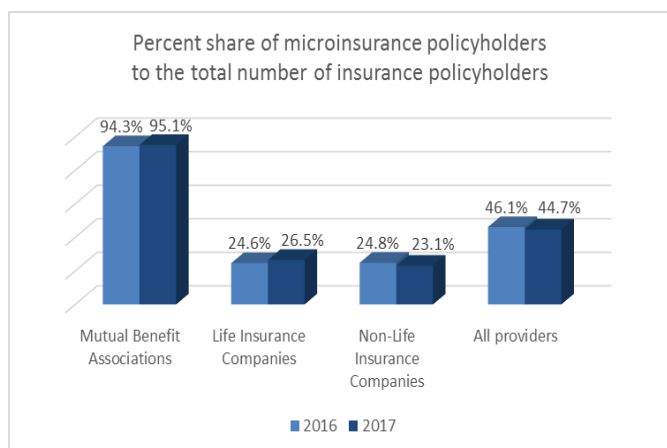
While micro-deposits have been able to expand financial access, the very focused and niche approach resulted in a relatively limited offering by banks with microfinance operations.

In 2018, the BSP introduced a more general basic deposit account (BDA) that will address current limitations and incorporate new features that characterize ease, accessibility, convenience, and

reasonable cost for both banks and clients. Under Circular No. 992 on the Framework for BDAs, banks may offer accounts with 0 percent reserve requirement, liberalized customer onboarding, opening balance of not more than PHP 100 (approx. USD 2), and the waiver of minimum maintaining balance and dormancy charges. To date, a number of banks have already expressed interest in offering BDAs.

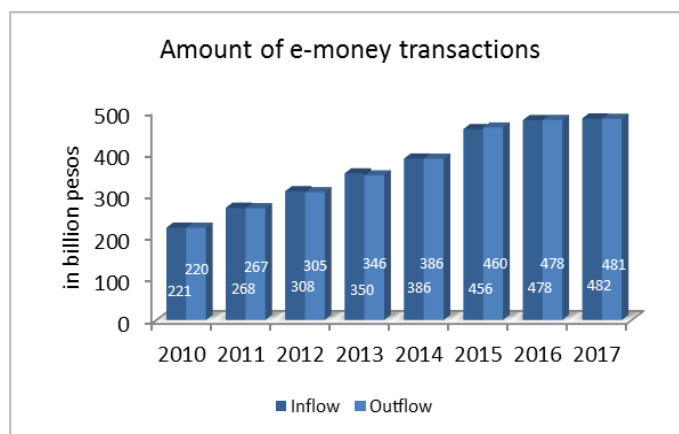
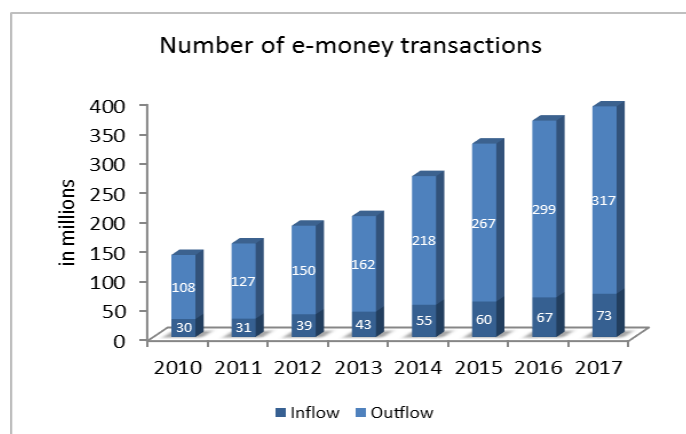
Microinsurance

Data from the Insurance Commission (IC) showed that the number of microinsurance providers increased to 45 providers in 2017 from 43 providers in 2016 (out of 133 licensed insurers). Microinsurance policyholders (policy owners and dependents) increased to 32.7 million in 2017 from 27 million in 2016. Total microinsurance premiums increased by 20% to P7.1 billion in 2017 from P5.4 billion in 2016, or around 2.7% of the total insurance premiums.



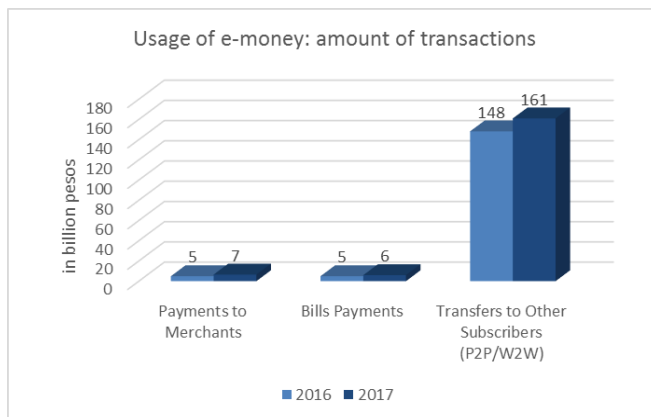
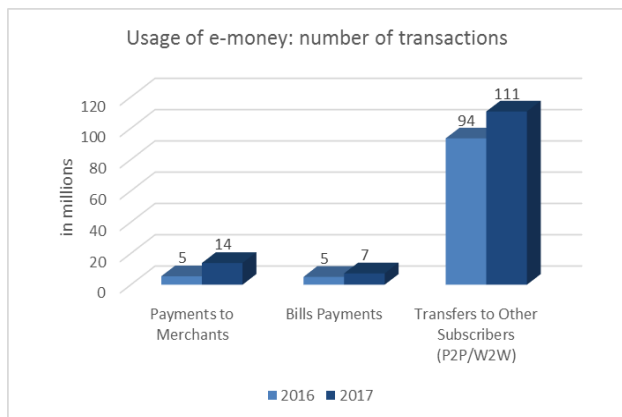
E-money

The number of EMIs increased to 40 issuers in 2017 from 35 issuers in 2016.¹⁶ The total number of e-money accounts (e-wallets and cards linked to e-money) slightly declined by 4% to 28.2 million in 2017 from 29.4 million in 2016. From 2011 to 2017, growth is faster in cards (average annual growth of 12%) than e-money wallets (average annual growth of 3%). There were 390 million e-money transactions amounting to P481 billion.¹⁷ In the past seven years, average annual growth in the number and amount of e-money transactions stood at 16% and 12%, respectively.



¹⁶ List of licensed EMIs available at <http://www.bsp.gov.ph/banking/directories.asp>
¹⁷ Average of inflow and outflow transactions

E-money was mainly used for person-to-person (P2P) or wallet-to-wallet (W2W) transfers with 111 million transactions amounting to P161 billion in 2017. Next were merchant and bills payments, but the volume and value were smaller compared to fund transfers. The number of e-money transactions for merchant payments increased by almost three-fold from 5 million transactions in 2016 to 14 million transactions in 2017.



The BSP initiatives on digital finance, particularly the National Retail Payment System (NRPS), present an increasing opportunity to further improve acceptance and scale of electronic means of transactions such as e-money. With the PESONet¹⁸ and InstaPay¹⁹, payments and transfers can be done electronically in a safe, efficient, and reliable manner.

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¹⁸ PESONet is the batch electronic fund transfer credit (EFT) payment stream that provides an electronic alternative to the still widely used paper-based check system.

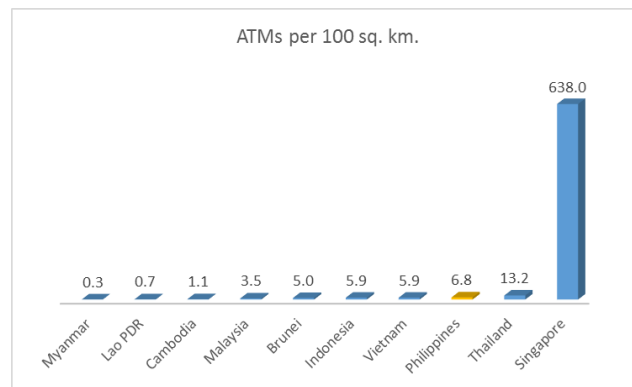
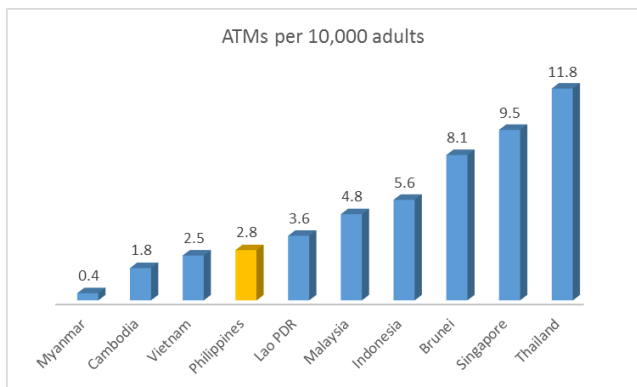
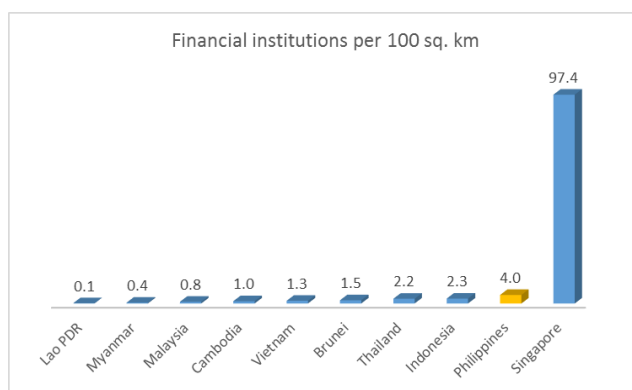
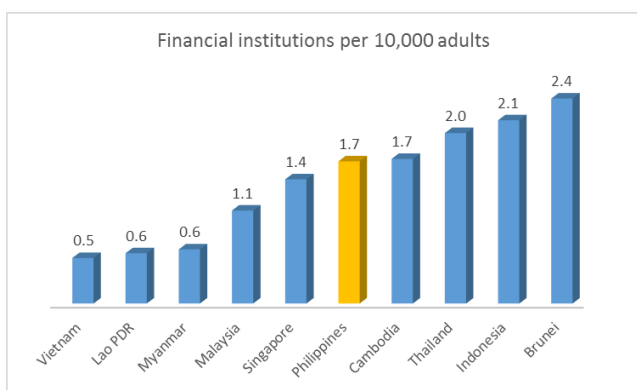
¹⁹ InstaPay was launched as an EFT service that allows customers to transfer PHP funds almost instantly between accounts of participating BSP-supervised banks and non-bank e-money issuers in the Philippines.

Annexes

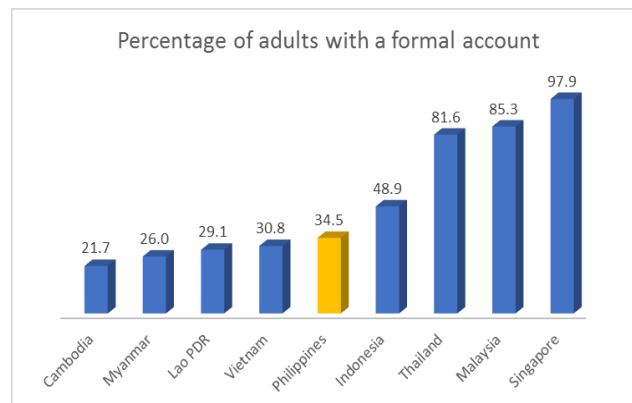
A. Cross-country comparison

In comparison with ASEAN peers,²⁰ the Philippines continues to fare in the middle group in terms of number of financial institutions²¹ and ATMs per 10,000 adults. While the Philippines is below the ASEAN median of 4.2 ATMs per 10,000 adults, it is slightly above the ASEAN median of 1.6 financial institutions per 10,000 adults.

On the geographic indicators per 100 square kilometers,²² the country ranked highly which indicates shorter distance to the nearest branch or ATM. For both indicators, it falls way above the ASEAN median of 1.4 financial institutions and 5.5 ATMs per 100 square kilometers.



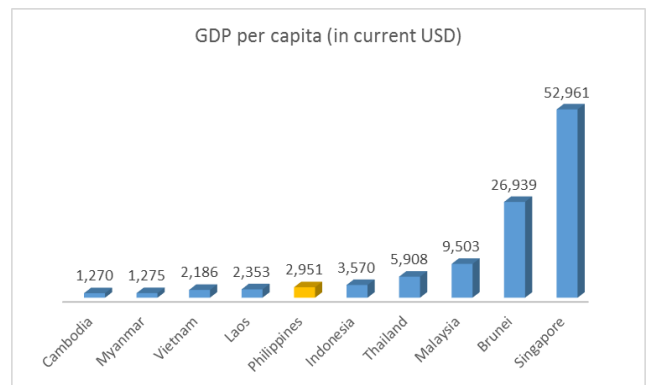
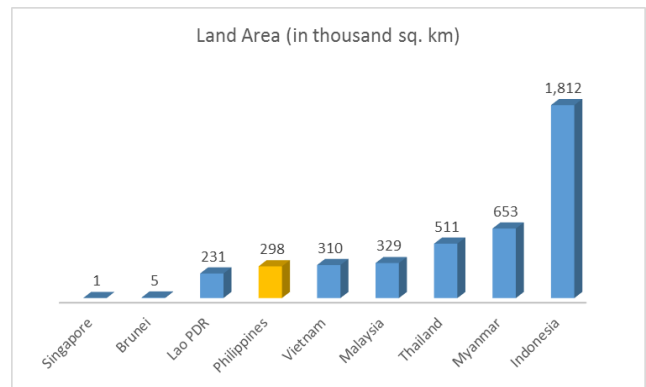
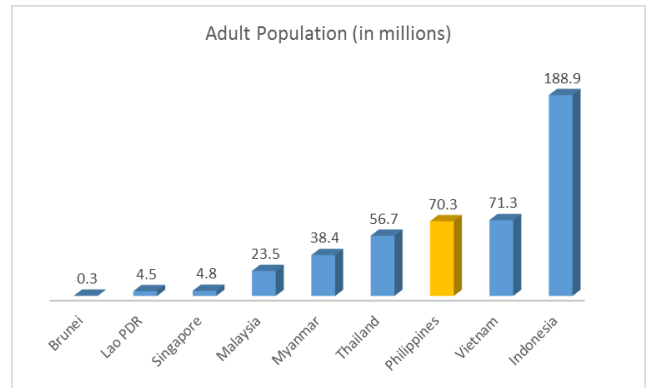
When it comes to usage, the percentage of adults with a formal account²³ in the Philippines likewise ranked in the middle amongst peers at 34.5%. This level of account ownership serves as the median percentage of adults with a formal account amongst the ASEAN countries. However, this figure fell short of the average for East Asia and the Pacific at 70.6% and lower middle income countries at 57.8%.



²⁰ Raw data were sourced from the 2017 IMF Financial Access Survey (FAS)
²¹ Includes head offices and branches of commercial banks, credit unions, financial cooperatives, deposit-taking MFIs, and other deposit takers
²² IMF uses total land area in computing the indicator
²³ Data were sourced from the 2017 World Bank Global Findex

Background indicators such as adult population, land area, and per capita Gross Domestic Product (GDP) should be taken into account in making cross-country comparison.

Brunei ranked highly in demographic indicators (per 10,000 adults) because of its small population. On the other hand, Singapore ranked highly in geographic indicators (per 100 sq. km) because of its small land area in relation to the number of financial institutions and ATMs, aside from the fact that these two countries had the highest per capita GDP in ASEAN.



B. Selected access and usage indicators by region²⁴

Legend

Top 3 Bottom 3

Number of banks per city/municipality

Region	2016	2017	Growth
NCR	206.1	214.6	4%
CAR	2.1	2.3	7%
I Ilocos Region	4.2	4.7	12%
II Cagayan Valley	3.8	4.2	8%
III Central Luzon	8.8	9.3	6%
IV-A CALABARZON	11.7	12.2	4%
IV-B MIMAROPA	3.7	3.8	4%
V Bicol Region	3.8	4.1	8%
VI Western Visayas	4.5	6.8	*
VII Central Visayas	5.9	7.4	*
VIII Eastern Visayas	1.5	1.6	8%
NIR Negros Island Region	5.2	*	*
IX Zamboanga Peninsula	3.1	3.1	2%
X Northern Mindanao	4.1	4.3	3%
XI Davao Region	8.7	9.1	5%
XII SOCCSKSARGEN	4.6	5.0	8%
XIII Caraga	2.8	2.9	3%
ARMM	0.2	0.2	0%
Philippines	6.8	7.2	6%

Number of banks per 10,000 adults

Region	2016	2017	Growth
NCR	3.89	3.99	2%
CAR	1.29	1.35	5%
I Ilocos Region	1.33	1.46	10%
II Cagayan Valley	1.38	1.47	6%
III Central Luzon	1.42	1.47	3%
IV-A CALABARZON	1.74	1.78	2%
IV-B MIMAROPA	1.23	1.25	1%
V Bicol Region	1.01	1.07	6%
VI Western Visayas	1.36	1.19	*
VII Central Visayas	1.42	1.42	*
VIII Eastern Visayas	0.64	0.68	6%
NIR Negros Island Region	0.88	*	*
IX Zamboanga Peninsula	0.92	0.92	0%
X Northern Mindanao	1.15	1.16	1%
XI Davao Region	1.24	1.29	4%
XII SOCCSKSARGEN	0.77	0.81	5%
XIII Caraga	1.10	1.12	1%
ARMM	0.07	0.07	-2%
Philippines	1.55	1.60	3%

Number of ATMs per 10,000 adults

Region	2016	2017	Growth
NCR	8.52	8.73	2%
CAR	1.99	2.13	7%
I Ilocos Region	1.57	1.69	8%
II Cagayan Valley	1.37	1.52	11%
III Central Luzon	2.17	2.32	7%
IV-A CALABARZON	2.98	3.09	4%
IV-B MIMAROPA	1.15	1.23	6%
V Bicol Region	1.13	1.22	8%
VI Western Visayas	1.65	1.66	*
VII Central Visayas	2.95	2.72	*
VIII Eastern Visayas	0.88	0.96	9%
NIR Negros Island Region	1.38	*	*
IX Zamboanga Peninsula	1.21	1.26	4%
X Northern Mindanao	1.49	1.60	7%
XI Davao Region	2.28	2.35	3%
XII SOCCSKSARGEN	1.32	1.33	1%
XIII Caraga	1.38	1.47	7%
ARMM	0.14	0.14	3%
Philippines	2.66	2.76	4%

²⁴ Figures for 2016 and 2017 are not directly comparable due to the abolition of the Negros Island Region (NIR), and the return of Negros Occidental and Negros Oriental to Regions VI and VII, respectively.

Legend

Top 3 Bottom 3

Number of banks per 100 sq. km.

Region	2016	2017	Growth
NCR	726.49	756.34	4%
CAR	4.82	5.17	7%
I Ilocos Region	6.41	7.20	12%
II Cagayan Valley	3.68	3.99	8%
III Central Luzon	9.51	10.04	6%
IV-A CALABARZON	15.83	16.51	4%
IV-B MIMAROPA	2.67	2.78	4%
V Bicol Region	3.50	3.80	8%
VI Western Visayas	5.53	8.39	*
VII Central Visayas	8.90	11.19	*
VIII Eastern Visayas	2.05	2.21	8%
NIR Negros Island Region	3.48	*	*
IX Zamboanga Peninsula	3.25	3.32	2%
X Northern Mindanao	4.68	4.84	3%
XI Davao Region	5.75	6.06	5%
XII SOCCSKSARGEN	3.18	3.42	8%
XIII Caraga	3.82	3.95	3%
ARMM	0.30	0.30	0%
Philippines	7.84	8.27	6%

Number of ATMs per 100 sq. km.

Region	2016	2017	Growth
NCR	1,590.02	1,656.37	4%
CAR	7.45	8.15	9%
I Ilocos Region	7.57	8.35	10%
II Cagayan Valley	3.64	4.11	13%
III Central Luzon	14.51	15.86	9%
IV-A CALABARZON	27.07	28.74	6%
IV-B MIMAROPA	2.50	2.74	10%
V Bicol Region	3.92	4.31	10%
VI Western Visayas	6.69	11.73	*
VII Central Visayas	18.46	21.42	*
VIII Eastern Visayas	2.84	3.15	11%
NIR Negros Island Region	5.45	*	*
IX Zamboanga Peninsula	4.30	4.57	6%
X Northern Mindanao	6.08	6.65	9%
XI Davao Region	10.52	11.04	5%
XII SOCCSKSARGEN	5.42	5.63	4%
XIII Caraga	4.77	5.19	9%
ARMM	0.56	0.59	6%
Philippines	13.44	14.28	6%

*Based on habitable land area

Number of deposit accounts per 10,000 adults

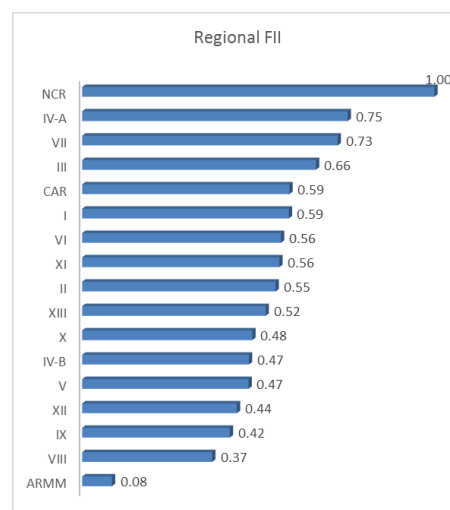
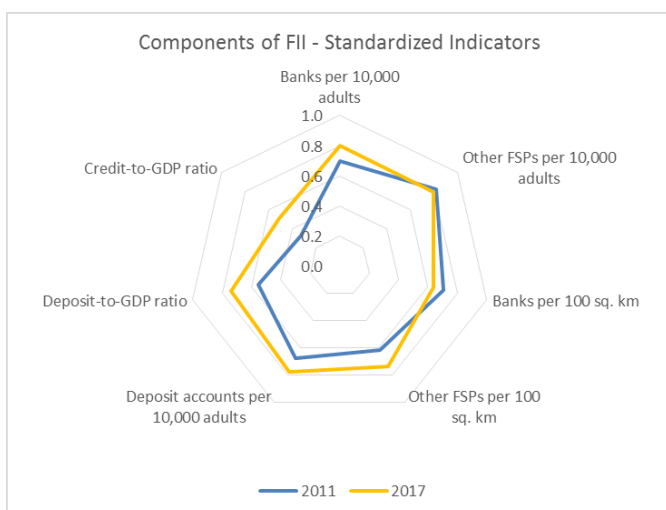
Region	2016	2017	Growth
NCR	24,623	24,998	2%
CAR	6,800	7,013	3%
I Ilocos Region	4,868	5,173	6%
II Cagayan Valley	4,188	4,462	7%
III Central Luzon	5,357	5,615	5%
IV-A CALABARZON	7,534	7,898	5%
IV-B MIMAROPA	4,860	5,319	9%
V Bicol Region	4,220	4,453	6%
VI Western Visayas	5,446	5,168	*
VII Central Visayas	6,829	6,395	*
VIII Eastern Visayas	2,612	2,791	7%
NIR Negros Island Region	3,797	*	*
IX Zamboanga Peninsula	3,950	4,132	5%
X Northern Mindanao	4,372	4,531	4%
XI Davao Region	5,788	5,967	3%
XII SOCCSKSARGEN	3,801	4,100	8%
XIII Caraga	4,161	4,248	2%
ARMM	489	528	8%
Philippines	7,492	7,750	3%

C. Financial Inclusion Index

National

Dimension	Indicator	2011	2012	2013	2014	2015	2016	2017
Access	Banks per 10,000 adults	1.40	1.42	1.47	1.50	1.52	1.55	1.60
	Other FSPs per 10,000 adults	4.09	5.16	5.35	5.28	5.43	5.93	7.15
	Banks per 100 sq. km	6.35	6.60	6.96	7.27	7.55	7.84	8.27
	Other FSPs per 100 sq. km	18.52	23.94	25.38	25.59	26.88	30.00	36.95
Usage	Deposit accounts per 10,000 adults	6,776	6,328	6,730	6,886	7,090	7,492	7,750
	Deposit-to-GDP ratio	0.55	0.54	0.65	0.67	0.69	0.71	0.74
	Credit-to-GDP ratio	0.33	0.34	0.37	0.40	0.44	0.47	0.51
FII		0.622	0.624	0.663	0.683	0.701	0.705	0.711

Regional



Provincial

Top 10 Provinces	FII	Bottom 10 Provinces	FII
LAGUNA	0.941	ROMBLON	0.179
BENGUET	0.936	DINAGAT ISLANDS	0.178
DAVAO DEL SUR	0.870	NORTHERN SAMAR	0.163
BATANGAS	0.794	DAVAO OCCIDENTAL	0.114
CAVITE	0.776	SARANGANI	0.111
CEBU	0.772	SULU	0.089
PAMPANGA	0.764	TAWI-TAWI	0.082
BATAAN	0.719	LANAO DEL SUR	0.066
MISAMIS ORIENTAL	0.710	BASILAN	0.044
ZAMBALES	0.707	MAGUINDANAO	0.030

D. Financial Inclusion Indicators developed by AFI FIDWG

Core Set

	2011	2012	2013	2014	2015	2016
Background Indicators						
Adult population (in millions)	64.3	65.8	67.3	68.8	70.3	71.8
Total number of relevant administrative units	1,634					
Total number of branches (banking offices)	9,015	9,375	9,884	10,315	10,710	11,129
Total number of e-money agents	12,190	18,545	24,029	22,628	23,781	26,028
Total number of other cash-in & cash-out access points ^{1/}	25,097	29,569	31,644	31,438	31,598	35,294
Access Dimension:						
Number of access points per 10,000 adults	7.20	8.73	9.74	9.36	9.40	10.1
% of administrative units with at least one access point	76.2%	86.7%	87.4%	87.8%	88.2%	90.1%
% of adult population living in administrative units with at least one access point	92.4%	96.2%	96.4%	96.5%	96.6%	97.1%
Usage Dimension:						
% of adults with at least one type of regulated deposit account ^{2/}	26.6%			31.3%		
Number of deposit accounts per 10,000 adults	6,784	6,348	6,738	6,885	7,090	7,492
% of adults with at least one type of regulated credit account ^{2/}	10.5%			11.8%		

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

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

About the Center for Learning and Inclusion Advocacy (CLIA)

CLIA was created in October 2018 to strengthen the capability of the Bangko Sentral ng Pilipinas (BSP) to achieve its strategic objective of building an inclusive financial system through a unified, standardized, and sustainable execution of its financial advocacy strategy. It is composed of two (2) functional groups: the Financial Inclusion Group (FIG) and Consumer Empowerment Group (CEG).

FIG is responsible for the analysis of financial inclusion and consumer empowerment data to support evidence-based policymaking, development of regulations, and progress monitoring of initiatives; and responsible for the design and implementation of advocacy programs, conduct of knowledge exchanges and management of donor relations, providing technical and secretariat support to the National Strategy for Financial Inclusion, and engagement in national, regional and global associations/fora to cultivate the BSP's status as thought leader in financial inclusion.

CEG is responsible for the implementation of the BSP Consumer Assistance Mechanism, design and execution of policies and programs on consumer protection, data management, and reports preparation and also responsible for the management of strategic partnerships to promote financial education, design and implementation of policies and programs on financial education, and development of learning materials with focus on digital content creation.

**Report on the State of Financial Inclusion
in the Philippines 2017**

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