



Report on the State of Financial Inclusion in the Philippines

2019



Foreword

The state of financial inclusion in the Philippines continues to improve based on sustained expansion of reach of banks and other financial services providers (FSPs) and the growth in the number of bank accounts, especially in the lower income regions. With over 92,000 access points nationwide, only 4.6% of local government units or LGUs (i.e., cities and municipalities) remained unserved in 2019 – a significant drop from the 7.6% level reported in 2011. The depth of physical access points remains relevant for the unbanked and the newly banked who may still be unable to use mobile financial services, whether by circumstance or choice. Meanwhile, deposit account per capita grew by 10% to 9,178 deposit accounts per 10,000 adults in 2019 from 8,321 deposit accounts per 10,000 adults in 2018, which could be attributed to massive uptake of basic deposit accounts (BDA) from just over 400,000 in the third quarter of 2018 to around 4.0 million in 2019.

Despite this notable progress and having been long globally recognized for creating a conducive regulatory environment for financial inclusion, the Philippines lags behind its peers in the region in terms of usage of formal financial services as measured by ownership of a formal account. It continues to be a middle-ranked country globally in terms of per capita ownership of mobile money accounts and payment instruments such as credit cards and debit cards.

Moreover, there are marked disparities in the level of financial inclusion across the 17 regions of the Philippines. The National Capital Region (NCR) benefits the most from the significant concentration of financial services. Conversely, the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) consistently ranks at the bottom across all indicators on access to and usage of financial services. This confirms a positive correlation between the depth of financial inclusion and the levels of urbanization and economic activity.

Clearly, much work remains ahead to drive greater financial inclusion in the country. Digital-enabled innovations in financial services offer the potential of achieving the country's inclusion goals. But beyond creating a conducive financial service regulatory environment, the country needs to urgently address infrastructure challenges impeding financial inclusion such as digital connectivity and digital identity. Strategic focus on the financing challenges of marginalized segments, such as agriculture workers and micro, small and medium enterprises (MSMEs), is also crucial to delivering the promise of financial inclusion to bring about inclusive economic growth by integrating more people into the formal economy.

Introduction

The Report on the State of Financial Inclusion is part of the stock-taking exercise of the Bangko Sentral ng Pilipinas (BSP) to assess the levels and trends in financial inclusion in the Philippines. The 2019 Report provides supply-side data on financial inclusion in terms of access and usage sourced from BSP-supervised institutions and other government agencies. The Report serves as an inventory of the progress made in financial inclusion from 2011 to 2019. Further, it presents comparisons across jurisdictions, national as well as international.

The Report is structured as follows: Section I describes the state of financial inclusion in the Philippines in comparison with its peers. Section II presents the financial access situation in the country by discussing the reach of banks and other financial service access points at the national and subnational levels. Section III covers usage of formal financial products and services among Filipinos in terms of deposits, loans, microfinance, microinsurance, and electronic money. The supporting annexes contain additional financial inclusion data and indicators.¹

¹ Previous reports can be accessed at:

<https://www.bsp.gov.ph/Pages/MediaAndResearch/YearEndReportsOnBSPFinancialInclusionInitiatives.aspx>

List of Abbreviations and Acronyms

AFI	Alliance for Financial Inclusion
ASEAN	Association of Southeast Asian Nations
ATM	Automated Teller Machine
BARMMM	Bangsamoro Autonomous Region in Muslim Mindanao
BLU	Branch-lite unit
BSFI	BSP-supervised financial institution
BSP	Bangko Sentral ng Pilipinas
BDA	Basic Deposit Account
CALABARZON	Cavite, Laguna, Batangas, Rizal, Quezon
CAR	Cordillera Administrative Region
CDA	Cooperative Development Authority
CFO	Commission on Filipinos Overseas
CICO	Cash-in, cash-out
E-Money	Electronic Money
EMI	E-Money Issuer
FAS	Financial Access Survey
FII	Financial Inclusion Index
FIS	Financial Inclusion Survey
FSP	Financial Service Provider
FXD/MC/RTC	Foreign Exchange Dealer/Money Changer/Remittance and Transfer Company
GRDP	Gross Regional Domestic Product
GSMA	Global System for Mobile Communications Association
IC	Insurance Commission
IMF	International Monetary Fund
KYC	Know Your Customer
LGU	Local Government Unit
MF NGO	Microfinance non-government organization
MIMAROPA	Mindoro, Marinduque, Romblon, Palawan
MNRC	Microfinance NGO Regulatory Council
MSB	Money Service Business
MSME	Micro, Small and Medium Enterprise
NAMRIA	National Mapping and Resource Information Authority
NBFI	Non-bank Financial Institution
NCR	National Capital Region
NSSLA	Non-stock Savings and Loan Association
P2P	Person-to-Person
PSA	Philippine Statistics Authority
R/CB	Rural and Cooperative Bank
SOCCSKSARGEN	South Cotabato, Cotabato, Sultan Kudarat, Sarangani, General Santos City
TB	Thrift Bank
U/KB	Universal and Commercial Bank
W2W	Wallet-to-Wallet

The Philippines



An Overview

Population (2019) ^{a/}	107.3 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, 146 cities, 1,488 municipalities
Official languages	Filipino, English
Simple literacy (2013) ^{a/}	96.5%
Unemployment rate (January 2021) ^{a/}	8.7%
Poverty incidence of population (2018) ^{a/}	16.6%
Average annual family income (2018) ^{a/}	PhP 313,000
Gross Domestic Product (GDP) full year growth (2019) ^{a/}	5.9%
Inflation rate (January 2021) ^{c/}	4.2%
Exchange rate (March 2021) ^{c/}	USD 1 ≈ PhP 48
Number of overseas Filipinos (2013) ^{d/}	10.2 million
Amount of cash remittances (2020) ^{c/}	USD 29.9 billion
Number of unique mobile subscribers (2018) ^{e/}	61 million
Percentage of adults with mobile phone (2019) ^{f/}	69%
Percentage of adults using the internet (2019) ^{f/}	53%

^{a/} Philippine Statistics Authority (PSA)

^{b/} National Mapping and Resource Information Authority (NAMRIA)

^{c/} Bangko Sentral ng Pilipinas (BSP)

^{d/} Commission on Filipinos Overseas (CFO)

^{e/} Global System for Mobile Communications Association (GSMA)

^{f/} Financial Inclusion Survey (FIS)

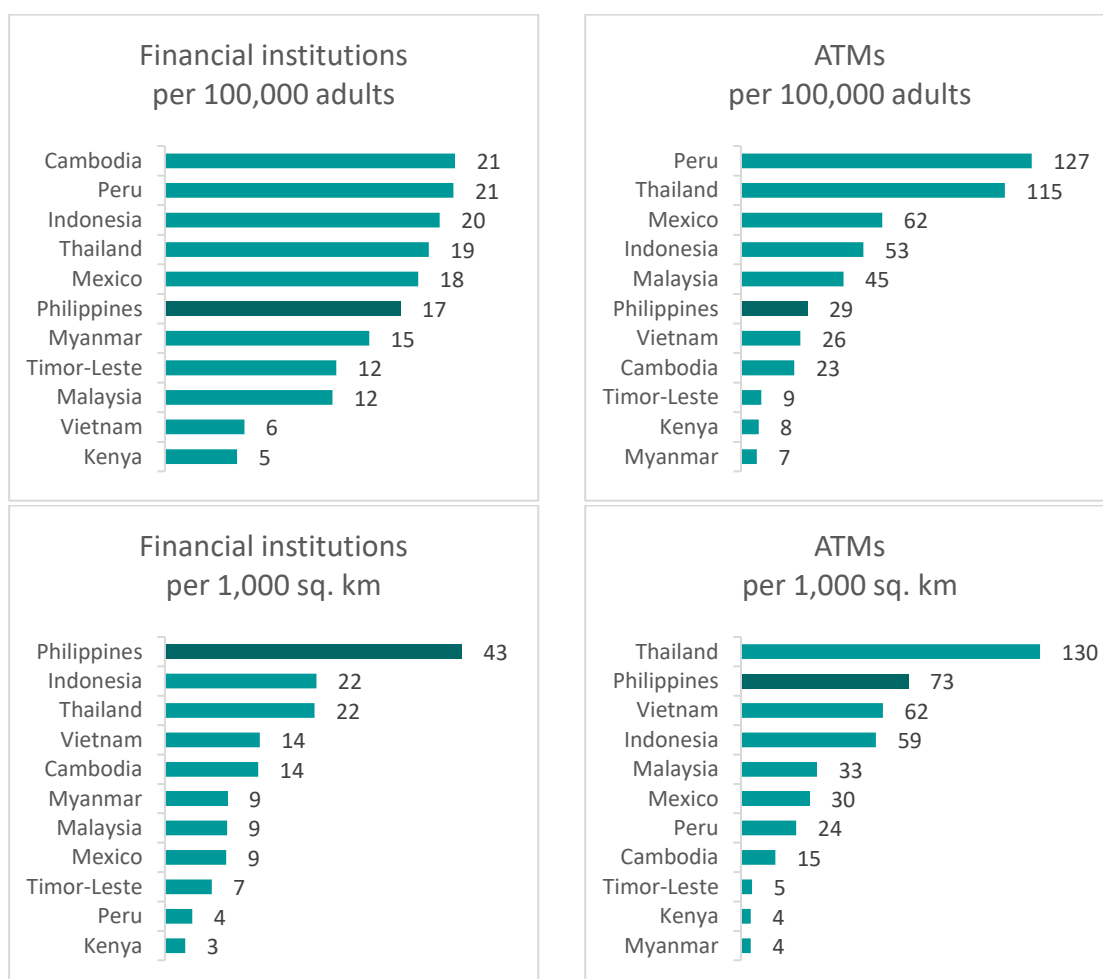
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State of Financial Inclusion: A Cross-Country Perspective

Cross-country comparisons, in addition to trend analysis, offer valuable insights on the progress of financial inclusion in the country. This section presents a cross-country comparison of financial inclusion levels based on the 2019 International Monetary Fund (IMF) Financial Access Survey (FAS), a global supply-side dataset developed to support policymakers in measuring and monitoring financial inclusion and benchmarking progress against peers. To facilitate country benchmarking, financial inclusion indicators can be standardized using per unit measurement (e.g., per 100,000 adults, per 1,000 square kilometers).

Compared with countries identified as appropriate peers² for benchmarking financial inclusion levels in the Philippines, the country ranked in the middle in terms of number of financial institutions³ and automated teller machines (ATMs) per 100,000 adults. With respect to geographic indicators per 1,000 square kilometers, the country ranked in the top two, which indicates shorter distance to the nearest financial institution or ATM.

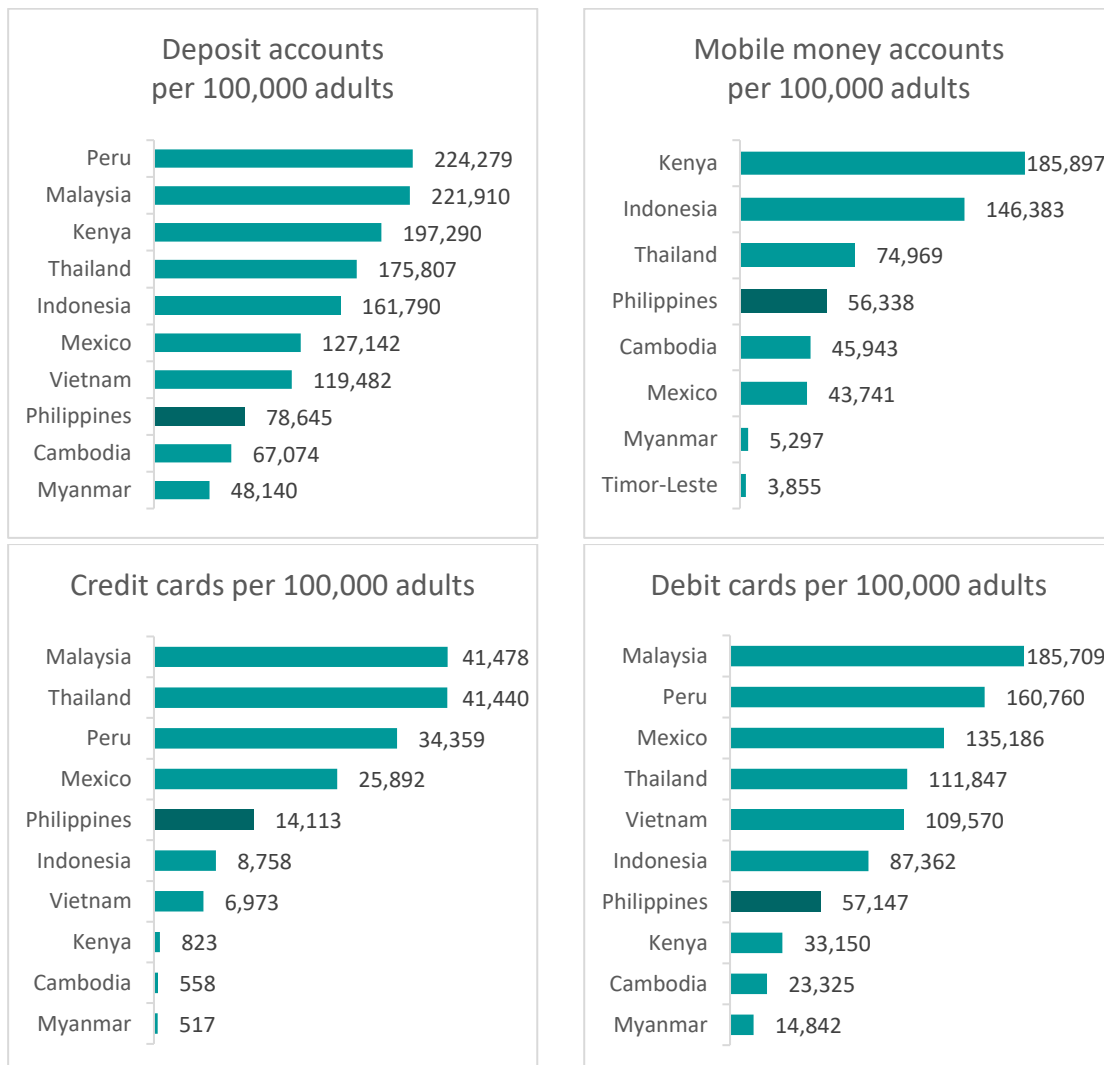


² Countries that are members of the Association of Southeast Asian Nations (ASEAN) (excluding high-income members namely, Brunei and Singapore) and other peers based on high-level country characteristics such as per capita income levels, size of adult population, rural population, and levels of financial sector development, among others.

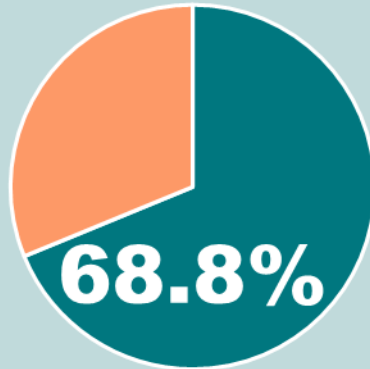
³ Include head offices and branches of commercial banks, credit unions, financial cooperatives, deposit-taking MFIs, and other deposit takers.

While the Philippines has a relatively good standing in terms of access indicators, it lags behind its peers when it comes to actual usage of formal financial services as measured by ownership of a deposit account. The Philippines was in the bottom group with 78,645 deposit accounts per 100,000 adults, which was below the ideal 1:1 ratio between deposit accounts and adults.

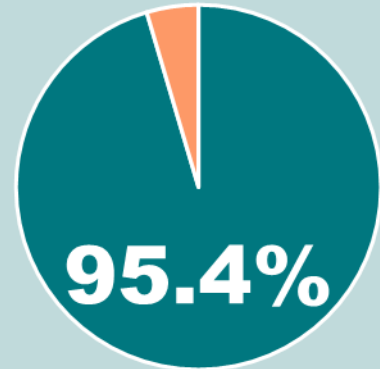
Among peers with available data on mobile money deployments, the Philippines ranked fourth after Kenya, Indonesia, and Thailand despite being the pioneer in mobile money regulations. For credit card and debit card ownership per 100,000 adults, the country ranked at the middle and lower middle, respectively.



Financial Access



OF LGUs HAVE
BANKING PRESENCE



OF LGUs ARE
BEING SERVED



12,820 banking offices

21,777 ATMs

13,801 pawnshops

6,784 MSBs

3,887 microfinance NGOs

2,711 cooperatives

200 NSSLAs

224 other NBFIs

% SHARE OF UNBANKED
LGUs WITH AGENTS

17,057
cash agents

49.8

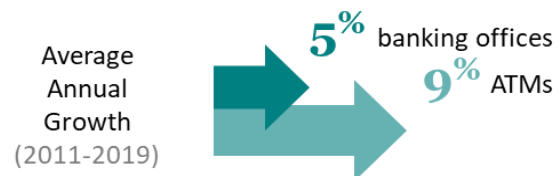
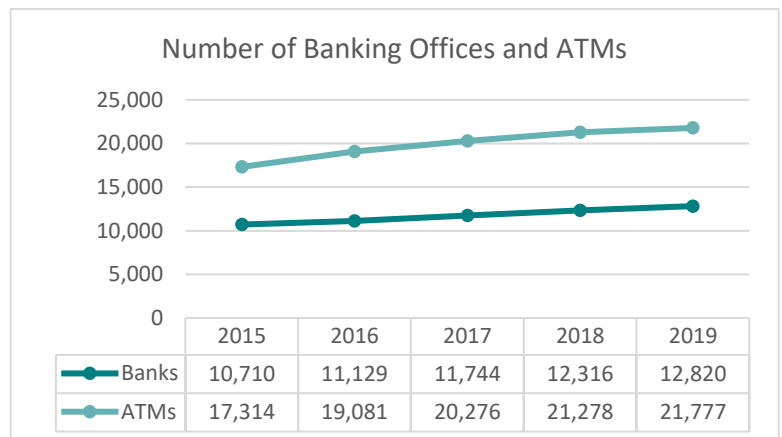
43,740
e-money
agents

64.1

Number of banks and ATMs

The number of banks continued to grow. A net increase of 504 banking offices in 2019 brought the total number of banking offices to 12,820, up by 4% from 12,316 in 2018. From 2011 to 2019, the average annual growth rate in banking offices was at 5%, or an average of 476 new banking offices every year.⁴

Additionally, the number of ATMs modestly grew by 2% to 21,777 in 2019 from 21,278 in 2018. Similar to banking offices, ATMs have grown in number since 2011, with an average annual growth rate of 9%, or an average of 1,400 new units per year.⁵



Regional distribution of banks and ATMs

The geographical distribution of banks and ATMs is influenced by regional factors such as population size, habitable land area, and income level. The top three regions – NCR, CALABARZON, and Central Luzon – where close to 40% of the country’s population live and have the highest regional per capita income⁶ – held the largest share of banking offices (55%) and ATMs (62%). Meanwhile, the least populous regions of CAR, Caraga, and MIMAROPA collectively held a mere 6% share in total number of banking offices and 4% in ATMs. Similarly, the regions with the lowest per capita income, namely, BARMM, Bicol, and SOCCSKSARGEN, collectively took only a 7% share in total number of banking offices and 5% in ATMs.

Certain regions that ranked low in terms of share in the total distribution of access points fared better when population density and income factors were taken into account. For example, CAR, which was in the bottom three in terms of total number of banks and ATMs, ranked higher in terms of number of banks and ATMs per 10,000 adults and per 100 sq. km.

However, BARMM is consistently the least financially served region based on number of banks and ATMs – whether in absolute or per unit terms. It is nonetheless encouraging to note that BARMM achieved the highest year-on-year growth in ATMs at 14.3% in 2019.

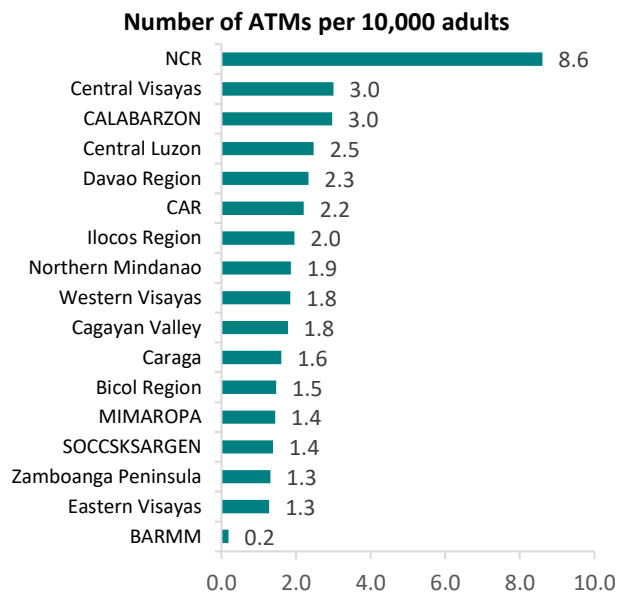
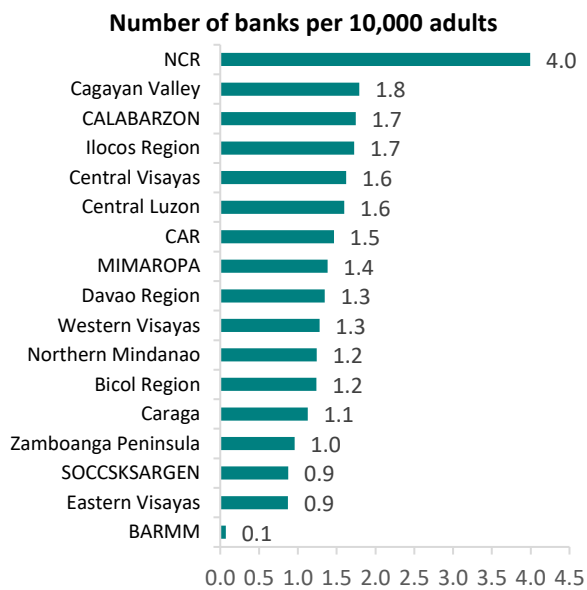
⁴ Banking office count excludes 50 banking offices located outside the Philippines which primarily cater to overseas Filipinos.

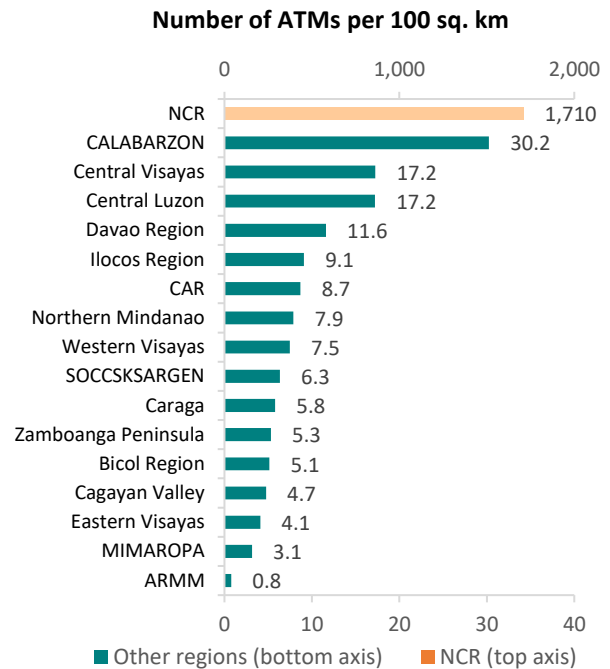
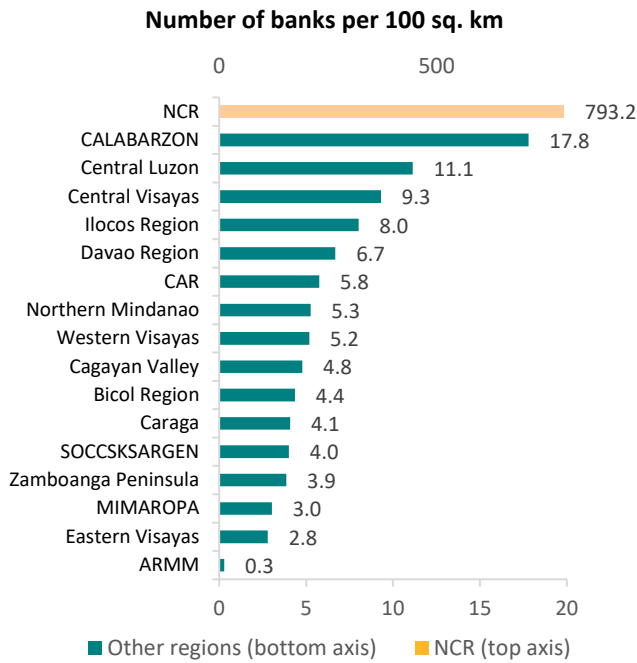
⁵ ATM count excludes three (3) ATMs located outside the Philippines which primarily cater to overseas Filipinos. Of the total ATMs, 55% were on-site while 45% were off-site. On-site ATMs are located in the banking office while off-site ATMs are stand-alone units located in convenient areas such as shopping malls, train stations, and other public places.

⁶ Regional income is measured by gross regional domestic product (GRDP).

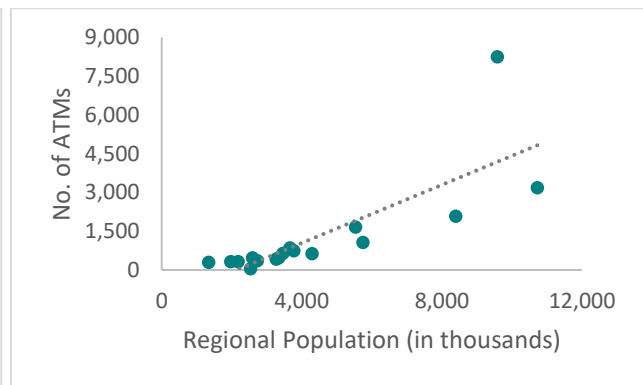
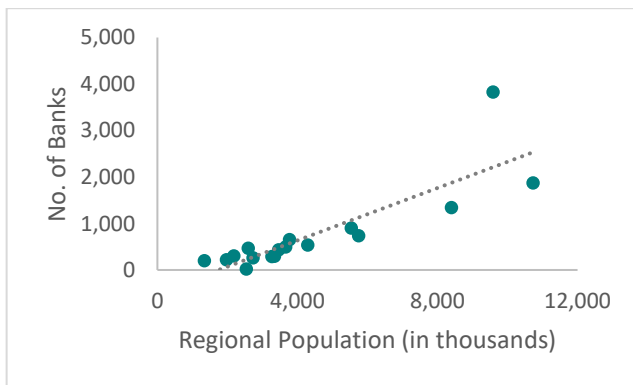
Region	Banks			ATMs		
	2018	2019	2018-19 Growth	2018	2019	2018-19 Growth
NCR	3,739	3,826	2.3%	8,210	8,248	0.5%
CAR	186	197	5.9%	288	297	3.1%
I Ilocos Region	621	650	4.7%	711	738	3.8%
II Cagayan Valley	425	465	9.4%	448	462	3.1%
III Central Luzon	1,286	1,341	4.3%	1,989	2,075	4.3%
IV-A CALABARZON	1,825	1,872	2.6%	3,167	3,182	0.5%
IV-B MIMAROPA	292	302	3.4%	296	314	6.1%
V Bicol Region	499	532	6.6%	579	629	8.6%
VI Western Visayas	704	735	4.4%	1,018	1,062	4.3%
VII Central Visayas	855	897	4.9%	1,606	1,663	3.5%
VIII Eastern Visayas	259	286	10.4%	379	420	10.8%
IX Zamboanga Peninsula	238	261	9.7%	341	359	5.3%
X Northern Mindanao	407	430	5.7%	607	645	6.3%
XI Davao Region	470	493	4.9%	853	856	0.4%
XII SOCCSKSARGEN	275	293	6.5%	444	463	4.3%
XIII Caraga	216	222	2.8%	297	316	6.4%
BARMM	19	18	-5.3%	42	48	14.3%
Philippines	12,316	12,820	4.1%	21,275	21,777	2.4%

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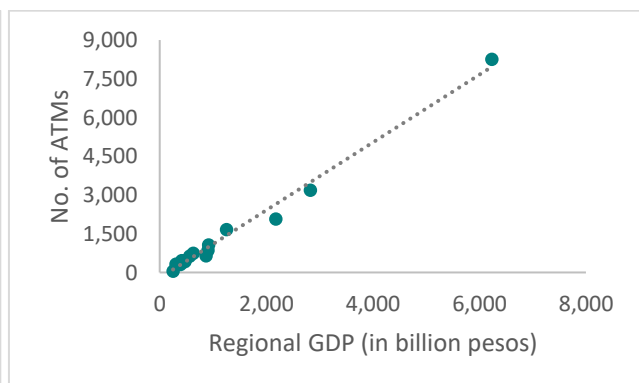
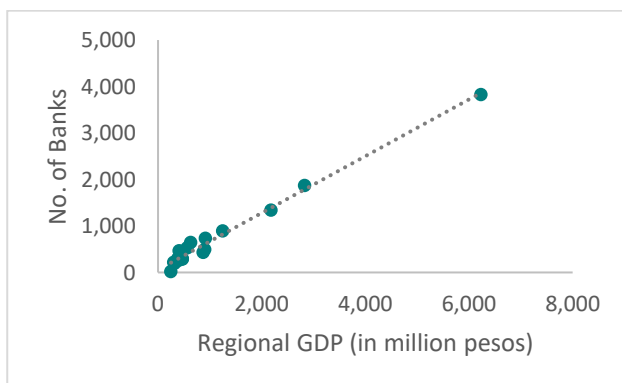




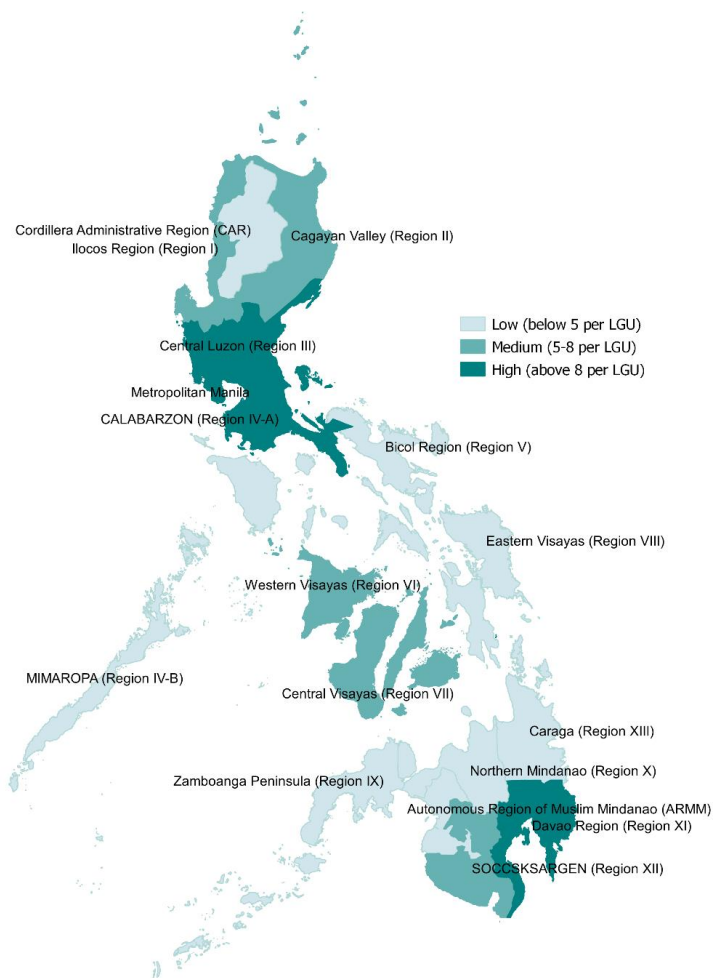
The scatter plots below further illustrate the relationship between distribution of banking offices/ATMs and the region's population and income as measured by its Gross Regional Deposit Product (GRDP). As may be expected, the regional distribution of banking offices/ATMs is positively correlated to population and GRDP. In general, this correlation indicates that the regions with higher population and economic activity also have higher number of banking offices/ATMs, and vice versa.



Relationship between population and distribution of banks/ATMs



Relationship between GRDP and distribution of banks/ATMs

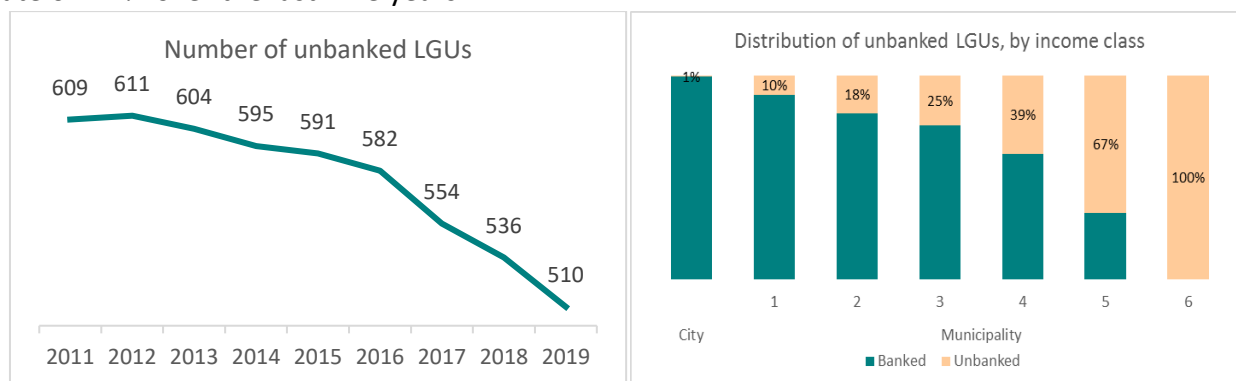


Spatial distribution of bank density ratio

In 2019, bank density ratio stood at 8 banks per LGU.⁷

LGUs with banking presence⁸

The number of unbanked LGUs nationwide declined from 536 (32.8%) in 2018 to 510 (31.2%) in 2019.⁹ There is a decreasing trend in the number of unbanked LGUs, with an average annual decline rate of 2.2% over the last nine years.



⁷ Computed by dividing the number of banks in a region by the number of LGUs.

⁸ LGU, as used in this report, refers to a city or a municipality. Likewise, this section refers to LGUs with at least one banking office (head office, branch or branch-lite).

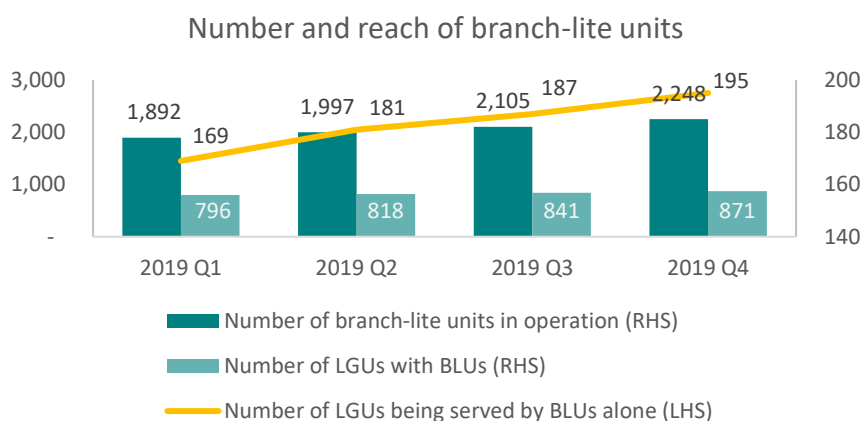
⁹ The income level of LGU (plus other factors such as population and type of industry) may determine banking presence. Also, the reverse may hold true such as the establishment of a banking office may spur more economic activities thus increasing income in the locality.

The relationship between an LGU's income level and banking presence is evident in the chart. While only one (1) out of the 146 cities in the country is unbanked,¹⁰ all (100%) of sixth class municipalities are unbanked.

The regions of Eastern Visayas, Bicol, Central Visayas, and Zamboanga Peninsula had the largest number of previously unbanked LGUs that gained banking presence in 2019. However, the case was the opposite for Ilocos, Cagayan Valley, and BARMM. While CAR and Eastern Visayas are among the regions with the lowest share of banked LGUs, their situation improved in 2019.

Region	Total no. of LGUs (a)	No. of LGUs with at least one banking office (b)		No. of unbanked cities & municipalities (c)		% Share (b/a)		
		2018	2019	2018	2019	2018	2019	
NCR	17	17	17	0	0	100.0%	100.0%	→
CAR	77	32	34	45	43	41.6%	44.2%	↑
I Ilocos Region	125	97	96	28	29	77.6%	76.8%	↓
II Cagayan Valley	93	78	77	15	16	83.9%	82.8%	↓
III Central Luzon	130	126	127	4	3	96.9%	97.7%	↑
IV-A CALABARZON	142	136	136	6	6	95.8%	95.8%	→
IV-B MIMAROPA	73	48	48	25	25	65.8%	65.8%	→
V Bicol Region	114	92	96	22	18	80.7%	84.2%	↑
VI Western Visayas	133	105	107	28	26	78.9%	80.5%	↑
VII Central Visayas	132	98	102	34	30	74.2%	77.3%	↑
VIII Eastern Visayas	143	54	63	89	80	37.8%	44.1%	↑
IX Zamboanga Peninsula	72	29	33	43	39	40.3%	45.8%	↑
X Northern Mindanao	93	58	59	35	34	62.4%	63.4%	↑
XI Davao Region	49	39	39	10	10	79.6%	79.6%	→
XII SOCCSKSARGEN	50	37	39	13	11	74.0%	78.0%	↑
XIII Caraga	73	42	42	31	31	57.5%	57.5%	→
BARMM	118	10	9	108	109	8.5%	7.6%	↓
Philippines	1,634	1,098	1,124	536	510	67.2%	68.8%	↑

Out of 1,124 LGUs with banking presence in 2019, 195 LGUs did not have a head office or branch but had a branch-lite unit (BLU). BLUs are scaled-down banking offices that can be established in areas where it may not be economically feasible to set up a full-service bank branch. In 2019, the number of operating BLUs increased by 20% to 2,248 from 1,874 in 2018. Consequently, the number of LGUs with BLUs also increased from 791 LGUs in 2018 to 871 LGUs in 2019, a 10% increase. Moreover, 15% of the 536 unbanked LGUs in 2018 became banked in 2019 through the BLUs.



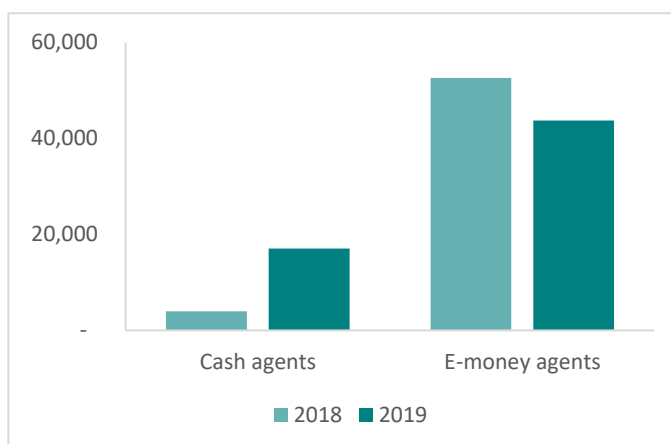
¹⁰ The remaining unbanked city is Himamaylan City, a third class component city in the province of Negros Occidental.

Cash-in/Cash-out network

An expansive agent network is an important pillar of the BSP’s inclusive digital finance strategy. Ubiquitous retail outlets (e.g., convenience stores) and non-bank entities (e.g., pawnshops) serving as agents of BSP-supervised financial institutions (BSFIs) play an important role in financial inclusion by expanding the country’s cash-in/cash-out (CICO) network and transitioning the unbanked from cash to digital transactions.

Type of agent	Principal	Relevant Regulation	Allowed Activities
E-money agents	E-Money Issuer (EMI)	BSP Circular No. 649 dated 09 March 2009	<ul style="list-style-type: none"> • Cash in/cash out (CICO) • Fund transfer • Bills payment
Cash agents	Bank	BSP Circular No. 940 dated 20 January 2017	<ul style="list-style-type: none"> • Deposit and withdrawal • Fund transfer • Bills payment, including payments due to government institutions • Perform Know-Your-Customer (KYC) processing • Collect and forward application – savings account and loan • Market, sell and service insurance products

In the past few years, the country’s agent network has considerably expanded and has thus allowed more people to have convenient access to non-intimidating touch points. For instance, the number of cash agents increased by 118% to 17,057 in 2019 from 7,816 in 2018. Additionally, there were 43,740 e-money agents in 2019. While this may be a decline from 52,600 reported in 2018, e-money agents have nonetheless increased in number since 2011 with an average annual growth rate of 23%.

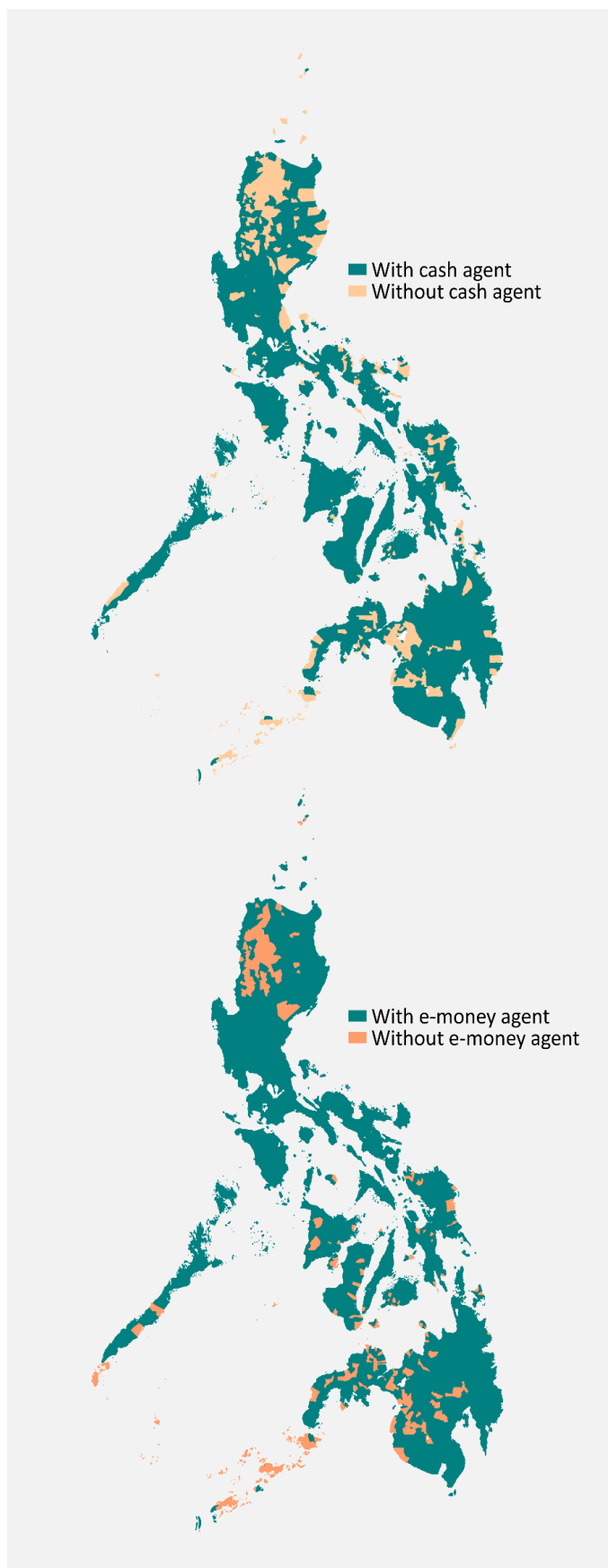


The presence of these agents in 1,489 LGUs addresses some persistent access challenges faced by unbanked and unserved Filipinos, such as distance to access points and intimidation when entering or transacting with formal financial institutions, especially banks. Agents serve 74% of the 510 unbanked LGUs.¹¹

¹¹ Data based on cash and e-money agents only

The positive impact of the agent banking model has been demonstrated in other countries. In Bangladesh,¹² the expansion of agent banking brought a 5 percentage point increase in registered bank users, and 38% increase in the number of agent banking accounts from 2017 to 2018. In Malaysia, agent banking enabled a state-owned bank to reach 99% coverage at sub-district level.¹³ In Indonesia, agent banking awareness increased to 63% in 2018 from 19% in 2016, thanks to the ubiquity of its over 500,000 banking agents.¹⁴

The public’s awareness of and access to agents in the Philippines remains limited, based on the results of the 2019 Financial Inclusion Survey (FIS). The survey revealed that 46% and 64% of Filipino adults are unaware of cash agents and e-money agents, respectively. The same survey also highlighted that only 1% and 6% of those who are aware of cash and e-money agents, respectively, have access to the same. These results point to the need to implement interventions to further promote public awareness and expand network of agents in the country.



¹² FII (2019), 2018 Annual Report: Financial Inclusion in Bangladesh

¹³ State-owned banks play a prominent role in financial inclusion. (2014, September 29). WSBI-ESBG. <https://www.wsbi-esbg.org/press/news-views/Pages/State-owned-banks.aspx>

¹⁴ FII (2018), Financial Inclusion Insights Indonesia

Other financial service access points

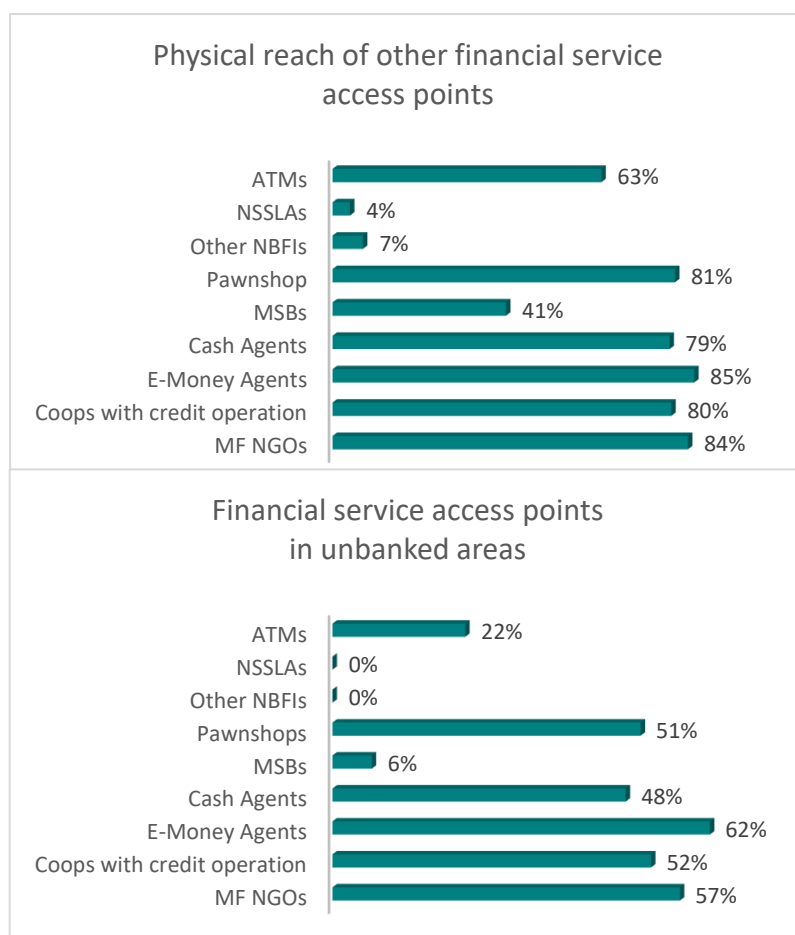
Aside from banks, ATMs and agents, there were over 34,000 non-bank financial service providers (FSPs) in 2019, composed of non-stock savings and loan associations (NSSLAs), credit cooperatives, microfinance NGOs (MF-NGOs), pawnshops, money service businesses or MSBs,¹⁵ and other non-bank financial institutions (NBFIs). These 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 which are supervised by the BSP. While 31% of cities and municipalities are unbanked, only 4% remain unserved because of the presence of these other FSPs. From 2011 to 2019, the average annual growth was highest among MF-NGOs and other NBFIs, and lowest among pawnshops.

Financial Service Providers	2018	2019	Ave. annual growth rate (2011-2019)
Non-stock savings and loan associations	196 ●	200 ●	2%
Credit cooperatives	3,881 ●	2,711 ●	2%
Microfinance NGOs	2,861 ●	3,887 ●	14%
Pawnshops	12,107 ●	13,801 ●	-2%
Other non-bank financial institutions	219 ●	224 ●	14%
Remittance & transfer companies, money changers/FX dealers	5,483 ●	6,784 ●	2%

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

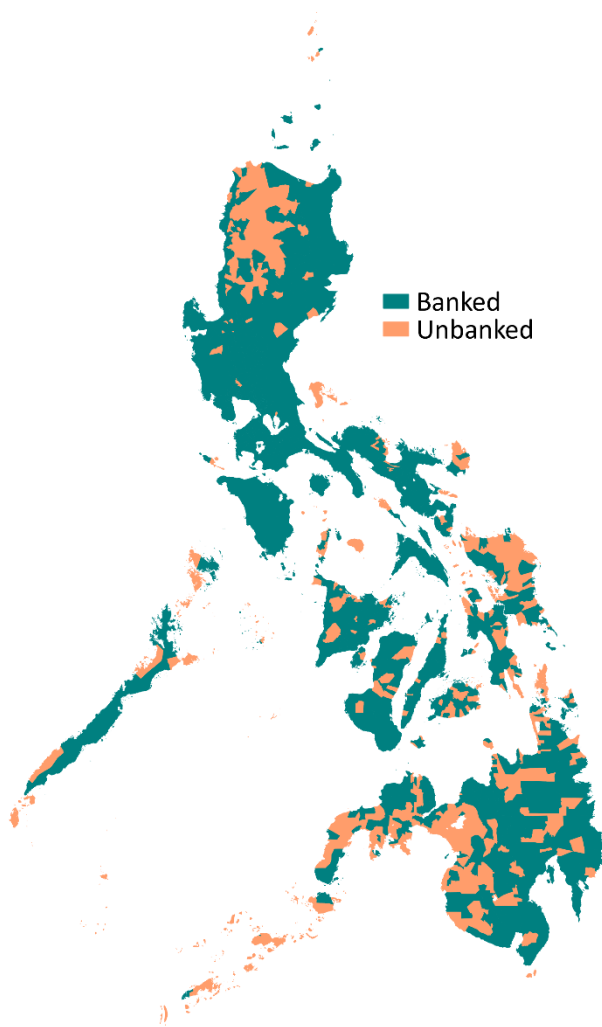
Four (4) non-bank FSPs had access points reaching more than 80% of the total number of LGUs nationwide in 2019: e-money agents (85%), MF-NGOs (84%), pawnshops (81%), and cooperatives with credit operation (80%). NSSLAs had presence in only 4% of LGUs.

E-money agents had the widest presence in unbanked areas, covering 62%. MF-NGOs, cooperatives with credit operation, and pawnshops served 50% of the unbanked LGUs in 2019.



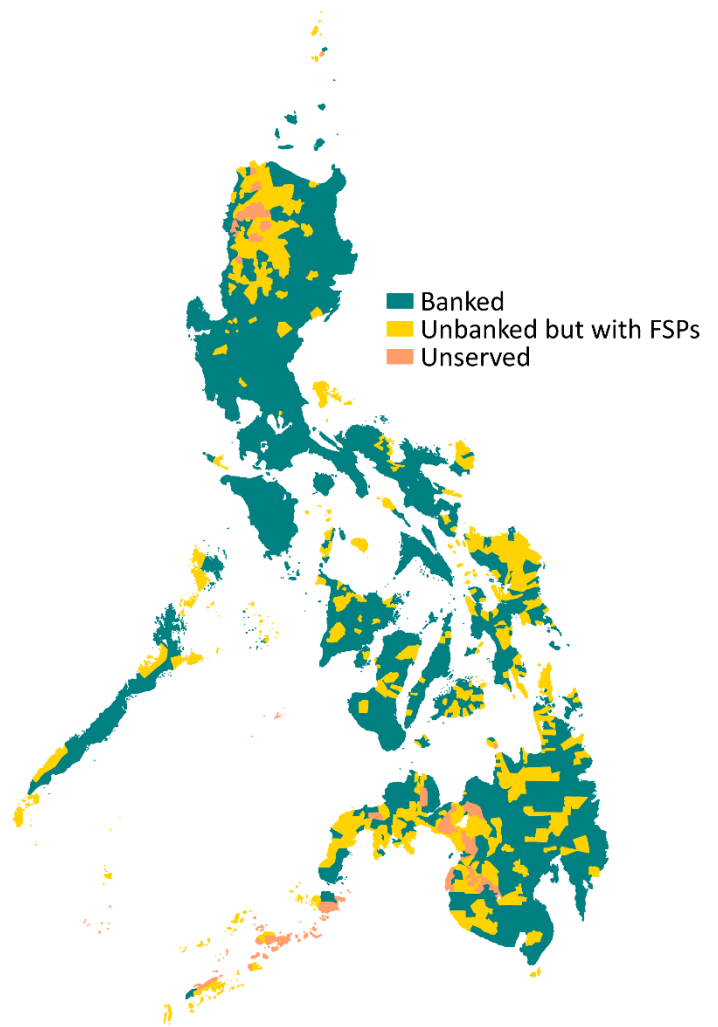
¹⁵ Includes foreign exchange dealers, money changers, and remittance and transfer companies (FXD/MC/RTC)

Spatial mapping of unbanked and unserved LGUs



*31% of LGUs
were unbanked in 2019.*

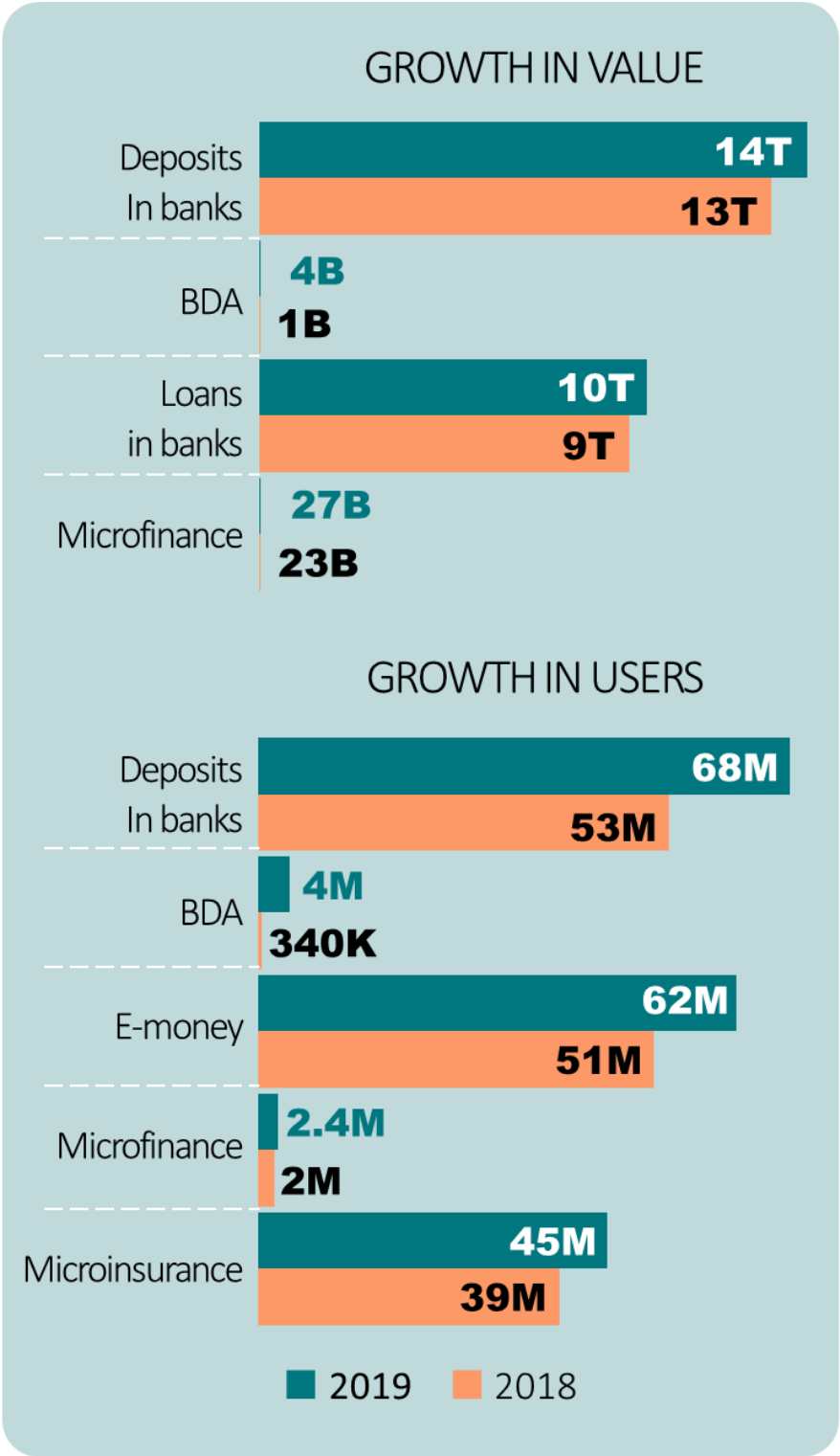
Almost 50% of the country's unbanked LGUs can be found in the regions of BARMM, CAR and Eastern Visayas.



*5% of LGUs
were unserved in 2019.*

68% of unserved LGUs are located in BARMM.

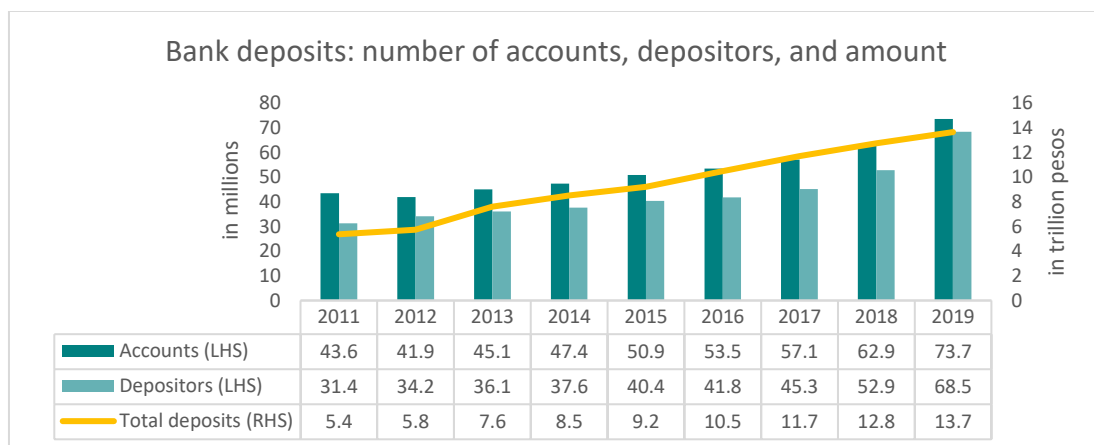
Usage of Financial Products and Services



Deposits in banks

As of end-2019, the banking system registered 73.7 million deposit accounts of 68.5 million depositors with total balance of PHP 13.7 trillion. The number of deposit accounts exceeds the number of depositors by 5.2 million, which suggests some depositors having multiple accounts.

From 2011 to 2019, the number of deposit accounts and depositors in banks posted an average annual growth rate of 7% and 11%, respectively. The same trend can be observed in the total amount of deposits which grew at an average rate of 13% during the same period.



Regional distribution of bank deposits

Similar to the geographical distribution of bank branches and access points, the distribution of deposits is influenced by regional factors such as population size and economic activity. NCR accounted for nearly half (43%) of the total number of deposit accounts in 2019, followed by CALABARZON and Central Luzon with 13% and 7% share, respectively. The bottom three regions were CAR (1.5%), Caraga (1.4%), and BARMM (0.2%).

In terms of amount, deposits were heavily concentrated in NCR comprising a huge share of the total at 66%, followed by CALABARZON and Central Visayas at 7% and 5% share, respectively. BARMM had the smallest share (0.1%) in the total amount of outstanding deposits but posted the highest year-on-year growth rate at 19.2%.

The 2019 figures are generally reflective of trends observed in 2018, except for the replacement of Central Luzon by Central Visayas in the top three regions in terms of amount of deposits.

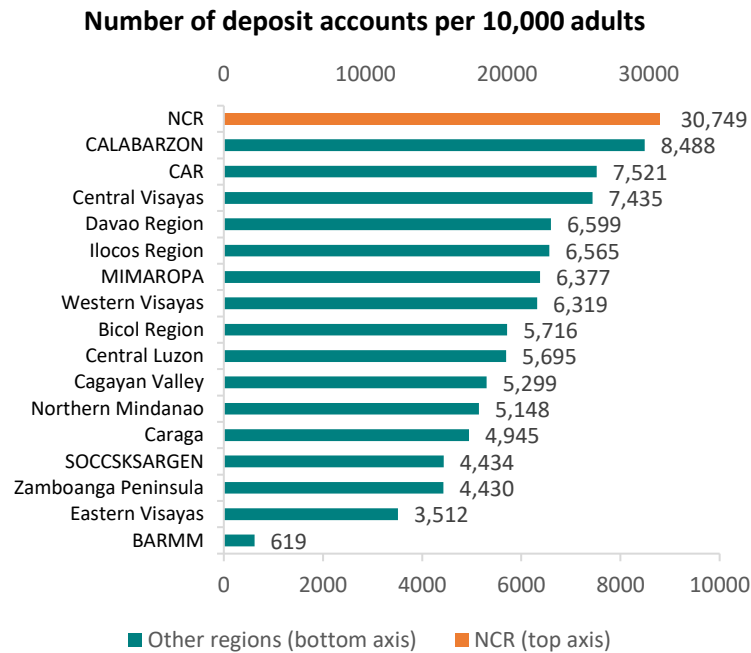
Region	Number of deposit accounts (in millions)			% Share to Total	
	2018	2019	Growth	2018	2019
NCR	25.1	29.5	17.5%	40.2%	42.7%
CAR	0.9	1.0	8.7%	1.5%	1.5%
I Ilocos Region	2.3	2.5	9.1%	3.6%	3.6%
II Cagayan Valley	1.3	1.4	7.1%	2.1%	2.0%
III Central Luzon	5.0	4.8	-5.0%	8.1%	6.9%
IV-A CALABARZON	8.6	9.1	6.0%	13.8%	13.2%
IV-B MIMAROPA	1.3	1.4	5.9%	2.1%	2.0%
V Bicol Region	2.2	2.5	11.3%	3.5%	3.6%
VI Western Visayas	3.3	3.6	8.9%	5.3%	5.3%
VII Central Visayas	3.8	4.1	9.4%	6.0%	6.0%
VIII Eastern Visayas	1.0	1.1	10.2%	1.7%	1.7%
IX Zamboanga Peninsula	1.1	1.2	8.1%	1.8%	1.8%
X Northern Mindanao	1.7	1.8	7.2%	2.7%	2.6%
XI Davao Region	2.3	2.4	6.2%	3.7%	3.5%
XII SOCCSKSARGEN	1.4	1.5	7.8%	2.2%	2.2%
XIII Caraga	0.9	1.0	9.0%	1.4%	1.4%
BARMM	0.1	0.2	7.1%	0.2%	0.2%
Total	62.3	69.0	10.7%	100.0%	100.0%

Region	Amount of deposits (in billion pesos)			% Share to Total	
	2018	2019	Growth	2018	2019
NCR	8,542.7	8,898.7	4.2%	67.1%	65.9%
CAR	118.3	134.4	13.7%	0.9%	1.0%
I Ilocos Region	235.1	258.8	10.1%	1.8%	1.9%
II Cagayan Valley	141.7	156.4	10.4%	1.1%	1.2%
III Central Luzon	667.3	635.4	-4.8%	5.2%	4.7%
IV-A CALABARZON	887.0	989.0	11.5%	7.0%	7.3%
IV-B MIMAROPA	91.3	97.8	7.1%	0.7%	0.7%
V Bicol Region	154.2	181.7	17.9%	1.2%	1.3%
VI Western Visayas	343.0	385.8	12.5%	2.7%	2.9%
VII Central Visayas	629.3	732.0	16.3%	4.9%	5.4%
VIII Eastern Visayas	118.8	133.2	12.1%	0.9%	1.0%
IX Zamboanga Peninsula	116.9	130.5	11.6%	0.9%	1.0%
X Northern Mindanao	183.8	207.5	12.9%	1.4%	1.5%
XI Davao Region	264.8	299.7	13.2%	2.1%	2.2%
XII SOCCSKSARGEN	131.9	141.4	7.2%	1.0%	1.0%
XIII Caraga	83.6	97.8	17.0%	0.7%	0.7%
BARMM	13.0	15.4	19.2%	0.1%	0.1%
Philippines	12,722.6	13,495.7	6.1%	100.0%	100.0%

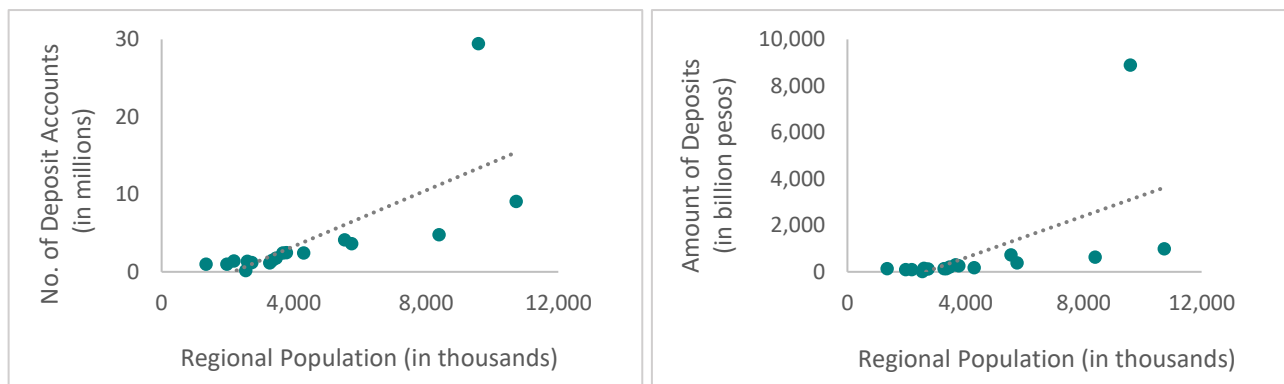
Legend Top 3 Bottom 3

Note: The total number and amount of deposits here exclude deposits in branches of Philippine banks abroad. Hence, the figures will not tally with the total number and amount of deposits presented in the previous page.

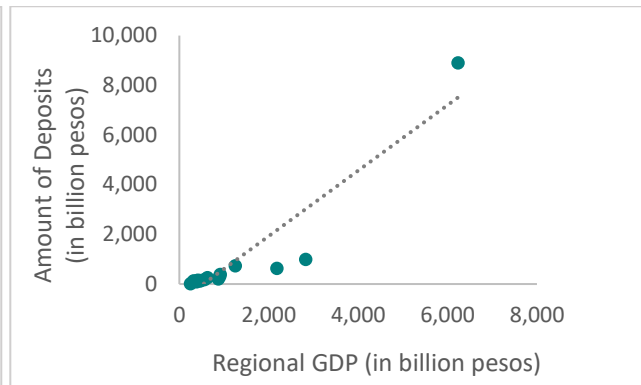
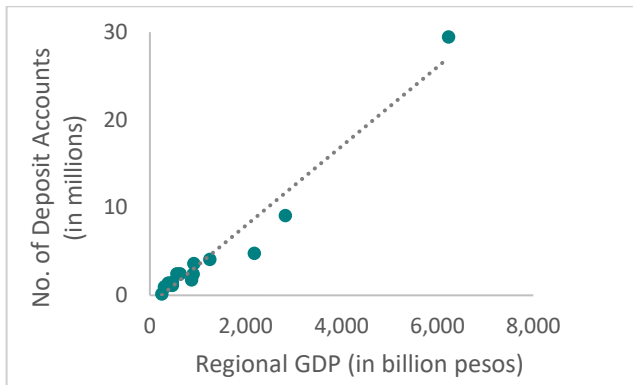
The regional ranking based on number of deposit accounts per 10,000 adults considerably diverges from the ranking based on total number of deposit account. For instance, CAR ranked in the top three in the former, but was in the bottom three in the latter. BARMM, on the other hand, placed last in both rankings.



The scatter plots below further illustrate the relationship between distribution of deposits and selected regional indicators. Regional distribution of bank deposits is positively correlated to population and GRDP, which generally indicates that the regions with higher population and economic activity also have a higher number of deposit accounts and total deposits, and vice versa.



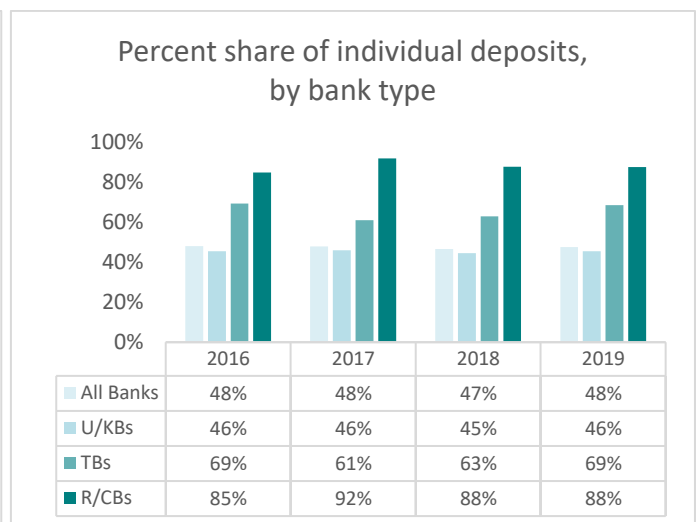
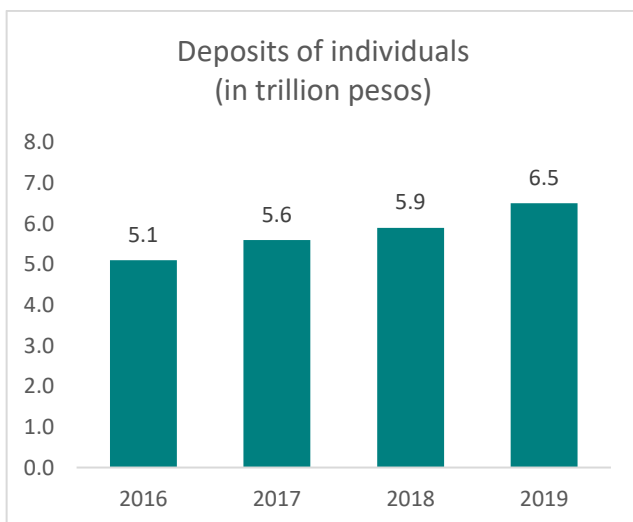
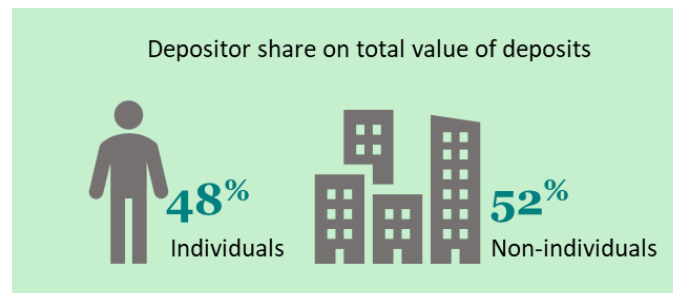
Relationship between population and distribution of deposits



Relationship between regional GDP and distribution of deposits

Deposits of individuals

Almost half (48%) of the total value of deposits in 2019 were sourced from individuals, while the remaining half were deposits of government institutions, banks, and private corporations.

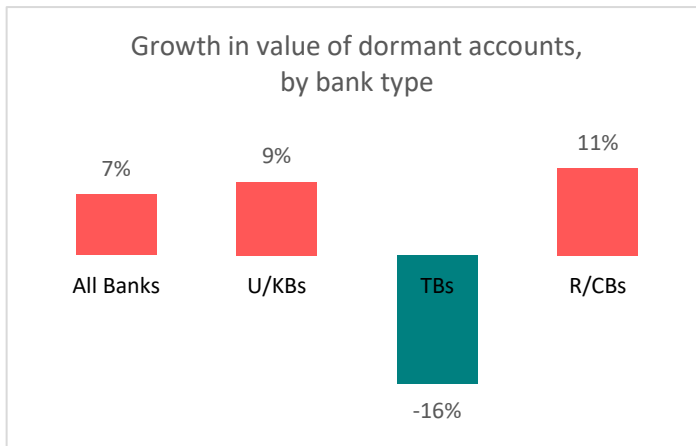


Deposits of individuals reached PhP 6.5 trillion in 2019, up by 9% from PhP 5.9 trillion in 2018. Over the last few years, deposits of individuals increased at an average annual growth rate of 8%.

The share of individual deposits varied depending on the type of bank. The share in U/KBs barely moved at 46%, while the share in TBs decreased by 8 percentage points from 69% in 2016 to 61% in 2017 and followed a positive growth trajectory until 2019. The share of individual deposits was consistently highest in R/CBs, comprising over 85% of the total amount from 2016 to 2019. The high percent share of individual deposits in R/CBs reflects a business model catering largely to individuals and retail banking.

Dormant accounts

The amount of dormant accounts increased by 7% to PhP 122.2 billion in 2019 from PhP 113.8 billion in 2018. Nonetheless, dormant accounts made up only 0.9% of the total deposits in value terms.



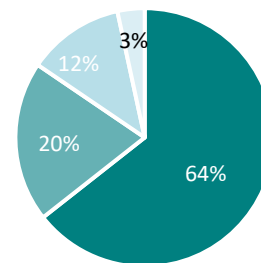
While the value of dormant accounts grew in U/KBs (9%) and R/CBs (11%) in 2019, the opposite was observed in TBs wherein the amount of such accounts dropped by 16% during the same period. Dormant accounts comprised 0.9% of deposits in U/KBs and R/CBs, and slightly lower for TBs at 0.7% in terms of value.

Bank deposits per deposit size

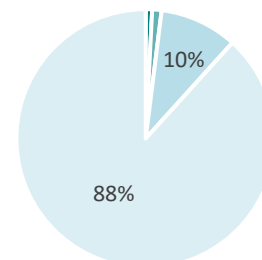
Almost two-thirds (64%) of all deposit accounts in banks had a balance of not more than PhP 5,000. The number of these accounts grew by 22% to 47.5 million in 2019 from 38.8 million in 2018. This notable growth was primarily driven by the issuance of the framework for basic deposit account or BDA (BSP Circular No. 992) in 2018 to facilitate account ownership of the unbanked segment.

Accounts that had a balance of more than PhP 500,000 (the current maximum deposit insurance coverage) represented only 3% of the total number of accounts in 2019. Nonetheless, these accounts comprised a significant portion (88%) of total deposits in terms of amount.

Sizing of deposits (number of accounts)



Sizing of deposits (amount)

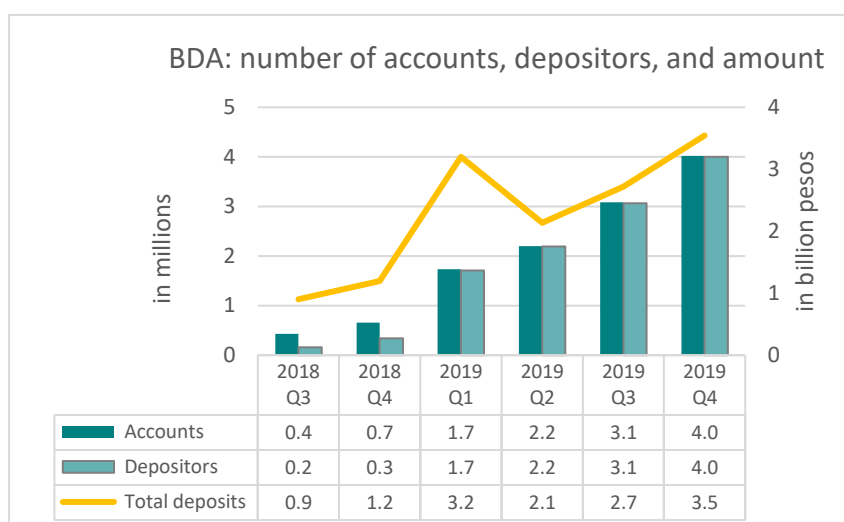


■ P 5,000 and below
 ■ P 5,000.01 - P 40,000
 ■ P 40,000.01 - P 500,000
 ■ Over P 500,000

Deposit Size	Number of deposit accounts (in millions)			% Share to Total	
	2018	2019	Growth	2018	2019
PhP 5,000 and below	38.8	47.5	22.4%	62%	64%
PhP 5,000.01 - PhP 40,000	13.1	14.8	12.9%	21%	20%
PhP 40,000.01 - PhP 500,000	8.6	8.9	3.3%	14%	12%
Over PhP 500,000	2.3	2.5	6.6%	4%	3%
Total	62.9	73.7	17.2%	100.0%	100%

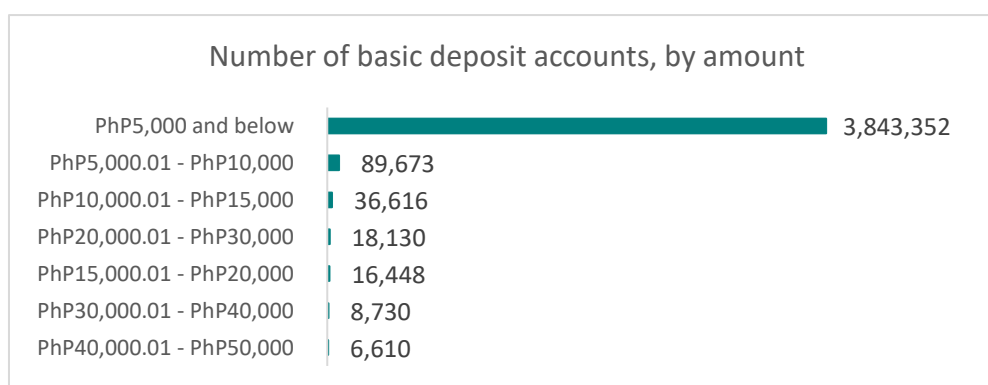
Basic Deposit Accounts

The BDA is a low-cost, no-frills account with an opening amount requirement capped at PhP 100, no maintaining balance, no dormancy charges, and simplified identification requirements. These product features primarily intend to address the long-standing barriers to account ownership, including cost concerns (lack of money, high opening amount and maintaining balance), lack of documentary requirements, and perceived lack of need, among others.



In 2019, there were 120 banks that offered BDA with a total number of depositors at 4.0 million and a corresponding total deposits of PhP 3.5 billion. The number of BDAs surged by 839% to 4.0 million in 2019 from 428,243 in the third quarter of 2018 (baseline data). Despite the posted gains, results of the 2019 FIS revealed that 60% of adults were unaware of the BDA. Such results underscore the need to actively promote the BDA as an affordable and easy-to-open bank account among the unbanked population.

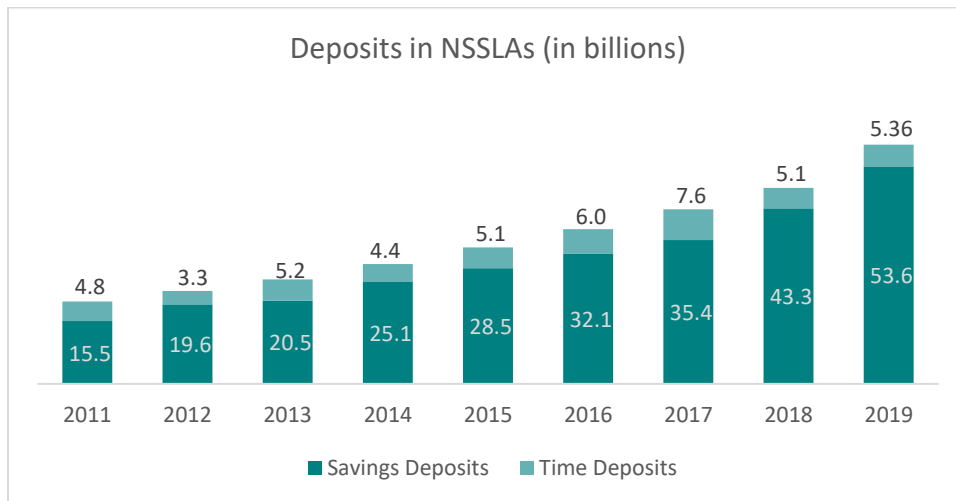
Consistent with its regulatory design, BDAs have remained low-value accounts since 2018. Over 95% of the total number of BDAs in 2019 amounted to PhP 5,000 and below. By bank type, R/CBs comprised 88% of the total BDA depositors, with an average deposit amount of PhP 910. Overall, the average amount per depositor was at PhP 886, with higher average balance for U/KBs (PhP 1,346) and lower for TBs (PhP 672).



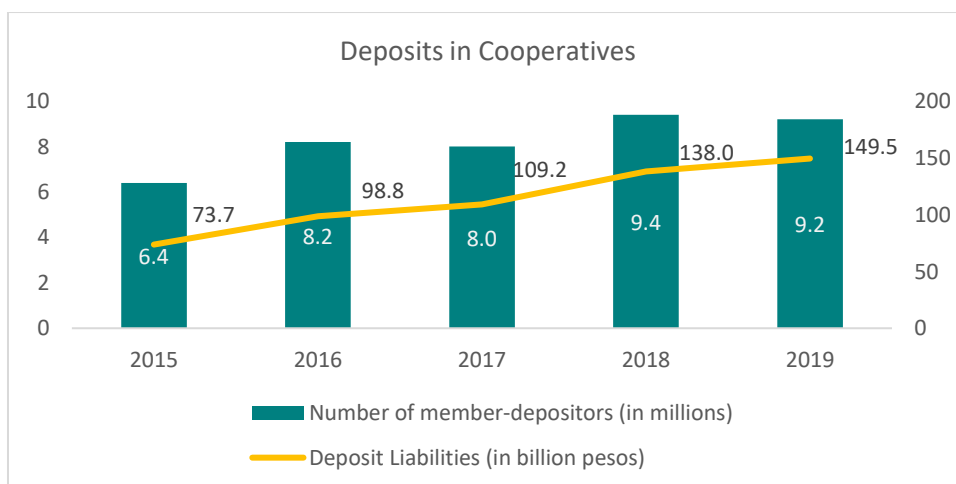
Bank type	No. of depositors	Amount of BDA (in pesos)	Amount per depositor (in pesos)
U/KBs	33,820	45,533,076	1,346
TBs	463,783	311,688,333	672
R/CBs	3,501,825	3,187,839,789	910

Deposits in non-banks

In 2019, total deposits in NSSLAs grew by 22% to PHP 59.0 billion from previous year's PHP 48.3 billion, with savings deposit comprising 91% of this amount.¹⁶ Over the last nine years, the total amount of deposits in NSSLAs increased at an average annual rate of 14%, 1 percentage point higher than that of bank deposits.



For cooperatives, the number of member-depositors slightly declined from 9.4 million in 2018 to 9.2 million in 2019. Despite the 2% drop in the number of depositors, the amount of deposits registered an 8% growth from PHP 138.0 billion to PHP 149.5 billion during the same period. From 2015 to 2019, the number of depositors and amount of deposits posted an average annual growth rate of 10% and 20%, respectively. These rates indicate that the number of depositors in cooperatives grew at a slower rate compared with depositors in banks, which grew by an average annual rate of 13% during the same period. However, in terms of amount of deposits, the growth in cooperatives is twice as fast as in banks at 10%.

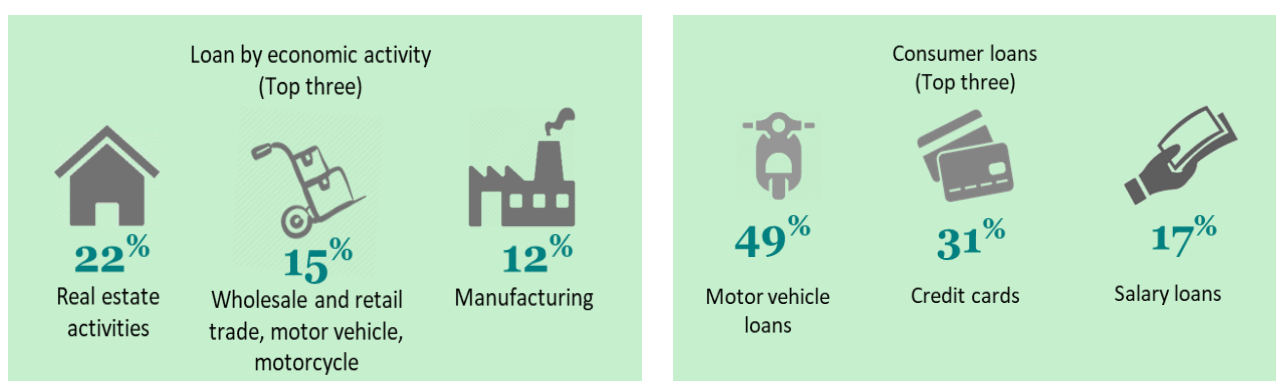


¹⁶ Only the amount of deposits in NSSLAs is available, there are no data on the number of deposit accounts.

Loans in banks

Outstanding loans in the banking sector reached PhP 9.7 trillion as of end-2019, a modest growth from the PhP 9.2 trillion total in 2018. Historically, loans in banks have increased at an average annual growth rate of 15% since 2011.¹⁷

Loans for production (i.e., various economic activities) comprised 83% of the total loan portfolio, with the top three sectors as follows: (1) real estate; (2) wholesale and retail trade, motor vehicle, motorcycle; and (3) manufacturing.



Consumption loans accounted for 11% of the total outstanding loans in 2019. Almost half of consumer loans were motor vehicle loans, while nearly a third were credit cards and less than one-fifth were salary-based general purpose consumption loans.

Regional distribution of bank loans

Similar to the distribution of banks and deposits, NCR held the lion's share of outstanding loans in the banking system, which barely moved from 83.9% in 2018 to 83.5% in 2019. These figures are slightly lower than the 85% - 89% share that NCR used to hold during the period 2011-2017.

Joining NCR in the top three spots are Central Visayas and CALABARZON with a much smaller share of 3.3% and 2.6% share, respectively. The regions with the smallest shares were MIMAROPA (0.3%), CAR (0.2%), and BARMM (0.02%). As previously noted, the geographical distribution should be interpreted in relation to regional indicators such as population size and economic activity.

In the past two years, the growth in bank loans was remarkable in several regions outside the top three. For instance, SOCCSKSARGEN, Eastern Visayas, Zamboanga Peninsula, Caraga, and Northern Mindanao posted a double-digit growth rate ranging from 12% to 24%.

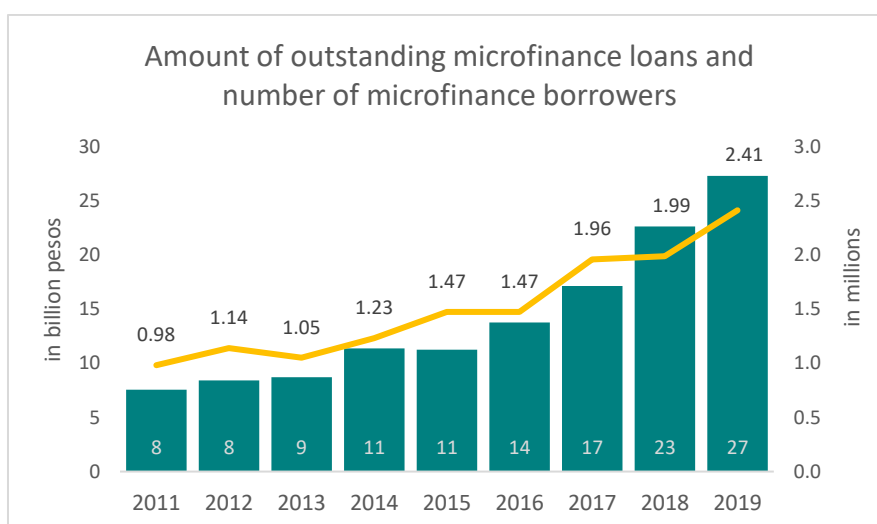
¹⁷ Existing data on the amount of loans include all loans granted by banks, interbank loans and reverse repurchase with the BSP and other banks.

Region	Amount of loans (in billion pesos)			% share to total	
	2018	2019	Growth	2018	2019
NCR	7,746.3	8,065.4	4.1%	83.9%	83.5%
CAR	20.0	21.1	5.7%	0.2%	0.2%
I Ilocos Region	56.9	61.3	7.7%	0.6%	0.6%
II Cagayan Valley	65.8	68.9	4.7%	0.7%	0.7%
III Central Luzon	241.9	239.7	-0.9%	2.6%	2.5%
IV-A CALABARZON	236.1	246.5	4.4%	2.6%	2.6%
IV-B MIMAROPA	32.2	32.7	1.4%	0.3%	0.3%
V Bicol Region	53.6	58.2	8.4%	0.6%	0.6%
VI Western Visayas	110.1	117.3	6.5%	1.2%	1.2%
VII Central Visayas	292.1	318.1	8.9%	3.2%	3.3%
VIII Eastern Visayas	33.4	40.1	20.0%	0.4%	0.4%
IX Zamboanga Peninsula	30.4	35.6	17.0%	0.3%	0.4%
X Northern Mindanao	67.3	75.2	11.8%	0.7%	0.8%
XI Davao Region	141.1	149.7	6.0%	1.5%	1.6%
XII SOCCSKSARGEN	71.0	88.0	23.9%	0.8%	0.9%
XIII Caraga	30.62	34.71	13.3%	0.3%	0.4%
BARMM	1.7	1.9	8.3%	0.02%	0.02%
Philippines	9,230.8	9,654.4	4.6%	100%	100%

Microfinance in the banking sector

Banks with microfinance operations, which offer various types of microfinance products and services for the entrepreneurial poor, continue to play an important role in increasing access to formal finance. In 2019, the number of banks with microfinance operations reached 154, a slight decline from 159 in 2018. These banks catered to around 2.4 million microfinance borrowers with total outstanding loans of PHP 27.3 billion.

The number of microfinance borrowers and the microfinance loan portfolio of the banking sector have posted an upward trend since 2011, with an average annual growth rate of 13% and 18%, respectively.



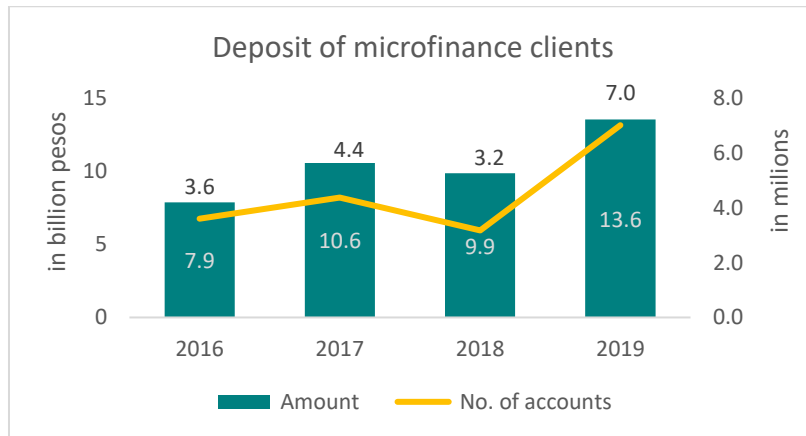
While the number of banks offering various microfinance products (e.g., microenterprise loans, microfinance plus, micro-agri, and micro-housing loans) declined in 2019, the total outstanding loans of these products increased in the same period. All loan products exhibited at least 20% growth in loan portfolio except for micro-housing loans, which increased only by 10%. Only micro-agri loans recorded a decrease in number of borrowers over the two-year period.

		2018 Q4	2019 Q4	Growth
Microfinance	Banks	159	154	-3.1%
	Borrowers	1,986,683	2,410,677	21.3%
	Amount (in billion pesos)	22.6	27.3	20.7%
<u>Microenterprise Loans</u>				
▪ Small (up to PhP150,000) and short-term loans for microenterprises and small businesses of low-income households; unsecured with frequent amortization based on cash flow of borrowers				
	Banks	145	142	-2.1%
	Borrowers	1,652,044	2,088,352	26.4%
	Amount (in billion pesos)	18.6	22.9	22.7%
<u>Microfinance Plus</u>				
▪ Loan amount ranges from PhP150,001 to PhP300,000 to finance the growing microenterprises and small businesses of basic sectors; borrowers must have a savings account and at least 2 microfinance loan cycles in the PhP50,000 to PhP150,000 range				
	Banks	39	37	-5.1%
	Borrowers	8,900	10,465	17.6%
	Amount (in billion pesos)	1.0	1.2	20.0%
<u>Micro-Agri Loans</u>				
▪ Up to PhP150,000 loans for farm activities, agri-business, and agri-related fixed assets, among others; short-term purposes only (up to 12 months); with frequent amortization but lump sum payment may be considered an option (up to 40% of loan amount)				
	Banks	24	23	-4.2%
	Borrowers	98,761	94,381	-4.4%
	Amount (in billion pesos)	1.1	1.3	21.5%
<u>Housing Microfinance Loans</u>				
▪ Up to PhP150,000 loans for home improvement and PhP300,000 for house construction/lot acquisition (secure tenure instruments will be used as collateral); with longer terms (i.e., 5 years and 15 years depending on loan purpose)				
	Banks	15	13	-13.3%
	Borrowers	127,418	143,291	12.5%
	Amount (in billion pesos)	1.4	1.5	10.0%

● Positive growth compared to previous year

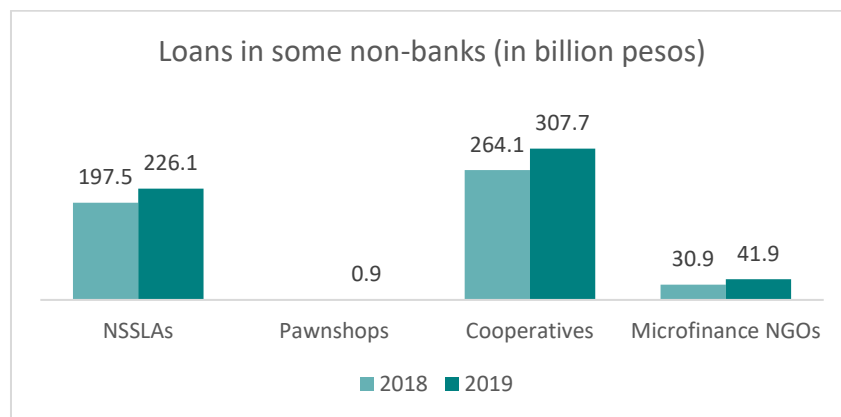
● Negative growth compared to previous year

The number of deposit accounts of microfinance clients surged by 121% to 7.0 million in 2019 from 3.2 million in 2018. This notable growth translates to 37% increase in total deposit amount from PhP 9.9 billion to PhP 13.6 billion. In 2019, the average amount of deposit per account was around PhP 1,900.



Loans in non-banks

Loans in non-banks increased by 17% to P576.6 billion in 2019 from PhP 492.5 billion in 2018. Over half (53%) of these loans were generated by cooperatives followed by NSSLAs with 39% share of the total amount. While these institutions continued to account for over 90% of the total outstanding loans in non-banks, MF-NGOs¹⁸ posted the highest growth rate of 35% over the two-year period.

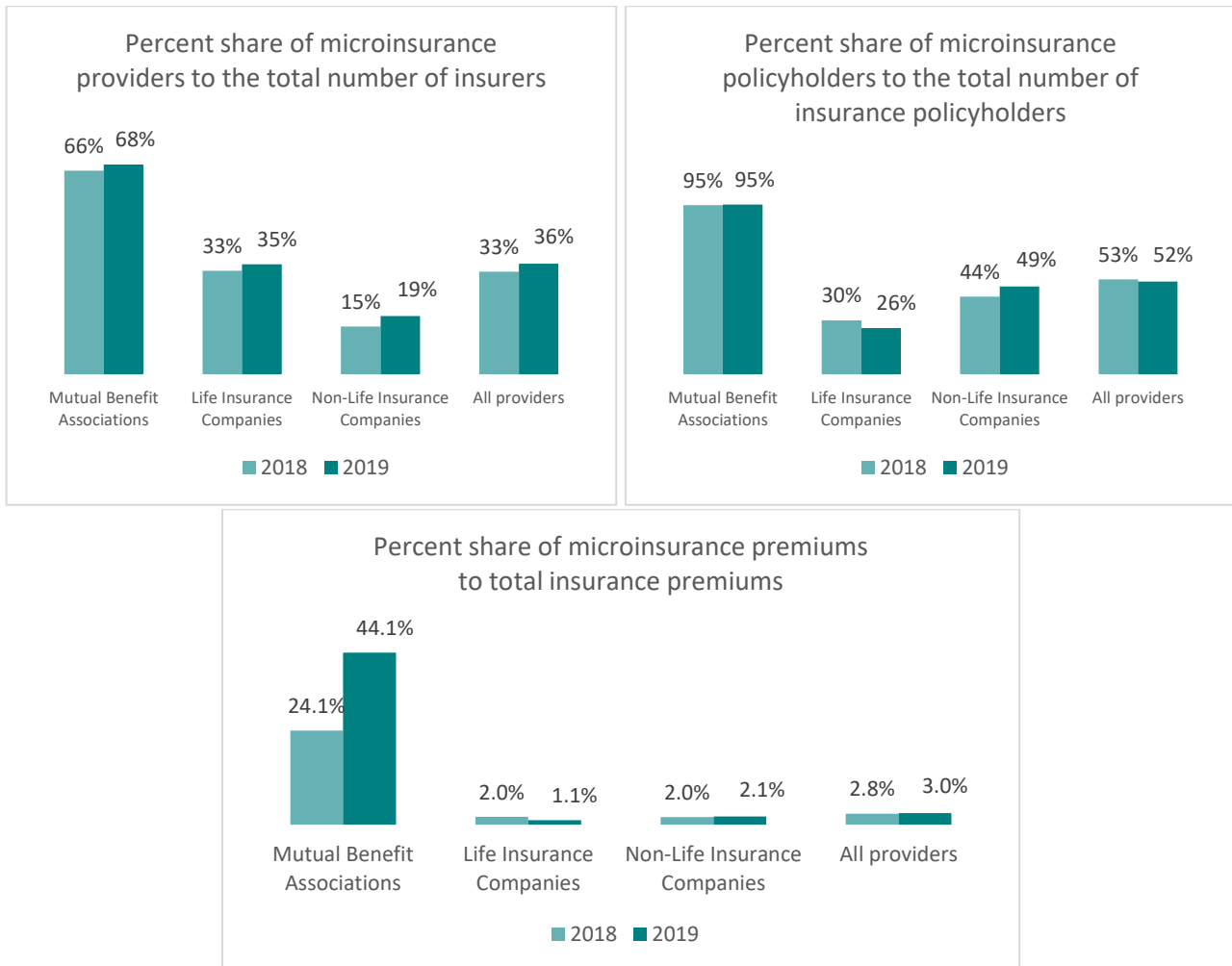


Microinsurance

Data from the Insurance Commission (IC) showed that there were two (2) additional microinsurance providers in 2019, bringing the total to 46 providers. Microinsurance providers accounted for 36% of the total licensed insurers which reached 129 as of end-2019.

Microinsurance policyholders (i.e., policy owners and dependents), which comprised more than half of the total policyholders, increased to 45.0 million in 2019, up by 16% from 38.9 million in 2018. Total microinsurance premiums rose by 11% to PhP 9.1 billion in 2019 from PhP 8.1 billion in 2018, or approximately 3% of the total insurance premiums.

¹⁸ Based only from a sample of MF NGOs that responded to the BSP's data request. The 2019 data was based on the 28 microfinance NGOs accredited by the Microfinance NGO Regulatory Council (MNRC).

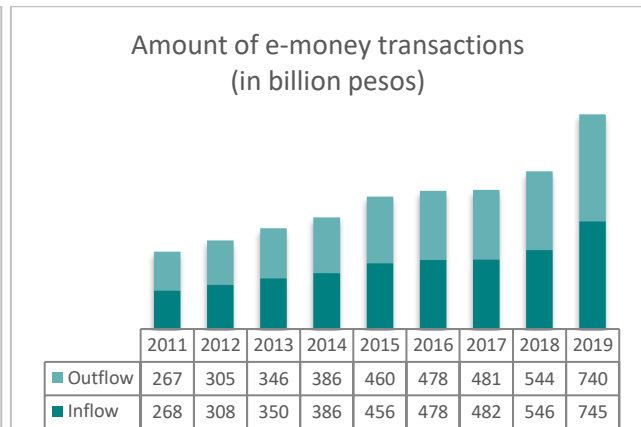
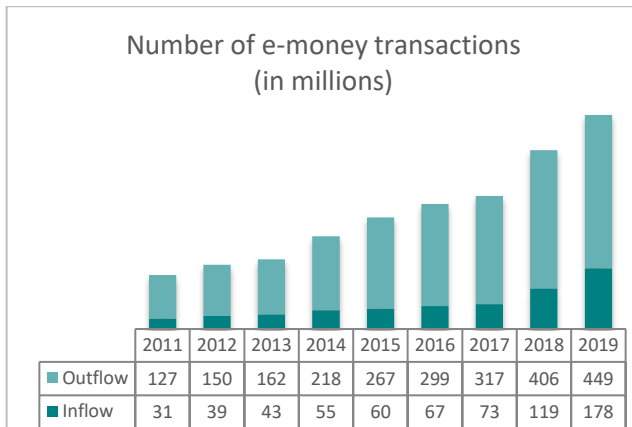


E-money

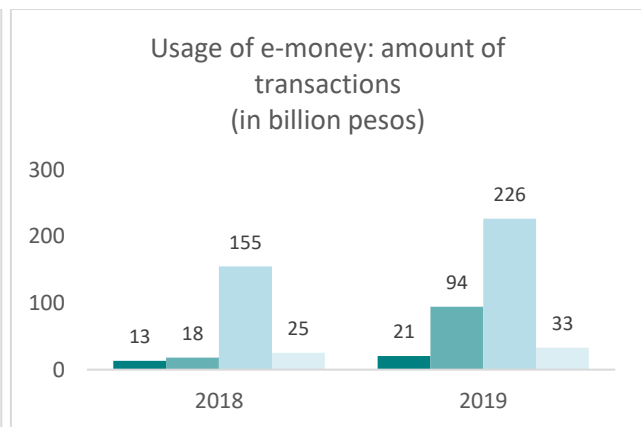
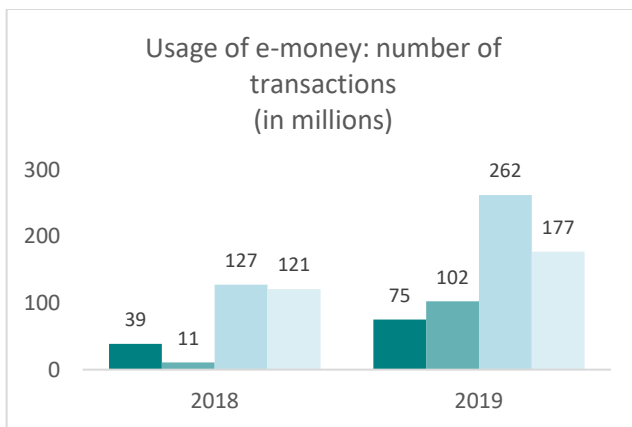
There were 48 e-money issuers (EMIs) in 2019, up from 43 in 2018.¹⁹ The total number of registered e-money accounts (e-wallets and cards linked to e-money) grew by 21% to 61.7 million from 51.0 million²⁰ in the same period. The total number of e-money transactions also rose by 20% to 627 million in 2019 from 524 million in 2018. In terms of value, e-money inflows and outflows in 2019 amounted to PhP 745 billion and PhP 740 billion, respectively. Both these figures represent a 36% increase from previous year's PhP 546 billion inflows and PhP 544 billion outflows. In the past nine years, the average annual growth rates in the number and amount of e-money transactions stood at 19% and 14%, respectively.

¹⁹ List of licensed EMIs available at <https://www.bsp.gov.ph/Lists/Directories/Attachments/7/emi.pdf>

²⁰ Adjusted figure



As noted in the 2019 FIS, e-money was a key driver of significant improvement in account ownership, having the most remarkable growth of 7 percentage points to 8% in 2019 from merely 1% in 2017.



■ Payments to Merchants ■ Bills Payments ■ P2P/W2W ■ Others

E-money was mainly used for person-to-person (P2P) or wallet-to-wallet (W2W) transfers with 262 million transactions amounting to PHP 226 billion in 2019, a notable growth of 106% and 46%, respectively, from previous year's levels.

Also worth highlighting is the heightened use of e-money for payment transactions. The number of e-money transactions corresponding to merchant payments increased by 96% to 75 million in 2019 from 39 million in 2018. Meanwhile, bills payment transactions using e-money grew by 851% to 102 million in 2019 from 11 million in 2018. In terms of value, e-money transactions for merchant payments and bills payments grew by 58% and 424% respectively, during the same period.

In Focus: Women's Financial Inclusion in the Philippines

The Philippines is among the global leaders in promoting gender parity. Based on the 2020 Global Gender Gap Report,²¹ the Philippines has closed 78% of its overall gender gap, ranking second in East Asia and the Pacific (next to New Zealand), and 16th among 153 countries. This result reflects the country's significant strides, particularly in terms of economic participation, educational attainment, as well as health and survival of women. Consistent with this performance is the country's progress in financial inclusion: the Philippines was recognized in the 2017 Global Findex Report as one of the few emerging economies where women's access to financial services exceeds that of men.²²

Turning to national data, the 2019 FIS showed that women (32.9%) remained more financially included than men (24.2%) despite the faster growth of accounts among males (9 percentage points increase) than females (4 percentage points increase) from 2017 to 2019. Further analysis of data per account type indicates that while a higher percentage of men than women have bank accounts, women outperformed men in ownership of accounts with MF-NGOs, cooperatives, and EMIs. A higher share of women than men having savings (54.5%), outstanding loans (37.8%), insurance coverage (27%), payment transactions (91%), and remittance transfers (receiving 41% and sending 55%) further support that women are more financially included than men in the country. In addition, the survey results also show women have better access to mobile technology, as evidenced by their high mobile (71.5%) and smartphone ownership (53%) and internet usage (54.1%).



Photo source: Alliance for Financial Inclusion

The only indicator where women fall behind men is the ownership of investment products, which suggests the need to improve the level of sophistication of women as financial users.

Indeed, the Philippines presents an interesting case, as it ranks high among a few nations with a generally *reverse gender gap* in financial inclusion. A more comprehensive study can provide new and additional insights into the drivers of women's use of financial services thereby informing policies to further deepen women's inclusion in the country. While financial inclusion goals do not intend to favor one gender over another, women's inclusion has become a strategic priority for global inclusion champions, as women in many parts of the world have traditionally been at a disadvantage when it comes to economic and social opportunities.

²¹ World Economic Forum. 16 December 2019. *Mind the 100 Year Gap*. Retrieved from: <https://www.weforum.org/reports/gender-gap-2020-report-100-years-pay-equality>

²² Center for Financial Inclusion. January 2020. *Advancing Women's Financial Inclusion: What Does the Global Microscope Tell Us?* Article

cited the *Global Findex Report 2017*. Retrieved from: <https://www.centerforfinancialinclusion.org/advancing-womens-financial-inclusion-what-does-the-global-microscope-tell-us>

**Women's Inclusion profile across financial products, mobile phone, smartphone, internet usage
(Share by Sex)**

	% of Total Adult Population²³	% of Males	% of Females	Gender Gap
Account Ownership	29	24.2	32.9	8.7
<i>Bank</i>	12	13.8	10.7	-3.1
<i>E-money</i>	8	7.6	8.3	0.7
<i>NSSLA</i>	0.1	0.1	0.1	0
<i>Cooperative</i>	1.7	0.9	2.5	1.6
<i>Microfinance NGO</i>	12	6.8	17.3	10.5
Savings	53	51.6	54.5	2.9
Outstanding Loans	33	28.8	37.8	9
Insurance	23	19.1	27.0	7.9
Investment	25	30.3	18.9	-11.4
Making Payments	85	78.0	91.0	13
Receiving Payments	43	51.0	35.0	-16
Sending Remittances	37	33.0	41.0	8
Receiving Remittances	48	40.0	55.0	15
Mobile phone ownership	69	66.1	71.5	5.4
Smartphone ownership	52	50.0	53.0	3.0
Internet Usage	53	52.5	54.1	1.6

Source: BSP, 2019 FIS

²³ 72.0 million

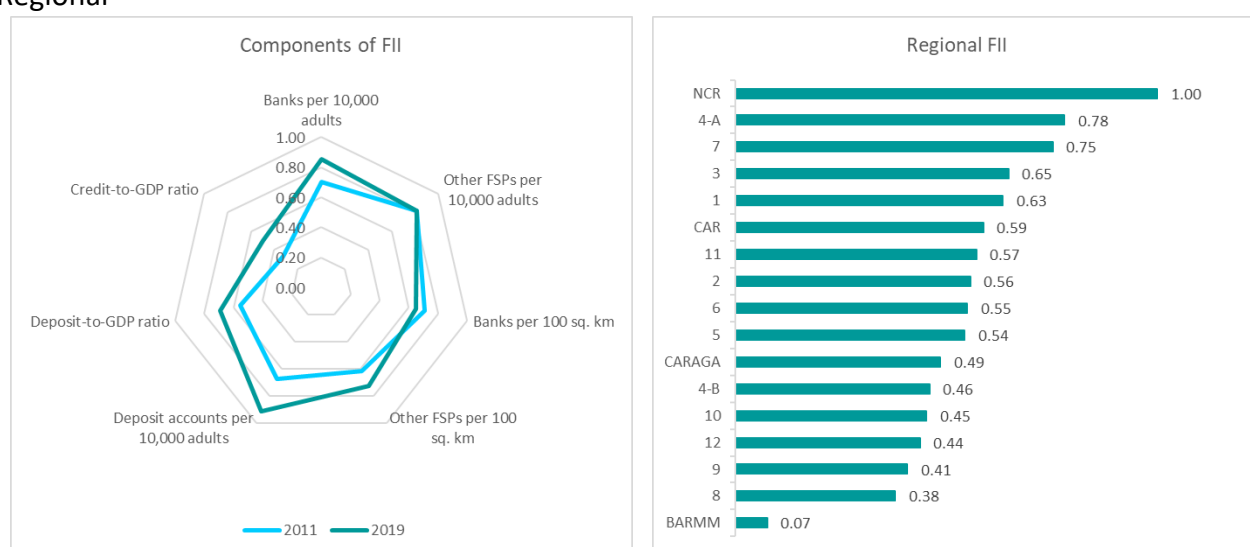
Annexes

A. Financial Inclusion Index

National

Dimension	Indicator	2011	2012	2013	2014	2015	2016	2017	2018	2019
Access	Banks per 10,000 adults	1.40	1.42	1.47	1.50	1.52	1.55	1.60	1.67	1.71
	Other FSPs per 10,000 adults	4.09	5.16	5.35	5.28	5.43	5.93	7.15	10.66	10.61
	Banks per 100 sq. km	6.35	6.60	6.96	7.27	7.55	7.84	8.27	8.68	9.03
	Other FSPs per 100 sq. km	18.52	23.94	25.38	25.59	26.88	30.00	36.95	55.32	56.20
Usage	Deposit accounts per 10,000 adults	6,776	6,328	6,730	6,886	7,090	7,492	7,750	8,455	9,178
	Deposit-to-GDP ratio	0.55	0.54	0.65	0.67	0.69	0.71	0.74	0.73	0.69
	Credit-to-GDP ratio	0.33	0.34	0.37	0.40	0.44	0.47	0.51	0.53	0.49
FII		0.62	0.62	0.66	0.68	0.70	0.70	0.71	0.73	0.74

Regional



Provincial

Top 10 Provinces	FII	Bottom 10 Provinces	FII
BATANGAS	0.933	DINAGAT ISLANDS	0.171
LAGUNA	0.932	APAYAO	0.170
BENGUET	0.926	DAVAO OCCIDENTAL	0.129
DAVAO DEL SUR	0.907	LANAO DEL SUR	0.108
CEBU	0.840	TAWI-TAWI	0.086
CAVITE	0.835	SULU	0.063
SOUTH COTABATO	0.832	SARANGANI	0.056
BATAAN	0.785	MAGUINDANAO	0.036
ZAMBALES	0.752	ZAMBOANGA SIBUGAY	0.029
ORIENTAL MINDORO	0.739	BASILAN	0.028

B. Core Set of Financial Inclusion Indicators

	2018	2019
Background Indicators		
Adult population (in millions)	74.9	75.2
Total number of relevant administrative units		1,634
Total number of branches (banking offices)	12,316	12,820
Total number of e-money agents	27,993	43,740
Total number of other cash-in & cash-out access points ^{1/}	34,469	37,481
Access Dimension:		
Number of access points per 10,000 adults	10.0	12.5
% of administrative units with at least one access point	93.6%	95.4%
% of adult population living in administrative units with at least one access point	98.2%	98.7%
Usage Dimension:		
% of adults with at least one type of regulated deposit account ^{2/}		34.5%
Number of deposit accounts per 10,000 adults ^{r/}	8,321	9,178
% of adults with at least one type of regulated credit account ^{2/}		9.7%

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

^{2/} Source: World Bank Global Findex (2017)



Report on the State of Financial Inclusion
in the Philippines 2019

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