

# Strategies Toward Financial Inclusion

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5<sup>th</sup> Mindanao Policy Research Forum  
MSU Graduate School  
General Santos City

10 September 2019



**BANGKO SENTRAL NG PILIPINAS**

# FINANCIAL INCLUSION

**Financial inclusion** is a state wherein there is **effective access** to a **wide range of financial products and services** by **all**.



## Products and Services

Savings	Investment
Credit	Payment
Insurance	Remittance

## Unserved and Underserved

Micro, small and medium enterprises  
Farmers, fisherfolk, agrarian reform beneficiaries  
Low-income population  
Population in rural areas  
Unserved due to religious barrier

# Current State of Financial Inclusion

## ACCESS

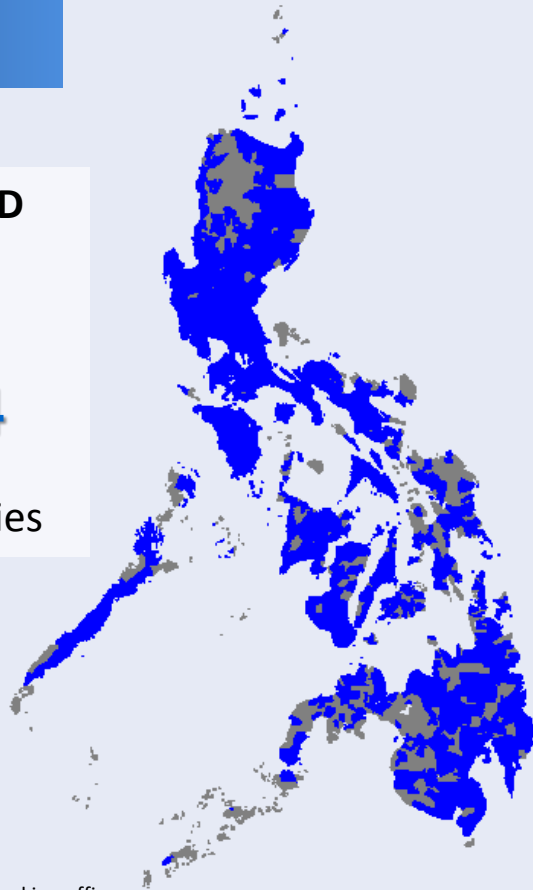
### UNBANKED



**533**

out of

**1,634**

cities and municipalities



 With at least one banking office  
 Unbanked

Source: BSP (2019 Q1)

## USAGE

**48%** of adults have savings, but...

**7 in 10** keep their savings at home

**22%** of adults have outstanding loans, but...

**4 in 10** obtain their loan from informal sources

**88%** of adults have payment transactions but...

**6 in 10** pay using cash

**23%** adults with a formal account

Source: BSP Financial Inclusion Survey (2017)

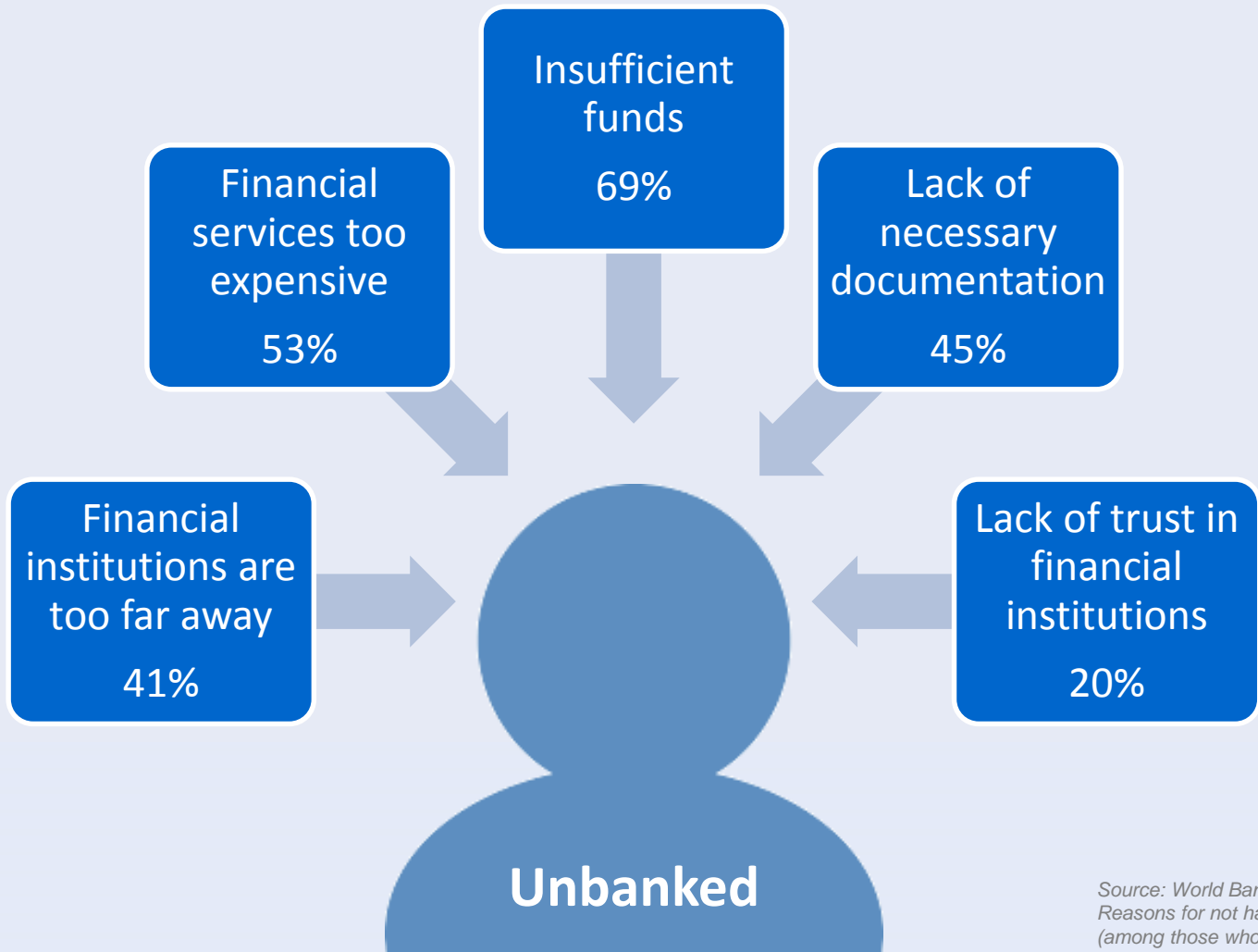


Filipino adults are able to answer **3 out of 7** financial literacy-related questions correctly.

# CURRENT STATE:

## ACCESS TO AND USAGE OF FORMAL FINANCIAL SERVICES

### Reasons for not having a formal account



# NATIONAL STRATEGY FOR FINANCIAL INCLUSION

The NSFI provides a framework to enable government and private sector stakeholders to take a coordinated and systematic approach toward a clear vision of building a financial system that is accessible and responsive to the needs of the entire population toward broad-based and inclusive growth.



# FINANCIAL INCLUSION INITIATIVES

## Policy and Regulation

Create an enabling policy and regulatory environment for financial inclusion

## Financial Education and Consumer Protection

Ensure that Filipinos are well informed and protected

## Advocacy Programs

Raise awareness and encourage support for financial inclusion

## Data and Measurement

Facilitate evidence-based policymaking, program design and implementation, and enable progress monitoring and evaluation



# MICROFINANCE IN THE BANKING SECTOR

## Microenterprise Loan

- Small and short term loans granted to the basic sectors on the basis of the borrower's cash flow, for their small businesses
- Loans up to Php 150,000



## Microenterprise Loan Plus

- Loans for growing/graduating microenterprises
- Loans range from Php 150,001 to Php 300,000

## Housing Microfinance Loans

- Loans granted for the purpose of home improvement and house construction, house and/or lot acquisition
- Loans up to Php 150,000 for home improvement
- Loans up to Php 300,000 for house construction and house and lot acquisition

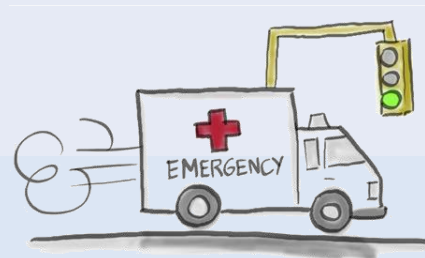


## Micro Agri Loans

- Loans granted for the purpose of farm activities, agri-business and other farm-related fixed assets
- Loans up to Php 150,000

## Micro-insurance

- Insurance, insurance-like and other similar products and services for risk protection and relief against distress, misfortune and other contingent events of the low income sector
- Premium computed on a daily basis and does not exceed 7.5% of the current daily minimum wage for non-agricultural workers in Metro Manila
- Coverage is not more than 1,000 times the daily minimum wage for non-agricultural workers in Metro Manila



## BSP Regulations

### Microfinance Loans

**Circulars 272, 282, 324, 364, 409, 549, 607, 608, 746**

### Microfinance Products

**Circulars 678, 680, 748, 683, 694, 744, 796**

### Liberalized Branching for Microfinance Banks

**Circulars 273, 340, 365, 369, 505, 624, 669, 694**

### Governance on Microfinance Banks (Bank-NGO relationship)

**Circular 725**

### Microfinance Rating Agencies

**Circular 685**



# MICROFINANCE IN THE BANKING SECTOR



164 banks with microfinance operations serving 1.8 million clients with outstanding portfolio of PhP 18.5 billion.

## Microenterprise Loan

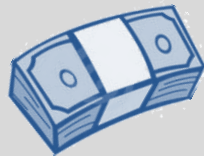
Php 15.4 B



151 banks

## Microfinance Plus

Php 817 M



39 banks

## Micro-Agri Loan

Php 780 M



25 banks

## Housing Microfinance

Php 1.17 B



17 banks



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# EARLY INITIATIVES ON MICROFINANCE AND FINANCIAL INCLUSION

## Wider range of products

Microenterprise Loan  
Microfinance Plus  
Micro-agri Loans  
Housing Microfinance  
Microdeposits  
Microinsurance

## Expanded physical network

Micro-banking Offices

## Expanded virtual reach

E-money Issuers  
E-money Network Service Providers

**Enabling Regulatory Environment**

## Liberalized customer on-boarding

Expanded list of acceptable IDs  
Risk-based KYC  
Outsourcing/reliance on third party for KYC

## Established framework for consumer protection

Financial Consumer Protection Framework



# PRIORITY AREAS



Agriculture and  
MSME Finance



Digital Finance



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# AGRI AND MSME SECTOR IN THE PHILIPPINES

## Agriculture

**PhP409 billion**

value of agricultural production (Q3 2018)

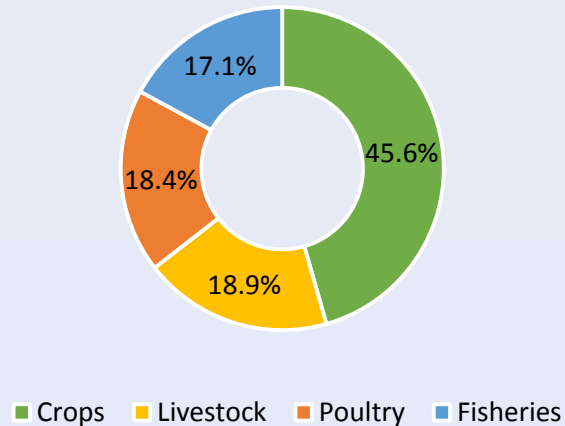
**10.3 million**

contribution to employment (2017)

**8.5%**

contribution to GDP (2017)

Share to total agricultural production



## MSME

**911,768**

number of MSMEs (2016)

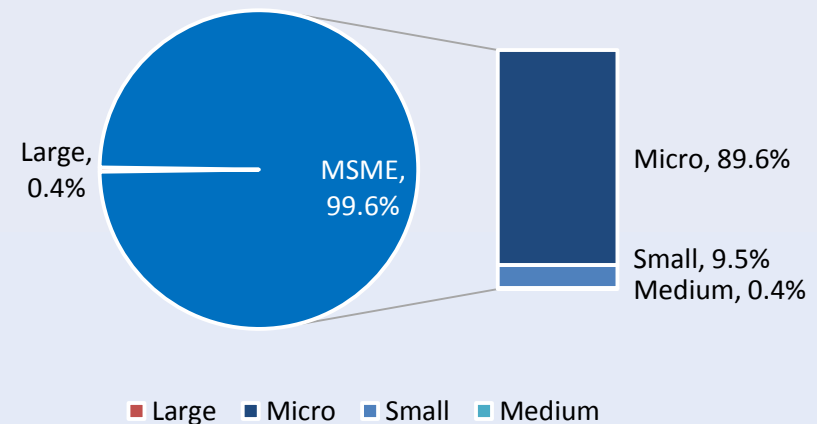
**4.9 million**

contribution to employment (2016)

**35.7%**

contribution to gross value-added (2006)

Classification of business establishments



# AGRICULTURE AND MSME FINANCE



## Cost

High transaction cost

## Credit History

Inadequate information on borrowers

## Collateral

Lack of acceptable security

## Contention

Perception that poor cannot pay

## Channels

Lack of infrastructure to appropriately serve the market

# AGRICULTURE AND MSME FINANCE



**Microfinance as an innovative product for the unbanked and unserved**



**Credit enhancement through the Credit Surety Fund (CSF)**



**Risk-based lending: focus on cash flow and ability to pay**



**Innovative private financing models such as agri value chain financing**



**Fostering cost-efficiency of the design and delivery of financing through digitalization**

## Strengthening of the supporting infrastructure

Credit Guarantee

Crop Insurance

Movable Collateral  
and Warehouse  
Receipt

Credit Information

National ID

# DIGITAL FINANCE



Finance

+



Technology

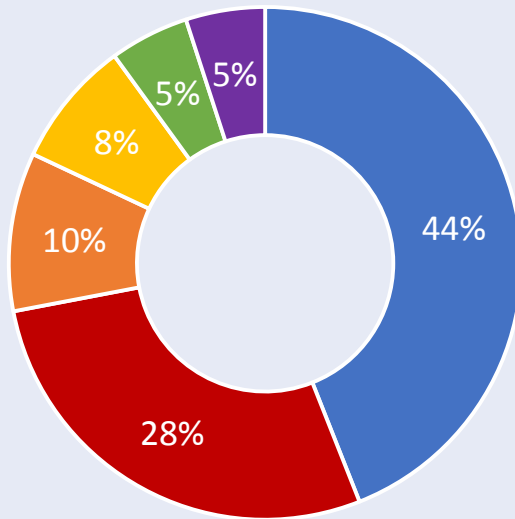
## FinTech (Financial Technology):

technology-enabled innovation in financial services that could result in new business models, applications, processes or products with an associated material effect on the provision of financial services.\*



# OPPORTUNITIES IN DIGITAL FINANCE

## Classification of fintechs in the Philippines



- Payments
- Alternative financing
- Remittance
- Comparison/marketplace
- Credit rating/analytics
- Others

**23**  
median age of  
Filipinos  
(PSA, 2015)



**1/3**  
of the population  
are millennials  
(PSA, 2015)

**6 out of 10**  
without bank deposit  
but with mobile phone  
(FINTQ, 2018)

**113%**  
SIM  
penetration  
(GSMA, 2017)



**59%**  
smartphone  
adoption  
(GSMA, 2016)



**58%**  
unique mobile  
subscription  
(We Are Social, 2018)



**63%**  
internet  
users  
(We Are Social, 2018)



**63%**  
social media  
penetration  
(We Are Social, 2018)



**3 hrs,  
57 mins**  
average time  
spent on social  
media per day  
(We Are Social, 2017)

# DIGITAL FINANCIAL INCLUSION



Democratized access  
to a transaction  
account



Expansive network  
of low-cost touch  
points



Efficient retail  
payment system

Strong cybersecurity, financial and digital literacy, and  
sound market conduct





# RECENT POLICY ISSUANCES



*To democratize access to a transaction account:*

- **Framework for Basic Deposit Accounts (Circular 992)**



*To expand the network of low-cost touch points:*

- **Cash agents (Circular 940)**
- **Branch-lite (Circular 987)**



*To create an efficient retail payment system:*

- **Adoption of National Retail Payment System (NRPS) Framework (Circular 980)**



# RECENT POLICY ISSUANCES



## ***Basic Deposit Accounts (Circular 992)***

- Now offered by 77 banks
- Account ownership expected to double in three years



## ***Cash Agents (Circular 940)***

- Around 8,000 active Cash Agents
- Only 104 LGUs (6%) remain unserved *(as of 2018 Q4)*



## ***National Retail Payment System (NRPS) Framework (Circular 980)***

- PESONet transactions at P 99.17 billion *(as of May 2019)*
- InstaPay transactions at P 18.37 billion *(as of May 2019)*



# OTHER ISSUANCES AND MARKET DEVELOPMENTS



**Enhanced regulations for pawnshops and money service business**  
(Circulars 938 and 942)



**Virtual currency exchanges**  
(Circular 944)



**Risk-based and technology-enabled KYC**  
(Circular 950)



**Enhanced guidelines on information security management**  
(Circular 982)



**National ID system (PhilSys)**  
R.A. 11055



**Personal Property Security Act**  
R.A. 11057



**Payment Systems Act**  
R.A. 11127



**Draft bill on financial consumer protection**



# Thank you!

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