

Developments in Financial Inclusion

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BANGKO SENTRAL NG PILIPINAS

Outline

Financial Inclusion: What and Why? Why Rural Banks? (*Definition, Vision, Role of Rural Banks*)



Financial Inclusion: How? (*BSP Initiatives, Results of Initiatives*)



Financial Inclusion: What, now? (*On-going work/ Work in the Pipeline*)



Financial Inclusion: Opportunities (*for Rural Banks*)

What is financial inclusion?

- A state wherein there is **effective access** to a **wide range of financial services** for all Filipinos



Vision of financial inclusion



PRODUCTS

Diverse, well-designed, suitable, value-adding



PROVIDERS

Diverse (banks, non-banks), responsive, responsible, innovative, strong & stable



CONSUMERS

financially included, financially-learned, adequately protected

Is this Possible? YES!

**Greater demand
for financial
services**

**Growing
Economy**

Microfinance

**Paying even with
relatively high interest**

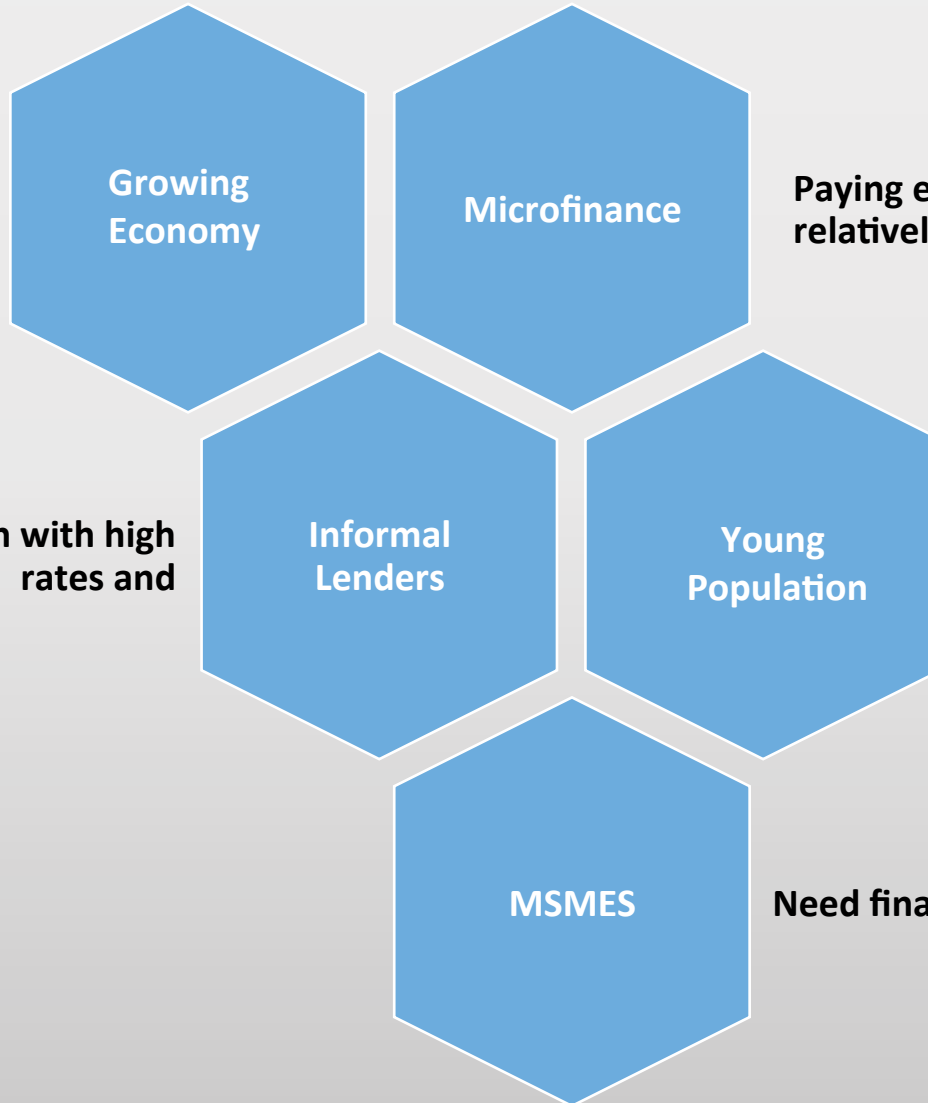
**Thriving even with high
rates and**

**Informal
Lenders**

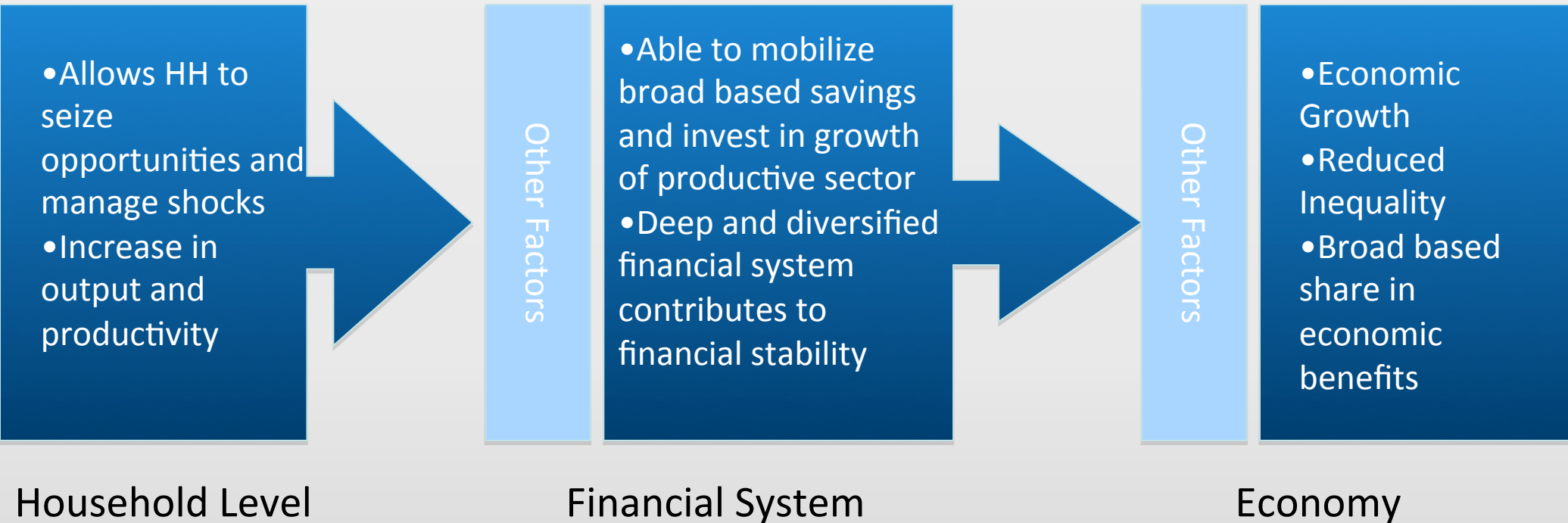
**Young
Population**

MSMES

Need financing to grow



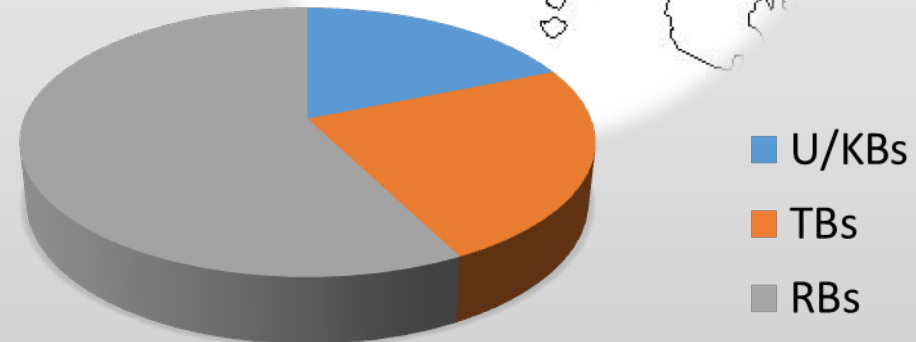
Importance of Financial Inclusion



*“A regionally responsive, development-oriented and **inclusive financial system** which provides for the evolving needs of its diverse public” and supports **inclusive growth***
(Philippine Development Plan 2011-2016)

Why Rural Banks?

	% of cities and municipalities reached	
	2012	2013
U/KBs	18.8%	19.5%
TBs	22.0%	24.7%
RBs	59.0%	58.8%
Total	62.6%	63.0%



BSP Initiatives for Financial Inclusion

Financial inclusion towards broad-based and inclusive growth

POLICY,
REGULATION &
SUPERVISION

FINANCIAL
EDUCATION &
CONSUMER
PROTECTION

ADVOCACY
PROGRAMS

DATA & MEASUREMENT

Access and Products: Policy and Regulatory Approach

<p>Widened range of products</p> <ul style="list-style-type: none">MicrodepositMicroenterprise loanMicrofinance plusMicro-agri loanHousing microfinanceMicroinsurance	<p>Expanded virtual reach</p> <ul style="list-style-type: none">E-money issuersE-money network service providersTechnology-driven business models <p>Expanded physical network</p> <ul style="list-style-type: none">Liberalized bank branchingMicro banking offices
<p>Liberalized customer on-boarding</p> <ul style="list-style-type: none">Updated anti-money laundering rulesOutsourcing rules	<p>Enhanced consumer protection framework</p> <ul style="list-style-type: none">Revised rules for Truth in Lending ActMarket conduct regulationConsumer assistance mechanism

Products



176 banks with microfinance operations currently serving 1.2 million clients with outstanding portfolio of PhP 11.4 billion.

Microenterprise Loan

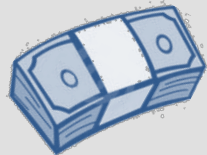
Php 9.4 B



162 banks

Microfinance Plus

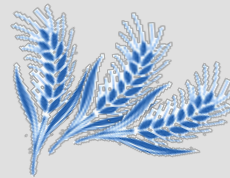
Php 217 M



25 banks

Micro-Agri Loan

Php 343 M



33 banks

Housing Microfinance

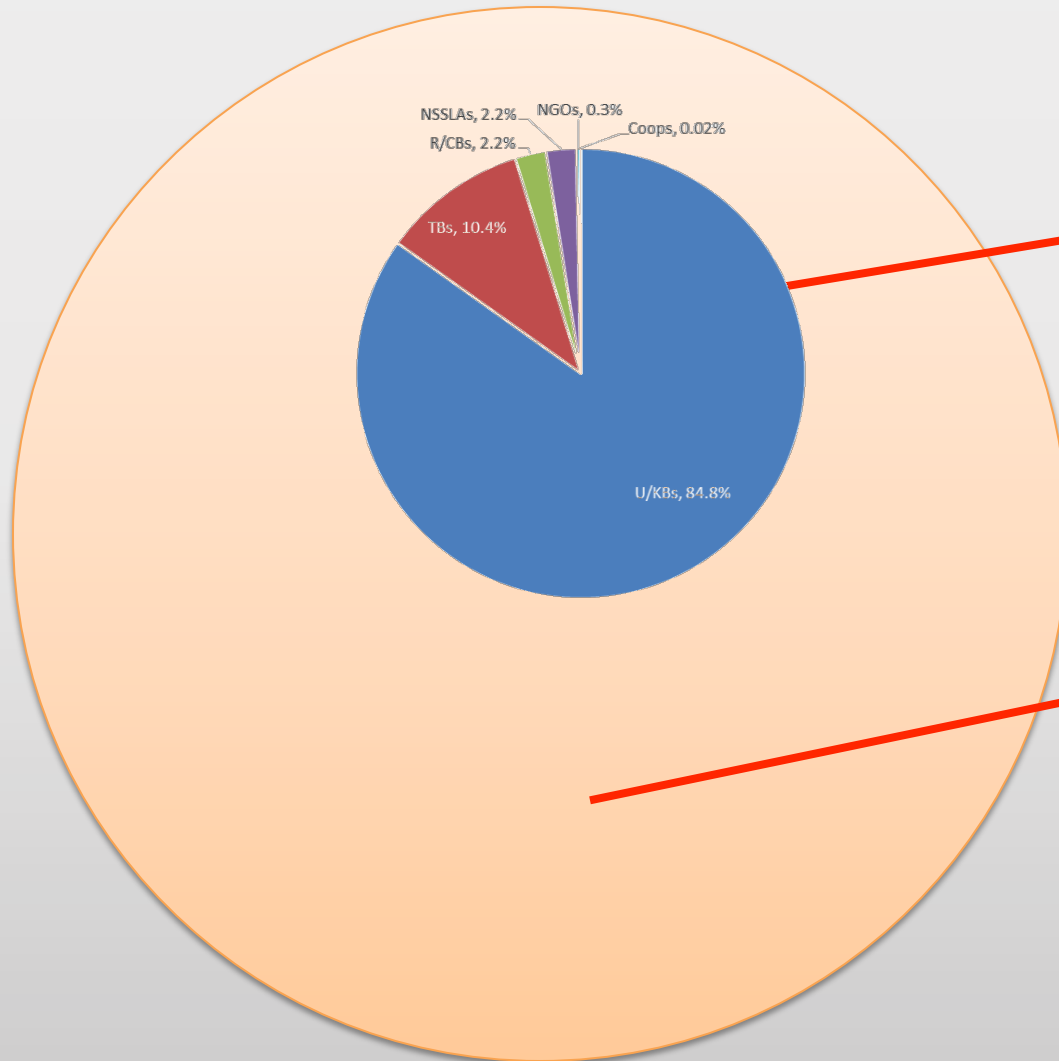
Php 334 M



16 banks

**As of end-Dec 2014*

Products



Only 10.5% of Filipino adults (7 million) have obtained a loan at a formal financial institution in the past 12 months

Total loan portfolio^{1/} of banks, NSSLAs, NGOs and coops = P4.37 trillion

Large untapped market
Examples

- Unmet demand for SME loans^{2/}: P170 billion
- Unmet credit demand for agri-fisheries^{3/}: P292 billion

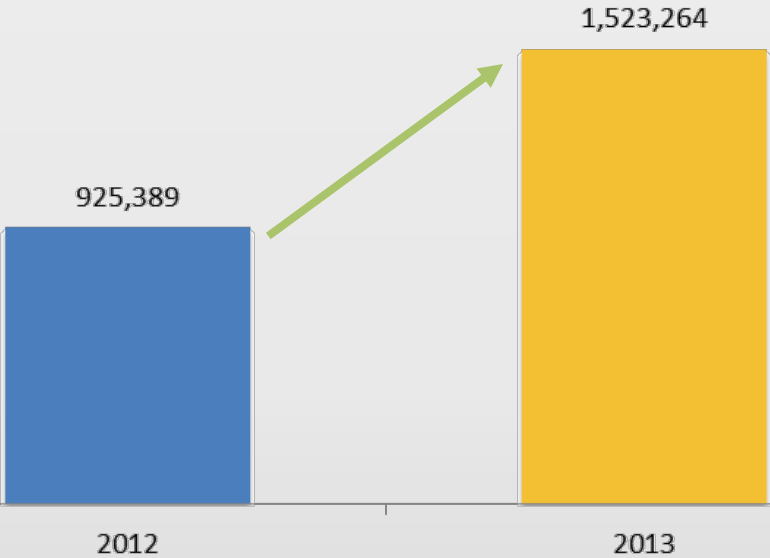
1/ Banks, NSSLAs (BSP, 2013); MF NGOs & Coops (ADB, 2012 using MIX market data)

2/ Aldaba (2012). SME Access to Finance: Philippines. PIDS Discussion Paper 2012-05

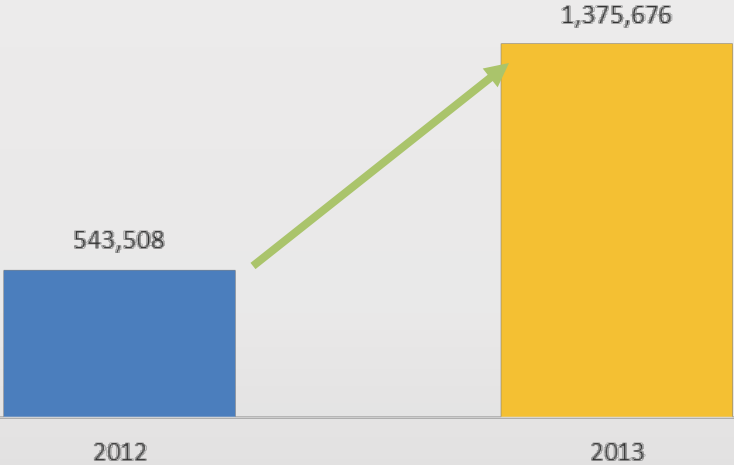
3/ Corpuz & Paguia (2013). Increasing Access to Credit of Small Farmers and Fishers. Agricultural Credit Policy Council (ACPC), Department of Agriculture (DA)

Products

Number of micro-deposit accounts

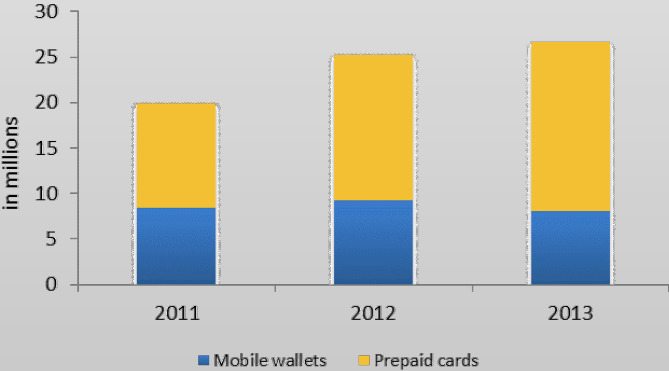


Number of Rural Bank Clients With Microinsurance Coverage



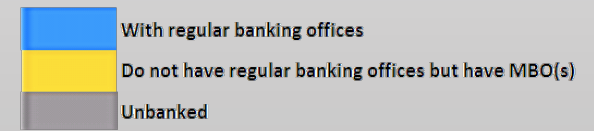
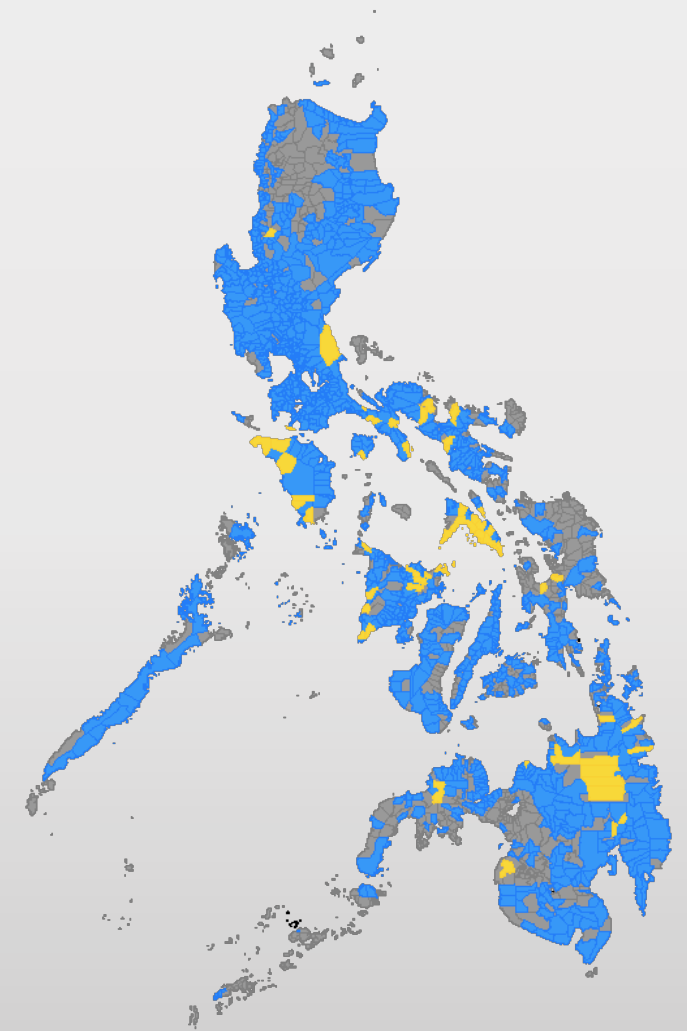
Growth in account holders that are not yet necessarily banked

Number of registered e-money accounts

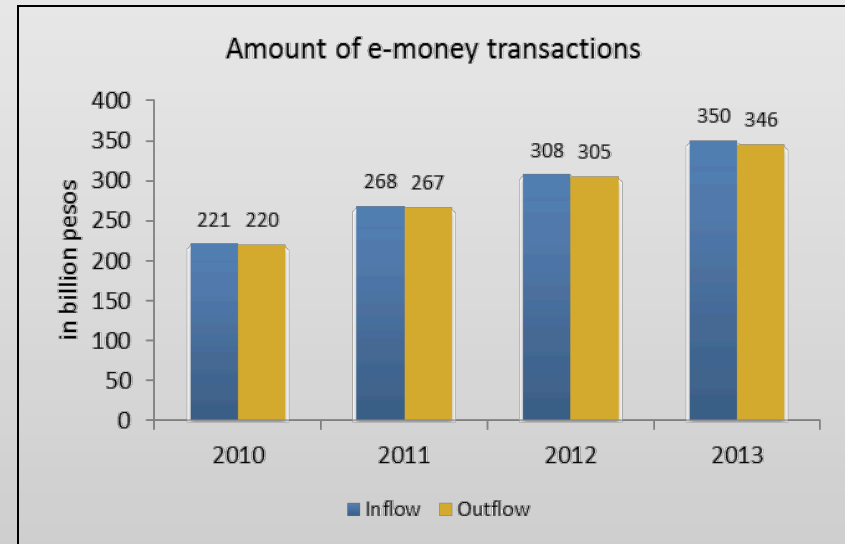
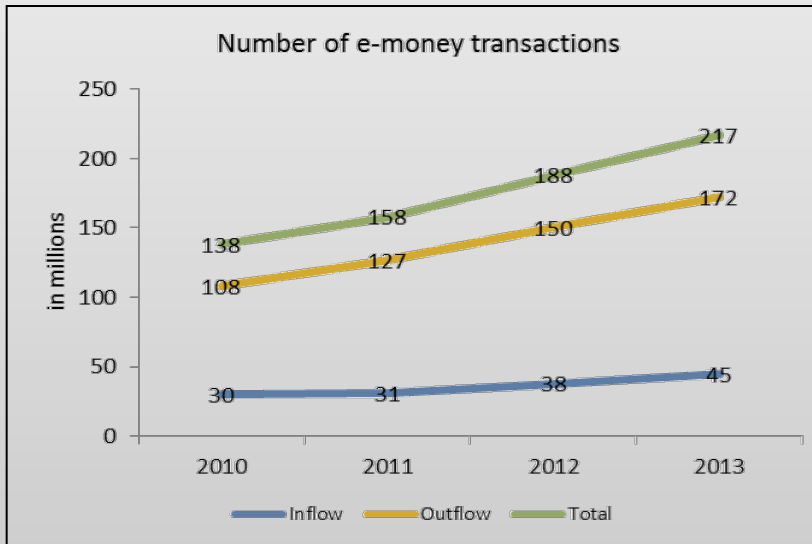
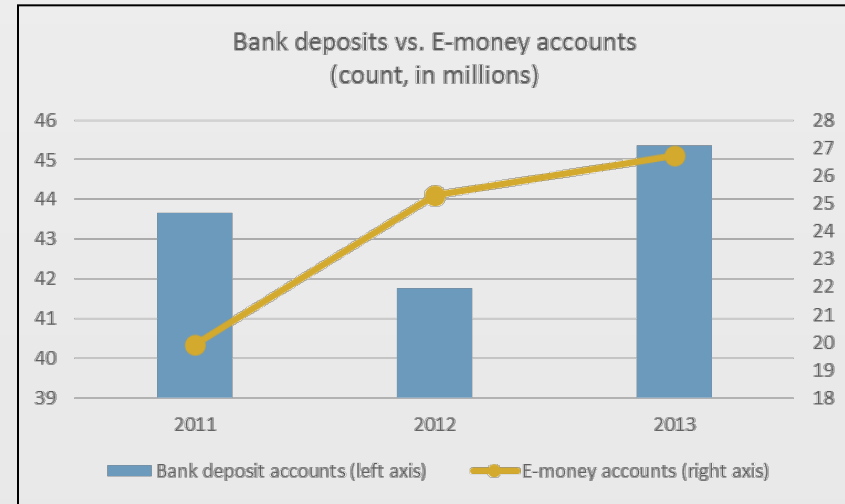
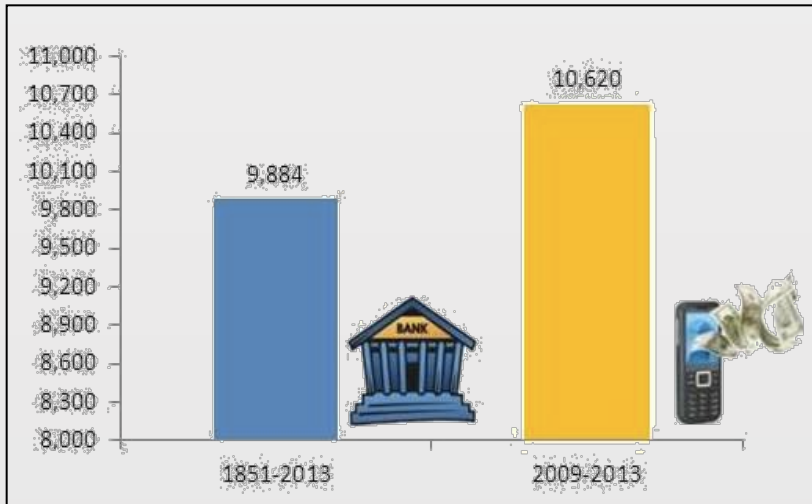


Access – Micro Banking Offices (MBOs) Bringing Service Points Closer to OFs and Beneficiaries

- ✓ **517** MBOs operating in **334** municipalities
- ✓ **64** municipalities are served by MBOs alone



Access – Electronic Money Ecosystems



Access Opportunities

Areas recently served

Municipality	Reason for banking presence
Caramoan, Camarines Sur	Regular branch
San Juan, La Union	Regular branch
Caluya, Antique	Extension office
Sinacaban, Misamis Occidental	Extension office
Baggao, Cagayan	Regular OBO
Divilican, Isabela	Regular OBO
Maconacon, Isabela	Regular OBO
Palanan, Isabela	Regular OBO
R. Romualdez, Agusan del Norte	Regular OBO
Balatan, Camarines Sur	MBO
Bula, Camarines Sur	MBO
Claveria, Misamis Oriental	MBO
General Nakar, Quezon	MBO
Siayan, Zamboanga del Norte	MBO
Upi, Maguindanao	MBO

Areas that recently lost banking presence

Municipality	Population	Income Class
Bato, Catanduanes	19,984	5th
Braulio Dujali, Davao del Norte	28,339	4th
Catubig, Northern Samar	31,723	3rd
Gainza, Camarines Sur	10,345	5th
Hagonoy, Davao del Sur	49,107	3rd
Kinogitan, Misamis Oriental	12,761	5th
Malimono, Surigao del Norte	18,316	5th
Mandaon, Masbate	38,161	3rd

What, Now? Work in the Pipeline



National Strategy for
Financial Inclusion



National Retail Payment
System



National Survey on
Financial Inclusion

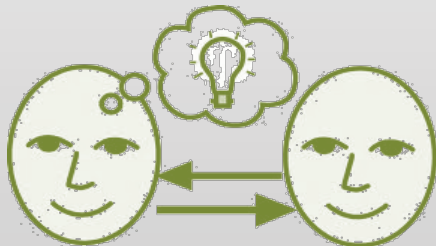
National Strategy for Financial Inclusion



Coordination



Trust building



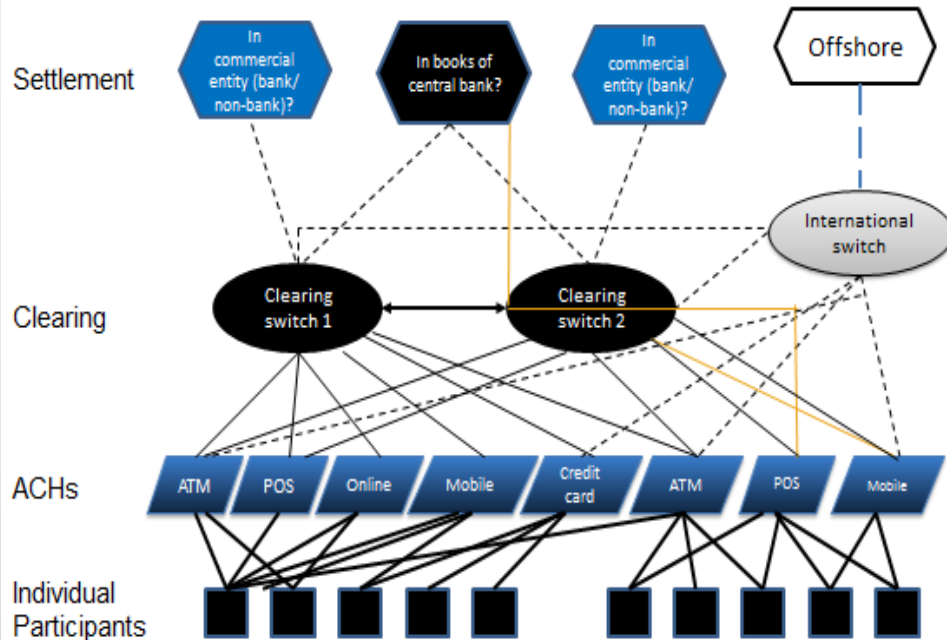
Raising awareness
and understanding

Toward a common vision and
clearly defined **inclusive financial
system**

The overall vision is a financial system that is accessible and responsive to the needs of the entire population toward a broad based and inclusive growth. In particular, to ensure that this financial system also serves the traditionally unserved or marginalized sectors of the population. This vision should be guided by a focus on the client.

National Retail Payment System

Multiple Operator Clearing and Settlement



Monthly Payment Transactions

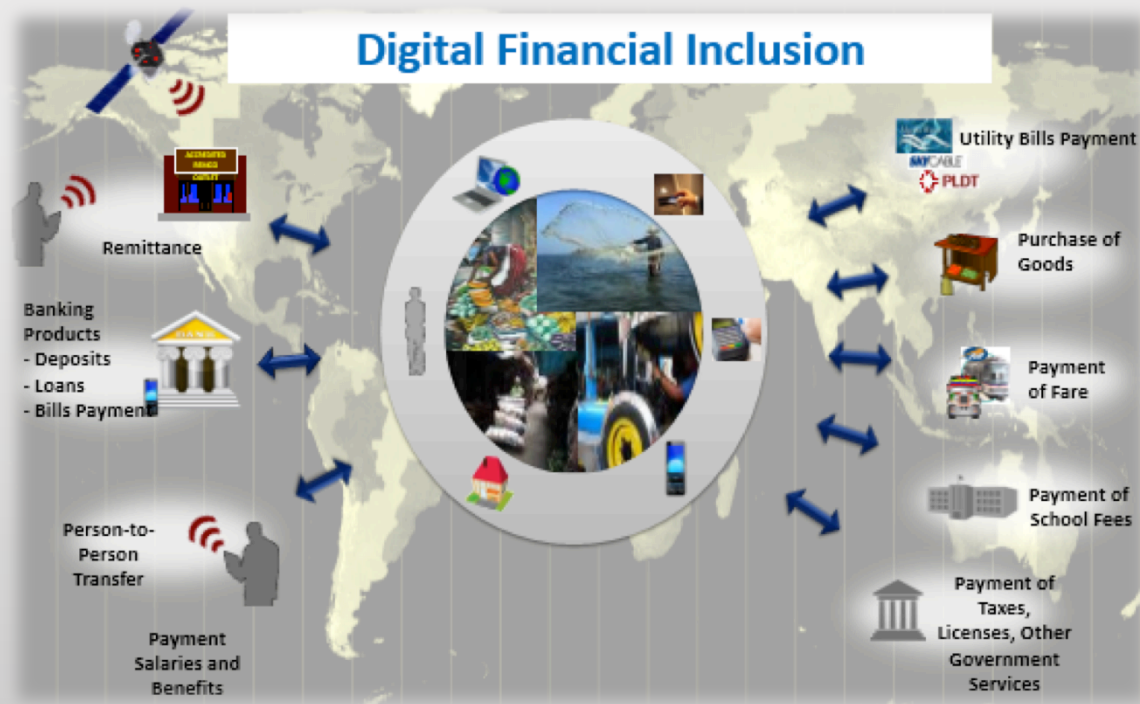
Payer	Transaction Volume (in million)	% Electronic Payments	Total Value (Php million)
Government	17	54.0%	236,436
Business	603	1.0%	2,546,647
Individuals	1,914	0.3%	311,605
Development partners	6	59.0%	368
Total / Month	2,539	1.0%	3,095,056

Source: Better Than Cash Alliance

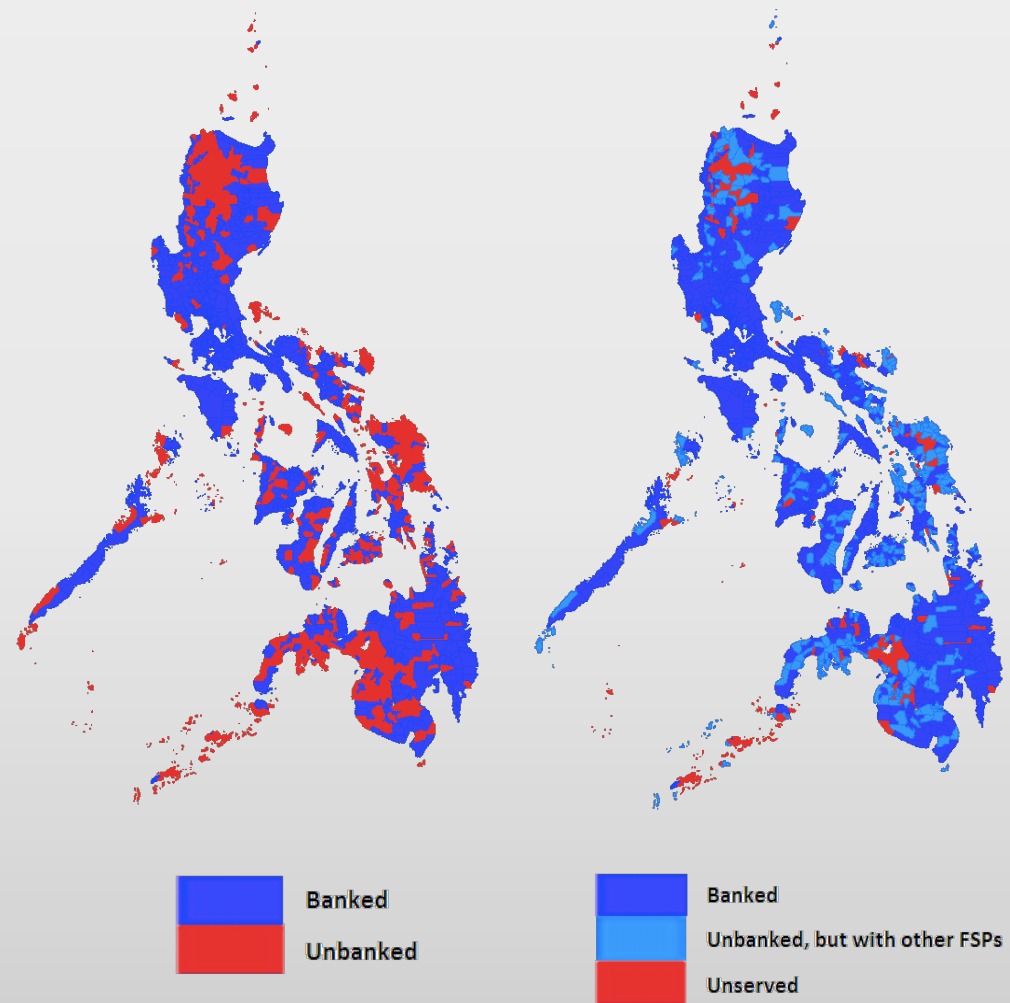
- Only 1% of payment transactions are electronic
- Current model is inefficient and costly (e.g., interoperability is limited, high cost of sending money)

National Retail Payment System

The Goal is to create an **efficient and inclusive retail payment system**



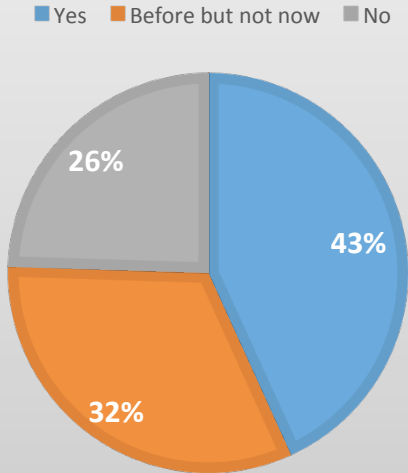
- 398 out of 604 unbanked municipalities have access to other FSPs
- Only 206 municipalities (13% of 1,634 LGUs and 4% of the total Philippine population) are left unserved
- Can considerably add to the e-money system that will enable people to transact - whether to send or receive money, purchase goods, pay bills or even transact with their bank.



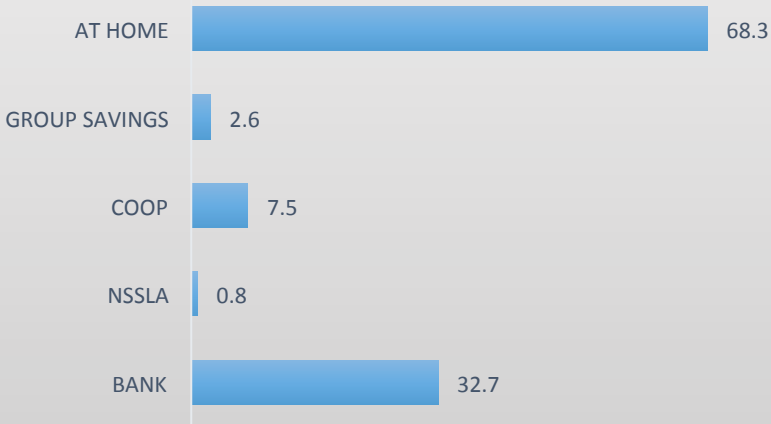
Nationwide Baseline Survey on Financial Inclusion Preliminary Results

43% of Filipino adults save money, but 68% of them save at home

RESPONDENT PUTS ASIDE ANY MONEY TO SAVE



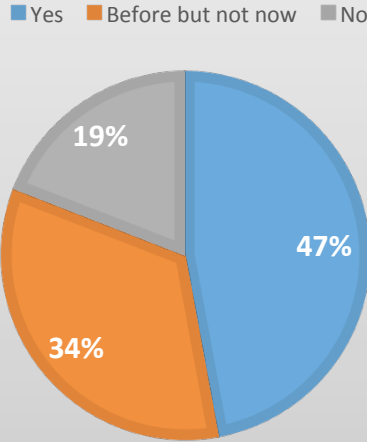
Financial institution used when saving money



Nationwide Baseline Survey on Financial Inclusion Preliminary Results

47% of Filipino adults borrow money; **62%** borrow from family members, relatives and friends

RESPONDENT BORROWS MONEY

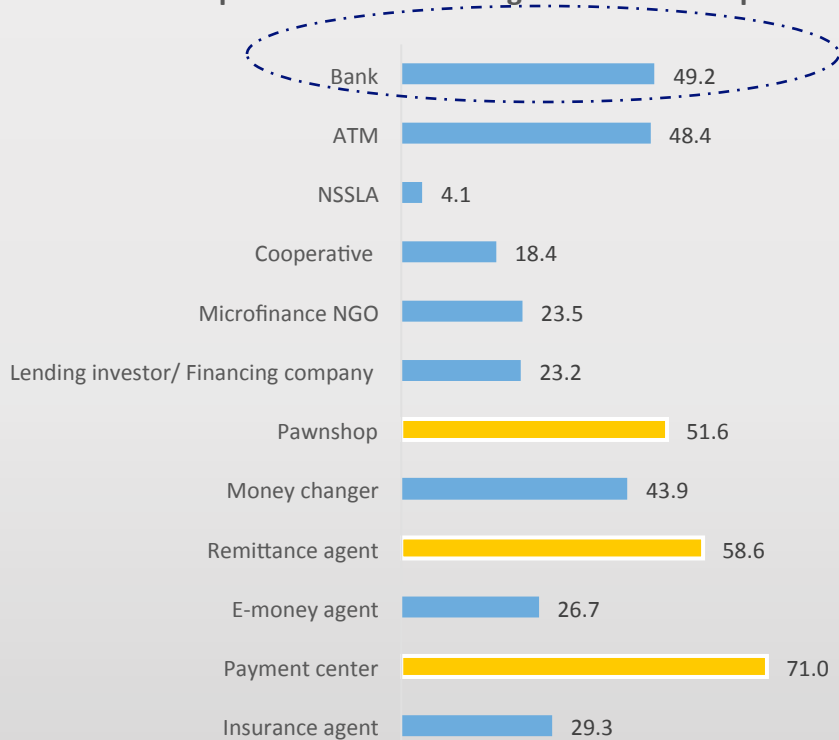


Financial institution used when saving money



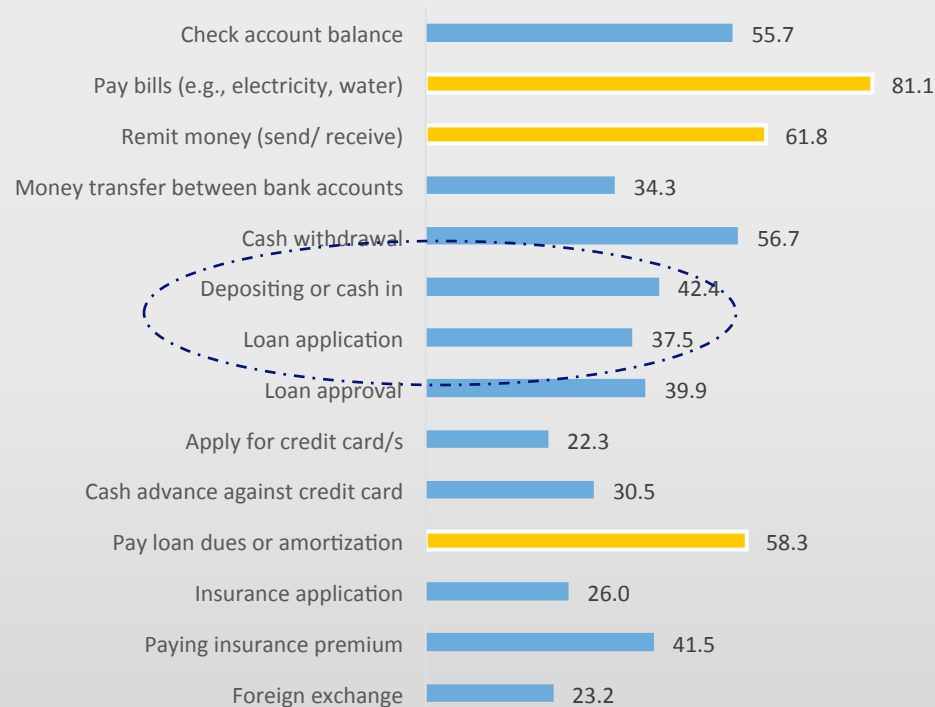
Nationwide Baseline Survey on Financial Inclusion Preliminary Results

Has experience in transacting with the access point



Many Filipino adults have experienced transacting with payment centers, remittance agents and pawnshops

Financial transactions in the past 6 months

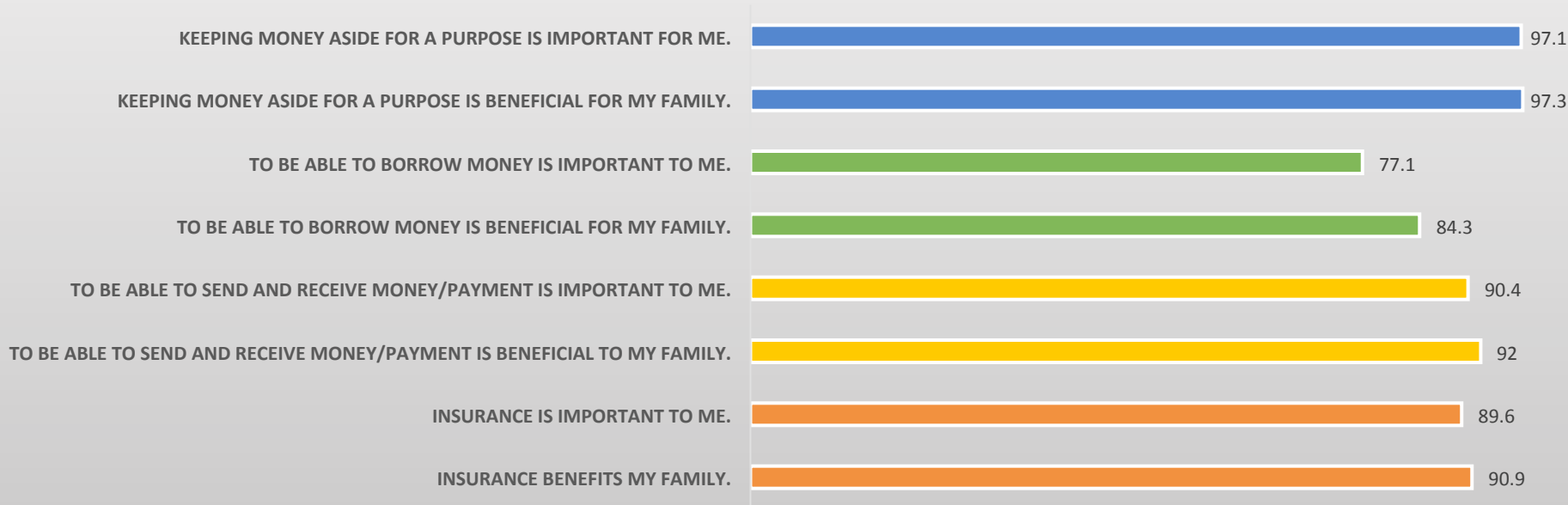


Most common transactions are payments (bills, loans) and remittance

Nationwide Baseline Survey on Financial Inclusion Preliminary Results

86% of Filipino adults believe that access to financial services is **important**

88% stated that access to financial services is **beneficial** to their family.



Financial Inclusion is a challenge that presents opportunities for Rural Banks.

www.bsp.gov.ph