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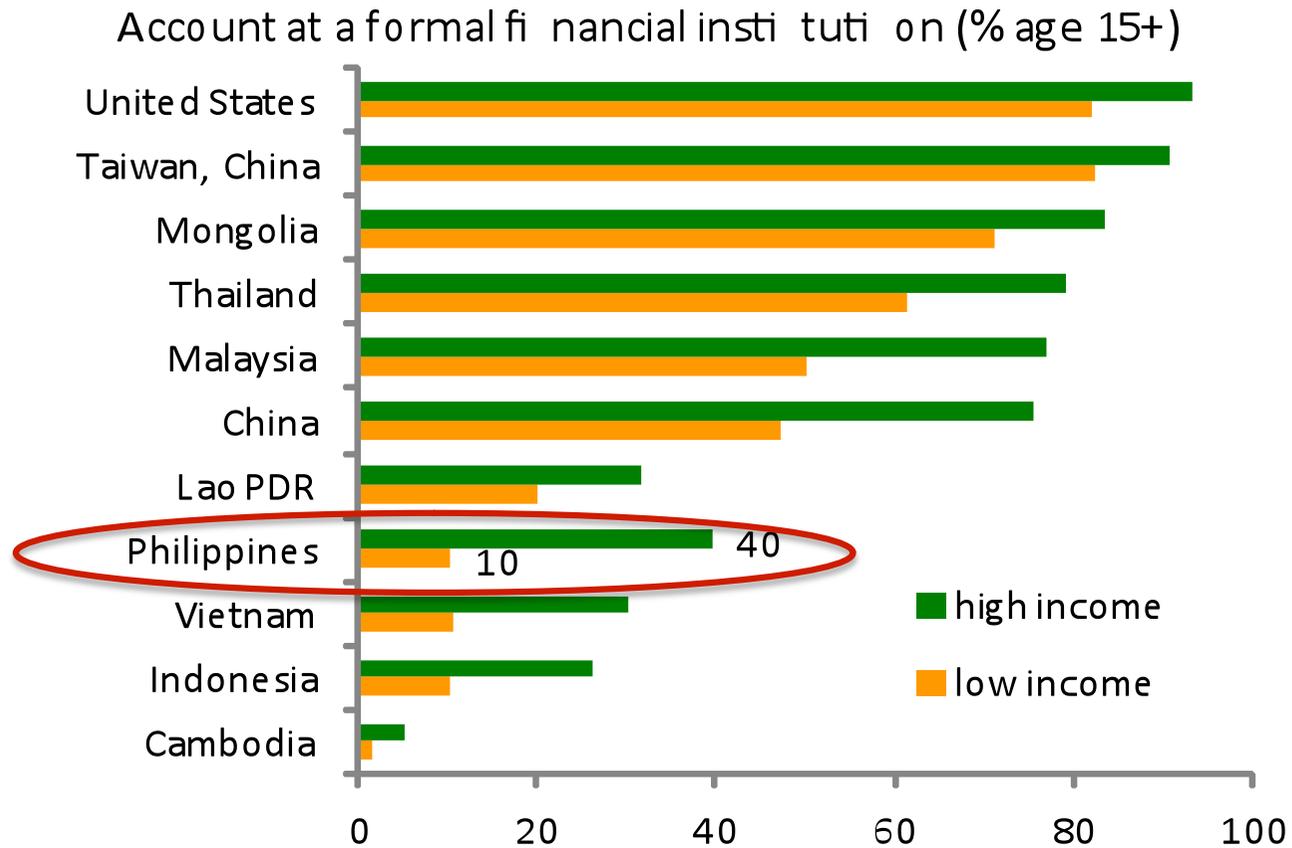
# Philippines: empowerment through financial education and consumer protection



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**Context: limited levels of financial inclusion as measured by the use of formal bank accounts.**



Source: World Bank FINDEX 2011 data

# Survey

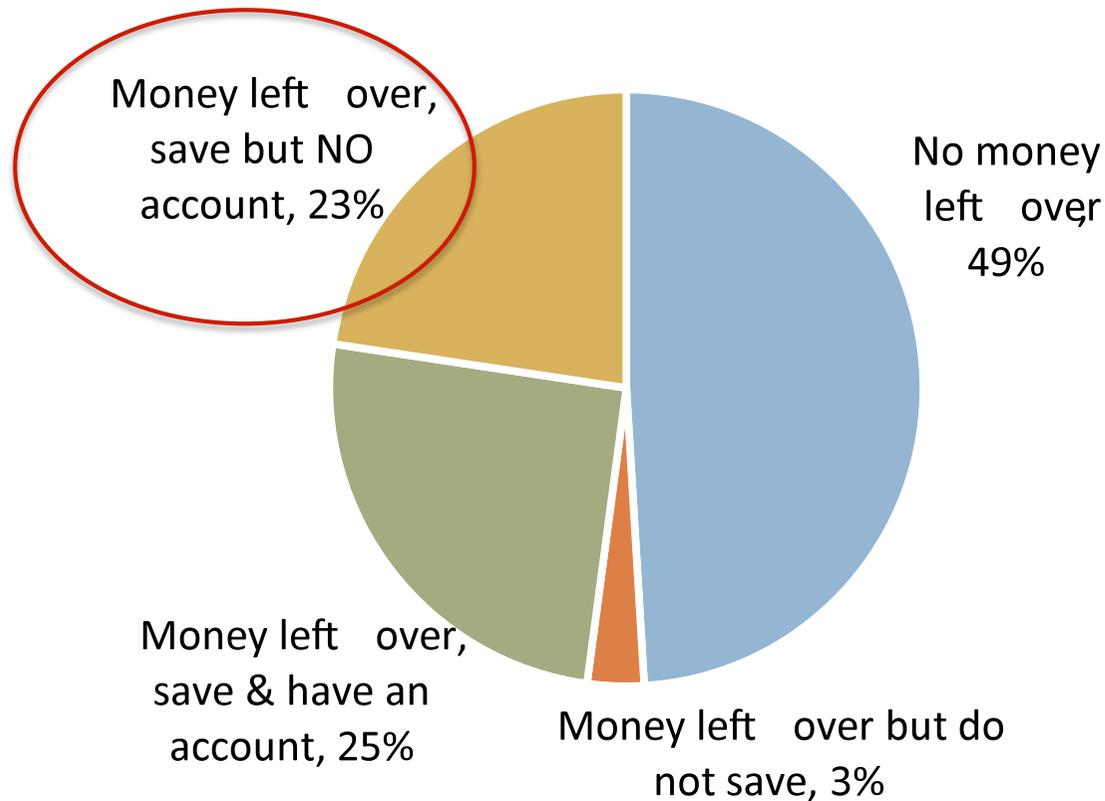
*World Bank Survey on Financial Inclusion and Capability in the Philippines in collaboration with the Bangko Sentral ng Pilipinas*

*Date of survey: February-September 2014*

*Sample: 3000 adults*

**About 20 million Filipinos save. 10 million adults (23%) report saving money but do not have an accounts with a formal financial institution.**

*Does your household ever have any money left over after you have paid for food and other necessary items?*



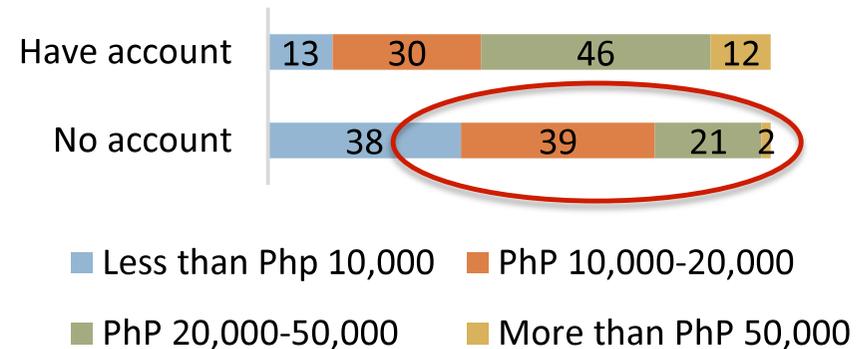
94% of those who report that they have money left over or about 20 million adults, say that they save.

# What are the characteristics of those who save but do not have accounts in formal financial institutions?

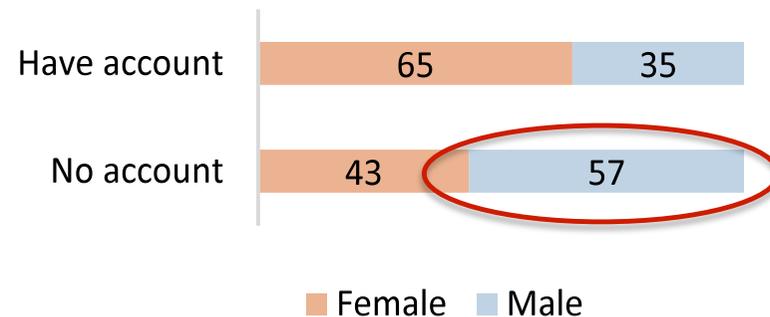
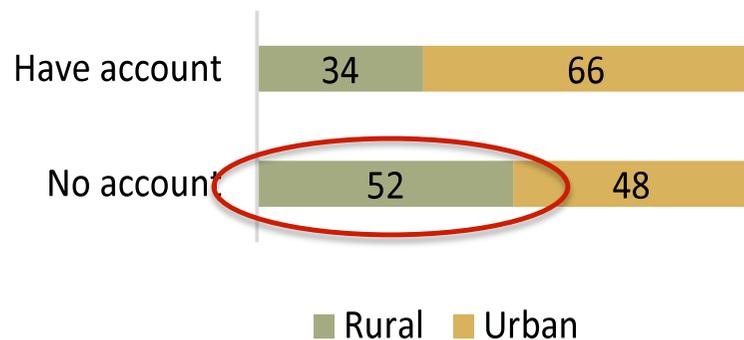
*20% of formal employees that report saving do not have accounts*



*Nearly 60% of those without accounts earn more than PhP10,000*

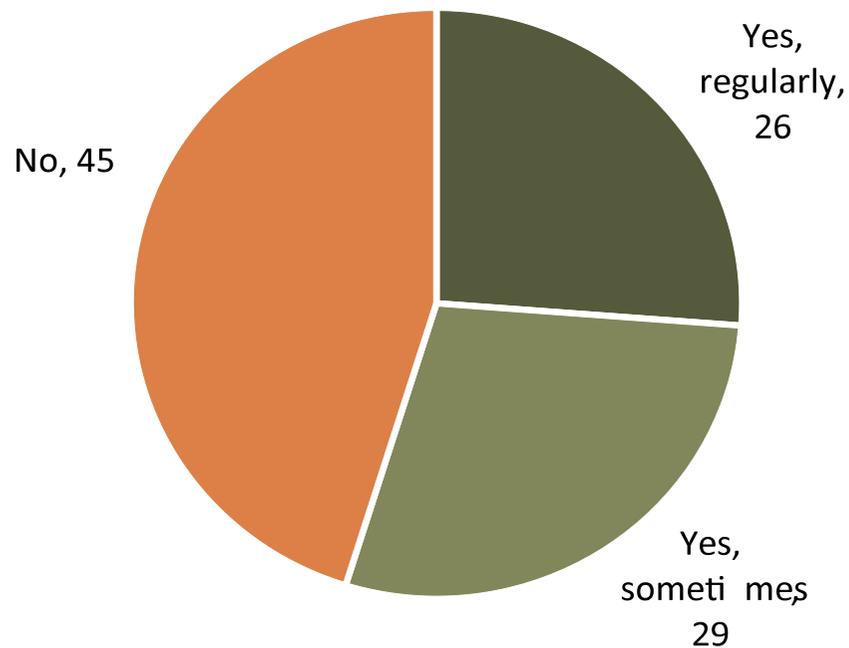


*More than a half of those without accounts are men, and live in rural area*

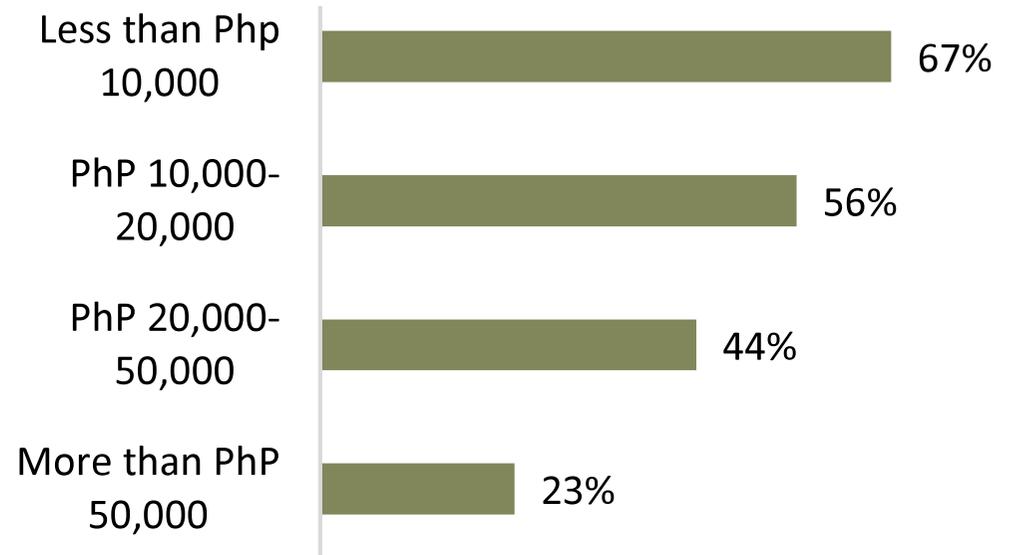


**23 million adult Filipinos or 55% report that their households run out of money for food and other necessary items.**

*Does your household ever run short of money for food or other necessary items? (%)*

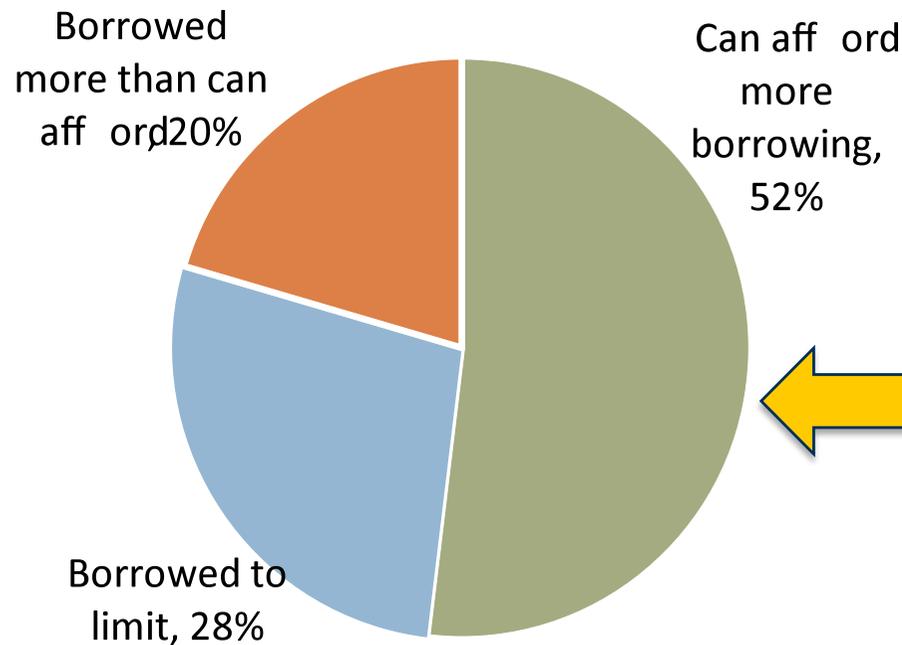
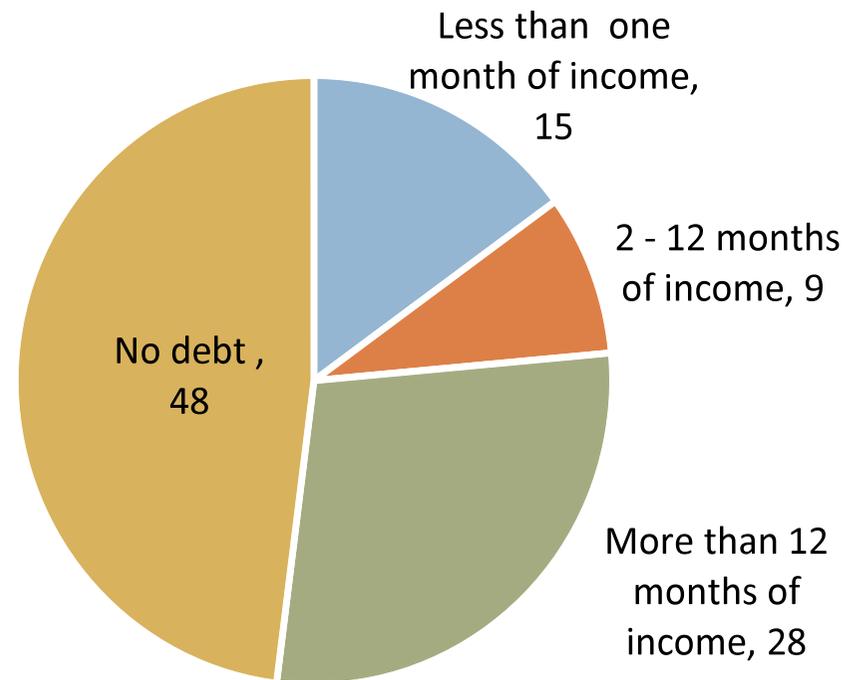


*Share responding "Yes", monthly income range on Y axis*



Among those who run short of money for basics, 94% borrow to cover expenses. 52% or about 22 million adults report that their households borrow for basic necessities.

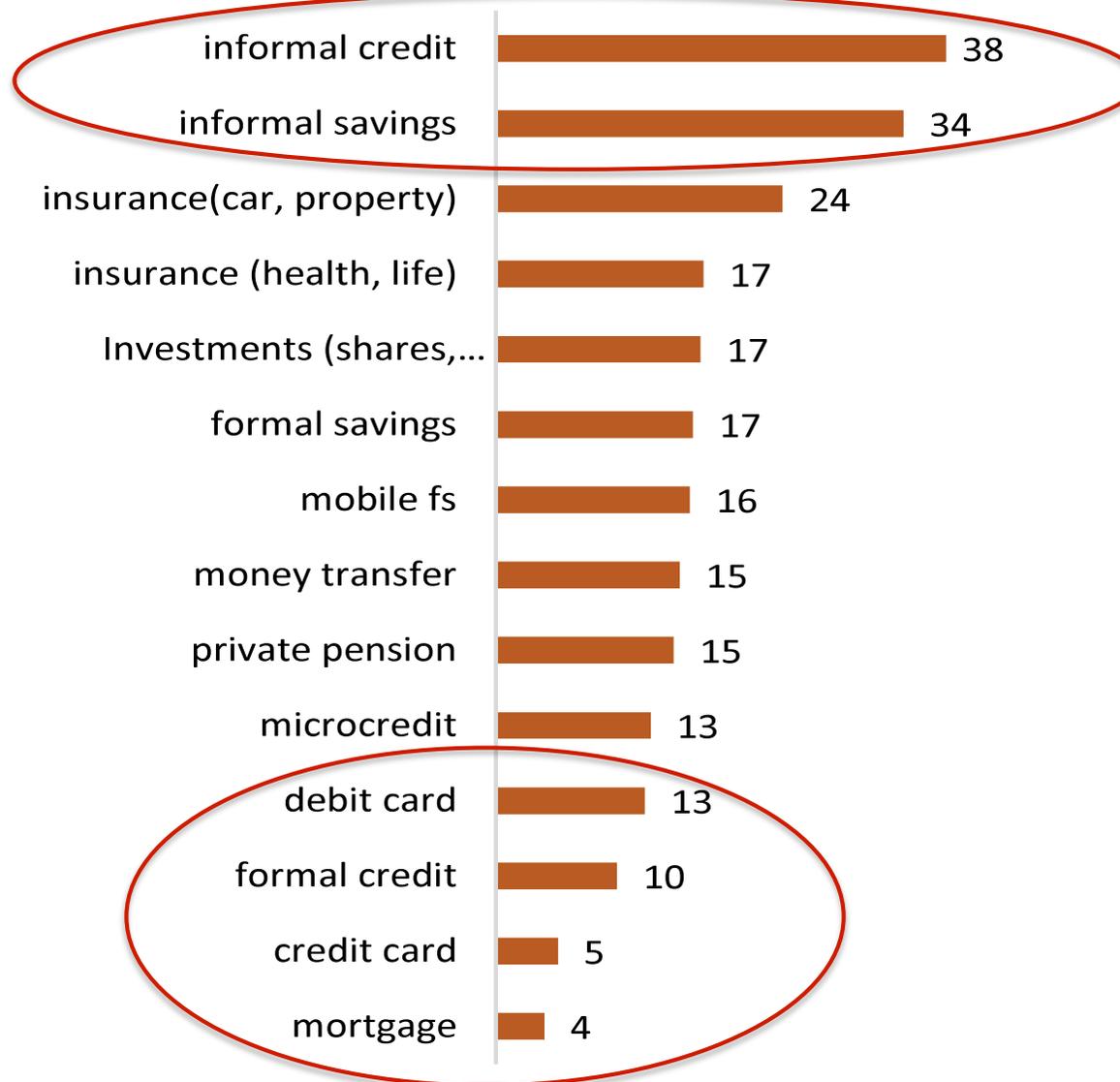
*Borrowing in relation to income  
(% of adults)*



Majority of those who currently have loans report that they can afford borrowing more

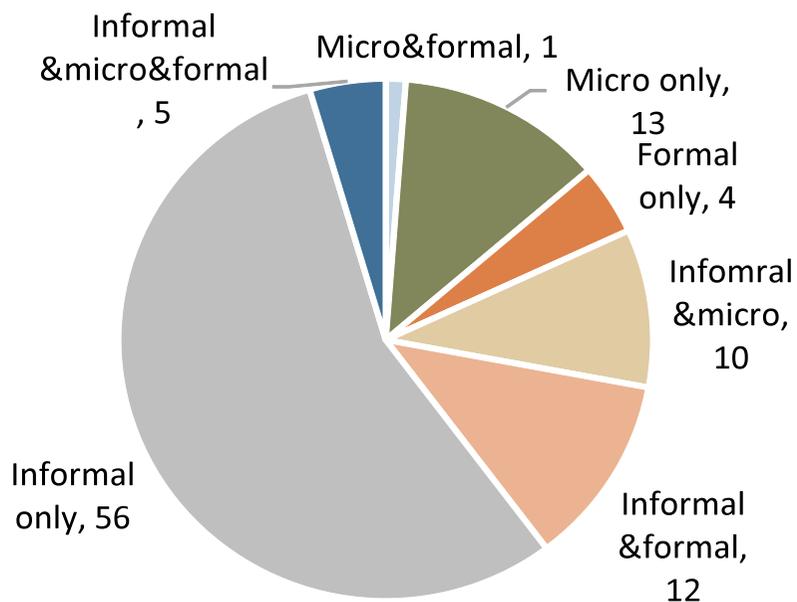
## Filipinos are more likely to use informal credit and saving services than formal financial services...

*Financial products used (% of adults, multiple options possible)*

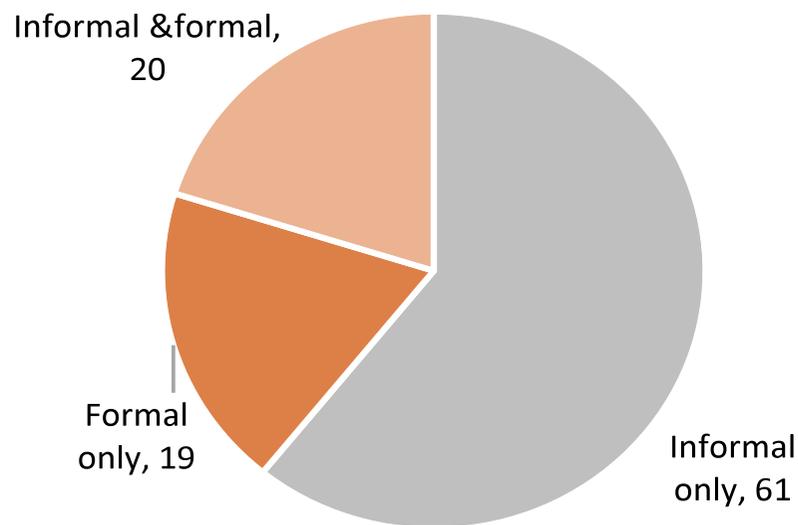


... with 56% relying on informal borrowing only and 61% informal savings only

*Use of credit products: informal, formal and micro*



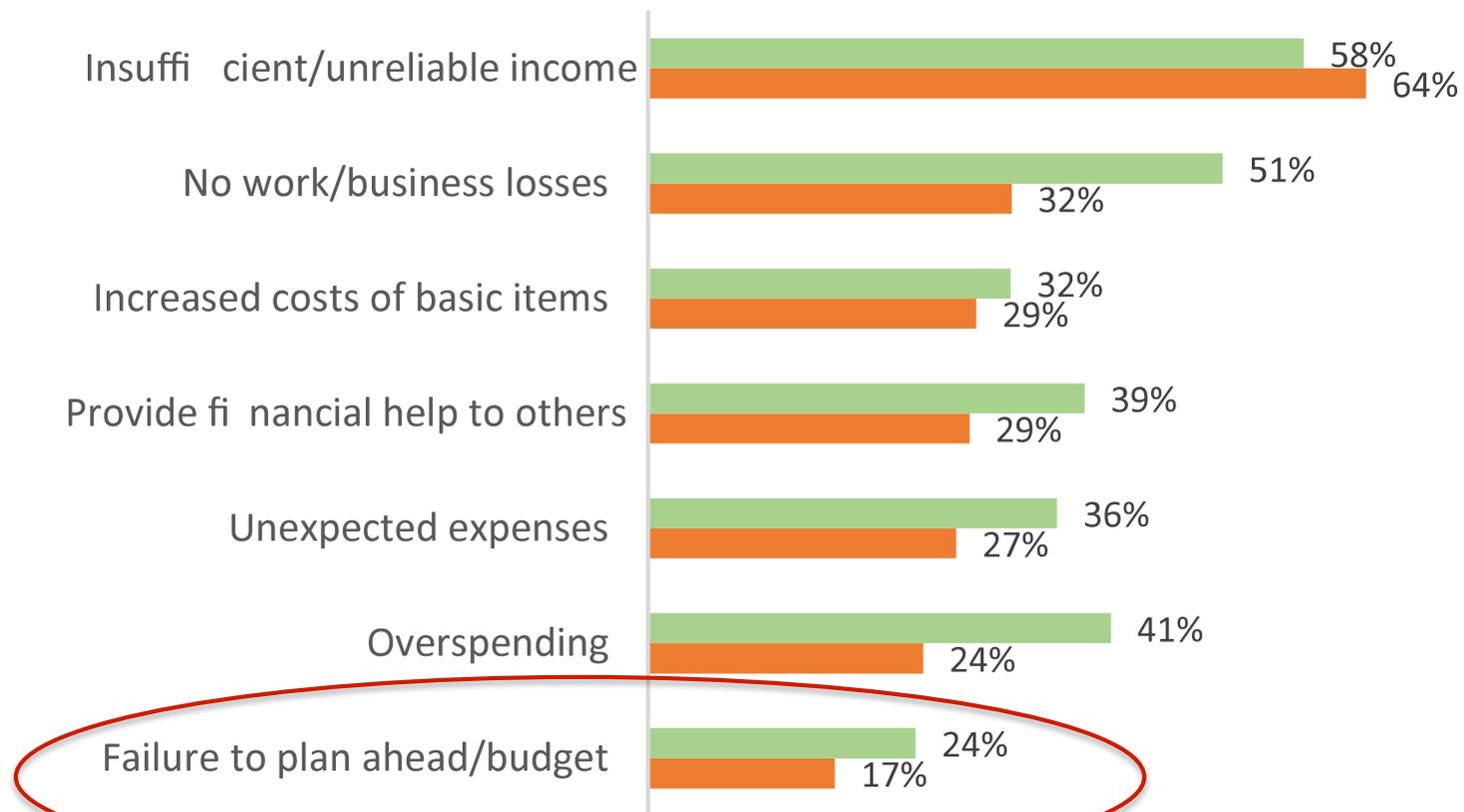
*Use of savings products: informal and formal*



# Lack of income and unexpected expenses were identified as reasons for running out of money more often than inability to plan

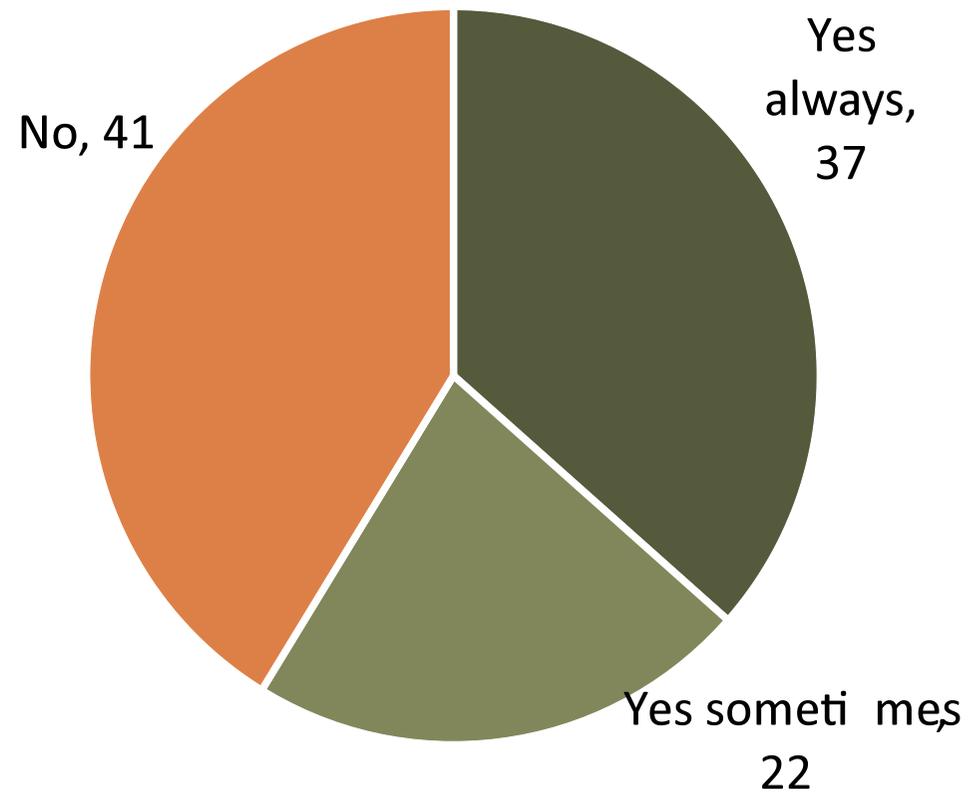
## Why does your household run out of money?

Share depending Yes      ■ Top 75% by income      ■ Bottom 25% by income

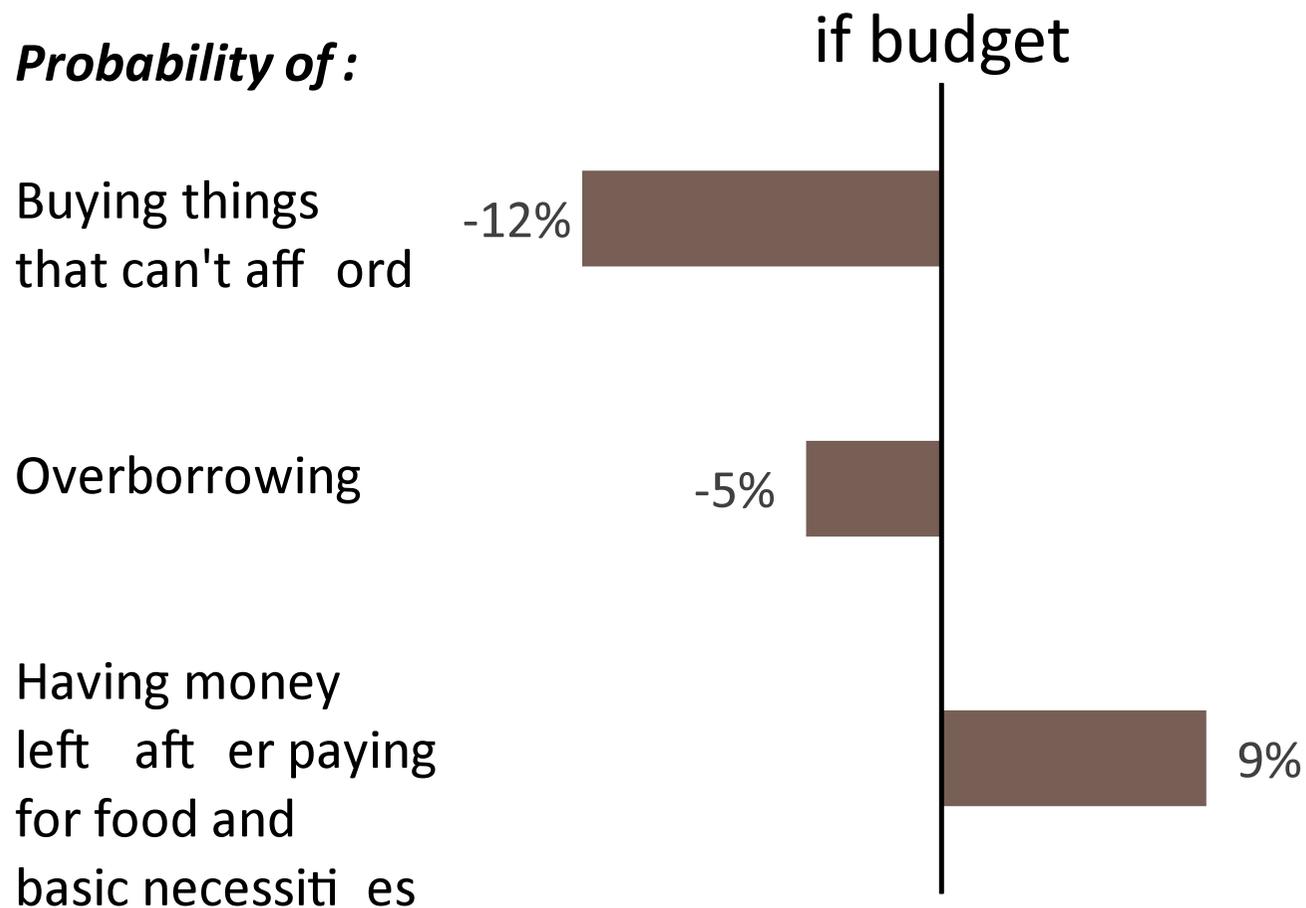


## Majority (59%) of Filipinos report that they plan how they will spend the money they receive

*When your household receives money, do you plan how it will be used? (% of adults)*



**Those who budget are more likely to have money left over and save, less likely to buy things beyond their means and borrow beyond capacity**

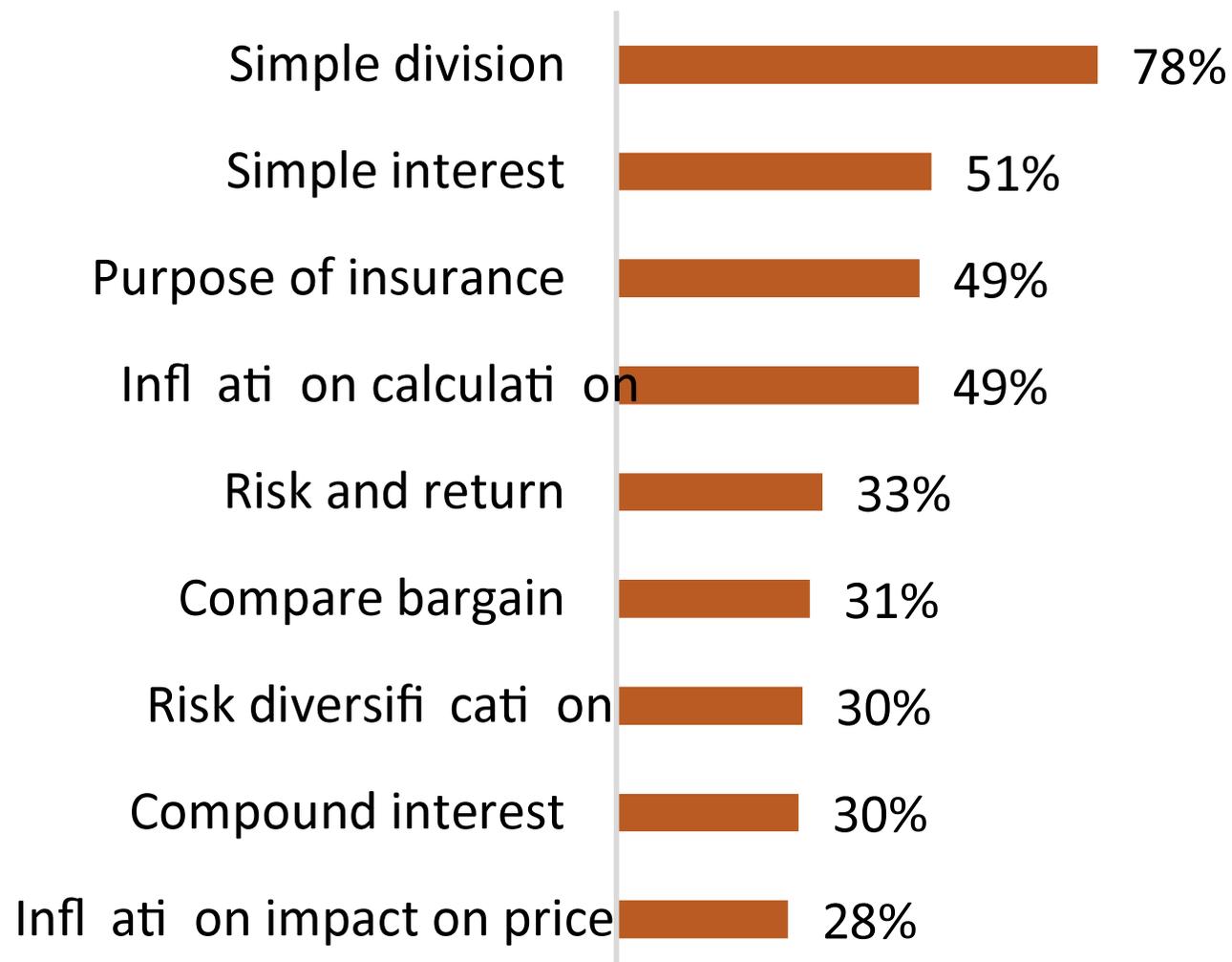


# Capability questions

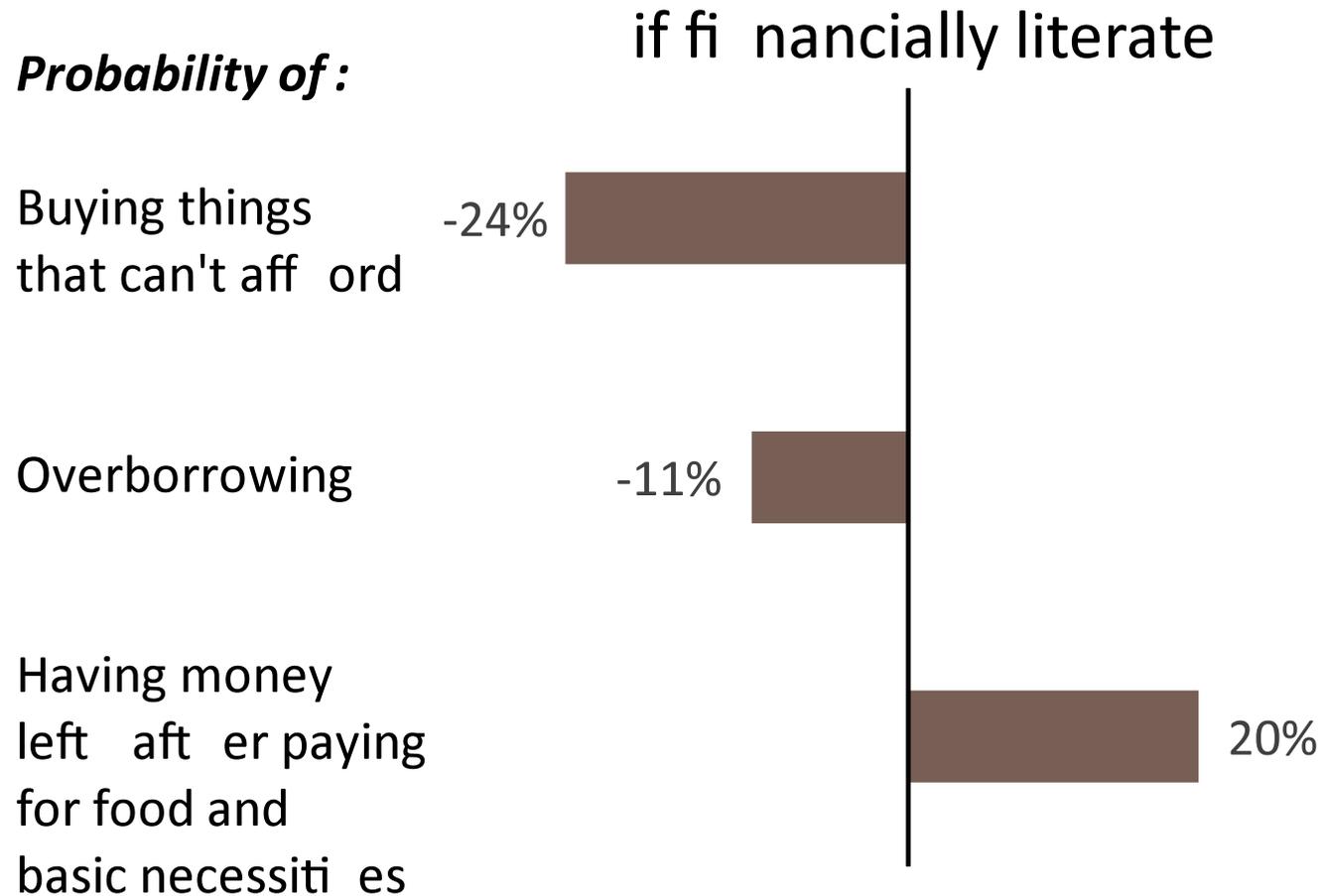
The survey asks a set of questions testing ability to conduct basic calculations such as division and percentage and estimation of simple and compound interest and inflation through multiple choice questions

As in many other countries, familiarity with basic financial concepts is limited. Only a half of respondents or less were able to correctly answer questions on interest rates and compare returns under varying scenarios

*Share of respondents providing correct answers (%)*



**Those who have good understanding of financial concepts (score high on financial capability questions) are more likely to have money left over and save, less likely to buy things beyond their means and borrow beyond capacity**



# Summary

- The first financial capability and inclusion survey provides a useful baseline on financial behavior of Filipinos
- Majority of Filipinos plan their expenditures and budget their finances
- Many rely on informal financial services
- Those who budget their finances and have better understanding of financial concepts are more likely to save, less likely to buy items they cannot afford and less likely to borrow beyond their means
- Access to financial services in the Philippines is expanding and as products become more complex, the focus on financial education and capability is important
- The National Financial Inclusion Strategy launched in the Philippines in 2015 provides an important direction for the financial services and their consumers.



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