

Opportunities for Rural Banks in Inclusion and Broad Based Growth

RBAP 65th Annual National Convention and
General Membership Meeting

21 May 2018



BANGKO SENTRAL NG PILIPINAS

STATE OF FINANCIAL INCLUSION

ACCESS

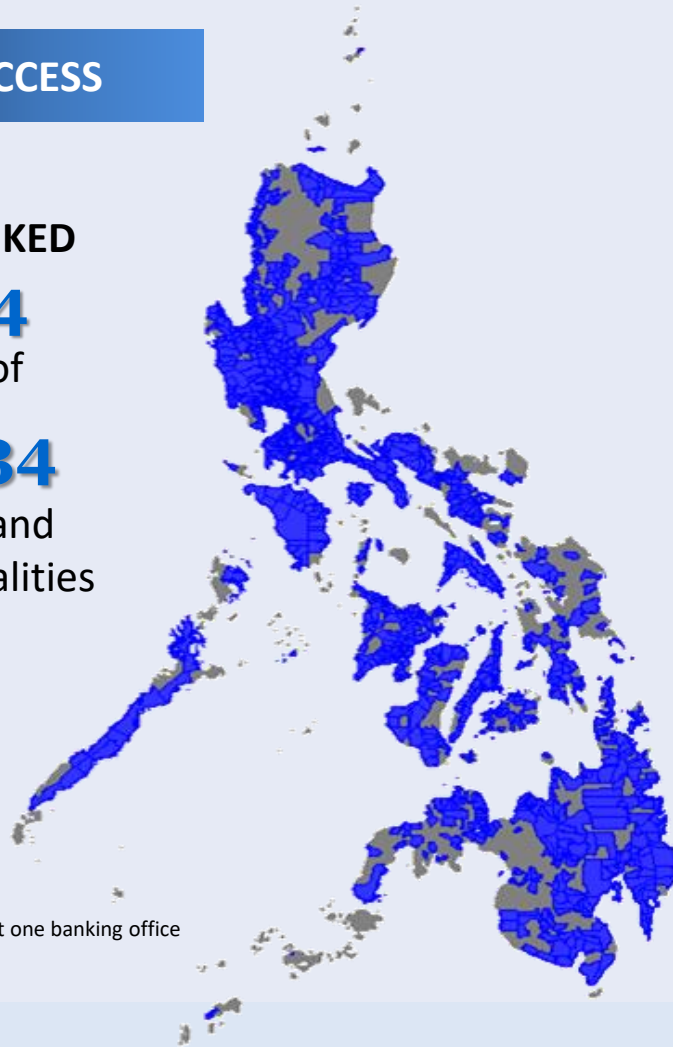
UNBANKED

554

out of

1,634

cities and
municipalities



Source: Bangko Sentral ng Pilipinas (BSP, Q4 2017)

USAGE

43% adults with savings, but...

68% save at home

47% adults with outstanding loans, but...

72% borrow from informal sources

Source: BSP (2015). National Baseline Survey on
Financial Inclusion (NBSFI)

MSMEs and agri are among
the priority sectors

34.5% adults with a formal account

Source: World Bank Findex (2017)

PROFILE OF THE AGRICULTURE SECTOR



10 million

persons employed in the
agriculture sector
(26% of total employment)

**7.190 million
hectares**

agricultural land area
(24% of the country's total land area)

1,395 billion

Gross Value Added in agri
and fishing
(10% of GDP)*

**PhP 122.2
billion**

amount spent by the government
(4% of total national expenditures)

**PhP 832.6
billion**

total amount of
agriculture loans

OPPORTUNITIES IN AGRI



PhP 204.6 B*

**Loans for agri,
forestry and fishing**

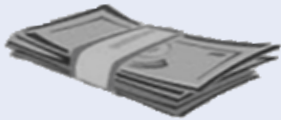
vs.

PhP 1,491 B

Consumer loans

*Only 2.9% of the total loans outstanding for production and economic activity

**53% of farmers obtained
loans from formal
sources**



Challenges

- Cost (high transaction cost of loans)
- Credit history (inadequate borrower information)
- Collateral (lack of acceptable security)
- Contention (perception that poor cannot pay)
- Channels (lack of infrastructure to appropriately serve the market)
- Capacity (lack of programs to address development needs of the market)

AGRI VALUE CHAIN



Production

**Post
Harvest and
Transport**

**Primary/
Secondary
Processing
and Storage**

**Packaging
and
Distribution**

**Wholesale
and Retail
Markets**

- Aligned interest
- Spread costs and risks
- Allows participation of small holders
- Can lead to clustering

FINANCING THE VALUE CHAIN

- Financial products can vary depending on the need of the value chain actor (i.e. Product financing, Receivables financing, Physical asset collateralization)
- Can mitigate key risks such as production risk, supply risk, marketing risk, price risk, and disaster risk



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INDUSTRY CLUSTERS

LUZON

Milkfish, Dairy, Coffee,
Bamboo, Tourism, ICT,
Wearables, Health and
Wellness

MINDANAO

Banana, Coconut,
Seaweeds, Wood,
Mining, Tourism, ICT,
Rubber, Poultry, Tuna,
Palm Oil, Cacao

VISAYAS

Gifts, Housewares,
Tourism, IT, Health and
Wellness



Sources: DTI-NICCEP



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BSP AND VALUE CHAIN FINANCING



Viable financing services to agricultural value chain players

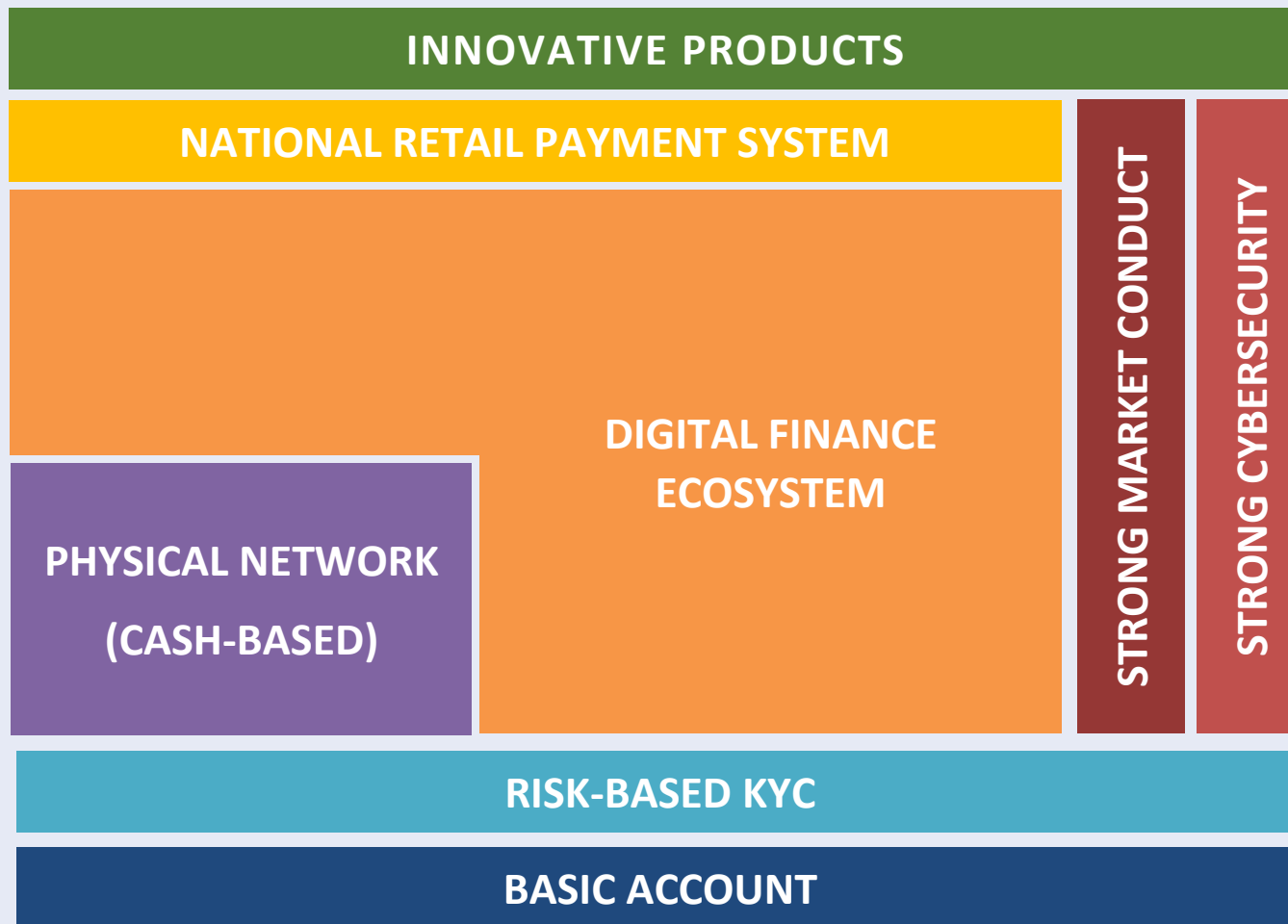
Agricultural Value Chain Financing Framework (Circular 908)

- BSFIs are required to:
 - use innovative disbursement schemes
 - adopt anchor-firm triggered loan release
 - put in place disaster contingency mechanism
- Incentives include:
 - compliance with agri-agra requirement
 - additional 25% increase in SBL for loans granted to value chain actors for a period of 3 years



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DIGITAL FINANCE ECOSYSTEM: FOR INCLUSION



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OPPORTUNITIES IN DIGITAL FINANCE

23

median age of
Filipinos



1/3

of the population
are millennials

6 out of 10

without bank deposit
but with mobile phone

113%

SIM
penetration



59%

smartphone
adoption



58%

social media
penetration



50%

unique mobile
subscription



56%

internet
users



**4 hrs,
17 mins**

average time
spent on social
media per day



RECENT POLICY ISSUANCES



Democratized access to a transaction account

Framework for Basic Deposit Accounts
(Circular 992)

- Opening amount not more than P100
- No maintaining balance
- No dormancy charges
- Maximum balance of P50,000
- Simplified KYC
- 0% reserve requirement for banks



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RECENT POLICY ISSUANCES



Expansive network of low-cost touch points

Cash agents (Circular 940)

- allows banks to use third party cash agents as a cost-efficient service delivery channel

Branch-lite (Circular 987)

- scaled-down version of a branch that allows banks to expand their reach and offer a range of services depending on the needs of the locality



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RECENT POLICY ISSUANCES



Efficient retail payment system

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

- built on the principles of interoperability, inclusiveness, and “coopetition”
- BSFIs are required to:
 - adopt transparent and fair market pricing of electronic payments
 - transition from exclusive bilateral to multi-party clearinghouse agreements
 - provide electronic fund transfer facilities in all available channels



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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)



Draft bill on
national ID



Draft **Payment Systems Act**



Draft bill on **financial consumer protection**

Thank you

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