Access to Finance in the Philippines

- 10.5% of adults had a loan in a formal financial institution in the past year.
- 26.6% of adults have a deposit account.

- 43% of the total number of deposit accounts.
- 71% of the total amount of deposits are concentrated in NCR.

- 37% of the 1,634 cities and municipalities do not have a banking office.

Archipelagic barriers pose a big challenge to financial access.
Financial Inclusion

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

“**Effective access**” - financial services are **appropriately designed**, of **good quality**, **relevant** for actual **use**, and **beneficial** to the target market

“**Wide range of financial services**” - full set of basic services for different market segments, especially the **unbanked**
Key Lessons

Financially-excluded markets can be served effectively given proportionate, enabling regulations

Innovation can facilitate financial inclusion

Financial inclusion and consumer protection can be pursued alongside financial stability and integrity
# Microfinance Regulations

<table>
<thead>
<tr>
<th>Standards</th>
<th>BSP Proportionate Approach</th>
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| Microfinance Definition       | • Range of financial services (credit, savings, insurance, payments) for low income clients, entrepreneurial poor  
                                | • Clear product characteristics (small amounts, cash flow based, frequent amortization, no collateral)                                                   |
| Capital Adequacy, Licensing   | • Required Basel 1.5 for simple financial institutions  
                                | • Similar requirements/procedures for licensing across same types of banks                                                                         |
| Good Governance               | • Board and management required to be experienced in microfinance provision  
                                | • Clear governance standards including transparent transactions between banks and their related microfinance NGOs                                   |
| Risk Management (Credit Risk, Provisioning, Financial Reporting, Operational Risk) | • Required clear underwriting standards for microfinance products  
                                | • Required high-frequency monitoring and appropriate internal controls  
                                | • Required provisioning for portfolio-at-risk, commensurate to peculiar risks of microfinance  
                                | • Targeted products and services, limited transactions in micro-banking offices  
                                | • Required risk mitigation measures commensurate to the level of MBO operations                                                               |
| Supervisory Capacity          | • Created a Micro, SME Finance Specialist Group  
                                | • Developed a Manual of Examination Procedures for Microfinance                                                                                 |
Microfinance Results

- **Banks with microfinance operations**: 119 in 2002, 183 in Q2 2014
- **Amount of loans outstanding**: Php 2.6 B in 2002, Php 9.3 B in Q2 2014
- **Number of microfinance borrowers**: 390,000+ in 2002, 1,000,000+ in Q2 2014

**Data sources:** Micro, Small and Medium Enterprise Development Plan 2011-2016; NSO Annual Poverty Indicators Survey; BSP (Q2 2014)

- **Microenterprise Loan**: Php 7.8 B, 167 banks
- **Microfinance Plus**: Php 186 M, 18 banks
- **Micro-Agri Loan**: Php 278 M, 32 banks
- **Housing Microfinance**: Php 328 M, 17 banks
- **Microdeposits**: Php 3.3 B, 69 banks
- **MBO**: 501 operating MBOs, 61 municipalities with no bank branch but with MBO
- **Coverage**: 20 M covered individuals, 40 banks
Technological Innovation

- 110% ratio of mobile phone to population
- Billions of texts sent per day
- 36 out of 100 people use the internet
- 8th largest FB user in the world
- Large % of unbanked has a mobile phone, of which 60% keep some form of savings, 13% borrow from informal providers
- In 2013 alone, overseas Filipinos remitted US$ 23 billion to beneficiaries in Philippines

Finance + Technology = E-Money

Data source: GSMA; Price Waterhouse Coopers 2013; World Bank 2012
## E-Money Regulations

<table>
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</table>
| Permissible Activities     | • Clear delineation between an e-money wallet and deposit account  
• E-money as instrument for digital retail payments                                                                                             |
| Capital Adequacy; Licensing| • Providers are duly licensed bank and non-bank E-Money Issuers  
• Proportionate capital and licensing requirements for non-bank EMIs                                                                               |
| Use of Agents              | • EMIs are fully accountable in accrediting agents, or outsourcing to agent networks and service providers                                               |
| Liquidity Risks            | • Imposition of monthly transaction limits  
• 1:1 ratio of e-money issued to customer  
• E-money booked as accounts payable of bank EMIs  
• Non-bank EMIs’ e-money float in liquid assets in depository banks                                                                                |
| AML/CFT Risks              | • KYC at every cash-in/cash-out point  
• Monitoring and reporting of suspicious transactions                                                                                         |
| Consumer Protection        | • Consumer assistance mechanism explicitly required in regulations                                                                                   |
E-Money Results

24,029 registered e-money agents
10,620 active e-money agents

5 years

26.7 million e-money accounts stored in card and mobile

217 million volume of transactions

Php 696 billion value of transactions

Data source: BSP, End 2013 Data

Financial service access points with e-money
Balancing ISIP Objectives

Complementary objectives, if done right!

Inclusion

Stability

Financial Integrity

Protection of Consumers

*Developed by the Consultative Group to Assist the Poor (CGAP) as an implementing partner of the G-20 Global Partnership for Financial Inclusion (GPFI) with funding from the UK Department for International Development (DFID)*
National Strategy for Financial Inclusion

Coordination

Trust building

Raising awareness and understanding

Toward a common vision and clearly defined inclusive financial system

- A financial system that is accessible and responsive to the needs of the entire population toward a broad based and inclusive growth.
- 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.
International Cooperation
Thank you.

www.bsp.gov.ph