

# Financial Inclusion in the Philippines

Policies for the Financial Inclusion of MSMEs  
16 July 2018



BANGKO SENTRAL NG PILIPINAS

# FINANCIAL INCLUSION IN THE PHILIPPINES

**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  
Credit  
Payments

Insurance  
Remittances  
Investments

## Unserved and Underserved

MSMEs

Low-income population  
Unserved due to religious barrier  
Farmers, fisherfolk, agrarian reform  
beneficiaries  
Population in frontier areas

# State of Financial Inclusion in the Philippines

## ACCESS

### UNBANKED

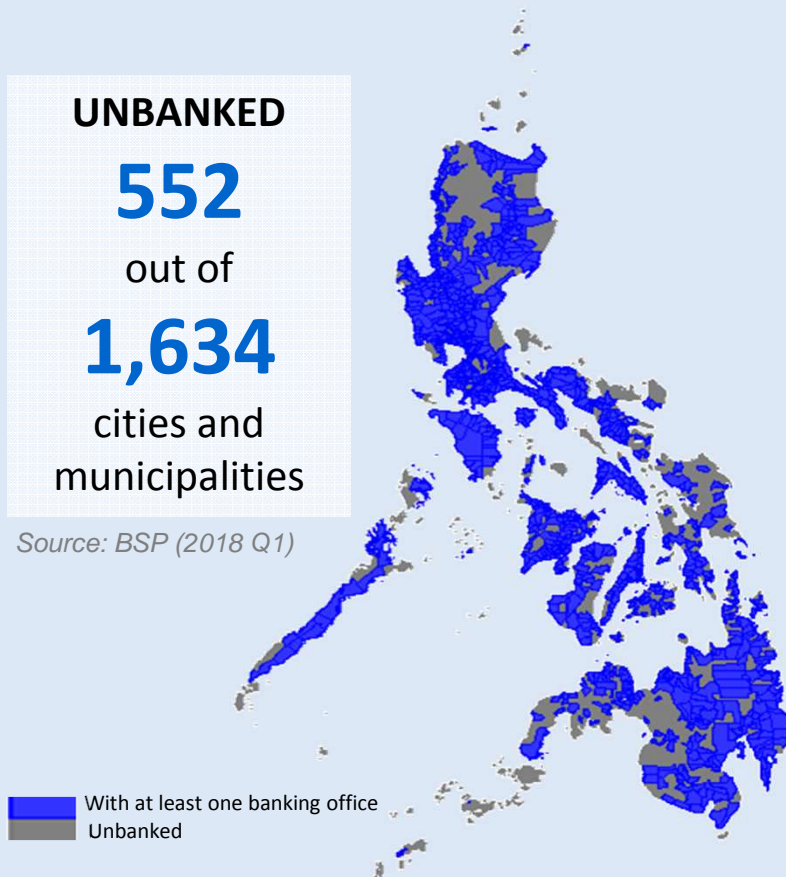
**552**

out of

**1,634**

cities and  
municipalities

Source: BSP (2018 Q1)



## USAGE

**48%** adults with savings, but...

**69%** save at home

**22%** adults with outstanding loans, but...

**39%** borrow from informal sources

Source: BSP Financial Inclusion Survey (2017)

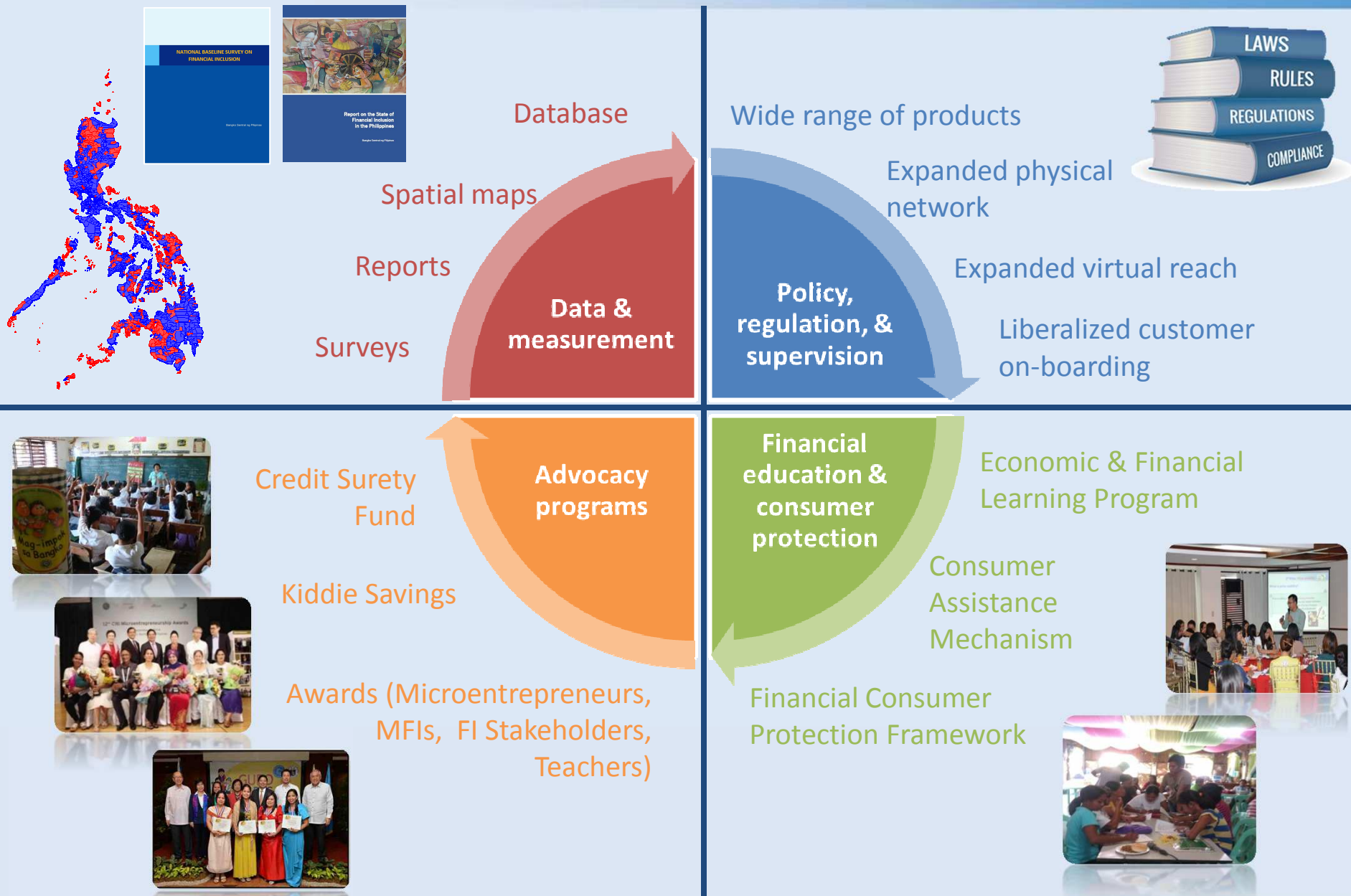
**34.5%** adults with a formal account

Source: World Bank Findex (2017)



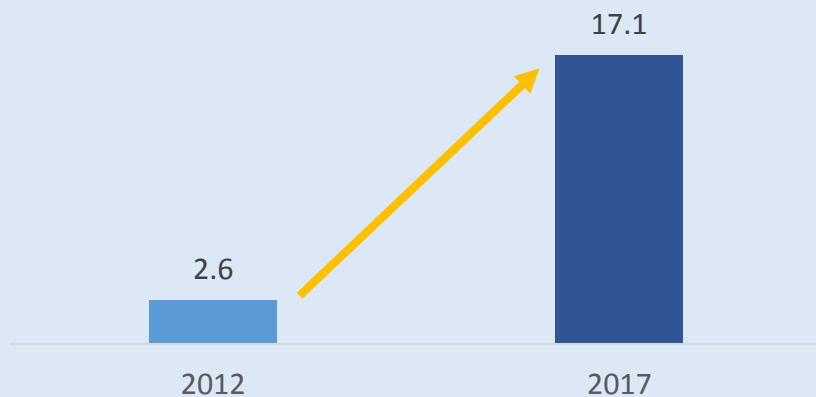
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# FINANCIAL INCLUSION INITIATIVES

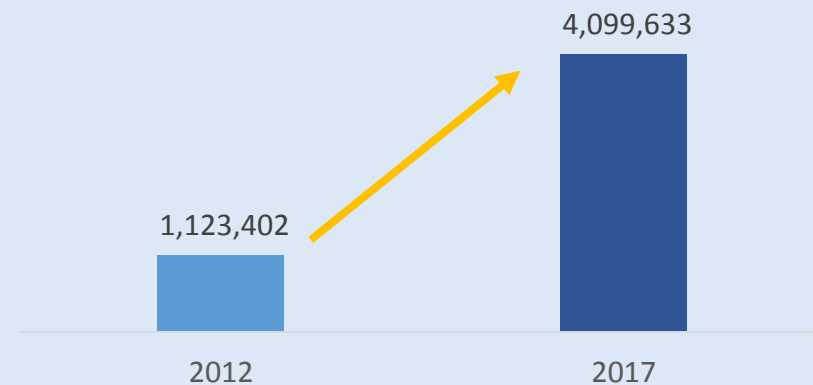


# Impact of Policies and Regulations

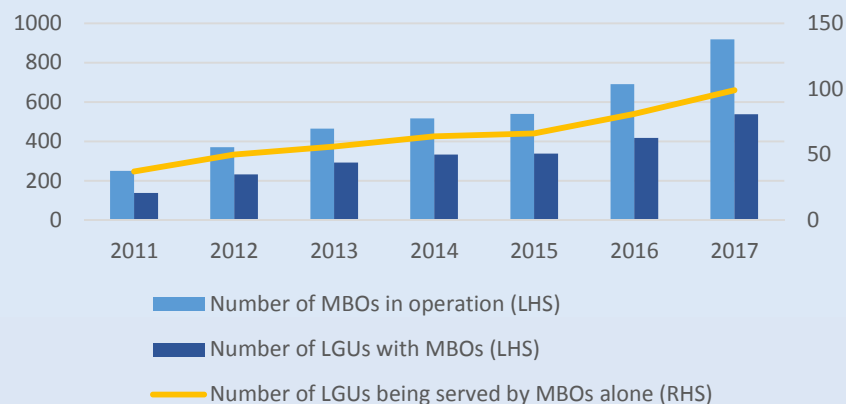
Microfinance loans of banks (in billion PhP)



Number of microdeposit accounts



Micro-banking offices



Banking offices vs. e-money agents



# UNTAPPED MARKET: MSMEs

**50.2%**



**of MSMEs do not  
save money**



**PhP 170 B  
(~USD 3.35 B)**

**Unmet demand for  
SME loans**

**49.5%**



**of MSMEs do not  
have a loan**

## Demand-side

- Difficult requirements
- Cumbersome, slow applications
- High costs/interests
- Fear of decline
- Low business financial literacy

## Supply-side

- High risk
- High cost
- Low revenue/account
- Difficult to reach/dispersed
- Informality

Sources:

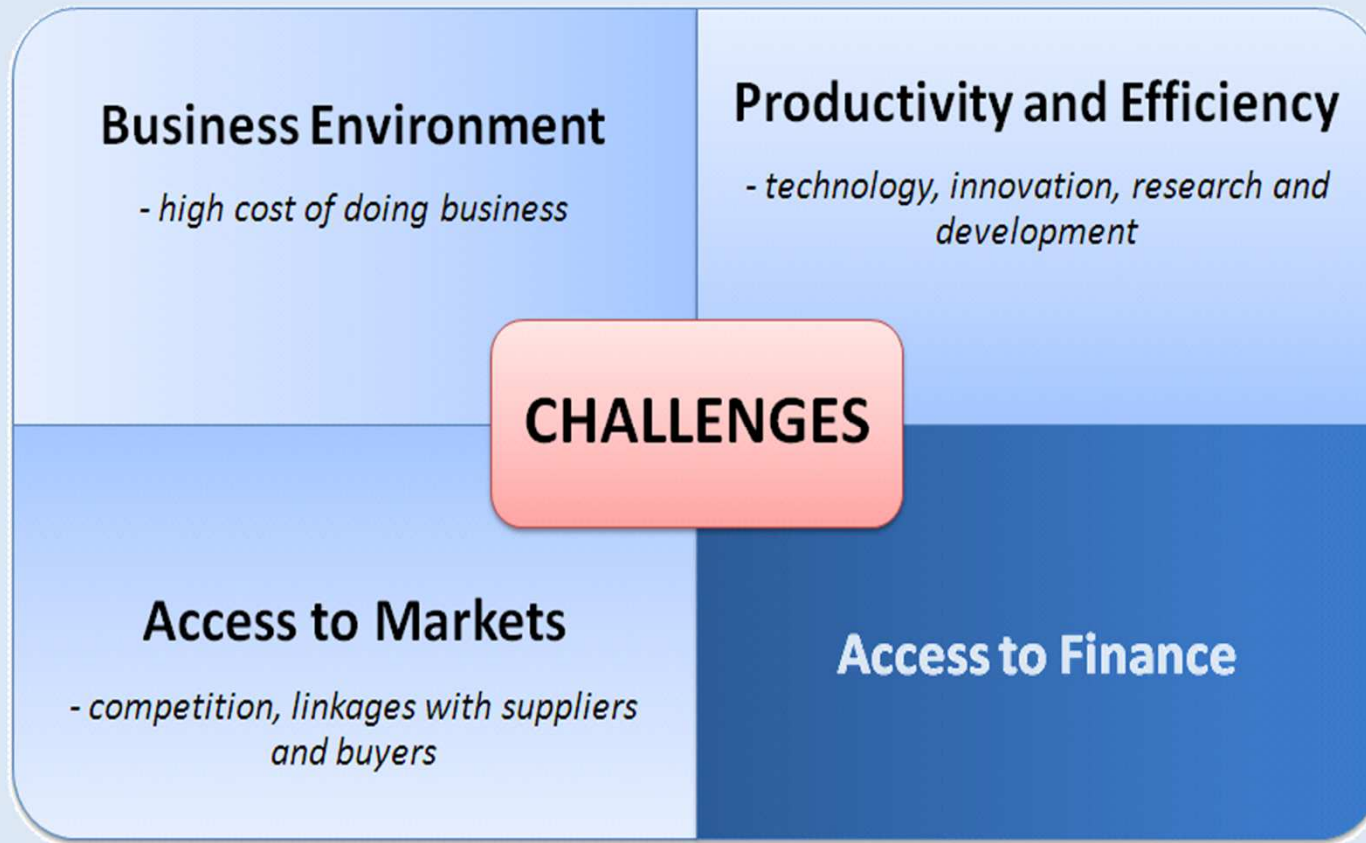
<sup>1</sup> Aldaba (2012). SME Access to Finance: Philippines. PIDS Discussion Paper 2012-05

<sup>2</sup> BSP (2015). NBSFI

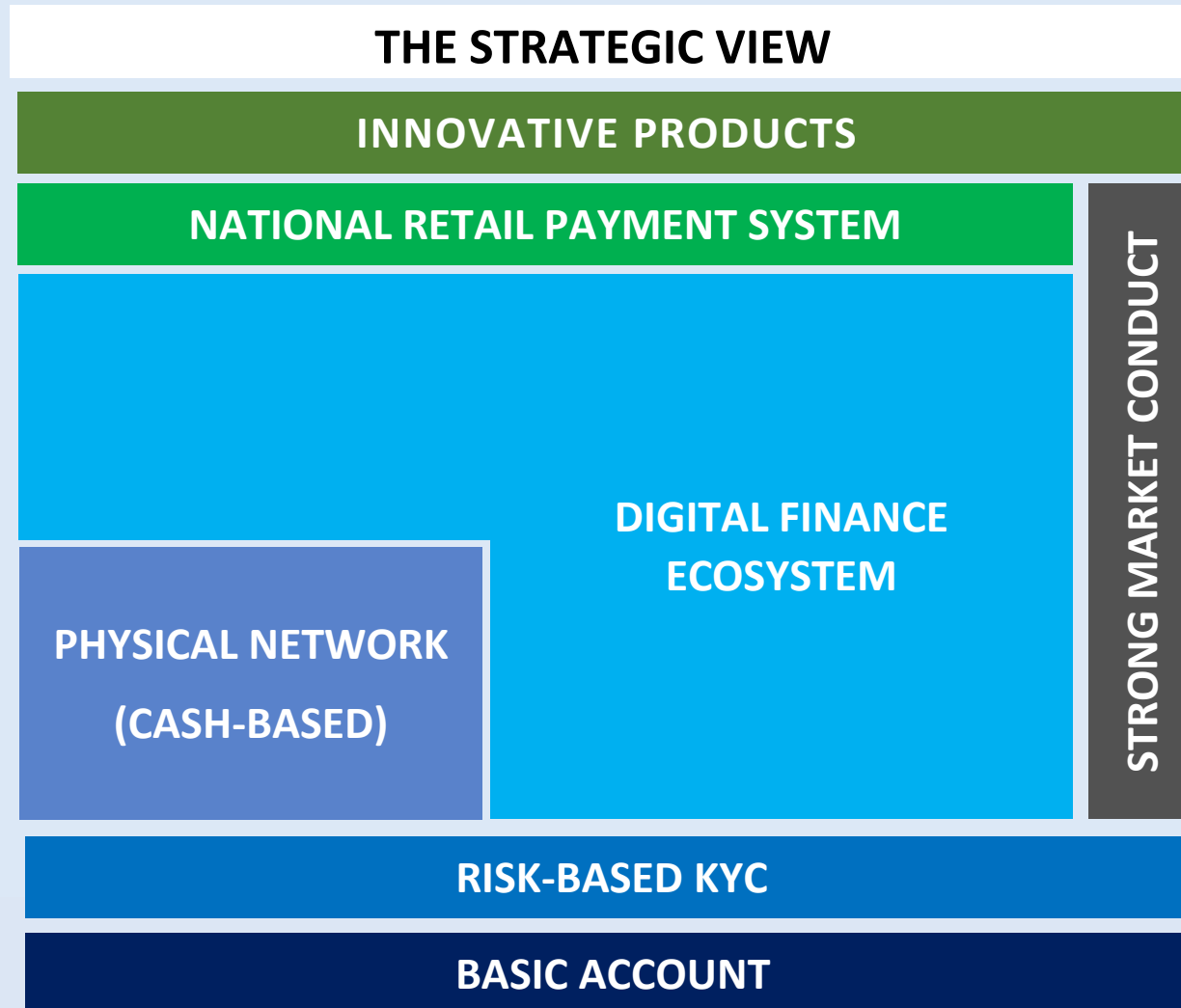
Note: MSMEs are defined in the NBSFI as adults (aged 15 years old and above) who are self-employed (with business).



# KEY CHALLENGES TO MSMEs



# APPROACH IN BUILDING A DIGITAL FINANCIAL ECOSYSTEM





# KEY POLICIES FOR INCLUSION OF MSMEs

## Regulatory Incentives

- Agri Value Chain Financing Framework (Circular 908)
- Reduced risk-weights for SME loans (Circular 364)
- Promotion of risk-based lending (Circular 855)



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# KEY POLICIES FOR INCLUSION OF MSMEs

## Initiatives on Digital Financial Inclusion

- Basic deposit account (Circular 992)
- Branch-Lite (Circular 987)
- National Retail Payments System (Circular 980)
- Cash agents (Circular 940)
- National ID



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# SUPPORT OF THE REQUIRED FINANCIAL INFRASTRUCTURE

- Implementation of the secured transactions bill
- Development of credit guarantee schemes (CGS)
- Full implementation of the Credit Information Corporation (CIC)



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**THANK YOU!**

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