

FINANCIAL INCLUSION

At A Glance

February 2023

SENATE ECONOMIC PLANNING OFFICE

AAG 23-02



Financial inclusion

is a state wherein there is effective access to a wide range of financial services for all, especially the vulnerable sectors.

Benefits of financial inclusion

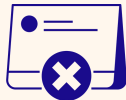


Allows people to invest in income-generating activities, accumulate assets, and access loans

Fosters more inclusive growth and improved access to economic opportunities

Allows efficient government transfers of social aids and pension to beneficiaries

Unbanked



refers to those who do not own any type of formal account (in a bank, e-money issuer, non-stock savings and loan associations [NSSLAs], cooperative, or microfinance institution).



Unemployed



Farmers & Fisherfolk



Informal Sector Workers



Micro & Small Enterprises



Marginalized Sectors

Based on the 2021 Financial Inclusion Survey, the number of **unbanked Filipino adults in 2021** dropped from 51.2 million in 2019 to **34.3 million**.

4 out of 10 adults remain unbanked.

Access to financial products and services has improved over time.

The number of banks and automated teller machines (ATMs) all over the country has increased at an average rate of 3.7 percent and 4.4 percent from 2017 to 2021, respectively.



13,219
Banks

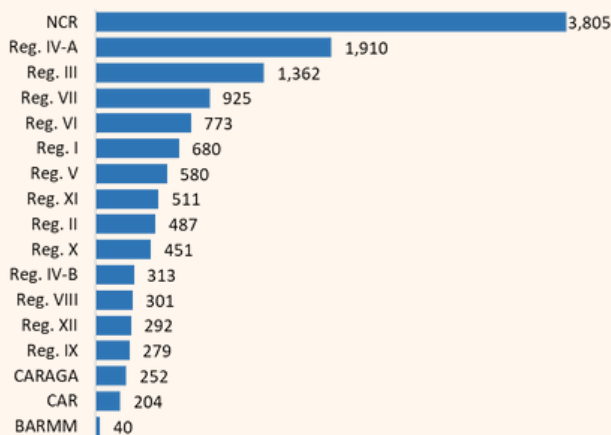
As of Sept. 2022



23,077
ATMs

Regional Distribution of Banks

as of Sept. 2022



Source: Bangko Sentral ng Pilipinas (BSP), Philippine Banking System
Note: This excludes 54 offices of BSP-supervised banks abroad.

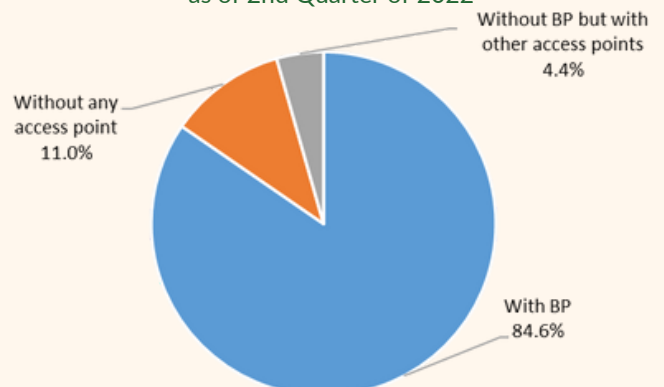
Regional indicators such as population size and economic activity affect the geographical distribution of banks.

28.9% of 13,165 banks nationwide are located in NCR, followed by Reg. IV-A (14.5%) and Reg. III (10.3%).

Reg. XII, Reg. IX, CARAGA, CAR and BARMM registered the lowest number of banks.

Banking Presence (BP) in Cities and Municipalities

as of 2nd Quarter of 2022



Source: BSP, Financial Inclusion Dashboard

- 146 cities in the country have banking presence (as of 2nd quarter of 2022).
- 16.9% (252) of the country's municipalities have no immediate access to banks, of which:
 - 180 have other access points
 - 72 are without any access point



93% of Filipino adults have high awareness of financial access points.

However, the accessibility of financial service providers (FSPs) remains a challenge.



ATMs, pawnshops and e-money agents are the most accessible touchpoints.



Lending institutions, insurance and bank cash agents, as well as NSSLAs have low levels of accessibility.

Fewer Filipinos had savings and insurance in 2021 than in 2019. The share of adults with **savings fell to 37%** in 2021 from 53% while those with **insurance dropped to 17%** from 23%.

Awareness and Accessibility of Financial Access Points

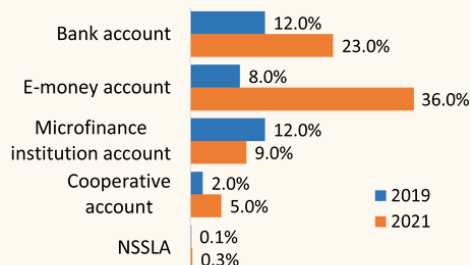


Source: BSP, 2021 Financial Inclusion Survey

The COVID-19 pandemic boosted financial inclusion and digitalization.

Formal Account Ownership

(% of population age 15+)



Source: BSP, 2021 Financial Inclusion Survey

Formal account ownership expanded to 56% in 2021 from 29% in 2019 driven by account openings in banks and e-money providers.



Digitalization facilitated access to and use of financial services and limited exposure to COVID-19 from face-to-face and cash-based transactions.



E-money accounts quadrupled to 36% in 2021 from 8% in 2019.



Among the unbanked Filipinos, the main reasons for not owning a formal account include:



Source: BSP, 2021 Financial Inclusion Survey

Note: Respondents can report more than one response.

Barriers to financial inclusion remain a pressing concern.

- Issues on access to and quality of internet connection and weak digital literacy hinder the adoption of digital financial services. The Philippines ranks low in digital transformation, placing **6th out of 8 ASEAN countries** in the World Bank's 2022 Inclusive Internet Index.
- Threats to privacy, security risks and credibility issues erode public trust and confidence in financial institutions.



Top 3 Cybercrimes

- Phishing and social engineering schemes
- Card-not-present fraud
- Account takeover or identity theft



Policy and program considerations



Afford more protection to financial consumers against cybercrimes.

- The Bank Account, E-Wallet, and Other Financial Accounts Regulation Bill (Senate Bill No. 336) will regulate and prohibit the use of these accounts for suspicious financial activities.



Intensify digital and financial literacy.

- The Economics and Financial Literacy Bills (SBNs 479, 1294 and 1872) seek to institutionalize an economics and personal finance literacy course aimed at ensuring the youth's financial security and well-being in the future.



Ensure the continuous development of the country's digital infrastructure.

- The National Digital Transformation Bills (SBNs 625 and 685) aim to create a favorable environment for the digitalization of processes, products, and services, and improve internet connectivity to enhance last-mile access to digital financial services. Other reform measures include the bills on Open Access in Data Transmission (SBNs 183, 815, 864, 1213, 1383, 1611, 1845 and 1876), and Better Internet (SBNs 282, 329, 386, 701 and 1381).



Fast-track the implementation of Republic Act 11055 or the Philippine Identification System (PhilSys) Act.

- As of 03 March 2023, PhilSys has issued nearly 50.2 million PhilIDs and ePhilIDs which serve as valid proof of identity. Implementing the PhilSys at full speed will help address the lack of valid identification document which prevents access to formal financial systems.



Increase awareness on Basic Deposit Account (BDA).

- BSP Circular 992, issued in 2018, allowed banks to offer a BDA to help address cost and documentary requirement barriers. It is affordable and easy to open with a low opening amount of PhP100 or less, no maintaining balance, no dormancy charges, and simple identification requirements.



Push for economic policies and programs that will reduce the cost of living and grow the per capita income of Filipinos.

Financial inclusion within a well-regulated environment provides an important opportunity to support post-pandemic economic recovery and accelerate the country's progress toward the Sustainable Development Goals.

