

# THE STATE OF FINANCIAL INCLUSION IN THE PHILIPPINES

The Philippines has made great strides in ensuring that a great majority of Filipinos, regardless of birth and circumstances, can have accessible and affordable financial services. Despite some progress, much remains to be done.

## Many Filipinos are still unbanked and underserved



1 in 4 Filipinos do not have a savings account



1 in 5 Filipino adults have never availed of a loan

## Majority of Filipinos cannot easily access the services of formal financial institutions because...

Consumers lack enough money

**65%** of adults cited **lack of money** as main reason for not transacting with banks

Some financial products are unaffordable

**PHP1,000 - PHP10,000**  
High maintaining balance for deposit accounts

Bank branches are few and far between



35% of LGUs unserved by banks as of June 2017

## Technology can scale-up financial inclusion

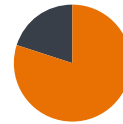
“The future of the financial system lies in going digital and using it to achieve financial inclusion. We're too fragmented geographically to reach out using traditional means. Digital technology provides such a chance.”

- BSP Governor Nestor A. Espenilla Jr.

More banks and non-banks have embraced Lendr

- Over **PHP27 billion (USD540 million)** disbursed loans by partners through Lendr
- More than **1,600 institutions** engaged
- **4 in 10** loan applications were approved and released
- About **half of Lendr customers** applied for a loan outside banking hours
- Lendr has recorded over **60% in CAGR** for loan volume since 2015
- With booked loan transactions in excess of **170,000**

Through Lendr, banks are now reaching the grassroots



While over **80%** of the country's loan volume is concentrated in Metro Manila,



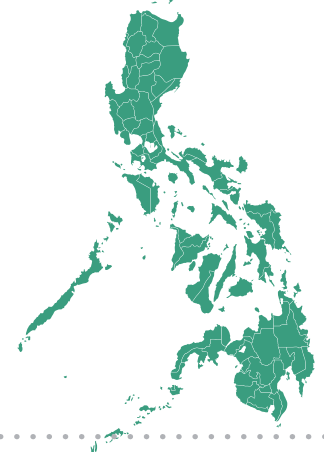
**7 in 10** borrowers who access FINTQ's lending platform reside outside of Metro Manila.

Lendr has the most extensive digital footprint

**100%** of provinces

**91%** of cities

**23%** of towns



Digital Finance is empowering more Filipinos (Lendr Demographics)



3 in 5 users are **Millennials**

3 in 5 users are **Female**

4 in 5 users are **Employed**

Expanding Lendr loan products



mSME/Business • Microfinance • Personal • Salary • Auto • Home • Car Refinancing • Truck & Equipment OFW (Land-based & Seafarers) • Agri/Crop Loan • Teachers' Loan • Doctors' Loan • Credit Line • Student Loan

# SOCIAL BANKING: THE LAST MILE SOLUTION

Majority of the country's financial resources and infrastructure are located in higher income communities. Thus, to bring more unbanked into the mainstream, a *radical approach* is necessary.

Banks can better serve the unbanked population if their financial products are offered in smaller amounts, are available via mobile phones, and are accessible directly through cash agents located in neighborhood retail stores.

## FINTQ champions social banking intervention for financial inclusion through KasamaKA.

### What is KasamaKA sachet banking?



Consumers avail of bank services and products via KasamaKA website or app.



Banks offer services and products for as low as PHP20 (USD0.40).



Consumers transact through the cash agents of banks located in the neighborhood such as sari-sari stores.

### How will sachet banking work?

Unbanked families own a mobile phone and live closer to mSMEs such as sari-sari stores.

There are more mobile phones than bank accounts



About **60%** of unbanked families own a mobile phone

Unbanked families live in communities where mSMEs are more pervasive



**175 mSMEs** per 10,000 unbanked families  
**4 banks** per 10,000 unbanked families

### Why is KasamaKA beneficial?



#### For the unbanked & underserved Filipinos

- **AFFORDABLE** products that are within their means
- **CONVENIENT** as touchpoint could be just across one's residence
- **ACCESSIBLE** to those who are intimidated to go to bank branches
- **PERVASIVE** amongst community residents borne by social influence



#### For bank partners

- **COST-EFFECTIVE** with as low as PHP22.50 (USD0.45) monthly OPEX per touchpoint without CAPEX
- **WIDER REACH** in the countryside where few or no bank branch operates
- **OPERATIONAL EFFICIENCY** by decongesting bank branches
- **EXPANDING NTB BASE** by reaching the huge untapped new-to-bank market

## What are the KasamaKA solutions?

Consumers can open a savings account, apply for a loan, find affordable insurance, and make an investment via the KasamaKA platform.

Banks and non-bank financial institutions can now offer sacheted banking products via the following KasamaKA platforms:



#### KasamaKA Microsavings

Consumers, in particular self-employed and informal workers, could open a basic savings account and deposit for as low as PHP20 (USD0.40).



#### KasamaKA Microinvestment

Consumers could grow their money by investing in secure pooled funds for as low as PHP50 (USD1).



#### KasamaKA Microinsurance

Consumers could be covered for three months for as low as PHP20 (USD0.40)



#### KasamaKA Lending (Lendr)

Consumers could avail of any type of loan appropriate for their needs.

Sources: BSP National Baseline Survey on Financial Inclusion 2015, BSP Report on the State of Financial Inclusion in the Philippines 2016, FINTQ Inclusive Digital Finance Report Vol. 1 & 2

Note: Foreign Exchange Rate USD1 = PHP 50