



# National Strategy for Financial Inclusion 2022-2028



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## List of abbreviations

BDA	basic deposit account
Coop	financial cooperative
E-Money	electronic money
EMI	e-money issuer
DFS	digital financial services
FinLit	financial literacy
FIS	Financial Inclusion Survey
FISC	Financial Inclusion Steering Committee
GDP	gross domestic product
KPI	key performance indicator
LDP	Local Development Plan
LGU	local government unit
MFI	microfinance institution
MFI NGO	microfinance nongovernment organization
MSME	micro, small, and medium enterprise
NSFI	National Strategy for Financial Inclusion
PDP	Philippine Development Plan
PhilSys	Philippine Identification System
RDP	Regional Development Plan
WG	working group

## I. About financial inclusion

### What is financial inclusion and why does it matter, especially now?

Financial inclusion is a state in which everyone, especially the vulnerable sectors, has effective access to a wide range of financial services. Effective access means not only the availability of financial products and services, but that these products and services are appropriately designed, of good quality, and responsive to the varied needs of individuals and businesses—whether for saving, payments, financing, investing, or getting insured.

Rather than being an end in itself, financial inclusion is a means to achieve broader aspirations. Its goal is not merely providing universal access to financial services, but ensuring that these services truly enhance the financial health of their users.

Financial health is the ability of an individual to meet financial obligations, absorb and recover from financial shocks, reach long-term goals, and develop a sense of control of their finances.<sup>1</sup> For enterprises, access to appropriate financing and financial services can facilitate business growth and livelihood opportunities for many Filipinos.<sup>2</sup>

Financial inclusion, therefore, helps lay the groundwork for sustainable and equitable national development.<sup>3</sup> As such, it is an objective pursued not only by the Philippines but by many countries around the world. International bodies and multilaterals have established dedicated advocacies, workstreams, and committees for promoting financial inclusion globally—all of which speak to its urgency and importance.<sup>4</sup> As the world reels from the unprecedented effects of the COVID-19 pandemic, the pursuit of financial inclusion has become even more urgent and crucial.

The Philippines has been working toward greater inclusion in the last few years,<sup>5</sup> launching an NSFI in 2015 and establishing the high-level Financial Inclusion Steering Committee or FISC in 2016 to drive the strategy. The pandemic, coupled with fast-paced developments in the digital financial landscape, have brought to fore a need for a recalibrated financial inclusion strategy. The launch of this new six-year strategy aims to facilitate a coherent, well-coordinated, whole-of-nation undertaking toward the achievement of its vision of inclusive growth and financial resilience for every Filipino.

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<sup>1</sup> UNSGSA, 2021

<sup>2</sup> The empirical literature on financial deepening indicates that its pro-growth effect comes mostly through enterprise credit while its pro-poor nature is linked to the changing of the structure of the economy and allowing more entry into the labor market. According to (Beck, 2016), the effects of financial deepening on employment and poverty alleviation do not necessarily come through the democratization of credit but rather a more effective credit allocation within the economy.

<sup>3</sup> The supporting role of financial inclusion is explicitly recognized in seven (7) of the 17 Sustainable Development Goals.

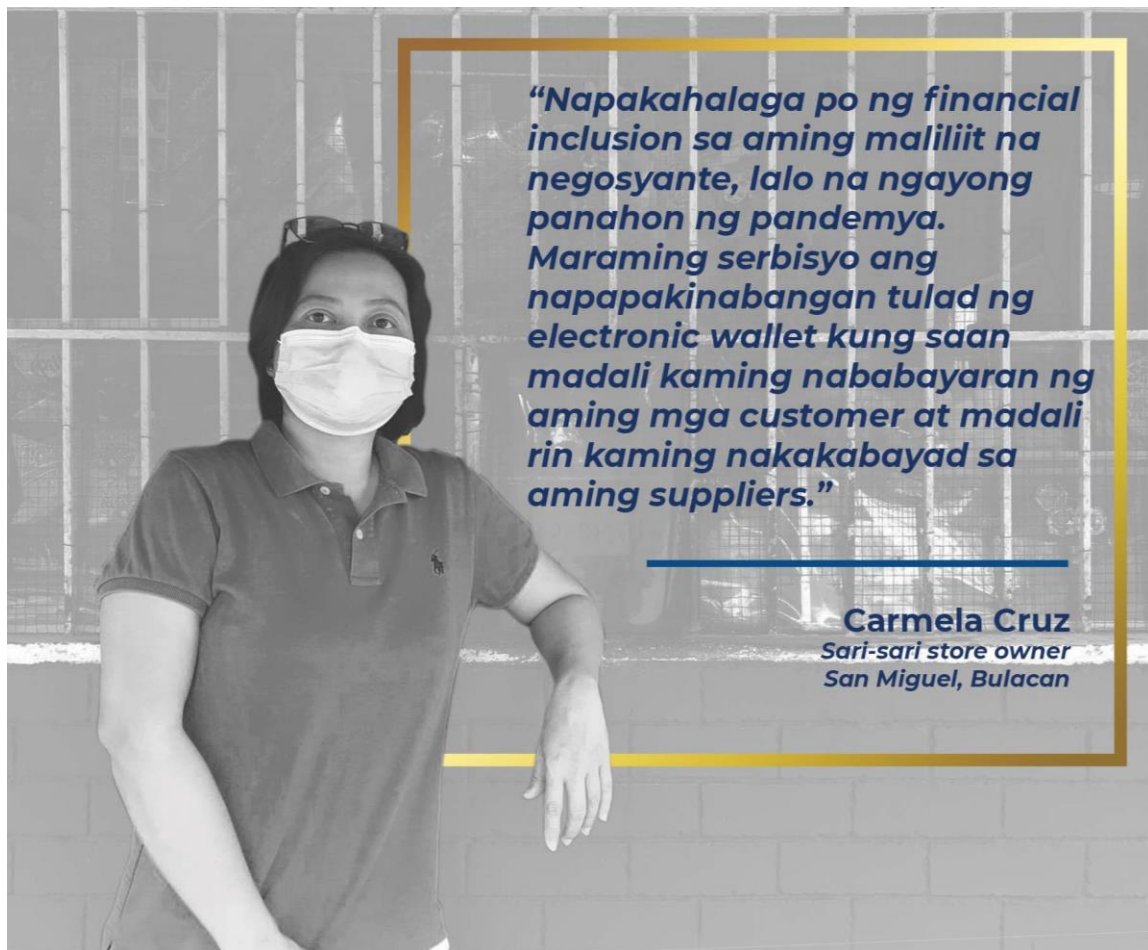
<sup>4</sup> United Nations Secretary-General's Special Advocate for Inclusive Finance for Development (UNSGSA), Consultative Group to Assist the Poor (CGAP), G20 Global Partnership for Financial Inclusion, ASEAN Working Committee on Financial Inclusion (WC-FINC), Alliance for Financial Inclusion (AFI)

<sup>5</sup> The Philippines through the National Credit Council (NCC) also launched the National Strategy for Microfinance in 1997 and National Strategy for Microinsurance in 2009. The NCC is a policy council composed of representatives from both the government and the private sector. It is currently lodged with the Department of Finance and chaired by the Finance Secretary.

### What does being financially included look like?

While often equated with having an account, financial inclusion goes beyond account ownership. Being financially included enables one to access and use an appropriate financial product for a particular need, such as for building a buffer for emergencies; sending money to family in the province; starting a business; buying a house; protecting the family's cashflow in times of disaster, health crisis, retirement, and death; or building wealth.

Being financially included therefore means having access to a wide range of fit-for-purpose financial services in line with one's capabilities and needs. It does not mean that one will never have to worry about money again, but that one will have more and better options to save, borrow, transfer funds, invest, and get protection for one's life and assets. Interest-bearing bank accounts, e-wallets, pooled funds, housing loan products, credit cards, and life insurance are just some of the financial products that help consumers and MSMEs smooth consumption, manage risk, and confidently pursue long-term financial goals. Among these tools, owning an account is deemed a core financial inclusion indicator as it facilitates basic financial transactions, i.e., store, send, and receive money. With appropriate use of these tools bolstered by financial literacy, consumers and businesses can become more financially resilient.





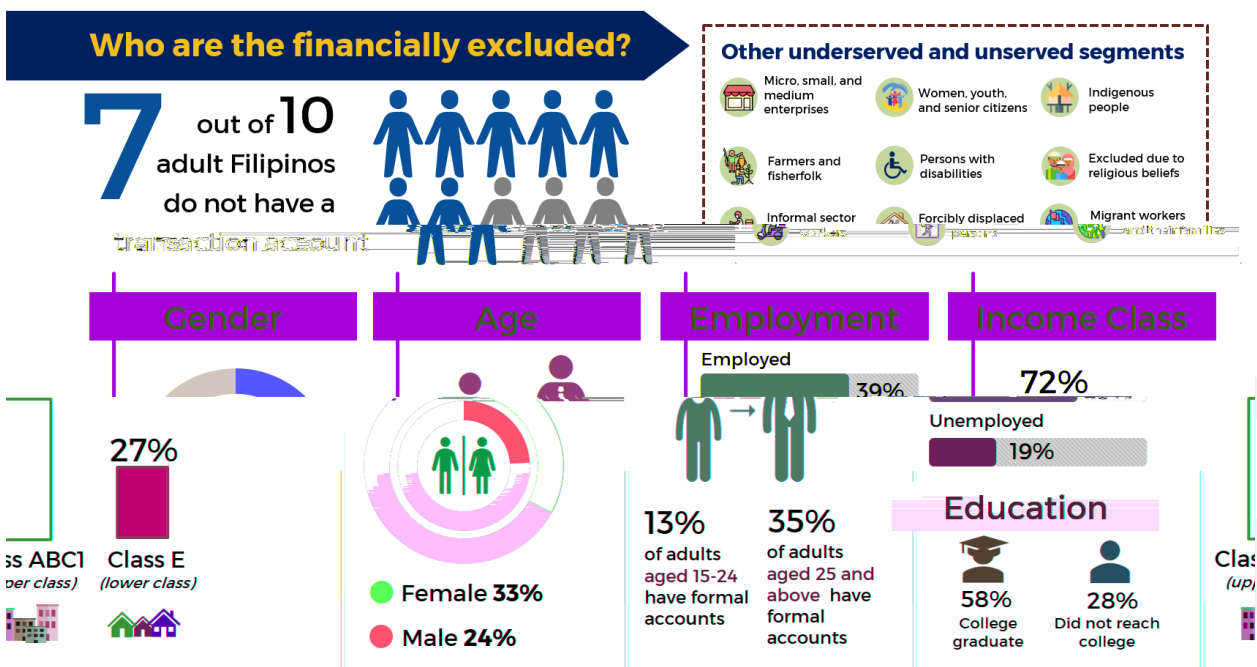
That said, while financial inclusion and literacy are significant contributors to a person's financial resilience, it is important to also recognize the crucial role of access to public welfare programs such as those for healthcare, education, housing, and old-age pension in financial resilience. Cash transfers and pensions are two such public programs that more directly interact with financial inclusion as an efficiency mechanism and an ancillary objective.

### Who are the financially excluded?

Financial exclusion disproportionately affects millions of Filipinos in the lower income classes and those who are unemployed, less educated, and belonging to the younger generation. Other underserved and unserved segments include senior citizens, migrant workers and their families, persons with disabilities, indigenous peoples, forcibly displaced persons, those who are excluded due to their religious beliefs, and other marginalized segments. Financial exclusion is also prevalent in the agriculture, MSME, and startup sectors as well as among informal workers.

About 7 in 10 adult Filipinos are financially excluded, according to the 2019 FIS of the Bangko Sentral ng Pilipinas (BSP). This is based on the part of the adult population who own a transaction account that can be used to store, send, and receive funds.

A significant gap in account penetration is seen especially in terms of socioeconomic class and employment status. Only 27% of those in the lower class (E) have an account, compared to 72% among the upper class (ABC1).<sup>6</sup> Employed individuals are twice as likely (39%) to own an account than those who are unemployed (19%).



<sup>6</sup> Socioeconomic classifications: AB - upper class; C1 - upper middle class; C2 - upper lower class; D - middle class; and E - lower class.

Interestingly, the rural population has a slightly higher account penetration rate (30%) compared to the urban population (27%), a reverse of the 2017 gap in favor of the latter. This coincides with the increase in the number of accounts in MFIs, which have a strong presence in the countryside.

Nearly 6 in 10 adults who have a college degree have an account, compared to only 3 in 10 among those who did not reach college level. Only 8% of young adults (aged 15-19) have an account, which is significantly lower than in other age groups.

Unlike in most countries, women in the Philippines are more financially included than men based on indicators such as account ownership, savings, credit, insurance, remittance, and making payments. Disaggregation of account ownership data by type of account in 2019, however, showed that for bank accounts, men have a higher ownership level (13.8%) compared to women (10.7%). In financial investment, the gender gap favored men: only 18.9% of women had investments, which is lower than the 30.3% for the men. There was also a wide gap in 2019 in receiving payments: more than half of the men (51%) compared to 35% of the women. This gap coincides with employment status, as most of the payments received are in the form of wages and salaries. This is also reflective of the gender gap in the labor force participation rate, which was higher among men at 76.1% compared to women at 52.3% as of November 2021.<sup>7</sup>



<sup>7</sup> PSA, 2022

More than half (53%) of adult Filipinos had savings in 2019, an increase from 48% in 2017. Informal ways of saving remain prevalent among adults who save money, with nearly half (51%) of them keeping their savings at home.

In credit, more than half of borrowers sourced their loans from informal sources, specifically family and friends (44%) and informal lenders (10%). Formal borrowing decreased by 7 percentage points from 63% in 2017 to 56% in 2019, while informal borrowing grew significantly by 15 percentage points, from 39% to 54%, during the same period.

While the share of adults with insurance grew to 23% in 2019 from 18% in 2017, insurance premiums account only for around 2% of the GDP in 2021.<sup>8</sup> Investment ownership likewise increased to 25% of adults in 2019 from 22.5% in 2017; however, most of these investments are mandatory contributions to the Social Security System (88%) and the Pag-IBIG Fund (52%).

Other financially excluded sectors of the economy include informal workers, MSMEs, and smallholder farmers and fisherfolk. Poverty incidences for farmers and fisherfolk stood at 31.6% and 26.2%, respectively—the highest among the basic sectors—in 2018.<sup>9</sup> These segments continue to have difficulty accessing and using financial products and services, citing hindrances such as the lack of required documents to open a personal or business account, associated costs in opening and maintaining accounts, lack of financial data that will allow them access to formal credit, and limited awareness and knowledge about financial products and services.

Among MSMEs, for instance, lack of financing and capital was cited as the top barrier for microenterprises and the second largest barrier for small enterprises in the Asian Development Bank's (ADB) 2021 Survey of MSMEs. In contrast, in this same survey medium enterprises ranked lack of financing as the sixth largest barrier, indicating that financing is especially problematic for the smallest firms.

Inclusion of these productive segments into the financial system is crucial as the country tries to recover from the crisis and regain its momentum in economic growth. The agriculture and MSME sectors are the primary sources of livelihood for many Filipinos. In 2020, MSMEs accounted for 99.5% of total enterprises in the country and generated 63% of total employment,<sup>10</sup> but recent trends show that the total amount of bank loans to MSMEs as a percentage of their total loan portfolio has been declining.<sup>11</sup> On the other hand, the agriculture sector showed a steady share in the country's GDP at around 10%.<sup>12</sup> Since 2018, however, the share of loans to this sector have been declining as well.

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<sup>8</sup> IC, 2021

<sup>9</sup> PSA, 2021

<sup>10</sup> DTI, 2020

<sup>11</sup> Based on BSP's historical data from 2015 to 2021

<sup>12</sup> Statista, 2021





### What drives or impedes financial inclusion?

With over 109 million Filipinos,<sup>13</sup> the Philippines is the thirteenth largest country in the world by population size. A large, growing market attracts investments and creates more jobs. Millennials make up one-third of the country’s total population. The country’s median age, 25.7 years old, reflects a youthful profile and an abundance of productive talent. A demographic dividend, marked by accelerated economic growth resulting from the productivity of an expanding work force, can lead to steadily rising savings and investment rates.<sup>14</sup>

The financial landscape is rapidly evolving, especially with the digitalization of financial services which brings more opportunities to the unserved and underserved areas. The rise of digital banks, open finance, and other financial technology (fintech) innovations are revolutionizing the design, delivery, and consumption of financial products and services. BigTech (the biggest technology companies) and TechFin (financial service provided by large technological companies) are creating super platforms that have the potential to transform the digital finance ecosystem.

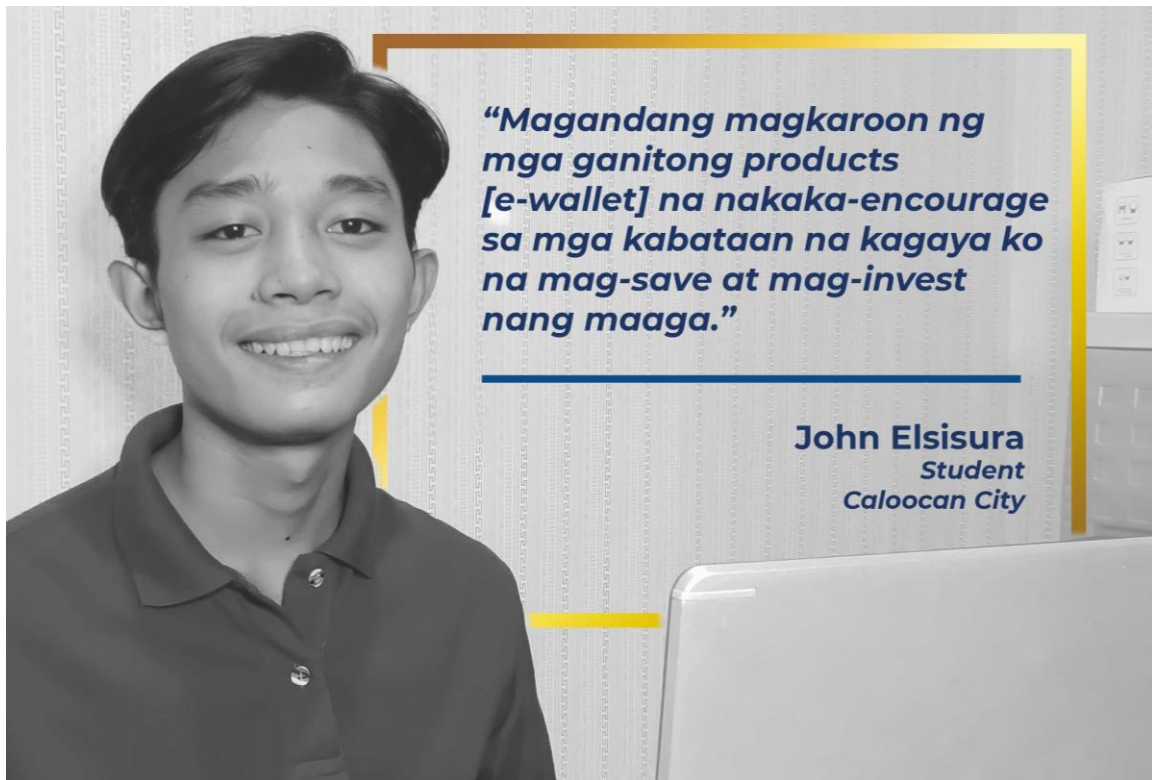
The adoption of DFS has increased considerably, largely driven by the COVID-19 pandemic during which individuals and businesses opted for more online transactions.

<sup>13</sup> PSA, 2021

<sup>14</sup> The Philippines is expected to benefit from the demographic dividend between the years 2025-2070 (NEDA, 2018)

The share of digital payments against the total volume of retail payment transactions doubled to 20% in 2020 from 10% in 2018.

More Filipinos have mobile phones than financial accounts; more than half of Filipinos use the internet and stay online for an average of four (4) hours every day. The pandemic offers lessons on the growing popularity of tech-driven services and businesses for both basic and non-basic needs such as food, health, finance, and shopping. While the younger population is already open to online shopping and e-commerce, the need for social distancing has pushed the cash centric and face-to-face shopping culture toward a more digital one, and this is expected to continue.<sup>15</sup> The pivot of both consumers and businesses to online platforms will continue to increase uptake of digital payments and provide a stronger business case for financial institutions to go digital and embrace digital transformation.



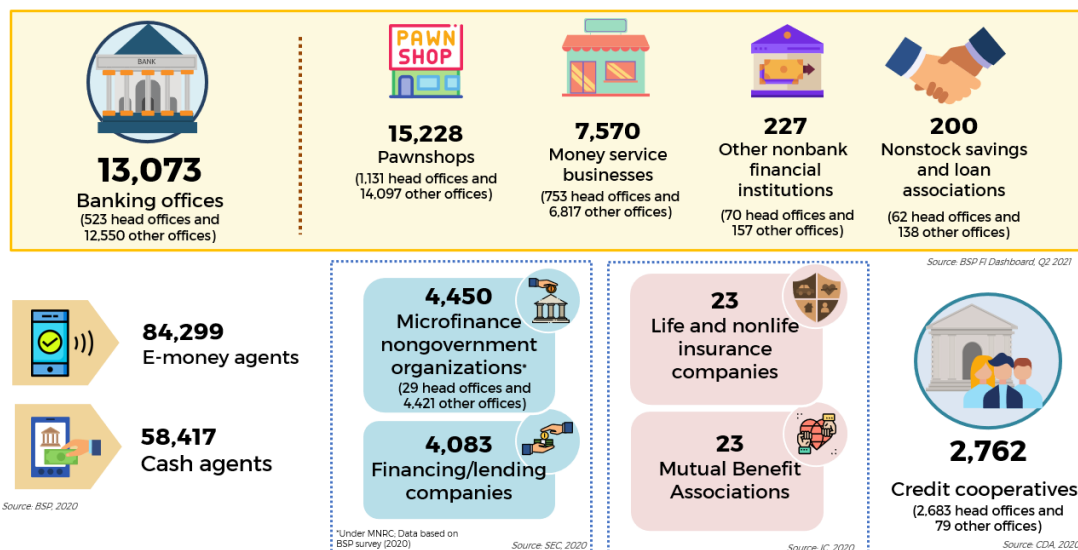
The inclusive digital finance infrastructure has been greatly enhanced with the implementation of PhilSys, the national digital identity system. PhilSys will not only address the lack of identity documents as an oft-cited barrier to account opening, but can also facilitate greater innovation in DFS. As of end-2021, 7.2 million PhilSys registrants have applied for an account with the Land Bank of the Philippines under a co-location arrangement with the Philippine Statistics Authority.

While these trends look promising, financial inclusion in the country is still impeded by economic, physical, and behavioral issues that need addressing.

<sup>15</sup> Investment Trade Administration (ITA, 2021)

Lack of access to financial institutions hampers financial inclusion. Factors such as population and income level of the region influence the presence of financial institutions. In 2020, the top three regions with the highest population and income<sup>16</sup>—the National Capital Region (NCR), Region IV-A (CALABARZON), and Region III (Central Luzon)—also enjoyed the highest presence of financial institutions. On the other hand, financial institutions were sparse in regions with lower population size and aggregate regional output—the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM), Cordillera Administrative Region (CAR), and Region IX (Zamboanga Peninsula). Furthermore, at least one of the poorest provinces in the country, or those with the highest poverty incidences, belong to the lagging regions.<sup>17</sup> This suggests that the lack of economic activity in these areas due to security concerns, vulnerability to disasters, or lack of physical access limits demand or hinders the expansion of financial institutions.

## Financial sector landscape



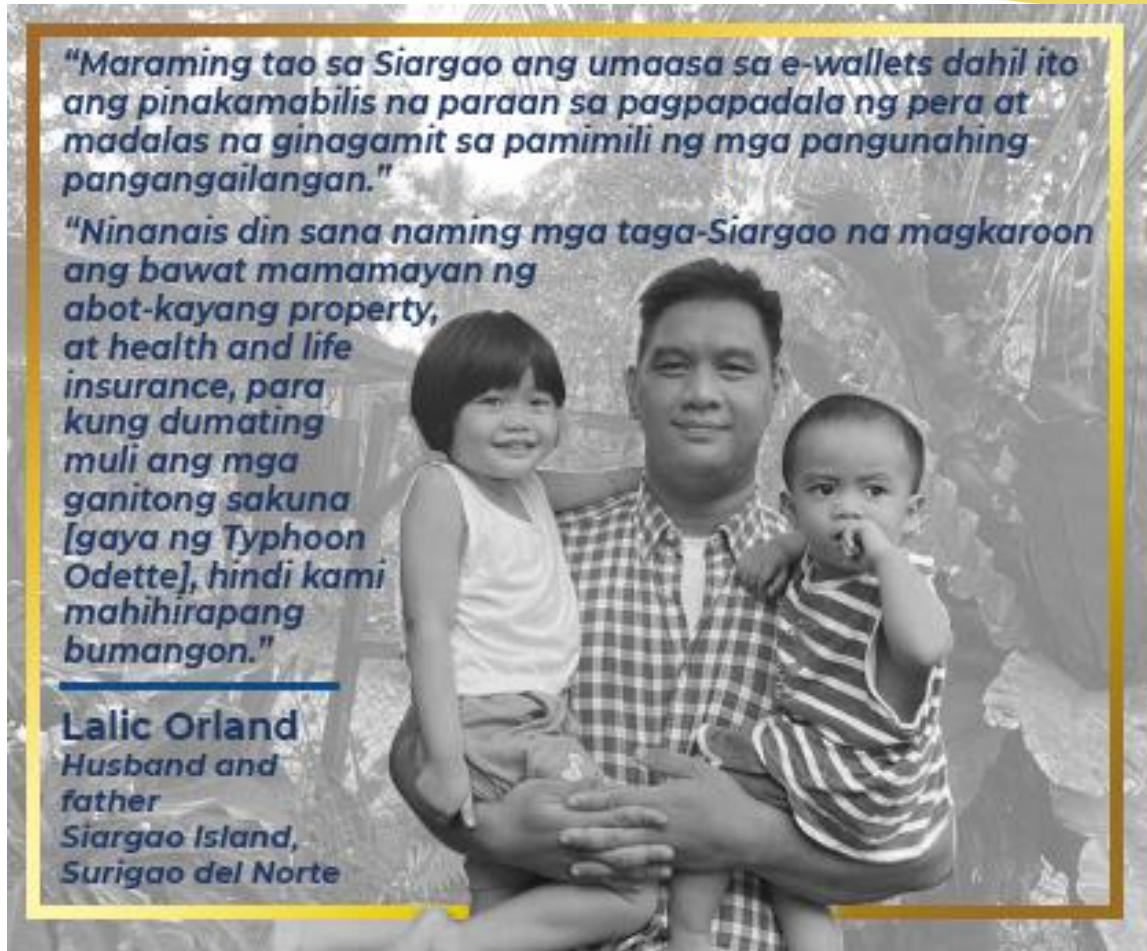
The Philippines has a high rural population and many infrastructure gaps. Financial inclusion requires the basic infrastructure and support systems to be present. These include physical infrastructure such as roads, water and power supply, and mobile and internet connectivity as well as support systems such as health, education, and employment. The pandemic's disproportionate impact on the poorest and most vulnerable will exacerbate already high and rising income and wealth inequality.

The Philippines has also been named as one of the countries most vulnerable to climate change and disaster risks due to its geographic location. The agriculture sector and other vulnerable communities have been affected for a long time and need to build resilience to mitigate losses.

<sup>16</sup> Based on Gross Regional Domestic Product (GRDP) (PSA, 2021)

<sup>17</sup> PSA, various years





Challenges in financing agriculture workers and MSMEs are further exacerbated by inadequate support structures that could reduce the risks and costs of lending to these sectors. Such support structures would include, among others, a robust credit information system, a credible warehouse receipt system, credit and agriculture insurance, and guarantee programs.

On the demand-side, the 2019 FIS showed that lack of money was cited by 45% of adult Filipinos as a reason for not having an account, related to the perceived high cost of opening and maintaining an account. World Bank Findex data (2017) showed that the percentage of unbanked Filipinos citing cost concerns as barrier is significantly higher than the country's Southeast Asian peers. Other reasons noted were lack of documentary requirements (26%) and distance to financial institution (8%). In addition, 31% of those who do not transact with financial access points cite being intimidated by the formal setup in bank branches and other financial institutions. For the agriculture and MSME sectors, lack of formalization and productivity issues, including low financial and business management capabilities, constrain bankability of these borrowers.

In DFS, further gains can be achieved if the country's internet connectivity improves. While mobile internet speeds in the Philippines have gradually improved over the

years, the country ranked fifth among 10 Southeast Asian countries and seventy-second out of 139 countries globally in a July 2021 speedtest report.<sup>18</sup>

With increasing digitalization, there is also increasing pressure on consumer protection capabilities and resources. The pandemic has brought wide public concerns on the prevalence of online scams and lack of cybersecurity, which could reverse gains from promoting trust and confidence in the use of DFS. Apart from industry efforts toward cyber-resilience, improving financial and digital literacy can address the lack of awareness and lack of trust, which 48% and 39% of Filipino adults, respectively, cited in the 2019 FIS as reasons for not using the internet for financial transactions.

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<sup>18</sup> DICT, 2021



## II. About the strategy

### Why we need a strategy

Financial inclusion is a national development agenda that demands deliberate and coordinated efforts of the government, private sector, and civil society. A national strategy serves as the guiding framework for all stakeholders working together to accelerate financial inclusion in the country. It facilitates a comprehensive and coherent approach to identifying, implementing, and evaluating financial inclusion efforts. As such, it aids in the alignment, prioritization, and delivery of high-impact initiatives across the government and private sectors. Finally, the national strategy serves as a communication tool to the wider public to generate and sustain broad-based support for financial inclusion.

While the national financial inclusion strategy is designed as a stand-alone document, it is developed to align with and support the broader national aspirations of the PDP and the *AmBisyon Natin 2040* vision. The PDP seeks to lay down a “*solid foundation for more inclusive growth, a high-trust and resilient society, and a globally competitive knowledge economy.*”

The country’s shared vision in *AmBisyon Natin 2040* is that “*all Filipinos will enjoy a stable and comfortable lifestyle, secure in the knowledge that we have enough for our daily needs and unexpected expenses, that we can plan and prepare for our own and our children’s futures. Our families live together in a place of our own, yet we have the freedom to go where we desire, protected and enabled by a clean, efficient, and fair government.*”<sup>19</sup>

Both documents clearly recognize financial resilience as a goal. Financial inclusion, i.e., access to wider and better options of welfare-enhancing financial services, is an important step for individuals, households, and enterprises in the path toward financial resilience.

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<sup>19</sup> AmBisyon Natin 2040 (NEDA, 2016); PDP 2017-2022 (NEDA, 2017) updated PDP released in 2021



### Refreshing the National Strategy for Financial Inclusion

The Philippines launched its first NSFI in 2015 which outlined the vision, strategic objectives, and the guiding principles for promoting financial inclusion (**Annex A**). The launching of the NSFI led to the mainstreaming of financial inclusion as a policy objective and brought together champions from the public and private sectors to work toward its achievement.

In 2016, the interagency Financial Inclusion Steering Committee (FISC) was officially established under Executive Order No. 208 to drive the implementation of the NSFI. Chaired by the BSP, the FISC is now composed of 21 government agencies, up from just 13 when it was created (**Annex B**).

In November 2021, the FISC decided to launch an updated strategy to sharpen its focus, targets, and priorities given the significant developments since its launch six years before. The financial services landscape is rapidly evolving along with consumer needs and preferences, driven not least by the COVID-19 pandemic. MSME financing has never been more crucial as the government steers the country's economic recovery to regain pre-pandemic momentum toward poverty alleviation.

Updating the NSFI aims to ensure that it remains a responsive and relevant blueprint for mobilizing the nation to accelerate financial inclusion and enable more Filipinos to build financial resilience and inclusive growth.

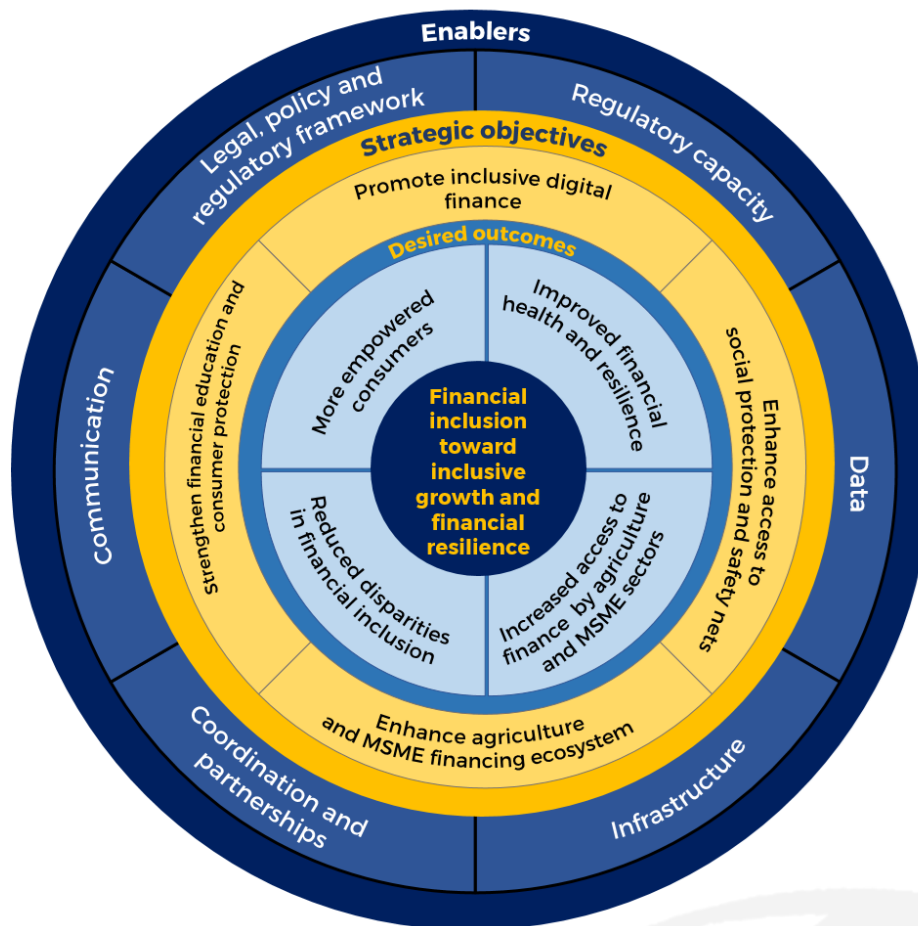
Following the FISC's decision, the BSP as FISC Secretariat conducted consultation sessions with representatives of 125 organizations from various sectors including, among others, consumer groups, basic sectors, MSMEs, social development agencies, LGUs, the financial services industry, and the academe. Nearly 300 people participated

in a series of 13 stakeholder meetings held from November to December 2021 to elicit inputs on financial inclusion aspirations, opportunities, challenges, and ways forward.

In line with its Inclusive Finance Development Program, the ADB provided support in the updating of the NSFI. ADB consultants facilitated stakeholder consultations and provided inputs to the drafting of the strategy as well as to the design of the monitoring and evaluation framework.

### III. The National Strategy for Financial Inclusion 2022-2028

#### The NSFI 2022-2028 at a glance



The new NSFI will serve as a six-year blueprint to achieve the vision of driving financial inclusion toward broad-based growth and financial resilience. It defines four desired outcomes as pathways to the vision and upon which performance of the strategy should be measured. To achieve the desired outcomes, four strategic objectives will be pursued, with priority initiatives identified, taking into account the key enablers of financial inclusion.

The strategy reflects certain key beliefs and assumptions about financial inclusion:

1. Financial inclusion is not an end goal but a means to an end. It aids individuals and households to increase financial health and resilience and enables enterprises to grow and provide livelihood opportunities for more Filipinos.
2. Financial exclusion disproportionately affects certain segments and demographics. As we promote market-based solutions for financial inclusion toward resilience, we also recognize the importance of financial safety nets facilitated by government programs targeting the most vulnerable segments.

3. Financial inclusion involves multi-dimensional factors and therefore should not be the exclusive province of financial sector regulators. A conducive regulatory environment is a crucial but insufficient condition for improving financial inclusion, given the myriad issues that surround it including on digital infrastructure and financial literacy.

The importance of creating a shared understanding among stakeholders of the priorities, timelines, and assigned responsibilities is well recognized. Thus, building on the principles-based approach of the original strategy, the NSFI 2022-2028 adopts a six-year timeframe with specific interventions, outcome measures, and targets. Through these new elements, the NSFI 2022-2028 can also become not just a roadmap but also a communication tool for the country's financial inclusion goals and stakeholder commitment.

## The vision

### *Financial inclusion toward inclusive growth and financial resilience*

The pursuit of financial inclusion is motivated by our collective aspiration of shared prosperity in the country. We aim for all Filipinos and their families to be financially included so they can build financial resilience and maximize opportunities. These will, in turn, enable them to benefit from and contribute to the country's economic growth. Empirical evidence shows that financial inclusion can aid self-employment, improve household consumption, support greater local economic activity, and reduce inequality.<sup>20</sup>

The vision has been shaped by the valuable lessons of the COVID-19 pandemic and the many calamities we have experienced as a country. These crises have laid bare the vulnerabilities of the people who have no tools and capabilities to develop resilience.

Resilience is defined as *“the ability of individuals and households to reduce and mitigate risks, as well as to cope with and recover from various shocks, stresses, and life cycle events, so as to minimize any reduction in short-term consumption or long-term well-being.”*<sup>21</sup>

## Desired outcomes

The NSFI is focused on delivering four key outcomes:

1. **Reduced disparities in financial inclusion.** The strategy should not only improve the overall national financial inclusion level but also reduce, if not eliminate, disparities in levels of financial inclusion based on certain demographic attributes such as income, sector, geographical location, age, and gender. The increasing digitalization of financial services, generally a boon for financial inclusion, may inadvertently exacerbate or create new forms of exclusion in some segments. Such vulnerabilities should be recognized and deliberately addressed. Gender inclusion has become an urgent concern in global development communities. The Philippines boasts gender inclusion generally in favor of women based on most indicators.

<sup>20</sup> WB, 2014

<sup>21</sup> CGAP, 2021



2. **Improved financial health and resilience.** The strategy should increase access to financial services and tools that best help individuals and households, especially the most vulnerable, improve their financial health and resilience. Initiatives should ensure more Filipinos are able to safely save, get insured, and build financial assets to protect their ability to meet their family’s basic needs and long-term goals. For many poor and informal workers, market solutions alone may be insufficient in addressing their resilience-building needs; government programs providing cash assistance, social insurance, and pension are crucial. While not traditionally considered a financial inclusion intervention, the successful implementation of these programs toward broad-based financial resilience can enhance and, at the same time, be strengthened by financial inclusion.

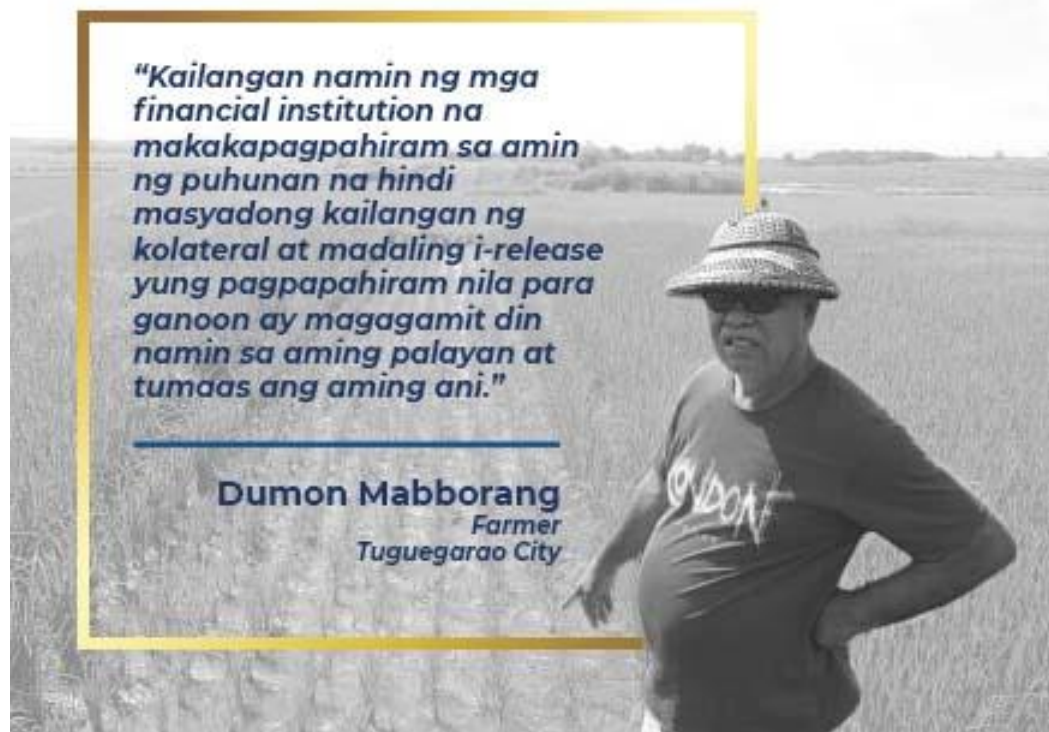


3. **More financially capable and empowered consumers.** Improving access to and availability of a wider range of financial services alone will not ensure that financial inclusion will lead to enhanced consumer well-being. Consumers need to be capable of making informed and good financial decisions; confident in using appropriate financial services to best meet their needs; and empowered to seek resolution if wronged. An empowered and capable base of financial consumers can also help promote good market conduct and improve financial services, resulting in a virtuous cycle for financial inclusion.
4. **Increased access to finance for MSMEs, including startups, and the agriculture sector.** MSMEs generated a total of 5,380,815 jobs, or 63% of the country’s total employment, in 2020.<sup>22</sup> There are 11.2 million Filipinos employed in the agriculture sector, comprising 24.5% of the total workforce as of November 2021.<sup>23</sup> Indeed a significant number of Filipinos rely on these sectors for livelihood and income, which

<sup>22</sup> DTI, 2020

<sup>23</sup> PSA, 2022

make them an effective pathway for financial inclusion to drive inclusive economic growth.<sup>24</sup> Improving access to appropriate financing of agriculture workers and MSMEs, including startups, can help them grow and become more productive toward generating formal employment and livelihood for more Filipinos. Lack of access to finance is a top challenge cited by MSMEs, particularly micro and small businesses, in surveys.<sup>25</sup> Addressing this challenge aims to unlock the full transformative potential of the sector in the country.



### Strategic objectives

These four strategic objectives are identified as the major areas of intervention to achieve desired outcomes and, thus, the financial inclusion vision of inclusive growth and financial resilience for all.

1. **Promote inclusive digital finance.** Digital technologies can facilitate significant cost-efficiencies and innovation that enable the viable delivery of financial services to the low-income mass market and small enterprises. To fully harness the inclusion and welfare-enhancing potential of digital innovations, we need to put in place a conducive regulatory environment with the necessary digital infrastructure that enable, if not compel, diverse market players to deliver innovative financial services that meet the varying needs and capabilities of the broader population and MSMEs. Digital innovations should improve the customer experience, affordability, and availability of welfare-enhancing financial services beyond accounts and payments.

<sup>24</sup> Monsod, 2017

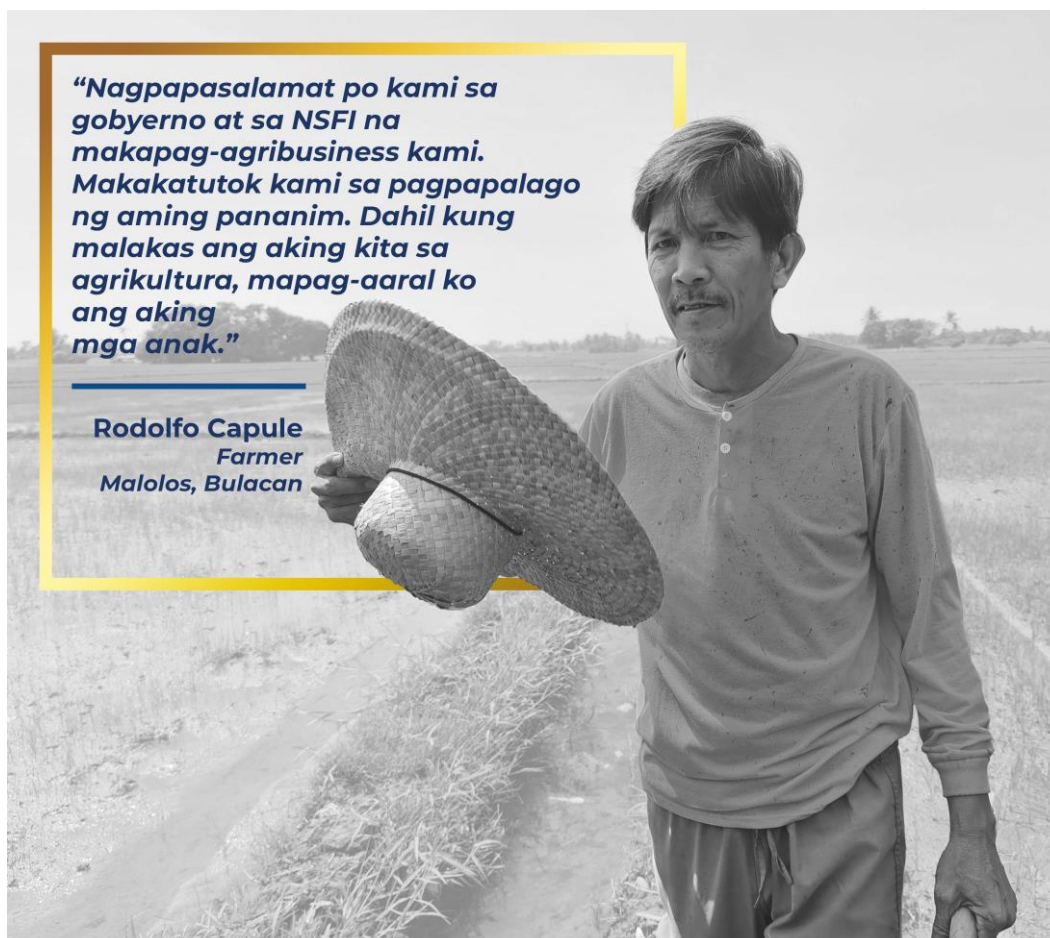
<sup>25</sup> WB, 2015 and ADB, on-going



- 2. Strengthen financial education and consumer protection.** An empowered and capable financial consumer needs to develop the right financial knowledge, skills, and behavior. Well-designed, comprehensive, and sustainable digital financial literacy programs are crucial interventions which can be delivered by various stakeholders, guided by a common framework. However, equally important for consumer empowerment is having an appropriate regulatory environment to strengthen the market conduct of all types of providers.
- 3. Enhance access to risk protection and social safety nets.** Well-designed public and private mechanisms such as cash assistance, health and unemployment insurance, disaster risk insurance, and pension can promote financial inclusion and resilience especially in the vulnerable sector. Strategic interventions should support the development and enhancement of these mechanisms toward optimizing the financial inclusion and resilience impact on the target beneficiaries. Financial inclusion can also enhance the efficiency and coverage of the program through digital finance.
- 4. Enhance agriculture and MSME financing ecosystem.** A sustainable financing ecosystem is one that enables and attracts diverse players to serve the agriculture and MSME clients, including startups, as a strategic market segment. This necessitates having in place the financial infrastructure (e.g., credit guarantees, credit information registry) and legal frameworks (e.g., secured transactions framework) aimed at reducing the risks and associated costs of serving these sectors, whether in the form of credit or equity. Government assistance programs, financial or nonfinancial, can be designed in a way that increases the income potential and bankability of their beneficiaries. As the agriculture and MSME sectors are increasingly recognized as a



strategic market, more financial institutions would invest in developing the specialized skills, tools, and approaches to effectively compete for this market.



*“Nagpapasalamat po kami sa gobyerno at sa NSFI na makapag-agribusiness kami. Makakatutok kami sa pagpapalago ng aming pananim. Dahil kung malakas ang aking kita sa agrikultura, mapag-aaral ko ang aking mga anak.”*

**Rodolfo Capule**  
Farmer  
Malolos, Bulacan

## Priority initiatives

Guided by the strategic objectives, priority initiatives were identified along with the primary responsible entity(ies) and indicative timelines. The priority initiatives aim to inform what needs to be implemented within an agreed timeframe to promote greater focus and accountability under the strategy.

Initiative	Responsible entity*	Timeline
<b>Promote inclusive digital finance</b>		
Promote adoption of PhilSys in the financial sector	PSA, BSP, SEC, IC	2022-2023
Expand digital payment use cases: <ul style="list-style-type: none"> <li>interoperable bills payment</li> <li>government collections and disbursements</li> <li>cross-border remittances</li> </ul>	BSP, PPMI DBM, DOF, DILG, BTr, COA, PLLO	2022-2023
Enable digital payments for all community	BSP, DILG, DOTr, financial	2022-2023

Initiative	Responsible entity*	Timeline
markets and local transportation	institutions	
Develop and implement a regulatory framework for the participation of qualified MFI NGO and cooperatives in the Philippine Payments Management, Inc. (PPMI) or another payment system management body	BSP, CDA, SEC, MNRC	2022-2023
Promote the implementation of an industry sandbox <sup>26</sup> for digital finance innovations	Financial Sector Forum (FSF) <sup>27</sup>	2022-2024
Promote the adoption of insurtech <sup>28</sup>	IC	2022-2024
Support the digital transformation of rural financial institutions and other last-mile providers, including MFIs	BSP, SEC, IC, CDA, MNRC	2022-2024
Push for reforms to fast-track digital connectivity as enabler of inclusive digital finance	DICT, NTC	2022-2024
Promote shared agent network framework to increase ubiquity and affordability of cash agent services	BSP, financial institutions	2023-2026
Promote use of alternative data for credit evaluation	BSP, SEC, IC, NPC, financial institutions	2022-2026
Promote development of interoperable 'offline' digital payment solutions	BSP, PPMI, financial institutions	2022-2026
Expand open finance <sup>29</sup> use cases for mass market implementation	BSP, SEC, IC, CDA, FSF, NPC, PCC, financial institutions	2022-2028
<b>Strengthen financial education and consumer protection</b>		
<p>Develop and implement a common framework for effective, consistent, and sustainable delivery, monitoring, and evaluation of financial literacy programs focusing on:</p> <ul style="list-style-type: none"> <li>• foundations of financial health</li> <li>• effective and safe use of DFS</li> <li>• investor protection and education on traditional assets (e.g., bonds, equities) and emerging digital finance products (e.g., virtual assets)</li> <li>• financial consumer rights and consumer assistance mechanisms</li> <li>• managing finances and financing options for MSMEs</li> </ul>	BSP, FinLit partners	2022-2023

<sup>26</sup> Based on (CGAP, 2018) definition, a sandbox is a framework set up by regulator(s) that allows fintech startups and other innovators to conduct live experiments in a controlled environment under the supervision of regulator(s).

<sup>27</sup> The FSF is composed of the BSP, Securities and Exchange Commission (SEC), Insurance Commission (IC), and Philippine Deposit Insurance Corporation (PDIC).

<sup>28</sup> Insurtech is a combination of the words "insurance" and "technology". It refers to the use of technological innovations in the conduct of insurance business (IC, 2020)

<sup>29</sup> Open finance will facilitate the development of innovative, customer-centric financial products and services through permissioned data-sharing and third-party access.



Initiative	Responsible entity*	Timeline
<ul style="list-style-type: none"> <li>insurance for agriculture and MSME sectors</li> </ul>		
Institutionalize an annual financial education stakeholder conference to sustain consistent adoption of the common framework	BSP, FinLit partners	2022-2023
Support the immediate passage of the Financial Consumer Protection Act as a comprehensive legal framework for promoting financial consumer protection by all financial service providers	BSP, CDA, SEC, IC	2022-2023
Strengthen prudential regulation and supervision and market conduct capabilities of financial regulators, including for cybersecurity	BSP, CDA, SEC, IC, MNRC	2022-2024
Develop innovative platforms for financial literacy training, including online and alternative modes of delivery	BSP, DILG, FinLit partners	2023-2026
Explore the expansion of deposit insurance for nonbank financial institutions	PDIC, BSP, SEC, CDA	2023-2026
<b>Enhance access to risk protection and social safety nets</b>		
Convert limited-purpose cash card accounts used for government cash transfer programs into full-service transaction accounts	DSWD, DOLE, DILG, LBP, DBP	2022
Leverage PhilSys to improve registration and payment of social welfare and cash assistance beneficiaries	DSWD, PSA, LBP, DBP	2022-2024
Adopt digital solutions for social safety net programs to streamline enrollment, contribution payment, and claims and records processing	NGAs, GOCCs, LGUs, SSS, GSIS, Pag-IBIG, PhilHealth, PCIC	2022-2023
Strengthen social safety net programs and explore establishment of a special government pension program or provident fund for informal sector to incentivize enrollment and consistent premium contribution (e.g., low and flexible premium payments)	DSWD, DOLE, SSS, NAPC	2023-2024
Promote the development of microinsurance products that cover disaster risk	IC, DOF, DA, PCIC	2022-2025
Scale up delivery of social housing finance to meet demand for pro-poor and resilient housing	Pag-IBIG, SHFC	2023-2028
Develop the pension market and establish suitable regulatory framework if needed	DOF, BSP, IC, SEC, GSIS, SSS	2023-2028
<b>Enhance agriculture and MSME financing ecosystem</b>		
Expand PhilGuarantee's MSME Credit Guarantee Program targeting priority MSME and agriculture segments, including women-owned and women-led enterprises	PhilGuarantee, DOF	2022-2023
Fast track implementation of RA 11337 (Innovative Startup Act)	DICT, DOST, DTI	2022-2023

Initiative	Responsible entity*	Timeline
Expand agriculture insurance through private sector participation	PCIC, IC, DA, DAR, DOF	2022-2023
Develop, enhance, and promote the use of credit risk information support (e.g., Credit Information System, Credit Risk Database) for all financial institutions	BSP, CIC, SEC, CDA, MNRC, financial institutions	2022-2023
Strengthen the Credit Surety Fund (CSF) as an LGU-based credit enhancement scheme for rural and small and microenterprises	CDA, BSP, DTI, DILG	2022-2023
Ensure effective implementation of the Personal Property Security Act and support passage of law promoting credible warehouse receipts system	DOF, LRA, SEC, BSP	2022-2024
Strengthen capabilities of rural financial institutions for sustainable and innovative agriculture and MSME lending	BSP, CDA, ACPC, RBAP, MCPI	2022-2024
Revisit and develop appropriate regulatory framework for development financial institutions and rural financial institutions	BSP, CDA, MNRC, DOF	2022-2026
Promote agriculture value chain and supply chain financing for MSMEs	BSP, DTI, DOF, SEC, DA	2022-2026
Promote Islamic financing	BSP, SEC, IC, BARMM	2022-2026
Increase SME access to capital markets through the SME Board	DTI, DOF, SEC, PSE	2022-2028
Promote green and sustainable finance that benefits smallholder farmers and MSMEs	BSP, Green Force <sup>30</sup>	2023-2028
Develop framework and tools for collecting and sharing agriculture and MSME data for credit evaluation	DA, DAR, DTI, BSP	2024-2028

\*Please refer to **Annex B** for the list of acronyms

## Key performance indicators (KPIs) and targets

The NSFI 2022-2028 shall be evaluated based on core indicators and targets for the four desired outcomes. The core KPIs and targets shall form part of the monitoring and evaluation (M&E) framework of the NSFI 2022-2028, together with the indicators to be defined for intermediate outcomes and program outputs.

A more detailed description of the KPIs is presented in **Annex C**.

<sup>30</sup> Co-chaired by the DOF and the BSP and members are the Securities and Exchange Commission, Insurance Commission (IC), Climate Change Commission (CCC), Department of Energy (DOE), Department of Environment and Natural Resources (DENR), National Economic and Development Authority (NEDA), Bases Conversion and Development Authority (BCDA), Department of Agriculture (DA), Department of Budget and Management (DBM), Department of Interior and Local Government (DILG), Department of Public Works and Highways (DPWH), Department of Science and Technology (DOST), Department of Transportation (DOTr), Department of Trade and Industry (DTI), Mindanao Development Authority (MinDA) and the Public-Private Partnership Center (PPPC)

Desired outcome and KPI	Baseline (2019, except when indicated otherwise)	Target (2028)	Data source
<b>1. Reduced disparities in financial inclusion<sup>31</sup></b>			
<ul style="list-style-type: none"> <li>Percentage of adults with transaction accounts</li> </ul>	29%	90%	Demand-side survey (BSP)
<ul style="list-style-type: none"> <li>*Lead indicator: number of BDAs (in millions)</li> </ul>	7.4 (2021)	20	Supply-side data (BSP)
<ul style="list-style-type: none"> <li>Gap in account ownership <ul style="list-style-type: none"> <li>➤ Income class: ABC vs. E</li> </ul> </li> </ul>	0.38 (72% ABC 27% E)	>0.75	Demand-side survey (BSP)
<ul style="list-style-type: none"> <li>Percentage of borrowers who obtained their loan from formal sources</li> </ul>	56%	75%	Demand-side survey (BSP)
<ul style="list-style-type: none"> <li>Gap in access to formal credit <ul style="list-style-type: none"> <li>➤ Men- vs. women-owned/led SMEs</li> </ul> </li> </ul>	Not yet available	TBD	ADB MSME Finance Survey*
<ul style="list-style-type: none"> <li>Gap in ownership of insurance policies <ul style="list-style-type: none"> <li>➤ Income class: ABC vs. E</li> </ul> </li> </ul>	0.61 (38% ABC 23% E)	>0.75	Demand-side survey (BSP)
<ul style="list-style-type: none"> <li>Gap in ownership of investment products <ul style="list-style-type: none"> <li>➤ Men vs. women</li> </ul> </li> </ul>	0.63 (30% men 19% women)	>0.75	Demand-side survey (BSP)
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>➤ Urban vs. rural</li> </ul> </li> </ul>	0.47 (34% urban 16% rural)	>0.75	Demand-side survey (BSP)
<ul style="list-style-type: none"> <li>Gap in use of DFS <ul style="list-style-type: none"> <li>➤ Income class: ABC vs. E</li> </ul> </li> </ul>	0.42 (12% ABC 5% E)	>0.75	Demand-side survey (BSP)
<b>2. Improved financial health and resilience</b>			
<ul style="list-style-type: none"> <li>Financial health index</li> </ul>	Not yet available	TBD	Demand-side survey (BSP)
<ul style="list-style-type: none"> <li>*Lead indicator: number of accounts (banks, NSSLAs, cooperatives, MF NGOs, EMIs) with at least PHP 10,000</li> </ul>	Not yet available	TBD	Supply-side data (BSP, CDA)
<ul style="list-style-type: none"> <li>Percentage of adults with savings in formal financial institutions</li> </ul>	22%	50%	Demand-side survey (BSP)
<ul style="list-style-type: none"> <li>Percentage of adults (aged 18-59) contributing to a pension scheme</li> </ul>	16%	TBD	Demand-side survey (BSP)

<sup>31</sup> Gaps in selected inclusion indicators (e.g., account ownership) are measured in terms of disparity ratio which is calculated by dividing the level of inclusion (expressed in percentage) of market segment A by that of market segment B where market segment B has the better (i.e., higher) level of inclusion. A disparity ratio close to 1 implies that there is a narrow gap between two market segments. While gaps exist across many demographic segments, the KPIs reflect the most pronounced gaps.

Desired outcome and KPI	Baseline (2019, except when indicated otherwise)	Target (2028)	Data source
<p>*Lead indicators:</p> <ul style="list-style-type: none"> <li>▪ percentage share of Social Security System (SSS) members to total adult population (aged 18-59)</li> <li>▪ number of Personal Equity &amp; Retirement Account (PERA) contributors</li> </ul>	74% (2021)	TBD	SSS
• Number of microinsurance policy owners including dependents (in millions)	50 (2020)	TBD	Supply-side data (IC)
• Number of lives covered (in millions)	45 (2019)	TBD	Supply-side data (IC)
• Percentage of adults with investment in financial assets	25%	50%	Demand-side survey (BSP)
*Lead indicator: number of Mutual Funds and Unit Investment Trust Fund (UITF) accounts	Not yet available	TBD	
<b>3. More financially capable and empowered consumers</b>			
• Percentage of internet/mobile phone users who use DFS	11.5%	50%	Demand-side data (BSP)
*Lead indicator: number of registered online or mobile banking users	Not yet available	TBD	Supply-side data (BSP)
• Percentage of adults with acceptable level of financial literacy	35%	TBD	Demand-side survey (BSP)
*Lead indicator: percentage of adults who have attended a financial literacy seminar or webinar	Not yet available	TBD	Demand-side survey (BSP)
• Percentage of financial consumers with complaints who reported the issue or problem to the concerned financial institution	0.6%	TBD	Demand-side survey (BSP)
• Average turnaround time (in number of working days) of financial institutions on the resolution of complaints	24 (for BSP-supervised financial institutions)	7	Supply-side data (BSP, IC, SEC)
<b>4. Increased access to finance for MSMEs, including startups, and the agriculture sector</b>			
• Percentage of i) MSMEs and ii) smallholder farmers with outstanding loan or line of credit in a formal financial institution	MSMEs 24% (2021)  Farmers 65% (2021)	TBD	ADB MSME Finance Survey*  DA, DAR, ACPC
➤ Percentage of women-owned MSMEs with outstanding loan or line of credit in a formal financial institution	28% (2021)		ADB MSME Finance

Desired outcome and KPI	Baseline (2019, except when indicated otherwise)	Target (2028)	Data source
			Survey*
<ul style="list-style-type: none"> <li>Percentage of i) MSMEs and ii) smallholder farmers and their cooperatives with insurance</li> </ul>	MSMEs 15%  Farmers 26.7% (2021)	40%	ADB MSME Finance Survey*  DA, DAR, PCIC
<ul style="list-style-type: none"> <li>Percentage share of i) MSME loans and ii) agriculture loans with loan guarantee/surety to total MSME/agriculture loans</li> </ul>	MSME 1% (2021)  Agriculture 1% (2021)	10%	PhilGuarantee
<ul style="list-style-type: none"> <li>Percentage share of secured SME bank loans to total SME bank loans outstanding</li> </ul>	Not yet available	TBD	Supply-side data (BSP)
<ul style="list-style-type: none"> <li>Percentage of MSMEs with digital payment capabilities</li> </ul>	46% (2021)	TBD	ADB MSME Finance Survey*
*Lead indicator: number of merchant accounts (EMI and bank)	Not yet available	TBD	Supply-side data (BSP)
<ul style="list-style-type: none"> <li>Venture capital investment as a percentage of GDP</li> </ul>	Not yet available	TBD	TBD (possible: OECD, Statista, DTI, SEC)

\*ADB MSME Finance Survey Results – Preliminary as of December 2021

TBD - To Be Determined



## IV. The strategy governance framework

The NSFI 2022-2028 was developed for the benefit of all Filipinos, particularly the vulnerable segment, in consultation with various stakeholder groups representing consumers and MSMEs, policymakers, the financial service industry, and the development community, among others. As a national strategy, the implementation of the NSFI 2022-2028 involves a wide range of players from the government with the support of the private sector.

To ensure that the strategies are carried out as planned and adjusted as necessary to achieve the desired outcomes, a strategy governance framework is hereby defined outlining the key roles and responsibilities for the monitoring, review and evaluation, and communication of the implementation of the NSFI 2022-2028.

### The Financial Inclusion Steering Committee (FISC)

The FISC is the interagency governing body that shall lead the coordinated and collaborative approach in implementing the NSFI. Pursuant to Executive Order No. 208 series of 2016, the FISC shall perform the following functions:

- Provide overall policy and strategic direction and oversee the implementation of the NSFI;
- Align various financial inclusion-related policies, regulations, supervisory frameworks, programs, and initiatives;
- Ensure effective progress monitoring of financial inclusion activities that will facilitate evidence-based policymaking;
- Collaborate with public and private organizations for data collection and research to facilitate informed policy recommendations, and for provision of financial education and consumer protection programs as well as training and opportunities for the agriculture and MSME sectors;
- Communicate the NSFI to the public and private sectors, including other stakeholders of financial inclusion; and
- Formulate and adopt its governance and operational guidelines and rules of procedure, as may be necessary to carry out its functions and duties.

Within its mandate, the FISC shall:

- Review, approve, and update as necessary the NSFI 2022-2028, including the M&E framework;
- Approve the WG deliverables; and
- Approve the NSFI 2022-2028 Annual Report and other related publications.



Photo credit: (Philippine Star, 2021)

## The working groups

Working groups (WGs) shall be organized to drive the implementation of priority initiatives. WG members shall come from four (4) main groups, with representation at the appropriate level:

- Government (regulators; policymakers; and LGU associations)
- Providers (banks and nonbank financial institutions, telcos, internet service providers, and similar sectors; and their industry associations)
- Consumers (consumer groups, civil society organizations, representatives of basic sectors, and the transacting public)
- Supporting institutions (donors, development partners, academe, and think tanks)

The WGs shall perform the following:

- Identify and drive implementation of programs and action plans supporting the priority initiatives;
- Develop, review, and update additional intermediate and output indicators which shall form part of the M&E system of the NSFI 2022-2028; and
- Present updates to the FISC.

Each WG shall have its own leadership and terms of reference (ToR) that specifies key tasks and deliverables. The WG chair shall be a full member of the FISC. Members of the WG can be subject to change based on the needs. WGs may consider having a system that formally recognizes members' contributions, which provides an incentive to sustain their level of effort and engagement.

WG	Focus	Indicative list of members from the government <sup>32</sup>	Other WG members
Digital finance	Digital infrastructure; DFS innovations; digital payment use cases	BSP, SEC, IC, CDA, DICT, PSA, DILG, DOF, DBM, DOTr, DOLE	Providers (financial institutions, telcos, internet service providers, and similar sectors; and their industry associations)  Consumers (consumer groups, civil society organizations, representatives of basic sectors, and the transacting public)  Supporting institutions (donors, development partners, academe, and think tanks)
Financial literacy and consumer protection	Financial and digital literacy programs for individuals and MSMEs; consumer protection and market conduct regulations and programs	BSP, SEC, IC, CDA, PDIC, DepEd, DTI, OWWA, CFO, DA, DSWD	
Agriculture, MSME, and startup finance	Financial infrastructure development; guarantee and credit enhancement programs; agriculture value chain and supply chain finance	DA, DAR, ACPC, DTI, SBC, DOST, PhilGuarantee, CIC, NEDA, BSP, SEC, DBP, LBP	
Risk protection and safety nets	Insurance, pension, and cash assistance government programs for the informal and vulnerable sectors	DSWD, DOF, DOLE, NEDA, GSIS, SSS, PhilHealth, PCW, CFO, PCIC	
Communication	Public awareness campaigns and stakeholder communication programs for the NSFI 2022-2028	BSP, DILG, DTI, PIA/PCOO, DepEd	
Data and monitoring	NSFI monitoring and evaluation framework data requirements	PSA, BSP, SEC, IC, CDA, NEDA, PCW	

### Regional and local development councils

To localize the national strategy, the NSFI shall be adopted and monitored at the subnational level. Regional Development Councils (RDCs) and Local Development Councils (LDCs) shall be tapped to endorse national financial inclusion plans, programs, and projects proposed for granular implementation in the regions, provinces, cities, and municipalities.

Accordingly, financial inclusion shall be incorporated in the Regional Development Plans (RDPs) and Local Development Plans (LDPs), which serve as the blueprint of regional and local development consistent with national development planning. The appropriate issuance from the Office of the President shall be proposed to officially endorse the integration of financial inclusion initiatives in the RDPs and LDPs.

<sup>32</sup> Please see Annex B for the list of FISC and non-FISC stakeholders from the government sector



Photo credit: (Philippine Star, 2021)

## The FISC Secretariat

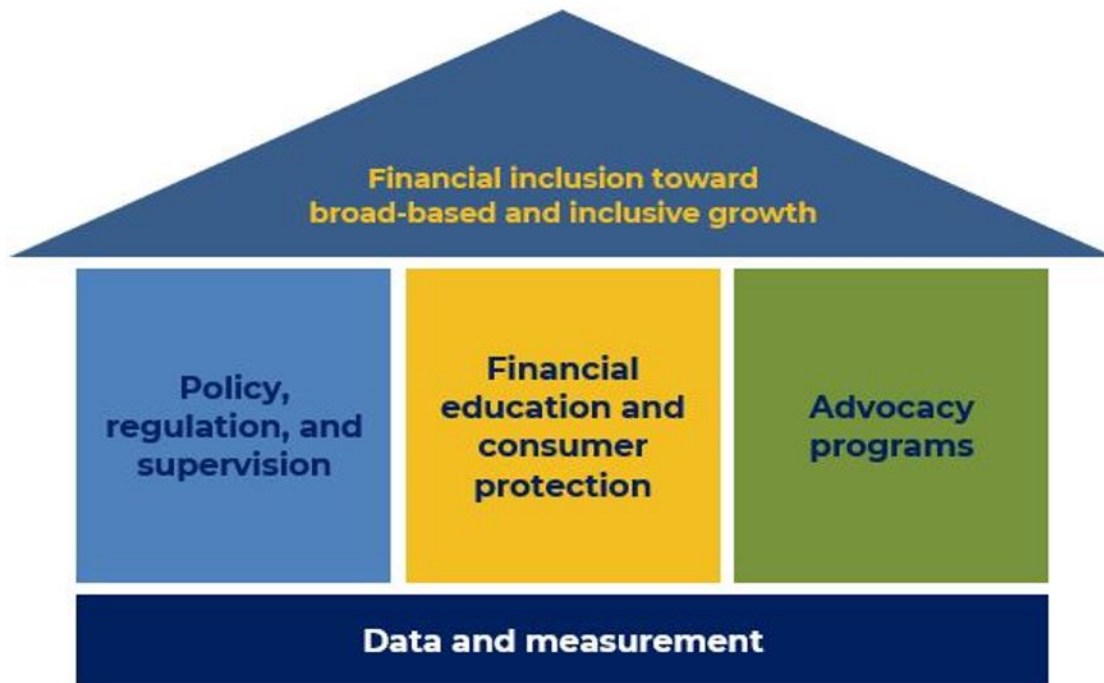
The FISC Secretariat shall be based at the BSP and its composition determined by the BSP governor. The secretariat shall:

- Develop and maintain a robust M&E framework for the NSFI 2022-2028, in coordination with the WG on data and monitoring;
- Coordinate and provide secretariat support for the FISC and WG meetings;
- Facilitate monitoring of deliverables of the FISC members and WGs;
- Facilitate coordination of the FISC with other interagency committees, including RDCs and LDCs, to ensure complementarity of the NSFI with other roadmaps, plans, and related initiatives;<sup>33</sup>
- Prepare and publish annual NSFI reports and other reports; and
- Create and maintain a website that will feature activities and accomplishments under the NSFI.

<sup>33</sup> These Interagency committees include: Economic Development Cluster, MSME Development Council, Export Development Council, Agricultural Credit and Policy Council, Financial Sector Forum, Financial Stability Coordination Council, Capital Market Development Council, PhilSys Policy and Coordination Council. Relevant Plans and Roadmaps include: AmBisyon Natin 2040, Philippine Development Plan, MSME Development Plan, Philippine Export Development Plan, eCommerce Philippines Roadmap, Philippine ICT Roadmap, Digital Payments Transformation Roadmap.



## Annex A. NSFI 2015-2021



The original NSFI was launched more than six years ago, on 1 July 2015, as a public document setting out the country's financial inclusion vision, strategic objectives, and the 4 key areas for intervention: policy, regulation and supervision; financial education and consumer protection; advocacy programs; and data and measurement.<sup>34</sup> Guiding principles were articulated for each of these strategic areas to inform the supporting action plans of the government agencies and other stakeholders. These elements are depicted in a house with the vision on the roof, 3 key areas as pillars and data and measurement as the foundation.

The original NSFI did not have a set timeframe, KPIs, or targets. It was designed as a principles-based document toward harmonizing policies and programs for financial inclusion in the Philippines.

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<sup>34</sup> BSP, 2015

## Annex B. FISC members

- Chair: 1. Bangko Sentral ng Pilipinas (BSP)
- Members: 2. Commission on Filipinos Overseas (CFO)
3. Cooperative Development Authority (CDA)
4. Department of Budget and Management (DBM)
5. Department of Education (DepEd)
6. Department of Finance (DOF)
7. Department of Social Welfare and Development (DSWD)
8. Department of Trade and Industry (DTI)
9. Insurance Commission (IC)
10. National Economic Development Authority (NEDA)
11. Philippine Deposit Insurance Corporation (PDIC)
12. Philippine Statistics Authority (PSA)
13. Securities and Exchange Commission (SEC)
14. Department of Agrarian Reform (DAR)<sup>a</sup>
15. Department of Science and Technology (DOST)<sup>a</sup>
16. Department of Agriculture (DA)<sup>b</sup>
17. Department of Information and Communications Technology (DICT)<sup>b</sup>
18. Department of Transportation (DOTr)<sup>c</sup>
19. Department of Labor and Employment (DOLE)<sup>c</sup>
20. Philippine Commission on Women (PCW)<sup>d</sup>
21. Department of Interior and Local Government (DILG)<sup>e</sup>

<sup>a</sup> Onboarded in Q4 2016

<sup>b</sup> Onboarded in Q3 2018

<sup>c</sup> Onboarded in Q3 2019

<sup>d</sup> Onboarded in Q3 2020

<sup>e</sup> Onboarded in Q3 2021

### Non-FISC working group members:

ACPC	Agricultural Credit Policy Council
BARMM	Bangsamoro Autonomous Region in Muslim Mindanao
CIC	Credit Information Corporation
COA	Commission on Audit
DBP	Development Bank of the Philippines
GFI	government financial institutions
GOCCs	government-owned and controlled corporations
GSIS	Government Service Insurance System
HDMF	Home Development Mutual Fund or Pag-IBIG Fund
LBP	Land Bank of the Philippines
LGUs	local government units
LRA	Land Registration Authority
MNRC	Microfinance NGO Regulatory Council
NAPC	National Anti-Poverty Commission
NGAs	national government agencies
NPC	National Privacy Commission
PCC	Philippine Competition Commission
PCIC	Philippine Crop Insurance Corporation
PCOO	Presidential Communications Operations Office
PhilGuarantee	Philippine Guarantee Corporation
PhilHealth	Philippine Health Insurance Corporation
PIA	Philippine Information Agency



PLLO  
SBC  
SHFC  
SSS

Presidential Legislative Liaison Office  
Small Business Corporation  
Social Housing Finance Corporation  
Social Security System

PLLO  
SBC  
SHFC  
SSS



Annex C. Description of KPIs

Desired outcome and KPI	KPI description and formula (if applicable)
<b>1. Reduced disparities in financial inclusion</b>	
<ul style="list-style-type: none"> <li>Percentage of adults<sup>35</sup> with transaction accounts</li> </ul> <p>*Lead indicator: number of BDAs (in millions)</p>	<p>Percentage of Filipino adults who own a transaction account in a formal financial institution such as banks, EMIs, coops, and MFIs. This transaction account can be used to save money; send or receive remittance, income, assistance (<i>ayuda</i>), and benefits; and make day-to-day payments.</p> $\frac{\text{Number of adults who own a transaction account}}{\text{Total adult population}}$ <p>Number of Filipinos with BDA, a bank deposit product with features (opening amount of PHP 100 or less, no maintaining balance, no dormancy charges, simplified KYC) designed for the unbanked population.</p>
<ul style="list-style-type: none"> <li>Gap in account ownership               <ul style="list-style-type: none"> <li>➤ Income class: ABC vs. E</li> </ul> </li> </ul>	<p>The extent of disparity of the percentage of adults with accounts between two segments, i.e., income class ABC (which has the highest account ownership level) and class E (which has the lowest account ownership level).</p> <p>A disparity ratio closer to 1 means lower disparity between the two segments being compared.</p> $\frac{\% \text{ of adults in class E with account}}{\% \text{ of adults in class ABC with account}}$
<ul style="list-style-type: none"> <li>Percentage of borrowers who obtained their loan from formal sources</li> </ul>	<p>Percentage of borrowers who obtained their loan from formal/regulated financial institutions such as banks, coops, MFIs, pawnshops, lending/financing companies, online lending platforms, and others.</p> $\frac{\text{Number of borrowers who obtained their loan from formal sources}}{\text{Total number of borrowers}}$
<ul style="list-style-type: none"> <li>Gap in access to formal credit               <ul style="list-style-type: none"> <li>➤ Men- vs. women-owned/led SMEs</li> </ul> </li> </ul>	<p>The extent of disparity among SME respondents between two segments, i.e., men- and women-owned/led SMEs which applied for a business loan in the last 2 years from a formal financial institution.</p> <p>A disparity ratio closer to 1 means lower disparity between the two segments being compared.</p>

<sup>35</sup> Adults refer to individuals aged 15 years old and above, unless otherwise indicated.

Desired outcome and KPI	KPI description and formula (if applicable)
	<p><i>% of women-owned SMEs which applied for a business loan in the last 2 years from a formal financial institution</i></p> <p><i>% of men-owned SMEs which applied for a business loan in the last 2 years from a formal financial institution</i></p>
<ul style="list-style-type: none"> <li>• Gap in ownership of insurance policies               <ul style="list-style-type: none"> <li>➤ Income class: ABC vs. E</li> </ul> </li> </ul>	<p>The extent of disparity in the percentage of adults who own an insurance policy between two segments, i.e., income class ABC (which has the highest insurance policy ownership level) and class E (which has the lowest insurance policy ownership level).</p> <p>A disparity ratio closer to 1 means lower disparity between the two segments being compared.</p> $\frac{\% \text{ of adults in class E with insurance}}{\% \text{ of adults in class ABC with insurance}}$
<ul style="list-style-type: none"> <li>• Gap in ownership of investment products               <ul style="list-style-type: none"> <li>➤ Men vs. women</li> <li>➤ Urban vs. rural</li> </ul> </li> </ul>	<p>The extent of disparity of the percentage of adults who own an investment product (stocks, bonds, UITF, mutual fund) between two segments.</p> <p>A disparity ratio closer to 1 means lower disparity between the two segments being compared.</p> <p>By sex, men (who have the higher investment ownership level) and women (who have the lower investment ownership level).</p> $\frac{\% \text{ of women with investment}}{\% \text{ of men with investment}}$ <p>By location, urban (which has the higher investment ownership level) and rural (which has the lower investment ownership level).</p> $\frac{\% \text{ of adults in rural areas with investment}}{\% \text{ of adults in urban areas with investment}}$
<ul style="list-style-type: none"> <li>• Gap in use of DFS               <ul style="list-style-type: none"> <li>➤ Income class: ABC vs. E</li> </ul> </li> </ul>	<p>The extent of disparity in the percentage of internet or mobile phone users who use the internet and their</p>

Desired outcome and KPI	KPI description and formula (if applicable)
	<p>phones for financial transactions between two segments. i.e., income class ABC (which has the highest DFS use) and class E (which has the lowest DFS use).</p> <p>A disparity ratio closer to 1 means lower disparity between the two segments being compared.</p> $\frac{\% \text{ of internet or mobile phone users in class E who use DFS}}{\% \text{ of internet or mobile phone users in class ABC who use DFS}}$
<b>2. Improved financial health and resilience</b>	
<ul style="list-style-type: none"> <li>Financial health index</li> </ul> <p>*Lead indicator: number of accounts (banks, NSSLAs, cooperatives, EMIs) with at least PHP 10,000</p>	<p>A composite score based on the respondents' degree of agreement or disagreement to statements describing the following financial health dimensions:</p> <ul style="list-style-type: none"> <li>- able to meet cost of living expenses such as house rental, electricity, water, and food</li> <li>- able to fully meet current financial obligations</li> <li>- able to handle an emergency that will require a big amount of money</li> <li>- on track to meet financial goals</li> <li>- feeling of security about financial future</li> </ul> <p>PHP 10,000 was based on the World Bank Global Findex (WB, 2017) and PSA (2021) data:</p> <p>1.) Global Findex: 5% of gross national income (GNI) per capita in local currency within the next month = PHP 8,614</p> <p>2.) First Semester 2021 poverty threshold estimate = PHP 12,082, on the average, for a family of five</p>
<ul style="list-style-type: none"> <li>Percentage of adults with savings in formal financial institutions</li> </ul>	<p>Percentage of adults who save in formal financial institutions such as banks, NSSLAs, cooperatives, MFIs, and EMIs</p> $\frac{\text{Number of adults who save in formal financial institutions}}{\text{Total adult population}}$
<ul style="list-style-type: none"> <li>Percentage of adults (aged 18-59) contributing to a pension scheme</li> </ul>	<p>Percentage of adults who regularly and actively pay their contributions to a pension scheme (e.g., SSS, GSIS) that provides financial support and assistance (whether in the form of cash allowances, pensions, or loans) in times of emergencies or life contingencies.</p>

Desired outcome and KPI	KPI description and formula (if applicable)
	<p style="text-align: center;"><i>Number of adults who contribute regularly to a pension scheme</i></p> $\frac{\text{Number of adults who contribute regularly to a pension scheme}}{\text{Total adult population aged 18-59}}$
<p>*Lead indicator: percentage share of SSS embers to total adult population (aged 18-59)</p>	<p>While the number of GSIS members will be tracked as part of sub-indicators, SSS members will be monitored as part of KPIs since its coverage (e.g., informal economy workers) is more relevant to financial inclusion.<sup>36</sup></p> $\frac{\text{Number of SSS members}}{\text{Total adult population aged 18-59}}$
<ul style="list-style-type: none"> <li>Number of Personal Equity &amp; Retirement Account (PERA) contributors</li> </ul>	<p>PERA is a voluntary retirement savings program that supplements the existing retirement benefits from SSS, GSIS, and employers.</p>
<ul style="list-style-type: none"> <li>Number of microinsurance policy owners including dependents (in millions)</li> </ul>	<p>Microinsurance is a financial product or service that meets the risk protection needs of the poor where:</p> <ul style="list-style-type: none"> <li>The amount of contributions, premiums, fees or charges, computed on a daily basis, does not exceed 7.5% of the current daily minimum wage rate for nonagricultural workers in Metro Manila; and</li> <li>The maximum sum of guaranteed benefits is not more than one thousand (1,000) times the current daily minimum wage rate for nonagricultural workers in Metro Manila.</li> </ul>
<ul style="list-style-type: none"> <li>Number of lives covered (in millions)</li> </ul>	<p>Number (in millions) of insured lives under in-force policies at the end of the year for traditional and variable life products.</p>
<ul style="list-style-type: none"> <li>Percentage of adults with investment</li> </ul> <p>*Lead indicator: number of Mutual Funds and Unit Investment Trust Fund (UITF) accounts</p>	<p>Percentage of adults who own an investment product (stocks, bonds, UITF, mutual fund)</p> $\frac{\text{Number of adults with financial investment}}{\text{Total adult population}}$ <p>Total number of retail investors with Mutual Funds and UITF<sup>37</sup></p>
<p><b>3. More financially capable and empowered consumers</b></p>	
<ul style="list-style-type: none"> <li>Percentage of internet/mobile phone users who use DFS</li> </ul>	<p>Percentage of internet or mobile phone users who use the internet and their phones for financial transactions</p> $\frac{\text{Number of internet or mobile phone users who use the internet and their mobile phones for financial transactions}}{\text{Total number of internet or mobile phone users}}$

<sup>36</sup> SSS, 2021; PSA, 2022

<sup>37</sup> BSP, 2018; SEC, 2018

Desired outcome and KPI	KPI description and formula (if applicable)
<p>*Lead indicator: number of registered online or mobile banking users</p>	<p>Number of Filipinos who use internet banking or mobile banking (apps in mobile phones)</p>
<ul style="list-style-type: none"> <li>Percentage of adults with acceptable level of financial literacy</li> </ul> <p>*Lead indicator: percentage of adults who have attended a financial literacy seminar or webinar</p>	<p>Percentage of adults who received a passing score in a financial literacy quiz covering basic topics such as division, simple and compound interest rate, inflation, and asset diversification</p> $\frac{\text{Number of adults with passing score in a finlit quiz}}{\text{Total adult population}}$ <p>Percentage of adults who have attended a training event or information session (whether in-person or virtual) on financial literacy to increase their knowledge on saving, budgeting, debt management, investing, and other personal finance management topics</p> $\frac{\text{Number of adults who have attended a finlit seminar or webinar}}{\text{Total adult population}}$
<ul style="list-style-type: none"> <li>Percentage of financial consumers with complaints who reported the issue or problem to the concerned financial institution</li> </ul>	<p>Percentage of financial consumers who encountered a problem or issue on their financial transactions and contacted the financial institution for the resolution of their complaints</p> $\frac{\text{Number of adults who contacted the FSP regarding an issue or problem with financial transactions}}{\text{Total number of adults who encountered an issue or problem with financial transactions}}$
<ul style="list-style-type: none"> <li>Average turnaround time (in number of working days) of financial institutions on the resolution of complaints</li> </ul>	<p>Turnaround time (TAT) is the total number of working days from when the BSP/SEC/IC refers a complaint to a financial institution until the financial institution communicates with the complainant on the action taken or to be taken on the complaint. (Average taken for all types of financial institutions.)</p>
<p><b>4. Increased access to finance for MSMEs, including startups, and the agriculture sector</b></p>	
<ul style="list-style-type: none"> <li>Percentage of i) MSMEs and ii) smallholder farmers with outstanding loan or line of credit in a formal financial institution</li> </ul>	<p>MSMEs: Number of MSME respondents who applied for a business loan from formal financial institutions in the last 2 years over total number of MSME respondents</p> <p>Farmers: Number of smallholder farmers who borrowed from formal credit sources over total number of smallholder farmers who availed of credit</p>



Desired outcome and KPI	KPI description and formula (if applicable)
<ul style="list-style-type: none"> <li>➤ Percentage of women-owned MSMEs with outstanding loan or line of credit in a formal financial institution</li> </ul>	<p>Number of women-owned MSME respondents that applied for a business loan in the last 2 years over total number of women-owned MSME respondents</p>
<ul style="list-style-type: none"> <li>• Percentage of i) MSMEs and ii) smallholder farmers and fisherfolk with insurance</li> </ul>	<p>Number of MSME respondents who reported using insurance for their business over total number of MSME respondents</p> <p>Number of unique smallholder farmers and fisherfolk enrolled over the total number of farmers and fisherfolk listed in the Registry System for Basic Sector in Agriculture (RSBSA)</p>
<ul style="list-style-type: none"> <li>• Percentage share of i) MSME loans and ii) agriculture loans with loan guarantee/surety to total MSME/agriculture loans</li> </ul>	<p>Value of outstanding guarantee for MSME over total MSME loans</p> <p>Value of outstanding guarantee for agriculture over total agriculture, forestry, and fishing (AFF) loans</p>
<ul style="list-style-type: none"> <li>• Percentage share of secured SME bank loans to total SME bank loans outstanding</li> </ul>	<p>Ratio of the total amount of bank loans accessed by SMEs that are covered by collaterals such as real estate mortgage (REM), contracts to sell (CTS), nonrisk assets, and other assets including guarantee cover from public and private institutions, against the total amount of SME bank loans outstanding</p> $\frac{\text{Total amount of secured SME loans in the banking system}}{\text{Total outstanding SME loans in the banking system}}$
<ul style="list-style-type: none"> <li>• Percentage of MSMEs with digital payment capabilities</li> </ul> <p>*Lead indicator: number of merchant accounts (EMI and bank)</p>	<p>Number of MSME respondents who used mobile account/e-wallet/digital payment for their business over total number of MSME respondents</p> <p>A merchant account is a type of account that allows a business to accept and process digital payments.</p>
<ul style="list-style-type: none"> <li>• Venture capital investment as a percentage of GDP</li> </ul>	<p>Total amount (in million PHP) of venture capital fund for startups (covering funding from both government and private sector), expressed as a percentage of GDP</p>

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