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# Promoting low-cost formal remittance channels and financial literacy

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# Outline

- The Philippine International Remittance Market
- Remittances and Financial Inclusion



# THE PHILIPPINE INTERNATIONAL REMITTANCE MARKET



# Importance of Remittances to the Philippines



**10.2 million**

number of Overseas Filipinos (OFs)

*(CFO, 2013)*

**2.4 million**

number of Overseas Filipino Workers (OFWs)

*(PSA, 2015)*

**US\$ 25.6 billion**

worth of cash remittances

*(BSP, 2015)*

**10%**

of Gross Domestic Product

*(World Bank, 2015)*

**Top 3**

rank among remittance-receiving countries

*(World Bank, 2016)*



# How OFW Households Use Remittances



Food & other household needs  
**96.4%**



Education  
**70%**



Medical expenses  
**55.2%**



Purchase of consumer durables  
**22.2%**



Purchase of house  
**13%**



Purchase of vehicle  
**8.8%**



Savings  
**46.8%**



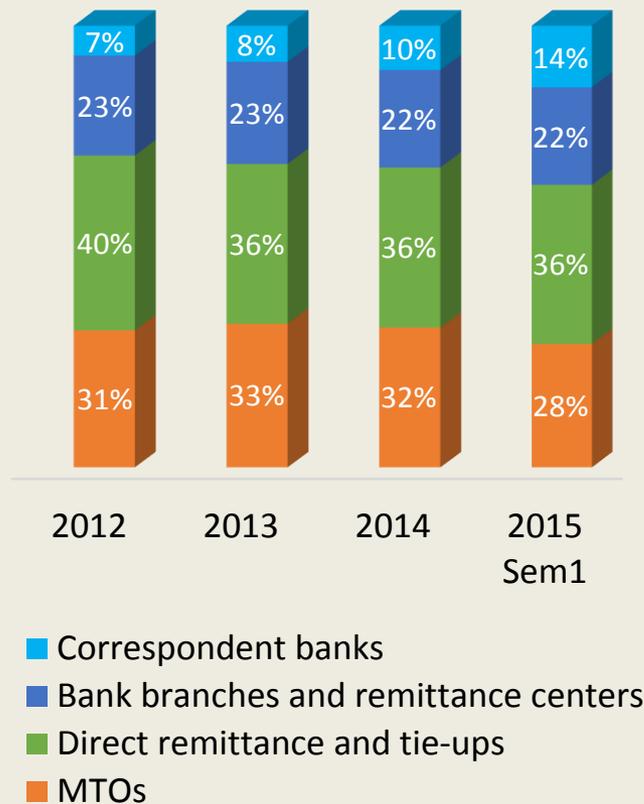
Debt payments  
**42.8%**



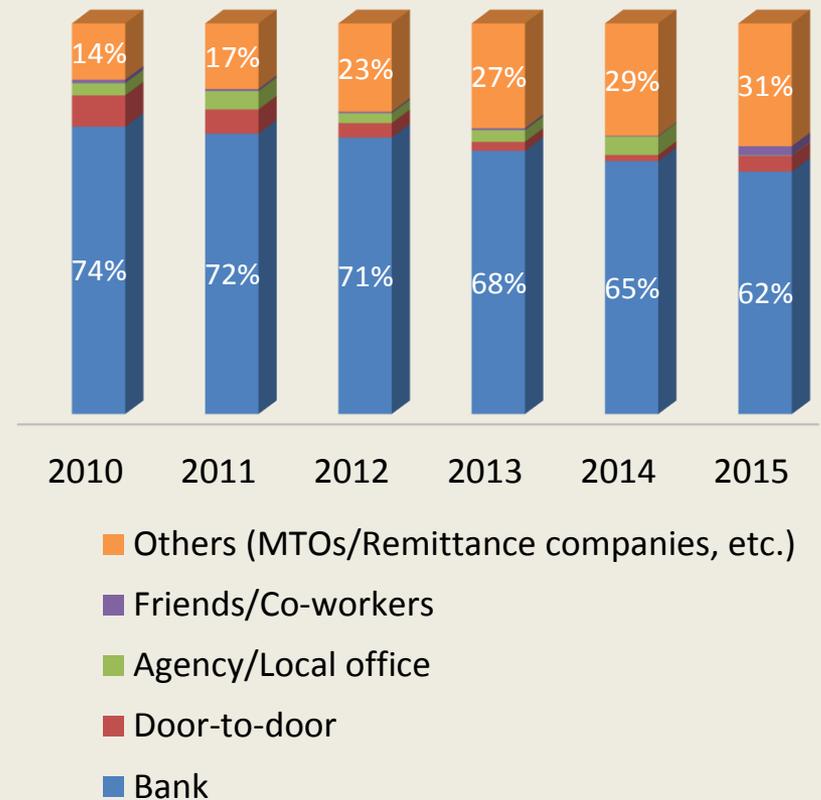
Investment  
**10%**

# Remittance Channels

OF Remittances by Channel



OFW Remittances by Channel



Source: BSP Department of Economic Statistics (2015)  
Remittances coursed through banks

Source: PSA Survey on Overseas Filipinos (2015)  
Based on a survey of households with OFW member

# Remittance Costs

Cost of sending US\$ 200  
from the USA to the Philippines

	Total cost (USD)	Total cost (%)
Bank	7.3	3.6
MTO	9.9	4.9
Non-bank FI	7.4	3.7
Overall	9.3	4.7

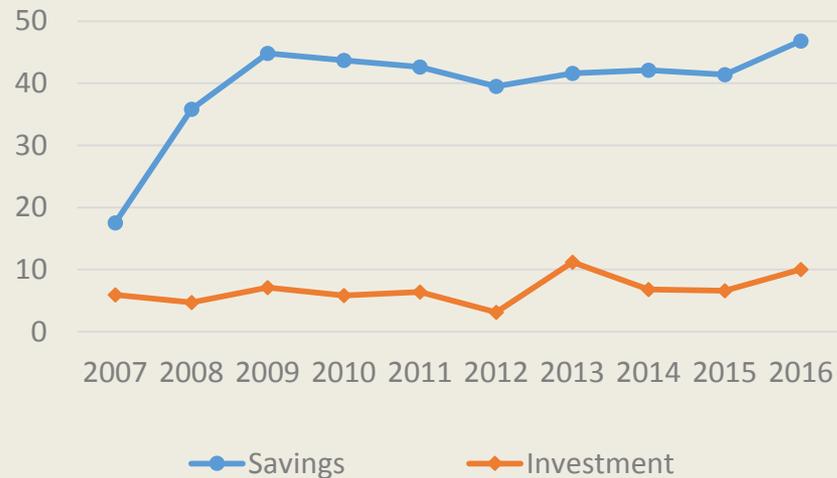
*Source: World Bank - Remittance Prices Worldwide (Q4 2016)*

# REMITTANCES AND FINANCIAL INCLUSION



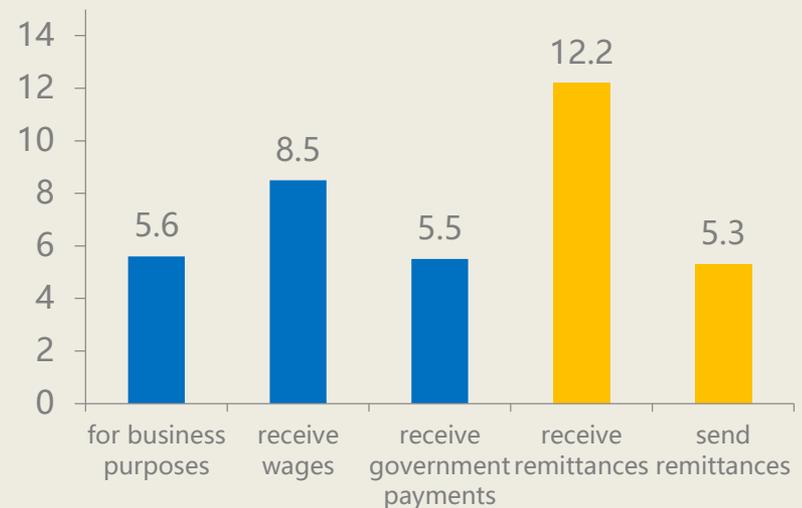
# Remittances: Doorway to Financial Inclusion?

Percentage of OFW households allocating a portion of remittances to savings and investment



Source: BSP Consumer Expectations Survey

Use of formal accounts among Filipino adults (% age 15+)



Source: World Bank Findex

# What is Financial Inclusion?

*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	Insurance
Credit	Remittances
Payments	Investments

## Unserved and Underserved

Low-income population Youth

Micro, small and medium enterprises (MSMEs)

Indigenous peoples

Persons with disabilities

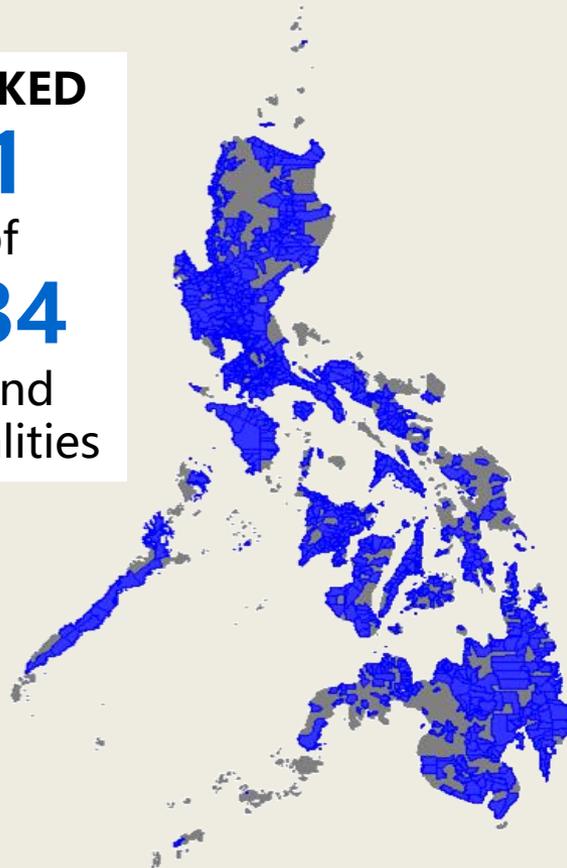
Overseas Filipinos and their beneficiaries  
Unserved due to religious barrier

Agriculture and agrarian reform sectors  
Population in frontier areas

# Financial Inclusion in the Philippines

## ACCESS

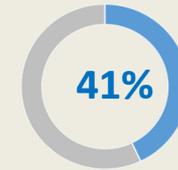
**UNBANKED**  
**591**  
out of  
**1,634**  
cities and municipalities



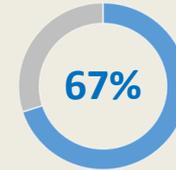
 With at least one banking office  
 Unbanked

## USAGE: Savings

**31.3%** adults with a formal account



of the total number of deposit accounts



of the total amount of deposits are concentrated in NCR

## USAGE: Credit

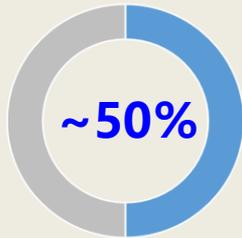
**11.8%** adults with a loan from a formal financial institution

# Financial Literacy of Filipino Adults

$\frac{3.2}{7}$



On average, adults were able to answer *3.2 out of 7* financial literacy-related questions correctly.



About half of adults know how to calculate simple interest and inflation. Compound interest seems to be the most difficult concept to understand.



Segments of the population that appear to struggle the most to understand basic financial concepts include *adults who did not save as a child, non-household heads, and men.*

# Financial Capability of Filipino Adults



Less than a quarter of those aged 60 and younger do have sufficient provisions in place to cover their expected old age expenses.



The younger generation is lagging behind older population in terms of ability to manage day-to-day finance and to plan for old age expenses.

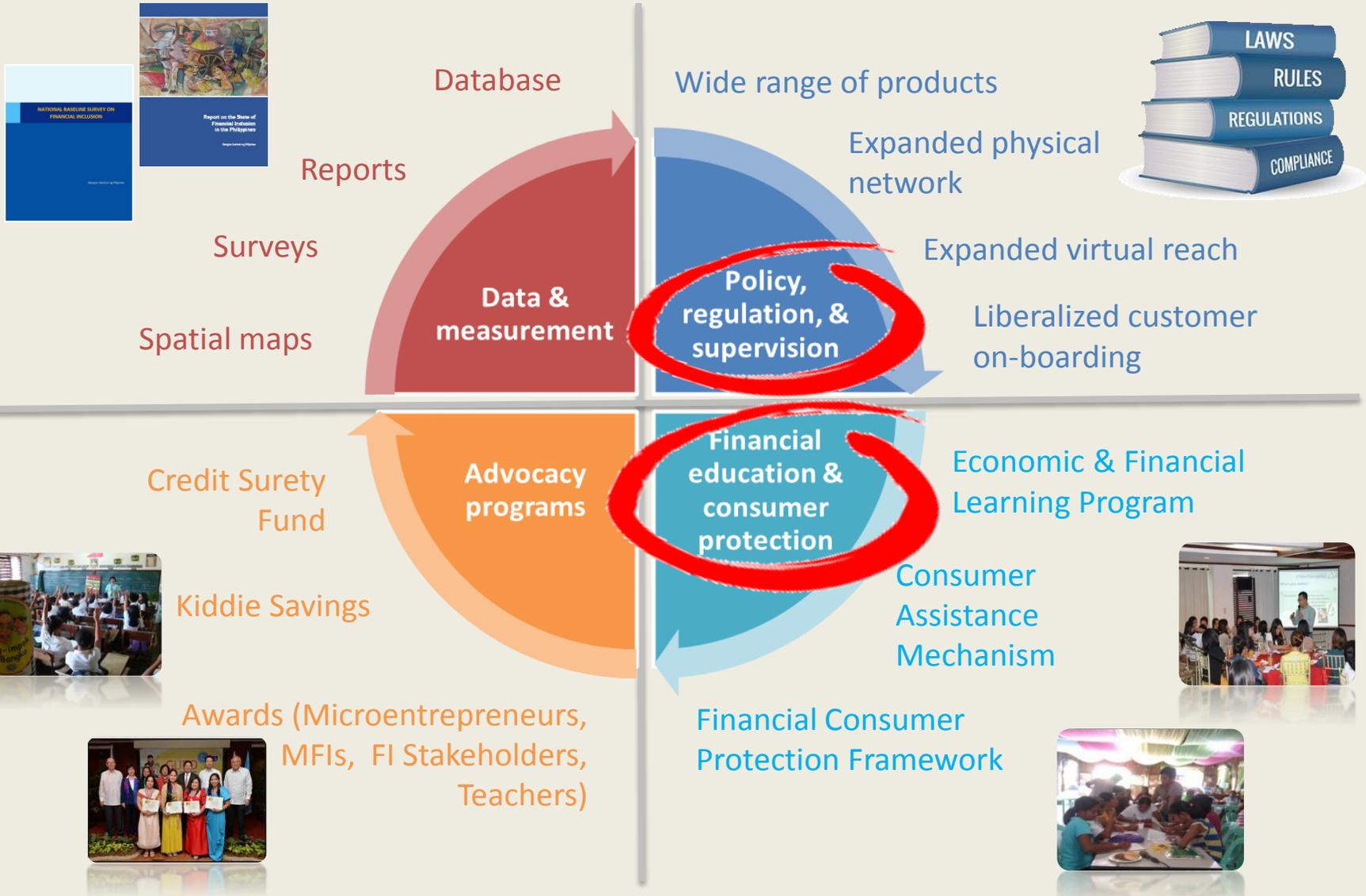


Those who began savings habits as children display better attitudes towards savings than those who did not save in their childhood.

Regular use of a broad range of media has profound effects on how Filipinos make financial decisions.

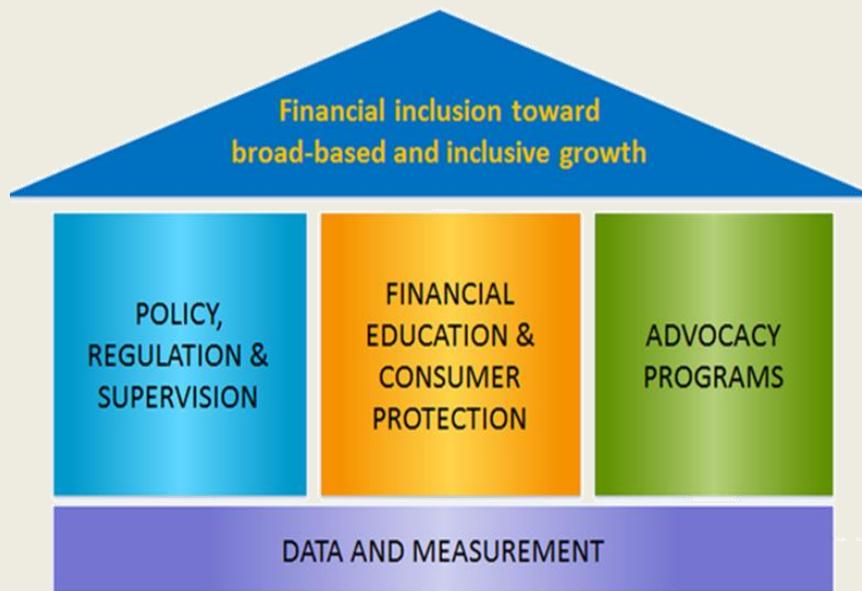
*Source: World Bank (2015). Enhancing Financial Capability and Inclusion in the Philippines - a Demand-side Assessment*

# BSP Initiatives



# National Strategy for Financial Inclusion (NSFI)

*NSFI defines a national vision for financial inclusion, provides a platform for public-private sector coordination, convergence and synergy of efforts to achieve shared objectives.*



# National Retail Payment System

*NRPS is a policy and regulatory framework that aims to establish a safe, efficient, reliable, and affordable retail payment system in the Philippines.*



# Challenges and Opportunities



BSP Approach	
<p><b><i>De-risking.</i></b> Global financial institutions are terminating or restricting business relationships with remittance companies and smaller local banks which may result in: 1) increase in the cost of remittances; 2) movement toward informal channels; and 3) financial exclusion.</p>	<ul style="list-style-type: none"><li>• Close coordination with concerned stakeholders</li><li>• Continued improvement of domestic AML/CFT regime</li><li>• International policy coordination</li><li>• Continued improvement of the financial system infrastructure</li><li>• Enabling technology-driven business models</li></ul>
<p><b><i>Financial Technology (FinTech).</i></b> Use of new technology to enable the delivery of financial products and services at a sustainable and scalable manner</p>	<ul style="list-style-type: none"><li>• Proportionality in policy, regulation and supervision</li><li>• Coordination with other regulators and providers</li><li>• Ensuring consumer protection</li></ul>



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