National Strategy for Financial Inclusion

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The National Strategy for Financial Inclusion (NSFI) was constituted on February 26, 2014 through a consultative process and serves as a guidepost for public and private sector stakeholders to accelerate financial inclusion in the Philippines. It was launched on July 2015 during the visit of the United Nations Secretary General's Special Advocate for Inclusive Finance and Development, Queen Maxima of the Netherlands. It was also during this launch when twelve government agencies and the BSP signed a Memorandum of Understanding to signify their commitment to the NSFI.

Financial inclusion or an inclusive financial system is defined as "a state wherein there is effective access to a wide range of financial products and services by all". Access to these financial products is important for the development of every household, and eventually for every Filipino. These financial products may be in the form of savings, payments, credit, investments, remittances, and insurance. Savings refer to access to savings account, checking and current account, pensions, and other forms of deposit accounts. Credit refers to personal consumer credit, credit cards, mortgage, and other similar credit facilities. Payments refers to access to the different payment forms whether paper-based or electronic fund transfers. Remittances may either be domestic or international remittance facilities. Investments may involve equities, debts, and other forms. Insurance may refer to life or non-life insurance. With the formulation of a national strategy, it is clear that financial inclusion has become a policy objective of the national government.

Indeed, financial inclusion is a challenge in the Philippines. Only four out of ten Filipino adults actually save. Sixty-eight percent (68%) of those who saved kept their monies at home. Thirty-three (33%) saved in banks, 7.5% in cooperatives, and 2.6% in group savings (or *paluwagan*). As of the end of 2014, 36% of municipalities do not have a banking office. The number of domestic banking offices, though, have been increasing. As of the end of December 2014, there were 10,315 banking offices throughout the country. An increase from 7,585 in 2001.

In terms of credit, most loans extended are from informal sources such as family, friends, and relatives (62%) and informal lenders (10%). The others obtained loans from financing companies (12%), cooperatives (10.5%), microfinance NGOs (9.9%), and banks (4.4%).

In terms of insurance, as of 2013, only 32.5% of the population was covered with life insurance.

The national strategy has formulated a vision: "a financial system that is accessible and responsive to the needs of the entire population toward a broad-based and inclusive growth". In support of this, four pillars have been identified to support this vision: a) policy, regulation and supervision; b) financial education and consumer protection; c) advocacy programs; and d) data and measurement.

First Pillar, policy, regulation and supervision. The government shall enable responsible innovation and market-based solutions while upholding financial stability and consumer protection. Institutions must set-up effective and efficient financial infrastructure that will promote financial inclusion.

Second Pillar, financial education and consumer protection. This can be carried out by forging partnerships and collaboration among key stakeholders. Another key is by developing and implementing targeted financial education programs.

Third Pillar, advocacy programs. The key strategy is by raising awareness and support for financial inclusion.

Fourth Pillar, data and measurement. Through this fourth pillar, institutions must create a robust financial inclusion database that will inform evidence-based policymaking. It will also enable progress monitoring and facilitate evaluation of financial inclusion initiatives.

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