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# SAVINGS FOR THE POOR IN THE PHILIPPINES

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SAVINGS FOR THE POOR INNOVATION AND  
KNOWLEDGE NETWORK (SPINNAKER)

NEW AMERICA FOUNDATION AND MICROSAVE

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## The Savings for the Poor Innovation and Knowledge Network (SPINNAKER) was created by a group of professionals with a mission to help financial institutions develop, research, compare, and ultimately improve the design, marketing and delivery of savings products for the poor.

SPINNAKER is led by the Global Assets Project (GAP) of the New America Foundation. GAP has been contracted by the Financial Services for the Poor (FSP) team of the Bill & Melinda Gates Foundation to build an online platform on savings that contain information and resources designed to drive innovation and engage a wide range of institutions, researchers, donors and funders to work together to explore and find solutions in mobilising savings for the poor.

As part of building the stock of knowledge on savings for the poor, GAP partnered with *MicroSave* to conduct the first exploratory deep dive country study. The goal of the study was to not only capture the range of savings products for the poor and identify opportunities for further innovative development, but also to help develop data gathering instruments and approaches and identify gaps for future research. From this experience, more country studies and researches may be pursued to fill and fuel the SPINNAKER online platform with a wide variety of

guides, toolkits, events, and articles focused on savings for the poor.

### *Research Objectives*

- To explore the landscape of savings products for the poor in the Philippines
- To bring out insights on product innovation and development
- To develop and test research instruments and approaches
- To identify gaps for future research

### *Research Methodology*

The Philippines was chosen as the first country of study due to its increasingly active microfinance industry which involves a variety of institutions offering a broad range of products and services operating in a highly supportive regulatory environment.

The study made use of the following research tools:

| Tool  | Purpose  | Coverage  |
|---|--|---|
| 1. Secondary data research                        | To present a nationwide coverage, consolidated data were obtained from regulatory bodies, research institutions and industry networks.   | See Annex 1 for the list of resources tapped to access relevant data.   |
| 2. Key informant interviews                       | Management and staff from financial institutions notably thrift banks, rural banks, cooperative rural banks, cooperatives, national and regional networks of financial institutions, and regulatory bodies, were interviewed to get first hand views on their experiences, challenges and opportunities in mobilizing, regulating or providing support to build capacity of the industry on savings. | See Annex 2 for the list of institutions covered in the 2-week primary data gathering.<br><br>33 key informant institutions were covered  |
| 3. Survey of profile of existing savings products | Email survey using the SPINNAKER data entry form was sent to at least 50 financial institutions to profile their existing savings products in the 8Ps framework (product design, price, promotion, positioning, physical evidence, people, process, and place).  | See Annex 3 for the list of local financial institutions invited to participate in the survey. Savings product data was obtained from 27 practitioners, including through mystery shopping. |

The secondary data provided the research team with an overview of the savings landscape and provided a better understanding of the local situation. This helped the researchers contextualize the information shared in key informant interviews and to focus on areas that required probing and clarification.

As a means to further examine the Philippine savings landscape and to gather more extensive information, key informant interviews were then conducted with three stakeholder groups: 1) practitioners, 2) regulatory bodies, and 3) networks. Among the practitioners, priority was given to rural, thrift and cooperative banks, and cooperatives which have the legal mandate to mobilise savings. These institutions likewise demonstrate capacity to reach out to the middle to low income groups through their existing network of branches that are widely dispersed not only in urban areas but also in rural areas all over the country. (See Annexes 4 through 7 for the interview guides developed and used in the study.)

Three geographic areas were covered in the key infor-

mant interviews in attempt to account for the geographic diversity of the country. The first area covered Metro Manila and two of its neighbouring provinces- Bulacan in the north, and Batangas in the south. The second area covered Metro Cebu to represent the Visayan island provinces in the mid-part of the country. The third area covered Metro Davao and the neighbouring province of Davao del Norte to represent the Mindanao provinces. The four member research team was sub-divided into two teams with each team covering Metro Manila and another area. (See Annex 8 for the standard letter of invite for institutions to participate in the study.)

Along with the key informant interviews, information to complete the SPINNAKER savings product data form was also gathered during the interviews when approved by the participating institution. Participating institutions were also given the option to complete and submit the product survey themselves by email. Mystery shopping to institutions, not originally in the work plan, was also performed to gather additional savings product data. ❖

Figure 1. Map of the Philippines Showing Survey Area



## Defining Poverty

Poverty is a deprivation of essential assets and opportunities to which every human is entitled. Everyone should have access to basic education and primary health services. Poor households have the right to sustain themselves by their labour and be reasonably rewarded, as well as have some protection from external shocks. Beyond income and basic services, individuals and societies are also poor—and tend to remain so—if they are not empowered to participate in making the decisions that shape their lives.

*Source: ADB, Fighting Poverty in Asia and the Pacific: The Poverty Reduction Strategy of the Asian Development Bank, Manila, 1999.*

## Profile of the Filipino Poor

### Income and Poverty

In 2009, the total annual family income of the Philippines was estimated to be PHP 3,804 trillion (US\$86.45 billion). This translates to an average annual income of a Filipino family at PHP 206,000 (US\$ 4,761 per year or \$400 per month). The upper 70 percent income group earned an average of PHP 268,000 per family (US\$6,194 per year or US\$520 per month). The poor, who belonged to the bottom 30 percent of the income group, lived on an average annual family income of PHP 62,000 or PHP 5,166 per month (US\$1,433 per year or US\$120 per month).

According to the 2009 official estimates, 26.5 percent of Filipinos are poor<sup>4</sup> which is equivalent to 23.14 million Filipinos subsisting on monthly family income of PHP 7,017 (US\$162) or below. Within the last four years, the number of Filipinos living in poverty increased from 22.17 million in 2006 to 23.14 million in 2009.

### Savings Habits

Reliable and up to date research and data on savings behaviour in the Philippines is limited, and the various studies that offer demand-side data and analysis provide differing and fragmented results. This section will attempt to highlight a selection of data relating to Filipinos' savings habits.

According to the National Statistics Office, from 2006 to 2009, the poor spent more than they earned indicating a consistent pattern of dis-saving (Table 2). The upper 70 percent of the income decile showed increased savings from PHP 38,000 to PHP 44,000 (US\$878-1,017). This indicates opportunities to save for Filipinos as levels of income increase.

Researchers Mapa and Bersales (August 2008) from the University of the Philippines studied savings data from 1985-2003 and found that the level of population dependency of the country has significant impact on savings rate where a higher proportion of young dependents (0-14 years

Table 1. Annual Per Capita Thresholds, Poverty Incidence and Magnitude of Poor

| Statistics                                | 2003   | 2006   | 2009   |
|---|--------|--------|--------|
| Annual Per Capita Poverty Threshold (PHP) | 10,976 | 13,348 | 16,841 |
| Poverty Incidence (%)                     |        |        |        |
| Family                                    | 20.0   | 21.1   | 20.9   |
| Population (Individual)                   | 24.9   | 26.4   | 26.5   |
| Magintude of Poor (in millions)           |        |        |        |
| Family                                    | 3.29   | 3.67   | 3.86   |
| Population (Individual)                   | 19.80  | 22.17  | 23.14  |
| Income Gap (%)                            | 27.7   | 27.2   | 25.7   |

*Source: National Statistical Coordination Board*

Table 2. Average Income, Expenditure and Savings of Families at Current Prices, 2006 and 2009 in Thousand Pesos

| Income Decile Group | 2009   |             |         | 2006   |             |         |
|---------------------|--------|-------------|---------|--------|-------------|---------|
|                     | Income | Expenditure | Savings | Income | Expenditure | Savings |
| Philippines         | 206    | 176         | 31      | 173    | 147         | 26      |
| Bottom 30%          | 62     | 64          | (2)     | 49     | 51          | (2)     |
| Upper 70%           | 268    | 224         | 44      | 226    | 188         | 38      |

Source: National Statistics Office, 2006 and 2009 Family Income and Expenditure Survey Final Results

old) compared to the working population (15-64 years) “creates hindrance to aggregate household savings...The swelling of the young dependency group also increases the demand for education and health which results to lower aggregate saving.” Until the high annual population growth rate that averages two percent from 2000-2007 is significantly brought down, the authors expressed low confidence for an increase in the level of household savings in the country.

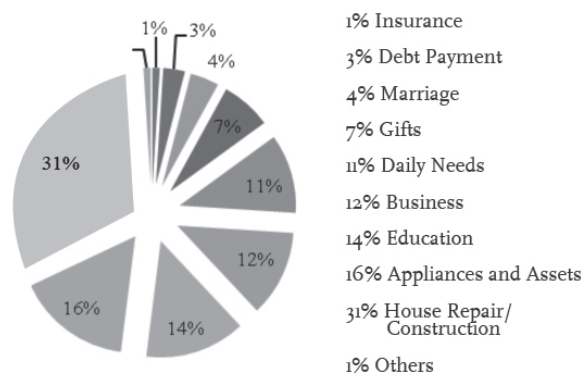
Other savings drivers among Filipinos cited in the study are:

- Average per capita income: “...a P100 (US\$ 2.32) increase in average per capita income leads to an increase in the estimated mean savings rate by about 0.67 percentage point”;
- Education: “ ...a one-percentage point increase in the proportion of household heads with at least high school diploma increases the estimated mean savings rate by about 0.27 percentage point”;

- Age: “...a one-percentage point increase in the proportion of elderly results to an estimated increase of 2.03 percentage points in the average savings rate, all things being the same”;
- Remittance: “...a one percentage-point increase in income from abroad results to an increase in mean savings rate by about half-percentage point”.<sup>2</sup>

Though the Mapa and Bersales study highlights the difficulty of saving in the Philippines, there exists data indicating that certain client segments do save. In a 2002 Agricultural Credit Policy Council (ACPC) survey of 426 small farmers, 11 percent reported to save at an average savings rate of 40 percent (PHP 2300). Similarly, of 368 fishing households, 11 percent reported to save but at an average savings rate of 28 percent (PHP 1680).<sup>3</sup> In addition, a 2004 survey details the savings behaviour of urban savers. It cites emergency savings as respondents’ topmost reason to store money, followed closely by children’s education (Table 3). These results indicate that urban Filipino savers prefer different types of deposit services to address different needs. Emergency needs require liquid savings products where withdrawals can be made any time, while commitment savings products enable savers to accumulate money for specific expenses at a given time.

Figure 2. Household Use of Savings (1998)



Furthermore, the same study found that convenience and accessibility appear to be important criteria for savers in deciding where to keep their money. It revealed that nearly two-thirds of respondents save at home (Table 4). Rural banks came in a distant second at 9.7 percent, followed by cooperatives (9.4 percent), self-help groups like ROSCAs (6.7 percent) and commercial banks (2.2 percent). Additionally, some respondents indicated that their lack of formal savings was due to intimidation and unfamiliarity.



Table 3. Reasons for Saving

| What do people save for?                      | Percent of sample |
|---|-------------------|
| Emergencies                                   | 42.0              |
| Children's education                          | 34.0              |
| Food and daily needs                          | 6.6               |
| Retirement, future of family, marriage        | 5.9               |
| Capital to start or expand business, buy land | 3.4               |
| Housing                                       | 2.3               |
| Other   | 5.8               |

Source: Karlan, D. S., Ashraf, N. and Yin, W. (2004), *Market Survey Report*, as cited in Gardiol, I. D., Helms, B., and Deshpande, R., *Country Level Savings Assessment on the Philippines*. CGAP, August 2005

Table 4. Where Low-Income Groups Keep Their Savings

| Where respondents keep their savings | Percent of sample (multiple response) n-1285 |
|--------------------------------------|--|
| Home                                 | 63.5   |
| Rural bank                           | 9.7  |
| Cooperative                          | 9.4  |
| Self-help group                      | 6.7  |
| Commercial bank                      | 2.2  |
| Other                                | 2.3  |

Source: Karlan, D. S., Ashraf, N. and Yin, W. (2004), *Market Survey Report*, as cited in Gardiol, I. D., Helms, B., and Deshpande, R., *Country Level Savings Assessment on the Philippines*. CGAP, August 2005

Note: percentages do not add up to 100 percent, no explanation available from secondary source of data

More recently, however, a 2010 study of domestic payments in the Philippines surveyed urban, Metro Manila residents and found that two-thirds of those who actively saved did so using formal financial institutions. Yet the same study conducted a separate survey of both urban and rural population segments and found that of the 29 percent of respondents who save, 41 percent reported saving at home.<sup>4</sup> This was because informal mechanisms were the most trusted methods of saving, reaffirming the 2004 study's conclusion that many Filipinos shy away from formal savings because of unfamiliarity.

A 2006 study on commitment savings products in the Philippines statistically confirmed the traditional Philippine notion that women manage household finances and are thus more inclined than men to find ways to save.<sup>5</sup> In this study, a commitment savings product called a SEED account was offered to a group, resulting in a 28 percent uptake and an 82 percent average increase in bank account

savings over 12 months. Additionally, those with the SEED account were more likely to save than another group in which participants were not offered the product but instead witnessed a special savings marketing campaign. These findings imply that a significant proportion of Filipinos have a desire to not only save, but to do so using formal commitment products.

Savings habits of Filipinos are also determined by the safety, reliability, and convenience of depositing funds with formal banking institutions. A 2006 study by Innovations for Poverty Action (IPA) found that door-to-door deposit collection services increased savings and slightly decreased borrowing.<sup>6</sup> The voluntary nature of the program further suggests that Filipinos do save, but they require new methods to do so.

Because the Philippines has the second highest number of migrant workers in the world, how Filipinos use remit-

## Motivating Regularity of Savings Through Text Reminders

The Innovations for Poverty Action (IPA) conducted a study on the *Gihandom* (Dream) Savings Product of 1st Valley Bank. *Gihandom* is a commitment savings product where microdepositors get to determine their own savings goal in terms of amount and date of realisation. To support the savers in realising their financial goals, 1st Valley Bank provides the following services: 1) 'lock boxes' for savers to save in small amounts at home as often as daily; 2) monthly text (SMS) reminders for regular savers or text reminders for savers who have failed to make deposit for more than 30 days. Sample text messages are as follows:

"Frequent deposit into the *Gihandom* Savings account will make your dream come true. A reminder from 1st Valley Bank".

"If you don't frequently deposit into the *Gihandom* Savings account, your dream will not come true. A reminder from 1st Valley Bank".

As of 2011, the study is still on-going but some interesting preliminary results have so far surfaced indicating the effectiveness of negatively framed messages for regular reminders. For dormant accounts of more than 30 days however, positively framed messages as reminders are found more effective.

tances plays a important role in understanding savings habits. In its 1998 study of income, expenditures and savings pattern of migrant workers' families, *Unlad Kabayan* Migrant Services Foundation found that 7 percent of the remittance went to savings. When a steady stream of money is expected to come in the form of remittance, 123 families of migrant workers showed different priorities with the use of savings. Figure 2 presents the uses of savings, in which with the top five allocations were for house repair or construction (31 percent), acquisition of appliances and other assets (16 percent), education (14 percent), business (12 percent) and

household daily needs (11 percent). Saving for emergencies did not come out in the list, though a small percentage of savings went to insurance premium payment.

In the study, migrant workers prioritized savings. Thus, instead of practicing the usual savings formula of 'income-expenses=savings', this migrant worker's formula is 'income-savings=expenses'.<sup>7</sup> While this study shows that an assessment of remittances' role in determining savings behaviour is useful, one should be wary that the data is from 1998, making its current relevance ambiguous. ❖



## The Savings Landscape in the Philippines

According to CGAP's 2010 Financial Indicators Database, there are 500 commercial bank deposit accounts per 1,000 people, 6 cooperative deposit accounts per 1,000 people, and 8 microfinance institution deposit accounts per 1,000 people. Institutions that take deposits from the general public and/or from its members are subject to prudential regulation and supervision. This ensures the protection of the financial system from unsound practices by deposit-taking institutions as well as protection of hard earned money of clients.

### Regulatory Environment and Service Providers

The Bangko Sentral ng Pilipinas (BSP) is the regulatory body over all banking institutions including those engaged in the provision of microfinance services, and the Cooperative Development Authority (CDA) is the government regulatory body for all types of cooperatives.<sup>8</sup>

The CDA is also mandated to promote the viability and growth of cooperatives as instruments for equity, social justice and economic development. By structure and intent, the cooperatives are poised to serve the low-income groups. Republic Act (RA) 9520 known as the Philippine Cooperative Code of 2008 provides the amended provisions that define a cooperative and sets the guidelines for its organisation and registration.

As the specialized government agency that provides policy directions in the areas of money, banking, and credit, the BSP undertakes the following fundamental roles:

- Central monetary authority
- Banker and adviser of the national government
- Regulatory body over banks, which supervises and conducts regular examination of banks

BSP also recognises its important role of facilitating banking services to reach as many Filipinos as possible. As such, in 2000, BSP adopted microfinance as its flagship program for poverty alleviation. Contained in the General Banking Act of 2000, the BSP recognised microfinance as a legitimate banking activity and went on to set the rules and regulations for the practice of microfinance by banks. Among the first 3 landmark circulars to facilitate

entry of banks into microfinance are as follows:

- BSP Circular 272 dated 30 January 2001 recognises the unique characteristics of microfinance and provides rules and regulations for unsecured loans; this facilitated the wider outreach of banks to low income clients which paved the way for these clients to become savers and be mainstreamed into the formal financial system;
- BSP Circular 273 dated 30 January 2001 lifts the moratorium on bank branching for those engaged in microfinance; and
- BSP Circular 282 dated 19 April 2001 opens a rediscounting window for microfinance.<sup>9</sup>

Among the 21 circulars on microfinance that the BSP has issued over a span of 11 years, one of the most recent is the circular on electronic money.<sup>10</sup> Circular 704, Series of 2010 recognises the value of mobile banking “to facilitate delivery of financial services affordably to low-income, unbanked, or underserved segments of the population, particularly in non-urbanized areas.” (Section 1 of BSP Circular No. 704, Series 2010 Guidelines on Outsourcing of Services by Electronic Money Issuers to Electronic Money Network Service Providers).

The BSP's efforts to promote ideal business conditions for privately provided microfinance earned it international recognition from the Economic Intelligence Unit (EIU), the business information arm of The Economist Group.<sup>11</sup> In the Global MicroScope 2010, the Philippines through the BSP was adjudged to have the best regulatory environment for microfinance among 54 countries. The key characteristics that were cited for promoting a favourable regulatory environment include:

- transparency through required disclosure of effective interest rates and conducting of external auditing by regulated financial institutions;
- regulated financial institutions are allowed to offer an array of services such as credit, deposits, micro insurance, while those linked to international payments systems can accept remittance;
- having rules for accrediting microfinance rating

agencies to encourage local microfinance institutions to be rated;

- having rules to extend housing microfinance and ease requirements for agriculture microfinance;
- promoting a wider choice of service providers.

Overall, the Philippines ranked second as a top performing country in three categories: 1) regulatory framework, 2) general investment climate for microfinance providers, and 3) level of microfinance institutional development.

### *The Banking System*

The Philippine banking structure is primarily composed of universal banks, commercial banks, thrift banks, rural banks, cooperative banks, and non-banks with quasi-banking functions. A brief description of each type of financial institution is below:

**Universal Bank**—allowed to provide a variety of services to their customers ranging from extending loans, accepting deposits (such as checking, savings and time deposits) to investment services. Minimum capitalization required is PHP 5.4 billion (US \$124.8 million).

**Commercial Bank**—accepts deposits, makes business loans, and offers related services. While commercial

banks offer services to individuals, they are primarily concerned with receiving deposits and lending to businesses. However, unlike universal banks, commercial banks cannot underwrite securities, invest in the equity of insurance companies, or hold more than a 40 percent equity stake in financial allied undertakings. The minimum capitalization required is PHP 2.8 billion (US \$64.66 million).

**Thrift Bank**—these include savings and mortgage banks, stock savings and loan associations, and private development banks. Thrift Banks accept deposits from individuals and may exercise similar powers as those of a commercial bank, but with prior approval of the Monetary Board for particular activities such as: (a) opening of current accounts, (b) engaging in trust, quasi-banking, and money market operations, (c) acting as a collection agent for government entities, (d) acting as an official depository of national agencies where the thrift bank is located, and (e) issuing mortgage and chattel mortgage certificates. The capitalization requirement ranges from are PHP 250 Million to PHP 1.0 Billion (US \$5.77M-23.0M) depending on location of head offices.

**Rural Bank**—privately owned banks that provide credit facilities on reasonable terms to farmers and merchants, or to cooperatives of farmers and merchants, or in general, to rural communities. Unlike commercial banks, universal banks, and thrift banks, rural banks are required to





be entirely owned by Filipinos. Metro Manila-based rural banks require a minimum capital of PHP 100 million (US \$2.3M), PHP 50 million (US \$1.15M) in the cities of Davao and Cebu, PHP 6.5 million (US \$150,000) for first-, second- and third-class cities as well as first-class municipalities, and PHP 3.9 million (US \$90,058) for fourth-, fifth- and sixth-class cities as well as second-, third- and fourth-class municipalities.

**Cooperative Bank**—a bank owned by its members, who deposit money or who borrow money as loans. A national cooperative bank requires a minimum capitalization of PHP 200 million (US \$4.62M), and a local cooperative bank PHP 20 million (US \$461,841).

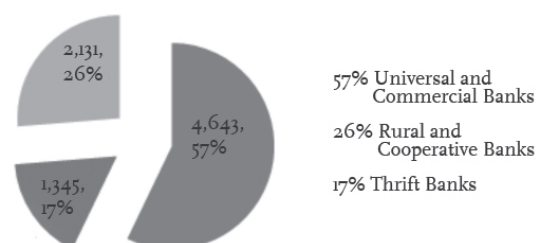
**Non-Banks with Quasi-Banking Functions**—these are non-bank institutions that have products and services similar to banks, primarily loans and savings (pawnshops, non-stock savings and loan associations).

#### *Banks with Microfinance Operations*

Among the above bank types, rural banks, cooperative banks and thrift banks are singled out by the BSP for having microfinance exposures.<sup>12</sup>

The data given above shows a loan- to- deposit ratio of 210 percent for all banks, and for microfinance oriented banks, it is 130 percent. This is much higher than the prescribed loan-to-deposit ratio of 67 percent set by the

Figure 3. Physical Network By Bank Type (2010)



Bank of International Settlements (BIS) or 75 percent set by the BSP under Circular Number 282 Series of 2001 (Rediscounting Facility Guidelines to Rural Banks and Cooperative Banks). By just referring to this set of microfinance data, we find that micro-deposits are not adequately protected by this higher microfinance loan exposure of banks. However, when taking into account the rest of banking operations in 2010, loan-to-deposit ratio for all banks stood at 66 percent; rural banks had a ratio of 94 percent, while thrift banks had loan-to-deposit ratio of 75 percent.<sup>13</sup>

#### *Number of Banks*

There are 758 formal financial institutions regulated by the BSP. Rural and cooperative banks have the most number with 647 comprising 85.4 percent. Thrift banks account for 73 (9.6 percent), and universal and commercial banks with 38 comprised 5.0 percent.

Table 5. Snapshot of Microfinance Exposures of the Banking Sector, as of 31 September 2010

| Type of Bank                          | Number of Banks | Loan Amount (PHP millions) | Loan Amount (USD Millions) | Number of Borrowers | Savings Component (PHP Millions) | Savings Component (USD Millions) |
|---------------------------------------|-----------------|----------------------------|----------------------------|---------------------|----------------------------------|----------------------------------|
| <b>A. Microfinance Oriented Banks</b> |                 |                            |                            |                     |                                  |                                  |
| Rural Banks                           | 5               | 1,282.98                   | 29.84                      | 249,730             | 1,030.39                         | 23.96                            |
| Thrift Banks                          | 3               | 203.39                     | 4.73                       | 9,092               | 106.98                           | 2.49                             |
| Sub-total                             | 8               | 1,486.37                   | 34.57                      | 278,822             | 1,137.37                         | 26.45                            |
| <b>B. Microfinance Engaged Banks</b>  |                 |                            |                            |                     |                                  |                                  |
| Rural Banks                           | 149             | 3,846.37                   | 89.46                      | 556,427             | 1,516.69                         | 35.27                            |
| Cooperative Banks                     | 23              | 708.90                     | 16.49                      | 80,609              | 253.43                           | 5.89                             |
| Thrift Banks                          | 22              | 489.92                     | 11.39                      | 16,764              | 201.74                           | 4.69                             |
| Sub-Total                             | 194             | 5,045.70                   | 117.34                     | 653,800             | 1,971.86                         | 45.86                            |
| Grand Total                           | 202             | 6,532.07                   | 151.91                     | 932,622             | 3,109.23                         | 72.31                            |

Source: 2010 Year End Report on BSP Initiatives in MicroFinance and Financial Inclusion

There are 8,119 bank offices making up the banking network. Universal and commercial banks account for 57 percent of the offices, rural and cooperative banks account for 26 percent, and thrift banks account for 17 percent.<sup>14</sup>

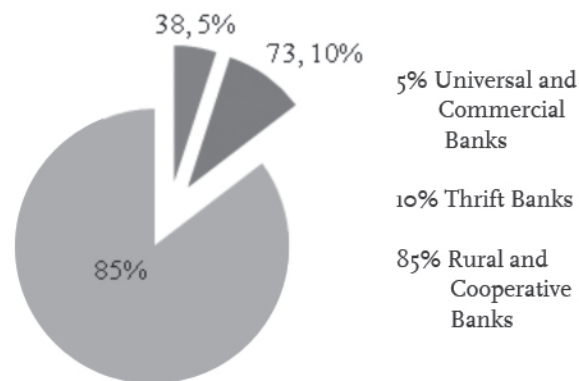
The national average of the bank unit to population ratio is 1:11,784 persons. However, banks are not geographically dispersed to make banking accessible to all Filipinos. There are more banks located in the urban areas; the bank unit to population ratio in the National Capital Region (where Metro Manila is located) stands at 1: 4,219. In the Autonomous Region of Muslim Mindanao (ARMM) — one of the poorest regions of the country with population poverty incidence of 62 percent in 2000, the bank unit to population ratio is 1:204,329.<sup>16</sup>

According to BSP statistics, as of 2010, 37 percent of total municipalities remained unbanked. This led to the issuance of Circular 694 in October 2010 which introduced micro-banking offices (MBOs) or microfinance-oriented banking offices (MFOs), which allowed banks to operate in unbanked areas with minimal infrastructure and capital requirements. The circular further mandates MBOs to engage in a wide range of banking services, notably to accept microdeposits, disburse micro-loans and collect payments, sell, market and service micro-insurance products, and receive and pay out authorized remittance transactions. Since this Circular took effect, the BSP has received 800 applications for MBOs covering more than 600 of the 1,635 unbanked municipalities in the country.<sup>16</sup>

### Technology Adoption Among Banks

Out of the 758 financial institutions, only 13.59 percent have electronic banking facilities, which include the use of ATM, mobile phones, and/or internet. Universal and commercial banks demonstrate the most capability, with

Figure 4. Number of Banks by Type (2010)



84.21 percent of these institutions engaging in e-banking platforms. Not many rural and cooperative banks use electronic banking with only 8.50 percent engaging in this platform. From key informant interviews, high cost of investment is one of the more common reasons cited for not implementing e-banking services. For some early adopters among rural banks, the cost of investment has yet to realise the promise of increased outreach and reduced staff work load.

### The Cooperative System

As a form of people owned organisations, cooperatives are widely available throughout the country. In the 2002 Annual Poverty Indicators Survey (APIS), 26 percent of all families surveyed were found to have at least one member involved in a non-government organisation or people’s organization.<sup>17</sup>

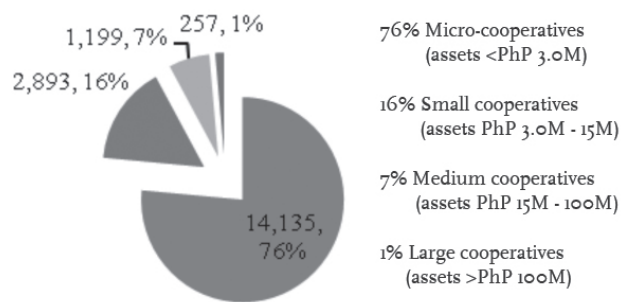
A total of 18,205 primary cooperatives were registered as of 31 December 2010.<sup>18</sup> The average number of members in a cooperative is 395. In 2010, 1,367 new primary cooperatives were registered with a total paid-up capital of PHP149.58 million (US \$3.45M). New primary cooperatives registered

Table 6. Banks by Number and Electronic Banking Capacity, as of December 2010

| Type of Bank                   | Number | Percentage | Number of Banks with Electronic Banking | Percentage of E-Banking to Total Number |
|--------------------------------|--------|------------|---|---|
| Universal and Commercial Banks | 38     | 5.01%      | 32                                      | 84.21%                                  |
| Thrift Banks                   | 73     | 9.63%      | 16                                      | 21.92%                                  |
| Rural and Cooperative Banks    | 647    | 85.36%     | 55                                      | 8.50%                                   |
| Total                          | 758    | 100%       | 103                                     | 13.59%                                  |

Source: *Physical Network by Bank as of December 2010. Bangko Sentral ng Pilipinas, April 2011.*

Figure 5. Type of Cooperative Based on Assets (2010)



in 2010 account for 7.5 percent of total number of cooperatives by end of 2010.

Location-wise, cooperatives are more equitably dispersed among the regions. Region IV Southern Tagalog has 2,201 cooperatives – 11.91 percent of the total, and the highest percentage of cooperatives. The region with the lowest percentage of cooperatives at 3.42 percent had 632 cooperatives (Region II Cagayan Valley).

Asset-wise, cooperatives fall into four categories:

- **Micro cooperatives**—14,135 cooperatives with total assets of PHP3.0M (US \$69,275) and below;
- **Small cooperatives**—2,893 cooperatives with total assets of more than PHP3.0M–PHP15M (US \$69,275–346,380);
- **Medium cooperatives**—1,199 cooperatives with

total assets of more than PHP15M–PHP100 M (US \$346,380–2.3M);

- **Large cooperatives**—257 cooperatives with total assets of more than PHP100M (US \$2.3M).

Total paid-up capital in cooperative system is PHP35.66B (US \$810.54M) as of December 2010. With total cooperative membership at 7.19 million individuals, this makes for an average paid-up share capital of PHP4,956 (US \$113) per member.

### Outreach and Volume of Micro-Deposits

Micro-deposits are savings accounts that cater to the needs of the basic sectors, low-income clients and those that are not served or underserved by the financial system. They are appropriately designed and priced to fit the needs and capacity of this particular market.

The general features of micro-deposits include the following<sup>9</sup>:

- Minimum maintaining balance not exceeding One Hundred Pesos (PHP 100 or US\$2.31);
- Not subject to dormancy charges
- Only for individual microfinance clients whose average daily savings account balance does not exceed fifteen thousand Pesos (PHP15,000 or US\$346).

### Cooperatives

From the World Council of Credit Unions (WOCCU) statistical report, a total of US \$572.74 million in savings from

Table 7. Domestic Deposit Liabilities, By Deposit Size and Number of Accounts

Account in Thousands, Amount in PHP Millions

| Deposit Size   | Number of Accounts | Percentage | Amount    | Percentage |
|----------------|--------------------|------------|-----------|------------|
| P15K and below | 30,638             | 77.1       | 53,302    | 1.0        |
| >P15K-P60K     | 4,167              | 10.4       | 133,669   | 2.6        |
| >P60K-P150K    | 2,018              | 5.0        | 194,952   | 3.8        |
| >P150K-P500K   | 1,759              | 4.4        | 488,856   | 9.5        |
| >P500K-P1M     | 509                | 1.3        | 351,108   | 6.8        |
| >P1M-P2M       | 209                | 0.7        | 386,116   | 7.5        |
| >P2M           | 340                | 0.9        | 3,510,822 | 68.6       |
| Total          | 39,720             | 100.0      | 5,118,825 | 100.0      |

Source: Quarterly Report on Deposits, PDIC, December 2010.



2.2 million members of 1,276 Philippines-based credit unions was recorded in 2009. This represents a 1 percent growth rate compared to savings in 2008 of US \$565 million. Average deposit per member in 2009 stood at US \$259 (PHP11,215).<sup>20</sup> While growth rate is minimal, this is still a positive indication of trust in the cooperative system as a repository of micro-deposits.

### Banks

As of December 2010, there were 39.72 million accounts involving total deposits of PHP5.1 trillion (US \$18B).

Micro-deposits valued at PHP15,000 (US \$346) and below reached PHP53.30B (US \$1.2B). This yields an average amount per account of PHP1,739 (US \$39). Micro-deposits comprised 77.1 percent of total accounts held by banks, but yielded only 1.0 percent of the total deposits. In contrast, deposits over PHP2.0 million (US \$46,200) were held in less than 1.0 percent of the accounts, but made up 68.6 percent in amount of deposits.<sup>21</sup>

Total deposits grew by 9.8 percent from 2009 to 2010. This is however lower than the 11.3 percent growth rate realised in 2008-2009. The slower growth rate is accounted for by commercial banks with 9.5 percent from the previous period's 11.4 percent. Interestingly, thrift and rural banks registered higher growth rates during the period with thrift banks growing by 13.8 percent from 12.0 percent and rural banks, 7.5 percent from 7.2 percent.

By depositor type, individual deposits accounted for 56.9 percent of total deposits in 2010, slightly lower than the 60.0 percent share in 2009. Private corporations' share increased from 26.1 percent to 30.0 percent; government deposits decreased from 10.3 percent to 9.9 percent; other accounts (banks, trust departments, OBUs and non-OBUs) remained steady at 2.2 percent share.

By type of deposit, savings deposits were the largest share at 46.7 percent, followed by time deposits at 34.8 percent, and demand and NOW deposits at 18.5 percent.

Table 8. Available Savings Products by Type of Products and Type of Institution, May 2011

| Type of Savings Product    | Number | Percentage | Bank Products | Percentage | Cooperative Products | Percentage |
|----------------------------|--------|------------|---------------|------------|----------------------|------------|
| Regular Savings Account    | 49     | 60.49%     | 29            | 54.72%     | 20                   | 71.43%     |
| Commitment Savings Account | 28     | 34.57%     | 21            | 39.62%     | 7                    | 25.00%     |
| Recurring Savings Account  | 4      | 4.9%       | 3             | 5.66%      | 1                    | 3.57%      |
| Total                      | 81     | 100%       | 53            | 100%       | 28                   | 100%       |



By type of bank, commercial banks continue to hold the largest share of deposit liabilities at 88.0 percent out of total deposit liabilities of PHP4,505 billion (US \$104B). The share of thrift banks was 9.6 percent with PHP491 billion (US \$11.34B) in deposit liabilities and rural banks share to total deposits was at 2.4 percent with PHP123 billion (US \$2.84B). ■

## The Surveyed Savings Products' Profiles

Twenty-seven financial institutions—20 banks and 7 cooperatives—participated in the SPINNAKER survey that set out to profile savings products considered to be accessible to low income groups. A total of 81 savings products from 27 financial institutions were processed in this study.

Regular savings accounts, which cover passbook, ATM and checking accounts, are the most common product offered by surveyed financial institutions with 49 products (60 percent of total products). Commitment savings

accounts, composed of time deposits and compulsory savings accounts linked to microfinance loans, had 28 products and account for 34 percent of the sample. There were 4 recurring savings accounts (5 percent of total products) making it the least common savings product being offered. In addition, both banks and cooperatives offer all three product types.

## Summary of Product Features in 8Ps

### Regular Savings Product

Generally, regular savings products focus on maximizing accessibility and convenience. In both banks and cooperatives, savers can open accounts for as little as PHP50 (US \$1.16), and efforts have been made to decrease identification requirements for opening an account. A key ruling by BSP allowed banks to require one valid ID card instead of two; this seemingly simple effort has improved accessibility among low-income individuals who operate in informal structures and might not have multiple government issued

Figure 6. 8 Ps for Regular Savings Products

|                   |  |
|-------------------|--|
| People            | <b>Service Providers</b> —Branch staff, collector who goes to depositor's place of business, residence or community.   |
| Price             | <b>Interest Rate</b> —1.55%. Bank: 1.04%; Coop: 2.37%.   |
| Product           | <b>Minimum Opening Balance</b> —PHP 752 (US \$7.51). Bank: PHP 1,100 (US \$25.541), range is from PHP 50 (US \$1.16) to above PHP 1,000 (US \$23.10); Coop: PHP 200 (US \$4.62), range is from PHP 50 - PHP 1,000 (US \$1.16 - \$23.10).<br><b>Minimum Maintaining Balance</b> —PHP 1,115 (US \$26.00). Bank: PHP 1,600 (US \$37.00); Coop: PHP \$300 (US \$7.00).<br><b>Target Occupational Group</b> —General Public. Coop: Open to all types but once must first be a coop member either as a regular or associate member.<br><b>Target Age Group</b> —Open to all age groups; some targeting of children and youth.<br><b>Withdrawals</b> —Anytime during office hours or 24 hours for those with ATM. |
| Process           | <b>Processing</b> —Instant Processing while you wait for passbook-supported accounts.<br><b>KYC Requirements</b> —a valid ID card, proof of address, and ID photos.  |
| Promotion         | <b>Main Promotional Campaign</b> —Bank: Product brochures, posters; Coop: Word of mouth.<br><b>Incentives</b> —prizes and gifts. Bank: Deposit insurance of up to PHP 500,000 (US \$11,500) per saver; Coop: Tax free deposit.<br><b>Market Research</b> —Generally in-house for both qualitative and quantitative models.   |
| Place             | <b>Place of transaction</b> —Branch for opening of accounts, wider selection of venues for regular servicing of accounts. Bank: Branch, ATM, Mobile phone, community; Coop: Branch, community, ATM.<br><b>Target geography</b> —No specific rural or urban target.   |
| Position          | Positioning is not included on this survey as form does not capture perception of clients on the product.  |
| Physical Evidence | <b>Physical evidence of product</b> —Bank: Branch, ATM, passbook, promotional materials; Coop: Branch, ATM, passbook.  |

## BankO: Expanding Mobile Banking Services to the Underserved

As of May 2010, mobile phone subscribers in the Philippines reached 80.45 million.<sup>22</sup> This large client base has allowed telecommunications companies to push forward the mobile banking agenda in the Philippines as part of their suite of services.

In an exciting initiative, Globe Telecom has partnered with one of the largest banks in the Philippines, Bank of the Philippine Islands (BPI), and the Ayala Corporation, to set up a mobile savings bank called BPI Globe BankO. The partnership bank which began in 2009 has started to roll out its operations in 2010 by testing a loan product. In 2011, BankO is set to launch a savings product with the use of an E-wallet platform linked with the BPI ATM network, the Globe broadband infrastructure, and its network of cash-in cash-out agents called KASH. BankO has set its sights to reach 1 million clients comprising the C, D and E market on the first year of launch beginning September 2011.

The aggressive target will be pursued in partnership with microfinance non-governmental organizations (microfinance NGOs), which currently avail of wholesale loans from BankO for on-lending to C, D and E low-income clients. As potential KASH agents, microfinance NGOs, which are not legally authorized to accept deposits from its clients, will now be able to offer their clients the opportunity to become BankO savers through their E-wallets.

Tentative features of the BankO savings product are as follows: a) opening amount of PHP50 (US \$1.15); b) opening fees of PHP50 (US \$1.15) for the ATM card; and PHP30 (US \$0.69) for a SIM; c) 1 percent fee per transaction; and d) life insurance benefit equivalent to 4 times the average daily balance. Another unique feature of the E-wallet is that money put in will earn interest. E-wallets can also be used to receive loans, and make payments to loans and purchases from accredited BankO merchants and partners.

Figure 7. 8 Ps for Regular Savings Products for Children and Youth

|                   |  |
|-------------------|--|
| People            | <b>Service Providers</b> —Branch staff.  |
| Price             | <b>Interest Rate</b> —1.31%, ranging from 0 - 5%.<br><b>Opening Fee</b> —Generally none except for cost of ATM card and/or passbook.<br><b>Closing fee</b> —PHP 38 (US \$0.89).<br><b>Inactivity fee</b> —Generally none, PHP34 (US \$0.79) per month for inactivity of 2 years.   |
| Product           | <b>Minimum Opening Balance</b> —PHP 174 (US \$4.00). Range is from PHP 0 - 1,000 (US \$0 - 23.00).<br><b>Minimum Maintaining Balance</b> —PHP 150 (US \$3.50), range is from PHP 0 - 500.<br><b>Target Occupational Group</b> —students.<br><b>Target Age Group</b> —children and youth.<br><b>Withdrawals</b> —Anytime. |
| Process           | <b>Processing</b> —Instant Processing at account opening.<br><b>KYC Requirements</b> —one valid ID (school ID) and photos.   |
| Promotion         | <b>Main Promotional Campaign</b> —notices/flyers/brochures, word of mouth.<br><b>Additional features</b> —prizes/targets, gifts, events for children to enjoy.<br><b>Other services offered</b> —None.<br><b>Market Research</b> —Generally in-house for both qualitative and quantitative models.                       |
| Place             | <b>Place of transaction</b> —Branch, ATM.<br><b>Target geography</b> —No specific rural or urban target.   |
| Position          | Positioning is not included on this survey as form does not capture perception of clients on the product.  |
| Physical Evidence | <b>Physical evidence of product</b> —Bank: Branch, ATM, passbook, promotional materials.   |

identification. Furthermore, Automated Teller Machines (ATM) have increasingly been adopted to increase convenience and attract a broader market segment. Associated costs for the client to receive an ATM card have been reported to be on average PHP100 (US \$2.30).

Within the cooperative sector, a successful measure has been the creation of a membership referred to as an “associate member.” Associate membership allows low-income individuals who initially might not have enough money to become a regular member to gradually save enough funds to meet the required share capital requirements, which ranges from PHP1,000–8,000 (US \$23-185). Once the capital requirements have been met, the associate member will graduate to a regular membership and obtain all the rights and privileges associated with a normal cooperative membership.

#### *Regular Savings Product for Children and Youth*

Eleven out of 49 regular savings products target children and youth. Financial institutions offer flexibility to young savers with some products relinquishing a minimum opening amount. Compared to the general regular savings



## **Educating Young Savers with Aflatoun**

For the youth savings program Aflatoun, savings is more than just storing money to prepare for the future. It is also used as a means to develop lifelong habits of thrift and financial discipline.

The National Confederation of Cooperatives (NATCCO) replicated the Aflatoun concept in the Philippines in 2006 in partnership with Aflatoun Child Social and Financial Education Organization, the CDA, and the Department of Education (DepEd). Among the early Aflatoun replicators are two NATCCO members- Baa Parish Multi Purpose Cooperative, and Cordova Multi Purpose Cooperative.

Aflatoun offers a Teacher’s Training Program to equip the teachers with the knowledge and skills in values and financial education. Aflatoun lessons can be integrated in formal schooling through Values/Character Education and other subject areas such as Mathematics deemed appropriate by the teacher.

The program links the school to a financial institution which will operate savings mobilisation. Aflatoun uses a child-friendly banking approach characterised by the following attributes:

- a. Enrolment in the savings scheme is voluntary
- b. Saving process in the classroom is operated by an Executive Committee
- c. Accounts are registered in both personal passbooks and an individual ledger
- d. Deposits can be made on a weekly basis
- e. Deposits and withdrawals exceeding a certain amount should be explained
- f. Parents can encourage their children to save but cannot participate directly in the savings scheme
- g. The depository cooperative assigns a collector to regularly visit the schools to collect the deposits

product, the youth savings accounts impose less demand on maintaining balance and fees in opening, closing, and dormancy of accounts. However, youth and children accounts carry a lower interest earning when compared to other savings products.

While highly accessible, convenience is not well established in the sample. Only branches and ATMs are cited as places where making and withdrawing deposits can take place. During key informant interviews, however, respondents mentioned partnership with schools to facilitate savings mobilisation. The usual scheme is for young savers to informally save as often as daily through piggy banks or lock boxes. Scheduled weekly or monthly visits in school are then made by a collector of the financial institution to accept and formalise the deposit. Financial institutions have also worked to improve the perception and motivation for savings among youth and children through active marketing programs, which involve prizes, gifts and events.

### *Commitment Savings: Time Deposits and Microsavings Linked to Microcredit*

The second type of product, commitment savings accounts, receives small but steady deposits in order to reach a target goal. The SPINNAKER survey reviewed three types of commitment products: contractual or programmed savings, time deposits, and accounts tied to microcredit.

Based on the surveyed financial institutions, two different commitment savings account types are highlighted below: time deposits and commitments savings tied to microcredit accounts.

### *Commitment Microsavings Linked to Microcredit*

By design, this type of commitment saving product is only extended to clients interested or engaged in microcredit. Once a loan application is approved, borrowers will be required to open and build-up a commitment savings account through small regular deposits, frequently done on a weekly basis. This savings product serves as a hold-out

Figure 8. 8 Ps for Commitment Savings: Microsavings Linked to Microcredit

|                   |   |
|-------------------|---|
| People            | <b>Service Providers</b> —Bank: Branch staff; Coop: Collector.  |
| Price             | <b>Interest Rate</b> —1.58%. Bank: 1.26%; Coop: 2.30%; ranging from 0 - 5%.<br><b>Opening Fee</b> —Generally none, sometimes cost of passbook is charged.<br><b>Closing Fee</b> —Bank: PHP 47 (US \$1.10); Coop: none.<br><b>Inactivity Fee</b> —PHP 31 (US \$0.73) per month after inactivity for 2 years.   |
| Product           | <b>Minimum Opening Balance</b> —PHP 139 (US \$3.24), range is from PHP 0 - 500 (US \$0 - 11.60).<br>Bank: PHP 159 (US \$3.71); Coop: dependent on loan amount.<br><b>Target Occupational Group</b> —micro entrepreneurs and low-wage workers.<br><b>Target Age Group</b> —mainly 18 years and above.<br><b>Withdrawal policy</b> —non-withdrawable until loan is outstanding. |
| Process           | <b>Processing</b> —Instant processing of account as part of loan, transactions are done through the branch and in weekly meetings in the communities.<br><b>KYC Requirements</b> —Usually one valid ID and photos, approved loan application.   |
| Promotion         | <b>Main Promotional Campaign</b> —notices/flyers/brochures; word of mouth.<br><b>Additional Features</b> —Prizes/targets, lotteries (bank).<br><b>Other Services Offered</b> —training, microcredit.<br><b>Market Research</b> —In-house for both qualitative and quantitative models.  |
| Place             | <b>Place of transaction</b> —Branch (bank), community (coop) for account opening, ATM (bank), mobile phone (coop).<br><b>Target geography</b> —Generally no specific rural or urban target.   |
| Position          | Low income savers appreciate the discipline of making compulsory regular small deposits. Non-withdrawability feature also helps them build up their savings fund. (Client feedback shared by representatives of financial institutions during key informant interviews).  |
| Physical Evidence | <b>Physical evidence of product</b> —Branch, ATM, passbook, promotional materials.  |

## Saving towards a Dream at Cebu’s People Multi-Purpose Cooperative

Cebu’s People Multi-Purpose Cooperative (CPMPC) was established in 1972 with headquarters in Cebu City, Philippines. With a tagline, “Investing in the Business of Realizing Dreams”, the cooperative has designed its savings campaign around the aspirations and future goals of its members.

The cooperative’s savings services have become an increasingly integral part of their financial offering, and more than 70 percent of the 33,000 regular and associate members classified as savers only. Among these members, more than half (15,403) are young savers. There is also a place for the very poor (such as junk collectors) to be part of the cooperative. Under the *Piso-Piso Tigom* (Peso-Peso Savings) Project, the poorest can save PHP1.0 (US \$0.02) a day. Started 2 years ago, there are now 700 savers under this project.

SAVED is another one of the cooperative’s saving products which stands for Savings Aiming for Ventures, Events and Dreams. Through personalized financial planning and check ups, the savings product encourages members to set aside a certain portion of his or her income and make regular deposits for a targeted future event or need.

CPMPC total deposit liabilities in 2010 reached PHP183.49 million (US \$ 4.24M) up by PHP45 million (US \$1.04M), a 32.6 percent growth rate, from PHP138.23 million (US \$3.19M) in 2009.

Figure 9. 8 Ps for Commitment Savings: Time Deposit

|                   |   |
|-------------------|---|
| People            | <b>Service Provider</b> —Branch staff.  |
| Price             | <b>Interest Rate</b> —minimum average 4.48%, within 2.5 - 5%; maximum average 7.5%, within 5.1 - 10% depending on amount of deposit.<br><b>Opening Fee</b> —None.<br><b>Closing Fee</b> —None.<br><b>Inactivity Fee</b> —None.  |
| Product           | <b>Minimum Opening Balance</b> —PHP 16,583 (US \$385.66), majority within PHP 1,000 - 5,000 (US \$23.00 - \$116.00)<br><b>Target Occupational Group</b> —Open to the public.<br><b>Target Age Group</b> —Any age.<br><b>Withdrawal policy</b> —Non-withdrawable until maturity, or else will revert to a regular savings account. |
| Process           | <b>Processing</b> —Instant processing of account opening. All transactions are done through the branch.<br><b>KYC Requirements</b> —Usually one valid ID and photos.  |
| Promotion         | <b>Main Promotional Campaign</b> —Word of mouth, notices/flyers/brochures.<br><b>Additional Features</b> —None.<br><b>Other Services Offered</b> —None<br><b>Market Research</b> —Generally in-house for both qualitative and quantitative models.  |
| Place             | <b>Place of transaction</b> —Branch only.<br><b>Target geography</b> —None  |
| Position          | Positioning is not included on this survey as form does not capture perception of clients on the product.   |
| Physical Evidence | <b>Physical evidence of product</b> —Branch, certificate of deposit, promotional materials.   |



deposit on the loan. It can be a source of funds for the borrower to pay off an outstanding loan in case of default and generally cannot be accessed by the client unless the loan is fully paid or the borrower exits from the program. The summary of product features presented below is based on a sample of 16 products.

Tying deposits to loan payments provides a convenient way for clients to build-up precautionary savings and for banks to have assurance. Key informants cited that this type of commitment savings scheme encourages financial institutions to offer an array of products to meet varying attitudes and situations of the market while also building confidence among clients to diversify his or her financial services.

#### *Commitment Savings: Time Deposit*

Another type of commitment savings takes the form of a time deposit which is interest bearing with a specific maturity period. If the client can keep a fund untouched for a predetermined amount of time, the saver is entitled to a higher interest rate. In particular, of the four savings product types profiled, commitment time deposits offer the highest interest rates from a minimum 2.5 percent to more than 10 percent depending on the deposit amount.

Due to the small sample of 12 products, a breakdown between banks and cooperatives is not provided; however, both types of institutions do offer time deposits to the market. The higher opening amount required for this account, at a minimum of PHP1,000 (US \$23) to a maximum of millions of pesos, does not make this type of product generally accessible to low-income savers.

#### *Recurring Deposit*

As the third product type, recurring savings account comprises a mix of the two other products - regular savings and commitment savings. Its similarity with commitment savings is the provision for regularity of deposit though there is more flexibility on frequency and amount for recurring deposit. In the sample, pensioners who receive regular allocation from the social security system are identified as the primary target group.

Only four recurring products were captured in the SPINNAKER database which made this product type the least common. The prominent features of this type of account are low opening and maintaining balances, low interest rates, and absence of restriction on withdrawal. In the sample, the average opening balance is PHP100 (US \$2.32). ❑

### **Empowering Women Depositors at Green Bank**

Green Bank is a rural bank based in Butuan City, Philippines. Since its establishment in 1974, it has grown to reach more than 200,000 depositors and mobilize a total savings of US \$29.3M as of 2009.<sup>23</sup>

In mid-2000, Green Bank started to offer a new savings product called SEED, which stands for Save, Earn, Enjoy Deposit. SEED is a commitment savings account built on a financial goal that the depositor sets when opening the account and withdrawals are restricted until the goal is reached. To make deposits more convenient, the saver can acquire a lockbox to store small amounts at home, which are subsequently deposited into the SEED account. To support the depositor in sticking to the goal, the bank keeps the key of the lockbox.

Within 12 months, SEED account holders who received marketing and promotional campaigns increased their average bank account balances by 80 percent.<sup>24</sup> Green Bank then partnered with researchers from Harvard Business School, Yale University and University of Chicago to examine if this mechanism of financial control fostered empowerment of women. Using a randomised controlled trial, the study found that financial control positively affected the overall household power of women. "Particularly for women who have below median decision-making power in the baseline... [positive impact] leads to a shift towards female-oriented durable goods purchased in the household." (Ashraf, Karlan, and Yin, March 2008)

Figure 10. 8 Ps for Recurring Deposits

|                   |  |
|-------------------|--|
| People            | <b>Service Providers</b> —Branch staff, collector.   |
| Price             | <b>Interest Rate</b> —1.00%, ranging from 0.5 - 1.5%.<br><b>Opening Fee</b> —None.<br><b>Closing Fee</b> —PHP 62 (US \$1.45), ranging from PHP 50 - 100 (US \$1.16 - \$2.32)<br><b>Inactivity Fee</b> —PHP 55 (US \$1.28) monthly, for inactivity after 2 years. |
| Product           | <b>Minimum Opening Balance</b> —PHP 100 (US \$2.32)<br><b>Minimum Maintaining Balance</b> —None.<br><b>Target Occupational Group</b> —Pensioners.<br><b>Target Age Group</b> —Elderly.<br><b>Withdrawals</b> —Anytime.   |
| Process           | <b>Processing</b> —Instant processing at account opening.<br><b>KYC Requirements</b> —Usually one valid ID and photos.   |
| Promotion         | <b>Main Promotional Campaign</b> —Notices/flyers/brochures, word of mouth.<br><b>Additional Features</b> —None.<br><b>Other Services Offered</b> —None.<br><b>Market Research</b> —In-house for both qualitative and quantitative models.                        |
| Place             | <b>Place of transaction</b> —Branch, community.<br><b>Target geography</b> —None.  |
| Position          | Positioning is not included on this survey as form does not capture perception of clients on the product.  |
| Physical Evidence | <b>Physical evidence of product</b> —Branch, ATM, promotional materials.   |



## Detailed Profile of the Regular Savings Product

A detailed breakdown of the regular savings product' features are based on the data collected on 49 regular savings products in our survey.

### Price—Interest Rate

| Interest Rate | All Products | Percentage | Bank Products | Percentage | Cooperative Products | Percentage |
|---------------|--------------|------------|---------------|------------|----------------------|------------|
| 0-0.5%        | 13           | 26.53%     | 12            | 40.00%     | 1                    | 5.26%      |
| 0.6-1%        | 13           | 26.53%     | 9             | 30.00%     | 4                    | 21.05%     |
| 1.1-1.5%      | 4            | 8.16%      | 3             | 10.00%     | 1                    | 5.26%      |
| 1.6-2%        | 9            | 18.37%     | 5             | 16.67%     | 4                    | 21.05%     |
| 2.1-2.5%      | 5            | 10.20%     | 0             | 0.00%      | 5                    | 26.32%     |
| 2.6-3%        | 1            | 2.04%      | 1             | 3.33%      | 0                    | 0.00%      |
| 3.1-3.5%      | 0            | 0.00%      | 0             | 0.00%      | 0                    | 0.00%      |
| 3.6-4%        | 1            | 2.04%      | 0             | 0.00%      | 1                    | 5.26%      |
| 4-4.5%        | 0            | 0.00%      | 0             | 0.00%      | 0                    | 0.00%      |
| 4.6-5%        | 3            | 6.12%      | 0             | 0.00%      | 3                    | 15.79%     |
| Total         | 49           | 100        | 30            | 0.00%      | 19                   | 100        |
| Average       | 1.55%        |            | 1.04%         |            | 37%                  |            |

On average, the interest rates offered by cooperatives are more than a full percentage point higher than that of banks. A key informant in the cooperative sector cited an increase in the number of service providers for motivating cooperatives to offer higher rates of interest to attract savers. Banks, on the other hand, experience high liquidity due to the influx of funds from private and government wholesale lending institutions. This has caused banks to be less focused on creating competitive interest rates to promote savings from the public.

### Price—Opening Fees

| Amount in PHP | All Products | Percentage | Bank Products | Percentage | Cooperative Products | Percentage |
|---------------|--------------|------------|---------------|------------|----------------------|------------|
| 0             | 44           | 89.80%     | 28            | 93.33%     | 16                   | 84.21%     |
| 20            | 1            | 2.04%      | 0             | 0.00%      | 1                    | 5.26%      |
| 25            | 1            | 2.04%      | 0             | 0.00%      | 1                    | 5.26%      |
| 100           | 1            | 2.04%      | 1             | 3.33%      | 0                    | 0.00%      |
| 200           | 2            | 4.08%      | 1             | 3.33%      | 1                    | 5.26%      |
| Total         | 49           | 100%       | 30            | 100%       | 19                   | 100%       |

Most of the products in the sample do not require an opening fee, making these savings products easily accessible with a very low access threshold to open (89.80 percent for the sample, 93.33 percent for banks and 84.21 percent for cooperatives). If there is an opening fee, it is mainly used for the production of an ATM card.



### Price—Closing Fees

| Amount in PHP | All Products | Percentage | Bank Products | Percentage | Cooperative Products | Percentage |
|---------------|--------------|------------|---------------|------------|----------------------|------------|
| 0             | 27           | 55.10%     | 9             | 30.00%     | 18                   | 94.74%     |
| 1-25          | 5            | 10.20%     | 5             | 16.67%     | 0                    | 0.00%      |
| 26-50         | 6            | 12.24%     | 5             | 16.67%     | 1                    | 5.26%      |
| 51-100        | 6            | 12.24%     | 6             | 20.00%     | 0                    | 0.00%      |
| > 100         | 5            | 10.20%     | 5             | 16.67%     | 0                    | 0.00%      |
| Total         | 49           | 100%       | 30            | 100%       | 19                   | 100%       |

Closing fees are used as a disincentive against transient savings. Accounts closed within 6 months from opening are penalised through the charging of closing fees. Beyond six months, no closing fee is usually charged.

### Price—Dormancy Fees

| Amount in PHP | All Products | Percentage | Bank Products | Percentage | Cooperative Products | Percentage |
|---------------|--------------|------------|---------------|------------|----------------------|------------|
| 0             | 19           | 38.78%     | 7             | 23.33%     | 12                   | 63.19%     |
| 1-25          | 11           | 22.45%     | 5             | 16.67%     | 6                    | 31.58%     |
| 26-50         | 7            | 14.29%     | 7             | 23.33%     | 0                    | 0.00%      |
| 51-100        | 5            | 10.20%     | 4             | 13.33%     | 1                    | 5.26%      |
| > 100         | 7            | 14.29%     | 7             | 23.33%     | 0                    | 0.00%      |
| Total         | 49           | 100        | 30            | 100        | 19                   |            |
| Average       | 48.27        |            | 73.00         |            | 9.21                 |            |

A dormancy fee for inactive accounts after 1 or 2 years is charged by both banks and cooperatives; however, this is more common practice in banks than cooperatives.

### Product Design—Minimum Opening Amount

| Minimum Opening Amount (PHP) | All Products | Percentage | Bank Products | Percentage | Cooperative Products | Percentage |
|------------------------------|--------------|------------|---------------|------------|----------------------|------------|
| 0-50                         | 11           | 22.45%     | 3             | 10.00%     | 8                    | 42.11%     |
| 50-100                       | 13           | 26.53%     | 8             | 26.67%     | 5                    | 26.32%     |
| 101-200                      | 4            | 8.16%      | 3             | 10.00%     | 1                    | 5.26%      |
| 201-300                      | 2            | 4.08%      | 2             | 6.67%      | 0                    | 0.00%      |
| 301-400                      | 0            | 0.00%      | 0             | 0.00%      | 0                    | 0.00%      |
| 401-500                      | 10           | 20.41%     | 6             | 20.00%     | 4                    | 21.05%     |
| 501-1000                     | 4            | 8.16%      | 3             | 10.00%     | 1                    | 5.26%      |
| >1000                        | 5            | 10.20%     | 5             | 16.67%     | 0                    | 0.00%      |
| Total                        | 49           | 100%       | 30            | 100%       | 19                   | 100%       |
| Average                      | 752.76       |            | 1,100.67      |            | 203.42               |            |

Savings in both banks and cooperatives are generally accessible to low-income groups. More than 50 percent of savings products only ask for PHP200 (US \$ 4.54) or below as minimum opening amount.

## Product Design—Minimum Maintaining Balance

| Amount in PHP        | All Products | Percentage | Bank Products | Percentage | Cooperative Products | Percentage |
|----------------------|--------------|------------|---------------|------------|----------------------|------------|
| Based on loan amount | 1            | 2.04%      | 1             | 3.33%      | 0                    | 0.00%      |
| 0-50                 | 6            | 12.24%     | 0             | 0.00%      | 6                    | 31.58%     |
| 51-100               | 13           | 26.53%     | 9             | 30.00%     | 4                    | 21.05%     |
| 101-200              | 3            | 6.12%      | 2             | 6.67%      | 1                    | 5.26%      |
| 201-300              | 3            | 6.12%      | 2             | 6.67%      | 1                    | 5.26%      |
| 301-400              | 0            | 0.00%      | 0             | 0.00%      | 0                    | 0.00%      |
| 401-500              | 10           | 20.41%     | 7             | 23.33%     | 3                    | 15.79%     |
| 501-1000             | 6            | 12.24%     | 2             | 6.67%      | 4                    | 21.05%     |
| >1000                | 7            | 14.29%     | 7             | 23.33%     | 0                    | 0.00%      |
| Total                | 49           | 100%       | 30            | 100%       | 19                   |            |
| Average              | 752.76       |            | 1,100.67      |            | 203.42               |            |

With 39 percent of bank products requiring a minimum maintaining balance of only PHP100 (US \$2.27) or below, this is a positive indication of banks welcoming micro-depositors. And more than half of cooperatives offer a savings products which requires PHP100 or below.

### A Call to Save from Gata Daku Multi-Purpose Cooperative

Gata Daku Multi-Purpose Cooperative (GDMPC) was established in 1992 by 32 farmers in Clarin, Misamis Occidental, Philippines. After nearly two decades, the cooperative has grown its membership to more than 14,000 regular and associate members, in which 8,000 are active savers (55 percent of membership). GDMPC was recognised as the most outstanding cooperative in Mindanao in 2010 by the National Livelihood Development Corporation, a government wholesale lender.

Operating in a rural agricultural area, the cooperative has utilized technology to provide quality and efficient services to its members. To process the application of incoming members, the cooperative uses an electronic pad to capture the e-signature of new members. Then using a digital camera, a photo of the member is taken and stored electronically in the cooperative's client database. This small investment in technology (e-pad, camera and computer) for each branch has enabled new members to save on pre-membership cost, estimated at PHP100 (US\$2.31) from foregoing an ID photo shoot.

The cooperative has also invested in hand-held Mobile Teller Machines (MTM) to improve the transparency of information and to increase the efficiency of operations. The MTM enables the following transactions to be conducted on site: loan release and payment, savings deposit and withdrawal, balance inquiry, printing of receipt of payment or deposit, among others. This service has worked to decrease transportation costs for members without sacrificing security. An investment of PHP150 (US \$3.45) was needed to cover the cost of the e-card.

Five savings products are currently offered by GDMPC under the acronym TRY ME:

- T- Time Deposit
- R- Regular Savings
- Y- Youth Bee Savings
- M- My Graduation Savings
- E- Education Savings

### Target Market—Occupational Group

| Occupational Group           | All Products | Percentage | Bank Products | Percentage | Cooperative Products | Percentage |
|------------------------------|--------------|------------|---------------|------------|----------------------|------------|
| Various groups               | 27           | 55.10%     | 23            | 76.67%     | 4                    | 21.05%     |
| Various groups— Coop members | 15           | 30.61%     | 0             | 0.00%      | 15                   | 79.95%     |
| Students                     | 2            | 4.08%      | 2             | 6.67%      | 0                    | 0.00%      |
| Employed/Business men        | 3            | 6.12%      | 3             | 10.00%     | 0                    | 0.00%      |
| Micro entrepreneurs only     | 2            | 4.08%      | 2             | 6.67%      | 0                    | 0.00%      |
| Total                        | 49           | 100%       | 30            | 100%       | 19                   | 100%       |

The data do not show strong evidence of market segmentation by type of occupation. In the table below, bank data identify some level of segmentation by: student, employees and self-employed/micro entrepreneurs.

### Target Market—Age Group

| Age                 | All Products | Percentage | Bank Products | Percentage | Cooperative Products | Percentage |
|---------------------|--------------|------------|---------------|------------|----------------------|------------|
| Any age             | 3            | 6.12%      | 3             | 10.00%     | 0                    | 0.00%      |
| 12 years and below  | 2            | 4.08%      | 1             | 3.33%      | 12                   | 5.26%      |
| 17 years and below  | 8            | 16.33%     | 4             | 13.33%     | 4                    | 21.05%     |
| 13 to 17 years only | 1            | 2.04%      | 0             | 0.00%      | 1                    | 5.26%      |
| 13 years and above  | 4            | 8.16%      | 4             | 13.33%     | 0                    | 0.00%      |
| 18 years and above  | 31           | 63.27%     | 18            | 60.00%     | 13                   | 68.42%     |
| Total               | 49           | 100%       | 30            | 100%       | 19                   | 100%       |

By age group, two market segments are highlighted: adults and youth, with the youth further segmented between young adults (13-17 years) and children (below 12 years).

### Other Services Offered in Savings Product Package

| Other Services          | All Products | Percentage | Bank Products | Percentage | Cooperative Products | Percentage |
|-------------------------|--------------|------------|---------------|------------|----------------------|------------|
| Direct Deposit *        | 4            | 8.16%      | 2             | 6.67%      | 2                    | 10.53%     |
| Training                | 5            | 10.20%     | 2             | 6.67%      | 3                    | 15.79%     |
| Grouping/Social Network | 1            | 2.04%      | 1             | 3.33%      | 0                    | 0.00%      |
| Education               | 1            | 2.04%      | 1             | 3.33%      | 0                    | 0.00%      |
| Accident Insurance      | 1            | 2.04%      | 1             | 3.33%      | 0                    | 0.00%      |
| None                    | 38           | 77.55%     | 24            | 80.00%     | 14                   | 73.68%     |
| Total                   | 49           | 100%       | 30            | 100%       | 19                   | 100%       |

\*Direct deposit, also known as direct credit, is a banking term used to refer to certain payment systems used to transfer money where a payment is initiated by the payer and not the payee.

For the majority of products (77.55 percent), no additional services are offered. For those select products, the accompanying services offered included capacity building (training and education), social networking and accident insurance.

## Process—Processing Time

| Time                       | All Products | Percentage | Bank Products | Percentage | Cooperative Products | Percentage |
|----------------------------|--------------|------------|---------------|------------|----------------------|------------|
| Instant                    | 45           | 91.84%     | 27            | 90.00%     | 18                   | 94.74%     |
| Delayed less than 24 hours | 1            | 2.04%      | 0             | 0.00%      | 1                    | 5.26%      |
| Delayed 24 hours to a week | 2            | 4.08%      | 2             | 6.67%      | 0                    | 0.00%      |
| 1 to 2 weeks               | 1            | 2.04%      | 1             | 3.33%      | 0                    | 0.00%      |
| Total                      | 49           | 100%       | 30            | 100%       | 19                   | 100        |

Efficiency in opening a savings accounts characterise both banks and cooperatives when dealing with passbook-based savings (91.84 percent for total sample, 90.00 percent for banks and 94.76 percent for cooperatives). Longer processing times usually occur when there are other items being processed, such as loan arrangements coupled with the savings account, or accounts involving e-card or ATM card.

### Bangko Kabayan Evolving to Meet the Needs of their Customers

Bangko Kabayan, was established on August 19, 1957 with the vision to uplift the quality of life in rural communities. It initially began its operations by rediscounting funds from BSP. However, the bank realized that in order to create an efficient banking infrastructure for the community, it would have to build up its capacities for local fund generation. This fueled the bank to develop savings products. Early on in product development, the bank recognized the importance and need to develop effective strategies and methods to deliver products directly to target markets.

Two important delivery methods proved effective to the bank in its early stage of development. One involved the provision of door step banking, which appointed collectors to go directly to customer households at frequent intervals to collect deposits. The second method was to implement a community-based marketing and promotional campaign, which would organize activities and lotteries for community members. Financial literacy classes were also offered in schools to reach out to students and their parents. These events enabled bank officers and staff to interact with the people, and create a feeling of trust and confidence in the bank.

Still committed to quality and efficient delivery of services, the bank has recently experimented using mobile technology to serve hard-to-reach areas, such as island barangays. Bangko Kabayan has partnered with GXI, a subsidiary of Globe Telecommunications, to implement the G-cash mobile money model in conjunction with the deployment of agent models in the island community. Although the mobile delivery mechanism has potential to reduce costs and increase efficiency, several challenges have been identified in the pilot tests including:

- Inadequate agent value proposition for the agent to continue operating (few transactions in a month, sometimes none in two weeks).
- Factor of trust with the customers to handover the money to an agent.
- Liquidity availability at the agent location to service the transactions.
- Absence of integration of technology back end from Globe to Bangko Kabayan for real time updating of information.

### People, Place and Physical Evidence—Delivery Method

| Method                 | All Products | Percentage | Bank Products | Percentage | Cooperative Products | Percentage |
|------------------------|--------------|------------|---------------|------------|----------------------|------------|
| Branch                 | 48           | 97.96%     | 30            | 100.00%    | 18                   | 94.74%     |
| Agent/Collector        | 12           | 24.49%     | 5             | 16.67%     | 7                    | 36.84%     |
| ATM                    | 20           | 40.82%     | 12            | 40.00%     | 8                    | 42.11%     |
| Mobile Phone/Telephone | 6            | 12.24%     | 6             | 20.00%     | 0                    | 0.00%      |
| Web                    | 2            | 4.08%      | 2             | 6.67%      | 0                    | 0.00%      |
| Mobile Teller Machines | 3            | 6.12%      | 0             | 0.00%      | 3                    | 15.79%     |
| Total                  | 49           |            | 30            |            | 19                   |            |

The branch remains the predominant place to service savings for both banks and cooperatives. The two most common supplementary delivery mechanisms were ATM and community collectors (staff who go directly to communities).

Other modern means of servicing savings for bank clients are mobile phones and the web. Mobile teller machines (similar to POS machine) provide support to the cooperative staff to complete transactions on field with real time link to the branch. Mobile delivery mechanisms were offered with six savings products all of which were offered by a bank.

According to key informants, in addition to high cost of initial investment, technology deployments have been restrained by a loss of 'personalised banking'. To help develop trust and confidence in formal financial services, low-income clients value interactions with staff; in particular, informant interviews at cooperatives stressed the importance of long standing relationships with their clients, which provides low-income clients assurance that their funds are safe and secure.

### Promotion—Advertising

| Advertising              | All Products | Percentage | Bank Products | Percentage | Cooperative Products | Percentage |
|--------------------------|--------------|------------|---------------|------------|----------------------|------------|
| Billboards/Posters       | 3            | 6.12%      | 3             | 10.00%     | 0                    | 0.00%      |
| Notices/Flyers/Brochures | 39           | 79.59%     | 26            | 86.67%     | 13                   | 68.42%     |
| Word of Mouth            | 38           | 77.55%     | 20            | 66.67%     | 18                   | 94.74%     |
| Online/e-media           | 18           | 36.73%     | 13            | 43.33%     | 5                    | 26.32%     |
| Referrals                | 2            | 4.08%      | 2             | 6.67%      | 0                    | 0.00%      |
| Other print media        | 9            | 18.37%     | 9             | 30.00%     | 0                    | 0.00%      |
| Events                   | 5            | 10.20%     | 1             | 3.33%      | 4                    | 21.05%     |
| Radio                    | 1            | 2.04%      | 1             | 3.33%      | 0                    | 0.00%      |
| Total                    | 49           |            | 30            |            | 19                   |            |

The most common form of advertising for the surveyed savings products is through the use of traditional print media, namely flyers, posters, notices and brochures (79.59 percent of the products). This is followed by word of mouth (77.55 percent), which drives uptake primarily among low-income groups; in particular, cooperatives identified that word of mouth was the predominate way they relied on promoting their products. The third most common advertising tool is online or electronic media, in which financial institutions would showcase their suite of products and features on their website (36.73 percent).

## Promotion—Additional Features of Products

| Features         | All Products | Percentage | Bank Products | Percentage | Cooperative Products | Percentage |
|------------------|--------------|------------|---------------|------------|----------------------|------------|
| Bonuses/Top Ups  | 3            | 6.12%      | 33            | 10.00%     | 0                    | 0.00%      |
| Campaigns        | 4            | 8.16%      | 4             | 13.33%     | 0                    | 0.00%      |
| Discounts        | 1            | 2.04%      | 1             | 3.33%      | 0                    | 0.00%      |
| Lotteries        | 2            | 4.08%      | 2             | 6.67%      | 0                    | 0.00%      |
| Prizes/Targets   | 10           | 20.41%     | 4             | 13.33%     | 6                    | 31.58%     |
| Gifts            | 3            | 6.12%      | 1             | 3.33%      | 2                    | 10.53%     |
| Medical Benefits | 1            | 2.04%      | 0             | 0.00%      | 1                    | 5.26%      |
| Scholarships     | 2            | 4.08%      | 0             | 0.00%      | 2                    | 10.53%     |
| Tax Free         | 2            | 4.08%      | 0             | 0.00%      | 2                    | 10.53%     |
| None             | 15           | 30.61%     | 14            | 46.67%     | 10                   | 52.63%     |
| Total            | 49           |            | 30            |            | 19                   |            |

Nearly half of the products do not have additional features to help promote their services to potential customers.

For the half which use added features, the most common involve giving away prizes to savers such as piggy banks, lock boxes, and t-shirts. Banks also use deposit insurance as a key marketing message to save in banks; for example, a maximum of PHP500,000 (US \$11,360) in savings is insured through the Philippine Deposit Insurance Corporation (PDIC). There is no such insurance for cooperatives that is mandated by law. However, as an additional feature, cooperatives employ a tax free privilege as key message to incentivize savings at a cooperative.

### Security and Convenience through the E-Wallet

In 2011, the First Consolidated Cooperative along the Tanon Seaboards (FCCT Cooperative), Smart Telecommunications and Seed Finance worked in partnership to implement a mobile banking system. Using the developed mobile money E-Wallets, FCCT Cooperative members can transfer and receive money to and from other E-Wallet holders and Smart Money Centres. Members can also withdraw money through an ATM and pay for purchases and utility bills at any Smart Money Centres and affiliated business centres. To ensure all money transfers have gone through, a text message notifies the client of all transactions made through the E-Card.

## Conclusion

In exploring the range of savings products for the poor, this study surveyed 81 products across 27 financial institutions. The most common savings product type offered was classified by financial institutions as a regular savings product, which constituted 60% of the total savings accounts surveyed. Although being categorized as regular, many of these savings products were effective in having particular features which made them financially viable and accessible to low-income clients. Based on the survey results, almost half of regular savings products had a minimum opening amount of PHP 100 or less (US \$2.31), and 70 percent of all regular savings accounts offered additional features like prizes, bonuses, campaigns, lotteries, among other supplementary features. In addition, one in five regular savings accounts were geared towards youth and children, which shows a long-term commitment to financial literacy and developing savings habits.

One product type that works to integrate financial institutions' microfinance services is the commitment savings product linked to microcredit. While the main purpose of this product for financial institutions is to have a source of funds to draw upon in case of client default, it has also worked to demonstrate the importance of savings allocation and diversified finances among clients. Increasing confidence in savings capacities has been cited by key informants from financial institutions as a common client feedback.

Finally, of the 81 products surveyed, only 4 were classified as recurring standard deposit accounts, with two products targeting the elderly population and pension savings. This shows a gap in linking government-to-person payments, payroll and remittances to savings and an opportunity for product development to address these accumulations.

In examining product innovation and development, it is apparent that government regulation and technology have the potential to increase the unbanked and low-income population's access to formal savings though barriers and challenges remain. The regulatory framework put forth by the BSP provides a conducive environment for the growth of inclusive microfinance, with specific provisions to mobilize savings among low-income groups. The BSP has also been working with banks to spur innovation and adoption of technology with the goal of reaching out to the unbanked population.

Financial institutions have responded to technology with varying degrees of acceptance and prudence. Larger institutions such as universal and commercial banks are at the forefront, but increasingly, rural banks and cooperatives have begun to experiment as well. Although electronic money is demanding more attention, on-going efforts to test deployments have yielded varying degrees of success. Further understanding the value propositions for service providers and customers will be key to expanding outreach.

In terms of accessibility, cooperative and bank branches are the predominant delivery channels. However, other popular delivery channels include ATMs and staff deposit-collectors, indicating that these institutions are increasingly using non-traditional methods to reach more clients. These experimental methods may be the initial steps in further developing and adopting new technologies.

Challenges remain for institutions to take these non-traditional methods into more technologically advanced channels, such as mobile phones, the internet, and mobile teller machines. This is not only due to the high initial cost of investment but also because low-income savers have a preference for personalized banking and prefer to interact with staff in a more traditional manner, especially when making the leap from informal to formal financial services. Despite these challenges, there are indications that financial institutions are moving forward in deploying technology. The BSP has actively studied the risks and opportunities of mobile banking and has set rules to lay the legal foundation for mobile banking operations. There remains much room for innovators to come up with cost-effective applications that meet the needs of low-income markets.

In identifying gaps for future research, it is clear that more recent data and analysis on savings behavior is required. First, demand-side data, in particular concerning demand for and barriers to formal savings, are key to further assessing and understanding the current savings landscape and providing recommendations for product development. Second, the product survey and key informant interviews highlight several recently launched products with innovative technologies such as mobile banking. Their degree of success has yet to be determined since many are still in experimental stages, making future research and evaluation of these products valuable to the development of the field. Third, future research should examine the impact of the government's recently enacted bank and coopera-



tive regulations that aim to mobilize savings for the poor. Finally, cross-country comparisons of savings product data would provide a more holistic analysis of the landscape of savings products.

In examining the approach and research instruments of this study, there are a number of recommendations to improve and further develop the research methodology. This study devoted much time and attention to gathering data on savings products features in order to provide a more extensive and objective examination and analysis of the landscape of savings products. However, the study received varying responses from participating institutions—some provided complete information; others partially completed the data form, and a few institutions refused to participate in the

study all together. To help address this issue, further establishing and leveraging relationships with networks will help to expand and facilitate participation. Finally, in order to better distinguish innovative features, reworking the data entry form to better standardize the terms that define product details will provide more useful comparisons.

Through preliminary research, savings product data surveys, and key informant interviews, this study found that savings mobilization is emerging as an important sector of the Philippine financial system. As the savings for the poor landscape develops, it will be molded by innovations in product development, regulatory environment, and technology with opportunities for future research to assess, further expand on, and answer questions presented in this study. ❖





## Annex 1. List of Resource Materials

| Name of Institution/Reports/<br>Available Information                                    | Website/Links  |
|--|--|
| National Statistics Office   | <a href="http://www.census.gov.ph/">http://www.census.gov.ph/</a><br>Income and expenditure survey: <a href="http://www.census.gov.ph/data/pressrelease/ie97ftx.html">http://www.census.gov.ph/data/pressrelease/ie97ftx.html</a> <ul style="list-style-type: none"> <li>• Percent Distribution of Family Expenditure by Expenditure Item for the Bottom 30 Percent and Upper 70 Percent Income Group: 2006 and 2009</li> <li>• Average Income, Expenditure and Savings of Families By Region at Current Prices: 2006 and 2009</li> <li>• Total Income, Expenditure and Savings of Families By Region at Current Prices: 2006 and 2009</li> <li>• Average Income, Expenditure and Savings of Families at Current Prices by Income Decile: 2006 and 2009</li> </ul> |
| Philippines Deposit Insurance Corporation  | Quarterly report on deposits, Dec 2010; Regional Profile of Deposits, June 2010:<br><a href="http://www.pdic.gov.ph/">http://www.pdic.gov.ph/</a>  |
| Bagko Sentral ng Pilipinas (BSP)   | <a href="http://www.bsp.gov.ph/about/overview.asp">http://www.bsp.gov.ph/about/overview.asp</a><br><br>BSP 2010 Annual Report:<br><a href="http://www.bsp.gov.ph/downloads/publications/2010/annrep2010.pdf">http://www.bsp.gov.ph/downloads/publications/2010/annrep2010.pdf</a><br>Banking Statistics (Banking System Financials per Type of Institution, Regional Profile per Product, Banking System Physical Networks):<br><a href="http://www.bsp.gov.ph/banking/bspsup.asp">http://www.bsp.gov.ph/banking/bspsup.asp</a>  |
| UNDP, Human Development Report 2005  | <a href="http://hdr.undp.org/">http://hdr.undp.org/</a>  |
| Philippines in Perspective   | <a href="http://fieldsupport.dliflc.edu/products/cip/Philippines/philippines.pdf">http://fieldsupport.dliflc.edu/products/cip/Philippines/philippines.pdf</a>  |
| National Statistical Coordination Board 2009   | <a href="http://www.nscb.gov.ph/">http://www.nscb.gov.ph/</a>  |
| ADB, Schelzig, Karin, Poverty in the Philippines: Incme, Assets and Access, January 2005 | <a href="http://www.adb.org/Documents/Books/Poverty-in-the-Philippines/Poverty-in-the-philippines.pdf">http://www.adb.org/Documents/Books/Poverty-in-the-Philippines/Poverty-in-the-philippines.pdf</a>  |
| PIDS, Studies on savings behaviour   | <a href="http://dirp4.pids.gov.ph/ris/wp/pidswp8815.pdf">http://dirp4.pids.gov.ph/ris/wp/pidswp8815.pdf</a><br><a href="http://www3.pids.gov.ph/ris/pjd/pidsjpd90-2saving.pdf">http://www3.pids.gov.ph/ris/pjd/pidsjpd90-2saving.pdf</a><br><a href="http://www3.pids.gov.ph/ris/wp/pidswp9106.pdf">http://www3.pids.gov.ph/ris/wp/pidswp9106.pdf</a>  |
| Unlad Kabayan  | Basic Course on Migrant Savings for Alternative Investment (MSAI) and Reintegration  |
| World Bank   | Philippines Development Report 2009<br><a href="http://siteresources.worldbank.org/INTPHILIPPINES/Resources/Philippines_Development_Report_2009.pdf">http://siteresources.worldbank.org/INTPHILIPPINES/Resources/Philippines_Development_Report_2009.pdf</a>   |
| Cooperative Development Authority  | CDA 2010 Annual Report:<br><a href="http://www.cda.gov.ph/website/Downloads/SelectedStats2010.pdf">www.cda.gov.ph/website/Downloads/SelectedStats2010.pdf</a>  |
| CGAP, Gardiol, Isabel Dauner, Helms, Brigit and Deshpande, Rani, August 2005             | Philippines: Country Level Assessment  |

## Annex 1. List of Resource Materials, Continued

| Name of Institution/Reports/<br>Available Information | Website/Links   |
|---|---|
| Department of Finance                                 | <p>Manual of. Primer on the Manual of Rules and. Regulations for Cooperatives with. Savings and Credit Services in the. Philippines:<br/> <a href="http://www.dof.gov.ph/nccsite/htm/..percent5Creportpercent5CMORR_Primer_6x9.pdf">http://www.dof.gov.ph/nccsite/htm/..percent5Creportpercent5CMORR_Primer_6x9.pdf</a></p> <p>Regulatory Framework for Microfinance<br/> <a href="http://docs.google.com/viewer?a=v&amp;q=cache:qv7kA5Zmq_8J:www.dof.gov.ph/pdf/Annex1.pdf+micro+deposits+regulations+in+philippines&amp;hl=en&amp;gl=in-&amp;pid=bl&amp;srcid=ADGEEsGo5RomaerXR-m6fogjSDAy5oAABrGJsquyVVuPCxLuYXc8ePjJ9LAmh5osEPTC8Sz63XRUF-kQhmiEewqJwAmRgaBbqXhhLojHm-GyRi4gkRvSVXWjfoeeCYu1BMMNbgeHweP8o&amp;sig=AHIEtbR1dw8FOC9XcRKX6SnroLb51943QQ">http://docs.google.com/viewer?a=v&amp;q=cache:qv7kA5Zmq_8J:www.dof.gov.ph/pdf/Annex1.pdf+micro+deposits+regulations+in+philippines&amp;hl=en&amp;gl=in-&amp;pid=bl&amp;srcid=ADGEEsGo5RomaerXR-m6fogjSDAy5oAABrGJsquyVVuPCxLuYXc8ePjJ9LAmh5osEPTC8Sz63XRUF-kQhmiEewqJwAmRgaBbqXhhLojHm-GyRi4gkRvSVXWjfoeeCYu1BMMNbgeHweP8o&amp;sig=AHIEtbR1dw8FOC9XcRKX6SnroLb51943QQ</a></p> |
| MIX Market  | <p>Microfinance in the Philippines: Country Profile:<br/> <a href="http://www.mixmarket.org/mfi/country/Philippines">http://www.mixmarket.org/mfi/country/Philippines</a></p>   |
| University of the Philippines School of Statistics    | <p>Mapa, Dennis and Bersales, Lisa Grace, The Link Between Population Dynamics and Household Saving: An Econometric Approach, University of the Philippines School of Statistics, Working Paper 2008-01.<br/> <a href="http://www.stat.upd.edu.ph/papersmapa/Thepercent20Linkpercent20Betweenpercent20Populationpercent20andpercent20Saving.pdf">http://www.stat.upd.edu.ph/papersmapa/Thepercent20Linkpercent20Betweenpercent20Populationpercent20andpercent20Saving.pdf</a></p>   |
| Economic Intelligence Unit, the Economist Group       | <p>Global Microscope 2010<br/> <a href="http://graphics.eiu.com/upload/eb/EIU_Global_Microscope_2010_Eng_WEB.pdf">http://graphics.eiu.com/upload/eb/EIU_Global_Microscope_2010_Eng_WEB.pdf</a></p>  |

## Annex 2. List of Institutions Covered in the Key Informant Interviews

| Name of Institution  | Key Informant   |
|--|---|
| 1. Bangko Sentral ng Pilipinas                                     | Ms. Pia Bernadette Roman Tayag, Head of Inclusive Finance Advocacy;<br>Mr. Ed Jimenez, Microfinance Consultant        |
| 2. Micro Enterprise Access to Banking Services (MABS)              | Mr. John Owens, Chief of Party  |
| 3. Microfinance Council of the Philippines (MCPI)                  | Mr. Allan Sicut, Deputy Director  |
| 4. SEED Finance  | Mr. Jun Perez, CEO  |
| 5. Mindanao Microfinance Council                                   | Mr. Jeff Ordonez, Executive Director  |
| 6. BPI Globe BanKO   | Mr. Josaias dela Cruz, Vice President; Mr. Alex Almendral   |
| 7. Bangko Kabayan  | Ms. Teresa Ganson, Managing Director<br>Ms. Fides M. Ganson-Ofrecio, Marketing Manager                                |
| 8. Cooperative Rural Bank of Bulacan                               | Mr. Peter Florina Nabong, Sr. First Vice President, Lending Operations Group  |
| 9. Enterprise Bank   | Mr. Chito Alvizo, Board of Directors; Mr. Ronald Alvizo, President;<br>Mr. Mark Salinas, Head of Branch Banking Group |
| 10. 1st TRuBank  | Mr. Charles Reginald Reyes, President; Ms. Jane Roldan, Cashier   |
| 11. Gata Daku Multi Purpose Cooperative                            | Ms. Jinky Flores, General Manager   |
| 12. Fil Agro Rural Bank  | Ms. Theresa Francisco, OIC General Manager  |
| 13. St. Martin of Tours Cooperative                                | Mr. Alvin Norieste, Accounting and Budget Manager   |
| 14. Sta. Ana Multi Purpose Cooperative                             | Mr. Ruel Ricabo, Branch Manager   |
| 15. Tagum Cooperative  | Ms. Ingrid Rojo, Education Committee Coordinator  |
| 16. Center for Community Transformation (CCT) Credit Cooperative   | Ms. Lalaine Naquita, Savings Specialist   |
| 17. Grameen Foundation USA   | Mr. Christopher Tan, Country Representative-Philippines   |
| 18. First Consolidated Cooperative Along the Tanon Seaboard (FCCT) | Ms. Clavelle Aves, Area Operations Manager  |
| 19. Opportunity Kauswagan (OK) Bank                                | Mr. Gerry Anit, Vice President  |
| 20. First Macro Bank   | Vladimir D. Timbreza, MBDO-OIC  |
| 21. Rural Bankers Association of the Philippines (RBAP)            | Ms. Corazon Liamzon-Miller, President   |
| 22. Country Bank   | Anna Santiago, Vice President   |
| 23. Community Rural Bank of Catmon (Cebu)                          | Ms. Armida Caguitla, Chief Executive Director   |
| 24. Catmon Multi-Purpose Cooperative                               | Mr. Raymond A. Branzuela, President c/o Administrative Officer  |
| 25. Cebu Federation of Rural Banks                                 | Mr. Exedito S. Bollozos, President  |
| 26. National Teachers and Employees Cooperative Bank               | Mr. Eladio Dioko, CEO, c/o General Manager  |
| 27. Philippine Cooperative Fund Federation                         | Ms. Betta Socorro S. Salera, CEO  |
| 28. Cebu People's Multi-Purpose Cooperative                        | Mr. Macario G. Quevedo, CEO   |
| 29. Kooperatiba ng Sambayanan ng Banal na Krus                     | Luzviminda B. Carriaga, General Manager   |
| 30. Foundation for a Sustainable Society, Incorporated             | Mr. Jay Lacsamana, Executive Director   |
| 31. MVSM Bank  | Ms. Maria Patricia Uy, Director for Operations  |
| 32. Bank of Makati   | Mr. Catalino Solidum, Branch Banking Operations Department<br>Lending Center Department Head                          |
| 33. People's Credit and Finance Corporation                        | Ms. Jessica Barrun, AVP-AMG3  |

### Annex 3. List of Institutions Covered in the Key Informant Interviews

| Name of Institution Invited to Participate        | Type of Outreach                         | Replied to Participate   | Replied Not to Participate | No Reply |
|---|--|--------------------------|----------------------------|----------|
| Asian Hills Bank                                  | Email survey                             |                          |                            | X        |
| Baao Parish Multi-Purpose Cooperative             | Email survey                             |                          |                            | X        |
| Banco Santiago de Libon (Luzon)                   | Email survey                             |                          |                            | X        |
| Bangko Kabayan                                    | Email survey and key informant interview | X                        |                            |          |
| Bank Victorias (Visayas)                          | Email survey                             |                          |                            | X        |
| Cantilan Bank (Mindanao)                          | Email survey                             |                          |                            | X        |
| CARD Bank (Luzon)                                 | Email survey and key informant interview |                          | X                          |          |
| CCT Credit Cooperative (Luzon)                    | Email survey and key informant interview | X (no data form encoded) |                            |          |
| Cooperative Bank of Cagayan (Luzon)               | Email survey                             |                          |                            | X        |
| Cooperative Bank of Camarines Norte (Luzon)       | Email survey                             |                          |                            | X        |
| Cooperative Bank of La Union (Luzon)              | Email survey                             |                          |                            | X        |
| Cooperative Bank of Misamis Oriental (Mindanao)   | Email survey                             |                          |                            | X        |
| Cooperative Rural Bank of Bulacan (Luzon)         | Email survey and key informant interview | X                        |                            |          |
| Cooperative Rural Bank of Pampanga (Luzon)        | Email survey                             |                          |                            | X        |
| Cooperative Rural Bank of Tarlac (Luzon)          | Email survey                             |                          |                            | X        |
| Cordova Multi-Purpose Cooperative (Visayas)       | Email survey and key informant interview |                          |                            | X        |
| CSF Rural Bank of Bayambang (Luzon)               | Email survey                             |                          |                            | X        |
| Enterprise Bank (Mindanao)                        | Email survey and key informant interview | X                        |                            |          |
| Fair Bank (Visayas)                               | Email survey and key informant interview |                          | X                          |          |
| First Consolidated Cooperative of Tanon (Visayas) | Email survey and key informant interview | X (no data form encoded) |                            |          |
| First Isabela Cooperative Bank (Luzon)            | Email survey                             |                          |                            | X        |
| First Macro Bank (Luzon)                          | Email survey and key informant interview | X                        |                            |          |
| First Valley Bank (Mindanao)                      | Email survey                             | X                        |                            |          |
| Gateway Rural Bank, Inc. (Luzon)                  | Email survey                             |                          |                            | X        |
| GM Bank (Luzon)                                   | Email survey                             | X                        |                            |          |
| Guimaras Multi Purpose Coop (Visayas)             | Email survey                             |                          |                            | X        |
| Gulf Bank (Luzon)                                 | Email survey                             | X (no data form encoded) |                            |          |
| Life Bank (Visayas)                               | Email survey                             |                          |                            | X        |

| Name of Institution Invited to Participate     | Type of Outreach                         | Replied to Participate   | Replied Not to Participate | No Reply |
|--|--|--------------------------|----------------------------|----------|
| Llamac Multi Purpose Coop                      | Email survey                             |                          |                            | X        |
| Malig Plains Rural Bank (Luzon)                | Email survey                             |                          |                            | X        |
| Metro Ormoc Community Cooperative (Visayas)    | Email survey                             |                          |                            | X        |
| Midsalip Farmers Multi Purpose Coop            | Email survey                             |                          |                            | X        |
| Dungganon Bank (Visayas)                       | Email survey                             |                          |                            | X        |
| Neuva Segovia Consortium of Cooperatives       | Email survey                             |                          |                            | X        |
| OK Bank (Luzon, Visayas)                       | Email survey and key informant interview | X                        |                            |          |
| Paglaum Multi Purpose Coop (Mindanao)          | Email survey                             |                          |                            | X        |
| People's Bank of Caraga (Mindanao)             | Email survey                             |                          |                            | X        |
| Planters Development Bank (Luzon)              | Email survey and key informant interview |                          |                            | X        |
| Rural Bank of Dulag, Leyte (Visayas)           | Email survey                             |                          |                            | X        |
| Rural Bank of Guinobatan (Luzon)               | Email survey                             | X                        |                            |          |
| Rural Bank of Isulan (Mindanao)                | Email survey                             |                          |                            | X        |
| Rural Bank of Looc—Bohol (Visayas)             | Email survey                             |                          |                            | X        |
| Rural Bank of Talisayan (Mindanao)             | Email survey                             |                          |                            | X        |
| Green Bank (Mindanao)                          | Email survey                             | X                        |                            |          |
| United Sugar Cane Planters of Davao MPC        | Email survey                             |                          |                            | X        |
| Valient Rural Bank (Iloilo-Visayas)            | Email survey                             |                          |                            | X        |
| Fil Agro Rural Bank, Inc. (Bulacan-Luzon)      | Email survey and key informant interview | X                        |                            |          |
| One Network Bank (Davao-Mindanao)              | Email survey and key informant interview |                          | X                          |          |
| Novaliches Development Cooperative (NOVADECI)  | Email survey and key informant interview |                          | X                          |          |
| Country Bank (Taguig-Luzon)                    | Email survey and key informant interview | X                        |                            |          |
| Tagum Cooperative (Mindanao)                   | Key informant interview                  | X (no data form encoded) |                            |          |
| 1st TRuBank (Mindanao)                         | Email survey and key informant interview | X                        |                            |          |
| Gata Daku Multi Purpose Cooperative (Mindanao) | Phone interview and survey               | X                        |                            |          |
| BPI-Globe BankO (Luzon)                        | Key informant interview and survey       | X (no data form encoded) |                            |          |
| Sta. Anna Multi Purpose Cooperative (Mindanao) | Key informant interview and survey       | X                        |                            |          |
| St. Martin of Tours Cooperative (Luzon)        | Key informant interview and survey       | X                        |                            |          |

| Name of Institution Invited to Participate       | Type of Outreach                         | Replied to Participate        | Replied Not to Participate | No Reply  |
|--|--|-------------------------------|----------------------------|-----------|
| Metro Bank (Luzon)                               | Mystery Shopping                         | X                             |                            |           |
| RCBC Savings (Mindanao)                          | Mystery Shopping                         | X                             |                            |           |
| PS Bank (Mindanao)                               | Mystery Shopping                         | X                             |                            |           |
| Agdao Multi Purpose Cooperative (Mindanao)       | Mystery Shopping                         | X                             |                            |           |
| Panabo Multi Purpose Cooperative                 | Mystery Shopping                         | X                             |                            |           |
| Community Rural Bank of Catmon (CEBU)            | Email survey and key informant interview | X                             |                            |           |
| Catmon Multi-Purpose Cooperative                 | Email survey and key informant interview | X                             |                            |           |
| National Teachers and Employees Cooperative Bank | Email survey and key informant interview | X                             |                            |           |
| Cebu People's Multi-Purpose Cooperative          | Email survey and key informant interview | X                             |                            |           |
| Kooperatiba ng Sambayanan ng Banal na Krus       | Email survey and key informant interview | X                             |                            |           |
| MVSM Bank  | Email survey and key informant interview | X                             |                            |           |
| Bank of Makati                                   | Email survey and key informant interview | X                             |                            |           |
| Rural Bank of Bogu                               | Email survey                             |                               | X                          |           |
| Cooperative Bank of Cebu                         | Email survey                             |                               |                            | X         |
| Rural Bank of Cebu South                         | Email survey                             |                               |                            | X         |
| RCBC   | Key informant interview                  |                               | X                          |           |
| <b>Total</b>                                     |  | <b>32 (27 forms analyzed)</b> | <b>6</b>                   | <b>34</b> |

## Annex 4. Key Informant Interview Guide—Practitioners

We are from *MicroSave* and New America Foundation. We are conducting a study to assess the scenario of savings mobilisation in the Philippines. As part of the project, we are profiling current savings products of key suppliers in the country notably from the banking and cooperative sectors and studying the extent of accessibility of these savings products to the poor and identifying gaps and opportunities for improved and wider access of the poor to appropriate savings products and services. Our study is set amidst the backdrop of existing macroeconomic conditions, legal and regulatory framework, and rich experiences of support institutions notably regulatory bodies, industry networks and wholesale lenders, and most importantly of financial institutions. As a final output, the study and the research experiences will be used by the Global Assets Project (GAP) of New America to set clear directions for the SPINNAKER Project which is set to build an online platform to provide information, engage leaders in the fields, and highlight innovative savings products.

We hope your feedback enhances our understanding of the savings landscape in the Philippines. Thank you for finding time to meet with us.

| Core Questions  | Probe Questions  |
|---|--|
| <b>On Types of Products and Outreach</b>  |  |
| 1. What savings products do you offer to the public?  | What are the differences among these products?   |
| 2. How accessible are these products to the low-income groups? Why do you say so?   | What are the characteristics of low-income savers in your institution?   |
| 3. What is the position of your institution in the advocacy to mobilise savings from the poor?  | What market segments do you target and why?  |
| <b>On product design, innovation and delivery</b>   |  |
| 4. What have been your experiences in serving the low-income groups with savings products and services?                               | What product features and strategies do the market like?<br>What don't they like?  |
| 5. How different are your savings products from other service providers?  | When was the last time you went into savings product development—improved or new?<br>How do you currently develop (improved or new) savings products?<br>What makes your savings products competitive?     |
| 6. What resources do you use to design savings products?  | What market information do you use?  |
| 7. How do you know if the savings product is successful?  | What indicators of success do you use in savings products?<br>How do you measure or assess impact?   |
| 8. What challenges do you face in delivering savings products? Please elaborate.  | How do you overcome these challenges?<br>What is the role of marketing in your strategy to reach more savers?<br>What savings product information do you monitor internally as part of product management? |
| <b>On External Support</b>  |  |
| 9. What external information support would you need to help you better strategise the management and growth of you savings portfolio? | What external sources of information do you currently use in managing your savings program?<br>What specific information do you get from these external data sources?                                      |
| 10. What type of information on savings products would you be willing to share to a network or external support group?                | What information are you currently sharing to external parties?  |
| 11. What savings information do you consider sensitive for the public? Why?   | What policies do you have on information management?   |

## Annex 5. Key Informant Interview Guide—Networks

We are from *MicroSave* and New America Foundation. We are conducting a study to assess the scenario of savings mobilisation in the Philippines. As part of the project, we are profiling current savings products of key suppliers in the country notably from the banking and cooperative sectors and studying the extent of accessibility of these savings products to the poor and identifying gaps and opportunities for improved and wider access of the poor to appropriate savings products and services. Our study is set amidst the backdrop of existing macroeconomic conditions, legal and regulatory framework, and rich experiences of support institutions notably regulatory bodies, industry networks and wholesale lenders, and most importantly of financial institutions. As a final output, the study and the research experiences will be used by the Global Assets Project (GAP) of New America to set clear directions for the SPINNAKER Project which is set to build an online platform to provide information, engage leaders in the fields, and highlight innovative savings products.

We hope your feedback enhances our understanding of the savings landscape in the Philippines. Thank you for finding time to meet with us.

| Core Questions  | Probe Questions  |
|---|--|
| 1. What is your network's view on financial services for the low-income people, especially savings?   | Among your members, what types of institutions are currently offering savings services to the poor? Are they authorised to do so? Are they regulated? What are their weaknesses and strengths?<br>Is there enough focus on the low-income segment? What are currently underserved markets (geographic/ demographic)?   |
| 2. What is your advocacy position to increasingly mobilise savings among the poor?  | How does the network describe the target groups of its members?<br>What are the general characteristics of low-income groups?  |
| 3. What is the network's position on advocacy for financial inclusion of the poor especially in savings?  | How does the network characterize poor?<br>What policy advocacy is in place to enable wider access of savings services to the poor?<br>What are the main policy challenges to expanding financial access to the poor (e.g. appropriate products, accessible points, cultural preferences, unwelcoming banks, etc)?<br>What are your specific activities or services to move this advocacy forward? |
| 4. Among your members, what innovative services on savings for the poor have you come across with?  | Which products were introduced? What delivery channels do you find effective?  |
| 5. What assistance or services does the network provide to help members develop their products to be more responsive to the needs of the target market? | Which of these services are mostly demanded by members?<br>In addition to network support, what resources are used by members in the design or delivery of new products?   |
| 6. What information does the network routinely gather from members?   | How is network information shared?<br>How is network information used?<br>What are the challenges in motivating members to share data to the network? How about to other networks, like MIX Market?<br>What suggestions can you give to keep an online platform of shared resources actively participated in by members?   |
| 7. Which information especially on savings is considered sensitive by the network and its members?  | What network policies do you have on information management (e.g. to promote transparency, benchmarking against performance standards)?  |



## Annex 6. Key Informant Interview Guide—Regulators

We are from *MicroSave* and New America Foundation. We are conducting a study to assess the scenario of savings mobilisation in the Philippines. As part of the project, we are profiling current savings products of key suppliers in the country notably from the banking and cooperative sectors and studying the extent of accessibility of these savings products to the poor and identifying gaps and opportunities for improved and wider access of the poor to appropriate savings products and services. Our study is set amidst the backdrop of existing macroeconomic conditions, legal and regulatory framework, and rich experiences of support institutions notably regulatory bodies, industry networks and wholesale lenders, and most importantly of financial institutions. As a final output, the study and the research experiences will be used by the Global Assets Project (GAP) of New America to set clear directions for the SPINNAKER Project which is set to build an online platform to provide information, engage leaders in the fields, and highlight innovative savings products.

We hope your feedback enhances our understanding of the savings landscape in the Philippines. Thank you for finding time to meet with us.

| Core Questions   | Probe Questions  |
|--|--|
| 1. What is your overall assessment of the existing supply of savings services in the country? To what extent is there focus on the low-income groups? What are currently underserved markets (geographic/demographic)? | What types of institutions are currently offering savings services to the poor? Are they authorised to do so? Are they regulated? What are their weaknesses and strengths?<br>Do the institutions use adequate strategies to serve the low-income segment? How do their strategies differ from those strategies towards higher income clients?   |
| 2. What is your advocacy position to increasingly mobilise savings among the poor?   | How do current government policies enable access of savings services to the poor? How is this expected to change in the future?<br>What are the main policy challenges to expanding financial access to the poor (e.g. appropriate products, accessible points, cultural preferences, unwelcoming banks, etc)?<br>What are your specific activities or services to move this advocacy forward? |
| 3. For a regulatory body that covers widely dispersed financial institutions, how does your group interact with them?  | What methods of communication do you use? Which ones are found to be more effective? Why?  |
| 4. What information does your specific group routinely gather for advocacy work?   | What are your experiences in using information to advocate for wider mobilisation of savings?<br>What are other uses of information you found while doing advocacy or oversight functions?   |
| 5. What type of information would you be willing to share to a network or external support group?  | What do you think about an online platform for savings information?  |
| 6. What savings information do you consider sensitive to the public? Why?  |  |
| 7. In your dealings with many stakeholders, what innovative services on savings have you come across with?   | Which product features and delivery mechanisms do you find effective?<br>What resources are used in the design or delivery of these innovative services?   |

## Annex 7. Savings Product Data Entry Form

The saving product data entry form can be accessed at the URL below.

[https://spreadsheets.google.com/spreadsheet/viewform?hl=en\\_US&formkey=dDhWazB4eVFlX2NHd2w3YkdZdHNGLXc6MA#gid=o](https://spreadsheets.google.com/spreadsheet/viewform?hl=en_US&formkey=dDhWazB4eVFlX2NHd2w3YkdZdHNGLXc6MA#gid=o)

## Annex 8. Sample Letter of Invitation to Participate in the Study

09 May 2011

Mr. Paulo Honrado  
President  
Rural Bank of Guinobatan, Inc.  
Guinobatan, Albay

Subject: Country Study on Savings in the Philippines

Dear Mr. Honrado,

We are pleased to invite the RBGI to participate in a study on savings in the Philippines. MicroSave, a technical service provider for financial institutions in Asia, Africa and Latin America, has partnered with the Global Assets Project (GAP) of the New America Foundation to do this study that intends to profile the savings landscape in the country and more importantly, to bring out insights towards improvement of the design, marketing and delivery of savings products for the poor. Information from this pilot research project, funded by the Financial Services for the Poor (FSP) team of the Bill & Melinda Gates Foundation, will be used to build an online platform to provide information, engage leaders in the fields, and highlight innovative savings products.

Harnessing the power of information to bring about innovation and more responsive savings products is what drives GAP to create a network- SPINNAKER, to dive deep and bring forth available knowledge and information at the fingertips of decision makers and concerned stakeholders. The Savings for the Poor Innovation and Knowledge Network (SPINNAKER) is a group of professionals with a vision to operate more efficiently and innovate more quickly from a shared and interactive information common space on savings products for the poor. In addition to conducting country studies to be shared, the SPINNAKER online platform is also planned to contain a wide variety of savings-focused resources such as guides, toolkits, events, and articles. Attached is brief on SPINNAKER.

As one of the chosen 50 local financial institutions to participate in the study, may we ask for your support in providing us data on retail savings products of your institution through filling up the attached savings product profile form and returning to us the duly-filled up form by email on or before 16 May 2011?

We hope and look forward to your favourable response and participation in the study. Thank you very much.

Sincerely,

## Annex 9. The '8 Ps' of Marketing

| The "P"           | Details of the "P"  |
|-------------------|---|
| Product (design)  | Includes specific product features, opening/minimum savings balances, liquidity/withdrawal terms, loan terms, ancillary services such as loan review and disbursement times, collateral or guarantees, amortization schedules, repayment structures (e.g. balloon payments or interest-free grace periods etc).   |
| Price             | Includes the interest rate, withdrawals costs, statement/ledger fees, loan fees, pre-payment penalties, prompt payment incentives, transaction costs and other discounts.   |
| Promotion         | Includes advertising, public relations, direct marketing, publicity, and all aspects of sales communication.  |
| Place             | Refers to distribution and making sure that the product/service is available where and when it is wanted. This includes such options as outreach workers or agents, mobile bankers, ATMs, working with the informal sector financial services etc.  |
| Positioning       | Is the effort by the MFI to occupy a distinct competitive position in the mind of the target customer? This could be in terms of low transaction cost, low price, high quality, security of savings, quick turnaround time, professional service, etc. It is a perception among customers. ( <i>Note: This P is not captured in the current SPINNAKER form.</i> ) |
| Physical evidence | Includes the presentation of the product: how the branch physically looks, whether it is tidy or dirty, newly painted or decaying, the appearance of the brochures, posters and passbooks etc.  |
| People            | Includes how the clients are treated by the people involved in delivering the product, (i.e. the staff of the MFI). Are they treated with the courtesy and attention befitting a customer? Are they made to feel welcome? etc.  |
| Process           | Includes the way or system in which or through the product is delivered: how the transaction is processed and documented, the queues/waiting involved, the forms to be filled etc.  |

## Annex 10. List of BSP Circulars Related to Microfinance

- Circular 272 (January 2001) provides the operating guidelines of the General Banking Law Provisions specifically it recognizes cash-flow based lending as a peculiar feature of microfinance, defines microfinance loans and provides for the exemption of microfinance loans from rules and regulations issued with regard to unsecured loans
- Circular 273 (27 February 2001) partial lifting on moratorium on establishment of new banks as long as the new banks are microfinance- oriented
- Circular 282 (19 April 2001) opens a rediscounting facility for rural banks/cooperative rural banks engaged in microfinance
- Circular 324 (2 March 2002) opens a rediscounting facility for thrift banks engaged in microfinance
- Circular Letter 2002—requiring reporting of banks with microfinance operations
- Circular 340 (30 July 2002) provides the rules and regulations concerning the establishment of branches or loan collection and disbursement points (LCDPs);
- Circular 365 (16 January 2003) liberalizes select provisions of Circular 340
- Circular 364 (19 January 2003) Reduction to 75 percent the risk weight applicable to small and medium enterprises (SMEs) and microfinance loan portfolios that meet prudential standards
- Circular 369 (17 February 2003) liberalizes select provisions of Circular 340
- Circular 374 (11 March 2003) guidelines for the implementation of the Barangay Micro-Business Enterprise Law
- Circular 409 (14 October 2003) provides the rules and regulations for the portfolio-at-risk (PAR) and the corresponding allowance for probable losses which depend on the number of days of missed payment
- Circular 505 (22 December 2005) revises branching guidelines by allowing qualified microfinance oriented banks and microfinance oriented branches of regular banks to establish branches anywhere in the Philippines
- Circular 549 (09 October 2006) exempts microfinance from the required submission of additional documents for the granting of loans
- Circular 570 (24 May 2007)—allows wholesale loans of universal, commercial and branches of foreign banks to non-bank microfinance institutions as compliance to the 6 percent mandatory credit allocation to small enterprises.
- Circular 607 (30 April 2008)—amends Circular Letter dated 2 October 2002 on the reportorial requirements banks' microfinance loans
- Circular 625 (14 October 2008)—provides rules and regulations that govern the mandatory allocation of credit resources to micro, small and medium enterprises
- Circular 649 (09 March 2009)—provides the guidelines governing the issuance of electronic money (e-money) and the operations of electronic money issuers (EMI) in the Philippines
- Circular 669 (22 October 2009)—allows the servicing of limited withdrawals by microfinance/BMBE clients in LCDPs and OBOs of microfinance oriented banks/branches
- Circular 678 (6 January 2010)—provides rules and regulations that govern the approval of banks' housing micro-finance products
- Circular 680 (03 February 2010)—provides rules and regulations on the approval of banks' micro-agri loans
- Circular 683 (23 February 2010)—provides rules and regulations in the marketing, sale and servicing of microin-surance products by banks
- Circular 685 (7 April 2010) —provides rules and regulations for the recognition of Microfinance Institution Rating Agencies

## Annex 11. Supplementary Tables for Other Savings Products

### Youth Savings

| Interest Rate | Number | Percentage |
|---------------|--------|------------|
| 0-0.5%        | 4      | 36.36%     |
| 0.6-1%        | 2      | 18.18%     |
| 1.1-1.5%      | 2      | 18.18%     |
| 1.6-2%        | 2      | 18.18%     |
| 2.1-2.5%      | 0      | 0.00%      |
| 2.6-3%        | 0      | 0.00%      |
| 3.1-3.5%      | 0      | 0.00%      |
| 3.6-4%        | 0      | 0.00%      |
| 4.4-5%        | 0      | 0.00%      |
| 4.6-5%        | 1      | 9.09%      |
| Total         | 11     |            |

Average: 1.31%

| Minimum Opening Deposit | Number | Percentage |
|-------------------------|--------|------------|
| 0-50                    | 6      | 54.55%     |
| 50-100                  | 3      | 27.27%     |
| 101-200                 | 0      | 0.00%      |
| 201-300                 | 0      | 9.09%      |
| 301-400                 | 0      | 0.00%      |
| 401-500                 | 1      | 18.18%     |
| 501-1000                | 1      | 0.00%      |
| >1000                   | 0      | 0.00%      |
| Total                   | 11     |            |

Average: 174.09%

| Minimum Balance | Number | Percentage |
|-----------------|--------|------------|
| 0-50            | 5      | 45.45%     |
| 50-100          | 3      | 27.27%     |
| 101-200         | 0      | 0.00%      |
| 201-300         | 1      | 9.09%      |
| 301-400         | 0      | 0.00%      |
| 401-500         | 2      | 18.18%     |
| 501-1000        | 0      | 0.00%      |
| >1000           | 0      | 0.00%      |
| Total           | 11     |            |

Average: 150.91%

| Additional Features of Products | Number | Percentage |
|---------------------------------|--------|------------|
| Bonuses/Top Ups                 | 0      | 0.00%      |
| Campaigns                       | 2      | 18.18%     |
| Deposit Insurance               | 0      | 0.00%      |
| Discounts                       | 1      | 9.09%      |
| Lotteries                       | 0      | 0.00%      |
| Prizes/Targets                  | 6      | 54.55%     |
| Gifts                           | 3      | 27.27%     |
| Medical Benefits                | 2      | 18.18%     |
| Scholarships                    | 2      | 18.18%     |
| Tax Free                        | 1      | 9.09%      |
| None                            | 2      | 18.18%     |
| From a Total of                 | 11     |            |

| Delivery Method        | Number | Percentage |
|------------------------|--------|------------|
| Branch                 | 11     | 100.0%     |
| Agent/Collector        | 1      | 9.09%      |
| ATM                    | 3      | 27.27%     |
| Mobile Phone           | 1      | 9.09%      |
| Web                    | 0      | 0.00%      |
| Mobile Teller Machines | 1      | 9.09%      |
| From a Total of        | 11     |            |

| Inactivity Fees | Number | Percentage |
|-----------------|--------|------------|
| 0               | 6      | 54.55%     |
| 1-25            | 2      | 18.18%     |
| 26-50           | 1      | 9.09%      |
| 51-100          | 1      | 9.09%      |
| >100            | 1      | 9.09%      |
| Total           | 11     |            |

| Other Services Offered in Savings Product Package | Number | Percentage |
|---|--------|------------|
| Direct Deposit                                    | 1      | 9.09%      |
| Training  | 1      | 9.09%      |
| Groups  | 1      | 9.09%      |
| Education   | 1      | 9.09%      |
| Accident Insurance                                | 1      | 9.09%      |
| None  | 8      | 72.73%     |
| From a Total of                                   | 11     |            |



| Advertising              | Number | Percentage |
|--------------------------|--------|------------|
| Billboards/Posters       | 0      | 0.00%      |
| Notices/Flyers/Brochures | 5      | 45.45%     |
| Word of Mouth            | 5      | 45.45%     |
| Online/e-media           | 0      | 0.00%      |
| Referrals                | 0      | 0.00%      |
| Other print media        | 1      | 9.09%      |
| Events                   | 3      | 27.27%     |
| Radio                    | 1      | 9.09%      |
| From a Total of          | 11     |            |

| Time Period Before Account is Considered Inactive | Number | Percentage |
|---|--------|------------|
| 1 year  | 1      | 9.09%      |
| 2 years   | 3      | 27.27%     |
| NA  | 7      | 63.64%     |
| Total   | 11     |            |

| Closing Fees | Number | Percentage |
|--------------|--------|------------|
| 0            | 8      | 9.09%      |
| 20           | 1      | 27.27%     |
| 100          | 1      | 63.64%     |
| 300          | 1      |            |
| Total        | 11     |            |

### *Commitment Savings—Savings Linked to Microcredit*

| Interest Rate | Number | Percentage | Banks | Percentage | Cooperatives | Percentage |
|---------------|--------|------------|-------|------------|--------------|------------|
| 0-0.5%        | 1      | 6.25%      | 1     | 9.09%      | 0            | 0.00%      |
| 0.6-1%        | 6      | 37.50%     | 4     | 36.36%     | 2            | 40.00%     |
| 1.1-1.5%      | 4      | 25.00%     | 4     | 36.36%     | 0            | 0.00%      |
| 1.6-2%        | 3      | 18.75%     | 2     | 18.18%     | 1            | 20.00%     |
| 2.1-2.5%      | 1      | 6.25%      | 0     | 0.00%      | 1            | 20.00@     |
| 2.6-3%        | 0      | 0.00%      | 0     | 0.00%      | 0            | 0.00%      |
| 3.1-3.5%      | 0      | 0.00%      | 0     | 0.00%      | 0            | 0.00%      |
| 3.6-4%        | 0      | 0.00%      | 0     | 0.00%      | 0            | 0.00%      |
| 4-4.5%        | 0      | 0.00%      | 0     | 0.00%      | 0            | 0.00%      |
| 4.6-5%        | 0      | 6.25%      | 0     | 0.00%      | 1            | 20.00      |
| Total         | 16     |            | 11    |            | 5            |            |

Average: 1.58%

| Minimum Opening Deposit  | Number | Percentage | Banks | Percentage | Cooperatives | Percentage |
|--------------------------|--------|------------|-------|------------|--------------|------------|
| Dependent on loan amount | 2      | 12.50%     | 0     | 0.00%      | 2            | 40.00%     |
| 0-50                     | 2      | 12.50%     | 1     | 9.09%      | 1            | 20.00%     |
| 50-100                   | 8      | 50.00%     | 6     | 54.55%     | 2            | 40.00%     |
| 101-200                  | 2      | 12.50%     | 2     | 18.18%     | 0            | 0.00%      |
| 201-300                  | 1      | 6.25%      | 1     | 9.09%      | 0            | 0.00%      |
| 301-400                  | 0      | 0.00%      | 0     | 0.00%      | 0            | 0.00%      |
| 401-500                  | 1      | 6.25%      | 1     | 9.09%      | 0            | 0.00%      |
| 501-1000                 | 0      | 0.00%      | 0     | 0.00%      | 0            | 0.00%      |
| >1000                    | 0      | 0.00%      | 0     | 0.00%      | 0            | 0.00%      |
| Total                    | 16     |            | 11    |            | 5            |            |

Average: 139.43

| Minimum Maintaining Balance | Number | Percentage | Banks | Percentage | Cooperatives | Percentage |
|-----------------------------|--------|------------|-------|------------|--------------|------------|
| Dependent on loan amount    | 1      | 6.25%      | 1     | 9.09%      | 0            | 0.00%      |
| 0-50                        | 3      | 18.75%     | 1     | 9.09%      | 2            | 40.00%     |
| 50-100                      | 7      | 43.75%     | 4     | 36.36%     | 3            | 60.00%     |
| 101-200                     | 0      | 0.00%      | 0     | 0.00%      | 0            | 0.00%      |
| 201-300                     | 0      | 0.00%      | 0     | 0.00%      | 0            | 0.00%      |
| 301-400                     | 0      | 0.00%      | 0     | 0.00%      | 0            | 0.00%      |
| 401-500                     | 5      | 31.25%     | 5     | 45.45%     | 0            | 0.00%      |
| 501-1000                    | 0      | 0.00%      | 0     | 0.00%      | 0            | 0.00%      |
| >1000                       | 0      | 0.00%      | 0     | 0.00%      | 0            | 0.00%      |
| Total                       | 16     |            |       |            | 5            |            |

Average: 228.64

| Closing Fees | Number | Percentage | Banks | Percentage | Cooperatives | Percentage |
|--------------|--------|------------|-------|------------|--------------|------------|
| 0            | 8      | 50.00%     | 3     | 27.27%     | 5            | 100.00%    |
| 1-25         | 1      | 6.25%      | 1     | 9.09%      | 0            | 0.00%      |
| 26-50        | 4      | 25.00%     | 4     | 36.36%     | 0            | 0.00%      |
| 51-100       | 3      | 18.75%     | 3     | 27.27%     | 0            | 0.00%      |
| >100         | 0      | 0.00%      | 0     | 0.00%      | 0            | 0.00%      |
| Total        | 16     |            | 11    |            | 5            | 0.00%      |

| Inactivity Fees | Number | Percentage | Banks | Percentage | Cooperatives | Percentage |
|-----------------|--------|------------|-------|------------|--------------|------------|
| 0               | 6      | 37.50%     | 2     | 18.18%     | 4            | 80.00%     |
| 1-25            | 5      | 31.25%     | 5     | 45.45%     | 0            | 0.00%      |
| 26-50           | 2      | 12.50%     | 2     | 18.18%     | 0            | 0.00%      |
| 51-100          | 3      | 18.75%     | 2     | 18.18%     | 1            | 20.00%     |
| Total           | 16     |            | 11    |            | 5            |            |

| Places of Enrollment | Number | Percentage | Banks | Percentage | Cooperatives | Percentage |
|----------------------|--------|------------|-------|------------|--------------|------------|
| Community/Village    | 6      | 37.50%     | 1     | 9.09%      | 5            | 100.00%    |
| Branch               | 9      | 56.25%     | 9     | 81.82%     | 0            | 0.00%      |
| Delegated            | 1      | 6.25%      | 1     | 9.09%      | 0            | 0.00%      |
| From a Total of      | 16     |            | 11    |            | 5            |            |

| Delivery Method        | Number | Percentage | Banks | Percentage | Cooperatives | Percentage |
|------------------------|--------|------------|-------|------------|--------------|------------|
| Branch                 | 13     | 81.25%     | 10    | 99.01%     | 3            | 60.00%     |
| Agent/Collector        | 6      | 37.50%     | 1     | 9.09%      | 5            | 100.00%    |
| ATM                    | 6      | 37.50%     | 6     | 54.55%     | 0            | 0.00%      |
| Mobile Phone           | 3      | 18.75%     | 1     | 9.09%      | 2            | 40.00%     |
| Mobile Teller Machines | 1      | 6.25%      | 0     | 0.00%      | 1            | 20.00%     |
| From a total of        | 16     |            | 11    |            | 5            |            |

| Additional Features of Products | Number | Percentage | Banks | Percentage | Cooperatives | Percentage |
|---------------------------------|--------|------------|-------|------------|--------------|------------|
| Bonuses/Top Ups                 | 2      | 12.50%     | 1     | 9.09%      | 1            | 20.00%     |
| Campaigns                       | 1      | 6.25%      | 1     | 9.09%      | 0            | 0.00%      |
| Deposit Insurance               | 1      | 6.25%      | 1     | 9.09%      | 0            | 0.00%      |
| Access to Microcredit           | 1      | 6.25%      | 0     | 0.00%      | 1            | 20.00%     |
| Lotteries                       | 4      | 25.00%     | 4     | 36.36%     | 0            | 0.00%      |
| Prizes/Targets                  | 6      | 37.50%     | 5     | 45.45%     | 1            | 20.00%     |
| Gifts                           | 1      | 6.25%      | 0     | 0.00%      | 0            | 0.00%      |
| Interest Rate Premiums          | 1      | 6.25%      | 1     | 9.09%      | 0            | 0.00%      |
| None                            | 5      | 31.25%     | 3     | 27.27%     | 2            | 40.00%     |
| From a Total of                 | 16     |            | 11    |            | 5            |            |

| Other Services Offered in Savings Product Package | Number | Percentage | Banks | Percentage | Cooperatives | Percentage |
|---|--------|------------|-------|------------|--------------|------------|
| Direct Deposit                                    | 2      | 12.50%     | 2     | 18.18%     | 0            | 0.00%      |
| Groups  | 1      | 6.25%      | 1     | 9.09%      | 0            | 0.00%      |
| Training  | 6      | 37.50%     | 4     | 36.36%     | 0            | 0.00%      |
| Link to Loan                                      | 2      | 12.50%     | 0     | 0.00%      | 2            | 40.00%     |
| Referrals to Other Institutions                   | 1      | 6.25%      | 0     | 0.00%      | 1            | 20.00%     |
| None  | 7      | 43.75%     | 5     | 45.45%     | 2            | 40.00%     |
| From a Total of                                   | 16     |            | 11    |            | 5            |            |

| Age Group          | Number | Percentage | Banks | Percentage | Cooperatives | Percentage |
|--------------------|--------|------------|-------|------------|--------------|------------|
| Any age            | 3      | 18.75%     | 2     | 18.18%     | 1            | 20.00%     |
| 17 years and below | 2      | 12.50%     | 2     | 18.18%     | 0            | 0.00%      |
| 13 years and above | 1      | 6.25%      | 1     | 9.09%      | 0            | 0.00%      |
| 18 years and above | 10     | 62.50%     | 6     | 54.55%     | 4            | 80.00%     |
| Total              | 16     |            | 11    |            | 5            |            |

| Advertising              | Number | Percentage | Banks | Percentage | Cooperatives | Percentage |
|--------------------------|--------|------------|-------|------------|--------------|------------|
| Billboards/Posters       | 1      | 6.25%      | 1     | 9.09%      | 0            | 0.00%      |
| Notices/Flyers/Brochures | 12     | 75.00%     | 10    | 90.91%     | 2            | 40.00%     |
| Word of Mouth            | 15     | 93.75%     | 10    | 90.91%     | 5            | 100.00%    |
| Online/e-media           | 7      | 43.75%     | 7     | 63.64%     | 0            | 0.00%      |
| Referrals                | 1      | 6.25%      | 0     | 0.00%      | 1            | 20.00%     |
| Other Print Media        | 7      | 43.75%     | 7     | 63.64%     | 0            | 0.00%      |
| Radio                    | 4      | 25.00%     | 4     | 36.36%     | 0            | 0.00%      |
| From a Total of          | 16     |            | 11    |            | 5            |            |

| Processing Time            | Number | Percentage | Banks | Percentage | Cooperatives | Percentage |
|----------------------------|--------|------------|-------|------------|--------------|------------|
| Instant                    | 13     | 81.25%     | 10    | 90.91%     | 3            | 60.00%     |
| Delayed Less Than 24 Hours | 1      | 6.25%      | 0     | 0.00%      | 1            | 20.00%     |
| Delayed 24 Hours to 1 Week | 1      | 6.25%      | 1     | 9.09%      | 0            | 0.00%      |
| 1 to 2 Weeks               | 1      | 6.25%      | 0     | 0.00%      | 1            | 20.00%     |
| Total                      | 16     |            | 11    |            | 5            |            |

| Time Period Before Account is Considered Inactive | Number | Percentage | Banks | Percentage | Cooperatives | Percentage |
|---|--------|------------|-------|------------|--------------|------------|
| 9 Months  | 1      | 6.25%      | 0     | 0.00%      | 1            | 20.00%     |
| 2 Years   | 9      | 56.25%     | 9     | 81.82%     | 0            | 0.00%      |
| NA  | 6      | 37.50%     | 2     | 18.18%     | 4            | 80.00%     |
| Total   | 16     |            | 11    |            | 5            |            |

### Commitment Savings—Time Deposit

| Interest Rate         | Minimum | Percentage | Maximum | Percentage |
|-----------------------|---------|------------|---------|------------|
| 0-2.5%                | 2       | 16.67%     | 0       | 0.00%      |
| 2.6-5%                | 6       | 50.00%     | 2       | 16.67%     |
| 5.1-7.5%              | 2       | 16.67%     | 3       | 25.00%     |
| 7.6-10%               | 1       | 8.33%      | 5       | 41.67%     |
| >10%                  | 0       | 0.00%      | 1       | 8.33%      |
| Based on Market Rates | 1       | 8.33%      | 1       | 8.33%      |
| Total                 | 12      |            | 12      |            |

Average: Minimum, 4.48%; Maximum, 7.52%

| Minimum Opening Deposit | Number | Percentage |
|-------------------------|--------|------------|
| 1,000-5,000             | 7      | 58.33%     |
| 5,001-10,000            | 3      | 25.00%     |
| >10,000                 | 2      | 16.67%     |
| Total                   | 12     |            |

| Minimum Balance | Number | Percentage |
|-----------------|--------|------------|
| 1,000-5,000     | 7      | 58.33%     |
| 5,001-10,000    | 3      | 25.00%     |
| >10,000         | 2      | 16.67%     |
| Total           | 12     |            |

| Closing Fees        | Number | Percentage |
|---------------------|--------|------------|
| None                | 9      | 75.00%     |
| 20% Withholding Tax | 1      | 8.33%      |
| 50                  | 1      | 8.33%      |
| 100                 | 1      | 8.33%      |
| Total               | 12     |            |

| Delivery Method        | Number | Percentage |
|------------------------|--------|------------|
| Branch                 | 12     | 100.00%    |
| Agent/Collector        | 1      | 8.33%      |
| ATM                    | 2      | 16.67%     |
| Telephone/Mobile Phone | 2      | 16.67%     |
| Online                 | 1      | 8.33%      |
| From a Total of        | 12     |            |

| Additional Features of Products | Number | Percentage |
|---------------------------------|--------|------------|
| Bonuses/Top Ups                 | 1      | 8.33%      |
| Campaigns                       | 1      | 8.33%      |
| Life Insurance                  | 1      | 8.33%      |
| Lotteries                       | 2      | 16.67%     |
| Prizes/Targets                  | 3      | 25.00%     |
| Interest Rate Premiums          | 1      | 8.33%      |
| None                            | 7      | 58.33%     |
| From a Total of                 | 12     |            |

| Other Services Offered in Savings Product Package | Number | Percentage |
|---|--------|------------|
| Direct Deposit                                    | 1      | 8.33%      |
| Groups  | 1      | 8.33%      |
| Life Insurance                                    | 1      | 8.33%      |
| Training  | 2      | 16.67%     |
| None  | 8      | 66.67%     |
| From a Total of                                   | 12     |            |

| Age Group          | Number | Percentage |
|--------------------|--------|------------|
| Any age            | 6      | 50.00%     |
| 13 years and above | 1      | 8.33%      |
| 18 years and above | 5      | 41.67%     |
| Total              | 12     |            |

| Advertising              | Number | Percentage |
|--------------------------|--------|------------|
| Notices/Flyers/Brochures | 7      | 58.33%     |
| Word of Mouth            | 11     | 91.67%     |
| Online/e-media           | 4      | 33.33%     |
| Other Print Media        | 5      | 41.67%     |
| Radio                    | 2      | 16.67%     |
| From a Total of          | 12     |            |

### *Recurring Savings*

| Interest Rate | Number | Percentage |
|---------------|--------|------------|
| 0.5%          | 1      | 25.00%     |
| 1%            | 2      | 50.00%     |
| 1.5%          | 1      | 25.00%     |
| Total         | 4      |            |



| Minimum Opening Deposit | Number | Percentage |
|-------------------------|--------|------------|
| 0                       | 1      | 25.00%     |
| 100                     | 2      | 50.00%     |
| 15,000                  | 1      | 25.00%     |
| Total                   | 4      |            |

| Withdrawal Fees | Number | Percentage |
|-----------------|--------|------------|
| 0               | 2      | 50.00%     |
| 3               | 1      | 25.00%     |
| 50              | 1      | 25.00%     |
| Total           | 4      |            |

| Deposit Fees | Number | Percentage |
|--------------|--------|------------|
| 0            | 2      | 50.00%     |
| 50           | 1      | 25.00%     |
| 100          | 1      | 25.00%     |
| Total        | 4      |            |

| Closing Fees | Number | Percentage |
|--------------|--------|------------|
| 50           | 3      | 75.00%     |
| 100          | 1      | 25.00%     |
| Total        | 4      |            |

| Inactivity Fees | Number | Percentage |
|-----------------|--------|------------|
| 0               | 1      | 25.00%     |
| 20              | 1      | 25.00%     |
| 100             | 2      | 50.00%     |
| Total           | 4      |            |

| Places of Enrollment | Number | Percentage |
|----------------------|--------|------------|
| Bank Branch          | 3      | 75.00%     |
| Community/Village    | 1      | 25.00%     |
| Total                | 4      |            |

| Delivery Method | Number | Percentage |
|-----------------|--------|------------|
| Agents          | 1      | 25.00%     |
| Branches        | 2      | 50.00%     |
| ATMs/Kiosks     | 2      | 50.00%     |
| Mobile Phone    | 1      | 25.00%     |
| From a Total of | 4      |            |

| Additional Features of Products | Number | Percentage |
|---------------------------------|--------|------------|
| Lotteries                       | 1      | 25.00%     |
| Prizes/Targets                  | 1      | 25.00%     |
| None                            | 3      | 75.00%     |
| From a Total of                 | 4      |            |

| Other Services Offered in Savings Product Package | Number | Percentage |
|---|--------|------------|
| Linked to loan                                    | 1      | 25.00%     |
| Training  | 1      | 25.00%     |
| None  | 2      | 50.00%     |
| From a Total of                                   | 4      |            |

| Age Group          | Number | Percentage |
|--------------------|--------|------------|
| 13 Years and Above | 1      | 25.00%     |
| 18 Years and Above | 3      | 75.00%     |
| From a Total of    | 4      |            |

| Advertising              | Number | Percentage |
|--------------------------|--------|------------|
| Notices/Flyers/Brochures | 4      | 100.00%    |
| Word of Mouth            | 3      | 75.00%     |
| Online/e-media           | 2      | 50.00%     |
| Other Print Media        | 2      | 50.00%     |
| Radio                    | 1      | 25.00%     |
| From a Total of          | 4      |            |

| Processing Time            | Number | Percentage |
|----------------------------|--------|------------|
| Instant                    | 3      | 75.00%     |
| Delayed Less than 24 Hours | 1      | 25.00%     |
| Total                      | 4      |            |

| Time Period Before Account is Considered Inactive | Number | Percentage |
|---|--------|------------|
| 1 Year  | 1      | 25.00%     |
| 2 Years   | 2      | 50.00%     |
| NA  | 1      | 25.00%     |
| Total   | 4      |            |

## Notes

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- 1 The government measures poverty using food and poverty thresholds. In 2009, the food threshold was estimated at PHP 4,869 (US\$112) implying the need for such an amount for a Filipino family of five to meet the basic food needs. The family poverty threshold which covers food and other basic needs was computed at PHP 7,017 (US\$162) per month.
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- 3 Department of Agriculture, Agricultural Credit Policy Council, Issue no. 3, Series no. 3, "Small farmer and fisherfolk borrowing up, further at 64 percent in 2002", September 11, 2003.
- 4 Ahern, Brendan, Bezuidenhout, Johann & Hokans, James "Demand Study of Domestic Payments in the Philippines", Bankable Frontier Associates, December 3, 2010.
- 5 Ashraf, Karlan, Yin "Tying Odysseus to the Mast: Evidence from a Commitment Savings Product in the Philippines", *Quarterly Journal of Economics*, May 2006.
- 6 Ashraf, Karlan, Yin "Deposit Collectors", *Advances in Economic Analysis and Policy*, Volume 6 Issue 2 Article 5, 2006.
- 7 Basic Course on Migrant Savings for Alternative Investment and Reintegration, Migrant Forum in Asia, Unlad Kabayan Migrant Services Foundation, 2006.
- 8 Microfinance NGOs are not supposed to take deposits from their clients and thus are not subjected to prudential regulations. (Framework for Microfinance Development in the Philippines, Department of Finance.)
- 9 Ibid.
- 10 Annex 9 provides the list of BSP Circulars.
- 11 Economic Intelligence Unit, *Global Microscope 2010*, The Economist Group, [http://graphics.eiu.com/upload/eb/EIU\\_Global\\_Microscope\\_2010\\_Eng\\_WEB.pdf](http://graphics.eiu.com/upload/eb/EIU_Global_Microscope_2010_Eng_WEB.pdf)
- 12 2010 Year End Report on BSP Initiatives in MicroFinance and Financial Inclusion, Bangko Sentral ng Pilipinas.
- 13 Consolidated Statement of Condition and Key Ratios for 2009 and 2010 for the different types of banks. Banking Statistics. Bangko Sentral ng Pilipinas, <http://www.bsp.gov.ph/banking/bspsup.asp>.
- 14 Physical Network by Bank. Bangko Sentral ng Pilipinas, April 2011.
- 15 Regional Profile of Deposits, Philippine Deposit Insurance Corporation (PDIC), June 2010.
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- 17 Schelzig, Karin, *Poverty in the Philippines: Income, Assets and Access*, Asian Development Bank (ADB). January 2005.
- 18 CDA selected statistics from the CIS and CAPR Database, as of 31 December 2010.
- 19 BSP Circular No. 694, Series of 2010 Amendment of Regulations on the Establishment of Other Banking Offices and Notes to Microfinance.
- 20 [www.woccu.org/publications/statreport](http://www.woccu.org/publications/statreport).
- 21 Quarterly Report on Deposits, PDIC, December 2010.
- 22 Smart Communications served 43.2 million subscribers for a market share of 54 percent. Globe Telecommunications and Sun Cellular each had 23.2 million (29 percent market share) and 14.1 million (17.5 percent), respectively. (The Philippines Broadband Overview, Point Topic, 22 November 2010, <http://point-topic.com>).
- 23 MiX Market 2009 Profile on Green Bank.
- 24 <http://financialaccess.org/research/projects/0029>.



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