Domestic demand: major driver of PHL economic growth...reflecting favorable demographic dynamics

Real GDP, yoy growth (%)

Q3 2011 GDP: 3.2%

GDP Growth, in %

<table>
<thead>
<tr>
<th>Type of Expenditure</th>
<th>2010</th>
<th>Q1-Q3 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household Consumption</td>
<td>3.4</td>
<td>5.9</td>
</tr>
<tr>
<td>Government Consumption</td>
<td>4.0</td>
<td>-1.7</td>
</tr>
<tr>
<td>Capital Formation</td>
<td>31.6</td>
<td>18.1</td>
</tr>
<tr>
<td>Exports</td>
<td>21.0</td>
<td>-3.7</td>
</tr>
<tr>
<td>Less: Imports</td>
<td>22.5</td>
<td>3.7</td>
</tr>
<tr>
<td>GDP</td>
<td>7.6</td>
<td>3.6</td>
</tr>
</tbody>
</table>

Robust demand has helped avoid economic contraction amid global slowdown BUT demographic dividends accrue if opportunities are available
Some headway made toward more inclusive finance...

BSP continues to nurture policy & operating environment to allow more “unbanked” & “underserved” Filipinos to be part of formal financial system......TRANSFORMATIONAL AGENDA

- Microfinance
  - For 3 years in a row (2009-2011), Economist Intelligence Unit Global Microscope on Microfinance has named the Philippines as having the best regulatory framework for microfinance
  - Snapshot of Microfinance Exposures of Banks (as of 30 June 2011)

<table>
<thead>
<tr>
<th>No. of Banks Involved</th>
<th>Outstanding Loans (PhP Millions)</th>
<th>No. of Borrowers</th>
<th>Savings Component (PhP Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>198</td>
<td>7,149.5</td>
<td>963,717</td>
<td>3,753.7</td>
</tr>
</tbody>
</table>

- Economic and financial learning
- Consumer protection
...but financial inclusion remains very much a work-in-progress

- Only about 50% of working population have bank deposit accounts
- Only 4% of households have a credit card
- Less than 1% of respondents have investments in mutual funds and stocks
- Nearly 4 in 10 households do not have any cash on hand for emergencies
- Transfers from abroad: remittance-receiving households account for about a fifth of all households; remittances have been a key force in bringing more households into the formal financial system
BSP’s Economic & Financial Learning Program (EFLP)*

- Flagship program for BSP’s economic and financial learning activities, including learning centers and outreach programs
- Initiated in 2000 but infrastructure has expanded considerably since 2008

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Economic information
- Topical economic issues
- BSP’s role in economic development

Financial education
- Personal financial management
- Consumer protection, including credit card transactions

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*OECD Principle #2: Promote financial education to all through efficient and coordinated programs
OECD Principle #8: Encourage national campaigns
OECD Good practice #12: Promote free information services
Partnerships with financial & educational institutions as well as NGOs & private sector

Programs on “Banking on Your Future”

- Memorandum of agreement with bank associations and Dept of Education
- START EARLY, START IN SCHOOLS
  - lessons on money, money management, saving and basic economics incorporated in elementary curriculum
  - programs to train teachers on lesson guides
- Financial expos
  - increase awareness of benefits of financial empowerment
  - orient public on financial tools/instruments to improve financial well-being
EFLP uses various modes of engagement to discuss needs and preferences of target audience through life stages*...

*OECD Principle #7: Address needs and preferences of target audiences through life stages

OECD Principle #3: Focus on high priority issues such as retirement planning
EFLP targets specific audiences such as...

- Banking and business community
- Government agencies
- Students and educators
- Overseas workers and beneficiaries

OECD Good practice #16: Tailor-fit information to “needs/level of understanding” of consumers; no fine print
OECD Good practice #25: Promote programs for specific sub-groups of investors/consumers
Case in point: Financial education of overseas-based Filipinos and their beneficiaries

- Remittances comprise 10% of GDP
- Overseas Filipino population estimated at 8 million; OFWs at 5 million
- Resilience of consumption driven in large part by OF remittances; savings & investments by OFs have also risen appreciably
- Dutch Disease is avoidable
Survey shows some inroads but there is considerable room for improvement

2009 PUBLIC PERCEPTION SURVEY REPORT*

<table>
<thead>
<tr>
<th>DIMENSION</th>
<th>NET APPROVAL INDEX</th>
<th>QUALI-TATIVE RATING</th>
</tr>
</thead>
<tbody>
<tr>
<td>RELEVANCE AND USEFULNESS OF ADVOCACIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BSP’s programs for overseas Filipinos (OFs) and beneficiaries on remittances and management of finances are helpful.</td>
<td>66.7</td>
<td>Good</td>
</tr>
<tr>
<td>BSP’s financial education programs help promote financial independence through savings and money management.</td>
<td>61.8</td>
<td>Fair</td>
</tr>
<tr>
<td>BSP’s programs and policies help micro, small and medium enterprises gain access to financing.</td>
<td>53.4</td>
<td>Fair</td>
</tr>
<tr>
<td>BSP’s consumer information and protection initiatives are helpful.</td>
<td>49.5</td>
<td>Fair</td>
</tr>
<tr>
<td>BSP’s Public Information Campaigns are effective in raising awareness on BSP’s role in the economy.</td>
<td>46.8</td>
<td>Fair</td>
</tr>
</tbody>
</table>

OECD Good practice #17: Regularly assess financial education provided to consumers
OECD Good practice #22: Promote development of methodologies to assess programs; consider recognizing those meeting standards
Roadmap for stronger financial education...

- Continued upgrading of learning centers in head office and regional offices / branches

- Expanded conduct of outreach activities

- More intensive use of other media and modes of communication
  - PHL: “Social Networking Capital of the World”

- More involved partnerships with other institutions
Consumer protection: 3-pronged approach...

1. Assisting consumers in resolution of complaints or disputes with BSP-supervised financial institutions (FIs)

First Phase: Referrals to FIs
Second Phase: Clarification meetings
Third Phase: Mediation

Complaints Resolution Mechanism
2. Initiating adoption or modification of consumer-sensitive policies, rules and regulations*

OECD Principle #4: Integrate in regulatory/administrative framework to complement regulations and consumer protection

- Unfair debt collection practices
- Use of e-banking facilities
- Credit card usage/charges
- Identity theft
- Bank fees and charges
- Frauds and scams

Consumer protection: 3-pronged approach...
Consumer protection: 3-pronged approach...

3. Coordinating with public/legislature/financial sector on consumer issues related to banking services
Challenges...

Financial education:
- Extend reach of existing programs within resource envelope
- “MOST BANG FOR THE BUCK”: refine delivery mechanisms and messages to better align with target audience e.g., tap social media, use “komiks” (cartoon-based materials)
- Improve feedback and evaluation system

Financial consumer protection:
- Balance the need to protect consumers while avoiding over-regulation
- Enhance collaboration with regulators of other financial institutions to minimize the opportunity for regulatory arbitrage and strengthen overall stability and health of financial system
- Enhance partnerships with financial services industry so that it can embrace transparency, redress and financial education
Financial Education and Consumer Protection: Philippine Experience

OECD-ADBI 12th Roundtable on Capital Market Reform in Asia
Tokyo, Japan
7-8 February 2012

MA. CYD N. TUAÑO-AMADOR
Monetary Policy Sub-Sector
Bangko Sentral ng Pilipinas