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Improving Financial Inclusion thru Co-ops: An Evidence from Perpetual Help Community Cooperative*

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INTRODUCTION

According to World Bank,

- Financial inclusion is critical in reducing poverty and achieving inclusive growth
- When people can participate in the financial system, they are better able to:
  - start and expand businesses;
  - invest in their children's education; and
  - absorb financial shocks.

Financial Inclusion

- Financial inclusion is a state wherein there is effective access to a wide range of financial products and services by all
- Access to basic financial services such as savings, payments, credit and investments makes a substantial positive difference in people's lives

Financial Inclusion

- The Philippines lags behind its peers in East Asia and the Pacific as only **one of four adults** holds an account at a formal financial institution.
- Most Filipino households are "excluded" from the country's financial system: **limited access to credit, do not have enough money to ke ep in banks and have limited access to cre dit cards and bank loans**

Financial Inclusion

Financial Service Providers

The significance of Financial Service Providers…

- Financial Service Providers (FSPs) present a significant opportunity for financial inclusion:
  - non-stock savings and loans associations (NSSLAs)
  - **credit cooperatives**
  - pawnshops and other nonbank financial institutions (NBFIs)
  - remittance agents, money changers/ foreign exchange dealers
  - electronic money (e-money) agents
- FSP presence in areas that are not served by banks will significantly reduce the percentage of unserved cities and municipalities

604 out of 1,634 cities & municipalities are unbanked

398 out of 604 unbanked cities & municipalities have access to FSPs

Only 206 LGUs (13%) are left unserved, given the presence of FSPs

Reach of rural & co-op banks and cooperatives

59% of cities & municipalities reached by rural& co-op banks

814 cities & municipalities (50%) reached by credit co-ops

- Credit cooperatives remain important access point of financial services, especially in areas where banking presence is either lost or not yet established.

SAVING

Higher household savings, when deposited in the formal financial system, often lead to higher economic growth as savings are channeled to other productive uses.

The Rule of Savings

- ✓ Income – Savings = Expenses
- ✗ Income – Expenses = Savings

Savings is the money that people set aside for future use to achieve financial goals or manage emergencies.

Savings Landscape in the Philippines

% of Households with Savings by Type of Saving Institution, 2014

Saving institution	%
Banks	69.4
Cooperatives	**11.2**
"Paluwagan" / pooled saving & lending	4.3
House/kept at home	29.6
Loan/ credit associations	6.7
Others	0.9

Savings Mechanisms

COIN BANKS

Keeping money at home is a traditional method of saving. Low income families often lack access to formal financial services and resort to storing their savings in coin banks at home.

PHYSICAL ASSETS

Some people choose to save by buying assets, usually property that can be converted into cash. Examples of assets include land, livestock, machinery, and jewelry.

BANKS

Savings accounts in banks enable people to deposit money for safekeeping while earning interest at the same time. Some banks facilitate savings transactions through technological innovation like electronic money wallets (e-money) or mobile financial services.

Advantages of Saving in a Bank

Earns interest

Money is safeguarded

Money can be withdrawn quickly

Deposit is insured

Opens up access to other financial services like credit

Savings and Credit, Philippines, 2014

- 69% borrowed money
- 67% saved money
- 12% borrowed from financial institution
- 15% saved at financial institution
- 14% borrow from informal lenders
- 49% borrowed from family/ friends

CREDIT / LOAN

Type of Loan Providers, Philippines (Consumer Finance Survey 2009)

	Philippines
Loan Providers	
NHA	37.8
Pag-Ibig/HDMF	10.3
Cooperative and Associations	10.7
Money Lender	9.6
SSS	9.0
Others	3.8
Rural/Cooperative Bank	5.0
Commercial Bank	3.7
Relatives and Friends	3.6
GSIS	2.6
Former Owner	1.5
Financing Institution	1.0
Company (Employer) loan	0.6
Savings/Thrift Bank	0.6
CARP	0.3
Credit Card Company	-

Distribution of Housing Loans by Lending Institution, 2012

* Others not clearly specified

COOPERATIVES AS FSP

Does PHCCI provide these?

COOPERATIVES AS FSP

PERPETUAL HELP COMMUNITY COOPERATIVE (PHCCI)

- April 14, 1971
- Dumaguete City, Central Visayas
- From 33 pioneer members to more than 35,000 members
- Multipurpose cooperative
- Business activities: savings, credit, housing, hostel and restaurant, medical and dental services,

medical&dental clinic

coop Pagtutulungan

PERPETUAL HELP LEARNING CENTER
PHLC
2005

PERPETUAL HELP COMMUNITY COOPERATIVE (PHCCI)

VISION

"To be a world class community-based cooperative that strongly upholds human ideals and committed to become an instrument to uplift the socio-economic life of its memb ers and the community with an enduring devotion for unity , youth development, environmental well-being, and gender equality."

- **PHCCI assists its members and their communities in address ing the lack of sustainable source of income and other resources to secure their livelihoods and raise their living standards.**
- **PHCCI serves as a partner and catalyst in the transformation of self-sustaining cooperators by offering multiple savings products and credit services to its members**

PERPETUAL HELP COMMUNITY COOPERATIVE (PHCCI)

- Helping members to:
  - ✓ start/ enhance a business or entrepreneurial venture,
  - ✓ invest in income-generating equipment and facilities,
  - ✓ give households financial means in job-seeking
  - ✓ enhance household disposable income to give them access to food, clothing, and healthcare
  - ✓ allow them to have decent shelter and formal education for their children.

PERPETUAL HELP COMMUNITY COOPERATIVE (PHCCI)

- Providing more fit and accessible loans:
  - ✓ Processing of loan application is friendly and not cumbersome, especially if you are not a first-time borrower and has a good standing
  - ✓ Adopts technology-enabled transactions through the use of internet for online loan applications and automated teller machines
  - ✓ Loan interest rate at an acceptable level for its members and for the banking business community

1% per month

CLIMBS Life and General Insurance Cooperative
"The Grassroots Insurance"

PERPETUAL HELP COMMUNITY COOPERATIVE (PHCCI)

Loan products that have a fit between product features and the requirements of clients

TYPES OF LOANS
Regular
Emergency
Special
Educational
Instant
Housing
Salary
CA-Salary
Bonus/Incentive
Supplemental
Motorcycle
Appliance
Pensioners
Capacity
Financing
Business Enhancement

PERPETUAL HELP COMMUNITY COOPERATIVE (PHCCI)

- Promoting the value of thrift and saving:

  ✓ **Living the Cooperative Identity**

  The values of self-help, self-responsibility, democracy, equality, equity and solidarity.

  RA 9520: "Philippine Cooperative Code of 2008" states that the first two purposes of which a cooperative may be organized and registered are:

  - to encourage thrift and savings mobilization among the members; and
  - to generate funds and extending credit to the members for productive and provident purposes

PHCCI instills in its members not the habit of borrowing money, but the habit of saving money – that is, the prin ciple of self-support and being financially independent

PERPETUAL HELP COMMUNITY COOPERATIVE (PHCCI)

- Promoting the value of thrift and saving:
  - ✓ **Implementing the Savings Mobilization Program**

PHCCI provides a formal banking environment that is not hostile and does not involve stringent and discriminatory procedures to its members

Savings account	**ATM Account**	**Special Savings Account**	**Junior Savings Account**

PHCCI has relatively lower maintaining balance ranging from PhP100.00 to PhP500.00 only and has competitive interest on savings deposits without withholding tax, not to mention the patronage refund they receive when availing its loan products

PERPETUAL HELP COMMUNITY COOPERATIVE (PHCCI)

- Promoting the value of thrift and saving:
  - ✓ **Rewarding the Members in Good Standing (MIGS) and Outstanding Member-Borrowers, Share Capital Build-up Award**

    The higher the MIGS classification, the more loan incentives the members get (e.g., lower loan monthly int erest rate and lower share capital requirement for availing loans).
  - ✓ **Introducing the Value of Thrift and Saving at an Early Age**
    - Junior Savings Account
    - Aflatoun Program (Aflatoun savings account)
    - PHCCI Youth Organization
  - ✓ **Providing Financial Education Seminars and Orientations**

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PERPETUAL HELP COMMUNITY COOPERATIVE (PHCCI)

- Promoting the value of thrift and saving:
  - ✓ **Complementing Saving and Credit Services with Adequate Facilities and Staff:**
    - branches and satellite offices in other areas in the Visayas Region;
    - Employees and staff in the accounting, loans, cash services and collections sections;
    - Partnering with banks such as Metropolitan Bank and Trust Company (Metrobank) and Rural Bank of Pamplona (in Negros Oriental), and Robinsons Bank, to accept deposits and loan payments;
    - SMS centers and phone calls to follow up delayed payments and near term obligations; and
    - Online application for loans and savings accounts

CONCLUSION

Does PHCCI provide these?

CONCLUSION

- Cooperatives have great potentials to improve the financial inclusion in the Philippines, particularly to move people out of the informal financial sector.
- While formal banks might still be the leading and most established financial institution, cooperatives can be a good starting point or vehicle for establishing the credit worthiness and mainstreaming people into the formal financial system.

THANK YOU!

“The more people are banking today, the more they are banking on their future.”

- Robert B. Zoellick,
World Bank Group President

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