

coop MONITOR

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MASS-SPECC
 COOPERATIVE DEVELOPMENT CENTER

CO-OPERATIVES IN THE 2021 FINANCIAL INCLUSION SURVEY OF BSP



Since 2015, the Bangko Sentral ng Pilipinas (BSP) has been conducting a biennial financial inclusion survey “1) to generate demand-side data on financial inclusion that would enable the BSP to identify gaps, set priorities, monitor progress, and craft evidence-based financial inclusion policies; and 2) to measure financial inclusion in the Philippines in terms of access (accessibility of financial service providers or FSPs), usage uptake of financial products and services), and quality (consumer experience).”

Financial inclusion means access by individuals and businesses to useful and affordable financial products and services that meet their needs – in terms of transactions, payments, savings, credit and insurance – and are delivered in a responsible and sustainable way. For BSP, this means effective access to a wide range of financial products and services by all, including the unbanked, underserved, and low-income population.

The results of the 2021 Financial Inclusion Survey (FIS) showed real progress. The number of unbanked adult Filipinos or those who did not own any type of formal account (in a bank, e-money issuer, non-stock savings & loan association, cooperative, or microfinance institution) dropped from 51.2 million in 2019 to 34.3 million in 2021. This means 16.9 million more adult Filipinos were included in the financial system in



the 2-year period. But this also means that 44% of the total adult population still remained unbanked, still below BSP's target of 70% of adult Filipinos becoming part of the formal financial system by 2023.

But the BSP is optimistic about reaching this target because of promising trends in the uptake of financial services. Account ownership by adult Filipinos almost doubled in two years, from 29% in 2019 to 56% in 2021 (it was 22.6% in 2017). This was driven by the phenomenal growth in electronic money or e-money accounts using cash cards, e-wallets, stored value cards, and similar products. E-money accounts grew from just 8% (5.7 million) in 2019 to 36% (27.5 million) in 2021. This is now acknowledged as one “positive” aftereffect of the COVID19 pandemic and one that is expected to persist after the pandemic.

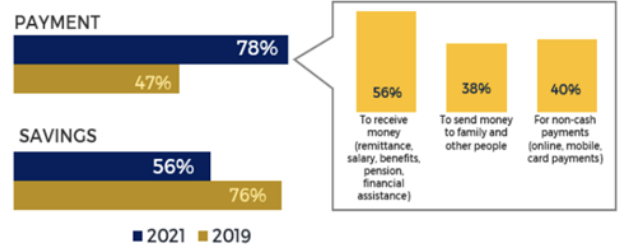
It is important to note that e-money was the most common type of account adopted by socio-economic classes C2, D and E. This may partly be explained by the purpose of owning the account, which was mostly to receive money like remittance, salary,



Uptake of Financial Services

	2019	2021
Formal Account	29%	56%
Formal Credit	19%	25%
Insurance ⁷	23%	17%
Investment ⁸	25%	36%

Purpose of Account



**Respondents can report more than one response.
Base population - Among accountholders (56% of Filipino adults)*

benefits, and financial assistance from government as in the case of the beneficiaries of 4Ps and those who received cash assistance because of the pandemic. Bank accounts, on the other hand, were mostly preferred by socio-economic classes A, B and C1 or the higher income classes who use their account for non-cash payments.

Farmers or workers in the agricultural sector remained the most unbanked sector of the population with 73% of them having no formal account.

Let us now look at how cooperatives, particularly deposit taking and credit granting cooperatives, fared in the financial inclusion study.

Account Ownership

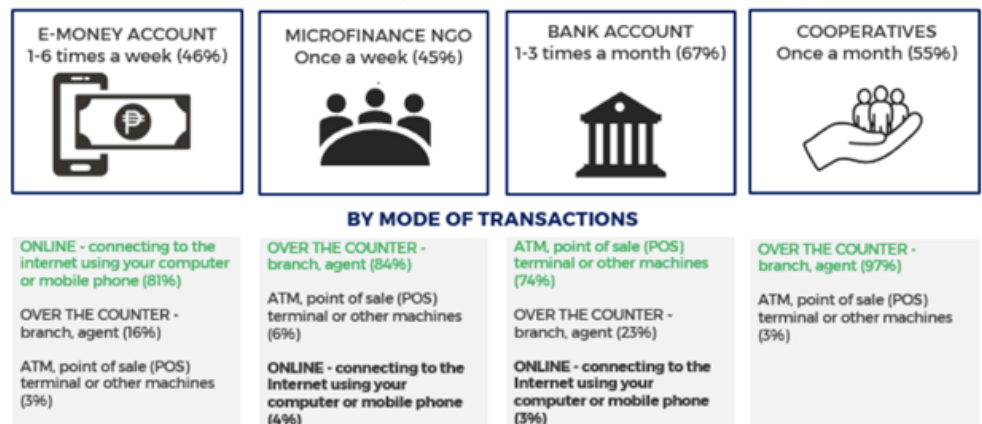
Ownership of an account held in formal institutions, including cooperatives, is a basic indicator of financial inclusion, according to BSP. By this measure, cooperatives experienced some gains by increasing the number of accounts to 4 million in 2021 from a mere 1.2 million in 2019. This represented a 5% share in account ownership in 2021 compared to 2% in 2019. (Previous FIS studies showed decrease in account ownership in cooperatives from 3.2% in 2015 to 2.9% in 2017.)

In terms of overall share in account ownership, however, cooperatives were way below other financial institutions except only the non-stock savings and loan associations. As mentioned earlier, e-money account issuers accounted for 36% share while banks almost doubled their share from 12% in 2019 to 23% in 2021. Microfinance NGOs meanwhile saw a decrease in their share from 12% in 2019 to 9% in 2021 but still higher than that of cooperatives.

For cooperatives, the frequency of transactions by majority of members was only once a month, compared to once a week by clients of Microfinance NGOs. The mode of transaction was mostly done over the counter in cooperatives (97%) and in Microfinance NGOs (84%).

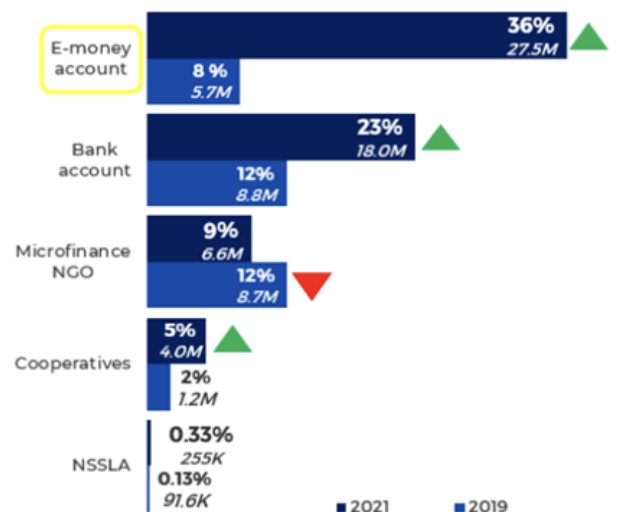
One interesting fact for cooperatives in Mindanao: the FIS study noted that “in Mindanao, accounts with cooperatives were preferred after e-money and bank accounts.”

Mode and Frequency of Transactions Per Account Type



Base population - Among accountholders (56% of Filipino adults)

Figure 1B. Types of Account Owned



**Respondents can report more than one response.
Base population - Among accountholders (56% of Filipino adults)*

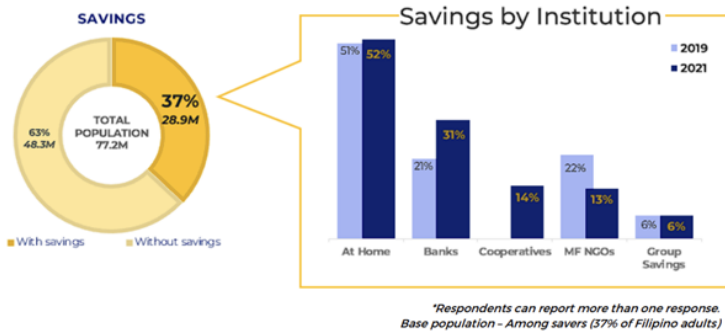


Savings

The percentage of adults with savings fell from 53% in 2019 to 37% in 2021. This may be due to the reduction in household income in the two years that COVID19 pandemic disrupted employment and livelihood. This represented a decrease of 9.7 million in the number of adult savers, from 38.6 million in 2019 to 28.9 million in 2021. At the same time, informal savings remained high, with 52% of savers still keeping their savings at home in 2021.

Of note is one of the findings of the study that said : “the lower incidence of savings in 2021 was recorded across geographical areas except in Mindanao, which registered an increase and surpassed all areas... Saving in cooperatives was more prevalent among Mindanao and urban residents.” Savers in cooperatives was at 14% in 2021. Banks were still the preferred formal institution for saving by 31% of savers.

Figure 2C. Savings by Institution



Why do people save? Majority (81%) of savers in 2021 said they allocated savings for emergency. Other reasons cited were: a) to achieve financial/life goals (43%), b) to cover daily expenses (41%), and c) in preparation for retirement (12%).

Figure 2D. Top Reasons for Saving



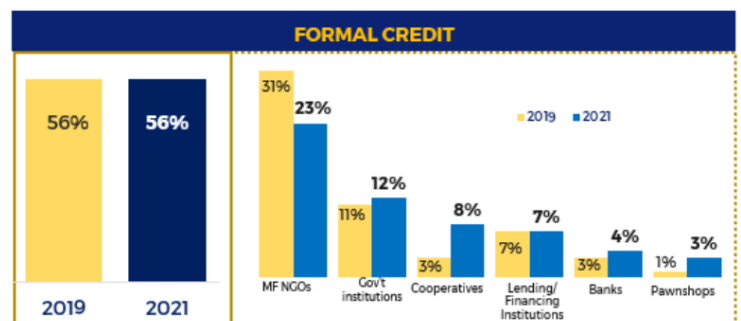
*Respondents can report more than one response.
Base population - Among savers (37% of Filipino adults)

Loans

More Filipino adults borrowed money in 2021 compared to 2019, with 45% of them having outstanding loans in 2021, higher than the 33% in 2019. “Borrowing was more prevalent among socio-economic class E, Mindanao, aged 30 to 59 years old, with at least vocational education, business owners, workers, and women,” according to the study. While loan incidence increased among all socio-economic classes, the highest increase was noted among those in class E, rising to 50% in 2021 from 35% in 2019.

In terms of location, formal credit grew in Mindanao to 60% in 2021, from 35% in 2019, with cooperatives playing a big role. The study noted that “cooperatives were the primary source of formal loans in Mindanao” while microfinance NGOs were the top source of credit in Luzon and the Visayas. Cooperatives in fact recorded the biggest increase in percentage of borrowers, from 3% in 2019 to 8% in 2021.

However, this was way below the 23% increase of borrowers in microfinance NGOs, which remained the top source of credit among all formal lenders despite falling from the 31% achieved in 2019.



*Respondents can report more than one response.
Base population - Among borrowers (45% of Filipino Adults)

Borrowing from informal credit sources, on the other hand, was still high among adult Filipinos at 57%. Such borrowings were sourced mostly from family, friends, and relatives (47%) while others were sourced from informal lenders (14%). The rest came from advances from employers (2%). Informal credit was more prominent among classes D and E. **RMV**

Note: All figures, graphs and infographics in this article were taken from the 2021 Financial Inclusion Survey, BSP, 2022.





This report provides co-operators with a rundown of significant economic highlights and market trends during the third quarter of 2022 that reflected the profound impact of the COVID-19 global pandemic, persistent economic challenges, and alarming climate change, among other social issues, on the co-operative movement and Philippine society.

FILIPINOS ARE FASTEST ADOPTERS OF ONLINE SHOPPING IN REGION

Filipino consumers have doubled the number of digital platforms they are using for online shopping—and they do not mind switching apps if other merchants can deliver their products more quickly, a study by social media giant Meta and management consultancy firm Bain & Co. showed.

In their recent joint report, Meta and Bain & Co. said each user in the country has used about 16 apps based on a June 2022 survey, which was 108% more than the figure registered in the same period last year.

This was the highest growth observed in Southeast Asia. Following the Philippines was Vietnam with 96%, and Indonesia and Thailand with 90% each.

The online platforms being used by the respondents include e-commerce marketplaces, food delivery, large retailer websites, small online shops and consumer product categories.

Source: Philippine Daily Inquirer

PANDEMIC PUSHES 2.3 MILLION FILIPINOS INTO POVERTY IN 2021

Around 2.3M Filipinos have been plunged into poverty between 2018 and 2021, as the coronavirus pandemic left lasting scars on the Philippine economy, according to the Philippine Statistics Authority (PSA).

Preliminary results of the 2021 Official Poverty Statistics estimated poverty incidence among individuals — the proportion of Filipinos whose incomes fell below the per capita poverty threshold from the total population — rose to 18.1%, from the 16.7% recorded in 2018.

However, the figure fell short of the government's goal to bring down poverty incidence to 15.5-17.5% in 2021.

The PSA said the number of Filipinos living in poverty rose by 2.322M to 19.992M in 2021, from 17.670M in 2018.

Source: Business World

WORKFORCE SKILLS CRITICAL IF PHILIPPINES IS TO GAIN FROM 'DEMOGRAPHIC DIVIDEND'

Any reliance on the so-called “demographic dividend” for economic growth will depend on the skills young workers acquire on the way to becoming the most numerous cohort of the working-age population, analysts said.

However, “this is nothing more than the demographic transition. For the first time in our history, we have a larger proportion of working age individuals instead of those who are still in schooling and those who are retired,” according to Leonardo Lanzona, director of the Ateneo Center for Economic Research and Development.

“The main question is how advanced are we in taking advantage of our demographic transition. Our Asian neighbors have been able to utilize this resource to the full by engaging in more industrialization and enhancing trade. So far, we don't see much of this developing.”

Finance Secretary Benjamin Diokno said that the relative youth of the population will drive the consumer-driven economy forward.

Source: Business World



HIRE MORE K-12 GRADS, DTI CHIEF URGES COMPANIES

Promised quick employment upon graduation, senior high school (SHS) students who finished the K-12 program are now flooding the job market but face less-than-bright prospects, as employers in the country still prefer applicants with undergraduate degrees.

Trade Secretary Alfredo Pascual said he wished to change that, as he urged companies to rethink their hiring policies that favored college graduates and to employ more K-12 finishers.

Pascual said the K-12 education system provided enough training for its graduates to become fully functioning employees.

“When the K-12 was created, its purpose was to produce [holistically developed Filipinos]. Meaning, if you are a K-12 graduate, assuming it was implemented well, you are OK, you are ready for a job,” the trade secretary said in Filipino.

Source: Philippine Daily Inquirer



SKILLS MISMATCH, NOT GRADUATE INFLUX, BETTER EXPLAINS RISING JOBLESSNESS, ECONOMISTS SAY

The rise in unemployment based on the government's economic assumptions for next year points to a skills mismatch within the labor pool, with many unfilled positions in the construction industry alone, economists said.

“It is predominantly a case of (skills) mismatch. There are thousands of jobs unfilled in the construction industry with the ‘Build, Build, Build’ program of the government and real estate boom in some sectors of housing. But there are not enough carpenters, masons, electricians, plumbers, etc. because of the obsession with college diplomas of both parents and students,” University of Asia and the Pacific Economist Bernardo M. Villegas.

“We have to give a higher budget to TESDA so that more and more technical vocational schools can be put up.” The 2023 Budget of Expenditures and Sources of Financing projects an unemployment rate of between 5.7 and 6.8% next year, against this year's expected range of 5.1-6.5%.

Source: Business World

ANALYSTS: 'LEARNING POVERTY' COULD SPUR LABOR CRISIS

The country's so-called learning poverty could spur a workforce crisis if not resolved soon, according to education experts.

The Philippines' learning poverty is among the highest in the region, with nine of 10 Filipinos unable to read and understand short, age-appropriate texts by the age of 10, according to the World Bank.

One of two Filipino workers did not finish high school, citing a labor force survey in June. The lack of basic competencies and qualifications translated to a high underemployment rate.

About 5.8M Filipinos were working in low-skilled positions with inadequate pay.

Source: Business World



YEARS OF COVID SCHOOL CLOSURES LEAVE PHILIPPINES WITH DEEP SCARS

On August 22, schools in the Philippines finally reopened their doors to students after two and a half years — one of the longest pandemic-induced school closures in the world.

Protracted school closures worsened basic literacy standards and will likely reduce the productivity and earnings of children once they enter the workforce, the World Bank warned in a recent report.

About 10% of Filipinos work abroad and the economy is dependent on remittances sent back by its overseas nurses, teachers and engineers, among other workers.

A steady flow of graduates is also essential to the country's push to establish itself as an outsourcing center for international corporations and to increasing the number of decent jobs closer to home.

Source: Business World

FILIPINOS SPEND A THIRD OF BUDGET FOR FOOD, SAYS STUDY

Filipinos spend about half of their income on utilities, transportation, and food — the last one taking up a third of their budget.

In a statement, data analytics group Kantar said this was the result of its study on the spending habits of 2,000 Filipino respondents from 2018 to 2022.

Kantar said utilities, transportation, and food totaled 49% of the expenditure share of Filipino homes in 2018. This increased to 57% in 2020 during the lockdowns due to the COVID-19 pandemic.

Then it dipped to 46% in 2022 when the pandemic restrictions loosened, resuming much of the economic activity.

In 2018, Filipinos spent almost a third of their budget on fresh and packaged food. This went up to 37% at the height of the pandemic in 2020 and then decreased to 31% in 2022.

Source: Philippine Daily Inquirer

STORMS, FLOODS TO COST PHL \$124 BILLION BY 2050

Strong storms, heavy flooding and prolonged droughts may result in around \$124B in losses to the Philippine economy between 2022 and 2050, according to research firm GHD.

The "Aquanomics: The economics of water risk and future resilience" report covered seven countries, including the United States, China and the Philippines, which GHD said will see a combined \$5.6 trillion in losses due to storms, floods and drought through 2050.

The Philippines' total GDP loss of \$124B is the fifth-highest among the seven countries, with United Arab Emirates having the smallest GDP loss at \$27B.

The Philippines is one of the countries most affected by water-related disasters, with an average of 20 typhoons that bring heavy flooding every year.

Source: Business World





CARP SEEN UNSUSTAINABLE WITHOUT SUPPORT SERVICES

Agrarian reform beneficiaries (ARBs) need support services to sustain them and keep them productive after they have been awarded land, a senior legislator said.

The Comprehensive Agrarian Reform Program (CARP) without adequate support services and with limited capital or entrepreneurship among farmer-beneficiaries, is shown to have reduced agricultural productivity in CARP lands by as much as 34.1%.

The agriculture industry forgoes about P418B a year in gross value added due to the absence of support, access to capital, and capacity among ARBs under CARP.

Source: Business World

JOLLIBEE, DA PARTNER TO TRAIN SMALL FARMERS ON ENTREPRENEURSHIP

JOLLIBEE Foods Corp. (JFC) and the Department of Agriculture (DA) have signed a partnership to train smallholder farmers on business and entrepreneurship.

Under the partnership, 15 DA regional field offices will receive agro-enterprise facilitators provided by JFC's social

responsibility arm, the Jollibee Group Foundation (JGF).

The program will teach smallholder farmers to “shift their mindset and practice from being individual producers to entrepreneurs in a strong cluster linked by a common business activity.” Course topics include production modules, supply plans, and the buyer’s comparison matrix, among others.

A total of 167 agro-enterprise facilitators from 84 organizations have completed the introductory course since its rollout.

Source: Business World

EPR LAW ON PLASTIC WASTE WILL SUCCEED AS ALL SECTORS WORK TOGETHER

The new law on extended producer responsibility (EPR) for plastic waste is a major milestone in tackling plastic waste and its implementation will succeed with sustained collaboration and partnerships among stakeholders..

Republic Act No. 11898 (Extended Producer Responsibility Act of 2022) defines EPR as the environmental policy approach and practice that now requires producers to be environmentally responsible throughout the life cycle of a product, from manufacture to

consumption or use, and especially to its post-consumer or end-of-life stage.

Large enterprises are covered, with auditing and annual compliance reports to be submitted. Plastic packaging refers to products used to carry, protect or pack goods for transportation, distribution and sale.

The law mandates establishing or phasing in EPR programs within six months, with yearly incremental target recovery rates up to 80% by 2028.

Source: Philippine Daily Inquirer





ECONOMIC HIGHLIGHTS AND MARKET TRENDS

Q2, FY 2022

MAKING NET ZERO A REALITY IN THE PHILIPPINES SOONER RATHER THAN LATER

A number of countries in the Asia-Pacific region, including China and Indonesia, have set aggressive targets to reduce greenhouse-gas emissions, despite significant coal exposure.

The Philippines has not yet followed suit. Instead, it has pledged to reduce emissions by 75% from the “business as usual” trajectory by 2030; this promise is also almost entirely conditional on international financial support that has so far not been forthcoming.

The Philippine Energy Plan forecasts emissions increasing until at least 2040. The Department of Energy has set an objective of 50% renewable energy in power generation by 2040, and in 2020 imposed a moratorium on construction of new coal-fired power stations.

In transport, there are mandates for biodiesel and bioethanol and targets for electric vehicle (EV) penetration.

Source: Business World

PH LOSS FROM TOO MUCH, OR ZERO, WATER SEEN TO HIT \$124B OF GDP

The Philippines, which is hit by an average of 20 typhoons every year, is expected to lose \$124B until 2050 from water-related risks, like strong storms, intense floods and prolonged droughts.

This was revealed by global professional services company GHD in its study, “Aquanomics: The Economics of Water Risk and Future Resilience,” which presented the future effects of water risks on the economies of countries considered highly vulnerable to water-related disasters.

The \$124B translates to an average annual gross domestic product (GDP) loss of 0.7%, especially since out of the 20 typhoons ravaging the Philippines every year, the Asian Disaster Reduction Center (ADRC) said 5 are highly destructive.

Source: Philippine Daily Inquirer

CO-OP STORY: MICMA WINNER FEATURE

Building Blocks for Success

GRAND WINNER - MAUSWAGON CATEGORY

RENGIE PATIGAYON

Co-operative: MSU-IIT National Multi-Purpose Cooperative
Micro-enterprise: Sand and Gravel

In 2013, when the MSU-IIT National Multi-Purpose Cooperative opened in General Santos City, Rengie Patigayon was among those who received their flyers inviting people to become co-op members.

Rengie and her husband, Bernardo, started their modest business out of a Php 5,000 capital. When they became pioneering co-op members, they availed of a business loan from MSU-IIT NMPC to purchase a “karag-karag” (vehicle). In one year, their business grew bigger and more efficient as they acquired more project contracts to provide affordable and quality hollow blocks, sand, and gravel.

The couple has always been hands-on in their business as they embodied the value of hard work and determination. Rengie and Bernardo used to work for a hardware store as a salesperson and a truck driver, respectively. Their experiences of working in the same place inspired them to take risks and start their entrepreneurial journey. They are grateful to MSU-IIT NMPC for offering them financial products and services that help boost their financial capability and business operations.



In the future, they hope to put up their own hardware store so they can provide complete construction supplies to their customers. Their savings at the MSU-IIT NMPC also helped send their children to school and for their family to be ready during emergencies. Amid the pandemic, they have withered the challenges and remained in business, inspiring their relatives and friends to become members of the co-op as well.

**The Mauswagon Category of MICMA is open to micro-entrepreneurs who have grown their business to a level that is now generating employment for the people apart from the household or family members. The asset size of the micro-enterprise has a market value above P300,000.00 up to a maximum amount of P 1 million. For more info about MICMA, visit our website with this link: <https://mass-specc.coop/about-micma/>*

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