

# Payment System in the Philippines: Recent Developments

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# Outline of the Paper

- Flow of funds
- Payment system in the Philippines
- Innovations in payment system and SMEs
- Global financial crisis, capital flows and payment system

**Table 1. Indicators of Funds Flow**

1.M2/GDP (%)	46.7
2. Market cap – equity (% of GDP)	71.62
3. Outstanding bonds (% of GDP)	33.73
4. Total Trade (% of GDP)	85.38
5. Capital Flows (% of GDP)	18.4
6. Remittances, billion US\$	14.4
% of GDP	24.93

**Table 2. Number of Financial Institutions, End-September 2008**

TYPE OF FINANCIAL INSTITUTIONS (FIs)	End-September 2008		
	TOTAL	HEAD OFFICE	OTHER OFFICES
	<b><u>21.952</u></b>	<b><u>7.279</u></b>	<b><u>14.673</u></b>
<b>I. BANKS</b>	<b><u>7.811</u></b>	<b><u>835</u></b>	<b><u>6.976</u></b>
<b>A. Universal and Commercial Banks</b>	<b><u>4,330</u></b>	<b><u>38</u></b>	<b><u>4,292</u></b>
Universal Banks	3,847	17	3,830
Private Domestic Banks	3,417	11	3,406
Government Banks	415	3	412
Branches of Foreign Banks	15	3	12
Commercial Banks	<u>483</u>	<u>21</u>	<u>462</u>
Private Domestic Banks	397	7	390
Subsidiaries of Foreign Banks	70	3	67
Branches of Foreign Banks	16	11	5
<b>B. Thrift Banks <sup>1/</sup></b>	<b><u>1,331</u></b>	<b><u>80</u></b>	<b><u>1,251</u></b>
<b>C. Rural and Cooperative Banks</b>	<b><u>2,150</u></b>	<b><u>717</u></b>	<b><u>1,433</u></b>
Rural Banks <sup>1/</sup>	2,031	672	1,359
Cooperative Banks	119	45	74
<b>II. NON-BANK FINANCIAL INSTITUTIONS</b>	<b><u>14,134</u></b>	<b><u>6,437</u></b>	<b><u>7,697</u></b>
<b>A. With Quasi-Banking Functions</b>	37	14	23
<b>B. Without Quasi-Banking Functions</b>	<b><u>14,097</u></b>	<b><u>6,423</u></b>	<b><u>7,674</u></b>
NSSLAs <sup>2/</sup>	144	77	67
Pawnshops	13,864	6,274	7,590
Others	89	72	17
<b>III. OFFSHORE BANKING UNITS</b>	7	7	

<sup>1/</sup> Including Microfinance-Oriented Banks

<sup>2/</sup> Refers to non-stock savings and loan associations

Source : Supervisory Data Center, Supervision and Examination Sector

# Payment Methods

Cash  
(1)

Electronic  
Payment (3)

Paper-based  
Checks (2)

Payment  
Cards

Internet  
Banking

Mobile  
Phone  
Banking

Philippine  
Domestic  
Dollar  
Transfer  
(PDDT)

Electronic  
Peso  
Clearing  
System  
(EPCS)

Philippine  
Payments  
and  
Settlement  
(PhilPass)

Credit card

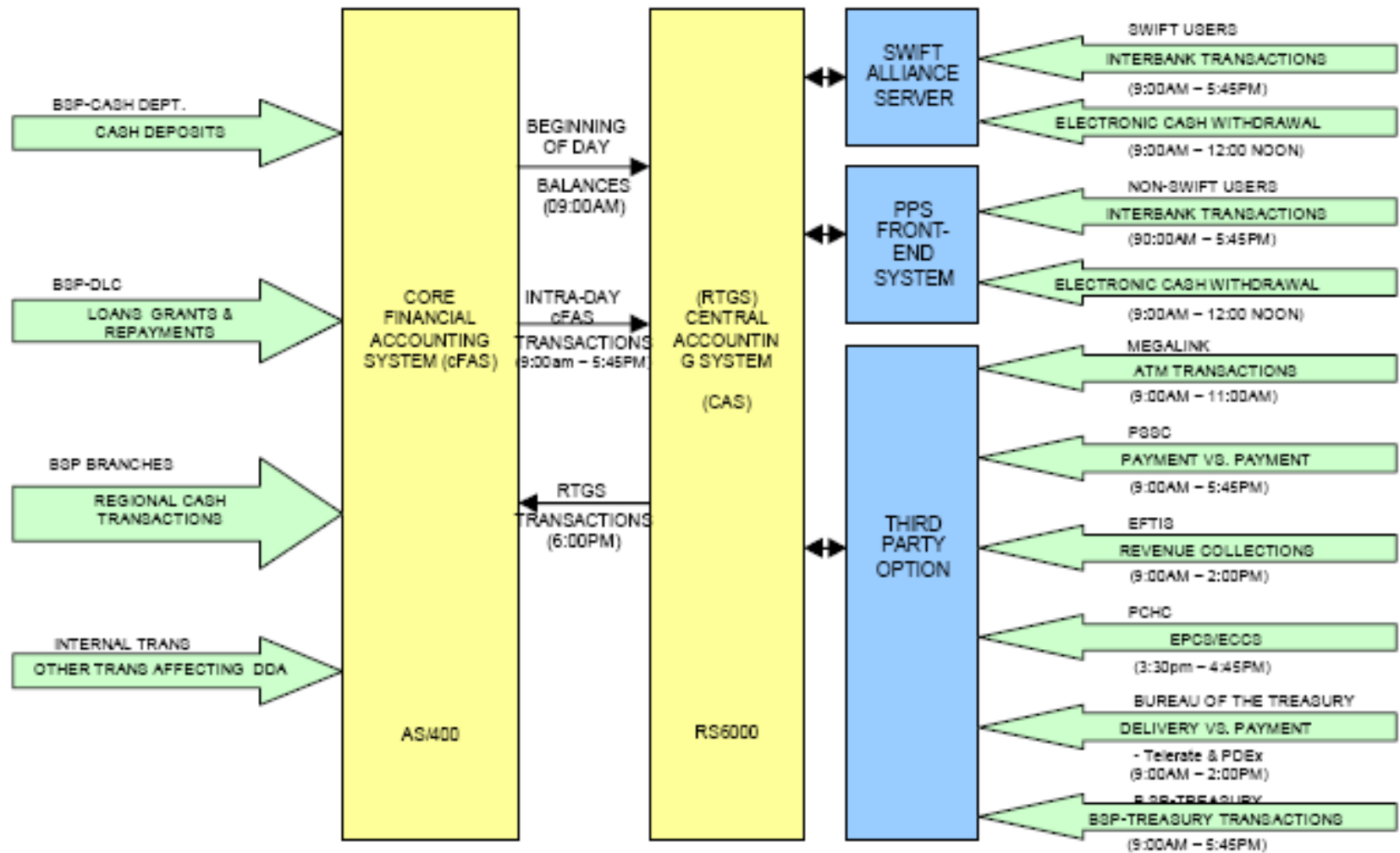
Debit card

Stored value  
card

## **Focus on two major developments:**

- 1. Large-Value Transfer System**
  - overcoming systemic risk**
  
- 2. Small-Value Transfer System**
  - overcoming SMEs' lack of access**

## PhilPaSS (RTGS) COMPONENTS



Source: Bangko Sentral ng Pilipinas

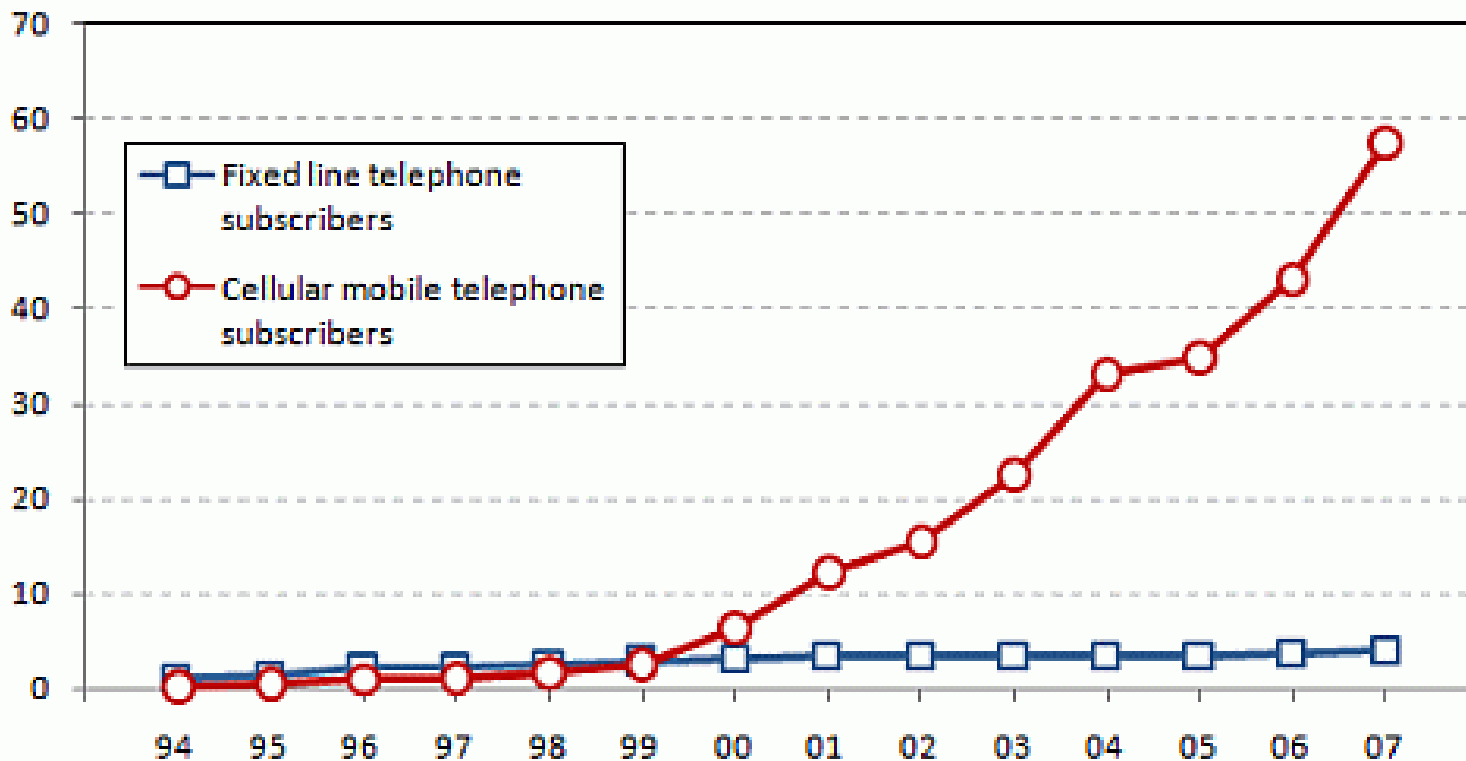
# Unconventional Methods of Transferring Funds: Non-Banking Entities

1. Pawnshops - remittance
2. Cooperatives – access to ATM services
3. *G-Cash* – electronic wallet; banking product



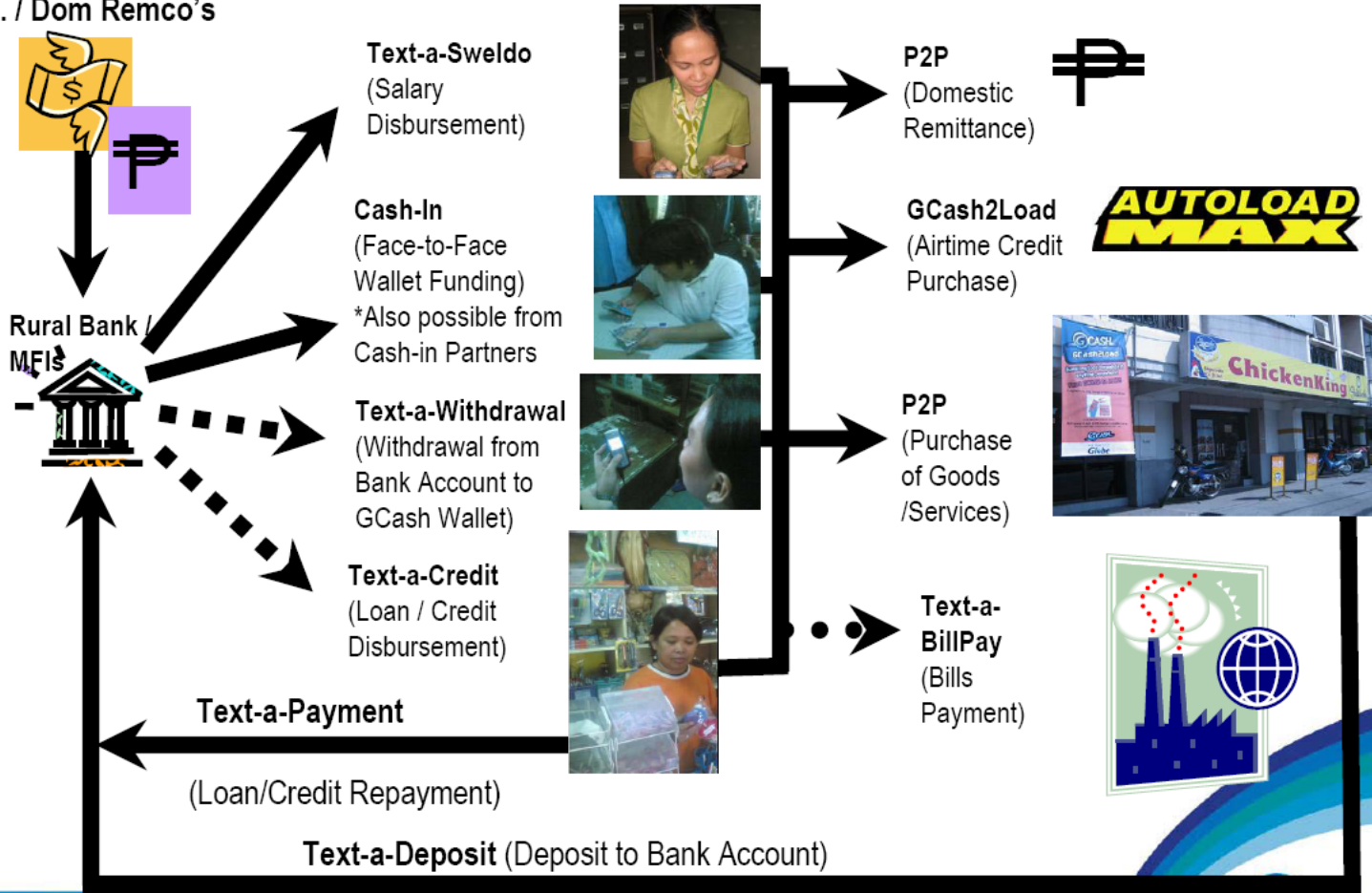
## Leveraging high CMT density for mobile banking ....

Figure 2. Telephone Subscribers, in millions



# Microfinance Use Case: Rural Bank Centric Ecosystem

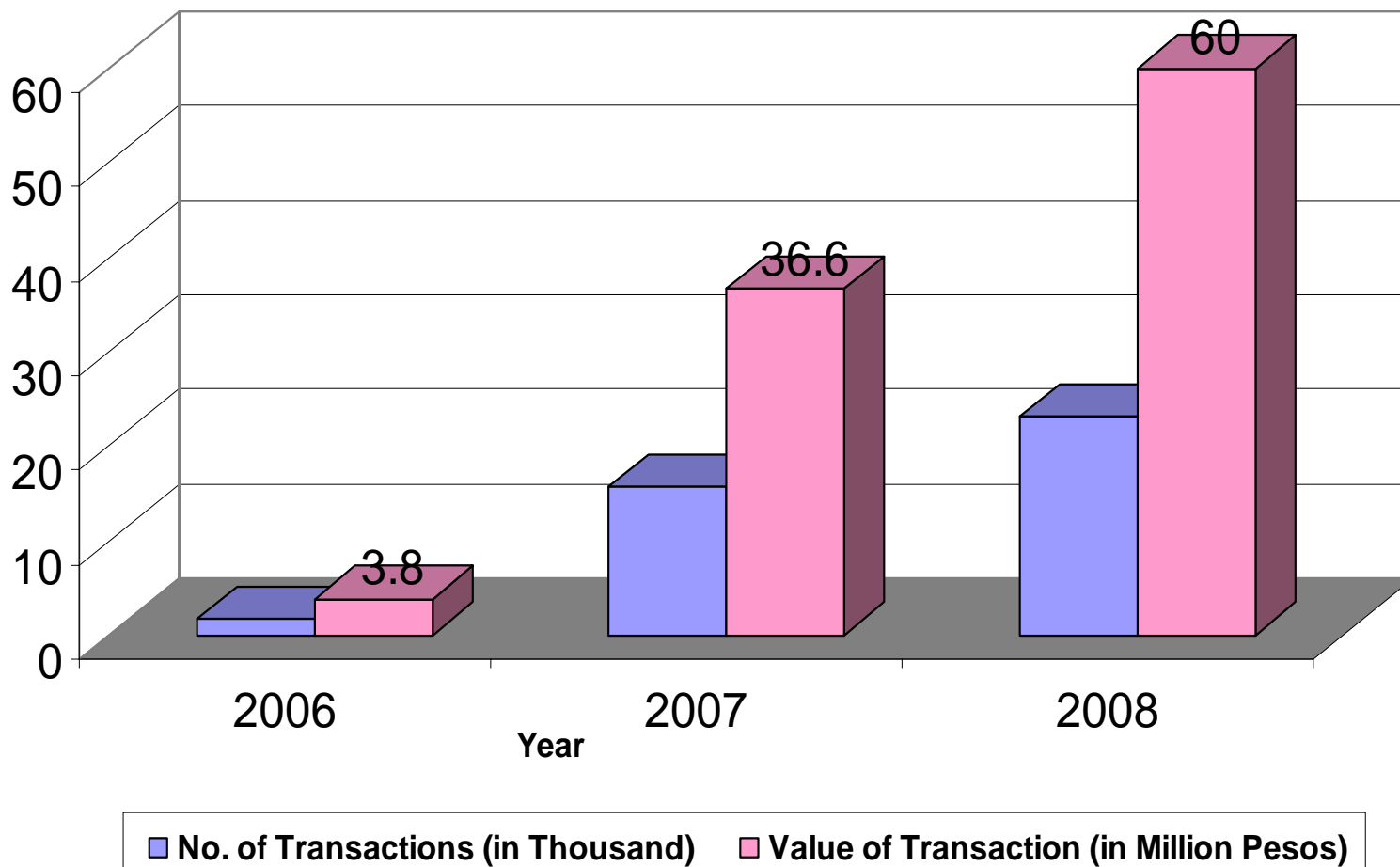
Intl. / Dom Remco's



Source: Globe Commerce

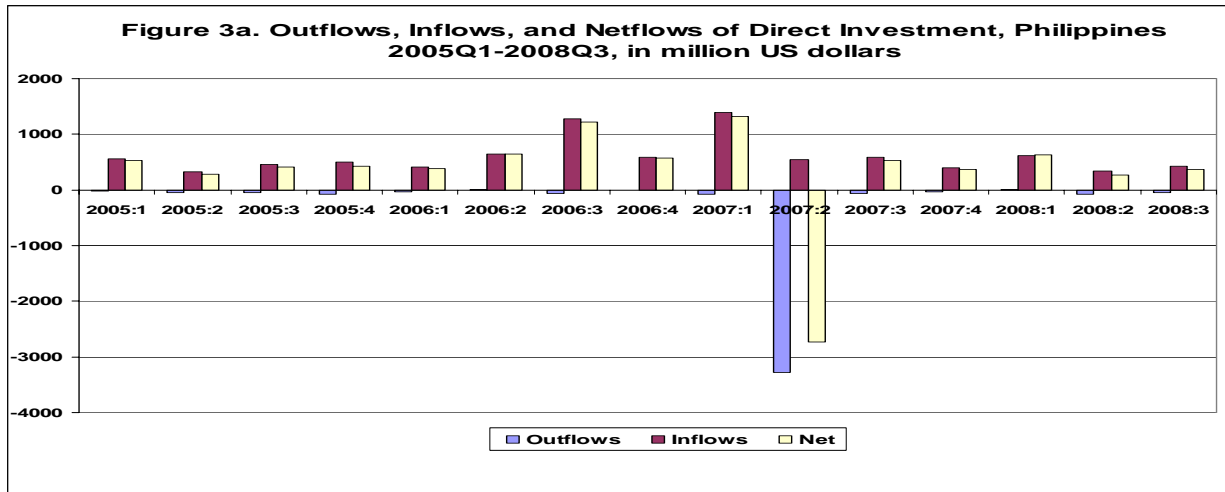
## CASE: Small rural bank

### Mobile Phone Banking Transactions, Green Bank

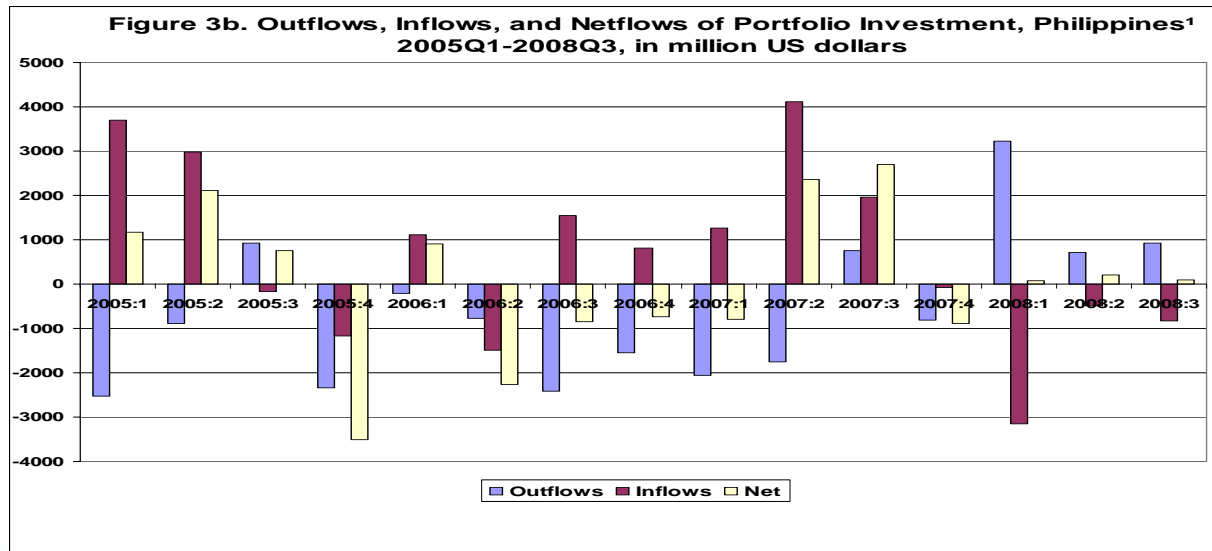


Source: Greenbank.com, Philippines

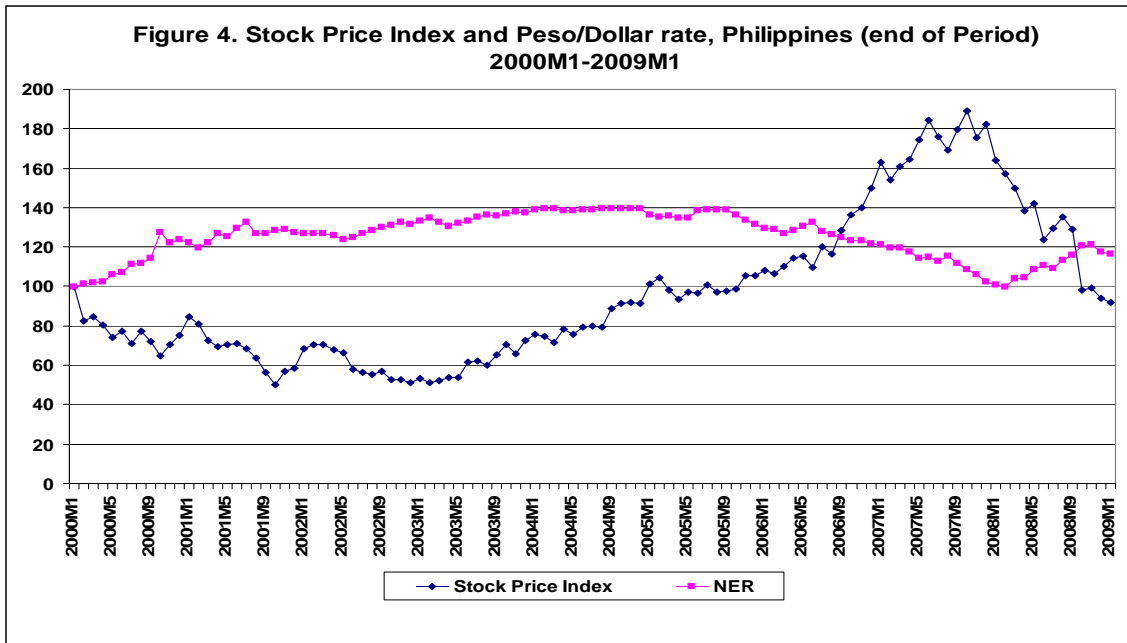
# On the global financial crisis and capital flows....



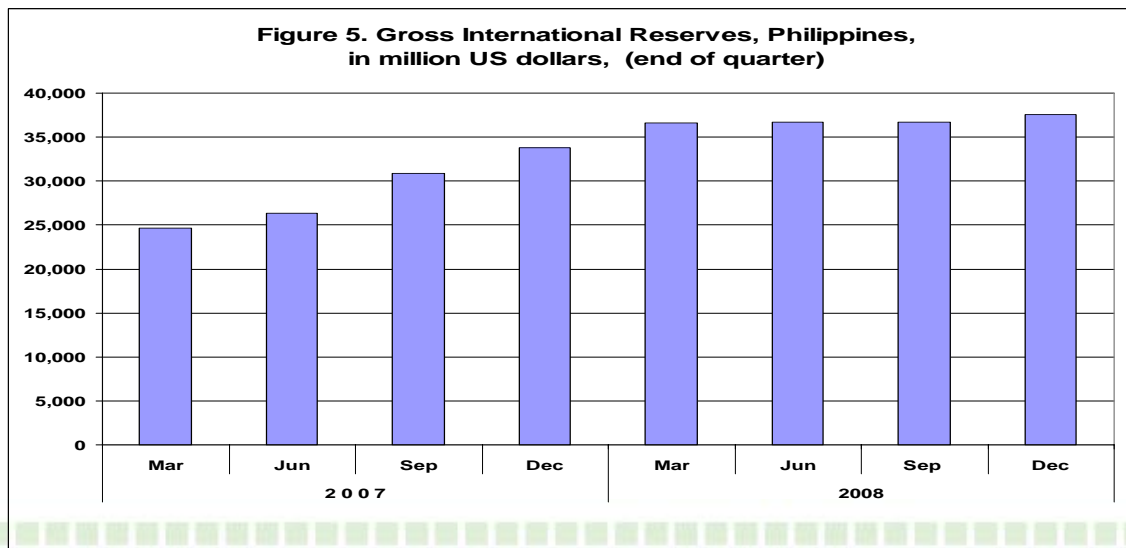
*FDI holding...*



*Foreign investors pulling out; but residents repatriating capital..*

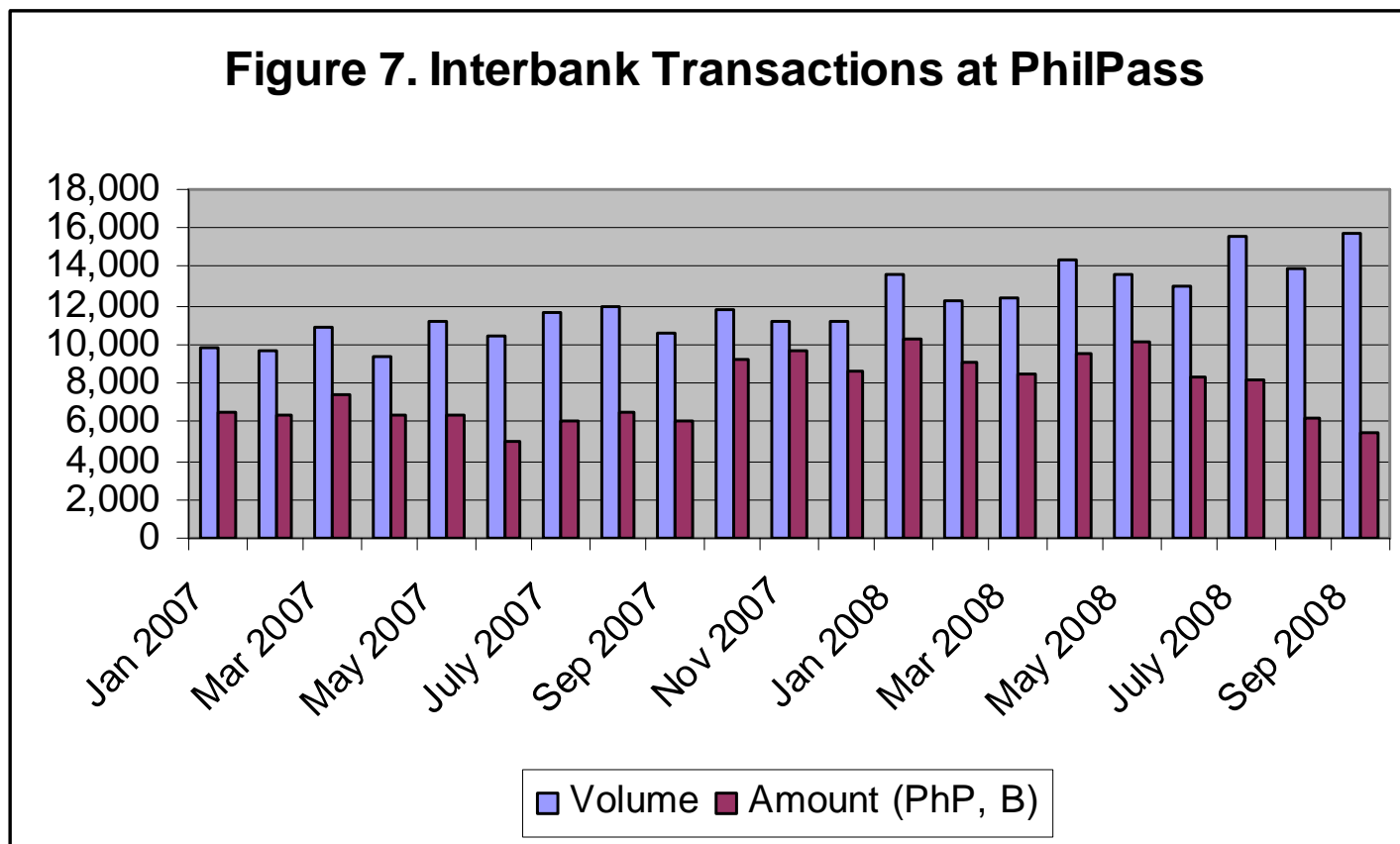


**Stock market price falls and currency depreciation..**



**Reserves holding....**

## Transactions had intensified.....



# Some Issues

**For large-value payment system: PhilPaSS/RTGS**

- *provision of intra-day credit liquidity*
- *limits to intra-day credit liquidity*
- *collateralized or uncollateralized intra-day credit liquidity*
- *basis for pricing such facility.*

**For small-value payment system:**

- *participation of non-bank entities – regulatory regime*
- *consumer protection*
- *flexibility in times of crisis*