

NINETEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
*First Regular Session* )



'22 SEP -7 P 3 :30

**SENATE**  
S. No. 1294

RECEIVED BY 

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**Introduced by Senator Jinggoy Ejercito Estrada**

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**AN ACT  
PROMOTING RURAL FINANCIAL INCLUSION AND LITERACY**

**EXPLANATORY NOTE**

“Financial inclusion” is defined by the Bangko Sentral ng Pilipinas (BSP) as “a state wherein there is effective access to wide range of financial services for all, especially the vulnerable sectors. Effective access does not only mean that there are financial products and services that are available. These products and services must be appropriately designed, of good quality and responsive to the varied needs of individuals and businesses – whether for saving, payments, financing investments, or insurance.”<sup>1</sup>

However, the promotion of greater financial inclusion and education in the country remains a challenge. In a study published by the Philippine Statistics Authority (PSA) entitled, “An Index of Financial Inclusion in the Philippines: Construction and Analysis”, as of 2015, 591 of 1,634 cities and municipalities in the country remain unbanked. Also, “43% of Filipino adults have savings but 68% of them keep their savings at home and only 33% are saving in banks. Forty-seven

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<sup>1</sup>[Bangko Sentral ng Pilipinas Inclusive Finance \(bsp.gov.ph\)](http://bsp.gov.ph)

percent (47%) of adults have outstanding loans but 72% borrow from informal sources such as family friends, relatives, and other informal lenders.”<sup>2</sup>

In the year 2015, the National Strategy for Financial Inclusion (NSFI) was launched by the government and private sector stakeholders. It is a principles-based approach that serves as a blueprint to achieve the nation’s vision of promoting financial inclusion for the realization of inclusive growth and financial resilience. It has four (4) strategic areas, namely: (1) policy, regulation and supervision; (2) financial education and consumer protection; (3) advocacy; and (4) data and measurement. It was recently updated with the NSFI 2022-2028.

By virtue of Executive Order No. 208 signed on June 2, 2016, the Financial Inclusion Steering Committee was established “as the governing body that shall provide strategic direction and guidance relative to the implementation of the NSFI and shall give advice to other stakeholders on meeting their objectives.”

Since then, the BSP intensified its efforts to achieve these goals. They developed a comprehensive and interactive online information system and conducted various studies and activities related to it. As a result, the BSP reported that “from 2020 until the third quarter of 2021, about 20 million unbanked Filipino adults have been included in the formal system through the opening of basic deposit accounts (BDA) and active e-money accounts” and that “brought that banked adult Filipinos to 41 million, or about 53 percent of the total adult Filipinos to date.”<sup>3</sup>

The “*Rural Financial Inclusion and Literacy Act*” will serve as the legal framework to sustain the efforts being undertaken by the BSP. It seeks to establish a Financial Inclusion and Digital Literacy Program that will promote the engagement with financial service institutions in rural areas and provide the public with the necessary knowledge and skills in making sound economic and financial decisions. It will be implemented by the NFISC which, under the proposed law, will still be chaired

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<sup>2</sup>[Session 4-2 An Index of Financial Inclusion in the Philippines Construction and Analysis.pdf \(psa.gov.ph\)](#)

<sup>3</sup>[Deposit accounts, e-money boost BSP's financial inclusion bid | Philippine News Agency \(pna.gov.ph\)](#)

by the Governor of the BSP but with expanded membership. The marginalized sector of the society as well as the micro, small and medium, enterprises will be prioritized in the implementation of the program. To be able to establish a digital financial ecosystem in the country, especially in the provinces and rural areas, the priority implementation points shall include enhanced access to digital serves, provision of automated teller machines (ATMs) and satellite rural bank offices, efficient retail payments system, expansive network of low-cost touchpoints and accredited cash agents, democratized access to a transaction through the utilization of the national identification system, enhanced collaboration with rural financial institutions, and enhancement of the Tech4ED program of the Department of Information and Communications Technology (DICT).

This measure was approved on Third Reading by the House of Representatives in the 18<sup>th</sup> Congress.

In view of the foregoing, the swift approval of this bill is highly recommended.



**JINGGOY EJERCITO ESTRADA**

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**AN ACT**  
**PROMOTING RURAL FINANCIAL INCLUSION AND LITERACY**

*Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:*

1           Section 1. *Short Title.* – This Act shall be known as the "*Rural Financial*  
2 *Inclusion and Literacy Act.*"

3           Sec. 2. *Declaration of Policy.* – It is the policy of the State to promote  
4 financial empowerment and reduce financial vulnerabilities among its citizens by  
5 taking proactive measures in developing technological capacities of various financial  
6 institutions in the rural areas to improve access to financial services. Toward this  
7 end, the State shall promote financial inclusion and literacy programs that contribute  
8 in establishing a financial system to benefit all Filipinos, regardless of socio-economic  
9 status, to accelerate economic growth and development especially in rural and  
10 provincial areas.

11           Sec. 3. *Financial Inclusion and Digital Literacy Program.* – A proactive  
12 Financial Inclusion and Digital Literacy Program, hereinafter referred to as Program,  
13 is hereby established to promote the engagement with financial service institutions  
14 such as rural banks, lending companies, insurance and pre-need companies, and  
15 health maintenance organizations (HMOs) in rural areas. The Program includes the  
16 conduct of nationwide seminars and workshops, development of modules, trainings  
17 on organizational development and financial management on credit worthiness, loan

1 acquisition and repayment, and wide dissemination of information and education  
2 campaign (IEC) materials that are tailored to different sectors.

3 The Program shall also contain a basic understanding of concepts of financial  
4 inclusion, and may include technical application to provide the public with knowledge  
5 and skills to make well-informed economic and financial decisions. Priority sectors  
6 shall include small farmers, fisherfolk, and micro, small and medium enterprises  
7 (MSMEs).

8 *Sec. 4. Program Implementation.* – The Program shall be implemented by the  
9 National Financial Inclusion Steering Committee (NFISC) chaired by the Governor of  
10 the Bangko Sentral ng Pilipinas (BSP).

11 For a more inclusive implementation, local government units, non-government  
12 organizations (NGOs) and civil society organizations (CSOs) network, federation of  
13 cooperatives, cooperatives specially assisted by the Department of Agrarian Reform  
14 (DAR), shall also be included. Completion of a component of the Program may be  
15 used to comply with the requirements of financial institutions on various financial  
16 products such as savings, payment, credit, insurance, pre-need products and health  
17 maintenance services (HMOs).

18 The NFISC, together with other stakeholders, shall optimize the use of all  
19 available mass media networks as an effective channel in promoting public  
20 awareness and education about the Program.

21 *Sec. 5. Capacity Building for Rural Banks.* – Rural banks, and other financial  
22 institutions such as microfinance institutions and cooperatives operating in the rural  
23 areas shall establish capacity-building programs aimed at improving the knowledge  
24 and skills of their personnel on innovative technologies such as mobile payments,  
25 online lending, blockchain application, cloud computing, application programming  
26 interface (API) and artificial intelligence. Cybersecurity considerations and data  
27 privacy protection under Republic Act No. 10175, otherwise known as the  
28 “Cybercrime Prevention Act of 2012” and Republic Act No. 10173, otherwise known  
29 as the “Data Privacy Act of 2012” shall be considered and incorporated in the  
30 capacity building program.

31 To further scale up the technology capabilities of rural banks, the Rural  
32 Bankers Association of the Philippines (RBAP) may assist its member banks by

1 establishing industry-level standards on internet technology (IT) outsourcing and  
2 vendor management such as those pertaining with other recognized industry  
3 associations such as other bank associations, financial technology alliances, and  
4 reputable market players in organizing technology-focused briefings and/or  
5 information sessions for its member banks. Moreover, rural banks shall adhere to  
6 and comply with relevant BSP rules on technology and information security risk  
7 management.

8 Informal financial service institutions shall be strengthened to improve their  
9 services in the rural areas by linking them to formal financial institutions, and setting  
10 up of community trainings to institutionalize their operation and reinforce their  
11 management capacity and governance.

12 *Sec. 6. National Financial Inclusion Steering Committee.* – To further  
13 systematically accelerate financial inclusion, the National Financial Inclusion Steering  
14 Committee (NFISC) which is chaired by the Governor of the BSP shall spearhead  
15 collaborative efforts to address regulation and execute innovative modes of  
16 implementation.

17 The NFISC is composed of heads of the following agencies:

- 18 a) Department of Finance;
- 19 b) Department of Education;
- 20 c) Department of Trade and Industry;
- 21 d) Department of Social Welfare and Development;
- 22 e) Department of Budget and Management;
- 23 f) National Economic and Development Authority;
- 24 g) Insurance Commission;
- 25 h) Commission on Filipinos Overseas;
- 26 i) Securities and Exchange Commission;
- 27 j) Philippine Statistics Authority;
- 28 k) Philippine Deposit Insurance Corporation;
- 29 l) Cooperative Development Authority;
- 30 m) Department of Science and Technology;
- 31 n) Department of Information and Communications Technology;
- 32 o) Department of Agriculture;

- 1 p) Department of Agrarian Reform;
- 2 q) Department of the Interior and Local Government;
- 3 r) Department of Labor and Employment;
- 4 s) Department of Transportation; and
- 5 t) Philippine Commission on Women.

6 Heads of other government agencies may be invited as NFISC members  
7 whenever appropriate and necessary as deemed by the NFISC.

8 Further, the NFISC shall prepare a roadmap for the Program to cover all  
9 regions, barangays, and the smallest units in the community, and provide for  
10 mechanisms that protect and boost financial activities, especially within the  
11 provinces and rural areas. The road map shall prioritize areas identified with high  
12 poverty incidence, particularly the poor and marginalized sectors of small farmers  
13 and fisherfolk who have limited access to credit from formal financial institutions.

14 Consultation with government financial institutions (GFIs) should be  
15 continuously undertaken to address potential technical or administrative issues to  
16 ensure the effective and efficient roll out of financial technology among Filipinos,  
17 especially residing in rural communities and remote areas.

18 All these government financial institutions and agencies shall also cooperate  
19 in the implementation of the National Strategy on Financial Inclusion, which is a  
20 comprehensive public document developed through a broad-based consultative  
21 process with private and public sector stakeholders involved in financial sector  
22 development to systematically accelerate the level of financial inclusion in the  
23 country.

24 *Sec. 7. Priority Implementation Points.* – There shall be priority agenda  
25 implementation points to establish a digital financial ecosystem that supports the  
26 diverse needs of all users in a manner that is secure, sustainable, convenient and  
27 affordable especially in provinces and rural areas. These priority implementation  
28 points include the following:

- 29 a) Enhanced access to digital devices by strengthening local infrastructure  
30 support for digital and online platforms;
- 31 b) Provision of automated teller machines (ATMs) and satellite rural bank  
32 offices;

- 1 c) Efficient retail payments system;
- 2 d) Expansive network of low-cost touchpoints and accredited cash agents;
- 3 e) Democratized access to a transaction account through the utilization of a  
4 national identification system as mandated by Republic Act No. 11055,  
5 otherwise known as the "Philippine Identification System Act" (PhilSys  
6 Act);
- 7 f) Enhanced collaboration with rural financial institutions such as rural banks,  
8 cooperatives, micro finance institutions, and other non-bank financial  
9 institutions (NBFIs) such as lending and financing and investment  
10 companies, securities dealers, brokers, pawnshops and other money  
11 service businesses;
- 12 g) Enhanced Technology Empowerment for Education, Employment,  
13 Entrepreneurship and Economic Development Program (Tech4ED) of the  
14 Department of Information and Communications Technology (DICT) which  
15 provides critical information and communications technology enabled  
16 services in communities with minimal or no access to information and  
17 government services and learning and continuous skills development  
18 opportunities for special sectors including women, persons with disabilities  
19 and senior citizens.

20 *Sec. 8. Implementing Rules and Regulations.* – Within ninety (90) days after  
21 the effectivity of this Act, the Governor of the Bangko Sentral ng Pilipinas and  
22 Members of the NFISC shall, in collaboration with the representatives from  
23 government financial institutions, Rural Bankers Association of the Philippines and  
24 other stakeholders, issue the necessary rules and regulations for the effective  
25 implementation of this Act.

26 *Sec. 9. Separability Clause.* – If any provision or part hereof is held invalid or  
27 unconstitutional, the remainder of the law or the provision or part not otherwise  
28 affected shall remain valid and subsisting.

29 *Sec. 10. Repealing Clause.* – Any law, presidential decree or issuance,  
30 executive order, letter of instruction, administrative order, rule, or regulation  
31 contrary to or inconsistent with the provisions of this Act are hereby repealed,  
32 modified, or amended accordingly.



1           Sec. 11. *Effectivity.* – This Act shall take effect fifteen (15) days after its  
2 publication in the *Official Gazette* or in a newspaper of general circulation.

*Approved,*