

Republic of the Philippines
House of Representatives
Quezon City

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO 3561



Introduced by Rep. Dante S. Garcia and Rep. Kenneth Paolo Tereng

EXPLANATORY NOTE

Financial literacy is virtually a foreign concept to most Filipinos with only twenty-five percent (25%) of the country's population are aware of such construct. This is generally alarming since financial literacy plays an integral part in ensuring the sustainability of the country's economy.

Financial inclusion denotes that individuals and businesses have access to useful and affordable financial products and services that meet their needs -transactions, payments, savings, credit, and insurance - delivered in a responsible and sustainable way. However, despite inclusive progress, financial inclusion remains very limited. According to the Bangko Sentral ng Pilipinas' (BSP) 2019 Financial Inclusion Survey, 7 out of 10 Filipino adults are financially excluded or had no formal financial account. Financial exclusion disproportionately affects millions of Filipinos in the lower income classes and those who are unemployed, less educated, and belonging to the younger generation. Many of the poor do not have the access to get services from banks or financial institutions. For several years, only the middle and high classes of society procured formal types of credit. Poor people were forced to rely on unorganized and informal forms of credit, apparently, they have been exploited for years in the context of financial assistance. Thus, support coming from financial institutions is crucial in developing and promoting inclusive services to the underserved.

While the implementation of the Philippine Identification System (PhilSys) looks promising, financial inclusion in the country is still impeded by economic, physical, and behavioral issues that need addressing. According to the 2019 BSP-FIS, forty-eight percent (48%) of Filipino adults are not using the internet for financial transactions due to lack of trust. Thus, improving the financial and digital literacy will certainly address those physical and behavioral challenges. The

proposed measure addresses all these physical and economic issues and behavioral challenges by developing an inclusive digital ecosystem, promoting digitalization of rural businesses, and leveraging innovative technology to effectively regulate and supervise digital finance that will cater to the diverse needs of the marginalized sectors such as small farmers, fisherfolks, and micro, small, and medium enterprises (MSMEs). This measure will also focus on providing reliable financial solutions to the economically underprivileged sectors of society. Through financial management, and would also develop about formal and systematic credit avenues for poor people.

In view of the foregoing, immediate approval of this measure is highly recommended.



DANTE S. GARCIA
2nd District, La Union



KENNETH PAOLO TERENG
KM Ngayon Na Party-list

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AN ACT PROMOTING RURAL FINANCIAL INCLUSION AND LITERACY

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

SECTION 1. ***Short Title.*** - This Act shall be known as the "Rural Financial Inclusion and Literacy Act."

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

SEC. 3. ***Financial Inclusion and Digital Literacy Program.*** - A proactive Financial Inclusion and Digital Literacy Program, hereinafter referred to as Program, is hereby established to promote the engagement with financial service institutions such as rural banks, lending companies, insurance and pre-need companies, and health maintenance organizations (HMOs) in rural areas. The Program includes the conduct of nationwide seminars and workshops, development of modules, trainings

on organizational development and financial management on credit worthiness, loan acquisition and repayment, and wide dissemination of information and education campaign (IEC) materials that are tailored to different sectors.

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

SEC. 4. *Program Implementation.* - The Program shall be implemented by the National Financial Inclusion Steering Committee (NFISC) chaired by the Governor of Bangko Sentral ng Pilipinas (B,SP).

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

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

SEC. 5. *Capacity Building for Rural Banks.* - Rural banks, and other financial institutions such as microfinance institutions and cooperatives operating in the rural areas shall establish capacity-building programs aimed at improving the knowledge and skills of their personnel on innovative technologies such mobile payments, online lending, blockchain application, cloud computing, application programming interface (API), and artificial intelligence. Cybersecurity considerations and data privacy protection under Republic Act No. 10175, otherwise known as the "Cybercrime Prevention Act of 2012" and Republic Act No. 10173, otherwise

known as the "Data Privacy Act of 2021" shall be considered and incorporated in the capacity-building program.

To further scale up the technology capabilities of rural banks, the Rural Bankers Association of the Philippines (RBAP) may assist its member banks by establishing industry-level standards on internet technology (IT) outsourcing and vendor management such as those pertaining with other recognized industry associations such as other bank associations, financial technology alliances, and reputable market players in organizing technology-focused briefings and or information sessions for its member banks. Moreover, rural banks shall adhere to and comply with relevant BSP rules on technology and information security risk management.

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

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

- (a) Department of Finance;
- (b) Department of Education;
- (c) Department of Trade and Industry;
- (d) Department of Social Welfare and Development;
- (e) Department of Budget and Management;
- (t) National Economic and Development Authority;
- (g) Insurance Commission;
- (h) Commission on Filipinos Overseas;
- (i) Securities and Exchange Commission;
- (j) Philippine Statistics Authority;
- (k) Philippine Deposit Insurance Commission;
- (l) Cooperative Development Authority;
- (m) Department of Science and Technology;

- (n) Department of Information and Communications Technology;
- (o) Department of Agriculture;
- (p) Department of Agrarian Reform;
- (q) Department of Interior and Local Government;
- (r) Department of Labor and Employment;
- (s) Department of Transportation; and
- (t) Philippine Commission on Women.

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

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

Consultation with government financial institutions (GFIs) should be continuously undertaken to address potential technical or administrative issues to ensure the effective and efficient roll out of financial technology among Filipinos, especially residing in rural communities and remote areas. All these government financial institutions and agencies shall also cooperate in the implementation of the National Strategy on Financial Inclusion, which is a comprehensive public document developed through a broad-based consultative process with private and public sector stakeholders involved in financial sector development to systematically accelerate the level of financial inclusion in the country.

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

- a. Enhanced access to digital devices by strengthening local infrastructure support for digital and online platforms;
- b. Provision of automated teller machines (ATMs) and satellite rural bank offices;
- c. Efficient retail payments system;
- d. Expansive network of low-cost touchpoints and accredited cash agents;
- e. Democratized access to a transaction account through the utilization of a national identification system as mandated by Republic Act No. 11055, otherwise known as the "Philippine Identification System Act" (PhilSys Act);
- f. Enhanced collaboration with rural financial institutions such as rural banks, cooperatives, micro finance institutions, and other non-bank financial institutions (NBFIs) such as lending and financing and investment companies, securities dealers, brokers, pawnshops and other money service businesses;
- g. Enhanced Technology Empowerment for Education Employment Program of the Department of Information and Communications Technology (DICT) which provides critical information communications technology enabled services in communities with minimal or no access to information and government services and learning and continuous skills development opportunities for special sectors including women, persons with disabilities, and senior citizens.

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

SEC. 9. ***Separability Clause.*** - If any provision or part of this Act is held invalid or unconstitutional, the remaining provisions or parts unaffected shall remain in full force and effect.

SEC. 10. ***Repealing Clause.*** - All laws, executive orders, presidential decrees or issuances, letters of instruction, administrative orders, rules, and regulations contrary to or inconsistent with the provisions of this Act are hereby repealed, amended, or modified accordingly.

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

Approved,