

Benjamin E Diokno: The importance of transaction accounts for employee

Closing remarks by Mr Benjamin E Diokno, Governor of Bangko Sentral ng Pilipinas (BSP, the central bank of the Philippines), at the Financial Inclusion Forum for the Labor Sector, Manila, 18 November 2019.

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Director Bacay and officials from the Department of Labor and Employment (DOLE), leaders and convenors of the various Tripartite Industrial Peace Councils (TIPCs), representatives of associations of informal workers and kasambahays, our partners from digital financial service providers, my colleagues from the BSP, dear friends from the labor and employment sector, ladies and gentlemen, a pleasant day to all of you.

I trust that this morning's presentations and discussions were informative and productive. To start, we gave everyone an overview of BSP's financial inclusion agenda and digital payments initiatives to put in context our call to promote the use of transaction accounts for payments of salaries.

Our speakers from the financial service providers also shared practical and actionable ideas on how their products can meet the needs of both wage earners and their employers. I hope these presentations have not only armed you with knowledge, but also inspired you to help become our partners in financial inclusion, particularly through the use of transaction accounts for payment of wages and salaries.

Nonetheless, allow me to drive home a few more insights on financial inclusion and digital payments.

Digitalization is rapidly and significantly transforming the way we do things in so many aspects of our lives. We are now able to shop, book a vacation adventure, get a cab, sell goods, watch a movie, wherever and whenever, without having to leave the house and stepping into a physical store. The mobile phone has become such a powerful tool, an almost all-in-one instant access to any type of service one might need.

Based on the September 2019 Global WebIndex Report , there are more than 69 million internet users aged 16–64 years old in the Philippines. Of this number, 91% searched online for a product and 62% made an online purchase via a mobile phone. From the same study, 67% of Filipinos have an active social media account.

The digital life is upon us, and we can harness this to make sure internet access and mobile phone ownership do not only lead to better social connections and convenient shopping, but also and more importantly, to greater ability for all Filipinos to use welfare-enhancing financial services.

For the BSP, this starts with ensuring more Filipinos have access to a transaction account – in particular, an account that they can use not only to save money, but also to directly send and receive funds to and from anyone; in other words, an account that can be used for digital payments.

This is why our financial inclusion and digital payments agenda necessarily go hand-in-hand. One is both an enabler and a requisite for the other.

Digital payments – that is, account to account fund transfers – make accounts a valuable and practical tool for anyone, even to those who say they do not have money to save.

A transaction account makes it easy, affordable, and convenient to pay bills, to send money to family wherever they are, pay government fees, and make online purchases. We do not have to take time off our weekends and free time just to fall in line to do these transactions. All we have to do is use our mobile phones.

Our vision is to have more market vendors, jeepney, and tricycle drivers accepting digital payments through QR code linked to transaction accounts.

This means we do not have to always bring cash with us when we go to work or the market—thereby reducing risk of theft. For the market vendors and drivers, that means they do not have to handle cash which make them less vulnerable to counterfeits aside from theft.

The benefit of using transaction accounts extends to the employers. When employers pay salaries directly to the account of their workers through PESONet, it can potentially lower administrative and overhead costs, and reduce risks associated with cash distributions during paydays.

As people and businesses use digital payments, they are able to build a rich digital footprint that can be used by banks, Fintechs and other lenders in evaluating and granting credit. This means people can have better and wider financing options.

Digital payments also underpin a whole range of innovative digital services requiring the instant transfer of funds between transactors. The use and popularity of apps like Airbnb, Grab and Lalamove are made possible because of digital payments. Clients use their account-linked digital wallet or credit card to pay the service providers- the drivers and the property and food stall owner – which helps build trust and reliability in the transactions in the app.

These digital payment-supported apps are not only convenient for users but also gives wider access to business opportunities and markets to our micro entrepreneurs and high-skilled workers. There are even apps that provide home cooks, plumbers and electricians, and house cleaners to market their services and get paid digitally through the platform. This is potentially a great platform for our workers and skilled laborers to augment their income.

I hope through these examples you are able to see the benefits of having a transaction account and why financial inclusion matters. When we have a transaction account, we enjoy all the benefits afforded by digital payments and innovations. When we have a transaction account, we are able to meaningfully participate in the gains of an increasingly digital economy. Hindi tayo napag-iivanan.

And so we organized this forum, as we believe that you, the labor and employment sector, have much to gain and can play a big role in advancing financial inclusion. Payment of salaries and wages is a compelling opportunity to open transactions accounts for our workers.

And based on existing official data, there are 25.5 million strong workforce in the country—a massive client base that is hard to ignore for both financial service providers and policymakers in our pursuit of our financial inclusion agenda.

And so it is my hope that you come out of this forum with an enthusiasm to drive the financial inclusion journey of our country. Use your collective voice to ensure workers can maximize the benefits of their employment through better access to financial services, starting with a transaction account. Having a transaction account is key.

We are living in a most remarkable time as we see our country enjoying continued strong economic growth with digitalization becoming a critical enabler of economic and financial inclusion. I hope that together we can seize these opportunities and enable all Filipinos to reap the benefits of our economic growth and achieve prosperity for all.

Before I end my talk, allow me to thank our partners from the DOLE for convening our participants and for working with the BSP to make this forum a reality. DOLE has just recently joined the interagency Financial Inclusion Steering Committee. Yet it wasted no time at all to show its commitment to promote financial inclusion in the labor sector.

I would also like to thank our friends from the private sector: Gcash, Paymaya, Union Bank and Cebuana Lhuillier Rural Bank for generously giving their time to talk here in this forum.

This forum is evidence of what we in the BSP have been saying all along—that financial inclusion is not just a whole of government but a whole of nation undertaking.

Maraming salamat at mabuhay!