

Financial Inclusion of Women in the Philippines *

I. INTRODUCTION

Financial inclusion is an important catalyst for both poverty reduction and economic growth. It can improve the well-being of marginalized sectors, especially women, by expanding their access to basic financial services such as savings, payments, investments, etc. (Bangko Sentral ng Pilipinas [BSP], 2015). Closing the gender gap in different aspects, including financial inclusion, has become a central part of the Philippine government to achieve equality and inclusive growth, create sustainable development, and improve the quality of life for all Filipinos.

Long before the pandemic, the government has been pushing for the passage of Package 4 of the Comprehensive Tax Reform Program (CTRP), which aims to make passive income and financial intermediary taxation simpler, fairer, more efficient, and regionally competitive. A number of proposals in Package 4 aim to help the promotion of financial inclusion among Filipinos.

In view thereof, it is of interest to examine the financial inclusion of women in the Philippines and their tax contribution from these transactions.

II. BACKGROUND INFORMATION

As defined by the BSP (2015), financial inclusion refers to a state wherein there is an effective access to a wide range of financial products and services for all. It means that “individuals and businesses have access to useful and affordable financial products and services that meet their needs such as transactions, savings, credit, payment, and insurance, which are all delivered in a responsible and sustainable way” (The World Bank, 2018). Its goal is not merely to provide universal access to financial services but also to ensure that these services truly enhance the financial health¹ of their users [Financial Inclusion Steering Committee (FISC), 2022].

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¹ Financial health is the ability of an individual to meet financial obligations, absorb and recover from financial shocks, reach long-term goals, and develop a sense of control of their finances. For enterprises, access to appropriate financing and financial services can facilitate business growth and livelihood opportunities for many Filipinos.

The BSP launched the Financial Inclusion Survey to collect financial inclusion data from users and non-users of financial products and services. In 2019, the survey² estimated the data on financial inclusion of the adult population aged 15 years and above, which numbered 72 million, through a multi-stage random sampling and used a set of demographic assumptions, including gender. Fifty-one percent of the respondents were female, while 49% were men. Based on the survey, a significant number of Filipinos remain unbanked even up to this time. Out of the 72 million Filipino adult population in 2019, 71% or 51.1 million are still outside the formal banking sector as they preferred informal ways of saving to placing their money in the banks.

The share of adults with formal accounts out of the total adult population increased from 23% or 16.6 million in 2017 to 29% or 20.9 million in 2019. Likewise, the share of Filipinos with formal credit and insurance increased by 5% or 3.6 million each, while those with investment increased by 2% or 1.4 million only. (See Table 1.)

Table 1

Highlights of Financial Inclusion Survey, 2017 and 2019 (in %)

Particulars	2017		2019	
	No. of adults (in million)	%	No. of adults (in million)	%
Formal account	16.6	23	20.9	29
			13.7	
Formal credit	10.1	14		19
Insurance	13.0	18	16.6	23
Investment	16.6	23	18.0	25

Note. Adopted from Bangko Sentral ng Pilipinas. (2019). Financial Inclusion Survey. Retrieved April 6, 2022, from <https://www.bsp.gov.ph/Inclusive%20Finance/Financial%20Inclusion%20Reports%20and%20Publications/2019/2019FISToplineReport.pdf>

A. Financial Inclusion of Women in the Philippines

The Philippines supports equality between men and women. Section 14, Article II of the 1987 Philippine Constitution provides that “the state recognizes the role of women in nation-building and ensures the fundamental equality before the law of men and women”. Providing women with effective and affordable financial tools to save and borrow money, make and receive payments, and manage risks are critical to both women’s empowerment and poverty reduction (German Agency for International Cooperation, 2021).












² The total number of respondents was 1,200.

In terms of closing the gender gap, the Philippines performs well and remains the top country in Asia. The country is ranked 17th out of 156 countries in the 2021 Global Gender Gap Index of the World Economic Forum, but it dropped by one notch from its place last year. Likewise, the country is one of the few countries where women's access to financial services exceeds men's, according to the 2017 Global Findex of the World Bank.

Based on the BSP's financial inclusion survey, the share of adults with a formal account is higher among women at 34%, while it is only 24% among men. Likewise, the percentage of adults with savings and loans is higher among women at 55% and 38%, respectively, compared to 52% and 29% of men. The results from other financial inclusion indicators post higher numbers among women than men. However, a bigger percentage of males at 51% receive payments than females (35%), reversing the gender gap in sending payments. This gap coincides with employment status as most of the payments received are in the form of wages and salaries. This also reflects the gender gap in the labor force participation rate, which was higher among men at 76.1% than women at 52.3% as of November 2021 (FISC, 2022). (See Figure 1.)

Figure 1

Highlights of the Financial Inclusion Survey 2019










Selected indicators of financial inclusion			
		Male	Female
		In Percent (%)	
	Account ownership	24	34
	With Savings	52	55
	With Loans	29	38
	Insurance Ownership	19	27
	Investment Ownership	30	19
	Remittance Sent	33	41
	Remittance Received	40	55
	Payments Sent	78	91
	Payments Received	51	35

Note. Data gathered from BSP. (2019). *Financial Inclusion Survey*. Retrieved from <https://www.bsp.gov.ph/Inclusive%20Finance/Financial%20Inclusion%20Reports%20and%20Publications/2019/2019FISToplineReport.pdf>

By type of account, there is no gender gap against women in terms of account ownership in electronic money (E-money) (0.7%), non-stock saving and loans associations (NSSLAs), cooperatives (1.6%), and microfinance non-governmental organizations (NGOs) (10.7%). It is worth highlighting that the share of adults with accounts in microfinance NGOs is higher among women at 17.3% than men. Many women benefit from microfinance institutions because they target female clients (International Labour Office, n.d.). However, a gender gap against women persists in bank account ownership because the share of banked adults is higher among men by 3.1% than that of women. (See Figure 2.)

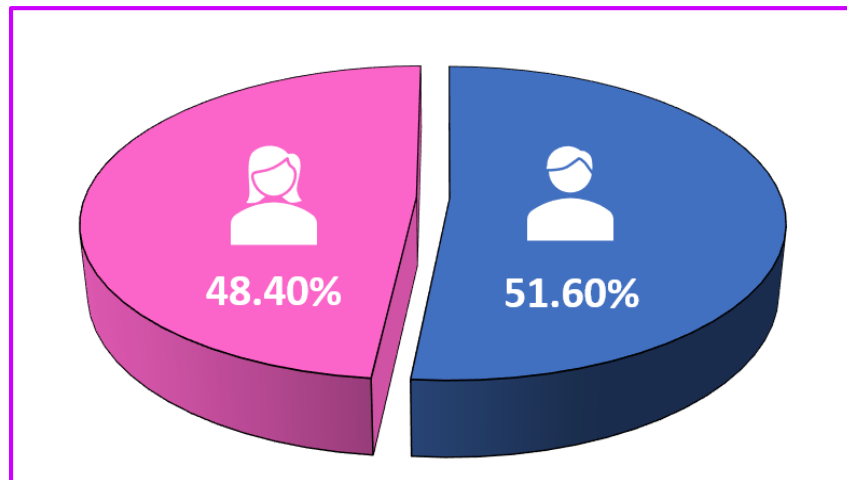
Figure 2

Gender Gap in Account Ownership, by Type

Type of Accounts		 Male	 Female	 Gender Gap
	Account (Any kind)	24.2	32.9	8.7
	Bank	13.8	10.7	-3.1
	E-money	7.6	8.3	0.7
	NSSLA	0.1	0.1	0.0
	Cooperative	0.9	2.5	1.6
	Microfinance NGO	6.8	17.3	10.5

Note. Data gathered from the BSP. (2019). Financial Inclusion Survey. Retrieved from <https://www.bsp.gov.ph/Inclusive%20Finance/Financial%20Inclusion%20Reports%20and%20Publications/2019/2019FISToplineReport.pdf>

In 2019, investment ownership reached 25% of adults according to the BSP's financial inclusion survey. Of that number, only 3% of investment owners invest in stocks, bonds, unit investment trust funds or UITFs, mutual funds, and other management schemes. Using the annual stock market profile survey of the Philippine Stock Exchange (PSE), it appears that there were more male investors than female investors in the stock market in 2020 based on 869,291 accounts from 121 trading partners. Forty-eight percent or 420,737 accounts were owned by females, while males owned the remaining 52% or 448,554. (See Figure 3.)

Figure 3*Percentage of Account Ownership by Gender, 2020*

Note. Data gathered from PSE. (2021, May). *Stock Market Investor Profile 2020*. Retrieved April 6, 2022, from <https://documents.pse.com.ph/wp-content/uploads/sites/15/2021/05/Stock-Market-Investor-Profile-2020.pdf>

Although there are still more men in the stock market, it is observed that the share of women in the market improved from 42% in 2013 to 48% in 2020, thereby closing the gender gap against women by 6% (PSE, 2014). Also, the Philippines has the highest proportion of female investors at 44% among the 123 countries according to BrokerChooser, a Hungary-based broker comparison service (Business World, 2021).

B. Financial Inclusion of Women in ASEAN Countries

Among the countries in the Association of Southeast Asian Nations (ASEAN) region, Singapore had the highest share of women with 96%; followed by Malaysia (82%) and Thailand (80%) based on the 2017 Global Findex. The Philippines ranked fifth with 39%. Despite its relatively lower number in the region, it is apparent that the women in the country are still more financially included since account ownership of women is higher than of men by 9%. (See Table 2.)

Table 2*Account Ownership in ASEAN, by Gender*

Countries	Female*	Male*	Gender gap
Philippines	39	30	9
Cambodia	22	22	0
Indonesia	51	46	5
Lao PDR	32	26	6
Malaysia	82	88	-6
Myanmar	26	26	0
Thailand	80	84	-4
Singapore	96	100	-4
Vietnam	30	31	-1

Note. * Basic data gathered from Demirgüç-Kunt, A., Klapper, L., Singer, D., Ansar, S., & Hess, J. (2018). *The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution*. Washington, DC: World Bank. doi:10.1596/978-1-4648-1259-0. License: Creative Commons Attribution CC BY 3.0 IGO. Retrieved from <https://globalfindex.worldbank.org/>

In the ASEAN region, financial literacy is highest in Singapore as its financial literate adult population is at 59%, followed by Myanmar (52%) and Malaysia (36%). The Philippines, on the other hand, is ranked sixth as the proportion of financially literate adults is only 25%. (See Figure 4.)

Figure 4*Financial Literacy Among Adults in ASEAN, in Percentage*

Note. Data gathered from Klapper, L., Lusardi, A., & Van Oudheusden, P. (n.d.). *Global Financial Literacy Excellence Center*. Retrieved from https://gflec.org/wp-content/uploads/2015/11/Finlit_paper_16_F2_singles.pdf

The reverse gender gap in financial inclusion in the Philippines is driven by societal, cultural, and behavioral factors and not by regulations that specifically target women. For example, ‘in the Philippines, women hold the bulk of household responsibilities and ultimately make budget decisions.’³ Reverse gender gap means that more women are engaged in financial transactions than men. Financial inclusion policies in the Philippines are gender-neutral. Policymakers, in crafting policies to promote financial inclusion, do not deliberately consider a specific gender but the market segments that are traditionally unserved or underserved. (Alliance for Financial Inclusion, 2017)

There are many other factors that influence the difference in the results between countries, such as women’s labor force participation, women’s level of literacy, and women’s role as migrant workers, among others. These factors increase the demand side reasons for women to engage with the formal financial system. Labor force participation translates into receipt of a salary and often workers need a place to store such salaries to make payments. The same is valid for migrant laborers who often need the means to remit money to their families. Literacy is also associated with higher demand for financial services: the more education one has, the more likely one will use formal financial channels. (El-Zoghbi, 2020)

III. TAXES IMPOSED ON TRANSACTIONS WITHIN FINANCIAL INCLUSION

The concept of financial inclusion covers a wide array of financial transactions and products, subject to certain types of taxes. The following are some of the major taxes imposed thereon:

On bank deposits and bonds

Interest income from bank deposits is generally subject to a 20% final withholding tax (FWT). However, interest income from long-term deposits or investments with more than five years of maturity is exempt from income tax. On the other hand, if the same is pre-terminated, it is subject to FWT of 5%, 12%, or 20% depending on the remaining maturity thereof under Section 24(B)(1) and Section 25(A)(2) of the National Internal Revenue Code (NIRC) of 1997, as amended.

If the bonds are issued to 20 or more lenders and are like deposit substitutes, the interest paid by the issuer is subject to the FWT at varying rates. For individuals, interest income from bonds earned by the citizens and resident aliens, and non-resident aliens engaged in trade and business in the Philippines is subject to 20% FWT. In comparison, a 25% final tax (FT) is imposed on non-resident aliens not engaged in trade or business. For corporations, interest income earned by domestic and resident foreign corporations

³ Key findings, From Cash to Digital Wage Payments in the Philippines, Win-Win for Enterprises & Women Employees, Nithyasri Sharma and Ker Thao, March 2021.

is subject to 20% FWT, while a 30% FT is imposed on non-resident foreign corporations.

A documentary stamp tax (DST) is also imposed on all debt instruments under Section 179 of the NIRC of 1997, as amended by RA 10963. On every original issue of debt instrument, a DST of P1.50 on each P200 or equivalent to 0.75% or fractional part thereof of the issue price of such debt instruments is imposed; provided that for debt instruments with a term of less than one year, the DST is a proportional amount in accordance with the ratio of its term in a number of days to 365 days.

On shares of stock

Dividend income paid to stockholders is subject to varying rates of FT depending on whether the recipient is individual or corporate, resident or nonresident, and for the nonresident alien, whether or not engaged in business in the Philippines. For individuals, cash dividend income earned by a citizen and resident alien is subject to 10% FT. For nonresident aliens engaged in trade and business, dividend income is subject to 20% FT, while for non-resident aliens not engaged in trade or business, the said dividend is levied 25% FT. For corporations, intercorporate dividends are exempt if paid to a domestic or a resident foreign corporation, while a 30% FT or applicable tax treaty rate is imposed on non-resident foreign corporations.

A 15% capital gains tax is imposed on net capital gains realized by the seller from the sale, exchange, or other disposition of capital assets, including unlisted shares of stock, among others. Meanwhile, in accordance with Section 127(A) of NIRC of 1997, as amended, the sale, transfer, exchange, or other disposition of shares of stock listed and traded through the PSE is subject to a percentage tax in the form of the stock transaction tax (STT) at the rate of 0.6% of the gross selling price or gross value in money thereof.

On life insurance and similar products

Premiums on life insurance policies are subject to a 2% tax pursuant to Section 123 of the NIRC of 1997, as amended. Pre-need plans are subject to the 12% value-added tax (VAT) based on the gross receipts from premiums or payments received from plan holders, net of actual trust fund contribution as provided by Bureau of Internal Revenue (BIR) Ruling [DA-027-06]. Likewise, the health maintenance organization (HMOs) are merely considered sellers of services for arranging the provision of health care services, subject to the 12% VAT. They do not render the medical services themselves, which are exempt from the VAT under Section 109(G) of the NIRC of 1997, as amended.

Life insurance policies are also subject to the one-time DST ranging from exempt to P200 depending on the amount of insurance pursuant to Section 183 of the NIRC of 1997, as amended. Pre-need plans are subject to a DST of P0.40 on each P200 or fractional part thereof of the premium or contribution collected under Section 186 of

the NIRC of 1997, as amended. However, the Supreme Court ruled that HMO agreements are not subject to the DST under Section 185 of the NIRC of 1997, as amended, and that there was never any legislative intent to impose the same on HMOs (Philippines Health Care Providers, Inc. vs. Commissioner of Internal Revenue, 2009).

On non-life insurance

Non-life insurance companies are subject to the 12% VAT, except for crop insurance, pursuant to Section 108 of the NIRC of 1997, as amended. For DST, insurance policies upon property and fidelity bonds and other insurances are subject to DST of 12.5% based on the amount of premium charged pursuant to Sections 184 and 185 of the NIRC of 1997, as amended. On the other hand, indemnity bonds are subject to a DST of 7.5% based on the premium charged under Section 187 of the NIRC of 1997, as amended.

Using the actual collection from the BIR from 2015 to 2020, the estimated tax contribution of women from passive income and financial transactions will amount to P18.04 billion, sharing almost half of the total collection from these taxes. Of that amount, the biggest share will come from tax on passive income amounting to P6.71 billion, followed by DST on life and non-life insurance at P5.95 billion and STT at P3.67 billion. (See Table 3.)

Table 3

Estimated Tax Collection on Passive Income and Financial Intermediary Taxation by Gender, in billion Pesos

Type of tax	Female	Male	Total
Tax on interest income ¹	6.71	4.48	11.19
Tax on dividends ²	3.67	5.56	9.23
STT ³	3.72	5.65	9.37
VAT on non-life insurance, pre-need, and pension ⁴	2.82	1.90	4.72
Premium Tax ⁴	1.12	0.76	1.88
DST on life and non-life insurance*	5.95	4.02	9.96
Total	18.04	18.34	36.38
% Share to Total	49.58	50.42	100.00

¹ Sixty percent of the actual collection is assumed to be collected from women and the remaining 40% from men. The ratio is derived based on the BSP's financial inclusion survey.

² Forty percent of the *actual* collection is assumed to be collected from women and the remaining 60% from men. The ratio is calculated based on the BSP's financial survey.

³ Forty-eight percent of the actual collection is assumed to be collected from women and the remaining 52% from men. The ratio came from the PSE's stock market profile survey.

⁴ Sixty percent of the actual collection is assumed to be collected from women and the remaining 40% from men. This ratio is calculated based on the BSP's financial inclusion survey.

III. TAX IMPLICATIONS ON WOMEN'S INCLUSION FROM THE TAX REFORM PROGRAMS

Package 4, also known as the “Passive Income and Financial Intermediary Taxation Act (PIFITA)” of the CTRP, aims to achieve a simpler, fairer, more efficient, and regionally competitive tax system for passive income and financial intermediaries to support capital market development. The PIFITA, or House Bill No. 304, was approved on the third and final reading at the House of Representatives on September 9, 2019 and started to be deliberated on at the Senate of the Philippines. A number of proposals under Package 4 generally aim to promote financial inclusion for both men and women, to encourage more Filipinos to open and save in banks, to encourage more Filipinos to get insured, and to encourage more Filipinos to invest in the capital market.

The reduction of various taxes under Package 4 is expected to complement the programs and projects of the government in promoting financial inclusion in the country. Reducing these taxes will make some financial products more affordable, like non-life insurance, pre-need, and HMOs. Likewise, the said tax reduction may increase the after-tax return of various investment products. Thus, the passage of the PIFITA is highly recommended.

IV. CONCLUSION

Although the gender gap against women persists in some areas of financial inclusion, the preceding discussions still show that women are generally more financially included than men. Also, the Philippines is one of the few countries where women's access to financial services exceeds that of men. The efforts of the Philippine government in implementing gender-neutral financial inclusion policies are commended as it translates into higher financial inclusion of women.

The reforms under Package 4 are also expected to complement the programs and projects initiated by the government to promote financial inclusion among Filipinos. As many women are financially included, the reforms are expected to benefit them as the proposed reduction of various tax rates under Package 4 will encourage more women to save, invest, and secure their future needs.

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