





# Preamble

This case study was developed in conjunction with the 2023 Financial Inclusion study "Financial Inclusion in Post-COVID Southeast Asia: Accelerating Impact Beyond Access".1 It is part of a collection of stories of how financial services providers (FSPs) in Southeast Asia have gone beyond the provision of financial services to make conscious efforts to address underserved markets. These case studies reveal how these FSPs have done so by assessing their contributions to the financial health of their customers and monitoring the impact of their services.

These case studies were prepared by the Centre for Impact Investing and Practices (CIIP) in partnership with the eight FSPs featured: Amartha (Indonesia), BPI Direct BanKo (The Philippines), Funding Societies (Southeast Asia), Growsari (The Philippines), KoinWorks (Indonesia), Noburo (Thailand), TYM (Vietnam), and Vui App (Vietnam).

It is intended as an accompaniment to the 2023 Financial Inclusion study, which had contributions from 60 organisations, including industry associations and investors, 31 FSPs and over 8,500<sup>2</sup> customers across six markets in Southeast Asia (Cambodia, Indonesia, Myanmar, the Philippines, Thailand and Vietnam).

The 2023 study went beyond examining how FSPs enable access to financial services to offer insights into the impact of access to credit on FSP customers' business and livelihoods, quality of life and household well-being, and other financial health

outcomes such as resilience and agency. These insights were drawn not just from the accumulation of qualitative interviews but also quantitative survey results and loan book data, which allowed us to come to a holistic view of the state of financial inclusion in Southeast Asia amid the changes brought by large-scale digitalisation in the region.

You can find our 2023 Financial Inclusion study titled "Financial Inclusion in Post-COVID Southeast Asia: Accelerating Impact Beyond Access" on CIIP's website and by scanning the QR code below.



<sup>1</sup> This study was conducted by the Centre for Impact Investing and Practices (CIIP), in collaboration with the United Nations Capital Development Fund (UNCDF) and Helicap, supported by 60 Decibels (60dB).

Additional data points were available after the publication of the 2023 Financial Inclusion study. This is available in the Southeast Asia Financial Service Providers 2023 Impact Report, an addendum prepared by 60 Decibels.

# **BPI Direct BanKo**

#### **HEADQUARTERS**

The Philippines

# **GEOGRAPHY FOCUS**

The Philippines

#### **SECTORS**

Banking and Financial Services

# **FOUNDING YEAR**

2016 as BPI Direct BanKo

#### **KEY MILESTONES**

- 2010: Established BPI Globe Banko as the microfinance arm of the Bank of the Philippine Islands.
- 2016: Merger of BPI Direct Savings and Globe BanKO.
- 2019: Relaunched Banko Mobile.
- 2022: Disbursed loans to more than 149,000 microbusinesses, driving business growth across The Philippines.
- 2023: Operating in more than 348 locations nationwide and launch of BanKo on the Go.

#### **MISSION**

Building a better Philippines, one family, one community, at a time.

# Introduction

- BPI Direct BanKo (BanKo) is the microfinance arm of the Bank of the Philippine Islands (BPI).
- BanKo was born out of BPI's desire to address the needs of the underserved and unbanked market.
- Since the establishment of Globe BanKo in 2010, it has continued to look into ways to help address the financial needs of target markets.
- In 2016, BanKo transitioned to focusing on providing capital for the self-employed micro-entrepreneurs.
- Since its 2016 pilot product NegosyoKo loan, which was first offered in ten pilot branches alongside its network of cash agents, it has grown to 348 branches by end 2023.

# The challenge and impact thesis

# Challenge

- Many micro-enterprises lack access to finance because of strict requirements and affordable rates.
- These enterprises typically face challenges to provide documents like sales records, tax returns, and audited financial statements.
- A common option for these enterprises is to borrow from family members or informal lenders who frequently offers high interest rates.

#### Impact thesis

 By offering loans to micro-entrepreneurs, BanKo can drive business and employment growth and reduce reliance on informal lending, contributing to the economic uplift for communities across the Philippines.

#### Who

- BanKo focuses on serving self-employed microentrepreneurs both in urban and rural areas.
- BanKo's client base is retail and wholesale businesses, like the sari-sari and stall owners in public markets.
- These enterprises whose needs may run between PHP 10,000 to 25,000 (USD 180 to 410) and even go up to PHP 500,000 (USD 9,030) for their daily operations.

# How

- BanKo's products are designed to be simple, efficient, and affordable loan options, which are delivered via a hybrid approach.
- BanKo has developed its underwriting process that are suited to the micro-enterprises it serves.
- BanKo President, Rodolfo K. Mabiasen Jr., explains, "We visit our customers' stores to perform inventory calculation as well as a cash verification. This allows us to anticipate the sales of the stores within a particular period.".

#### **Business Model**

- In 2016 when BanKo redesigned its business model and strategy, it transitioned to a face-to-face approach, community-based presence, fast approval process and offers payment options to be convenient and flexible.
- Solicitation of accounts is done by loan associates with deep community knowledge, loan approvals are done in the branch and hybrid collection strategy with options for cash pick-up, automatic debit or over the counter.
- With this approach, in the year 2022, BanKo disbursed loans to more than 149,000 micro businesses. By 2023, disbursements reached 213,375 loans.





 BanKo continues to expand its reach in serving the selfemployed micro-entrepreneurs and the underserved market nationwide with more than 348 stores by end 2023. It also introduced BanKo on the Go, a roving sales caravan that solicits both loan and deposit accounts in public market with low BanKo presence.

# Alternative credit scoring

- To assess the creditworthiness of its clients, BanKo visits their stores and performs credit evaluations.
- These measures are necessary given that many of BanKo's customers are typically not included in credit bureaus and other databases.

# Customer-centric products

- BanKo has launched various customer-centric products, including:
  - o Todo Savings, a high interest digital savings account with no maintaining balance requirement
  - NegosyoKo lite, a zero-interest loan with quick approval.

- o The Starter 10 Loan, which targets microentrepreneurs in need of lower loan amounts.
- o Max500, a product which offers higher loan amount.
- BanKo provides optional insurance to complement its loan products.
- During the COVID-19 period in 2020, BanKo offered programs to help clients cope with the challenges brought by the pandemic and minimize incidences of default.
- In 2023, BanKo received approval to increase its maximum loan amount to PHP 500,000 (USD 9,030), providing more space for BanKo's customers to increase loan amounts over time.

# Risk management

 Given BanKo's target market of self-employed microentrepreneurs and the underserved, they ensure that appropriate risk management is applied.



# BanKo's Impact

SDGs Addressed



# No Poverty

- 39% of BanKo's clients are experiencing 'very much improved' quality of life.
- 31% of BanKo's clients are experiencing 'very much increased' numbers and quality of meals
- 95% of BanKo's clients 'never' have to cut food consumption to make payments.
- 31% of BanKo's clients are experiencing 'very much increased' household spending on education.



# **Gender Equality**

• 74% of BanKo's clients are female.



# **Decent Work and Economic Growth**

- 38% of BanKo's clients are seeing very much increased income
- 18% of Banko's clients have an increasing number of paid employees.
- 92% of BanKo's clients say repayments are 'not a problem'.



# **Reduced Inequalities**

61% of BanKo's clients are accessing financial services for the first time.



# Partnerships for the Goals

BanKo consistently engages with Bangko Sentral ng Pilipinas on regulatory requirement pertinent to financial inclusion and microfinance.

#### **Business Success**

 Number of borrowers served: 210,837 (CY2021), 273,975 (CY2022), 362,132 (CY2023)

# What's Next

- BanKo is planning to expand its target market to include salaried and informal workers, including those from the transportation and agriculture sectors.
- BanKo is set to grow its network to 390 branches by 2024.
- BanKo is planning to enhance its digital capabilities through its mobile app and tools for its employees.
- BanKo plans to offer programs that will entice clients to use their mobile app as an alternative channel for their transactions.

"We focus on microentrepreneurs because as they grow their business, they provide employment. Who do they employ? The community that they serve with their products and services. When our customers succeed, BanKo succeeds. This is consistent with our vision of building a better Philippines, one family, one community, at a time."

- Marie Josephine M. Ocampo, Chairman of the Board at BanKo



# About the Centre for Impact Investing and Practices (CIIP)

The Centre for Impact Investing and Practices ("CIIP") fosters the growth of impact investing and practices in Asia and beyond by building and sharing knowledge, bringing together stakeholders in the community, and bringing about positive action that accelerates the adoption of impact investing. Based in Singapore, CIIP was established in 2022 as a non-profit centre by Temasek Trust, a steward of philanthropic endowments and gifts. Temasek and ABC Impact are our strategic partners.

To achieve a sustainable future for all mankind, the world needs companies achi that can drive positive changes at scale through products and services.

Impact investing can spur the growth of such companies and help advance visit solutions to address the challenges info

that the world faces today. We believe that sustainable companies are those who pursue social and environmental impact as avidly as they pursue profits and shareholder value. By striving to generate positive and measurable social and environmental returns alongside a financial return, both impact investors and companies can achieve returns with purpose.

We are SDG Impact's anchor partner for Asia. SDG Impact is the United Nations Development Programme initiative tasked to develop resources that accelerate investments towards achieving the United Nations Sustainable Development Goals by 2030.

For more information, please visit www.ciip.com.sg or contact info@ciip.com.sg.

