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THE 3rd INTERNATIONAL CONFERENCE ON BUSINESS AND BANKING INNOVATIONS
"Unlocking New Marketing Strategies on ASEAN After Covid-19 Pandemic"

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FOREWORD

Alhamdulillah, praise be to Allah Subhanahu Wa Ta'ala for granting us the opportunity to organize and publish the proceedings of the 3rd International Conference on Business and Banking Innovations (ICOBBI) with the topic "Unlocking New Marketing Strategies on ASEAN After Covid-19 Pandemic". This proceeding contains several researches articles from many fields in Business & Marketing, Banking & Sharia Banking, Accounting & Financial Management, Human Resources Management, Operations Management, Investasi, Insurance & Capital Market, Strategic Management, Technology Management, and Information System.

The 3rd International Conference on Business and Banking Innovations was held on 6th – 7th March 2021 by virtual (online) meeting and organized by the Master Management Study Program of STIE PERBANAS Surabaya in Collaboration with three Higher Education Institutions in Indonesia and two Universities from Asia countries. Keynote speakers in this conference were: Prof. Jessa Frida T Festijo (Lyceum of the Philippines University), Prof. Krisda Tanchaisak, Ph.D (Ramkhamhaeng University Thailand) and Burhanudin, Ph.D (Head of Undergraduate Program In Management of STIE Perbanas Surabaya, Indonesia).

I would like to give high appreciation to the Rector of STIE Perbanas Surabaya for his support at this event. Acknowledgments and thank you to all the steering and organizing committees of the ICOBBI for the extra ordinary effort during the conference until this proceeding published. Thank you very much to all presenter and delegates from various Universities. Beside it, I would like to express our gratitude to the three universities, namely Universitas 17 Agustus Surabaya, STIE 66 Kendari, Institut Institut Bisnis dan Keuangan Nitro Makassar which has been the co-host of this event.

Hopefully, the proceeding will become a reference for academics and practitioners, especially the business and banking industry to get benefit from the various results of the research field of Business and Banking associated with Information Technology. Proceedings also can be accessed online on the website <https://pascasarjana.perbanas.ac.id>.

Chair of the Master Management Study Program
STIE Perbanas Surabaya

Prof. Dr. Tatik Suryani, M.M.



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Exploring Digital Banking in the Philippines: An Aid for Digital Financial Inclusion

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ABSTRACT

Digital banks play major role in the Philippines's banking system with its broad range of financial services specifically the on-set and during the SARS-CoV-2 pandemic that cause a rapid disrupt to the economy and shift to digitalization of banking system. The primary goal of the study is to explore the digital banking in the Philippines and its role as an ally in strengthening the attainment of digital financial inclusion. Data are sourced through Bangko Sentral ng Pilipinas reports and survey statistics and related data. There is an evident strong support for digital financial inclusion from the government regulatory agencies through activities, policies and programs. A strong recommendation for all stakeholders to work closely to attain objectives and goals.

Keywords: *Digital Financial Inclusion, Financial Services, Banking, Digital Banks.*

1. INTRODUCTION

As digitalization set its foot to the impending technological revolution industry as rapid as it can be, the transformation from physical to digital system changes the way we utilize banking and financial transactions. Traditional banks started to digitalize their own system to address the changing needs of individuals, businesses, and the economy as a whole.

Digital banking shed its major importance in many developing countries such as Philippines as an agent to mitigate economic crises and accelerate the financial inclusion programs and policies during the SARS-CoV-2 pandemic.

In this paper, the investigator focus on exploring the digital banks in the Philippines and how it helps to the commitment and pursuant of digital financial inclusion in the Philippines.

The paper is organized as follows: an overview of the digital banking in the Philippine; key features of digital banks and the Philippines's digital financial inclusion; strategies e.g., programs and policies. In the second section, the data source and methodology adopted. In the third section is the results that were analyzed based on the primary goals and lastly, the fourth section presented the conclusion and recommendations.

1.1. Digital Banking in the Philippines

The Philippines, as a nation, geographically has huge potential for an alternative to traditional banking

system [5]. The investigator defines traditional banks based on face-to-face access and interaction to services and financial transactions while according to the Bangko Sentral ng Pilipinas (BSP) Monetary Board, digital banks is defined as a bank that offers financial products and services that are processed end-to-end through a digital platform and/or electronic channels with no physical branches [1].

Digital banks are viewed as an ally in expanding the access of broad range financial services and an efficient tool to achieve the 2020-2023 Digital Payments Transformation Roadmap targets [7].

These financial service providers increasingly pay attention to the mass market as a vehicle for growth – offering products such as the basic deposit account, expanding outreach through the cash agents and mobile apps, and offering digital payments. These are the foundational pieces toward an inclusive digital finance ecosystem benefitting our target underserved sectors [10].

As of to date, there are numerous digital banks operating in the Philippines namely; ING Philippines, OCTO by CIMB Bank, Unionbank, Maybank iSave, Diskartech, Komo by EastWest Bank, and Tonik [4].

With recent innovative transformation, major traditional banks such as Bank of the Philippines Island (BPI), Banco de Oro (BDO), Land Bank of the Philippines, Metrobank, and Security Bank started to incorporate online and/or digital banking.

1.1.2. Features of Digital Banks

Digital banks are usually accessible through internet and/or mobile application-based. The common features that they offer are; opening an account in minutes, no need to physically go to the branch/bank, most if not all does not require initial deposit to open an account, no maintaining balance, with high interest rate for savings, some offers loans with low interest rate while others gives free insurance, and allows cheque deposits without visiting a bank [4].

Since some of the digital banks has no physical branch or bank, depositing and/or withdrawal of money is only through digital wallet, partner traditional banks with automatic teller machine (ATM), and fund transfer from another bank.

Also, there is no physical customer service that you can go to, only through a chat support and or account specialist or through email. For data and security, digital banks also has risk from online phishing and hacking [8]. Another seen external threat on the usage of digital banks is the poor internet connectivity/infrastructure.

1.2. Digital Financial Inclusion

Financial inclusion defines that individuals and businesses have access to useful and affordable financial products and services that meet their needs and delivered in a responsible and sustainable way [2] while for the Bangko Sentral ng Pilipinas (BSP), defines financial inclusion as a state wherein there is effective access to a wide range of financial products and services by all [12]. Digital financial inclusion can be defined as digital access to and use of formal financial services by excluded and underserved populations [11].

The key digital financial inclusion indicators are: (1) access, (2) usage, (3) quality, and (4) welfare [12].

Although Philippines is leading as “most time spent in social media” the 2019 financial inclusion survey revealed that 71 percent of total adult population remains unbanked and only 1 in 10 adults use their mobile phones and the internet for financial transactions. Identified barriers such as lack of awareness on using mobile and/or internet for financial transactions, absence of trust, and poor signal or slow internet connectivity [6] are the reason behind it.

These statistics are seen as huge potential for digital-only banks as BSP begun to accept and acknowledge digital bank model entrants to the market. BSP core objectives by 2023 is to; (1) convert 50 percent of the total volume of retail payments into digital form, (2) 70 percent of financially included Filipino adults has formal accounts that are using in payment or transaction that will build financial profiles, and (3) use of

consumer data to design innovative and responsive digital financial services and products [7].

1.2.1. Financial Inclusion Strategies

The above mentioned barriers of digital financial inclusion paved way to National Strategy for Financial Inclusion (NSFI) creation on 2015 that provides comprehensive framework of the government and private sectors that envision financial inclusion in the country through a well curated policies and programs [12]. The core strategic thrusts are (1) Building the digital and financial infrastructure, (2) Fostering trust and financial literacy, (3) Creating compelling value propositions for a transaction account.

Also, BSP activities supports Philippine Identification system (PhilSys) and policies to improve internet connectivity, promote use of transaction accounts for the payment of social welfare benefits, policy reforms on Information and Communication Technology (ICT), Consumer Assistance Mechanism (CAM) to educate the public on safe conduct of online transactions for efficient use and benefit from digital finance, Payment system oversight framework, and Digital Banking License [1].

2. METHODOLOGY

The study used qualitative approach to the reports from Bangko Sentral ng Pilipinas (BSP) as the main data source to get all the programs and policies, survey statistics for digital financial inclusion strategies of the Philippines. Global Findex Database for statistics. Facebook online group and community discussion for digital banks in the Philippines and other related literature. To ensure the validity of sources, the study also used triangulation of multiple data sources to reduce biases.

3. ANALYSIS

The benefits from financial inclusion can be wide ranging [3] that is why there is a great need to have a well-developed payment system, improved physical infrastructure, appropriate regulations, and strong consumer protection safeguards to eliminate gaps.

Although Philippines leads the world to the most improved in terms of digital financial inclusion programs and policies, there is still a long road to go. Opportunities such as high mobile and internet penetration among adults offers strong indicator to continuously offer and monitor innovative developments to attain digital financial inclusion targets.

Bangko Sentral ng Philippines (BSP) alongside with its various policies and programs continue to build importance and strong support for financial inclusion objectives.

4. CONCLUSION

Digital banking is here to stay and will rise to meet the consumers' fast-paced needs and expectations. As a key player in the digital financial inclusion, there is an expectation for more regulatory changes to enhance the operating models.

A collaborative approach between government agencies, private sector and other stakeholders is strongly recommended to sharpen their focus. Strong support from government regulators and organizational sectors is felt in pushing for the digitalization and inclusion of more Filipinos into formal banking system.

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