ATENEO DE MANILA UNIVERSITY

ATENEO CENTER FOR ECONOMIC RESEARCH AND DEVELOPMENT

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Aid Distribution During the COVID-19 Crisis

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Working Paper No.2020-06

April 22, 2020

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Abstract

This paper highlights a large informal economy, a low propensity to save and invest, and widespread financial exclusion as factors that expose Filipinos to financial vulnerability. These factors could, in turn, make the distribution of government aid all the more challenging in the midst of the COVID-19 crisis. The sheer number of displaced informal economy workers, combined with economy-wide low savings and investment rates, would call for a massive amount of financial aid. Because of widespread financial exclusion, cash handouts are probably the quickest way to deliver the aid, which would expose local government units (LGUs) to considerable risks of wrong targeting, late delivery, and incomplete accounting. To ease the burden on LGUs, at least on the accounting aspect, it might be beneficial to consider enlisting the services of other channels, such as microfinance institutions, pawnshops, payment centers, and domestic money transfer service providers, to assist in the distribution of financial aid. Consumer awareness of these facilities appears to be high among the masses. Also, by involving the private sector, the government can take advantage of the efficiency of existing systems. The administrative costs to deliver the funds can be reduced, and the funds can also reach the beneficiaries faster.

Keywords: COVID-19 pandemic, financial vulnerability, social amelioration

JEL Classifications: E20, H12, O20

Aid Distribution During the COVID-19 Crisis

By Alvin P. Ang, Ph.D. and Ser Percival K. Peña-Reyes, Ph.D.[1]

I. Introduction

The abrupt stoppage of economic activities due to the spread of COVID-19 has put business owners and workers under a lot of financial strain. The social protection of economically vulnerable groups is seen as a top spending priority in the "focused fiscal fix" that some economists are urging the national government to adopt.[2] Nevertheless, how to efficiently distribute aid appears to be a huge challenge because of some factors that exacerbate financial vulnerability. This paper discusses these constraints and some possible alternative channels for the distribution of financial aid.

II. Factors Exacerbating Financial Vulnerability

Even under normal circumstances, a large informal economy, a low propensity to save and invest, and widespread financial exclusion are factors that expose many Filipinos to financial vulnerability. Indeed, such financial vulnerability has become all the more evident in this present crisis.[3]

A. A Large Informal Economy

As defined by the Philippine Statistics Authority, the informal economy consists of units engaged in the production of goods and services, with the primary objective of generating employment and incomes to the persons concerned in order to earn a living. These units typically operate at a low level of organization, with little or no division between labor and capital as factors of production. The informal economy consists of household unincorporated enterprises that are market and nonmarket producers of goods, as well as market producers of services. Labor relations, where they exist, are based on casual employment, kinship, or personal and social relations, rather than formal or contractual arrangements.[4]

Workers in the informal economy are, indeed, financially vulnerable because they typically have no social benefits, such as SSS, PhilHealth, and Pag-IBIG. They have no paid vacation leaves, sick leaves, and maternity/paternity leaves. It is simply "no work, no pay" for them, so the forced stoppage of most economic activities under the enhanced community quarantine (ECQ) has effectively taken away jobs from these workers. As Habito (2020b) strongly warns, unless the government moves proactively, the heavy toll exacted on their lives

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[2] ACERD, together with some faculty members of the Ateneo de Manila University Department of Economics, released a statement on how to arrest the impact of COVID-19 on the Philippine economy: http://ateneo.edu/ls/soss/economics/downloads/pb-2020-01-arresting-impact-covid-19-ph-economy. This statement serves as the framework for the "focused fiscal fix" featured in an opinion article by Dr. Cielito F. Habito: https://opinion.inquirer.net/128287/focused-fiscal-fix.

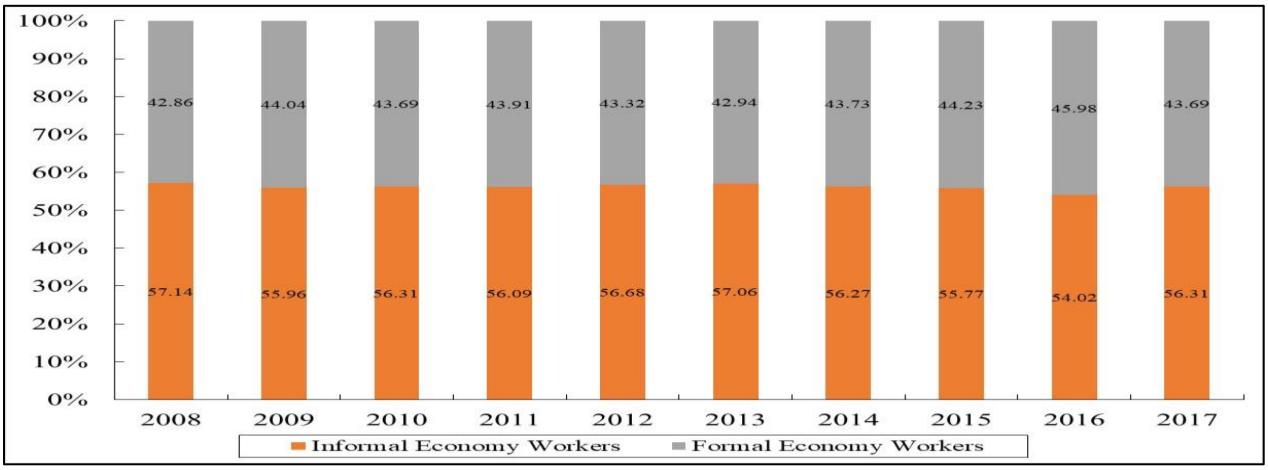
[3] Financial vulnerability is discussed in this opinion article by Dr. Ser Percival K. Peña-Reyes: https://businessmirror.com.ph/2020/03/20/covid-19-and-trade-offs/.

[4] The official definition of the informal sector is given here: https://psa.gov.ph/content/informal-sector-conceptual-definition.

could stretch well beyond the short term, and lead to a long-term worsening of their already difficult existence, well after the crisis blows over.[5]

Exactly how many informal economy workers are there? Gonzales (2018) provides a historical view of the size of the informal economy in the Philippines.[6] According to the study, from 2008 to 2017, informal economy workers outnumbered formal economy workers by an average of 4.62 million (an average of 21.15 million informal economy workers versus an average of 16.53 million formal economy workers). In terms of shares, as revealed by Figure 1, from 2008 to 2017, informal economy workers comprised an average of 56.16 percent of the total number of workers.

Figure 1: Breakdown of Philippine Workers into Formal Economy vs. Informal Economy



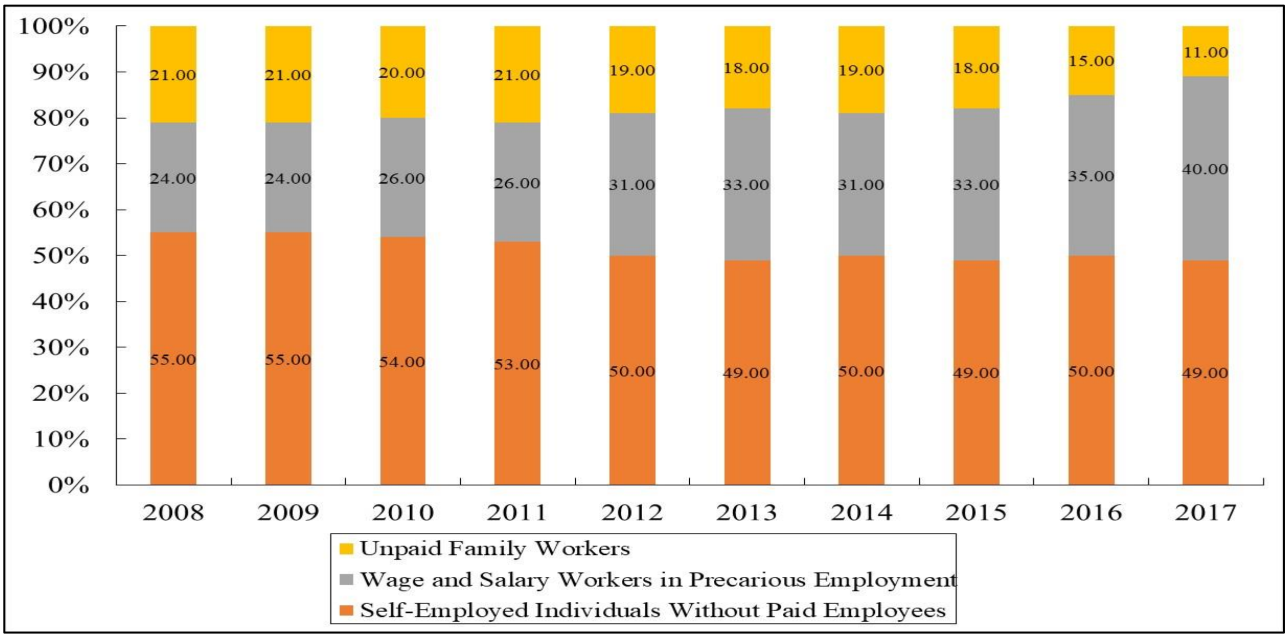
Source: Gonzales(2018).

From 2008 to 2017, there were, on average, about 10.85 million self-employed individuals without paid employees, 6.46 million wage and salary workers in precarious employment, and 3.85 million unpaid family workers. According to Figure 2, from 2008 to 2017, self-employed individuals without paid employees comprised an average of 51.40 percent of the total number of informal economy workers. Wage and salary workers in precarious employment comprised an average of 30.30 percent, while unpaid family workers comprised an average of 18.30 percent.

[5] Dr. Cielito F. Habito discusses the plight of the worst-hit members of Philippine society in this opinion article: https://opinion.inquirer.net/128578/worst-hit.

[6] Ms. Maria Lourdes Gonzales, Chief of the Workers in the Informal Economy Development Division of the Bureau of Workers with Special Concerns under the Department of Labor and Employment, gave a presentation on the size of the informal economy in the Philippines in Makati City on July 16, 2018. Her presentation can be downloaded here: https://www.ilo.org/manila/eventsandmeetings/WCMS_634914/lang--en/index.htm.

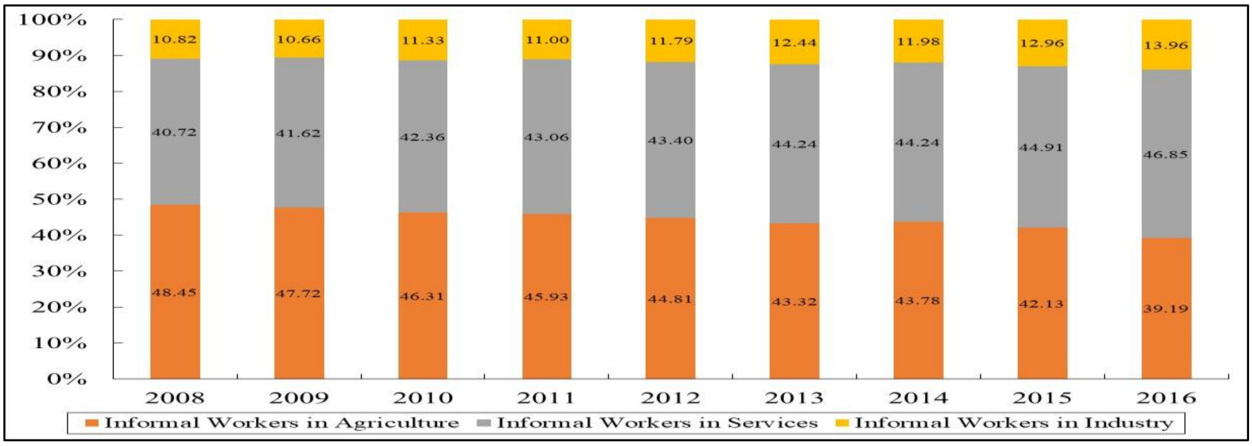
Figure 2: Breakdown of Informal Economy Workers by Worker Type



Source: Gonzales (2018).

From 2008 to 2016, there were, on average, about 9.34 million informal workers in agriculture, 9.14 million informal workers in services, and 2.50 million informal workers in industry. According to Figure 3, from 2008 to 2016, informal workers in agriculture comprised an average of 44.63 percent of the total number of informal economy workers. Informal workers in services comprised an average of 43.49 percent, while informal workers in industry comprised an average of 11.88 percent.

Figure 3: Breakdown of Informal Economy Workers by Major Industry Type



Source: Gonzales (2018).

It is worth noting that industry jobs, particularly those under the manufacturing subsector, tend to be superior in quality to those generated in the agriculture and services sectors. Historically, jobs in the latter have, for the most part, not been wage-paying jobs, but fall under the category of “self-employed” or “unpaid family labor” (hence, usually insecure and/or nonremunerative work). Industry jobs, by contrast, would fall mostly under the “wage and salary labor” category and usually come with attendant benefits. That majority of informal workers are found in agriculture and services would, indeed, imply greater financial vulnerability.

Muyrong (2020) provides a more updated profile of workers displaced by the ECQ.[7] The study notes that about four out of five million employed persons in the National Capital Region are informal workers, who have most likely been rendered idle by the ECQ. Another 10.9 million informal workers in the rest of Luzon are also barred from going to work. If ECQ were to be imposed nationwide, an additional 8.6 million informal workers would be displaced in Visayas and Mindanao.

Based on average expenditures on food, about P20 billion would be needed to support the food needs of displaced Metro Manila workers' families for a month, and another P47 billion for those in the rest of Luzon. With a nationwide ECQ, an additional P16.4 billion would be needed for Visayas and P17.6 billion for Mindanao, for a total of P101 billion nationwide per month. Not yet counted are the more than two million unemployed Filipinos, plus whatever amount of financial assistance that they would need to keep their families afloat.

Republic Act No. 11469 (Bayanihan to Heal as One Act) provides for P200 billion in emergency subsidies to an estimated 18 million low-income households that have lost their sources of income for up to two months.[8] This amount might be enough to cover for the needs of Luzon; however, as Muyrong (2020) sharply notes, should the ECQ be implemented nationwide, much more funding would most likely be needed, including substantial financial assistance from the private sector.

B. A Low Propensity to Save and Invest

Another source of financial vulnerability can be gleaned from macroeconomic data provided by the World Development Indicators Database.[9] Whether over time or against its Southeast Asian neighbors, Philippine performance in gross domestic savings rate (GDSR) and gross capital formation rate (GCFR) has clearly been lackluster.

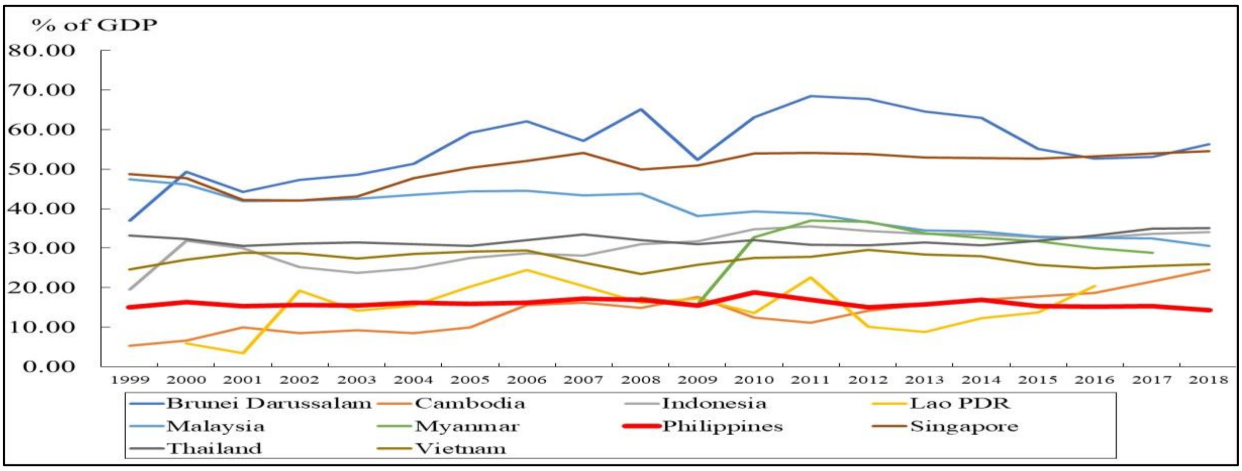
Figure 4 provides a comparison of GDSRs across Southeast Asian countries. The Philippines has lagged behind most of its neighbors in this department. Among eight countries with complete data (from 1999 to 2018), the Philippines was at seventh place, with an average GDSR of 15.93 percent. Performing worse was Cambodia, with an average GDSR of 13.74 percent. Performing better were Vietnam (27.11 percent), Indonesia (30.34 percent), Thailand (31.98 percent), Malaysia (39.46 percent), Singapore (50.52 percent), and Brunei Darussalam (55.89 percent). From 2000 to 2016, the average GDSR of 16.12 percent recorded by the Philippines was slightly better than the 15.17 percent recorded by Lao PDR. From 2008 to 2017, the average GDSR of 16.12 percent recorded by the Philippines was worse than the 29.63 percent recorded by Myanmar.

[7] This policy brief authored by Ms. Marjorie S. Muyrong can be downloaded here: http://ateneo.edu/ls/soss/economics/downloads/pb-2020-03-stayathome-bayanihan-understanding-profile-displaced-workers.

[8] A copy of Republic Act No. 11469 (Bayanihan to Heal as One Act) can be downloaded here: https://www.officialgazette.gov.ph/2020/03/24/republic-act-no-11469/.

[9] Data can be downloaded here: https://datacatalog.worldbank.org/dataset/world-development-indicators.

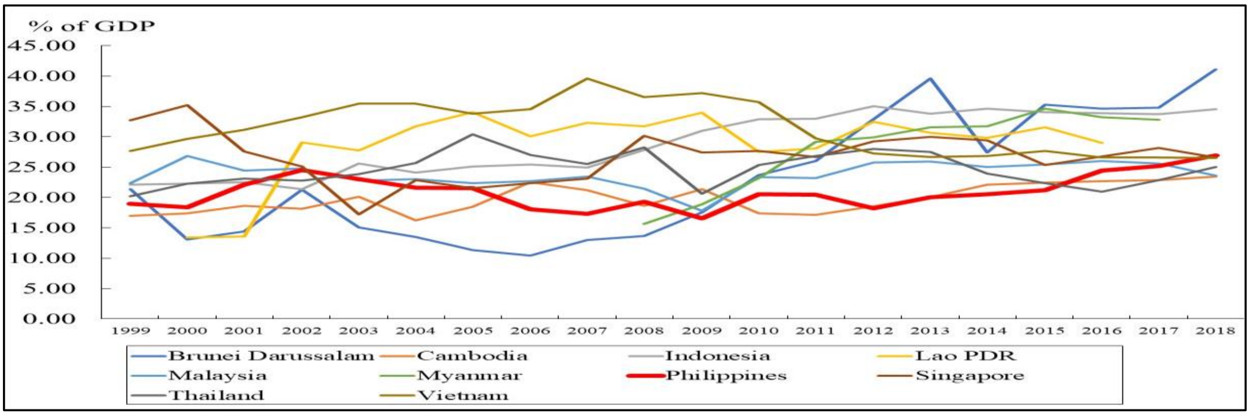
Figure 4: Gross Domestic Savings Rate of Southeast Asian Countries



Note: Gross domestic savings are calculated as GDP less final consumption expenditure (total consumption). Data for Lao PDR are from 2000 to 2016 only. Data for Myanmar are from 2008 to 2017 only.
Source: World Development Indicators Database.

Figure 5 provides a comparison of GCFRs across Southeast Asian countries. The Philippines has also lagged behind most of its neighbors in this department. Among eight countries with complete data (from 1999 to 2018), the Philippines was still at seventh place, with an average GCFR of 20.94 percent. Performing slightly worse was Cambodia, with an average GCFR of 19.81 percent. Performing better were Brunei Darussalam (23.00 percent), Malaysia (23.79 percent), Thailand (24.62 percent), Singapore (26.75 percent), Indonesia (28.89 percent), and Vietnam (31.38 percent). From 2000 to 2016, the average GCFR of 20.46 percent recorded by the Philippines was worse than the 28.63 percent recorded by Lao PDR. From 2008 to 2017, the average GCFR of 20.64 percent recorded by the Philippines was worse than the 28.05 percent recorded by Myanmar.

Figure 5: Gross Capital Formation Rate of Southeast Asian Countries



Note: Gross capital formation (formerly gross domestic investment) consists of outlays on additions to the fixed assets of the economy plus net changes in the level of inventories. Fixed assets include land improvements (fences, ditches, drains, and so on); plant, machinery, and equipment purchases; and the construction of roads, railways, and the like, including schools, offices, hospitals, private residential dwellings, and commercial and industrial buildings. Inventories are stocks of goods held by firms to meet temporary or unexpected fluctuations in production or sales, and "work in progress." According to the 1993 SNA, net acquisitions of valuables are also considered capital formation. Data for Lao PDR are from 2000 to 2016 only. Data for Myanmar are from 2008 to 2017 only.
Source: World Development Indicators Database.

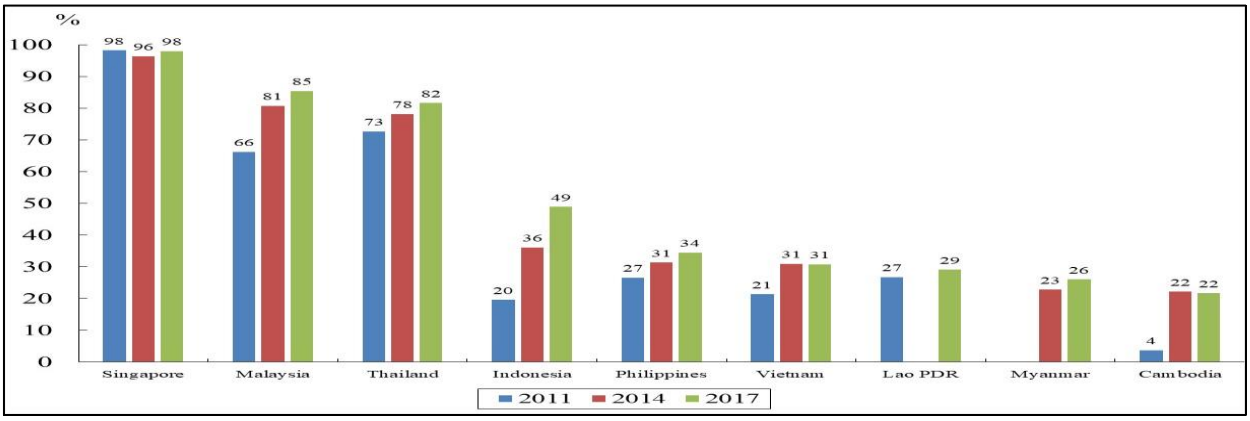
So, because Filipinos, collectively, have a low savings rate, it seems reasonable to imagine that many of them do not have emergency funds. Also, since Filipinos, collectively, have a low investment rate, many of them might not have assets to liquidate during emergency situations.

C. Widespread Financial Exclusion

As for financial inclusion, the World Bank defines it as a state where individuals and businesses have access to useful and affordable financial products and services that meet their needs (e.g., transactions, payments, savings, credit, and insurance) and are delivered in a responsible and sustainable way.[10] Being able to have access to a transaction account is a first step toward broader financial inclusion, since a transaction account allows people to store money, as well as to send and receive payments. A transaction account serves as a gateway to other financial services. Financial access facilitates day-to-day living and helps families and businesses plan for everything, from long-term goals to unexpected emergencies. As accountholders, people are more likely to use other financial services, such as credit and insurance, to start and expand businesses, invest in education or health, manage risk, and weather financial shocks, which can improve the overall quality of their lives.

Nevertheless, data for the Philippines seem to point toward widespread financial exclusion, which could be intimately linked with the low savings and investment propensity described earlier.[11] As shown by Figure 6, in 2017, among nine Southeast Asian countries (no data available for Brunei Darussalam), the Philippines placed squarely at the middle, with just 34 percent of its financial inclusion survey respondents aged 15 years and up having transaction accounts (albeit an improvement from the 31 percent recorded in 2014 and the 27 percent recorded in 2011). Not that far behind were Cambodia (22 percent), Myanmar (26 percent), Lao PDR (29 percent), and Vietnam (31 percent). Performing considerably better were Indonesia (49 percent), Thailand (82 percent), Malaysia (85 percent), and Singapore (98 percent).

Figure 6: Financial Inclusion Across Southeast Asian Countries in 2011, 2014, and 2017 (% of Financial Inclusion Survey Respondents Aged 15 Years and up with a Transaction Account)



Note: There are no observations for Brunei Darussalam in 2011, 2014, and 2017. There is no observation for Myanmar in 2011. There is no observation for Lao PDR in 2014.
Source: World Bank Global Financial Inclusion Data Bank.

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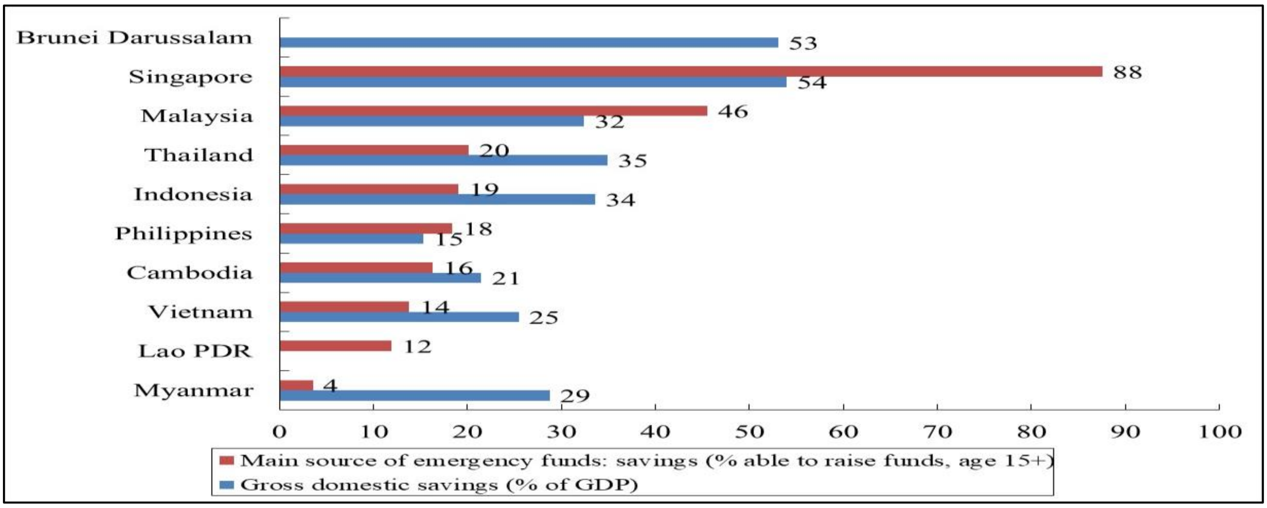
[10] An overview of financial inclusion is given by the World Bank here: https://www.worldbank.org/en/topic/financialinclusion/overview.
[11] Data can be downloaded here: https://databank.worldbank.org/source/global-financial-inclusion#.

Figure 7 compares Southeast Asian countries in terms of saving behavior. In 2017, among nine countries (no data available for Lao PDR), the Philippines placed last in terms of GDSR (15.29 percent of GDP). Also, among nine countries (no data available for Brunei Darussalam), the Philippines placed at the middle, with just 18.40 percent of financial inclusion survey respondents identifying personal savings as their main source of emergency funds.

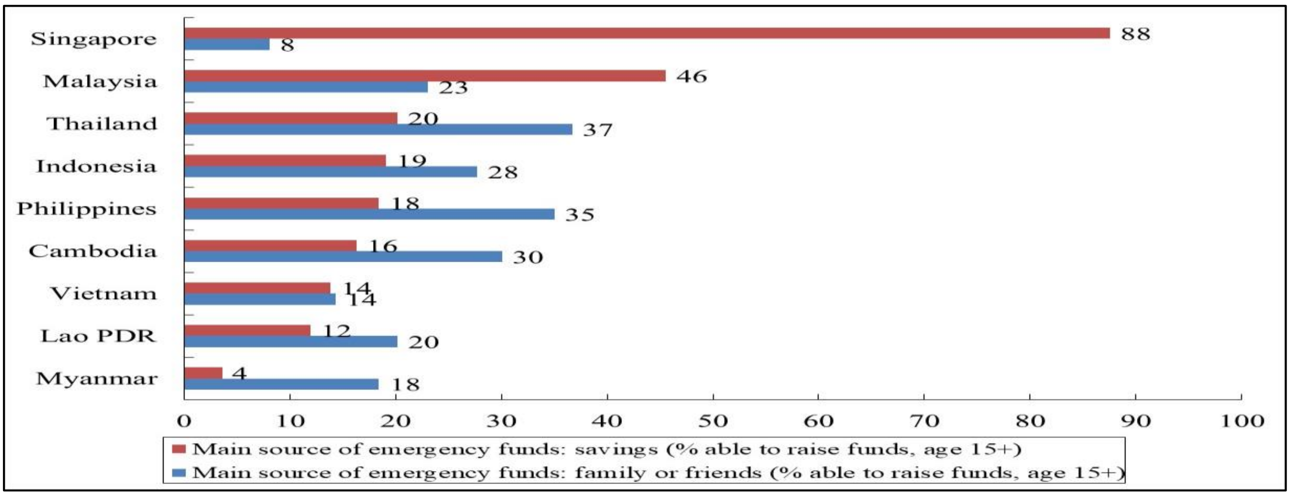
Figure 7: Saving Behavior Across Southeast Asian Countries in 2017



Note: For GDSR, there is no observation for Lao PDR. For the financial inclusion survey, there is no observation for Brunei Darussalam.
Source: World Development Indicators Database and World Bank Global Financial Inclusion Data Bank.

Figure 8 compares Southeast Asian countries in terms of sources of emergency funds. In 2017, among nine countries (no data available for Brunei Darussalam), the Philippines placed at the middle, with just 18.40 percent of financial inclusion survey respondents identifying personal savings as their main source of emergency funds. By contrast, among the nine countries, the Philippines placed second with 34.99 percent of financial inclusion survey respondents identifying family or friends as their main source of emergency funds.

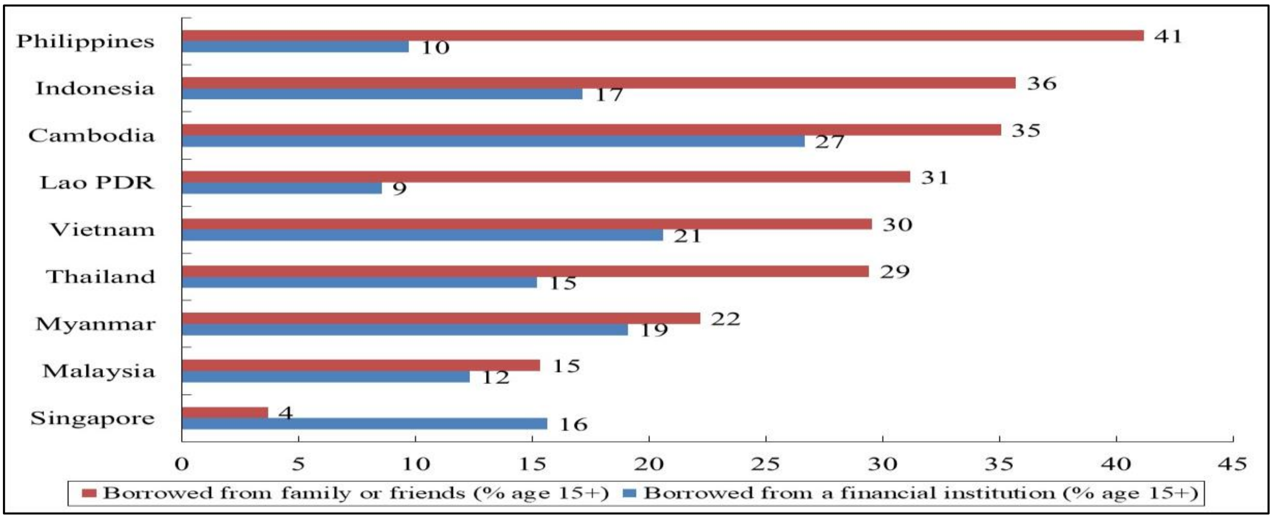
Figure 8: Sources of Emergency Funds for Financial Inclusion Survey Respondents in Southeast Asian Countries in 2017



Note: There are no observations for Brunei Darussalam.
Source: World Bank Global Financial Inclusion Data Bank.

Figure 9 compares Southeast Asian countries in terms of borrowing behavior. In 2017, among nine countries (no data available for Brunei Darussalam), the Philippines placed eighth, with just 9.73 percent of financial inclusion survey respondents claiming to have borrowed from a financial institution. By contrast, among the nine countries, the Philippines was at the top, with 41.18 percent of financial inclusion survey respondents claiming to have borrowed from family or friends.

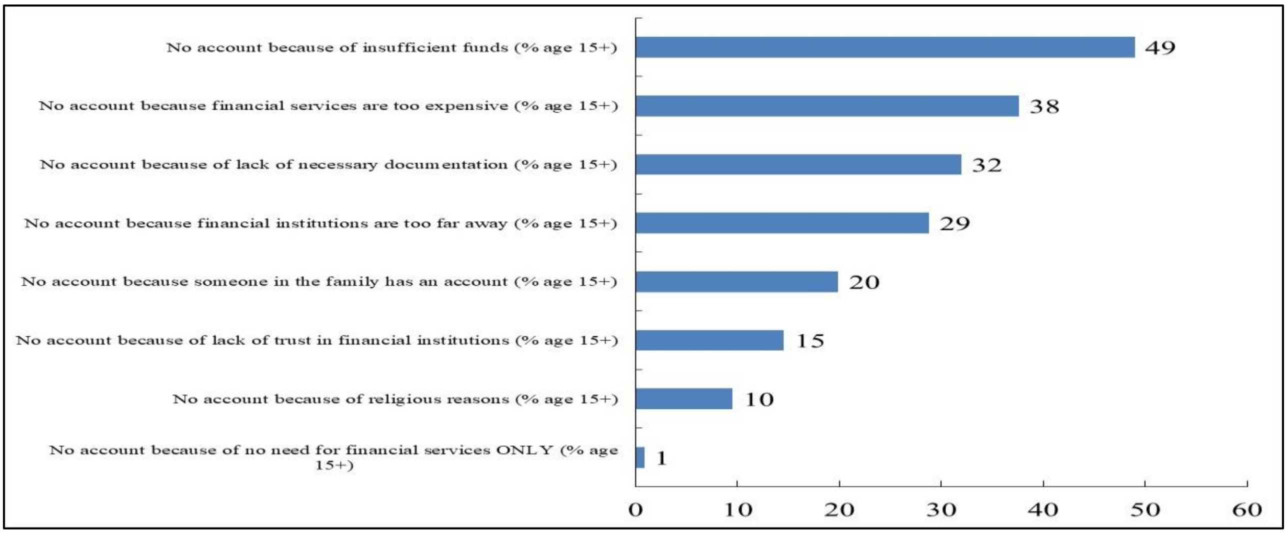
Figure 9: Borrowing Behavior Across Southeast Asian Countries in 2017



Note: There are no observations for Brunei Darussalam.
Source: World Bank Global Financial Inclusion Data Bank.

Figure 10 provides a summary of the reasons for not having a transaction account in 2017. The top three reasons were lack of necessary documentation (31.94 percent of financial inclusion survey respondents), high cost of financial services (37.60 percent of survey respondents), and insufficiency of funds (48.97 percent of survey respondents).[12]

Figure 10: Reasons for Not Having a Transaction Account in the Philippines in 2017



Source: World Bank Global Financial Inclusion Data Bank.

[12] The same reasons were highlighted in this 2014 business news article: https://business.inquirer.net/172001/many-filipinos-still-financially-excluded-and-underserved. This news article made reference to this report: https://newsroom.mastercard.com/asia-pacific/documents/the-road-to-inclusion-a-look-at-the-financially-excluded-and-underserved/.

III. Possible Alternative Channels for the Distribution of Financial Aid

Indeed, the sheer number of displaced informal economy workers, combined with economy-wide low savings and investment rates, would call for a massive amount of financial aid.[13] Even if such an amount can be raised immediately, how to efficiently channel the funds to the most vulnerable members of society poses another huge challenge. If only most Filipinos were actively involved in the formal banking system, then, perhaps, the government could just deposit the aid into bank accounts that easily lend themselves to tracking and auditing.

Nevertheless, in 2017, according to the World Bank Global Financial Inclusion Data Bank, only 5.39 percent of survey respondents aged 15 years and up claimed to have received government transfers into transaction accounts. So, because of widespread financial exclusion, cash handouts are probably the quickest way to deliver the aid right now. Properly targeting the sick and hungry, promptly delivering the cash handouts, and then completely accounting for all the disbursements would be the heavy responsibilities falling squarely on the shoulders of local government units (LGUs), particularly the barangay governments closest to the people themselves. Table 1 gives the regional breakdown of the Philippine population based on the 2015 Census of Population. Given the sheer number of households, the risks of wrong targeting, late delivery, and incomplete accounting are considerable.

Table 1: Regional Breakdown of the Philippine Population (2015 Census of Population)

Region	Household Population	Number of Households	Average Household Size
Philippines	100,573,715	22,975,630	4.38
National Capital Region	12,787,669	3,095,766	4.13
Cordillera Administrative Region	1,714,220	395,881	4.33
I – Ilocos	5,014,622	1,151,629	4.35
II – Cagayan Valley	3,443,493	804,524	4.28
III – Central Luzon	11,184,068	2,566,558	4.36
IV-A – CALABARZON	14,365,137	3,395,383	4.23
MIMAROPA Region	2,946,505	682,668	4.32
V – Bicol	5,780,963	1,216,421	4.75
VI – Western Visayas	4,464,277	1,014,987	4.40
VII – Central Visayas	6,008,987	1,388,475	4.33
Negros Island Region	4,402,196	1,012,323	4.35
VIII – Eastern Visayas	4,425,172	986,003	4.49
IX – Zamboanga Peninsula	3,615,108	799,219	4.52
X – Northern Mindanao	4,663,108	1,042,929	4.47
XI – Davao	4,867,168	1,177,461	4.13
XII – SOCCSKSARGEN	4,531,642	1,050,680	4.31
XIII – Caraga	2,588,131	574,338	4.51
Autonomous Region in Muslim Mindanao	3,771,249	620,385	6.08

Note: The Negros Island Region was created under Executive Order No. 183. Negros Occidental was taken from Region VI (Western Visayas), and Negros Oriental was taken from Region VII (Central Visayas). Population data for Negros Occidental were as follows: household population = 3,051,283, number of households = 701,650, average household size = 4.35. Population data for Negros Oriental were as follows: household population = 1,350,913, number of households = 310,673, average household size = 4.35. The Autonomous Region in Muslim Mindanao (ARMM) is now the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM).
Source: Philippine Statistics Authority.

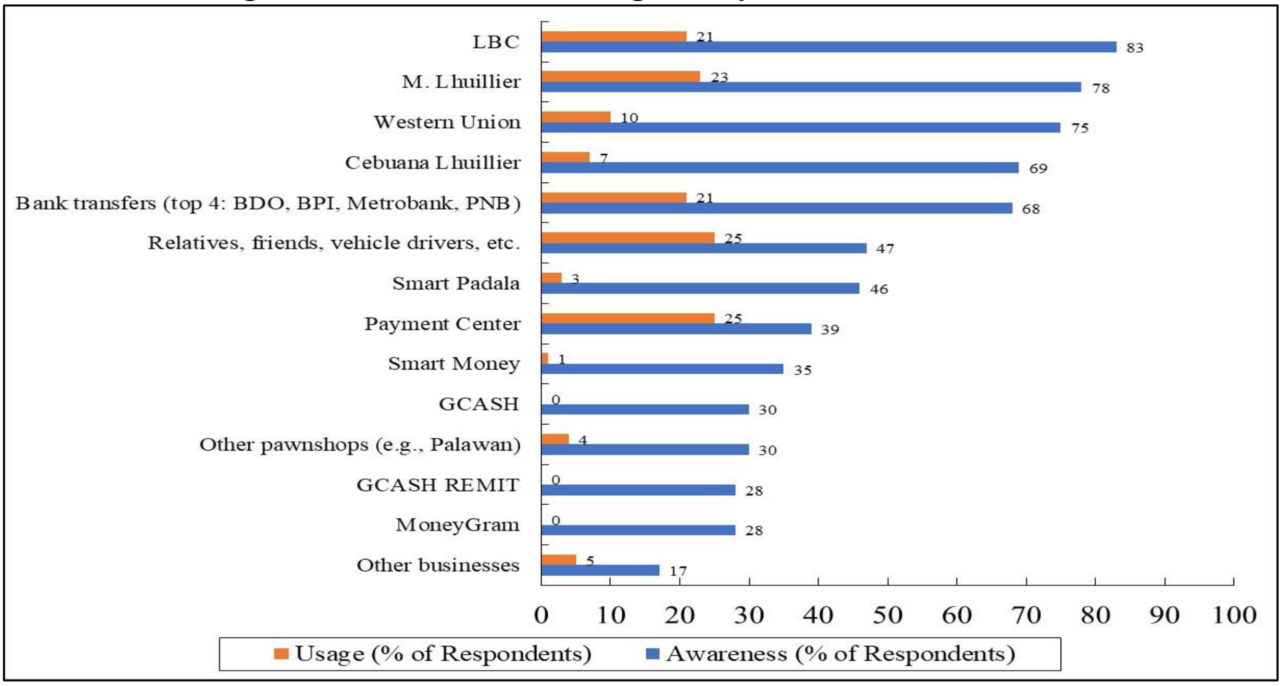
[13] An initial breakdown of aid from the national government is given here: https://www.esquiremag.ph/politics/news/budget-breakdown-covid19-philippines-a00293-20200403.

The Department of Social Welfare and Development (DSWD) has already released Memorandum Circular No. 04-2020, which spells out the guidelines on the provision of social amelioration measures to the most affected residents of areas under community quarantine.[14] To ease the burden on LGUs, at least on the accounting aspect, it might be beneficial to consider enlisting the services of other channels, such as microfinance institutions, pawnshops, payment centers, and domestic money transfer service providers, to assist in the distribution of financial aid. A demand study of domestic payments in the Philippines done by Hokans et al. (2010) for Bankable Frontier Associates provides some interesting findings to support this view.[15]

The study covered the following: 1) 22 focus groups comprising 224 discussants; 2) an intercept survey of 300 targeted interviews of users of formal payment service providers in Metro Manila; and 3) a population-representative sample of 1,794 adult Filipinos, which included 1,000 users of remote domestic payment service providers, both formal and informal. The study noted that most of the surveyed users of payment service providers (76 percent) were under Class D (poor). 19 percent of users belonged to Class E (very poor), and just 5 percent belonged to Class ABC (upper and middle classes).

Consumer awareness of payment service providers appeared to be strong due to the user-reported accessibility of pawnshops, LBC branches, Western Union agents and sub-agents, and payment centers. Awareness and usage figures for each payment service provider (initially identified by focus group discussants) are summarized by Figure 11.

Figure 11: Awareness and Usage of Payment Service Providers

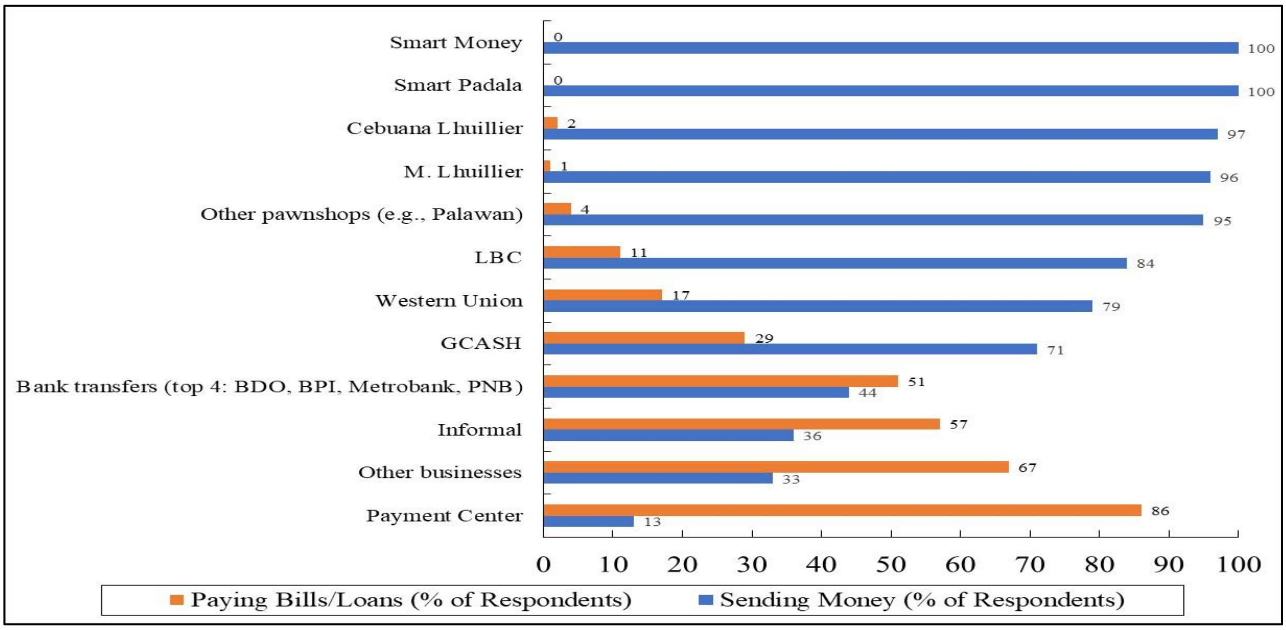


Note: There were 1,000 survey respondents.
Source: Hokans et al. (2010).

[14] The document can be downloaded here: https://www.dswd.gov.ph/issuances/MCs/MC_2020-004.pdf.
[15] The report can be downloaded here: https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2012/06/bmgf.pdpfinalreportdec2010.pdf.

Pawnshops, such as M. Lhuillier, Cebuana Lhuillier, and Palawan, appeared to be well-used in the money transfer market. Payment centers, along with banks, were the major players in the bills payment market in urban areas, and users of informal service providers were also primarily paying bills and loans. Figure 12 summarizes the types of payments by payment service provider.

Figure 12: Types of Payments by Payment Service Provider



Note: There were 1,000 survey respondents. Mobile money services were shown for indicative purposes only because their percentages per product were unreliable.
Source: Hokans et al. (2010).

Table 2 summarizes the comparative strengths and weaknesses cited by the participant users for each of the payment service providers. These comparisons suggest that small players might have certain advantages over big banks. The national government, particularly the DSWD and the Department of Interior and Local Government (DILG), can consider pushing for the usage of these small payment facilities in order to leverage on their advantages in the distribution of financial aid during the COVID-19 crisis.

Table 2: Advantages and Disadvantages of Payment Service Providers

Payment Service Provider	Positive Features Cited	Negative Features Cited	Other Inputs
Bank transfers (top 4: BDO, BPI, Metrobank, PNB)	Speed & low fees, trusted Security (esp. with large amounts), can do both MT & BP at the same branch	Long queues, offline systems unfriendly staff, limited banking hours, not always convenient to get to	Some also reported they had their savings accounts at these same banks
Western Union	Speed, few documents (1 ID + control #), trusted Convenience (to sender, then secondarily to receiver)	High fees, strict documentation requirements if big amount	Some participants said they were no longer using because of high cost
LBC	Availability, accessibility, door-to-door delivery, useful promotions, trusted brand, low documentation	Slow to deliver door-to-door, high fees, speedy if picked-up at outlet, people know when money delivered, tips to deliverer	Some participants said they were no longer using because of high cost, said their neighbors know when money delivered and did not like that
M. Lhuillier	Speed, availability, loyalty cards redeemable for points or discounts, trusted	Long queues, strict verification, unsafe locations (sidewalks; unsafe areas), lack of privacy	Potential contradiction on trust, stigma of pawning
Cebuana Lhuillier	Trusted, convenient (to sender and receiver), brand	High fees, slow service, strict documentation (spelling of names), poor customer service (rude tellers)	Fees also not clear, sometimes insurance product does not seem voluntary, stigma of pawning
Smart Padala	Affordable, fast convenient	Unavailable, no information about service, delays in receiving money from agent, errors in conf. numbers (lack of trust)	Few users, unknown
GCASH REMIT	Affordable fee Convenient	Unavailable Not known	Awareness is low, usage low
MoneyGram	Brand recognition	Not known, Very few using it	In recall awareness of brand, ahead of individual mobile products
Smart Money	Small fee, speed Convenient with ATM card	Unavailable (MIMOs) Not known Lack of information	Concern about "double Charge" of agent fees for both sender and receiver
GCASH	Small fee Convenient	Unavailable CICO, not known (even in ¾ FGDs in Metro Manila), human error w mobile, lack of information, poor Globe signal in rural areas, hard to register account	One FGD organized for those who receive pay via GCASH, low availability cited of cash out points, but once you get used to it, good product, but not aware of BP function
Payment Center	Close(r) to home than biller offices, convenient, cheap, paper receipt	Long queues, not known in rural areas, slow to credit payments at utilities, worry if receipt gets lost	Some participants said they pay directly to biller, especially utilities
Other pawnshops (e.g., Palawan)	Convenient if live in this area, Speed	Stigma of pawning, high fees, must live in right area	Mentioned that a separate entrance for senders/payers would be appreciated
Relatives and friends	Low cost, trusted with the right person	Not safe, slow, no documentation,(sender has no conf. of when money arrives)	Used by some participants for irregular sending, especially to other relatives
Vehicle drivers	Low cost, convenient sometimes only method available	Not safe (lost in accident) No documentation, sometimes slow, unexpected costs	Usually intra-island, not across islands, for paying small bills and loans locally

Source: Hokans et al. (2010).

Tables 3 and 4 summarize more recent data from the Bangko Sentral ng Pilipinas (BSP) website.[16] According to Table 3, pawnshops, alone, would already account for about 50.87 percent of the total number of offices of BSP-supervised/regulated institutions. Combined with thrift banks, rural banks, and cooperative banks, the coverage increases to about 72.83 percent. Table 4 provides the regional breakdown of the 12,870 offices under the Philippine banking system (universal, commercial, thrift, rural, and cooperative banks). Across regions in the Philippines, the presence of thrift, rural, and cooperative banks (5,955 offices in total) appears to match that of the bigger universal and commercial banks (6,915 offices in total).

[16] Data can be downloaded here: http://www.bsp.gov.ph/statistics/statrdbopbs.asp.

Table 3: Number of Offices of BSP-Supervised/Regulated Financial Institutions as of December 2019

Group				Head Office	Other Offices	Total
Philippine Banking System	Universal and Commercial Banks	Universal Banks	Private Domestic Banks	12	5,698	5,710
			Government Banks	3	617	620
			Foreign Bank Branches	6	6	12
		Commercial Banks	Private Domestic Banks	5	447	452
			Government Banks	2	97	99
			Foreign Bank Branches	18	4	22
	Thrift Banks			50	2,633	2,683
	Rural and Cooperative Banks	Rural Banks		426	2,685	3,111
		Cooperative Banks		25	136	161
Non-Bank Financial Institutions with Quasi Banking	Investment Houses with Trust Function			0	0	0
	Investment Houses			2	1	3
	Financing Companies			5	126	131
	Other Non-Bank with Quasi-Banking Function			1	0	1
Non-Bank Financial Institutions without Quasi Banking Function	Investment Houses with Trust Function			2	0	2
	Non-Stock Savings and Loan Associations			63	137	200
	Pawnshops			1,077	12,724	13,801
	Others			83	36	119
Offshore Banking Units				1	0	1
TOTAL				1,781	25,347	27,128

Source: BSP website.

Table 4: Regional Distribution of Banking Offices as of December 2019

Location	Number of Offices: Universal and Commercial Banks	Number of Offices: Thrift Banks	Number of Offices: Rural and Cooperative Banks	TOTAL
National Capital Region (NCR)	3,178	549	99	3,826
Region IV-A (CALABARZON)	775	556	541	1,872
Region III (Central Luzon)	590	331	420	1,341
Region VII (Central Visayas)	446	188	263	897
Region VI (Western Visayas)	321	153	261	735
Region I (Ilocos Region)	237	167	246	650
Region V (Bicol Region)	157	115	260	532
Region XI (Davao Region)	240	95	158	493
Region II (Cagayan Valley)	141	96	228	465
Region X (Northern Mindanao)	181	105	144	430
Region MIMAROPA	77	64	161	302
Region XII (SOCCSKSARGEN)	135	66	92	293
Region VIII (Eastern Visayas)	118	57	111	286
Region IX (Zamboanga Peninsula)	109	64	88	261
Region XIII (Caraga)	68	52	102	222
Cordillera Administrative Region (CAR)	77	24	96	197
Overseas	50	0	0	50
Autonomous Region in Muslim Mindanao (ARMM)	15	1	2	18
TOTAL	6,915	2,683	3,272	12,870

Source: BSP website.

Pawnshops, thrift banks, rural banks, and cooperative banks are registered with the LGUs. Since many of their clients are presumably under Classes D and E, they have records of their clients using their services. The DSWD and DILG can mobilize these various, locally-based financial institutions by coursing the amelioration funds through them. They can utilize the existing systems of these financial institutions for the validation of beneficiaries and help unburden the LGUs in validating beneficiaries and distributing subsidies. The payout process can be done by batches, where beneficiaries can just visit designated and approved centers. Indeed, by involving the private sector, the government can take advantage of the efficiency of existing systems. The administrative costs to deliver the funds can be reduced, and the funds can reach the beneficiaries faster.

IV. Conclusion

In summary, this paper highlights a large informal economy, a low propensity to save and invest, and widespread financial exclusion as factors that expose Filipinos to financial vulnerability. These factors could, in turn, make the distribution of government aid all the more challenging in the midst of the COVID-19 crisis. The sheer number of displaced informal economy workers, combined with economy-wide low savings and investment rates, would call for a massive amount of financial aid. Because of widespread financial exclusion, cash handouts are probably the quickest way to deliver the aid, which would expose LGUs to considerable risks of wrong targeting, late delivery, and incomplete accounting. To ease the burden on LGUs, at least on the accounting aspect, it might be beneficial to consider enlisting the services of other channels, such as microfinance institutions, pawnshops, payment centers, and domestic money transfer service providers, to assist in the distribution of financial aid. Consumer awareness of these facilities appears to be high among the masses. Also, by involving the private sector, the government can take advantage of the efficiency of existing systems. The administrative costs to deliver the funds can be reduced, and the funds can reach the beneficiaries faster.

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