Activating the Philippine Credit Flywheel

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By Sumit Kumar, Kunaal Wadhwa, Bharath Vasudevan, and Joshua Chua

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Preface

For a country that dreams so boldly, the Philippines has always been held back by something more basic: the reality of being unable to afford those dreams.

In *The Filipino Dream* (2024), we found that Filipinos hold parallel dreams of handling health emergencies without fear, and starting businesses, from sari-sari stores to dessert cafés. But for three in four Filipinos, financial constraints get in the way. Daily expenses grind away their ability to save, invest, or take risks. Many see entrepreneurship as their only path to financial freedom.

In *Heart of Hustle* (2025), we looked closer at those who had taken that path. A clear pattern emerged: access to financing is indeed the top constraint micro, small, and medium-sized enterprises (MSMEs) face, yet they rarely borrow from banks, and instead rely on personal savings.

This prompts the question: why is this happening? What would it take to build a credit system that works for Filipinos?

This report offers a perspective. Our credit infrastructure is still young, having been formally established only in 2008. While data coverage and usage have been improving, issues with data quality and completeness remain. Lenders cannot fully rely on credit bureau data to determine whether a prospective borrower is creditworthy. They must conduct additional checks and take on greater risk, which they compensate for with higher interest and rejection rates. This creates a cycle where those most in need of credit are often excluded.

To break this cycle, we studied the journeys of countries with more mature markets globally like India, Brazil, and Malaysia that have transformed their credit ecosystems. Four key enablers stand out: (1) a national digital identity stack, (2) data-rich, dependable, and democratized credit data, (3) consumer credit score access and awareness, and (4) graduation ladders for underserved segments.

Putting these enablers in place unlocks more comprehensive data in the system. This allows lenders to offer loans at lower rates, encouraging more people to borrow through formal channels. This, in turn, generates even more data, powering a flywheel effect.

Now, we invite you to join us as we share our perspective on what it truly means, and what it takes, to unlock the next frontier of Philippine credit.

SUMIT KUMAR

Managing Director and Partner,
Head of BCG Asia-Pacific
Payments and Fintechs Practice

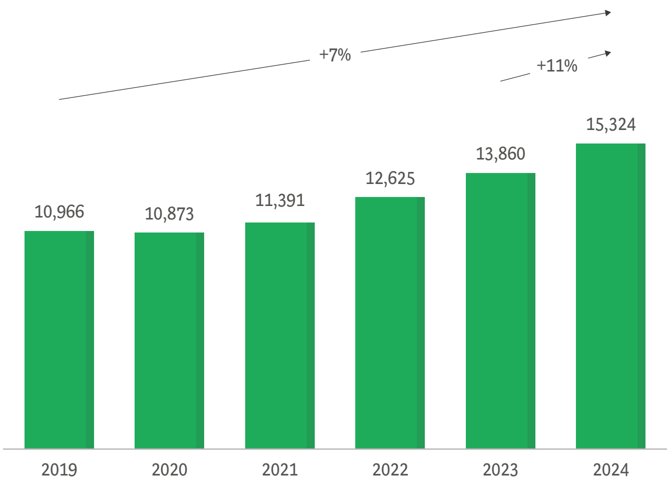
The Credit Divide:

Who Gets Left Behind in the Philippines' Rapidly Growing Lending Market

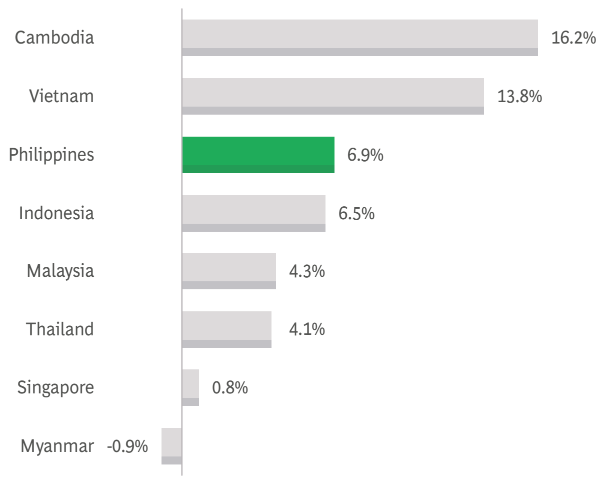
EXHIBIT 1

The Philippine lending market has been growing rapidly in the past five years, and is the third-fastest growing in Southeast Asia

Philippines total gross loans (PHP Bn, 2019-2024)



Gross loan growth across SEA markets (2019-24 CAGR)



Source: Bangko Sentral ng Pilipinas, National Bank of Cambodia, State Bank of Vietnam, Bank Indonesia, Bank Negara Malaysia, Bank of Thailand, Monetary Authority of Singapore, Central Bank of Myanmar

Lending in the Philippines has been expanding rapidly, at a rate that surpasses many peers in Southeast Asia. From 2019 to 2024, total gross loans in the Philippines grew by an average 6.9% year-on-year. This is the third fastest in Southeast Asia, behind Cambodia (16.2%) and Vietnam (13.8%), and ahead of Indonesia (6.5%) and Malaysia (4.3%).

Although this marks a promising start, much of **formal credit growth has been concentrated in certain pockets,** where MSMEs remain underserved, consumer formal credit penetration is uneven across income bands, and provincial areas receive only a fraction of the credit allocated to urban areas. **Borrowing costs remain high even in the formal channels,** with the average Filipino paying up to two times what counterparts in other markets do.

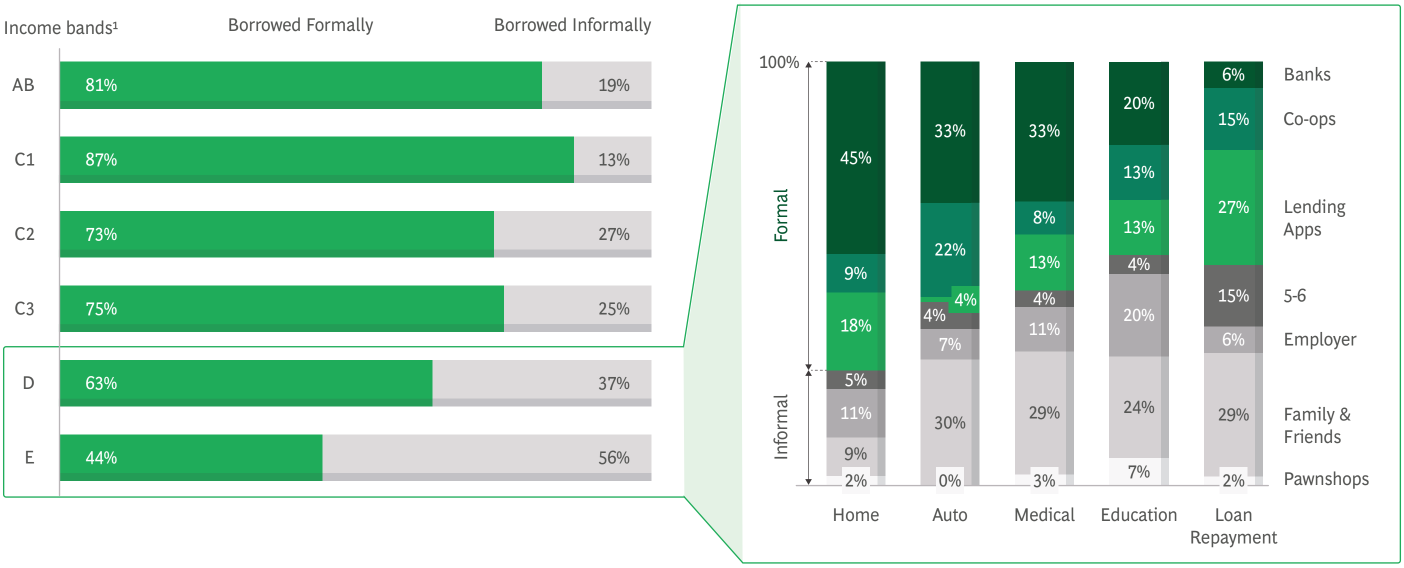
Formal credit penetration among Filipino consumers remains uneven

EXHIBIT 2

Low-income Filipino households have disproportionately less access to formal credit

Lower-income households have less access to formal credit (based on source of loans taken in the past 3 years)

Most of their formal access is limited to use cases which include collateral (i.e. home and auto purchases)



1. Income bands: AB = More than PHP 145,001 a month; C1 = PHP 85,001 - PHP 145,000; C2 = PHP 48,001 - PHP 85,000; C3 = PHP 24,001 - PHP 48,000; D = PHP 12,000 - PHP 24,000; E = Less than PHP 12,000

Source: BCG 2025 Filipino Family Survey (n=939), Pag-IBIG, DTI, PhilHealth

Formal credit access is disproportionally available to certain income bands in the country. Among upper-income households (income bands AB & C1), the majority (>80%) of loans in the past three years were taken through formal channels like banks, lending apps, and cooperatives. In contrast, for low-income households (income bands D & E), only half of their loans were taken from formal channels, with the other half being sourced from informal channels like pawnshops, employers, 5-6 lenders, and family and friends. Moreover, low-income households mainly have access to formal channels for collateral-based loans and rely on informal channels for the rest.

MSMEs are underserved on formal credit despite being the backbone of the economy

EXHIBIT 3

MSMEs are underserved on formal credit, inhibiting growth

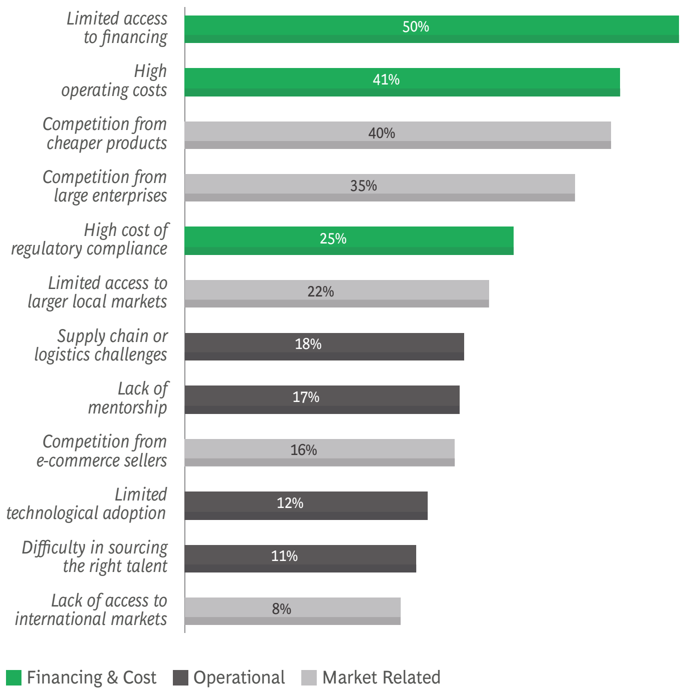
MSMEs are the backbone of the Philippine economy, but they only receive a fraction on formal credit

MSMEs account for 67% of the country's total employment

Yet, MSMEs only receive less than 5% of all total loans in the country

Limited access to financing is the top barrier for growth among Philippine MSMEs

Top 3 roadblocks to growth, according to MSMEs



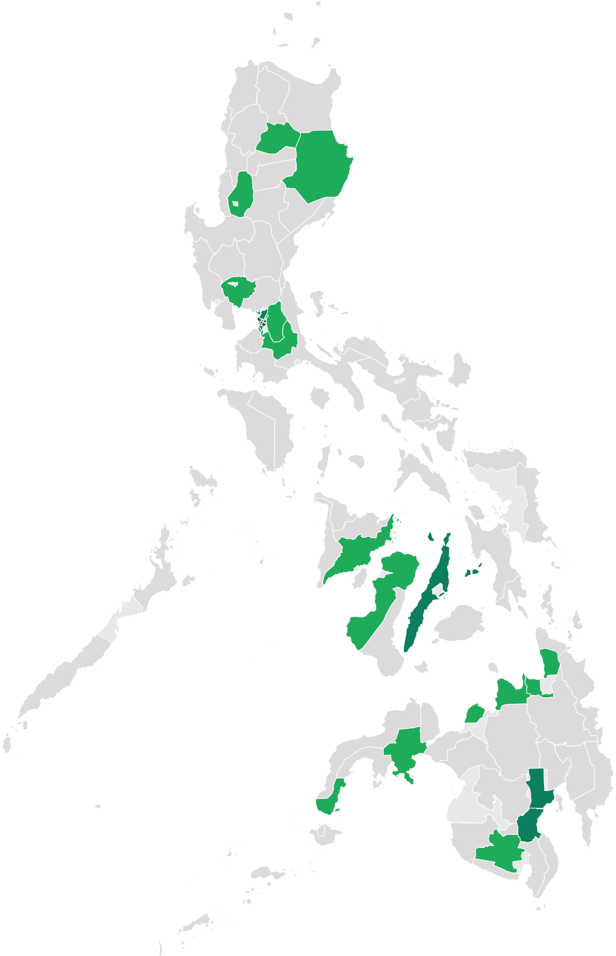
Source: BSP Report on Philippine Financial System (2024), DTI Annual Report on MSME Statistics, BCG DTI MSME Survey 2024 (n=3098)
Notes: 1. Below is a list of common challenges MSME owners face when growing their business. Please choose among these the top 3 challenges you face.

MSMEs make up 99% of businesses and account for 67% of jobs throughout the country. However, they receive less than 5% of loans issued by banks. Limited access to financing is the most frequently identified barrier to growth, with more than half of MSMEs indicating it as part of their top three barriers, alongside high operating costs and competition. Given the lack of access, most (83%) are resorting to personal savings to fund their growth, and some (21%) are resorting to informal channels (e.g., 5-6 lenders) which expose them to high borrowing costs.

Provincial areas only receive a fraction of formal credit

EXHIBIT 4

Formal credit is skewed towards urban centers



Legend	Loans Per Capita (PHP)	Examples (Cities/Provinces)
	Very High Above 250,000	• Makati • Mandaluyong • Manila
	High 75,000 – 250,000	• Cebu • Davao • Quezon City
	Medium 25,000 – 75,000	• Pampanga • Isabela • Iloilo
	Low Below 25,000	• Sulu • Romblon • Abra

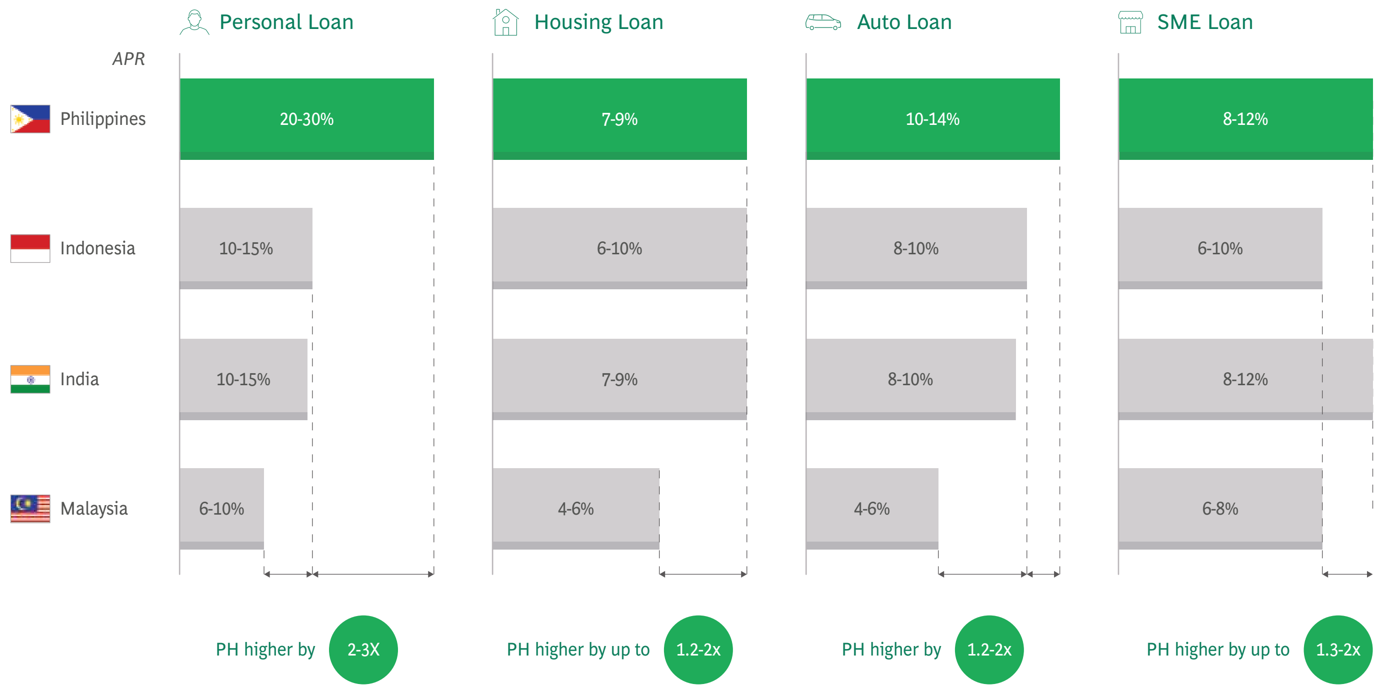
Source: BSP, PSA, BCG Analysis

If we take a geographic lens, it is evident that formal credit access is disproportionately skewed towards urban centers, which receive several times more in per capita loan value than the rest of the country. On average, only cities in the National Capital Region (NCR) had outstanding loans per capita above ₱250,000, with Cebu and Davao following at just over ₱75,000 per capita. Across the country, only 29 out of around 98 cities and provinces had loans exceeding ₱25,000 per person.

Borrowing costs remain high: Filipinos pay 2x more than global counterparts

EXHIBIT 5

Across many different loan types, a median-wage earner in the Philippines faces up to 2x higher interest rates than their counterparts



Source: BSP weekly lending rate reports and product pages of different banks (PH), as of Dec 2024 – May 2025; Bank Negara Malaysia published base and lending rates as of H1 2025; OJK lending rate statistics as of Q1–Q2 2025; RBI scheduled commercial bank bulletins as of Dec 2024 – May 2025. Figures rounded for clarity.

An average Filipino earning a median wage faces interest rates up to double the rate on formal loans that their counterparts in Malaysia, India, and Indonesia may face. This leaves both consumers and MSMEs more vulnerable to economic shocks and emergencies like theft, fire, and typhoons. Overreliance on high-cost credit can also perpetuate a debt trap, where borrowers must take out new loans just to repay existing ones, further compounding their debt. It also sustains a poverty trap, where the inability to afford investments in education, health, or productivity-enhancing tools limits income growth and social mobility.

When growth is not inclusive, everyone pays the price

The implications of this extend beyond consumers and businesses. **Lenders lose out through missed opportunities** since the millions of viable, creditworthy borrowers among low-income households and in rural areas remain untapped. **The government is also unable to fuel economic growth to full potential,** as a credit-starved economy suppresses consumer spending and business investment. These effects reinforce each other in a negative self-reinforcing cycle: weak consumer demand discourages business growth, while sluggish investment leads to fewer jobs and slower wage growth, further weakening spending.

The Core Challenge:

A Trust Deficit in the Philippine Credit Infrastructure

EXHIBIT 6

The Philippines credit infrastructure is still in its early stages, with CISA laying its foundations in 2008 – years behind most global markets

Credit Information System Act (CISA) – 2008

Established the Credit Information Corporation (CIC)

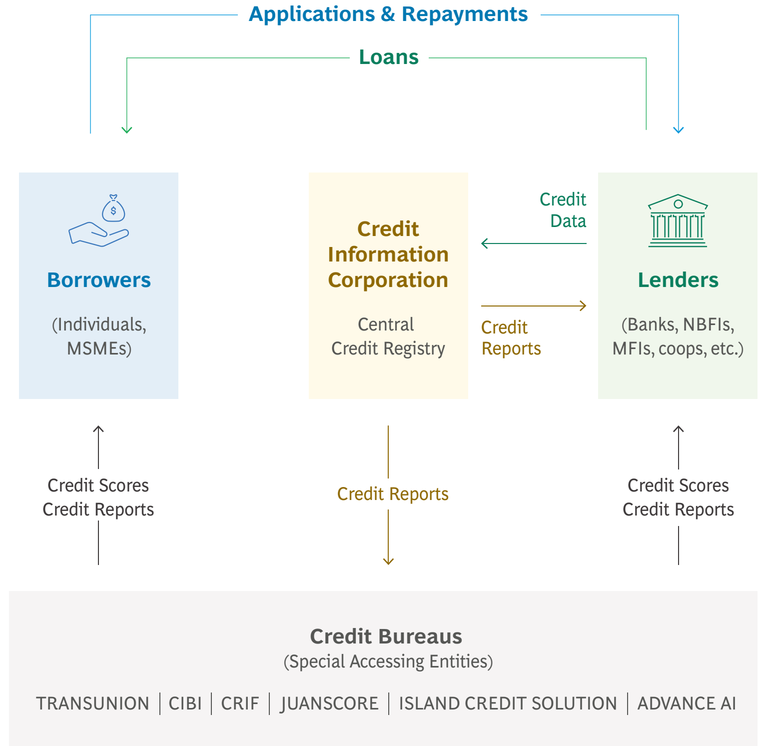
- Acts as central registry of credit information
- Receives and consolidates credit data
- Provides access on credit history of Filipino borrowers

Marks a structural shift towards more open, centralized, standardized credit information sharing

- Addressing credit information siloes across financial institutions, closed-group networks
- Reducing reliance on collateral-based lending

However, is largely a catch-up effort – other markets globally have made similar efforts decades prior

- USA (1970): via Fair Credit Reporting Act
- South Korea (1995): via Use & Protection of Credit Information Act
- Malaysia (2001): via establishment of Central Credit Reference Information System



Source: CIC Annual Report
Note on diagram: Non-accessing entities, who access credit reports from CIC but for non-credit purposes (e.g. manpower agency KYC) not shown in diagram; TransUnion also has its own proprietary database; Borrowers can directly get reports from CIC, but this is rarely done

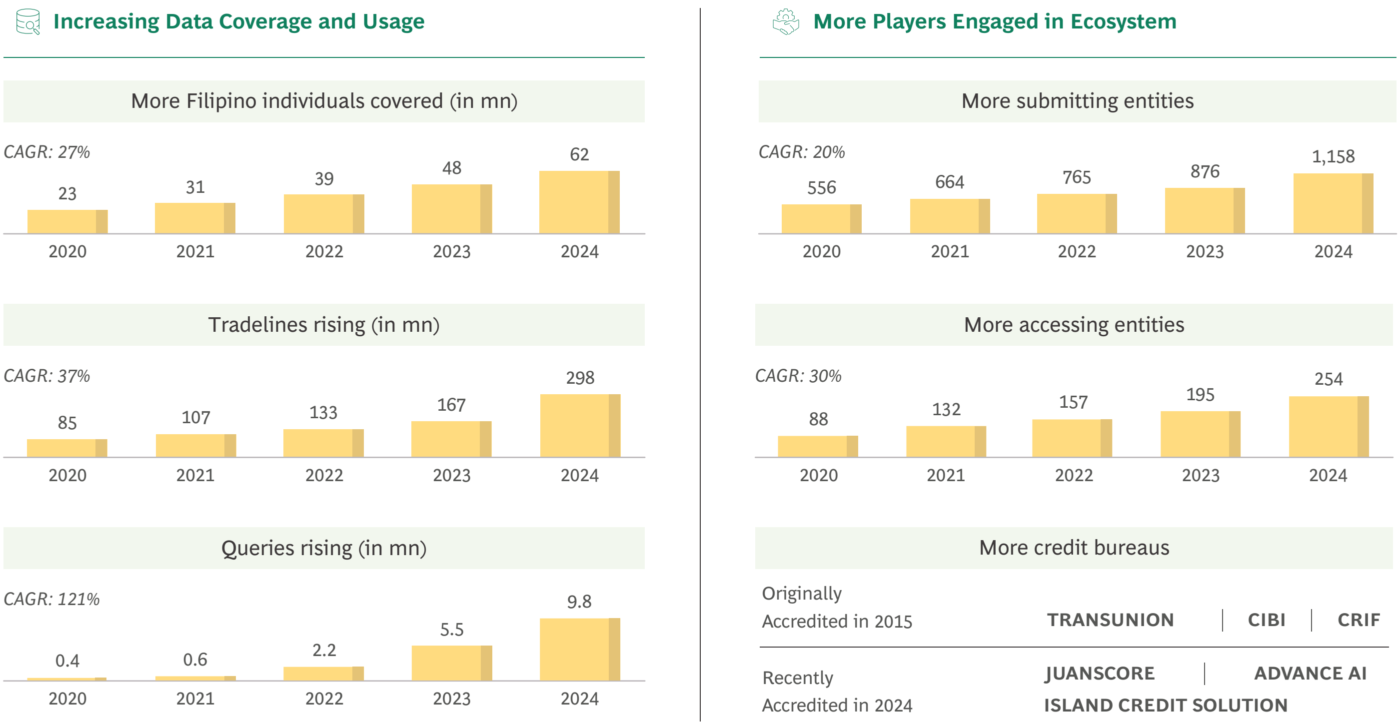
The Philippine credit infrastructure is still relatively young, with formal foundations only laid in 2008 through the Credit Information System Act (CISA). This act established the Credit Information Corporation (CIC) as the central registry for credit information, mandating data submission from financial institutions and enabling credit access through licensed credit bureaus. Compared to more mature markets where credit reporting systems have been in place for decades, the Philippine ecosystem remains in its early stages of development and continues to evolve its frameworks, coverage, and institutional coordination.

Meaningful progress since 2008, with momentum accelerating in the last four years

The Philippine credit information system which CISA established has seen rapid and meaningful improvements in recent years, especially in how credit data is collected, accessed, and used. Coverage has expanded significantly, more players are actively participating in the system, and recent innovations are making credit data more reliable and actionable.

EXHIBIT 7

Significant improvements on the Philippine credit information system in recent years



Source: CIC Annual Reports, Press Releases

Central credit registry data coverage and usage has grown significantly. The number of individuals covered in CIC data, alongside the number of records, has tripled since 2020, with coverage now amounting to around 80% of the adult population. This coverage, combined with the growth on records or tradelines, means lenders can better rely on CIC data to assess creditworthiness, prompting an exponential rise in queries.

The ecosystem is expanding with more submitting and accessing entities, and credit bureaus.
The number of entities submitting and accessing CIC data has more than doubled as well, encompassing a wider range of institutions, including rural banks, cooperatives, MFIs, and fintech lenders, thanks to CIC's ongoing onboarding and compliance efforts. TransUnion, CRIF, and CIBI remain the core bureaus, providing value-adding services like credit scoring, portfolio analytics, and fraud checks. Recently, new credit bureaus - such as Advintel, Island Credit Solutions, and JuanScore - have entered the market, focusing primarily on serving small and digital lenders. New alternative scoring providers, like Trusting Social and FinScore, have also emerged, leveraging telco and behavioral data to enhance and diversify the tools available to lenders.

Despite these improvements, there are still several gaps in the current credit infrastructure

Gap 1:
Despite improvements, there are still limitations on the data quality on the public credit registry

Our conversations with lenders and credit bureaus reveal that credit records at times still contain missing or mismatched tradelines to borrowers. There also instances where a single individual may have multiple, fragmented records. We understand that this is primarily driven by a three factors:

- **CIC has limited regulatory power to audit the data quality of lender submissions**
  Under CISA, CIC currently has no regulatory power to conduct audits to validate the accuracy of lender-submitted data. As such, it can only monitor and impose penalties on late or non-submissions, but not for poor data quality.
- **Smaller lenders have limited ability to comply, compounded by limited incentives to improve.**
  Smaller lenders are still reliant on legacy systems and/or manual spreadsheet-based back-ends which are prone to errors in transcription and data extraction. Despite new technologies being available to address such issues, there are limited incentives for lenders to adopt these given the investment costs involved and given that submissions to CIC are seen more as a compliance matter rather than a strategic business priority.
- **Ecosystem-wide fragmentation in approaches also adds to the challenges.**
  Lenders continue to use fragmented ID systems for onboarding customers, making it difficult to consolidate borrower credit records in the credit registry. Lenders also adopt different approaches in collecting relevant borrower data for submission to CIC (e.g. address formats) which further add to the friction of consolidation and matching of records.

Implication:
Lenders still mainly rely on banked population-centric private bureau data sets, limiting inclusiveness in lending

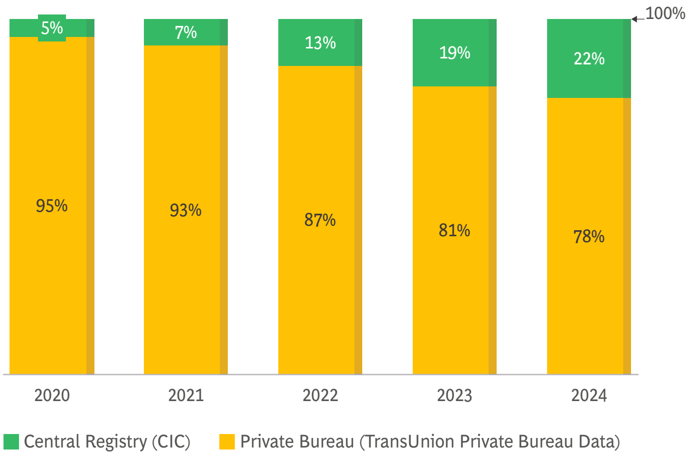
EXHIBIT 8

How the public credit registry compares with private bureau databases in the country

Central registry queries increasing, but lenders still largely reliant on private bureau data….

…which means the market is still reliant on banked population-centric database, limiting inclusiveness

Estimated share of credit queries



CIC Public Credit Registry

- **Wider Coverage:** 61 million (~86% of adult pop.)
- **Sourced from wide range of submitting entities,** including cooperatives (27%), rural banks (26%), financing companies (21%), thrift banks (5.2%), universal banks (4.9%), leasing companies (3.6%), MFIs (3.5%), etc.

TransUnion Private Bureau Database

- **Smaller coverage:** 30-40 million (~50% of adult pop.)
- **Bank-centric sourcing:** mainly from banks part of its private bureau network

Source: CIC Annual Report, TransUnion Annual Report
Note: TransUnion queries estimated using relevant services revenue lines in annual report and average cost of TU reports

These data-quality issues undermine lender confidence in credit reports originating from CIC . As a result, they leverage mostly private bureau data (TransUnion) instead, where data is perceived to be higher-quality and more reliable. These data sets are indexed more heavily towards the banked population, compounding the issue on lack of inclusiveness in lending.

Gap 2:
Many ‘thin-file’ borrowers remain in the system, largely due to the lack of alternative data integration into borrower records

While the CIC reports an average of 4.9 tradelines per individual, this figure masks a highly uneven distribution. From our conversations with lenders and bureaus, many borrowers, particularly those served by rural banks, cooperatives, and non-bank lenders, only have one or two tradelines.

Although there have been recent initiatives to incorporate telecommunications data, they are still **nascent and voluntary in nature.** In contrast, markets with more advanced credit infrastructure have telecommunications and utility data as mandatory submissions to credit bureaus, where they reliably serve as additional tradelines. For example, Brazil’s regulation of alternative data has brought over 20 million previously unbanked individuals into the formal system, expanding population coverage by around 10% and ‘thickening’ files.

EXHIBIT 9

Brazil is an example of a market which has effectively integrated alternative sources of data to address 'thin-file' borrowers

		Philippines	Brazil
Credit Data	Regulatory Mandate	✓ Mandatory submissions under CISA	✓ Mandatory under Cadastro Positivo Law
	Breadth & Depth	✓ All positive and negative payment data from formal lenders (including payment amount, contract status, payment timeliness, etc.)	✓ All positive and negative payment data from formal lenders (including payment amount, contract status, payment timeliness, etc.)
	Coverage	✓ All regulated financial institutions (banks, MFIs, coops, fintechs, etc.)	✓ All regulated financial institutions (banks, MFIs, coops, fintechs, etc.)
Telco Data	Regulatory Mandate	≈ Voluntary submissions, not mandated under CISA	✓ Mandatory under Cadastro Positivo Law
	Breadth & Depth	≈ Delinquent postpaid mobile accounts only (fields include amounts, payment timeliness, etc.)	✓ All positive and negative data from postpaid mobile, fixed-line phone, broadband, and cable TV accounts (including invoice amounts, due dates, payment timeliness, etc.)
	Coverage	≈ Limited to few telco companies who are voluntarily submitting	✓ All telco companies (postpaid plans cover ~56% of pop.)
Utilities Data	Regulatory Mandate	✗ No mandate under CISA	✓ Mandatory under Cadastro Positivo Law
	Breadth & Depth	✗ Not captured today in CIC database	✓ All positive and negative data from electrical, water, sanitation, and gas accounts (including Invoice amounts, due dates, delinquency status, etc.)
	Coverage	✗ Not captured today in CIC database	✓ 450+ electricity, water, and natural gas distributors (in total ~99.8% of population)

✓ On par with global best-in-class ≈ Some progress but not best-in-class ✗ Not captured in central registry

Source: CIC, ANBC, Brazil government website, expert interviews

Implication:
Lenders continue to be wary of the underserved, ‘thin-file’ borrowers

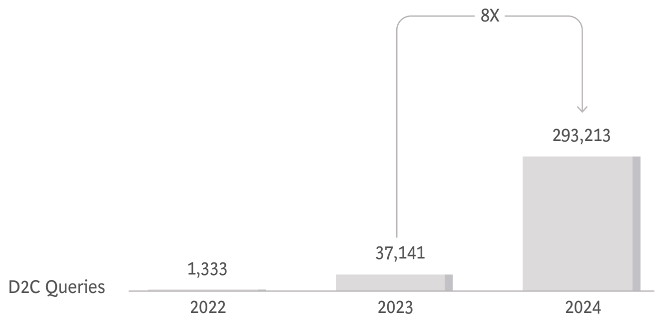
Lenders struggle to accurately assess the creditworthiness of ‘thin-file’ or new-to-credit borrowers without conducting additional know-your-customer (KYC) and validation checks. These extra steps increase underwriting costs, which are often passed on through higher interest rates. Higher rates discourage borrowing, further limiting the data available to build their credit profiles. This creates a negative, self-reinforcing cycle of exclusion.

Gap 3:
Many Filipinos are not aware of their credit record, and therefore do not actively take steps to build formal credit history

EXHIBIT 10

Filipinos are accessing their own reports more, but still at a rate below more mature markets

Filipino consumers starting to access their own credit reports more



D2C queries per 1,000 adults	2022	2023	2024
	0.01	0.4	3.2

Key Initiative

"D2C through AE" launched in 2022, allowing consumers to access credit reports from lenders via email, mobile app, or branch visit

Process is much easier than via CIC portal

But this is still nascent versus mature markets that more aggressively promote credit report checking

	Sample Initiatives (non exhaustive)	D2C queries per 1,000 adults (2024)
 South Africa	• Free reports annually • Free access via online portals	~25
 India	• Free reports annually • Free access via online portals and fintech apps • Check credit score and ask questions about credit report via Experian WhatsApp chatbot	~120
 USA	• Free reports weekly • Free access via online portals and fintech apps • Ask questions about report via bank-provided chatbots • Integrated score tracking via bank apps	300+

Source: CIC Annual Report, World Bank, TransUnion Newsroom, NCR Annual Report, LendingTree, BCG Analysis

Out of more than 60 million people in CIC’s database, less than 300,000 (<0.5%) checked their credit reports in 2024. Access rates, while growing, remain far below more mature markets globally.

Although the Direct-to-Consumer (D2C) program via Accessing Entities, ‘D2C via AE’, program launched in 2022 makes credit reports accessible via email, mobile app, or branch walk-in, the lack of overall awareness and financial literacy are still barriers to large-scale adoption of credit-score-building behavior.

Implication:
Borrowers participate less in the formal credit system, many remain invisible

When borrowers do not access their credit reports or scores, they often remain unaware of the factors that influence their ability to take on credit. Thus, they become less likely to adjust their borrowing behavior in ways that improve their creditworthiness, such as shifting from informal to formal lenders. Also, borrowers who do not check their credit reports allow errors and incomplete information to persist in their credit files, reinforcing the data quality issue highlighted in Gap 1.

The Bottom Line:
Gaps collectively drive higher costs, NPLs, prices, and reinforce exclusion

Taken together, these three gaps of poor data quality, limited use of alternative data, and low borrower awareness erode lender confidence in credit reports and constrain their ability to serve underserved segments. In the absence of reliable, comprehensive data, lenders are forced to conduct additional KYC and validation checks, driving up the cost of underwriting.

These increased costs are often transferred to borrowers through higher interest rates or result in outright loan rejections, particularly for thin-file or first-time applicants. As fewer borrowers access formal credit, their data histories remain thin, and the central registry remains incomplete. This perpetuates a negative, self-reinforcing cycle of exclusion and invisibility.

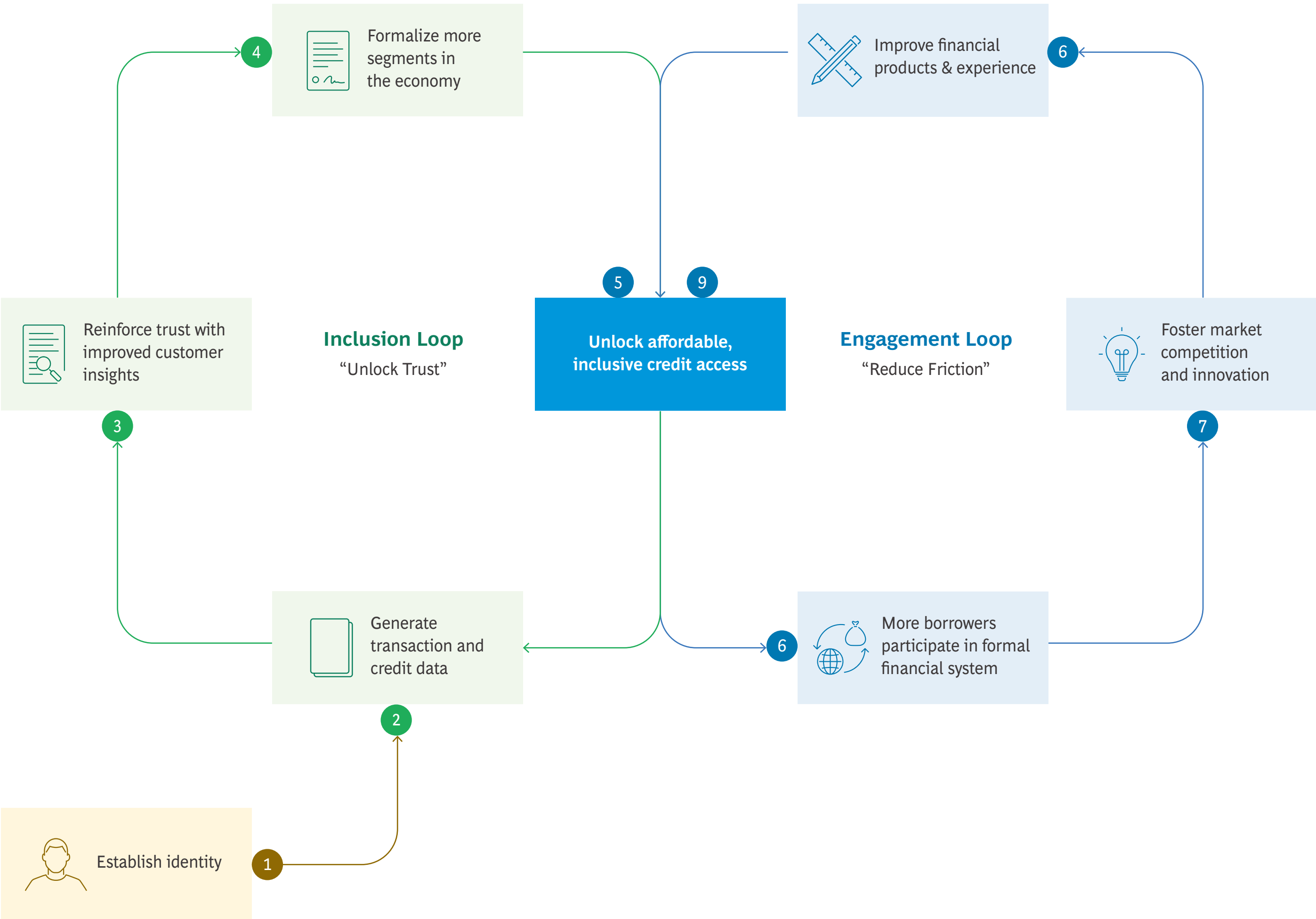
Spurring Credit Access:

What Can We Learn from Other Markets?

Clearly, the Philippine credit ecosystem has a long way to go. The extant data problems reinforce themselves, making improvements difficult. Many markets, however, have already undertaken this journey of transforming their credit ecosystems, including developed economies like the US, China, and Singapore, and developing ones like Malaysia, India, Indonesia, and Brazil. Looking at what makes mature credit ecosystems work so well, a double flywheel consisting of two loops that reinforce each other: **Inclusion and Engagement.**

EXHIBIT 11

Mature credit markets unlock affordable, inclusive by orchestrating a flywheel of unlocking trust and reducing friction



Inclusion Loop: Unlocking Trust

The first loop is the Inclusion Loop, which shows how having more visible, data-backed participants unlocks broader, more affordable credit access, and vice versa.

1 Establish Identity

It begins with identity as an entry point. By establishing formal identities through credit, tax, and business registration, individuals and MSMEs become eligible for formal credit, alongside formal employment, formal contracts, and other formal economic activities.

2 Generate Transaction & Credit Data

As they transact and access services on a formal basis, they generate more and more behavioral and repayment data that is officially recognized by banks and other lending institutions.

3 Reinforce Trust with Improved Customer Insights

This data powers the generation of customer insights, which enables lenders to more accurately assess every borrower's ability and intent to repay, including through examining the behaviors of similar borrowers.

4 Formalize More Segments in the Economy

This builds confidence and reinforces trust, making lenders more willing to lend at more affordable interest rates, including to previously underserved segments.

5 Unlock Affordable Credit Access

This then incentivizes as-yet-unformalized individuals and MSMEs to also establish formal identities, so they may access affordable credit.

Engagement Loop: Reducing Friction

The second loop is the Engagement Loop, which shows how having more actively engaged participants in the financial system drives product and service innovation, and vice versa.

6 More Borrowers Participate in Formal Financial System

Affordable credit access enables users to engage more with the credit ecosystem and the broader financial system, such as by taking loans, investing in funds, purchasing bonds, and similar interactions.

7 Foster Market Competition

As demand for credit grows, competition across existing lenders also intensifies to capture the demand.

8 Improve Financial Products and Experience

Such competition drives lenders to innovate, by creating products that are more affordable, tailored, and sophisticated, and by streamlining, enhancing, and digitalizing the user experience.

9 Unlock Affordable Credit Access

This in turn drives prices down, attracts even more customers and drives higher usage, helping reinforce trust and expanding the credit frontier.

Key Enablers for the Flywheel

It is clear that the double flywheel has powerful, self-reinforcing effects that sustain and strengthen accessible and affordable credit access. The challenge then becomes a matter of how to kickstart it.

After examining the credit ecosystem transformation journeys of various developing economies worldwide, we found several key enablers that support various parts the flywheel.

EXHIBIT 12

Four key enablers support different parts of the flywheel

Key Enabler	Impact on Flywheel		
A National Digital Identity Stack • Unified ID system universally used across systems • Single source of truth for KYC verification • Unique, primary key for pulling credit records	**1 Establish identity** Provides **single, unified profile** across systems, accessible via eKYC	**3 Reinforce trust via improved insights** **Improves matching** of credit data to individuals, leading to richer insights	**4 Formalize more segments** **Lowers KYC** costs; better economics on onboarding lower-income segments
B Comprehensive, Dependable, and Democratized Credit Information System • All bureaus have equal access to high-quality positive, negative, and alternative credit data • Shift from competing on data to VAS innovation	**2 Generate transaction and credit data** **Captures more transaction & credit data** into overall ecosystem	**3 Reinforce trust via improved insights** **Thickens data files per individual,** leading to richer & more reliable insights	**7 Foster competition and innovation** **Democratizes data access,** level playing field forces innovation on VAS vs data
C Consumer Credit Score Awareness and Access • Consumers are aware of, regularly access, and understand drivers behind their credit reports • Efficient dispute and resolution processes	**2 Generate transaction and credit data** Informed consumers more likely to **transact formally to build score**	**3 Reinforce trust via improved insights** Consumers more **likely to dispute erroneous records,** strengthening data fidelity	**8 Improve financial products** Consumers more aware of financial **product options given current score**
D Graduation Ladders for the Underserved • Progressive tiered program that helps underserved borrowers build formal credit history • Incentives for lenders to serve high-risk borrowers	**1 Establish identity** Informal borrowers get to establish first KYC record in the database	**2 Generate transaction and credit data** Helps underserved borrowers take first loans that **initialize credit history**	**6 More borrowers participate formally** **Progressively onboards new borrowers** into system as they graduate

Key Enabler A:
National Digital Identity Stack

EXHIBIT 13

A National Digital Identity Stack strengthens trust on the credit information system, lowers overall KYC and underwriting costs

Stack Layers	Description
Identity Layer Foundational ID system	**National ID that serves as single source of truth for identity** • High population coverage (90-100%) • Leverages biometrics to ensure uniqueness (1 person = 1 ID)
Verification Layer Shared eKYC utility	**Low-cost eKYC service that allows instant verification of IDs** • Real-time, API-based verification using biometrics or QR • Provided at-cost or subsidized to all financial institutions
Consent Layer User-authorized data sharing	**Facility to capture consent & share verified data to institutions** • Digital consent capture (e.g. OTP, biometric) • Share relevant data for underwriting (e.g. name, DOB, address)
Governance Layer Regulations and standards	**Guardrails to ensure ecosystem-wide adoption** • Mandated use of ID for KYC, underwriting, credit data reporting • Consumer protection, data privacy, technical standards

Impact

Strengthens trust in credit info system

- Shift from fuzzy to deterministic matching
- Eliminates fragmented, duplicate borrower records
- Addresses risks on synthetic ID fraud

Lowers overall KYC & underwriting costs

- Eliminates manual KYC, powers underwriting automation
- Improves economics for previously underserved segments

A foundational requirement for a well-functioning credit ecosystem is the ability to match all credit records to a single, real individual in an accurate, consistent, and scalable manner. Most mature markets have been able to achieve this by building a national digital identity stack which involves four key layers:

- **Identity Layer**
  A national ID system with high population coverage and strong uniqueness (e.g., biometrics), ensuring that each person is linked to a single identity.

- **Verification Layer**
  A shared electronic KYC (eKYC) utility that enables low-cost, real-time digital verification via biometric or QR authentication. This supports seamless onboarding for financial institutions.

- **Consent Layer**
  A system which allows users to authorize data sharing (e.g., name, birthdate, address) across lenders and credit bureaus, strengthening privacy and trust.

- **Governance Layer**
  A governance layer that supports ecosystem-wide adoption and trust through regulation, data standards, and consumer protection.

When these are in place, lenders can confidently verify borrowers, credit bureaus can consolidate data efficiently, and borrowers can build complete credit histories. The result is **stronger trust in the credit system, lower KYC and onboarding costs, and expanded access to affordable credit,** especially for underserved segments.

India's Aadhaar digital ID system shows how this works in practice. With over 99% adult coverage and biometric-based authentication, Aadhaar enables instant, low-cost eKYC checks, processing more than 1.5 billion verifications annually at less than US$0.06 per check. This has reduced onboarding costs, increased lender confidence, and expanded access to credit for millions.

Malaysia's MyKad, a biometric smart ID in use since the early 2000s, similarly supports seamless digital KYC across banks, government agencies, and credit bureaus. Its broad adoption allows for real-time identity verification and integration with other datasets (e.g., tax, employment), strengthening trust in credit data and streamlining compliance.

Key Enabler B:
Comprehensive, Dependable, and Democratized Credit Information System

EXHIBIT 14

Effective modern credit information systems are comprehensive, dependable, and democratized

Comprehensive: data sets painting "full" credit profiles

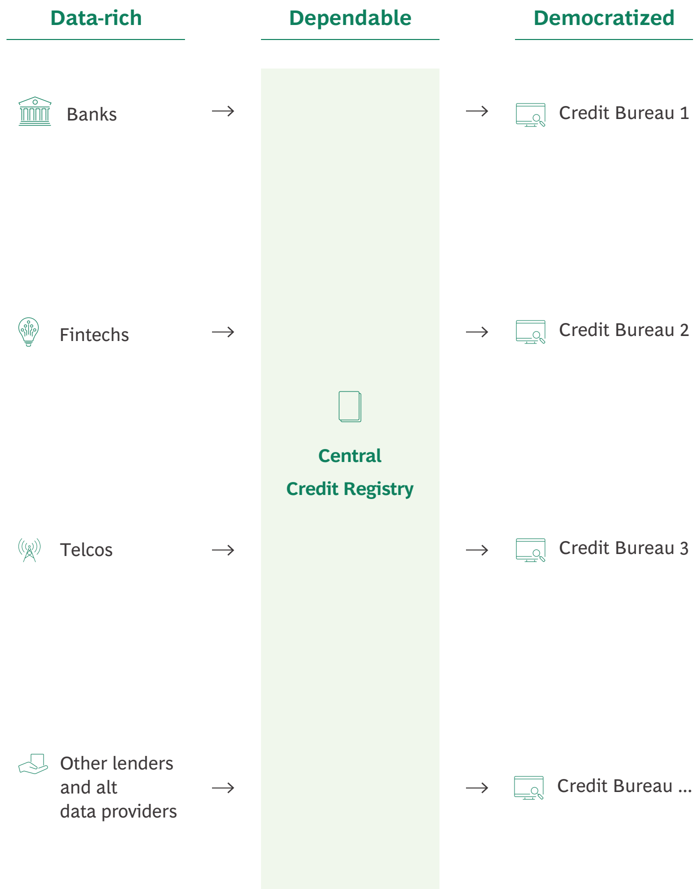
- Full-file positive & negative credit data from all financial institutions
- Alterative data integrated from telco providers, utilities, and etc.
- Government onboarding support especially for smaller players

Dependable: timely, high-fidelity data driving trust

- Frequent, API-driven, standard format submissions
- Technical validation checks to ensure complete, accurate submissions
- Material penalties for late/non-submissions, erroneous submissions
- Regulatory body with auditing powers to ensure data quality

Democratized: all bureaus have equal access to data

- Level playing field, removing bureau data moats/advantage
- Fosters bureau innovation–bureaus compete on quality insights and analytics, rather than on data asymmetry
- Reduces KYC & underwriting costs–removes duplicative data acquisition efforts across bureaus, improving economics



Note: In some cases (e.g. India), there is no central credit registry, submitting entities share data directly to all bureaus, which regulators exercise oversight on

Credit information systems across mature markets have three things in common: **data-rich coverage, dependable quality, and democratized access.** These effectively enable lenders to serve more borrowers with greater confidence, reduce underwriting costs, and expand formal credit to underserved segments.

- **Comprehensive**

  Credit systems must capture comprehensive 'full-file' credit data, both positive (e.g., on-time payments, credit limits) and negative (e.g., missed payments, defaults). Beyond traditional credit sources, the system must integrate alternative data from telcos, utilities, and e-commerce to 'thicken' credit files for underbanked and thin-file borrowers.

- **Dependable**

  These data should be submitted frequently (e.g., every 15 days) in standardized digital formats to improve timeliness and reduce errors. Regulators must have the technical validation checks in place, and the authority to audit data quality, inspect reporting institutions, and enforce compliance. This includes applying penalties for poor data submission practices (e.g., fines or restrictions on lending) to ensure reliability and credibility across the ecosystem.

- **Democratized**

  All credit bureaus should have equal access to credit data. This prevents data monopolies and promotes healthy competition based on the value of services, not exclusive data control. It also allows lenders to choose between bureaus based on insights, analytics, and customer experience, driving innovation and improving access to credit for traditionally excluded segments.

Countries like India and Brazil have shown how these work in action. India mandates full-file reporting from all lenders to all bureaus, with strong enforcement by its central bank. Its Account Aggregator system enables access to consented financial and behavioral data, helping extend credit to over 200 million borrowers. Brazil mandates positive and negative data reporting across financial institutions, telcos, and utilities, while its open finance system allows broad, consented data sharing across more than 800 entities. As a result, data depth and borrower coverage are significantly expanded.

Key Enabler C:
Wide-scale Consumer Credit Score Access and Awareness

A well-functioning credit ecosystem isn't just built for lenders; it must empower borrowers as well.

Consumer credit score awareness helps drive trust, improve borrower behavior, and unlock broader participation in formal finance. Globally, countries that have invested in consumer-side credit empowerment have seen better data accuracy, stronger credit discipline, and faster financial inclusion.

EXHIBIT 15

Five best practices globally on driving wide-scale consumer credit score awareness and access

Free & Accessible Credit Reports

"I know what my credit score is"

Malaysia: Credit bureaus mandated to offer free annual report via centralized portal

Credit Report Access Notifications

"I am notified when someone accesses my score"

India: Credit bureaus mandated to send SMS and email notifications when reports are accessed

Efficient Disputes & Correction Channels

"I can easily correct wrong info that impacts my score"

European Union: Credit bureaus mandated to investigate and resolve disputes within 30 days

Transparency in Score-based Decisions

"I understand how my score affected my loan application"

USA: If loan is denied or priced higher, lenders must disclose score, source, and rationale

Broad & Moment-based Credit Education

"I have a good understanding of how credit scores work and how it will impact my next loan application"

Malaysia

Broad-based education:
Credit-related lessons and readings integrated to national curriculum across subjects like math, language, moral education, and living skills

India

Moment-based education:
RBI supports lenders in providing counseling (e.g. debt management and budgeting) to first-time borrowers

RBI mandates clear explanation of scoring factors in credit report

We observed mature markets typically implement five common practices to drive this:

1 Free and Accessible Consumer Credit Reports

Consumers are entitled to a free credit report annually, through simple, accessible platforms. In India, Malaysia, and the US, regulators require each credit bureau to offer a free annual report through a centralized portal. Making reports easily available builds baseline awareness and sets the foundation for responsible borrowing.

2 Credit Report Access Notifications

Consumers receive real-time notifications whenever their credit report is accessed. In India, for example, the central bank mandates credit bureaus to send SMS and email notifications to customers in such events. These notifications increase awareness passively, protect against fraud, and reinforce the link between financial behavior and credit standing.

3 Efficient Dispute and Correction Channels

Consumers are able to challenge errors in their credit reports through clear, efficient, and time-bound processes. In the EU, India, and the US, regulations require that credit bureaus investigate and resolve disputes within 30 days. These protections not only ensure fairness, but also create system-wide pressure for data accuracy, which is particularly important in markets where reporting institutions are still maturing.

4 Transparency on Credit-Score-Based Decisions

If a loan is denied or priced higher based on a consumer's credit report, lenders should be required to disclose the rationale behind the decision. In the US, this is legally required through a standardized Credit Score Disclosure Notice that includes the score used, the source, and the key negative factors affecting it. In the EU, regulations mandate transparency around automated credit assessments. Lenders must explain the logic and significance of credit decisions, though not necessarily the credit score itself. These policies help ensure consumers understand how their financial profile impacts access and create a clear feedback loop for improvement.

5 Broad and Moment-based Credit Education

The most effective approach to credit education combines broad-based awareness campaigns with targeted, moment-specific interventions. Broad-based efforts aim to raise general financial literacy across the population and build long-term familiarity with credit concepts, as seen in Malaysia's integration of credit education into school curricula. In contrast, moment-based education delivers timely, personalized guidance at moments when consumers are actively engaging with the credit system such as during loan onboarding, checking a credit report, or receiving a score update. In India for example, regulators support credit advisories for first-time borrowers and require bureaus to include explanations within credit reports.

Key Enabler D:
Graduation Ladders for Underserved Segments

A graduation ladder is a structured program that helps underserved borrowers such as those with thin files, no files, or from higher risk segments. It supports these underserved demographics (e.g., informal workers, rural households, and microenterprises) in building credit histories and transitioning out of the informal financial system. This works by using government incentives such as credit guarantees and subsidized interest rates to encourage lenders to serve higher-risk or first-time borrowers. As borrowers build repayment history and creditworthiness, they move up to higher tiers with larger loans and reduced public support, transitioning gradually into fully market-based credit.

EXHIBIT 16

India's 3-tier MUDRA[1] program is designed to help underserved MSMEs enter the formal credit system

To market-rate formal lending

From informal lending

	Tier 1: Sishu	Tier 2: Kishor	Tier 3: Tarun
Loan Size	Up to ~USD 600	~USD 600 to 6,000	~USD 6,000 to 12,000
Target Borrowers	**Informal MSMEs** first-time borrowers	**Informal / Registered MSME** repaid Shishu or similar loan	**Registered MSME** <2 years audited financials
Lender Channels	Microfinance Institutions, Cooperatives, Rural Banks, Non-banking Financial Companies	Public Sector Banks, Cooperatives, Non-banking Financial Companies, Small Finance Banks	Public & Private Sector Banks, Large Non-banking Financial Companies
Government Program Support	✓ Credit guarantee: 100% ✓ Lender refinance: 30-40% cheaper cost of fund ✓ Interest subsidy: 30-40%	~ Credit guarantee: 75-85% ~ Lender refinance: 20-30% cheaper cost of fund ✗ No interest subsidy	~ Credit guarantee w/ fee: 50-75% ✗ No lender refinancing ✗ No interest subsidy

1. Micro Units Development & Refinance Agency

India has built one of the most extensive graduation ladders for underserved MSME borrowers. At the center is the MUDRA loan program, which disburses over 37 million microloans each year to micro and nano enterprises. Loans are segmented into Shishu (up to INR50,000; ~US$600), Kishor (INR50,000–INR500,000; ~US$600-6,000), and Tarun (INR500,000–INR1,000,000; ~US$6,000-12,000), encouraging borrowers to gradually access higher credit amounts as their repayment track record builds.

Looking at markets such as India who have successfully implemented this at scale, there are three key components on building an effective graduation ladder program:

1 Well-structured tiering of loan products and borrower qualifications

A successful graduation ladder must have a well-defined structure that outlines the different stages of a borrower's journey. Each tier should specify the ticket size, documentation requirements, and formalization expectations, enabling borrowers to understand what's required to move up and what benefits they gain by doing so. This clarity builds trust, encourages progression, and helps lenders design suitable products for each stage.

2 Incentives for Lenders to Serve Entry-Level Borrowers

For graduation ladders to work, lenders must have a clear incentive to serve high-risk, first-time borrowers who lack collateral or credit history. Governments play a crucial role here by offering credit guarantees that reduce the lender's exposure to defaults, interest rate subsidies that make small loans viable, and regulatory incentives such as capital relief or inclusion targets. These tools reduce the perceived risk and actual cost of lending to underserved segments, making it commercially feasible for financial institutions to participate in the early stages of the ladder.

3 Monitoring and Calibration Framework

Graduation ladders must be monitored systematically to ensure they are functioning as intended. Governments and regulators should track borrower progression through KPIs like graduation rates, average time spent at each tier, and points of drop-off. Longitudinal tracking using national ID-linked credit data can uncover friction points or underserved segments that need policy intervention. These insights support ongoing calibration of guarantee coverage, interest rates, and product design to optimize both access and impact.

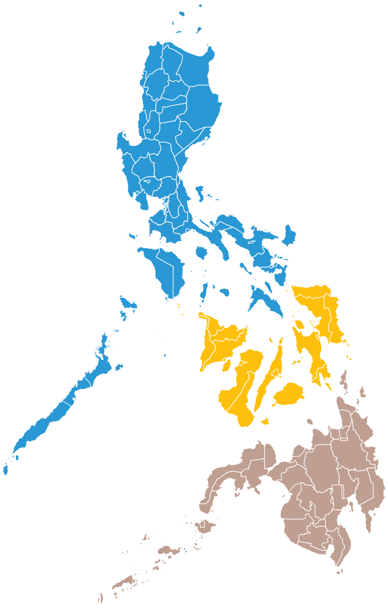
Unlocking the Flywheel in the Philippines:

Strategic Imperatives for the Credit Ecosystem

The Philippines stands at a critical juncture. Despite rapid digital adoption and formal credit growth, millions of Filipinos remain outside the formal financial system. The challenge now is not simply to build more infrastructure, but to activate the **trust and engagement flywheels** that unlock inclusive and affordable credit at scale. We believe delivering on four strategic imperatives can unlock the flywheel in the next three to five years.

EXHIBIT 17

Four strategic imperatives for the ecosystem unlock the credit flywheel in the Philippines



1

Build Up the PhilStack

- Complete last-mile roll-out of PhilSys ID
- Scale eKYC facility access across financial institutions
- Establish digital consent layer with standard UI and control mechanisms
- Mandate PhilSys usage for KYC and underwriting

2

Strengthen CIC Data Quality & Depth

- Revisit CISA to grant stronger audit powers to CIC for better data quality
- Expand scope of penalties to cover data quality beyond timeliness of submissions
- Mandate alternative data submissions to CIC

3

Unlock Filipino Credit Awareness

- Leverage mass-adopted digital platforms to improve credit report and score accessibility
- Shift towards proactive, continuous consumer engagement (vs. passive, one-off)
- Scale credit education through low-cost, partnership-led campaigns

4

Establish Graduation Ladders

- Identify priority underserved segments requiring catalysts into formal credit system
- Design segment-tailored graduation ladders, with supporting credit guarantees, interest rate subsidies

Strategic Imperative 1: Build up the Philstack

With over 80 million Filipinos now registered, PhilSys has gained significant coverage among the population. The next step is ensuring that PhilSys becomes the default identity verification tool for KYC and underwriting to enable faster onboarding, reduce duplication in CIC records, and expand access to financial services by lowering KYC and underwriting costs.

EXHIBIT 18

Several key priorities for PSA and regulators to drive up PhilSys usage among financial institutions and lower overall KYC and underwriting costs

National Digital Identity Stack		Philippines Current State	Key Priorities
Identity Layer Foundational ID system	National ID that serves as single source of truth for identity	Already at ~84% population coverage, biometric features aligned with global exemplars	PSA to complete **last-mile acquisition** of remaining population without PhilSys ID
Verification Layer Shared eKYC utility	Low-cost eKYC service that allows instant verification of IDs	eKYC facility (PhilSys Check) available, but roll-out limited to few financial institutions	PSA to **scale to rest of financial institutions** while maintaining service as **low-cost**
Consent Layer User-authorized data sharing	Facility to capture consent & share verified data to institutions	Capability to share verified data available, but unclear mechanisms to capture consent	PSA to **standardize consent UI, consent control mechanisms** (field-level, time-bound, revokable)
Governance Layer Regulations and standards	Guardrails to ensure ecosystem-wide adoption	Regulatory framework in place on use of PhilSys bank KYC (BSP Circular No. 1170)	BSP to **consider mandating use of PhilSys ID for KYC and underwriting**

On-par with mature markets — Progress made, but still gaps to cover

Source: PSA, BSP

Key priorities moving forward:

- **Complete last-mile roll-out of PhilSys ID**
  The Philippine Statistics Authority (PSA) must focus on enrolling the remaining unregistered individuals, particularly those in remote and underserved communities, to ensure true universality of the ID system.

- **Scale eKYC facility access to all financial institutions while maintaining low cost or at-cost pricing**

  PhilSys Check (eKYC facility) is currently live but limited to a few financial institutions. PSA should expand API access to rural banks, cooperatives, MFIs, and fintechs, with developer support and pricing structures that encourage adoption, especially for smaller players.

- **Establish a digital consent layer with standard user interface (UI) and control mechanisms**

  While there is technical capability to share verified data, the absence of a standardized digital consent process limits usability. PSA should introduce a consent layer with clear, uniform interfaces and controls to enable field-level, time-bound, and revocable data sharing in compliance with the Data Privacy Act.

- **Consider mandating use of PhilSys for KYC and underwriting**

  To ensure full ecosystem adoption, Bangko Sentral ng Pilipinas (BSP) should consider a phased regulatory mandate requiring financial institutions to use PhilSys as the primary identity verification method, starting with those that already have eKYC facility access.

Strategic Imperative 2: Strengthen CIC Data Quality and Depth

The Philippines' credit information system already has the right foundations in place, including mandatory full-file reporting from regulated financial institutions and democratized access to credit data via licensed credit bureaus. The next step is to strengthen regulatory enforcement to ensure data quality and to mandate alternative data reporting to expand coverage, especially for thin-file borrowers who lack traditional credit history.

Key priorities moving forward:

- **Revisit CISA to provide CIC with authority to audit submissions for quality**

  This could be modeled after the RBI in India, which conducts annual on-site inspections of ecosystem players examining the completeness, timeliness, and accuracy of data through cross-verification submitted records vs. internal lender data.

- **Expand scope of penalties to ensure quality submissions**

  Current CIC penalties focus on timeliness of submission but not the quality of submissions. In conjunction with expanded audit powers, CIC should also extend its penalty framework to cover poor quality data submissions and non-adherence to reporting standards. This would hold lenders accountable for incomplete, inaccurate, or non-compliant data and help ensure higher quality and reliability across the credit information system.

- **Mandate alternative data submissions to the CIC**

  Alternative data submission to CIC is currently made on a voluntary basis. Moving forward, this should be made mandatory across key data providers, such as telecommunications and utility providers. This will address current issues on 'thin-file' borrowers and enable more inclusive and comprehensive credit assessments.

Strategic Imperative 3: Unlock Filipino Credit Awareness

In the Philippines, consumer awareness remains limited but is gradually improving. The CIC has made initial progress through its D2C via AE program, free annual credit report access, and an online dispute resolution process. However, these efforts require a step change to truly drive large-scale consumer awareness.

Key priorities moving forward:

- **Improve credit report and score accessibility via mass-adopted digital platforms**
  While consumers are entitled to one free credit report annually, accessing it today is done via appointment basis or email exchange, making the process tedious for most consumers. Although mobile-first options exist through some partners (e.g., Lista), this comes with costs. To truly expand access, free credit reports and scores should be made available through mass-adopted digital platforms such as fintechs (e.g., GCash, Maya), messaging apps (similar to Experian's WhatsApp program in India), and eGovPH.

- **Shift from passive, one-off efforts to proactive, continuous consumer engagement**

  Current awareness efforts are largely limited to webinars or static content. CIC should adopt ongoing engagement strategies. For example, enabling SMS or app notifications when a consumer's credit report is accessed or their credit file is updated helps consumers stay informed and involved in real time.

- **Scale credit education through low-cost, partnership-led campaigns**

  To scale impact cost-effectively, CIC should embed credit education into existing BSP-led financial literacy programs, DepEd/TESDA curricula, and platform-based consumer touchpoints such as onboarding flows and app dashboards. Partnerships with fintechs, cooperatives, and NGOs can extend these efforts further through grassroots activations, youth programs, and real-time nudges, ensuring credit education reaches both digital and offline segments nationwide.

Strategic Imperative 4: Establish Graduation Ladders for Underserved Segments

Graduation ladders are powerful catalysts. They give thin-file borrowers, such as farmers, micro-retailers, gig workers, a structured pathway from informal micro-loans to fully-formal bank credit, building credit history at every rung. The Philippines already has entry-level programs such as the Department of Trade and Industry's (DTI) P3 micro-loan fund and the Department of Agriculture's (DA) SURE Aid crop-financing facility, yet these schemes operate mostly as stand-alone pilots. Scaling and graduating them into structured, multi-tier ladders is essential to unlock mainstream finance for millions now stuck in the informal market.

EXHIBIT 19

Graduation ladders need to be tailored for underserved segments in the Philippines (illustrative examples for MSME and agriculture)

	MSME Graduation Ladder Department of Trade & Industry (DTI)-led			**Agriculture Graduation Ladder** Department of Agriculture (DA)-led		
	Tier 1	**Tier 2**	**Tier 3**	**Tier 1**	**Tier 2**	**Tier 3**
Loan Size	<USD 1,000	USD 1-10k	>USD 10k	<USD 500	USD 1-5k	>USD 5k
Target Borrowers	**Informal Micro-Enterprise** No formal credit history	**Registered Micro & Small Enterprise** 6 mos. clean repayment record	**Registered Micro & Small Enterprise** 12 mos. clean repayment record	**Smallholder Farmers** No formal credit history	**Basic Farm Registered Farmers** At least 1 on-time repayment cycle	**Commercial -scale Growers** At least 3 on-time repayment cycles
Lender Channels	Coops, MFIs, other DTI P3[1] partners	Rural banks, thrift banks	Larger thrift banks, universal banks	Coops, other DA SURE Aid[2] channels	Landbank, Agri-rural banks	Landbank, Agri-rural banks
Program Support	70-80% guarantee Subsidized rates	30-50% guarantee Subsidized rates	<10% guarantee	70-80% guarantee Subsidized rates Harvest-aligned grace period	30-50% guarantee Subsidized rates Bundled crop insurance	<20% guarantee Subsidized rates

P3 stands for "Pondo sa Pagbabago at Pag-asenso" is the Department of Trade and Industry's flagship micro-finance program
SURE Aid stands for Survival and Recovery Assistance Program, a zero-interest loan facility of the Department of Agriculture's Agricultural Credit Policy Council (DA-ACPC).

Key priorities moving forward:

- **Identify the priority underserved segments that need a catalyst to enter into the formal credit system**

  The government must first determine which borrower groups remain most excluded from formal credit - such as micro-enterprises, smallholder farmers, fisherfolk, or platform gig workers.

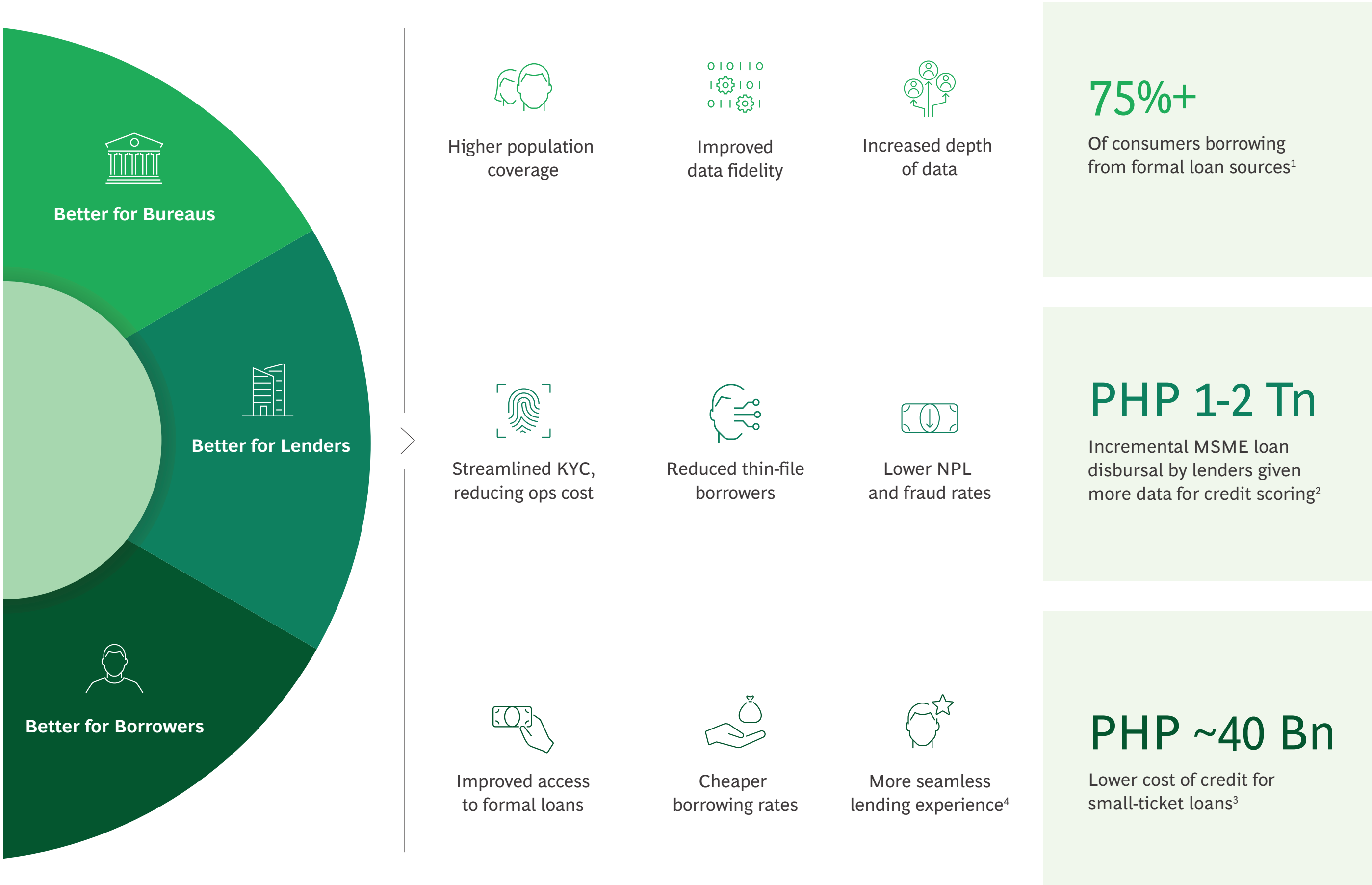
- **Design government-backed, segment-tailored graduation ladders**

  For each priority segment, the government should lay out a tiered lending structure that leverages the appropriate lender channels and public-sector risk-sharing or subsidies that taper as borrowers progress. Every tier must mandate PhilSys eKYC and CIC reporting so each repayment thickens the borrower's credit file and unlocks the next rung.

The Road Ahead

EXHIBIT 20

With a revamped ecosystem, we envision much better credit outcomes for the country



1. Based on uplift of % formal loan borrowing across socioeconomic classes D & E to meet average of class C1, C2; 2. Based on increased money supply, assuming existing money velocity; 2. Increased MSME loan disbursal by banks to match levels of peer countries (Indonesia, India, Thailand, Singapore, Malaysia); 3. 2pp decreased interest (cost) for 15-20 million accounts that borrow $100-200 USD per month; 4. Due to stronger market competition fostering innovation from financial institutions;
Note: All figures annualized; Source: BSP; RBI; Press search; BCG analysis

These four strategic imperatives act as mutually reinforcing levers. With strong regulatory push and cross-sector collaboration, the flywheel for the Philippines can turn, opening the doors to growth and opportunity for millions of Filipinos.

With a revamped ecosystem, we envision a future in which every participant, from bureaus to lenders to borrowers, benefits from a virtuous cycle of inclusion, data, and trust. Credit bureaus will see broader coverage and richer data, enabling faster and more accurate risk assessments. Lenders will face lower default rates and reduced operational friction, unlocking more viable lending models even for underserved segments. Most importantly, borrowers will gain visibility, agency, and access, enabling them to build their financial profiles and unlock lower-cost credit. The result is a more dynamic, inclusive credit market that fuels growth, resilience, and opportunity across the Philippine economy.

About the Authors

Sumit Kumar is a Managing Director and Partner in BCG's Singapore office. He is the head of Payments and Fintechs in Asia-Pacific, and is a core member of BCG's Financial Institutions practice. You may contact him by email at **Kumar.Sumit@bcg.com**

Kunaal Wadhwa is a Partner in BCG's Singapore and Manila offices. He is a core member of BCG's Financial Institutions practice, and works across Asia, Africa, and the Americas. You may contact him by email at **Wadhwa.Kunaal@bcg.com**

Bharath Vasudevan is a Partner and Vice President in BCG's Singapore office with extensive experience in credit risk, advanced analytics, and data science across US, Middle East, India, and Southeast Asia markets. You may contact him by email at **Vasudevan.Bharath@bcg.com**

Joshua Chua is a Project Leader in BCG's Manila office. He is a core member of BCG's Financial Institutions practice, with a focus on the Philippines and Southeast Asia. You may contact him by email at **Chua.Joshua@bcg.com**

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