

of its market at a lesser cost,” BSP Deputy Governor Chuchi G. Fonacier said in a Viber message.

UNObank co-founder and CEO Manish Bhai hopes this very nature of a digital bank will be key not just for their business to flourish, but also for consumers to benefit from their services as well.

“By leveraging a branch-less structure and latest agile technology, which directly leads to significant savings in operational costs, it will also be able to make loans and lower much more competitive rates than traditional lenders,” Mr. Bhai said in an e-mail.

Mr. Bhai added that they were particularly interested in the Philippines considering organized credit penetration in the country is significantly smaller than other markets in Southeast Asia. Despite this gap, he said, the bank sees opportunity for digital banking in the country given its relatively high mobile penetration rate.

Another advantage of digital banks over traditional banks is the former’s capacity to offer higher interest rates compared with the latter. Since starting their all-online retail banking services in the country in 2019, CIMB Philippines and ING Bank have been luring clients through all-online applications and higher interest rates. East West Banking Corp. and RCBC, through their respective apps Komo and DiskarTech, are also positioning themselves with similar digital banking services.

CIMB Philippines’ Mr. Manoharan believes the bank will be able to do so in the long run beyond just having to entice people into signing up.

“We will always pay a much more attractive savings rate vis a

vis traditional banks. Why? Because our cost-structure enables us to do that. For traditional banks, their [employee-to-customer] ratio is 1 to 500. For digital banks like us, our ratio is 1 to 30,000,” he said, noting they have about 200 employees.

Maybank Philippines, Inc., a commercial bank, also acknowledges how digital banks, in their own way, help bring financial inclusion by focusing on credit disbursement.

“The emergence of digital lenders and other fintech companies would likely promote accessibility to loans and other financial products and services. We’ve seen that those new lenders are moving into key areas where they can compete and position themselves, especially in micro-financing,” Maybank said in an e-mail.

Maybank has partnered with payment providers and key merchants for their prepaid top up facilities such as Autosweep RFID, EasyTrip, Meralco (Manila Electric Co.) prepaid load, PLDT, Inc. and Signal TV, Inc.

“Our present digital roadmap already covers products and services that a digital bank can offer at this time, but we support efforts for digital bank licensing. The bank has been fortunate that it has invested early and heavily on digital banking, which has allowed us to gain significant traction in our online products,” Maybank said.

DIGITAL BANKS AS MAINSTREAM?

The full impact of these digital-only banks on the economy may take a while, but their success in the first few years of their operations would determine future applications.

