

## **Amando M Tetangco, Jr: Migration, remittances, economic development and the role of banks**

Remarks by Mr Amando M Tetangco, Jr, Governor of the Central Bank of the Philippines (Bangko Sentral ng Pilipinas), at the 13th Meeting of the World Savings Bank Institute Asia-Pacific Regional Group, Manila, 15 March 2007.

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Distinguished organizers led by Mr. Jose Antonio Olavarrieta Arcos of the World Savings Bank Institute, WSBI Asia Pacific Group President Mr. Asvinvichit, Mr. De Noose, Chairman of the Management Committee, Undersecretary Jun Paul of the Department of Finance, guests and participants to the 13th Meeting of the WSBI Asia-Pacific Regional Group, good morning and to our foreign guest, welcome to the Philippines!

I must say that the decision of WSBI to hold this year's meeting in our country is most timely indeed, given the conference theme "Economic Development and Migration: A new Challenge for Savings Banks." I therefore congratulate the Philippine Postal Savings Bank headed by its Chairman, Justice Lapeña, and its President & CEO Rolando Macasaet for taking the lead in hosting this event.

Indeed, migration and remittances are significant factors in our economy.

According to the World Bank, the Philippines ranks fifth globally in terms of remittances received from its overseas workers. The World Bank report was based on 2004 figures, with India reported to have received \$22 billion, China \$21 billion, Mexico \$18 billion, France \$13 billion and the Philippines \$10 billion.

Latest available data from the Bangko Sentral ng Pilipinas indicate that in 2006, remittances of overseas Filipino workers coursed through banks reached a record high level of \$12.8 billion. Another \$1.2 billion was estimated to have been remitted through informal channels. The total amount is equivalent to 10.9% of our Gross Domestic Product! This is a huge resource that offers a lot of opportunities.

The increase is due mainly to higher deployment of Filipino workers, abroad more and more in the skilled and professional categories, and a more aggressive campaign to encourage a greater number of overseas workers to channel their remittances through our banking system.

To our banking sector in general and savings banks in particular, remittances averaging \$1 billion a month from our 8 million overseas Filipinos represent tremendous opportunities.

As of Sept 2006, for instance, the country's 85 thrift banks had total deposits of roughly \$6.1 billion, up 19.8% from the year ago level. This is about 15% of consolidated deposits of the banking sector. If our savings bank can capture more deposits, it will have more funds for lending, and have better opportunities to improve its profitability.

The first challenge for our banks, therefore, is to find innovative and more cost-efficient ways to provide financial services as well as to expand their network and upgrade their infrastructure to reach an even greater number of our workers and their beneficiaries.

Most of our workers' remittances come from the United States, Saudi Arabia, Canada, Italy, the United Kingdom, Japan, the United Arab Emirates, Hong Kong, Singapore, and Taiwan.

So far, so good. Banks and non-bank remittance companies have been heeding our challenge to have faster, safer and more efficient remittance delivery. In fact, the Philippines is credited to have launched one of the world's first mobile phone-based remittance service.

Specifically, we now have improved platform for remittances through the adoption of advanced systems and new technologies such as internet/on-line banking, phone banking and through short messaging.

Furthermore, we now have enhanced and expanded financial products and services including bills payment arrangements, international money/cash cards, remittance network expansion, as well as new correspondent remittance agreements with host countries.

To promote the efficient delivery of competitively-priced remittance services by banks and other remittance service providers, the BSP issued a circular requiring banks and non-bank financial

institutions to post the charges for their various remittance products, including classification of costs. This disclosure requirement also provides the necessary information for the worker or his/her beneficiary to make a more informed decision in bank selection.

The OFWs as bank clients also benefited from the improvements in the country's payments and settlement systems, such as the full interconnection of the three major automated teller machine (ATM) networks; and the continuing approval by the Bangko Sentral of alternative mechanisms for sending money, such as SMS-based applications for remittances. The interconnection of the three networks facilitates greater accessibility as more ATMs can now serve the withdrawal needs of depositors. More importantly, it reduces the cost of transactions since it eliminated fees associated with the use of international "switch" to connect the three networks.

Moving forward, our goal is to have further improvements so that we will have a remittance system based on transparency, efficiency, security and fair prices.

The second challenge for our banks is to help in the national effort to encourage overseas workers and their beneficiaries to channel a higher percentage of their money to deposits and other productive activities possibly linking this to microfinance and small enterprise lending. As other speakers mentioned earlier, there is a full range of banking services that can be offered to overseas workers and their families.

In line with its ongoing advocacy programs, the Bangko Sentral is undertaking a nationwide financial literacy campaign to help channel remittances to development activities and to promote a culture of saving among OFWs and their families. The financial literacy program emphasizes the importance of savings and introduces the participants to alternative opportunities for their remittances, such as placements in financial instruments and investments in business ventures.

In summary, the Philippine central bank's initiatives to further improve the environment for overseas Filipino workers' (OFWs) remittance flows will continue to be anchored on five principles, namely:

1. enhancing transparency and promoting competition in the remittance market to lower remittance charges;
2. improving the country's payments and settlement systems to facilitate faster, safer and more efficient transfer of funds to beneficiaries;
3. improving access to financial services;
4. encouraging OFWs and their families to increase savings and investments; and
5. promoting advocacy programs to cultivate financial literacy among OFWs and their families.

Ladies and gentlemen. The BSP recognizes the valuable contribution of OFWs in expanding the foreign exchange available for meeting the economy's requirements, as well as the efforts of institutions that help improve the remittance environment, including remitting banks, private remittance companies, and other government agencies.

We are therefore looking forward to a fruitful exchange in this meeting of the WSBI to help us provide better, faster and more cost-efficient services to our overseas workers who have helped empower our countries to grow at a healthy rate, on a more sustained basis.

May you have a successful conference and a happy stay in our country. Thank you all and Mabuhay!