

Amando M Tetangco, Jr: RCBC – banking on emerging corporates

Speech by Mr Amando M Tetangco, Jr, Governor of the Central Bank of the Philippines (Bangko Sentral ng Pilipinas), at RCBC's (Rizal Commercial Banking Corporation) re-launching of its program for Small and Medium Enterprises, Makati City, 26 March 2008.

* * *

Ambassador Yuchengco, Chairman Dee, President Tan, other officers and staff of RCBC, special guests, good evening.

In many countries, including the Philippines, small and medium enterprises constitute the backbone of the economy. As such, initiatives that provide meaningful support to SMEs represent welcome news indeed.

It is in this context that I view RCBC's re-launch of its SME Lending Program.

Through the years, consolidated lending of the banking sector to SMEs has shown considerable growth.

In 1991, the year Republic Act No. 6977 or the Magna Carta for Small Enterprises took effect, credit to SMEs amounted to P17 billion. By December 2007, or 16 years later, total loans extended to SMEs have reached P352 billion. This is roughly 21 times more than the 1991 total.

We at the Bangko Sentral ng Pilipinas acknowledge the banking sector's commitment to support SMEs. As a whole, the banking sector has consistently exceeded the mandatory credit allocation for SMEs under the Magna Carta for Small Enterprises.

Although this law lapsed in August last year, Congress has already ratified the bill extending and enhancing the SME law. We expect this to be signed into law in the very near future.

In the meantime, the Bangko Sentral ng Pilipinas encourages banks to continue supporting SMEs.

It is in this light, that we commend RCBC for taking a leadership role in promoting and allocating resources for its SME lending Program. As one of the major banks in our country, RCBC is bound to influence others to take a similar stance.

To me, support for SMEs translates directly to a vote of confidence for our people and our country.

Recognized as the biggest employers in our country, SMEs account for about 80% of employment generation. If, therefore, we are able to keep the SME sector on a consistent growth track, we would be able to accomplish broad-based and sustained growth for our country.

Equally important, we would have a strong domestic economy that is less vulnerable to global economic shocks.

Ladies and gentlemen. Last year our economy posted the best GDP growth in 31 year. One of the reasons for this is strong investor confidence in our country, as a viable emerging economy. This was coupled with the 2.8 average inflation rate in 2007, which was the lowest in 21 years. Other indicators likewise exhibited stronger economic positions such as the country's balance of payments, which posted a record surplus of USD 8.6 billion in 2007 and our all-time high level of international reserves.

As for the banking sector, it remains fundamentally sound with the average capital level well above the minimum regulatory requirement and the NPL ratio that is now almost back to the 1997 pre-crisis level of around 4.0 percent.

The RCBC group in particular, has shown marked improvement in performance as it posted a net income for the year ended 2007 which was 50 percent better than the previous year's level. Further, we take the Bank's recent issuance of P7 billion worth of Unsecured Subordinated Debt as a sign of bank's commitment to further strengthen its capital base as it assumes new risk exposures.

RCBC's SME Lending Program is anchored on the theme "Banking on Emerging Corporates." This signals the belief and confidence of RCBC's leadership in the future of SMEs to become growth drivers of the Philippine economy. I believe you are on the right track.

I hope this will steer the tempo of competition in the banking industry as it opens diversification of possible sources of income for banks.

Indeed, the challenge of setting a footprint on SME lending is a milestone RCBC and other banks should take, as its contribution in providing a strong foundation for sustained and broad-based economic growth for our country.

Again, my congratulations to RCBC. Mabuhay!