

Amando M Tetangco, Jr: Empowering entrepreneurial Filipinos thru microfinance

Speech by Mr Amando M Tetangco, Jr, Governor of the Central Bank of the Philippines (Bangko Sentral ng Pilipinas), at the 2010 Microentrepreneur of the Year official launch, Manila, 21 May 2010.

* * *

Fellow advocates of the microfinance sector, good afternoon and congratulations! Yes, ladies and gentlemen, we have many reasons to celebrate.

First, this annual national search for outstanding Filipino microentrepreneurs is on its 8th year. This speaks well of the commitment of those involved in this program.

And so, let us give a big hand to Citi Philippines headed by Sanjiv Vohra; the Microfinance Council of the Philippines headed by Mr. Ruben de Lara; the Bangko Sentral ng Pilipinas and my fellow central bankers; and finally my hardworking co-members at the National Selection Committee which includes Philippine Daily Inquirer Chairperson Marixi Rufino-Prieto; SM Investments Vice Chairperson Tessie Sy-Coson; former MBM Antonino Alindogan; GMA Network CEO Atty. Felipe Gozon; Go Negosyo Movement Head and RFM Corporation CEO Joey Concepcion; Chair of the Leadership and Strategy Department of the Ateneo de Manila University and Finance Educator of the Year Dr. Darwin Yu; and Ayala Corporation President Fernando Zobel de Ayala. They are not only hardworking judges, they are also deeply engaged in supporting microentrepreneurs. Palakpakan po natin silang lahat.

Another reason to celebrate is the continued growth and development of the microfinance sector in the Philippines that has produced so many inspiring success stories. This has allowed us to sustain our annual search across the country. Of course, this has made the work of the National Selection Committee members more difficult but ultimately more satisfying. Let us therefore celebrate the transformative power of microfinance with a round of applause.

I am also pleased to report that our efforts to promote microfinance and financial inclusion in our country have placed us in the international radar screen. In particular, survey results of the First Annual Global Microfinance Index and Study – which was conducted by the Economist Intelligence Unit of The Economist Group – measured the state of the regulatory framework, investment climate and institutional development.

Overall, the Philippines ranked 3rd out of 55 countries, next to usual leaders Peru and Bolivia. Further, the Philippines ranked 1st overall in the area of regulatory framework. Ladies and gentlemen, the survey results reflected the gains we have made together in microfinance. Let us therefore give ourselves a well-deserved round of applause!

With the continuing support of all stakeholders, the new policies and programs we have crafted are bound to further expand and deepen our microfinance sector.

I refer in particular to the following circulars the Bangko Sentral ng Pilipinas issued this year:

- Circular 678 on Housing Microfinance and Circular 680 on Micro-Agri Loan Products which address the needs of microfinance clients beyond enterprise loans. These circulars give banks the opportunity to expand the range of services they provide their clients, even as they maintain microfinance privileges. This includes no collateral requirements or the acceptance of collateral substitutes, cash flow and character based lending, small and frequent amortizations, as well as simple documentary requirements.
- In March, the Bangko Sentral issued Circular 683 which allows thrift, rural and cooperative banks – subject to certain rules and regulations – to sell, market, and

service approved microinsurance products by licensed insurance providers. Thrift, rural and cooperative banks are ideal distribution channels for microinsurance products as they are the trusted financial institutions in the countryside and have a deeper understanding of the low income market. Recent calamities from flooding and destructive typhoons underscore the importance of having adequate insurance protection especially for the poor who are more vulnerable to various risks. For thrift, rural and cooperative banks, therefore, microinsurance is a groundbreaking initiative that allows them to participate in a business that was once limited only to universal and commercial banks.

- On the other hand, Bangko Sentral's Circular 685 provides the rules for the recognition of Microfinance Institution Rating Agencies or MIRAs. This should improve access to financing and capital as ratings have proven effective in enhancing the quality of microfinance institutions in terms of transparency, discipline, and overall governance. This should also promote investments in the Philippine microfinance industry.

These are the circulars the Bangko Sentral issued this year to promote the further development of our microfinance sector. With the support of all stakeholders, we should start seeing positive results from these initiatives.

I also look forward to the participation of more banks in the microfinance sector. As of December 2009, there were more than 200 banks engaged in microfinance with total loans outstanding of about P6 billion lent out to about 900,000 borrowers.

By any yardstick, these are good numbers. However, with millions of Filipinos still living in poverty, we should commit to do more together to do better in spreading the gospel of microfinance and how it can uplift and transform individuals, families, as well as communities.

We have seen these transformations happen, year after year, in the hundreds of entries to our annual search under the Microentrepreneur of the Year Awards and even Joey's Go Negosyo program. This year, we are bound to learn more inspiring stories we can share and many more role models we can follow.

I hope that our banks will also be more proactive in spreading the inspiring stories of our awardees so that many more Filipinos will realize that viable and sustainable business can start from micro loans.

Fellow advocates of microfinance, let us continue to work together in providing a truly inclusive and empowering financial system for our people. Mabuhay ang microfinance! Mabuhay ang Pilipino! Marami pong salamat sa inyong lahat.