

Amando M Tetangco, Jr: Generating more winners in microfinance

Speech by Mr Amando M Tetangco, Jr, Governor of Bangko Sentral ng Pilipinas (BSP, the central bank of the Philippines), at the launch of the 2015 Citi Microentrepreneurship Awards, Manila, 22 May 2015.

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Today we launch the 2015 Citi Microentrepreneurship Awards or CMA, a groundbreaking program that has allowed us to discover the creativity, tenacity and generosity of Filipino microentrepreneurs across our country.

We just heard the testimony of Ms. Teresita Valdez, one of about a hundred CMA awardees so far. Their stories inspire, inform and motivate those who want to go into business. The challenges they faced and how they overcome seemingly insurmountable odds strengthen the resolve of other entrepreneurial Filipinos that they too can succeed in the microfinance sector.

Indeed, our microentrepreneurs represent a gold mine of lessons and information that has been helping us transform and improve the lives of millions of Filipinos through microfinance.

Ladies and gentlemen. A significant factor in our growing harvest of successful microenterprises stories is a regulatory environment that enables microfinance institutions or MFIs to provide appropriate products and services.

Microentrepreneurs succeed when the regulatory framework is well-defined; enables various MFIs – whether banks, coops and NGOs – to deliver a range of microfinance services to their niche markets; and encourages institutions under our supervision to cater to microentrepreneurs, a market which “traditional” bankers tend to sidestep due to perceived high credit risks and transaction costs.

In this connection, the Bangko Sentral ng Pilipinas has issued clear guidelines and codes of conduct, so that banks can viably provide an array of products designed to fit the peculiarities of microfinance clients.

I can say we are on the right track. The Philippine regulatory framework for microfinance has been consistently ranked as one of the best in world by the Economist Intelligence Unit (EIU). More recently, the EIU ranked the Philippines as the top country in Asia, and the 3rd in the world, with the most conducive environment for financial inclusion.

The EIU further notes that countries like the Philippines with a long tradition of microfinance have better institutional and financial infrastructures – which can be leveraged to financially-include more clients at the “bottom of the pyramid”.

Back in 2000 when the BSP started issuing microfinance-related regulations, hardly any bank was into microfinance. Today, we have 176 thrift and rural banks serving over 1.2 million microfinance clients with outstanding loans of PhP 11.4 billion – or an average of nine thousand five hundred pesos. These microfinance loans now include different types – for starting and growing microenterprises; for micro-agriculture ventures; and for housing. These are all designed for low-income households with varied financing needs.

At the same time, microfinance banks have opened 2 million microdeposit accounts with nearly four billion pesos in deposits. In addition, 39 banks licensed as microinsurance agents are now serving 1.4 million clients.

Big banks, on the other hand, are participating in the microfinance market by providing wholesale loans to retail MFIs or to MSMEs through their subsidiaries.

I am also pleased to report the progress being made by other MFIs outside the BSP’s supervision in moving the industry forward. Among others, a survey indicated that

16 microfinance NGOs with a combined network of 2,190 branches have P11.6 billion in outstanding loans served to 2.5 million borrowers – or an average of P4,640.00 per borrower.

On the other hand, data from the Cooperative Development Authority (CDA) indicate that 67.9 percent of the 10,675 reporting coops are providing financial services to 6.5 million members.

It is clear: there is great potential for MFIs to accelerate the development of microfinance with appropriate, effective and responsive services. We have been monitoring this.

Among others, 35 banks have set up 517 micro-banking offices (MBOs) in 334 municipalities; 64 of these municipalities are served only by an MBO. BSP regulations issued in 2010 enabled the creation of MBOs – these are small banking units where microfinance clients can conveniently access a range of banking services, including loans, microdeposits and microinsurance.

The e-money regulations issued by the BSP in 2009 have also produced positive results: 52 microfinance oriented banks now provide e-banking and e-money services. They see the value of e-money as a transactional platform for faster, cost-efficient and convenient transfer of funds. Among others, e-money can be used by microfinance clients to purchase goods, pay bills or loans, and move value to their deposit accounts.

Indeed, the e-money ecosystem offers opportunities for MFIs as our regulatory framework allows banks and non-banks – such as telco subsidiaries and e-money agents – to participate as issuers or delivery channels.

Today, this ecosystem consists of more than 24,000 agents which complement over 10,000 banking offices and over 15,000 ATMs as financial service access points. MFIs can tap into this infrastructure, in response to clients' need for easier access and other convenient functions.

Please note that the number of e-money accounts opened over a period of five years has reached 26.7 million. This represents exponential growth compared with the 47.4 million deposit accounts that took our banks 100 years to generate.

While e-money accounts are just transactional accounts, it can be the first step or an “on-ramp” to more valuable financial services such as savings, credit, even microinsurance.

It is a fact – MFIs that keep finding ways to serve clients thru efficient, sustainable business models can help nurture more successful microentrepreneurs.

Strong support from public and private sector partners can provide more impetus to grow more success stories in the microfinance sector.

One prime example is CMA itself, made possible by mutual support and collective diligence of the Microfinance Council of the Philippines, Inc. (MCPI), Citibank, Citi Foundation, and the BSP itself. At the same time, the participation of distinguished members of the CMA National Selection Committee provides prestige and valuable linkages that generate long-term benefits for CMA winners. Let's give them a big hand.

Networks such as bank associations and cooperative federations also play unique roles in providing support to their MFI members.

The role of media is also important – you raise public awareness of microfinance, prompt discussions about its promise and opportunities, and even make microfinance a “trending” topic.

Ladies and gentlemen, let us keep in mind that with appropriate enabling regulations, responsive MFI services, and multi-sectoral support for microentrepreneurs, we can help improve the lives of millions of Filipinos.

Through our collective efforts, we can help inspire more microentrepreneurs, generate more success stories from their ranks, and realize our goal of achieving balanced and sustained growth that is truly inclusive.

Thank you all for joining today's launch of the 2015 CMA.

Mabuhay ang microfinance sector! Mabuhay ang ating mahal na bansang Pilipinas!
Maraming salamat sa inyong lahat.