

Amando M Tetangco, Jr: A culture of inquiry and evidence

Speech by Mr Amando M Tetangco, Jr, Governor of Bangko Sentral ng Pilipinas (BSP, the central bank of the Philippines), at the workshop entitled "Evidence in Financial Inclusion: New Findings and their Applications", Manila, 5 July 2016.

* * *

We thank all you for accepting our invitation to this important workshop on "Evidence in Financial Inclusion."

Important because poverty alleviation is central to our country's financial inclusion program and we are co-hosting this with the Innovations for Poverty Action or IPA, the US-based non-profit organization dedicated to promoting solutions to global poverty problems.

With their involvement in the Philippines and 50 other countries where it has over six hundred studies, IPA is, indeed, an ideal partner for countries such as ours, that are committed to financial inclusion to address poverty and promote inclusive growth. In particular, I understand that IPA has completed 30 research studies in the Philippines and more are in progress.

For today's workshop, we have with us, no less than IPA Founder and President Professor Dean Karlan, and IPA Country Director Nassreena Sampaco-Baddiri.

We look forward therefore to a full day of engaged and fruitful discussions between our workshop participants and the IPA which will share their learnings from the Philippines and other parts of the world.

Our objective is to develop among policy makers and financial inclusion practitioners, an evidence-based mindset in pursuing financial inclusion.

This is necessary if we are to move our financial inclusion programs in accordance with our targets and timetables in the most effective and efficient manner.

Poverty alleviation is a national priority in the Philippines. While the incidence of poverty in our country has been on the decline, the Philippine Statistics Authority estimates that poverty incidence among Filipinos in the first semester of 2015 was at 26.3%. That means more than 26 million Filipinos still live in poverty.

In this connection, the Bangko Sentral continues to address persistent barriers to financial inclusion. These come in the form of human barriers such as lack of financial literacy, age and gender issues. On the other hand, institutional barriers include limited understanding of client needs; prohibitive costs to deliver products; cultural and geographical barriers; and barriers related to infrastructure such as lack of connectivity or access to providers and markets.

These barriers are multi-dimensional and must be addressed in concert with different sectors. It is for this reason that the BSP took steps last year to bring together 12 other government agencies along with representatives from the private sector, multilateral institutions and the NGO community to prepare a harmonized plan under the National Strategy for Financial Inclusion or NSFI.

An Executive Order signed by then President Benigno Aquino III established the Financial Inclusion Steering Committee under which the Bangko Sentral has been appointed as chair. The Executive Order also lodged the Technical Secretariat with the Bangko Sentral.

The Reinforcing Roles of Narratives and Data

Narrative, one of the most time-honored ways of communication and knowledge transfer, has played an important role in the process of building and implementing the NSFI. The BSP

shared lessons learned in the development of our microfinance sector and our initiatives in financial inclusion.

The process of reaching out to other stakeholders and players has been anchored in narratives as well. Through the sharing of stories of the unserved and underserved, we learned about needs that should be addressed urgently as well as the appropriate manner in which to address them.

The narratives have brought us this far – a responsive policy and regulatory environment as well as a clear strategy with implementing plans. At the BSP we have steadily reinforced these narratives with data and evidence. We accumulate data through demand-side surveys, information sharing agreement with other government institutions, and reportorial requirements from our supervised institutions.

Insights derived from these information help us shape more responsive and more effective policies. For instance, the Bangko Sentral fostered the creation of scaled-down or micro-banking offices to provide unserved municipalities access to banking services. We recognized that smaller markets do not justify the cost of setting up regular bank offices. Today, we have 540 micro-banking offices, over 12% of which are in areas with no other bank presence.

Indeed, we consult our stakeholders to improve our regulations. Our microfinance regulations are a case in point. Recognizing the peculiarities of microfinance, we provided incentives such as branching liberalization and documentary exemptions while instilling clear prudential and conduct standards to mitigate risks and maintain alignment with international standards. Today, we have a robust and active microfinance industry in the Philippines.

Initiatives and Gaps

Traversing the road toward a culture of inquiry and evidence is challenging but worth the effort. In the past, we did not have a repository of financial inclusion information and data. There was a dearth in demand-side data.

Keeping in mind the principles of inquiry and evidence, the BSP introduced measures to bolster its data and measurement frameworks. These include:

- The creation of a Data and Measurement Group within the BSP's Inclusive Finance Steering Committee (IFSC) to ensure a coordinated focus in pursuing programs supportive of financial inclusion. Among others, it oversees the institutionalization of information sharing within the BSP and other agencies
- The creation of a supply-side financial inclusion database and library to be maintained and updated by a dedicated team of data analysts from the BSP's Inclusive Finance Advocacy Office.
- The roll out of the National Baseline Survey on Financial Inclusion (NBSFI). This is the first national survey of individuals that measures baseline dimensions of inclusive products and services from the perspective of users of financial products and services. The survey help provide a more holistic picture of financial inclusion and facilitates identification of barriers, crafting evidence-based policies and the setting of targets.

The importance we ascribe to data and measurement is underscored by the simultaneous launch of our maiden baseline survey with our National Strategy for Financial Inclusion. Completed last year, the baseline survey showed the following results:

- 25% of Filipino adults have never saved, 32% used to save, and only 43 % presently have savings.

- Of those with savings, only 32% save in banks while 68 % keep their savings at home.
- 65 % of unbanked adults cited lack of money as the main reason for not having a bank account. About 47 % of adults have outstanding loans. The main source of borrowing is informal – 62% borrow from family, relatives or friends while 10% borrow from informal lenders.

The survey indicates the many challenges we face moving forward. For service providers, the survey reveals that there are plenty of opportunities for those looking to expand their business or to introduce game-changing innovations.

And we continue to push forward. We are now in the process of building a monitoring and evaluation framework for our National Strategy for Financial Inclusion. Among others, we need to consider the different levels of technology across member-agencies of our Steering Committee; distill the results of our National Baseline Survey on Financial Inclusion to yield focused studies; and take deeper dives into focus areas to deepen our understanding of the environment and its needs.

Ladies and gentlemen. We are encouraged that even as we address the gaps in data and measurement, we continue to see gains in our financial inclusion programs. For your information, the Philippines has been ranked by the Economic Intelligence Unit as the top country in Asia with the most conducive environment for financial inclusion. A paradigm shift in the way we pursue financial inclusion may be just what we need to propel us forward in a major way. We need to constantly measure how we are doing through evidence-based surveys and studies to ensure that we are on the right track and that we are not wasting time and resources.

We need to develop an evidence-based mindset to continuously enrich our knowledge base and become more effective agents of financial inclusion programs that improve lives and liberate people from poverty.

I wish therefore that our workshop on Evidence in Financial Inclusion will be successful and fruitful, and generate innovative programs to address poverty in our country and other parts of the world.

Finally, on behalf of the Bangko Sentral ng Pilipinas, we thank IPA our co-host, Citibank, all our resource persons and workshop participants for joining us today.

Thank you all and Mabuhay!