

Amando Tetangco: 2016 outstanding microentrepreneurs – leading the way to success

Speech by Mr Amando M Tetangco, Jr, Governor of Bangko Sentral ng Pilipinas (BSP, the central bank of the Philippines), at the 14th Citi Microentrepreneurship Awards (CMA), Manila, 6 December 2016.

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It is always a pleasure to be in the company of microentrepreneurs and fellow advocates of the development of the microfinance industry in our country.

I look at this annual event as a gift — an early Christmas gift. The finalists and the winners of the Citi Microentrepreneurship Awards give us many reasons to celebrate — their courage, their creativity, their tenacity and their success. In so many ways, you inspire confidence and serve as role models among those who are just starting their own micro ventures.

And from you, the other stakeholders of the microfinance industry learn how we can help sustain your viability and growth — this includes the Bangko Sentral ng Pilipinas, the Microfinance Council of the Philippines, the banks including Citi, NGOs and other service providers.

In the process, we are able to craft better policies and programs to keep the microfinance industry strong and healthy. This synergy between microentrepreneurs and other industry stakeholders has produced solid results.

On our part, the BSP, since 2000, has been nurturing a policy environment that enables the delivery of commercially sustainable microfinance in the banking sector. We liberalized regulations by reducing barriers and providing incentives while balancing them with risk management measures.

In particular, we took into account the unique characteristics of microfinance such as the use of group liability arrangements, cash flow based and character lending, high frequency amortizations, and having less documentary requirements. Our policy is working as intended, as banks get more involved in microfinance.

Let me share some highlights. As of June 2016, there were 169 banks involved in microfinance — most of them rural banks in the countryside. Combined, they have more than 1.6 million microentrepreneur clients (from 391,000 in 2002) with aggregate outstanding loans of P11.7 billion, an almost five-fold increase from the levels in the early 2000s (P2.6 billion in 2002). The banks have also empowered these clients to save, many of them for the first time. At present, these microentrepreneurs have accumulated savings of P 5.2 billion. In addition, the microfinance sector has become a market for microfinance products like micro-insurance and micro-housing loans.

Because of the significant strides we have made together, the Philippines is considered a global leader in microfinance. For five years in a row — between 2009 to 2013— the global survey on microfinance by the Economist Intelligence Unit (EIU) ranked the Philippines as number one in the world in terms of regulatory framework for microfinance.

EIU has since amended its survey to measure financial inclusion. In this survey we also rank as a global leader: in 2016, the EIU ranks Peru and Columbia as the top two, while the Philippines and India are third in the world and first in Asia with the most conducive environment for financial inclusion.

Improvements in overall access to financial services in the Philippines is also reflected in the World Bank Findex, the global database for financial inclusion. It said formal account ownership among Filipino adults increased from 26.6% in 2011 to 31.3% in 2014, with higher growth among low income and less educated segments of our population.

Ladies and gentlemen. Our CMA awardees for this year are among the most diverse set of winners, coming from a range of industries.¹ But they have two things in common: 1) they demonstrate how financial inclusion and microfinance can unlock opportunities and 2) they serve as catalysts for the development of their ventures in various areas.

Indeed, our efforts to build an inclusive financial system result in better access to financial products and services that empower individuals and enterprises to seize economic opportunities.

And we continue to develop enabling policies and regulations to reach unserved and underserved markets. Last March, for instance, we issued BSP Circular 908 or the Agricultural Value Chain Financing Framework which aims to address agricultural credit risks by shifting the focus of lending from individual farmers and fisherfolks to the whole value chain. This will benefit microenterprises that are involved in value chains as it provides an opportunity to open up credit to all the players in the chain.²

As designed, the AVCF Framework not only addresses financing constraints of small players but also allows them to take on other challenges such as access to markets, business development, and technology. In other words, it is a response by the BSP to various issues that hamper the potential for growth of MSMEs.

Given the multiplicity of challenges, a collective and collaborative approach is the most ideal strategy to promote inclusive growth. Closer coordination of various players will ensure that complementarities and synergies are identified among and across efforts and unnecessary duplications minimized.

On a broader scale, this coordinated approach is also the value proposition of the National Strategy for Financial Inclusion (NSFI), the platform for public and private sector coordination to ensure synergy of efforts for a systematic approach to countrywide development through financial inclusion.

This is exactly the type of coordination that has made the CMA a success. For 14 years now, we — the BSP, Citibank, Citi Foundation and Microfinance Council of the Philippines, Inc. (MCPI), together with the members of the National Selection Committee and the Country teams, and other microfinance advocates — have worked together to constantly improve the design and implementation of the program. Thank you everyone!

And most of all, we thank and congratulate our CMA winners and finalists, as well as the other microentrepreneurs across the country for your steadfast and dedicated efforts that make lives better not only for your families but also for your communities. Maraming salamat sa inyong lahat!

Mabuhay ang CMA Winners natin!

Mabuhay ang Filipino microentrepreneurs!

Mabuhay po tayong lahat!

¹ National winner Honie Navor (granite and tiles), Luzon winner Richiel Vargas (gloves, bonnets, and armbands), Visayas winner Angelita Dagoc (guitars), Mindanao winner Marcelina Occena (herbal oils). Others are special awards for agri (organic fertilizer), community leadership (pastries and candies), green/sustainable business

(recycled rubber tires), and youth (tablea and coffee).

- 2 A value chain is defined as a set of actors, suppliers, processors, and aggregators who conduct linked sequence of value-adding activities involved in bringing a product from its raw material stage to the consumers.