

Amando M Tetangco, Jr: The 5th Microentrepreneur of the Year Awards

Speech by Mr Amando M Tetangco, Jr, Governor of the Central Bank of the Philippines (Bangko Sentral ng Pilipinas), at the Launching of the Microentrepreneur of the Year Awards Program, Manila, 11 May 2007.

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Magandang umaga po sa inyong lahat!

Ladies and gentlemen. The video we just watched and the inspiring message of our 2006 National Winner Ms. Jennilyn Antonio serve as further validation of the power of microfinance to liberate people from poverty and to transform them into industrious and self-reliant microentrepreneurs. These are microentrepreneurs who overcome challenges to become employers themselves and in the process become agents for economic development in their respective communities. Again, let us give them a big hand!

Today's event is special therefore as this is a gathering of our microentrepreneurs and advocates of microfinance, including the members of the board of judges of the Citi Microentrepreneur of the Year Awards, representatives from the Microfinance Council of the Philippines headed by Ms. Mila Mercado-Bunker, executives of Citi – Mr. Sanjiv Vohra and Mr. Robert Morse, fellow central bankers, my colleagues at the Monetary Board, our guests from the media, and other special friends of the microfinance sector.

This is the fifth Microentrepreneur of the Year Awards (MOTY) and the third time I am participating as co-Chairman of the National Selection Committee. Together with the other members of the board of judges, I have had a front row seat, so to speak, in watching microenterprises evolve and develop in various ways, in the different parts of our country.

I have also seen this Awards program evolve and improve in accordance with its objectives of recognizing outstanding microentrepreneurs and highlighting the role of microfinance and entrepreneurship in poverty alleviation and economic development. Now, we have higher prize awards, more nominees, wider geographical representation and new award categories. Credit for this goes to Citi, the Citi Foundation, the Microfinance Council of the Philippines and the Bangko Sentral ng Pilipinas. Friends, let's give them a well-deserved round of applause!

Much like this Awards program, the microfinance industry in the Philippines also continues to evolve, grow and break new grounds.

At the Bangko Sentral, the challenge is for us be responsive to the changing demands of the industry, specifically in areas of policy, supervision and regulation.

Last year, for instance, the Bangko Sentral approved the Micro-Agri Product (MAP) to address the financing needs of small farmers. Under this program, banks with microfinance operations are allowed to extend credit to clients with small agricultural activities using microfinance methodologies. In effect, these micro-agri loans are given the same regulatory treatment as microfinance loans, including the no-collateral provision.

Nevertheless, while the Bangko Sentral is open to innovations, it continues to be prudent as the agriculture sector has its own unique intricacies and risk profile. Accordingly, we have set in place certain parameters to ensure that risks associated with agriculture finance are properly managed.

There is also growing interest in providing housing microfinance and even micro-insurance, using microfinance methodologies and technologies. For instance, one of the country's leading microfinance institutions – the Center for Agriculture and Rural Development or CARD – has formed a Mutual Benefit Association which offers micro-insurance to over 300,000 clients. This is yet another tool that minimizes vulnerabilities from poverty. I have been informed that the Insurance Commission has recognized CARD for its significant contribution in increasing the number of insured Filipinos.

In addition to product development, the microfinance industry is also working on more efficient delivery channels to lower costs and increase its reach.

One delivery channel that is gaining much interest is the use of mobile phones for selected microfinance transactions. Through electronic cash platforms – such as Smart Money and Globe G Cash – mobile phones are able to make payments and transfers, send remittances, or make

purchases. This bears much potential for a country like ours...where the mobile phone sector serves practically all income groups and where the number of mobile phone users and usage are among the highest in the world.

New technologies present a unique opportunity to reach a wide range of clients including the lower income segments of our population, who are traditionally marginalized and “unbanked.” For instance, the Rural Bankers Association of the Philippines-Microenterprise Access to Business Services (RBAP-MABS) has a joint project with Globe Telecom to provide banking services using the G-cash platform.

At present, select banks are offering products such as Text A Payment and Text A Deposit. These products allow clients to pay their microfinance loan amortizations and make deposits without going to the bank branch or waiting for the field collectors.

Indeed, this is a revolutionary solution for low value payments which has dramatically lowered transaction costs for both the bank and the client, increased the productivity of account officers, decreased cash-on-hand risk, and increased access to financial services.

Through all these innovations, the regulatory focus of the Bangko Sentral is to ensure the underlying soundness of banks with appropriate risk management measures. In this regard, the Bangko Sentral has set in place the necessary regulations and procedures that cover electronic banking risk management, security procedures, internal controls, anti money laundering and consumer protection. We have even created, within our Supervision and Examination Sector, a Core Information Technology Supervisory Group to keep abreast of the latest developments in electronic banking.

Together with the BSP’s liberalized branching regime, these technological innovations should enable banks to widen their reach to unserved and underserved clients in both rural areas and urban areas.

Another positive development is the increasing participation of large commercial players in the microfinance industry. More and more commercial banks and social investors are seriously looking at providing loans, equity, or assistance to retail microfinance institutions. These new linkages and partnerships should lead to a wider range of products, broader distribution systems, development of local currency capability and ability to hedge foreign currency by MFIs, capital market development for microfinance, and finally put microfinance in the economic mainstream.

At the Bangko Sentral, we continue to explore ways to strengthen and sustain these partnerships. Among others, we conduct networking meetings between commercial banks and retail institutions. And just two weeks ago, the Monetary Board approved the classification of commercial banks’ microfinance loans to non-bank microfinance institutions as alternative compliance to the mandatory credit allocation of 6% to small enterprises. This is a significant incentive for banks to provide wholesale loans that will increase the microfinance operations of retail institutions.

Indeed, exciting developments are happening in the Philippine microfinance sector, indicative of the dynamism and creative energy that have characterized it in the last few years.

Those of us who have seen the microfinance sector evolve and grow, are justifiably proud of where it is today. We have witnessed hope grow in the midst of poverty, seen lives change for the better, and communities grow in the process through the transformative power of microfinance.

I am pleased to report to you that as of December 2006, total outstanding loans of 212 banks to more than 650,100 microfinance borrowers had exceeded P4 billion. Also as of December last year, these borrowers had accumulated modest savings averaging P2,000 (two thousand pesos) each or a total of about P1.4 billion!

But, ladies and gentlemen, you and I know there is still so much more that needs to be done. Millions of Filipinos still live in poverty, without access to financial services that could empower them to better their lives. There is therefore an urgency to sustain our momentum, to bring microfinance to where it is needed the most, and thereby make a difference in uplifting the quality of life of our entrepreneurial and industrious poor.

In this regard, we thank all those involved in the Microentrepreneur of the Year Awards for providing our future microentrepreneurs the hope, and the inspiration, that they, too can have better lives with their families and with other members of their community through microfinance.

Mabuhay ang Microfinance! Marami pong salamat sa inyong lahat.