

Amando M Tetangco, Jr: Microfinance improves lives and bank profits

Speech by Mr Amando M Tetangco, Jr, Governor of Bangko Sentral ng Pilipinas (BSP, the central bank of the Philippines), at the 12th Citi Microentrepreneurship Awarding Ceremony, Kuala Lumpur, 3 December 2014.

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It is always a pleasure to celebrate yet another milestone year in the presence of the best among the best of our microentrepreneurs and the institutions and individuals who have remained faithful advocates and cheerleaders of the Philippine microfinance sector.

I refer, among others, to the Citi Philippines headed by Country Officer Mr. Batara Sianturi; the Microfinance Council of the Philippines headed by Chairperson Ms. Maria Anna Ignacio; the Bangko Sentral ng Pilipinas; and the members of our CMA National Selection Board – we have with us today Secretary Imelda Nicolas, Chairperson, Commission on Filipinos Overseas; former Monetary Board Member Antonino Alindogan, Jr; Ms. Marixi Rufino-Prieto, Chairman of Philippine Daily Inquirer; Mr. Jose Maria Concepcion III, President and CEO of RFM Corp; Dr. Darwin Yu, Dean of the School of Management of Ateneo de Manila University.

We also thank the people who patronize the goods and services of our microentrepreneurs and the members of the media who report the inspiring success stories of our CMA awardees.

Indeed, we continue to see how microfinance empowers, transforms and uplifts individuals, families... even communities. In particular, the stories of our CMA finalists and awardees attest how humble beginnings can grow to progressive businesses with higher incomes because they gained access to finance, to microcredit.

Equally important, we have seen how microfinance has improved bank operations and profitability.

In the last four years for instance, the return on equity of rural banks with microfinance operations was higher by an average of 3 percentage points compared to that of the rural banking sector. In addition, from 2010 to 2012, the non-performing loans (NPL) ratio of rural banks engaged in microfinance was lower by an average of 0.33 percentage points from the industry-wide average.

As of June 2014, microentrepreneurs have outstanding loans amounting to 9.3 billion pesos.

It is clear: microfinance has become a viable proposition for banks. In fact, we can say that microfinance as a medium for financial inclusion, has strengthened the institutional stability of banks by generating reliable business opportunities.

This is because the microfinance industry has evolved from a narrow focus on microcredit to a more holistic, sustainable and “value-adding” provision of financial services to our target market.

For example, 69 of the 183 banks with microcredit operations now hold 1.7 million microdeposit accounts. In early 2012, there were only 22 such banks. In addition, 86 of these banks have decided to offer microinsurance to their clients. Furthermore, 26 of these banks now provide e-banking services, including mobile money – a more cost-efficient transactional platform for both banks and clients.

Ladies and gentlemen. The availability, accessibility and affordability of these financial products have drawn more microentrepreneurs to do business with banks.

From this, we have learned that developing appropriate products and delivery channels enable financial institutions to serve markets that were previously marginalized. This is a solid foundation to build on for our broader financial inclusion program.

It appears therefore that in the case of the Philippine microfinance sector, we have achieved convergence in the delivery of positive financial results and social performance management. Congratulations everyone!

The Bangko Sentral is pleased to contribute to the success of microfinance in our country. We deliberately crafted our regulations to fully support the safe and sound development of microfinance. We believe that financial inclusion, through microfinance, complements our financial stability objectives. Thus, our regulatory environment is conducive to expand financial access while preserving financial stability and integrity, deepening financial education, and ensuring consumer protection. Congratulations BSP!

Credit should also be given to our microfinance institutions including banks and NGOs who took advantage of this enabling regulatory environment to magnify their outreach. They are the ones directly catalyzing change on the ground – in small businesses, in poor households.

Finally, I am pleased to share the good news that the survey on financial inclusion conducted by Europe-based Economist Intelligence Unit gave the Philippines high scores on account of strong leadership, highly capable regulators, optimal credit regulation and effective dispute resolution.

Overall, the Philippines is ranked as the top country in Asia, and third in the world, with the most conducive environment for financial inclusion. The EIU notes that countries like the Philippines, with a long tradition of microfinance, have better institutional and financial infrastructures, which can be leveraged to provide a wider range of services, and cater to more clients at the “bottom of the pyramid”.

Ladies and gentlemen. This happened because we have dedicated and creative microentrepreneurs like our CMA finalists and winners, responsive microfinance institutions, a consultative regular, and people who patronize the goods and services from our microentrepreneurs.

Moving forward, let us continue to find ways to maximize the opportunities and benefits we can derive from microfinance.

I look forward to seeing our CMA winners take advantage of the mentoring program organized by Citi, guidance from the Microfinance Council and even better products from microfinance institutions.

At the same time, you can count on the Bangko Sentral to keep working with industry players and advocates to nurture the development and maturity of the microfinance sector. We look forward to innovations that can target financially-excluded segments of our population, with affordable and accessible financial services. At the same time, we will ensure that our regulations will keep providers and products safe, sound, and responsive to diverse needs of our microfinance clients.

Once again, congratulations to all our winners and all those involved in this 12th CMA!

Mabuhay ang ating microfinance sector! Mabuhay ang ating mahal na bansang Pilipinas!

Maraming salamat, at magandang hapon sa inyong lahat!