

## **Benjamin E Diokno: Emerging from the crisis - challenges and opportunities in the new economy**

Speech by Mr Benjamin E Diokno, Governor of Bangko Sentral ng Pilipinas (BSP, the central bank of the Philippines), at the Annual Conference of the Microfinance Council of the Philippines, 18 August 2021.

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To the members of the Microfinance Council of the Philippines led by Mr. Eduardo Jimenez, microfinance champions and advocates, colleagues in government, partners in financial inclusion, guests, ladies and gentlemen: a pleasant afternoon to all.

We at the Bangko Sentral ng Pilipinas are always glad to be a part of this annual conference.

We look forward to this yearly gathering as it gives us an on-the-ground perspective of current developments and challenges in the microfinance industry.

The past few weeks have indeed been eventful.

The COVID-19 pandemic rages on.

We have been in this battle against the virus for more than a year, with anxieties renewed amid reported cases of the Delta variant.

Meanwhile, the recently concluded Tokyo Olympics leaves a mark in history as our weightlifter, Hidilyn Diaz, captured the country's first ever gold medal while Nesthy Petecio brought home our first medal in women's boxing.

This has indeed been our country's best Olympic campaign and medal tally to date.

The medals and efforts of the whole Philippine contingent have given a ray of hope and inspiration for the Filipino people in these dark times.

It is quite fitting that our country's first gold should come from weightlifting.

We can draw parallels from this story of triumph to the important work done by our microfinance institutions.

Just as Hidilyn lifted 127 kilograms or about 280 pounds of steel in her winning moment, microfinance institutions are also lifting the weight of over 9 million poor and underserved Filipinos.

This is what financial inclusion is all about: lifting each other up.

Moreover, Hidilyn's road to the gold, as we now know, was not an easy one. Along the way, she had doubts and hardships.

The future, for a moment, had been uncertain. Yet she never wavered, never gave up.

We see the same strong, indomitable Filipino spirit in our microfinance institutions.

We heard compelling stories of the sacrifices the microfinance community has made to continue serving the last mile: avoiding layoffs; officers taking voluntary pay cuts; and continuing fieldwork to check on clients despite the current health and safety risks.

The microfinance community's efforts also extended to giving goods to the public and frontliners

and assisting the government in its cash aid distribution programs.

Like Hidilyn, who struggled but gave all her strength and lifted the weight over her head for the gold, you refused to lose to this pandemic. Despite incurring substantial losses yourselves, you are coming out stronger, more powerful, and determined than ever.

Indeed, microfinance institutions continue to overcome the odds to continue the important work of financial inclusion to empower unserved and underserved Filipinos.

We believe you are GIANTS, just like Hidilyn. Time and again, you have propelled financial inclusion in the country among those considered unbankable – women, low-income workers, and rural communities.

With over PHP 60 billion loan portfolio, you play a huge role in boosting our microenterprises. Your trust-based, “personal touch” approach have made you the go-to providers of formal credit for the low-income, entrepreneurial poor.

Your compassion and clarity of mission to uplift Filipinos at the financial margins do not go unnoticed.

Thus, we are working to ensure you have all possible means at your disposal to drive post-pandemic recovery, compete on a level playing field with other industry stalwarts, and propel our financial inclusion mission further and higher.

The BSP as Chair of the Financial Inclusion Steering Committee continues to explore ways to assist microfinance institutions, as well as facilitate technical assistance and capacity building for digitalization from development partners.

Following the proposal for a COVID-19 relief package, we are engaging the Philippine Guarantee Corporation for a dedicated credit guarantee to encourage the extension of wholesale loans by private banks to microfinance institutions at more responsive terms to enable continued service to clients.

The microfinance community has also made digitalization a major priority. Based on a rapid survey conducted last year, 96% of microfinance institutions cited digital payments as a primary initiative, followed by 72% citing app or online platform launching.

To support you in your respective digitalization efforts, we are actively pushing for a robust digital finance infrastructure.

With the Philippine Statistics Authority and National Economic Development Authority accelerating the PhilSys rollout, we can draw in more unbanked Filipinos into the formal financial system.

Our microentrepreneurs, nanays, and tatays can approach microfinance institutions to open an account and secure credit with just their PhilID. Onboarding will be more cost-efficient too for our service providers.

We are boosting our whole-of-government approach to diversify the broadband market so that Filipinos across the country can have affordable internet connectivity and digital financial services available to them.

We have begun with steps to encourage the adoption of satellite broadband. Microfinance institutions can save on IT costs, automate processes, and enhance delivery of financial services in the last mile through this technology.

Picture a farmer in the field or a fisherman at sea doing pera padala, paying loans, receiving

payments with his phone through your mobile apps, just as he would use its built-in GPS to check the weather or navigate the seas. The possibilities are endless.

Together with industry partners, we launched the QR Ph to standardize and create an interoperable QR system for person-to-person and person-to-merchant fund transfers.

In terms of policy, our recently issued open finance framework gives the power of data to the people. Through open finance, players inside and outside of the industry, regardless of size, will have an opportunity to provide more contextualized services for a wider client base.

The digital age is here, and so we encourage microfinance institutions to continue their advance towards digital adoption.

As more businesses, including microenterprises shift online, it is also fitting that financial service providers do the same.

And so, we urge you to capitalize on these developments. Crises also breed opportunities.

And there is no time like the present to recalibrate strategies and fortify digital capabilities.

The pandemic may seem insurmountable, but giants like you continue to take huge steps with government to ensure no one is left behind. We owe much to the microfinance community.

After all, the BSP's financial inclusion mission started with microfinance, in the belief that the poor can contribute just as much, if not more, to the country's growth and prosperity.

In closing, we must do things with a greater sense of urgency and efficiency.

We must aim higher and strive to reach out to more Filipinos.

As the Olympic motto goes: Citius (kee-tee-oos), Altius (al-tee-oos), Fortius (for-tee-oos) – Communiter (ko-moo-ni-ter).

Faster, higher, stronger – Together.

Maraming salamat at mabuhay ang MCPI. Mabuhay ang Pilipinas.