

Eli M Remolona: Stability, sustainability, and inclusivity for shared prosperity

Speech by Mr Eli M Remolona, Jr, Governor of Bangko Sentral ng Pilipinas (BSP, the central bank of the Philippines), at the 2023 Alliance for Financial Inclusion Global Policy Forum "Stability, Sustainability, and Inclusivity for Shared Prosperity", Laoag, 14 September 2023.

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Ladies and gentlemen, good morning - welcome to the 2023 Global Policy Forum of the Alliance for Financial Inclusion! The Bangko Sentral ng Pilipinas is honored to host this year's gathering of financial inclusion champions and advocates from the Philippines and other parts of the globe.

We are joined this morning by:

- The **Honorable Secretary** of the Philippines Department of Social Welfare and Development **Rex Gatchalian**
- The **Honorable Secretary** of the Philippine Department of Finance **Benjamin Diokno**
- Board Chair of the Alliance for Financial Inclusion **Governor Ariff Ali** of the Reserve Bank of Fiji
- AFI Executive Director **Dr. Alfred Hannig**
- Founding Chair of the Asia School of Business and former Governor of Bank Negara Malaysia **Dr. Zeti Aziz**
- Colleagues from central banks and financial regulators
- Partners and stakeholders from government, business, and NGOs
- Resource persons, the media, and special guests

We have about 700 delegates from over 70 countries signed up for this year's Global Policy Forum. We thank you all for joining us here.

We can look forward to diverse, rich, and multi-faceted discussions on how we can more effectively uplift the lives of the marginalized and the excluded- through financial inclusion.

Gains in financial inclusion are being made, in varying degrees, from country to country. But there are also setbacks that we must reckon with. Climate change is one.

In the Philippines, for instance, stronger and more frequent storms destroy agricultural crops and other livelihoods. These result in income losses that drive the underprivileged deeper into poverty. Our sustainability agenda, therefore, is one that will be inherently inclusive.

On the other hand, there are challenges that present both risks and opportunities. Among others, the pandemic-induced lockdowns that kept people indoors caused

business closures and job loss. But the same lockdowns triggered a boom in online selling and digital payments for goods and services from businesses that were quick to adapt to mobility constraints.

This raised the share of digital transactions to retail payments in our country from 14% in 2019 to 42% in 2022. Many consumers opened digital accounts or e-wallets. Government also used digital accounts to distribute cash assistance during the pandemic.

As a result, mobile wallet ownership surged from 8% in 2019 to 36% in 2021.

This helped raise the overall number of Filipinos with transaction accounts from 29% in 2019 to 56% in 2021- equivalent to 22 million Filipinos who became financially included in the span of two years. This milestone is important to us.

Transaction accounts are gateways to financial inclusion.

We have seen depositors improve their lives from gaining access to other financial services, such as loans, insurance, and investments. For instance, insurance helps farmers recover faster from losses inflicted by natural calamities, while small business loans help microentrepreneurs expand or pivot their businesses. Indeed, while we have a long way to go in our financial inclusion journey, millions of Filipinos are already benefitting from our multi-pronged financial inclusion initiatives.

Ladies and gentlemen, I stand on the shoulders of giants. The BSP's financial inclusion journey started during the term of then Governor Rafael Buenaventura. The General Banking Law, which was enacted in 2000, mandated the BSP to recognize microfinance as a legitimate banking activity.

As a response, he declared microfinance as the BSP's flagship program to help alleviate poverty in our country. His vision was to bring microfinance to every province in the Philippines.

He called on banks to develop microfinance programs, provided incentives to banks that set up dedicated microfinance units, created a microfinance team within the central bank, and frequently requested journalists to write about microfinance.

His successor was Governor Amando Tetangco Jr. He saw how microcredits could be so empowering for the entrepreneurial poor and, sometimes, even uplift the communities around them. For 12 straight years, Governor Tetangco chaired the national annual search for the best microentrepreneurs - and witnessed how thousands were liberated from poverty by economic activities financed by microcredit.

He said: "We learned that financial inclusion is complementary to our primary objective of price and financial stability. Also, individuals who are adequately informed and included are effective economic agents."

Under Governor Tetangco's term, the BSP expanded its focus from microfinance to financial inclusion. The goal was to give millions of Filipinos access to a broader range of financial services. The BSP also developed multisectoral partnerships to promote

financial inclusion. This was the foundation for the inter-agency committee to implement the National Strategy for Financial Inclusion.

It was Governor Nestor Espenilla Jr. who led the BSP's adoption of digital technology for financial inclusion. To him, digital technology brings scale and affordability to financial transactions. And it opens new possibilities for delivering financial services - even to difficult-to-serve markets within our archipelago of 7,641 islands. Governor Espenilla was ready to give innovation a chance if it can move financial inclusion forward. He used the regulatory sandbox framework of "test and learn" to allow BSP supervised institutions, third-party service providers, and new players to offer financial products and services using new technology to a limited number of customers, in a controlled environment. This then informs the appropriate regulatory and supervisory approach.

Last year, AFI started giving out the "Nestor Espenilla, Jr. Financial Inclusion Award," which recognizes institutions that demonstrate outstanding commitment toward innovation and the use of technology to further financial inclusion. It was AFI's way of honoring Governor Espenilla's contributions to the advancement of financial inclusion through innovation.

On behalf of the Bangko Sentral ng Pilipinas and Governor Espenilla's family, represented here today by his wife Tess, we thank you AFI.

To Governor Benjamin Diokno, BSP's inclusion story is one of evolution, and laying the solid foundation that would carry us through ordinary and extraordinary times. It was under his term as chair of the NSFI Steering Committee that a Presidential Memorandum Circular (No. 97 dated June 23, 2022) was issued, institutionalizing the whole-of-government support for the implementation of the National Strategy for Financial Inclusion 2022-2028. The Circular also declared the adoption of financial inclusion as a development agenda at both the national and subnational levels.

Governor Felipe Medalla, for his part, walked his talk on financial inclusion. With a team from the BSP, he went to public markets to engage market vendors, public transport drivers, and small businesses to shift to the safer and more convenient digital payments platform through Paleng-QR Ph Plus.

To Governor Medalla, it is imperative that the BSP remains focused on doing its best to fulfill its mandates of maintaining price stability, financial stability, and a secure and efficient payment system. By doing so, we will have a strong foundation on which to expand our national financial inclusion program.

And now, it is my turn. What an honor to join these champions, these giants of financial inclusion.

Like my predecessors, I am fully committed to broaden and deepen the reach of financial inclusion, toward financial health, resilience, and a better life for millions of Filipinos.

My previous posts at the Bank for International Settlements exposed me to how financial inclusion has been evolving. In fact, I was the BIS Chief Representative for

Asia and the Pacific when the BIS co-hosted with the BSP a Research Conference on Financial Inclusion. This was in 2016 in Cebu City.

And now, the BSP is hosting the 2023 AFI Global Policy Forum. All these should serve me and the BSP in good stead. With the continuing support of our colleagues, partners, and stakeholders, here and overseas, we at the Team BSP are confident that we will continue to help improve the lives of our unserved, underserved, and unreached.

Together, let us address AFI's call for "Stability, Sustainability, and Inclusivity for Shared Prosperity."

Thank you everyone! *Marami pong salamat at Mabuhay tayong laha!*