



The Microfinance and Inclusive Finance Agenda: The BSP Experience

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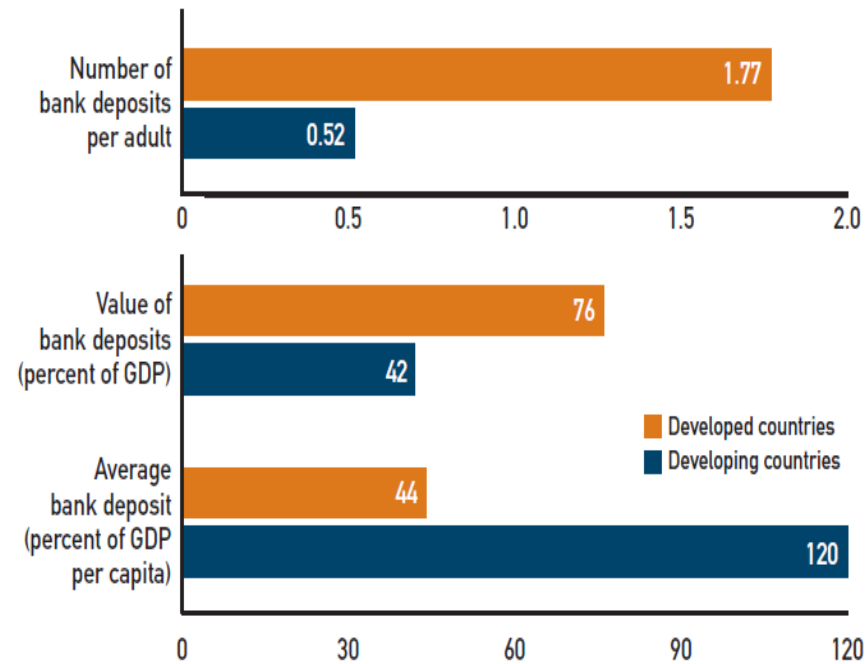
The “good news”!!!

- The Philippines is named as one of the global leaders in microfinance by the Economist Intelligence Unit’s Global Microscope on Microfinance. (2nd year in a row)
- The Philippines is TOP TWO best performing for microfinance overall (from 3rd place last year) and the **NUMBER ONE** in the world for the sub-category of policy and regulatory framework for microfinance.
- The study cited recent BSP issuances namely the recognition of a wider range of microfinance products (i.e. micro-agri loans, housing microfinance loans, microinsurance) and recognition of microfinance institution rating agencies or MIRAs.



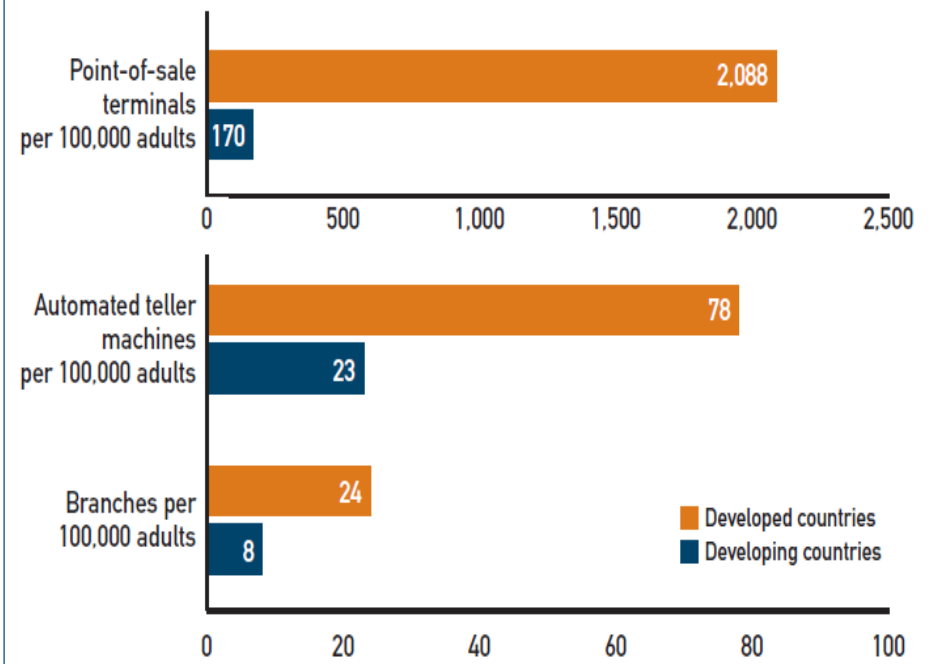
Global Scenario: Access to Finance

Figure 1 Developing countries have a third the deposits per person of developed countries



Source: Financial Access database.

Figure 3 Developing countries have narrower outreach



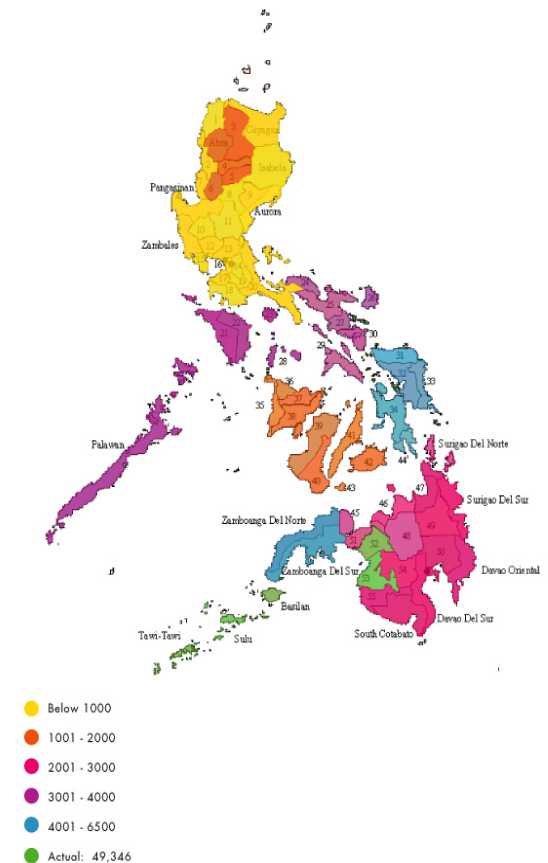
Source: Financial Access database.

Source: CGAP Financial Access 2009



Local Context: Access to Finance

- Archipelagic structure provides spatial obstacles/ barriers to access
- 610 out of 1,635 municipalities do not have banking offices, a 37% non-coverage (as of June 2010)
- Concentration of services in higher income urban areas, leaving low income areas underserved
- Many still rely on informal financial service arrangements





Inclusive Finance Framework

- The objective is to bring more people into the financial system especially those previously unserved and unbanked.
- Financial inclusion involves delivery of a wide range of financial services such as savings, credit, insurance, remittances and payment services.
- Delivery channels in a truly inclusive financial system are wide and ubiquitous where both bank and non-bank based delivery channels can combine to reach the financially excluded more effectively.



Financial Inclusion: BSP Perspective

- Financial inclusion is a worthy policy objective, alongside the promotion of stability and efficiency in the financial system
- Financial inclusion and financial stability may be mutually reinforcing
- Supervisory concerns and risks are real and valid but can be adequately managed



Financial Inclusion: BSP Perspective

- All financial service providers should be properly and proportionately regulated to uphold consumer protection and financial system integrity.
- ❖ Policy approach is to promote an enabling environment based on proportionate application of sound and generally accepted regulatory and supervisory principles
- ❖ Maintaining **BALANCE** and **PROPORTIONALITY** is key.



Microfinance and Financial Inclusion: Lessons So Far

- Microfinance has proven market-based solutions to address financial access issues are feasible.
- Financial products must be appropriately designed and priced for the particular market and delivered by duly authorized institutions.
- Innovations in delivery channels is necessary to lower costs, increase efficiency and expand outreach.



Policy / Regulatory Approach to Bank-Based Microfinance

- Enable the delivery of commercially sustainable microfinance in the banking sector as component of the National Strategy for Microfinance
- Mainstream microfinance in the provision of financial services, not just as CSR activity
- Provide avenues for formalization of unregulated microfinance providers
- Support continuous product and delivery channel innovation (i.e. micro-agri, micro-housing, microinsurance and mobile banking)



Regulations

- ◆ Since 2001 the Bank has issued about 24 circulars: definition, branching, rediscounting, products, loan loan provisioning, etc)
- ◆ Summary of 2010 Regulations
 - Microfinance Products – Housing Microfinance, Micro-Agri, Microinsurance
 - Microfinance Delivery Channels – Micro-banking Offices
 - Microfinance Industry/ Infrastructure – Microfinance Institution Rating Agencies



Moving Forward

- Steady advocacy for personal finance and financial literacy
- Credit Information System Act
 - Credit Information Corporation
- Continued promotion of consumer protection
 - Transparent pricing
 - Over-indebtedness



“Success” Factors

C - commitment to Financial Inclusion

B - boldness – to think outside of the box

A - adaptive

N - nationalistic, not xenophobic

K - knowledge focused

E - “earthy” mind

R - responsive