The Microfinance and Inclusive Finance Agenda: The BSP Experience

Eduardo Cabral Jimenez
BSP Microfinance Consultant

UNCITRAL Microfinance Colloquium
Vienna International Centre, Vienna
12-13 January 2011
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

<table>
<thead>
<tr>
<th>Measure</th>
<th>Developed countries</th>
<th>Developing countries</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of bank deposits per adult</td>
<td>0.52</td>
<td>1.77</td>
<td>0.52</td>
</tr>
<tr>
<td>Value of bank deposits (percent of GDP)</td>
<td>42</td>
<td>76</td>
<td>42</td>
</tr>
<tr>
<td>Average bank deposit (percent of GDP per capita)</td>
<td>46</td>
<td>120</td>
<td>46</td>
</tr>
</tbody>
</table>


Figure 3: Developing countries have narrower outreach

<table>
<thead>
<tr>
<th>Measure</th>
<th>Developed countries</th>
<th>Developing countries</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Point-of-sale terminals per 100,000 adults</td>
<td>170</td>
<td>2,088</td>
<td>170</td>
</tr>
<tr>
<td>Automated teller machines per 100,000 adults</td>
<td>23</td>
<td>78</td>
<td>23</td>
</tr>
<tr>
<td>Branches per 100,000 adults</td>
<td>8</td>
<td>24</td>
<td>8</td>
</tr>
</tbody>
</table>


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)
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