

Amando M Tetangco, Jr: Acting together for financial inclusion

Speech by Mr Amando M Tetangco, Jr, Governor of Bangko Sentral ng Pilipinas (BSP, the central bank of the Philippines), at the Luzon Regional Consultation on the National Strategy for Financial Inclusion, Manila, 20 May 2015.

* * *

Today is a milestone in our process of crafting a National Strategy for Financial Inclusion (NSFI). This is important because our objective is to act and work together to improve the quality of life of millions of Filipinos.

Ladies and gentlemen, you and I know that economic reforms and better governance have given momentum to our country's economic growth that is now at levels regarded as among the fastest in Asia.

However, we also need to ensure that across the country our people are able to identify, gain and prosper from opportunities that such development brings. We can achieve this through financial inclusion – where there is access to a wide range of financial products and services that are responsive to the needs of all Filipinos and supports broad-based and inclusive growth.

While the trickle-down approach to spread the benefits of development is good, it is not enough; we want to be more proactive.

Among others, we want our people to save, invest and know personal finance management to be financially secure and independent. We want our people to be part of the financial mainstream where they can access bank loans that will help them grow their own business. We want our people to have options other than informal lenders with prohibitive rates and onerous conditions. And we want our people to be able to protect themselves against scams and to know their rights as financial consumers.

Working on financial inclusion is one clear way to ensure sustained and broad-based inclusive growth, a principal goal of our Government. And so, we have gathered today to discuss our draft National Strategy for Financial Inclusion or NSFI.

You have been especially selected as key stakeholders to craft our way forward to achieve financial inclusion in the Philippines. This process of consultation is structured to give ample opportunity for you to articulate your insights as co-authors and implementing partners of our NSFI.

This is the first in a series of regional consultations. Next week, we will have similar consultations in Cebu and and in Davao.

As we go thru the workshops for the rest of the day, let us keep in mind the Filipino public who we want to serve and the challenges before us. Among others:

- About 12 percent of our 1,634 cities and municipalities of remain unserved by authorized financial service providers while 36 percent have no banks at all ;
- Only 4 out of 10 Filipino adults set aside money to save, and 68 percent of them keep their savings at home ;
- 47 percent of Filipino adults borrow, but mostly from sources like family and friends (62 percent) and informal lenders (10 percent) ;
- Only 39 percent of households receiving Overseas Filipino remittances allocate a portion to savings ; and
- Insurance penetration is only 1.8 percent .

With your inputs and support to the NSFI process –we look forward to seeing significant changes in these numbers.

Ladies and gentlemen. I am confident that our NSFI will generate positive results... for a number of reasons: first, because its implementing mechanism is inclusive; second, it ensures interactive engagement among stakeholders; and third, it promotes synergy of initiatives.

The experience of other countries inspires us to have our own NSFI. In particular, the World Bank has noted that countries which have national strategies for financial inclusion have recorded higher average growth rates for financial access compared to others.

I have been repeatedly asked – why is an NSFI important? Well, the NSFI provides a platform for coordination among the many stakeholders with important roles in financial inclusion. It provides the blueprint useful in designing and implementing financial inclusion policies and programs that focus on four areas: (1) policy, regulation and supervision, (2) financial education and consumer protection, (3) advocacy programs and (4) data and measurement.

In addition, the NSFI fulfills the Philippine Development Plan (PDP), which commits to “establish a national strategy that defines financial inclusion, the strategies undertaken to achieve it, and the accountabilities of all stakeholders”. It is the result of different agencies, with varied mandates, working together because of a shared recognition that – financial inclusion is essential to achieve the government’s overarching goal of inclusive growth. These agencies include:

- Bangko Sentral ng Pilipinas (BSP) ;
- Commission on Filipinos Overseas (CFO)
- Cooperative Development Authority (CDA)
- Department of Budget and Management (DBM)
- Department of Education (Dep-Ed)
- Department of Finance (DOF)
- Department of Social Welfare and Development (DSWD)
- Department of Trade and Industry (DTI)
- Insurance Commission (IC)
- National Economic and Development Authority (NEDA)
- Philippine Deposit Insurance Corporation (PDIC)
- Philippine Statistics Authority (PSA) and
- Securities and Exchange Commission (SEC)

These agencies are involved, directly or indirectly, in promoting an inclusive financial system and in serving unserved and underserved markets. As participants in the NSFI crafting process, these agencies commit to pursue financial inclusion alongside their respective mandates.

The BSP, as initiator of this process, is committed to make the NSFI a living, relevant and useful document for all stakeholders. Our commitment to financial inclusion began as early as year 2000 when we mainstreamed microfinance as a banking activity. Since then, we have been fine-tuning policies and regulations to enable our supervised institutions to serve unconventional markets such as low-income households and microentrepreneurs.

Experience taught us that such markets, like regular consumers, can be provided with suitable financial products and services by regular financial institutions. Hence in 2007, we

progressed our advocacy from microfinance to financial inclusion. The BSP was among the first central banks to create a unit dedicated to promoting financial inclusion.

Our agenda has since expanded because of the conviction that financial inclusion, when done right, supports the BSP's primary mandates of price and financial system stability. We have also put equal focus on consumer protection and financial education.

In 2012, the BSP institutionalized financial inclusion as a corporate objective with the creation of the Inclusive Finance Steering Committee (IFSC), which I chair. This Committee serves as a seamless mechanism for internal coordination and synergy of various inclusion-related initiatives that are being implemented by different operating units. These initiatives revolve around the same four areas that the NSFI focuses on.

To institutions therefore who wish to support or promote financial inclusion, the NSFI serves as guide – the SONAR or GPS that ensures policy cohesion and coordination, and prevents duplication of initiatives.

Sceptics may think that our NSFI is merely another document. We believe NSFI will work thru the implementation of tactical plans that form the acronym SMART: specific, measureable, achievable, realistic and time-bound.

As per our timeline, by July this year, the heads of the agencies represented here today will sign a Memorandum of Understanding as a formal commitment to the NSFI objectives, principles and tactical plans.

Ladies and gentlemen. We realize that the 13 agencies that drafted this NSFI have limited mandates, capacity and resources to implement the many possible interventions contemplated in the document. We are confident however that the NSFI can be fully implemented with ownership and support from a wide spectrum of public, private and even international stakeholders. I am glad therefore to see a good mix of institutions represented today.

Together, let us ACT: Agree on a vision of financial inclusion, and align institutional, or even personal, objectives to this vision; Collaborate on the SMART tactical plans; and Take action to implement these plans.

Ladies and gentlemen, in the service of all Filipinos, let us make financial inclusion and inclusive growth, a reality in our country.

Maraming salamat sa inyong lahat. Mabuhay ang ating mahal na bansang Pilipinas!