

Amando M Tetangco, Jr: National Strategy for Financial Inclusion – our platform to provide better lives

Speech by Mr Amando M Tetangco, Jr, Governor of Bangko Sentral ng Pilipinas (BSP, the central bank of the Philippines), at the Launch of the National Strategy for Financial Inclusion, Manila, 1 July 2015.

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Welcome to the beginning of our collective journey to change Filipino lives for the better through financial inclusion. In this journey, the National Strategy for Financial Inclusion (NSFI) which we are launching today, shall serve as our road map.

About the NSFI: Overview

For the Philippine government, financial inclusion is an enduring vision – financial inclusion that supports inclusive growth, one that promotes shared economic development, upholds social cohesion and reduces income inequality. This is explicit in the Philippine Development Plan.

Indeed, inclusive growth is the ultimate goal. This is the reason why many agencies are engaged in development activities. With the NSFI, we focus on achieving financial inclusion that promotes inclusive growth, consolidate our efforts to avoid overlaps, and together set priorities to maximize use of our resources.

The NSFI covers three fundamental points: (1) Why we are pursuing financial inclusion, (2) Who we are targeting to include, and (3) What we should do to translate the vision into reality. Let me expound on these more fully.

(1) Why pursue financial inclusion

We are pursuing financial inclusion because we want Filipinos to have better lives – similar to those whose inspiring stories highlight our Exhibit.

Indeed, with a small loan, or some savings, a microinsurance cover, steady remittance from abroad sent through formal channels and access to other financial services, more and more Filipinos are lifting themselves and their families out of poverty toward higher incomes, risk-protected assets, and brighter futures.

Surveys indicate that roughly 25 percent of Filipinos still live in poverty. One can say therefore, that we have millions of “reasons” to do our best in building an inclusive financial system.

The timing is right. The Philippines is in a bright spot, with GDP growth averaging 6.6 percent in the last three years, one of the highest growths in Asia and the world. This has been achieved in an environment of within-target inflation, a desirable combination indeed.

At the same time, the Philippine financial system is in a position of strength, with steady growth in resources, healthy balance sheets, and capitalization that is well-above national and international requirements.

In other words, economic opportunities abound across the country today at a time when the financial system is sound, stable and liquid. This is fertile ground indeed for proactive work on financial inclusion.

(2) Who should be financially included

Our goal is to mainstream Filipinos across the country as regular clients of our financial system, particularly (1) MSMEs, (2) overseas Filipinos and their beneficiaries, (3) agriculture

and agrarian reform sectors, (4) indigenous peoples and cultural minorities, (4) women, (5) the youth, (6) and persons with disabilities. These sectors are typically unserved or underserved by conventional financial service providers.

We want to provide effective access to a wide range of financial products and services. This broadly encompasses a multitude of target sectors and inclusion issues. It also indicates the multi-dimensional financial needs of these sectors – needs that can be addressed by a variety of financial service providers and support institutions.

(3) What should we do to achieve financial inclusion

Given a clear vision and target market, the next step is to implement the National Strategy for Financial Inclusion. The NSFI spells out high-level principles and systematic strategies; guides coordination across government and private sectors; ensures policy and program cohesion; and promotes multi-sectoral synergies.

In particular, the NSFI lays down precise objectives: (1) Financial products that are diverse, well-designed, suitable and relevant to different market segments; (2) Providers and business models that are diverse, responsible, responsive and innovative; and (3) A citizenry that is financially-literate and adequately protected.

The NSFI strategic statements and clear objectives serve as guide to all stakeholders when designing and implementing financial inclusion policies and programs.

Moving Forward to Implementation and Progress Measurement

Later in the program, the government agencies that crafted the NSFI will sign a Memorandum of Understanding. These are the agencies that will spearhead the implementation of our NSFI:

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

At the same time, we have invited multi-sectoral representatives here today because we believe that you can play a significant role in the successful implementation of our NSFI. Ladies and gentlemen, we need your cooperation, collaboration and overall support to ensure that financial inclusion becomes a reality throughout the Philippines.

Equally important, we hope that you will help us in measuring and monitoring the progress of our financial inclusion initiatives. Moving forward, we need data to guide and inform us if we

are on the right track; to evaluate if we need to refine our tactical plans; to help us prioritize our resources; and to help us calibrate our policies and programs accordingly.

Indeed, the importance we ascribe to data and measurement is underscored by the simultaneous launch today of the result of our maiden National Baseline Survey on Financial Inclusion. The survey, completed this year, showed the following results:

- 25% of Filipino adults have never saved, 32% used to save, and only 43 % presently have savings.
- Of those with savings, only 32% save in banks while 68 % keep their savings at home.
- 65 % of unbanked adults cited lack of money as the main reason for not having a bank account.
- About 47 % of adults have outstanding loans. The main source of borrowing is informal – 62% borrow from family, relatives or friends while 10% borrow from informal lenders.
- In the past six months, about 44 % of adults sent or received money while 42 % made payments.
- Only 3.2 percent of adults have microinsurance coverage.
- Clients rated themselves as only “somewhat satisfied” with how issues were resolved in most financial service access points.

The survey results tell us we have a long way to go to achieve financial inclusion. The survey also tells us that there are plenty of opportunities for those looking to expand their business or to introduce game-changing innovations.

Clearly, we will need broad-based cooperation from local and international institutions to address these gaps. Together, I believe we can make substantial gains on our financial inclusion targets.

Conclusion

We look forward therefore to work with you in our journey to achieve inclusive finance that supports inclusive growth. We want to ensure that Filipinos across the country are able to identify, gain and prosper from the fruits of economic progress.

In particular, we want our people to be part of the financial mainstream where they can access financial services and 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.

Let us therefore forge partnerships that will empower more Filipinos to improve their lives through access to responsive, responsible and fair financial services.

Finally, we thank Her Majesty Queen Maxima, for making a special visit to the Philippines to express her support for our financial inclusion initiatives and our National Strategy for Financial Inclusion. We take inspiration from your work in countries like ours. Indeed, we support your efforts to promote financial inclusion in the global arena as a means to achieve development goals.

With your support, and the commitment of everybody in this hall as co-implementers of the National Strategy for Financial Inclusion, I believe that we are on our way to a meaningful and fruitful journey toward financial inclusion for all Filipinos.

Thank you all for joining us on this auspicious day. Maraming salamat at Mabuhay!