



64<sup>th</sup> RBAP Annual National Convention  
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# MSMEs: Opportunities for Financial Inclusion

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**SMALL BUSINESS  
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# PRESENTATION FLOW

- ✓ What is “Financial Inclusion” (FI)
- ✓ How do MSMEs Contribute to FI
- ✓ What are the Opportunities for FI
- ✓ What is the NG doing to Strengthen Philippine MSME Sector
- ✓ Summary

# FINANCIAL INCLUSION

- ✓ ADB Study: 68.7% of adults did not have an account in formal financial institutions in 2015
  - Only 17.8% of bottom 40% of income earners have bank accounts
  - 36% of municipalities do not have banking office (2014)

# FINANCIAL INCLUSION

- ✓ NG launched the National Strategy for Financial Inclusion (NSFI) on July 1, 2015
  - 13 gov't agencies, private sector institutions & dev't partners
  - Coordinated by BSP
- ✓ Financial Inclusion: “state wherein there is effective access to a wide range of financial products and services by all”

# FINANCIAL INCLUSION IN ASEAN 50



# ASEAN 50

## PHILIPPINES 2017



### PARTNERING FOR CHANGE, ENGAGING THE WORLD

**PROSPERITY FOR ALL SUMMIT:** “It is important for each nation to come together and help one another because it cannot just be only two or three countries that are progressing leaving the seven countries behind.”

# ASEAN 50 & INCLUSIVE GROWTH

- ✓ “... our nation would leave behind a legacy of shaping an ASEAN Community that espouses inclusive growth.” - PRRD
- ✓ “... MSMEs in all ASEAN Member States need to strategically enhance their productivity, as well as address challenges towards getting more connected, more resourced and more engaged.” - DTI Sec. Lopez
- ✓ “--- our focus has been on how to make economic growth inclusive to all by focusing on the micro-entrepreneurs and spreading our economic activities to other regions.” - PA J.A. Concepcion III

# PHILIPPINE MSMEs

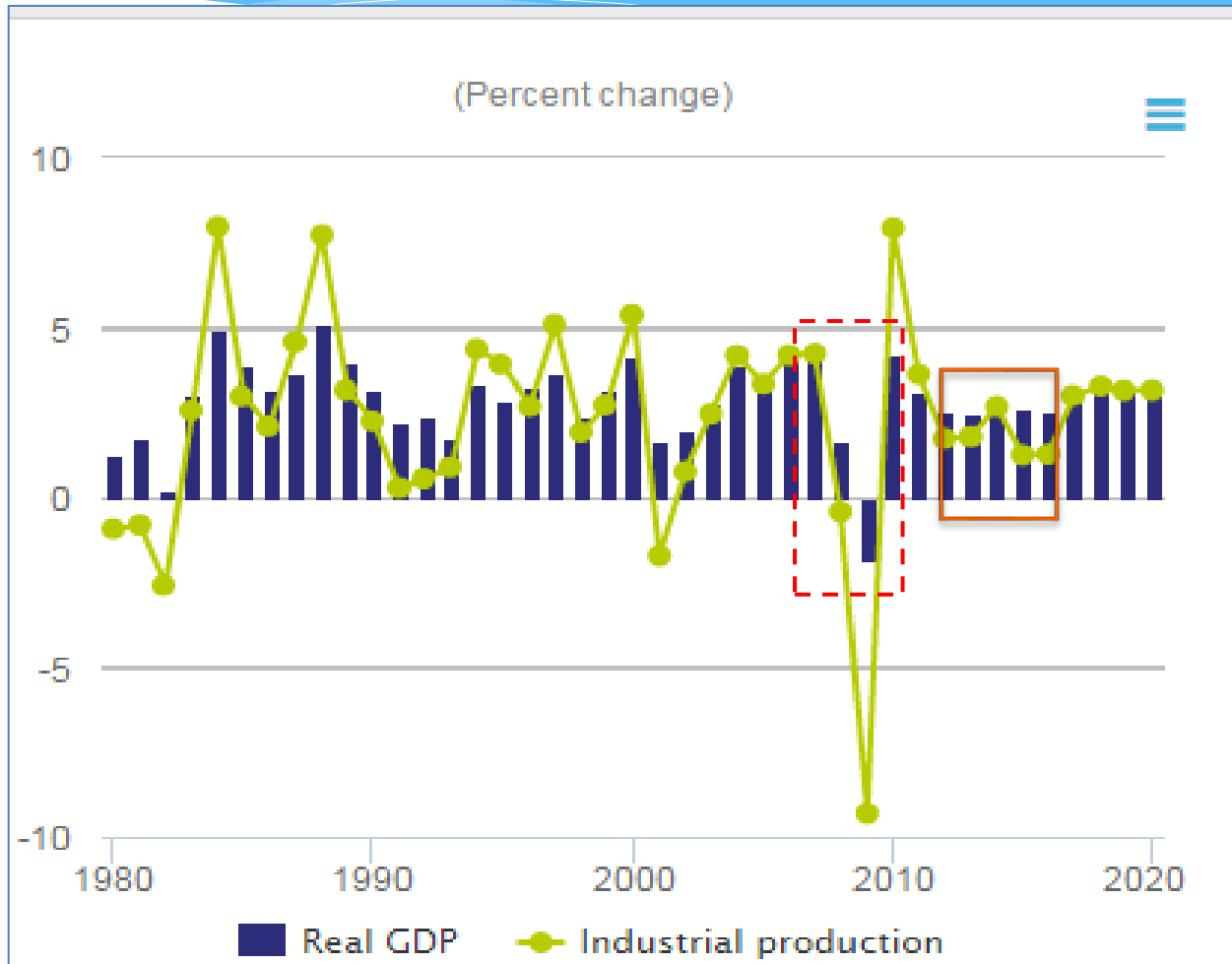
- ✓ Account for 99.6% of all registered enterprises; 99.2% are MSEs
- ✓ MSME jobs over 60% of employment
- ✓ Contribute over 35% of value added
- ✓ MSMEs are 60% of exporters contributing 25% of export revenues

# GLOBALIZATION

- ✓ Lessons from the 2007 Financial Crisis
  - Business models & governance issues
  - Not a short-term dip; long-term factors at work
- ✓ Impact on global investments & trade
  - Migration & investment flows
  - Regionalization & trade agreements
- ✓ Opportunities for MSMEs in Emerging Economies
  - Link-up with global value chains
  - Scaling up of cross-border trade



# GLOBAL GROWTH & OUTPUT



Source: IHS Mark <http://ihsmarkit.com>

# ASEAN GROWTH POTENTIAL

- ✓ **Asian / ASEAN Geo-politics**
  - Realignments; integration;
  - Large population, high income = markets
  
- ✓ **“Advantage of Backwardness”**
  - Technology applications
  - higher education
  - women participation
  - demographic dividend
  
- ✓ **APEC Initiatives - Focused on MSMEs**
  - Foreign direct investments
  - Cross-border opportunities:  
GVCs; FTAs, JECs

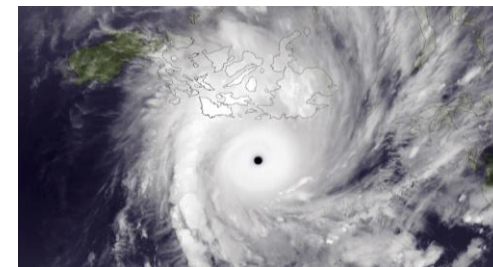
# LEGISLATIONS

- ✓ Republic Act No. 9501
  - Magna Carta for MSMEs
- ✓ Republic Act No. 10644
  - Go Negosyo Act
- ✓ Republic Act No. 9510
  - Credit Information Systems Act
- ✓ Republic Act No. 10693
  - Microfinance NGOs Act
- ✓ Draft Bill – Secured Transactions Act

# MSME INTERVENTIONS

- ✓ GVCs: Anchor performance of MSMEs
- ✓ Quality: Level up production technologies
- ✓ ASEAN Integration: Scale up production
- ✓ Banking: MSMEs leveling up & scaling up
- ✓ Counter-cyclical policies: Confidence building
- ✓ Good Governance: Conditions for access of support
- ✓ Disaster recovery: Rehabilitation funding

# DTI PROGRAMS FOR MSMEs



# SB CORPORATION



- ✓ A GFI created under the Magna Carta for Small Enterprises in January 1991
- ✓ Responsibility of implementing comprehensive policies and program to assist MSMEs
- ✓ Merger of SBGFC and the Guarantee Fund for SMEs through E.O. No. 28, November 2001.

# INTERACTIONS WITH RBs



- ✓ Capacity Building: Risk-based lending
  - Change in perspective
  - Tailor-fitting
- ✓ Guarantee Program
  - Risk transfer: addressing moral hazard
  - Programs: portfolio & account cover
- ✓ Wholesale Loans
  - Fund source: MSME Notes

# SB CORP: P3 PROGRAM



- ✓ Provides microenterprises an alternative source of financing that is easy to access at reasonable cost.
- ✓ Boosts development of entrepreneurship and the MSME sector, particularly the microenterprises.





# IN SUMMARY

- ✓ Global Events Favoring Emerging Economies
  - FDIs and GVCs
  - FTAs, JECs and Cross-border Trade
- ✓ Conducive Policy Environment
  - Tone at the Top
  - Legislations
  - Performance of Government Agencies
- ✓ Private Sector Initiatives
  - Entrepreneurship and Innovation
  - Technology Applications
  - MSMEs in value chains

THANK YOU