



Enabling Environment for SCF Market Development

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ELLEN JOYCE L. SUFICIENCIA

Director
Financial Inclusion Group
Center for Learning and Inclusion Advocacy

State of MSME finance in the Philippines

(World Bank, 2015)

81.2%

of enterprise investments are financed internally

(BSP, 2019)

MSME bank loans

8.8% to total enterprise loans

6.1% to total banking system loans



Year-on-Year Growth on Bank Loans to MSMEs and Businesses

(BSP, 2019)

| Period | Micro Enterprises | Small Enterprises | Medium Enterprises | Total MSME | Total Business Loans* |
|--------|-------------------|-------------------|--------------------|------------|-----------------------|
| 2015 | -0.7% | 4.9% | 12.5% | 8.6% | 13.3% |
| 2016 | 20.0% | 0.9% | 9.2% | 7.6% | 17.1% |
| 2017 | 5.7% | 3.8% | 9.0% | 7.1% | 19.0% |
| 2018 | 23.3% | 4.6% | 7.8% | 8.6% | 15.2% |
| 2019 | 23.8% | -7.1% | 1.5% | 1.9% | 7.3% |

Lacks access to finance

MSME as drivers of economic growth

* Includes loans to MSMEs and private corporations

New loans to MSMEs included as part of banks' compliance with the reserve requirements

Temporary reduction in the credit risk weights of MSME loans

Zero risk weights for MSME loans with government guarantee

Relief on the reporting of past due and non-performing loans of borrowers

BSP COVID-19 Measures

Banking sector response

Loans used as compliance with reserve requirements surged from ₱8.7B in end-April to ₱120.9B in October

64 R/CBs with ₱2B MSME loans used as compliance to reserve requirement as of end-August (vs. 39 R/CBs with ₱1B MSME loans as of end-April)

New loans totaling ₱40.6 billion from top 30 banks were generated during the lockdown*

From March to April 2020, ₱25.6B in MSME loan accounts were renewed while ₱1.8B were restructured by top 30 banks*

Source: BSP 2020

*Based on a BSP survey among top 30 banks (10 U/KBs, 10 TBs, 10 R/CBs) from March to April 2020

Financial infrastructure and BSP MSME initiatives

Financial Infrastructure



PhilSys as the national digital ID system



Secured transactions framework and online movable collateral registry under the Personal Property Security Act



Risk-based lending and addressing information asymmetry through Credit Information System



PESONet and InstaPay as digital payment rails

Credit enhancement through the credit risk database (CRD)



Adoption of digital merchant payments (P2B)



Supply chain finance (SCF) market development



BSP MSME Initiatives



SCF as a viable approach to MSME finance



A financing approach that **uses the receivables, inventory flows and relationships** in a supply chain to provide financial services.

Enables banks to **perform better credit risk management** and **support the working capital and liquidity requirements** of smaller firms

Also supports large corporate buyers in terms of **improved working capital management and reduced supply chain disruptions**

Current state of SCF in the Philippines

SCF Pulse Survey Results

Banking Sector's Institutional Capacity and Strategic Investments in SCF

- Few have made estimates on potential market size
- Few have done legal environment review
- Few with specific SCF targets/managers, and automated SCF module

Main Challenges

- technological constraints owing to legacy systems and paper-based SC transactions
- onboarding and documentation
- limitations of the credit infrastructure that supports industry-wide visibility of loan exposures to SMEs.

SCF Platform Some Examples

UnionBank

- *Financial Supply Chain System on Blockchain* offers a secure and efficient platform that enables seamless access to non-traditional financing options

Acudeen

- Facilitates *purchase order or invoice financing* through online platforms

SCF Market Development Project

Catalyze the development of a vibrant SCF market

Determine the potential SCF market size in the Philippines

Identify and recommend interventions to address barriers/ deficiencies

(e.g., in financial infrastructure and regulations)

Support information requirements of policymakers, regulators, SME development programs, FSPs, and potential investors



Thank you!

Center for Learning and Inclusion Advocacy

Email: financialinclusion@bsp.gov.ph

Direct Line: (632) 8708-7482