

Microfinance Practitioners' Declaration: A Commitment to Sustainable, Safe and Consumer-friendly Delivery of Financial Services

*National Microfinance Stakeholders Summit
05 April 2011*

We recognize that poverty remains to be a serious problem for the Philippines. We further recognize that there is a large portion of those living in poverty that lack access to basic financial services that could otherwise equip them with the tools to break out of poverty and improve the quality of their lives.

We acknowledge, however, that significant progress has been made and that the power of microfinance has proven that access to financial services, such as credit, savings, remittance, transfers and insurance, by low-income and previously excluded segments of the population can indeed empower them to become economically self-reliant.

We celebrate the success attained by the microfinance industry so far and laud the serious efforts of stakeholders to create a vibrant and competitive industry. Microfinance institutions are now reaching millions of households using a variety of delivery channels. As a result, microenterprises have flourished, investments in health and education have been made, homes have been built and lives have been transformed.

We are also cognizant that this success has attendant challenges that need to be overcome.

We realize that with the increase in the number and range of microfinance providers, sharing of information becomes crucial. Without a credible and comprehensive credit information system, lenders are constantly exposed to excessive and unnecessary credit risk, thereby increasing their portfolio of uncollectible loans or non-performing assets. Meanwhile, credit becomes costly, if not inaccessible to small borrowers who are charged with high interest rates and required to present valuable collateral before being allowed to use credit facilities. Lastly, credit pollution and multiple borrowings ensue resulting in a larger problem of over-indebtedness.

We further observe that while success in microfinance brings more Filipinos in the formal financial system, there is a parallel need to equip these new market entrants, who are typically less informed, with knowledge and skills to fully understand the available products, better evaluate their options, and help them make decisions that are

fit to their capacities and needs. Promoting and pursuing financial literacy is therefore a shared responsibility of all stakeholders.

We agree that competition ushers in lowered costs, increased efficiencies and greater value for clients, yet it sometimes lends to leniency in standards of operation and codes of conduct. There is an urgent need to promote consumer protection principles which include transparent pricing, fair collection practices and ethical staff behavior, and adequate redress mechanisms. This pro-consumer approach can ensure that services are provided in a manner that truly benefits the clients.

Lastly, we believe that while much has been accomplished there still remains a very large unserved market. The challenge for practitioners is to embrace innovation and find ways to be able to expand the scale and scope of microfinance toward creating a truly inclusive financial system.

In the face of these challenges, we, the providers of microfinance services, affirm our commitment to deliver safe, sustainable and consumer-friendly products and services to our clients.

We will abide by fair and responsible business practices and ascertain that our policies and operations recognize the importance of consumer welfare and development. We therefore commit to pursuing financial learning efforts, where possible, and promoting consumer protection.

We will encourage openness to healthy information sharing to avoid credit pollution and over indebtedness. Even in the face of great competition, we will continue uphold sound credit policies that will ensure the strength and stability of our institutions.

We will develop new products and services and continue to improve our operations to deliver appropriately designed and priced products and services to our clientele.

We will propagate the use of information technology to allow us to cater to markets that are otherwise too costly or too prohibitive to reach. We will work with other players to develop a sound and stable technological ecosystem that can help in our efforts to bring financial services to all.

Lastly, we will support government initiatives that will strengthen partnership among key players in microfinance and the development of national and local champions for the broad promotion of microfinance and financial inclusion. We will likewise foster a spirit of healthy competition in the industry where there can be knowledge sharing of tools and best practices of effective delivery of services to the poor.

We believe that the current challenges can be effectively overcome through the convergence of efforts of all stakeholders that include government, non-government organizations, private sector, donor agencies, and the poor and vulnerable sectors of society. We realize the potential power of nation building through the creation of a truly inclusive financial system is in our collective hands and we commit to work unceasingly toward this worthy objective.

Signed on this 5th day of April, in the Year Two Thousand and Eleven during the National Microfinance Stakeholders Summit at the BSP Complex, Manila, Philippines:

Ma. Corazon Liamzon-Miller
Rural Bankers Association of the Philippines

Rommel S. Latinazo
Chamber of Thrift Banks

Mila Mercado-Bunker
Microfinance Council of the Philippines, Inc.

Silvia O. Paraguya
National Confederation of Cooperatives

Mayo Jose B. Ongsingco, Jr.
Philippine Life Insurance Association

Pedro P. Benedicto, Jr.
Philippine Insurers and Reinsurers Association