

MANILA BULLETIN

Published on *Manila Bulletin* (<http://www3.mb.com.ph>)

[Home](#) > IFC taps Deutsche Bank to help BSP improve access to SME credit

IFC taps Deutsche Bank to help BSP improve access to SME credit

The International Finance Corp. (IFC), the private investment arm of the World Bank, said it had tapped Deutsche Bank Risk Management Advisory to assist the central bank improve its policies on providing credit to small and medium enterprises.

IFC, with German Technical Cooperation or GTZ of Germany said Deutsche Bank will provide advisory services on risk management best practices to BSP supervisory staff to "increase much-needed credit flow to the sector."

The IFC statement said the BSP has successfully trained their examiners to specialize in supporting micro-finance institutions, and is looking at similar training to support commercial banks' small and medium enterprise lending operations.

"Many banks are interested in using new products and risk assessment methodologies to profitably address the needs of small and medium enterprises," said Will Beloe, IFC Head of Advisory Services in the Philippines. "BSP (Bangko Sentral ng Pilipinas) recognizes this need and has made it a priority to develop a specialized team of small and medium enterprise experts."

Lukas van der Hoef, Head of Risk Advisory Services Asia at Deutsche Bank, said, "This project is important and is part of our efforts to share the latest risk-management techniques and technology with banks and regulators around Asia to strengthen the local banking systems and ensure their stable and continued growth."

IFC cited a study by UPS Asia Business Monitor that said 83 percent of SMEs in the Philippines have difficulty accessing credit from banks.

IFC said commercial banks tend to favor big businesses or salaried individuals, while rural banks focus on micro-finance. This has given rise to the "missing middle" of small and medium enterprises with limited access to financial services, it said in a statement.

Last November, IFC, GTZ and the BSP signed a Cooperation Agreement to strengthen the foundation of SME lending in the Philippines.

The agreement was for technical assistance to the BSP to increase its supervisory and regulatory capacity for SME lending within the banking sector.

The micro, small and medium enterprises make up 99.6 percent of the country's total enterprises, generate 70 percent of total jobs and contribute 30-32 percent to the economy.

SMEs significantly contribute to exports, both as adaptive and flexible providers of specialized inputs or directly as niche suppliers of products, services and technologies. They are also the seedbed of entrepreneurial skills, innovation and new ideas.

"One of the constraints faced by SMEs is the lack of access to credit that will enable them to achieve sustained growth," said the BSP.

According to an IFC study called "Financing Small and Medium Enterprises in the Philippines," it was estimated that the current funding obtained by SMEs from formal institutions only amount to between 11 and 21 percent of their total current funding. This is low compared to the usual benchmark of 30 percent.

The micro SMEs still rely on internally generated funds, loans from family or friends, and other informal lenders that may limit their capacity to grow.

Source URL: <http://www3.mb.com.ph/articles/268575/ifc-taps-deutsche-bank-help-bsp-improve-access-sme-credit>

Copyright 2010. Manila Bulletin | All Rights Reserved