



Business

IFC, GTZ to provide technical aid to BSP on SME lending program

By [Ted P. Torres](#) (The Philippine Star) Updated July 24, 2010 12:00 AM [Comments \(0\)](#)

MANILA, Philippines - The International Finance Corp. (IFC) and German development agency GTZ are providing technical assistance to the Bangko Sentral ng Pilipinas (BSP) to strengthen its supervisory and regulatory capacity for lending to small and medium enterprises (SMEs).

IFC head of advisory services in the Philippines Will Beloe said banks are getting more interested in using new products and risk assessment methodologies to profitably address the needs of SMEs.

"The BSP recognizes this need and has made it a priority to develop a specialized team of SME experts," Beloe said in a statement.

IFC, the private [investment](#) arm of the World Bank, noted that [commercial banks](#) lend mainly to big businesses or salaried individuals, while rural banks focus on microfinance. "This has given rise to the missing middle of SME with limited access to financial services," it added.

Thus, greater support from BSP examiners for commercial banks specializing in lending to SMEs is expected to increase much-needed [credit](#) flow to the sector. A study last year by UPS Asia Business Monitor showed more than 83 percent of SMEs in the Philippines have experienced difficulties in accessing credit from banks.

The BSP has successfully trained their examiners to specialize in supporting microfinance institutions, and is looking at similar training to support commercial banks' SME lending operations.

GT2, meanwhile indicated that the project will share the latest risk-management techniques and [technology](#) with banks and regulators around Asia to strengthen the local banking system.

The BSP noted that micro, small and medium enterprises (MSMEs) make up 99.6 percent of the country's total enterprises, generate 70 percent of total jobs and contribute about 30 percent of the gross domestic product (GDP). 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. According to an IFC scoping study on 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 percent and 21 percent of their total current funding.

This is low compared to the usual benchmark of 30 percent. The MSMEs still rely on internally generated funds, loans from family or friends, and other informal [lenders](#) that may limit their capacity to grow.

While there are many factors constraining lending to SMEs such as macro-economic factors, lack of the capacity on the part of the SMEs and even the lack of familiarity on the part of many banks with the SME business environment, there may also be some constraints coming from the policy and regulatory environment, the monetary authority noted.