

SIXTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
First Regular Session)



Senate
Office of the Secretary

'13 NOV 14 P4:06

SENATE

P. S. R. No. 364

RECEIVED

Introduced by Senator Miriam Defensor Santiago

RESOLUTION

DIRECTING THE PROPER SENATE COMMITTEE TO CONDUCT AN INQUIRY, ON FORMULATING LEGISLATION THAT WILL STIMULATE FASTER GROWTH IN LENDING FROM BANKS IN THE PROVINCES AND RURAL AREAS TO ADDRESS THE PROBLEM OF NON-INCLUSIVE GROWTH IN THE COUNTRY, BASED ON THE REPORT FROM THE NATIONAL STATISTICAL COORDINATION BOARD THAT BANKS OUTSIDE THE NATIONAL CAPITAL REGION HAD BEEN LENDING LESS AS A PROPORTION OF DEPOSITS COMPARED WITH BANKS IN METRO MANILA

WHEREAS, the Constitution, Article 2, Section 9 provides: "The State shall promote a just and dynamic social order that will ensure the prosperity and independence of the nation and free the people from poverty through policies that provide adequate social services, promote full employment, a rising standard of living, and an improved quality of life for all";

WHEREAS, the *Philippine Daily Inquirer* reported last 9 November 2013 that, according to the National Statistical Coordination Board (NSCB), banks outside the National Capital Region (NCR) had been lending much less as a proportion of deposits compared with banks in Metro Manila;

WHEREAS, the report said that this means that a large amount of liquidity in the banking system outside Metro Manila remains untapped, and represents missed opportunities to spur economic growth and reduce poverty in the countryside;

WHEREAS, the report said that the NSCB used data obtained from the Bangko Sentral ng Pilipinas (BSP) covering 2003 to 2012 to show that the loan-to-deposit ratio in areas outside NCR averaged only 24.9 percent compared with 81.36 percent in the NCR;

WHEREAS, it was reported that the discrepancy describes the wide disparity between economic activity in the NCR and the provinces, as cited by various economists;

WHEREAS, the NSCB report identifies weak business activity in rural areas as one of the reasons for the relatively high poverty incidence in the country, and that only one-third of the P5.67 trillion worth of bank deposits in the country were in areas outside NCR;

WHEREAS, according to the NSCB report, the low and decreasing loan-to-deposit ratios in the regions outside NCR is one concern that could be addressed to help steer economic development and inclusive growth in these areas;

WHEREAS, the NSCB report showed that the loan-to-deposit ratio in areas outside NCR had dropped during the decade from 29.5 percent in 2003, as growth in loans failed to keep pace with the rise in bank deposits;

WHEREAS, according to the NSCB, the poor performance of banks in terms of utilizing available liquidity for loans could be traced to various factors, such as the lack of appetite for lending by banks, lack of willingness among individuals to take risks, and lack of entrepreneurial skills among Filipinos, especially those in rural areas;

WHEREAS, the NSCB reportedly said that measures must be taken to encourage banks to lend more and to promote entrepreneurship, and also said that banks play a vital role in the regional economy since they serve as the major sources of funds for economic production activities and for the consumption of goods and services;

WHEREAS, based on the falling loan-to-deposit ratio of 80.8 percent for Metro Manila last year compared to the 89.8 percent recorded in 2003, the NSCB reportedly said that there was room for banks in the country to lend more and help sustain the economy's robust growth, and that faster growth in lending also would help address the problem of non-inclusive growth of the Philippines;

WHEREAS, it was reported that the country still suffers from one of the highest poverty rates in the southeast Asian region despite becoming one of the fastest growing economies in the region since last year,;

WHEREAS, economists reportedly pointed out that the economic growth was due largely to rising incomes of the rich and the middle class, with less progress made in terms of poverty reduction;

WHEREAS, while supporting the banking sector in the country, Congress should formulate policy that would take advantage of the upturn in the country's economy by bolstering poverty reduction programs, as well as ensuring inclusive growth through legislated economic reforms;

WHEREFORE, be it hereby resolved in the Philippine Senate to direct the proper Senate committee to conduct an inquiry, in aid of legislation, on formulating legislation that will stimulate faster growth in lending from banks in the provinces and rural areas to address the problem of non-inclusive growth in the country, based on the report from the National Statistical Coordination Board that banks outside the National Capital Region had been lending less as a proportion of deposits compared with banks in Metro Manila.

Adopted ,

Miriam Defensor Santiago
MIRIAM DEFENSOR SANTIAGO

/ptmt