

Column for Business Mirror
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The Entrepreneur

Mining the bottom of the pyramid

ASIDE from measures to improve the business climate and make the Philippines attractive to investors, we at the Senate, particularly the Committees on Ways and Means, Trade and Commerce, Oversight on Economic Affairs and Finance, Banks, Financial Institutions and Currencies and the Committee on Economic Affairs (which I chair), are looking at the microenterprise sector to boost the domestic economy and shield it from the impact of the global crises.

I believe that microenterprises, which are labor intensive, will not only drive our economy, but will also contribute to solving our poverty problem. This is the reason I am fast-tracking the committee work on Senate bills that all provide for the development of microenterprises: No. 1350 by Sen. Loren Legarda, and No. 2971 by Senate President Pro Tempore Jinggoy Estrada and No. 2961, which I authored.

I have already gathered enough input from a recent hearing to come out with a committee report on a consolidated bill for submission to the committee and then to the Senate, hopefully, for an affirmative vote.

The importance of microenterprises in the growth of our economy cannot be over-emphasized. As of 2009, micro-enterprises operating in the Philippines totaled 710,822, or 91.4 percent of the 780,437 business establishments in the country.

The proposed legislative measures also aim to empower the poor, which now number more than 23 million. Once approved, these measures will expand and enhance the access of the poor to microfinance services, such as credit, insurance, savings and health care. It has long been recognized by poverty-alleviation experts that pursuing policies for increasing financial inclusion, such as encouraging microfinance, are absolutely essential to lift tens of millions of people out of poverty.

The Philippines, according to the Global Microscope on the Microfinance Business Environment 2011 published by the Economist Intelligence Unit (EIU), the business information arm of The Economist Group, ranked second in Asia and sixth globally, for having a robust microfinance business environment.

This is a significant validation of our country's competence in the microfinance sector for more than a decade. Official statistics show that as of June 2011, banks with microfinance operations have lent more than P7 billion to over 963,000 borrowers, or an average loan of P7,260 per microentrepreneur.

The Microfinance Council of the Philippines also reported that in 2010, it had 2.3 million active borrowers with P13 billion in loans, or an average loan of P5,650 per microentrepreneur.

Thus, promoting economic development goes hand in hand with reducing poverty. To ensure that the contribution of microenterprises to key subsectors and national economies is maximized, and that the poor are not left out of market development, microenterprises need access to finance, business services and improved inputs. They also need a conducive and enabling environment that facilitates rather than inhibits their participation in markets.

Senate Bill 2961, titled the "Microenterprise Development Institutions Act of 2011," endeavors to support and work in partnership with microenterprise development

institutions or Microdevs, which are nonstock, not-for-profit private institutions that provide entrepreneurial assistance to the poor.

The Microdevs will implement a pro-poor microenterprise-development strategy or a social-reform program to empower the poor, manage risks and vulnerabilities and thereby improve their asset base and expand access to microfinance services, such as microcredit, microinsurance, microsavings, health care and microhousing through a broad package of financial, business and human development services and other nonfinancial services, including education to enable them to live productive lives. Microdevs must be accredited by the Microdev Accreditation Center, which will be created under the National Anti-Poverty Commission.

In the business community, the poor majority is sometimes referred to as the bottom of the pyramid, which was generally ignored when corporate planners craft marketing programs to generate revenues and profits.

For the telecom industry, the small number of people in the middle and upper socioeconomic classes presented a very small market. Following the “sachet strategy” of detergent, soap and toothpaste manufacturers, the players in the telecom industry came up with their own sachet—the prepaid-phone credits in denominations of less than P10.

Lo and behold, the poor majority turned out to be a gold mine, which changed the Philippine telecom industry. Similarly, the microenterprise sector, which also largely involves the bottom of the pyramid, can be the mine that will produce golden growth for the Philippine economy—with proper guidance and adequate support.

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