

CHALLENGES FACING RURAL BANKS

Mr. Rogelio A. Encinas
Director
Examination Department III



BANGKO SENTRAL NG PILIPINAS

OUTLINE

- I. Roles and Relevance of Rural Banks
- II. Challenges Facing Rural Banks
 - A. External
 - B. Governance
 - C. Operational
- III. Conclusion



BANGKO SENTRAL NG PILIPINAS

ROLES AND RELEVANCE OF RURAL BANKS

- Funds mobilization
- Financial intermediation
- Promotion of financial awareness



BANGKO SENTRAL NG PILIPINAS

EXTERNAL CHALLENGES

- Natural calamities/disasters
- Increasing competition
- Perceived lack of qualified borrowers
- Inadequate information and communication technology (ICT) infrastructure



BANGKO SENTRAL NG PILIPINAS

COMMON GOVERNANCE ISSUES

- Continuing education of Board members and management
- Inadequate Board and Management oversight
- Transition from traditional to a risk culture
 - Strategy-setting
 - Policy-making
 - Exposure-monitoring
- Audit Committee oversight
 - Internal controls and risk management system
 - Self-assessment functions (internal audit and compliance)
 - External auditor



BANGKO SENTRAL NG PILIPINAS

OPERATIONAL CHALLENGES

- Business continuity
- Lack of resources and technical expertise to adapt and respond to changes
- Few manpower complement resulting in recurring violations of internal controls
- Loan system limitations
- Limited products offered
- Lack of qualified internal auditor/ Ineffective internal audit function



BANGKO SENTRAL NG PILIPINAS

MAIN CHALLENGE

How to capitalize on rural banks' unique role as front liners in mobilizing and intermediating funds within the countryside?



BANGKO SENTRAL NG PILIPINAS

Thank You!



BANGKO SENTRAL NG PILIPINAS