

PRESIDENT'S (VZA) INAUGURAL ADDRESS

INAUGURAL AND INDUCTION OF RBAP OFFICERS AND DIRECTORS FOR FY 2013-2014

Le Salon, Hyatt Hotel Manila

12 July 2013

Acknowledgements:

Tonight, we formally present ourselves to the industry and to our partners as the Officers and Directors of the Rural Bankers Association of the Philippines for the fiscal year 2013-2014.

This new beginning continues and improves on the activities and achievements of the past Boards of RBAP, in a manner that refreshes the association every year. Indeed, we look forward to this mission, and the eventual challenges that sweeten each success.

By October this year, the Philippines will host the 2013 Partnerships against Poverty Summit, with participants from different parts of the world. They will discuss and share experiences on their respective public-private partnerships on microfinance, with the end goal of poverty alleviation.

It is estimated that approximately 1 billion people will still be living in extreme poverty by the year 2015, with 2.6 billion around the globe having no access or formal financial services. The conference will focus on programs aimed at reducing this enormous gap in many ways,

but chiefly by application of the basic tenets and the true meaning of financial inclusion.

Why am I bringing this up?

I share this information to you because the rural banking industry actually is in a year-round summit of sorts with the way we regularly tackle poverty and the tools we use to combat it. We face the problem of poverty head on everyday. In a nutshell, when we deliberate on our clients' financial needs, it is like holding our own poverty alleviation conference in our respective branches every day.

In 1953, the Central Bank of the Philippines set up the rural banking industry for the purpose of helping to develop the countryside. And by definition, this meant that rural banks are primary conduits for food production through their loans to the agricultural and fisheries sectors. This is still our primary mission today, although in many areas, most especially here in Metro Manila, those "countrysides" are now becoming more and more highly urbanized.

Through the years, despite the positive changes in our economy, despite the contribution of the financial sector, poverty is still around us. More, tellingly, about 78.5% of Filipino households still have none or inadequate access to formal finance. So today, that primary mission

of countryside development has evolved as well into one of poverty alleviation through financial inclusion.

In this social pyramid, the rural banks occupy the base positions. The clients are the most numerous, which is reflected in the fact that there are 556 rural banks today with a total of 2,592 banking offices and branches. But as this is also a financial pyramid, all the deposits by these clients in the rural banking industry contribute to only 2.5% of the total deposits of the banking sector in the country.

And so, rural banking industry is hardly a blip in the world of banking. However, for the common *tao*, the simple farmer, the small-scale businessman, the employee, rural banks are a big part of their daily lives. We deal more in everyday concerns, both uplifting and heartbreaking, looking for a creative but profitable way to be a relevant part of our society. Our reputations do not rest in slick brochures, advertisements, or stylish lobbies, but in the very way the owners and employees of the banks conduct themselves in their respective localities. We know our clients personally but so do they too of us.

Today, the world of banking is becoming smaller through the convergence of standards and procedures, Like it or not, all of us banks march to an increasingly uniform tune. Compliance costs are rising in response to an ever-increasing need for security and stability. For this reason alone, it is becoming more and more important to work hand-

in-hand with our partners and regulators in the industry. We need to nurture this cooperation in order to continually craft a sound and meaningful financial sector in the country.

And so, back in our respective banks, we see in our clientele the persistence of a skewed Gini ratio that reflects the income inequality in our country. We will never be all equals but we can, and can do more to give the neediest the financial push that they need. In spite of all the increased competition with players from above and below us, in spite of the increased regulatory requirements, rural banking is still a very satisfying job.

We are happy for this opportunity to be at the forefront in the alleviation of poverty and in the financial improvement of our fellow countrymen. The tools of technology, the guidance of our regulators, and the contributions of our industry partners are there for our mission's success.

Good evening once again!