



KEYNOTE ADDRESS

Chairperson Junie E. Cua

Committee on Banks & Financial Intermediaries
House of Representatives

“The role of Rural Banks in today’s PH economy”

62ND CHARTER ANNIVERSARY SYMPOSIUM
RURAL BANKERS OF THE PHILIPPINES

THEME: “RURAL BANKS: REACHING COMMUNITIES THRU DIGITAL BANKING”

6-7 NOVEMBER 2019

PANDANGGO POLKABAL BALLROOM, MANILA HOTEL

OUTLINE:

- Rural Banks Profile
- Problems
 - Rural Banks Act of 1992
 - Farmers, Fisherfolks as victims:
- Agri-Agra
- Government Intervention
 - CPRB
 - Branch Lites
- Proposals
- A. DEVELOP & PROVIDE CLIENTELE WITH CAPACITY TO PAY
Financing the Agricultural Value Chain
- B. PROPOSE REFORMS TO INCREASE CAPITAL BASE
practical, realistic and viable
Proposed Rural Bank Act Amendments
- C. DIGITAL BANKING
Digital Banking and Rural Banks
- Conclusion

How Rural Banks have evolved since the 1950's

- RBs conceived as alternative to informal lending in rural areas
- Government support allowed industry to grow
- Challenges pose by deregulation
- Rural Banking Act of 1992
- Target market remained underserved

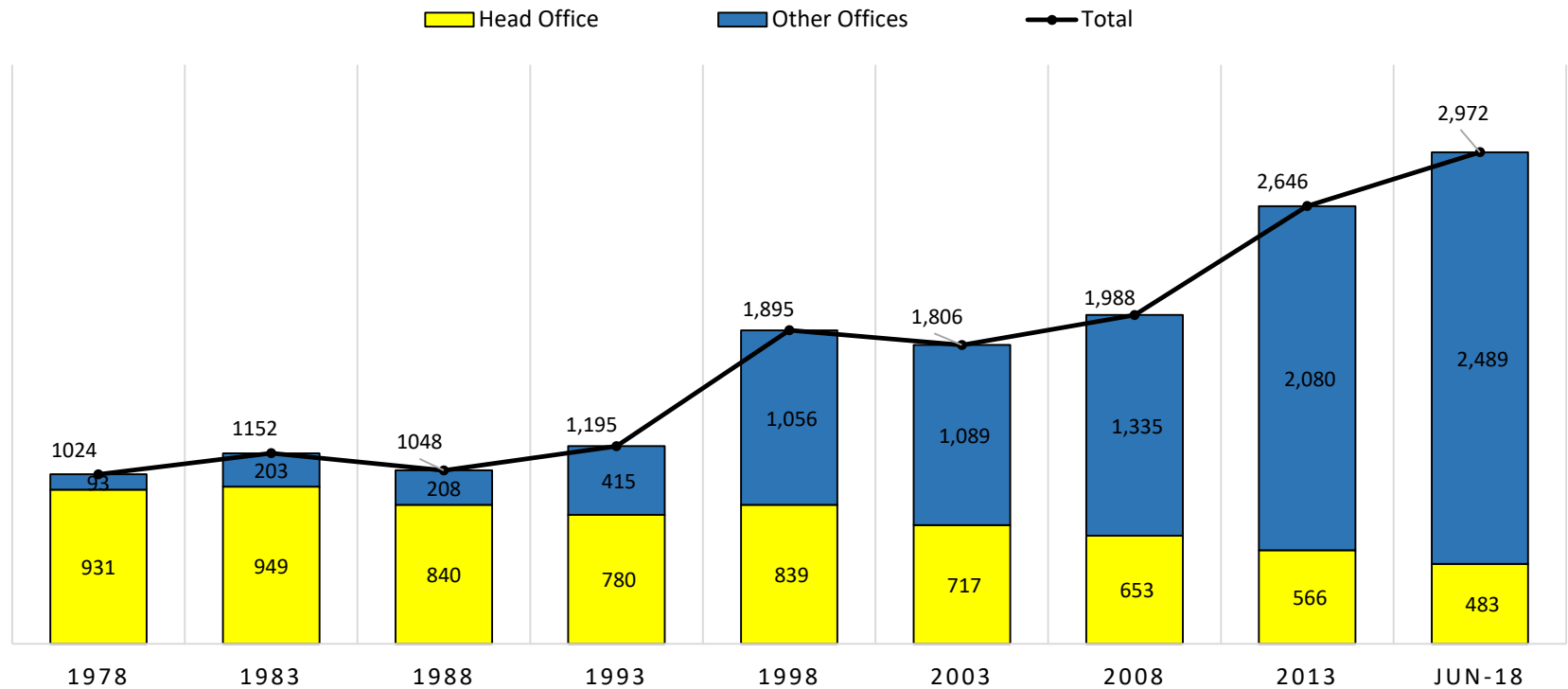


MODERN DAY CHALLENGES FOR THE RURAL BANKING SECTOR

- FAILURE TO LEVERAGE GOVERNMENT SUPPORT TO BUILD CAPACITY
- BESET WITH PERENNIAL LACK OF CAPITAL, MISMANAGEMENT, & LIQUIDITY ISSUES
- INABILITY TO ADJUST TO DEREGULATED MARKET

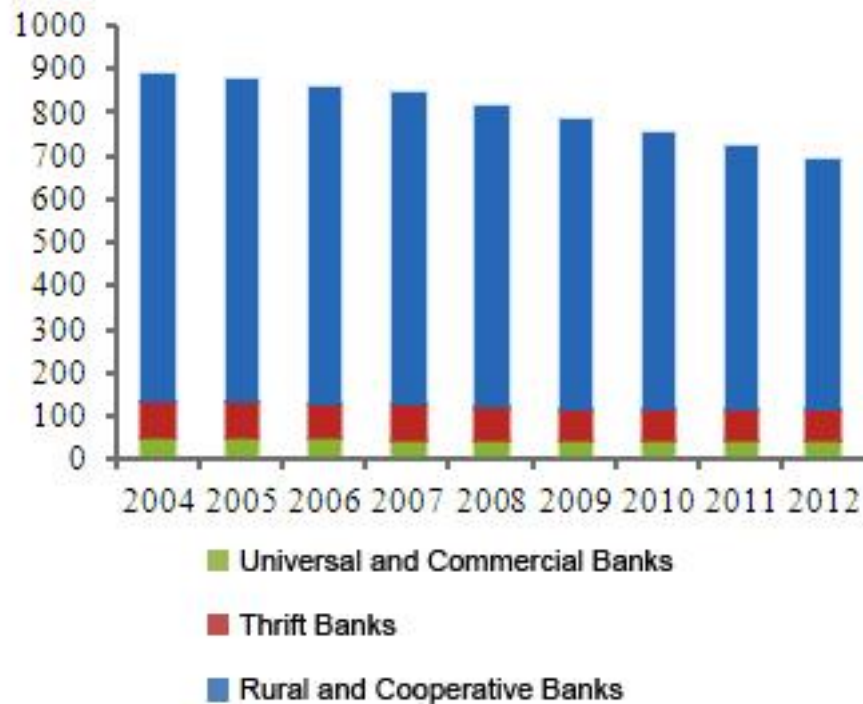
Source: Supervisory Data Center, 1993, 2005 Factbook Vol. 2

Fig. __Physical network of Philippine rural banking system



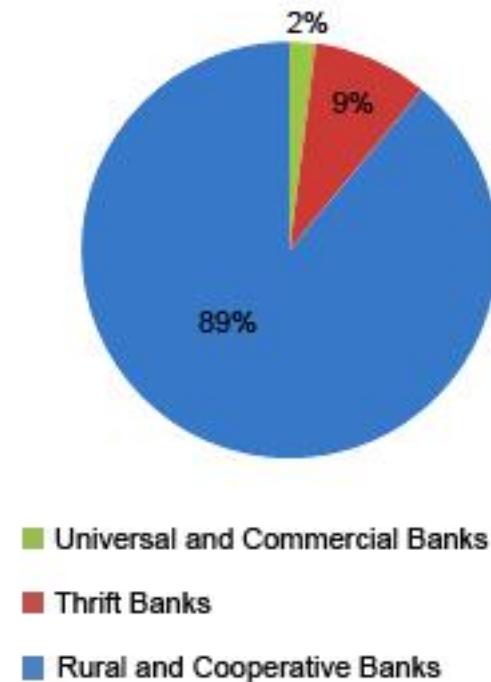
Continuous Decline:

Figure 1. Number of Philippine banks during 2004-2012



Source: Asian Banker Research

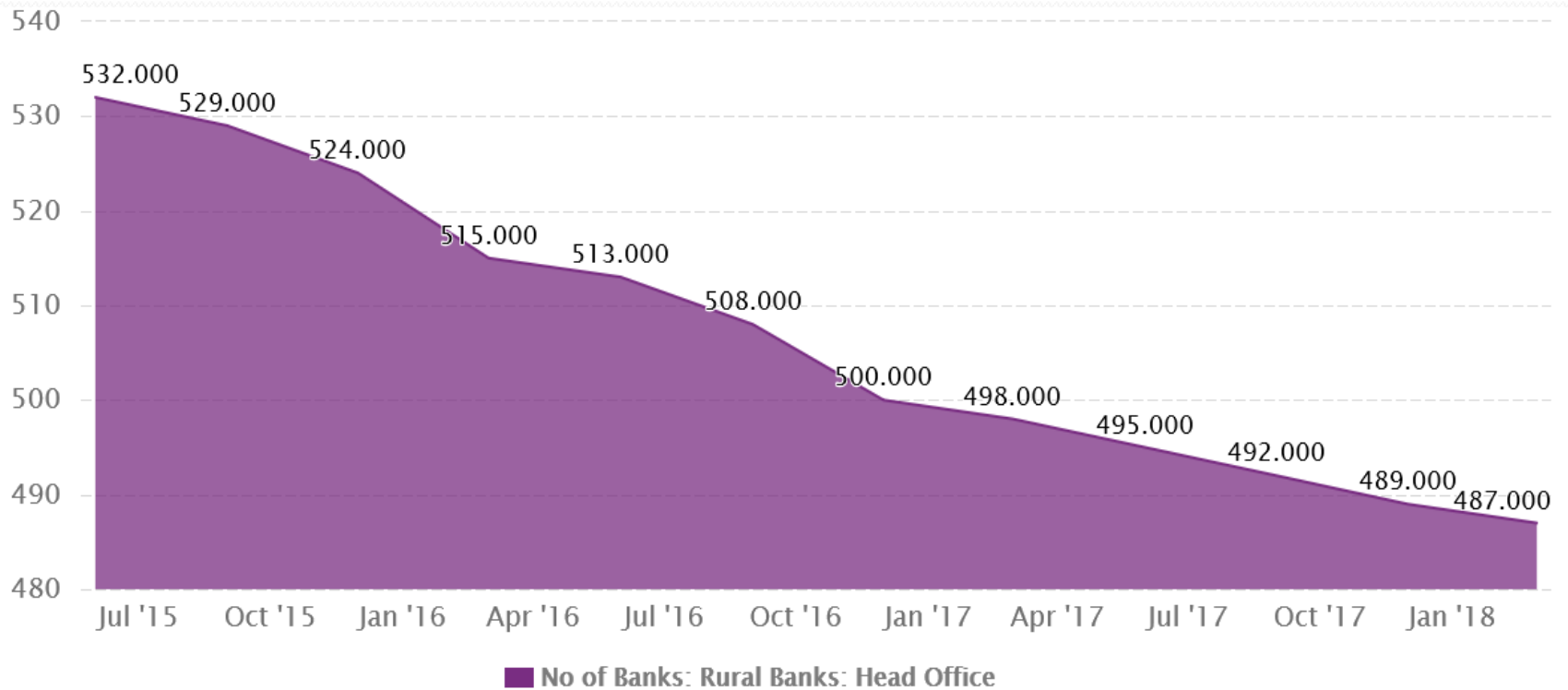
Figure 2. Breakdown of the country's bank volume decline



RURAL BANK ACT OF 1992

- Provided for the rehabilitation of ailing rural banks.
- Despite culling process, rural banking continue to weaken.
- Funds still diverted from the sector's intended beneficiaries.

Rural Banks: 2015-2018



SOURCE: WWW.CEICDATA.COM | Bangko Sentral ng Pilipinas

Table __. Mandatory Credit Allocation for Agri-Agra, as of 31 March 2018

Source of basic data: Bangko Sentral ng Pilipinas

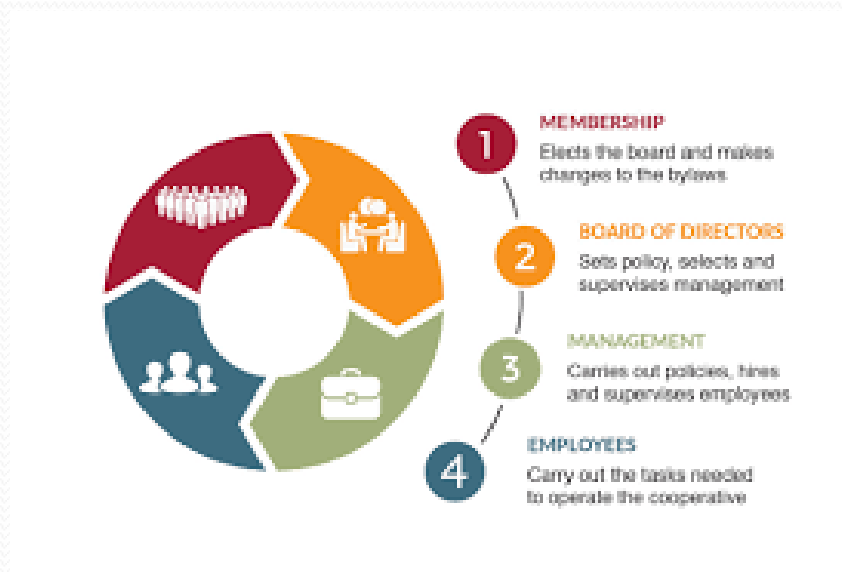
	All Banks	UBs/KBs	TBs	RCBs
% of Compliance vs. Required 10% for AGRA	1.06	0.85	1.59	11.62
% of Compliance vs. Required 15% for AGRI	12.83	12.88	7.60	26.05

Proposals

- A. DEVELOP & PROVIDE CLIENTELE WITH CAPACITY TO PAY
 - Financing the Agricultural Value Chain
- B. PROPOSE REFORMS TO INCREASE CAPITAL BASE
 - Proposed Rural Bank Act Amendments
 - Other practical, realistic & viable proposals
- C. DIGITAL BANKING
 - Digital Banking and Rural Banks

Proposals: DEVELOP & PROVIDE CLIENTELE WITH CAPACITY TO PAY

Use fund to set-up, train and professionalize cooperatives



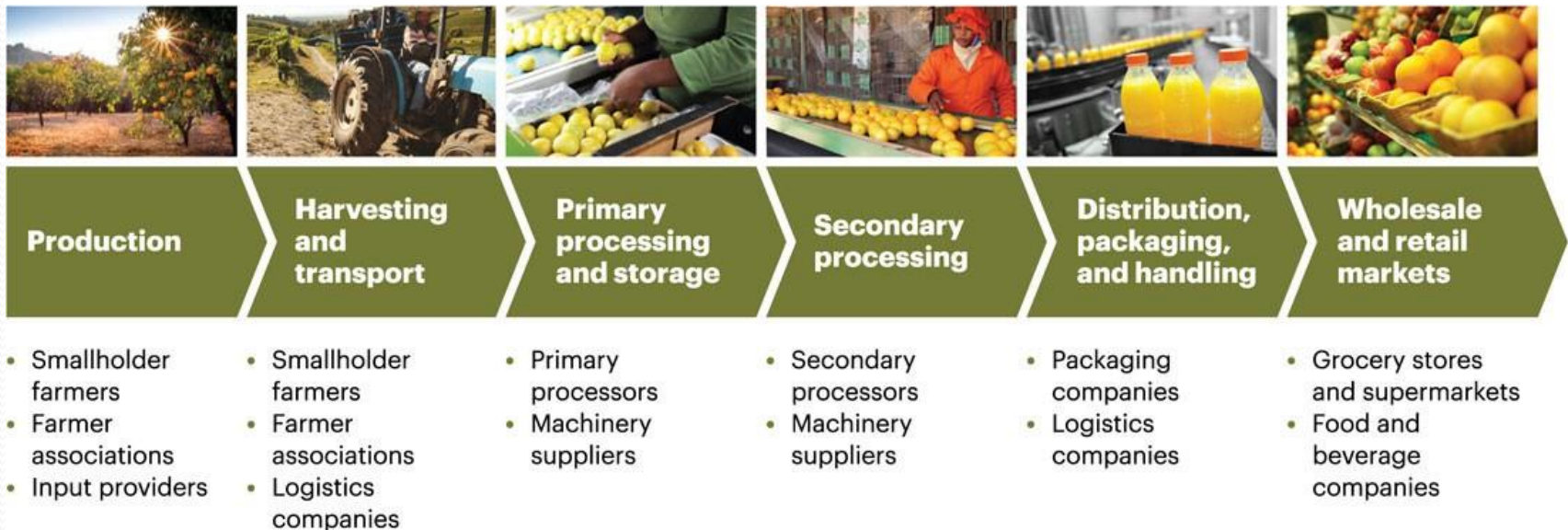
Proposal: Finance Small Integrated Farming



Proposal: Financing the Agricultural Value Chain

Figure 3

The typical agricultural value chain



Source: A.T. Kearney analysis

Proposal:

- B. PROPOSE REFORMS TO INCREASE CAPITAL BASE
- Proposed Rural Bank Act Amendments
- Other practical, realistic & viable proposals

Proposal:

- C. DIGITAL BANKING
 - Digital Banking and Rural Banks
 - Reduce cost and increase revenue

CONCLUSION:

- *“But I hope that we are always mindful of our primary clientele, the reason for which rural banks were created, the farmers, fisherfolk and small entrepreneurs. They should always be at the forefront of our plans. Please consider the points I raised today, especially the three (3) proposals to help them via the rural banking system.”*

Sources and References:

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- GAMBOA, REY, “Making Rural Banks More Relevant”, Dec. 11, 2017, <https://www.philstar.com/business/2017/12/11/1767414/making-rural-banks-more-relevant/>; accessed 05 Nov 2019
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- SCHUMACHER, HENRY J., “Agricultural Supply & Value Chains”, Nov. 06, 2017, <https://businessmirror.com.ph/2017/11/06/agricultural-supply-and-value-chains/>; accessed 05 Nov 2019
- <https://www.hcltech.com/technology-qa/what-are-the-advantages-of-digitalization-in-banking>; accessed 04 Nov 2019

**Thank you
for your attention!**

