

and competitiveness of rural banks. It is composed of four key elements: strengthened capital base; holistic menu of five time-bound tracks, all aimed at ensuring that rural banks that continue to operate have adequate capital to support their operations and effectively comply with regulatory expectations; incentives and capacity building interventions to promote successful undertakings; and review and enhancements of existing regulations to ensure consistency in policy approach and direction.

Under the strengthened capital base, the central bank created five tracks under the program that would encourage the promotion of a strong capital base for banks. These five tracks were merger/consolidation; acquisition/third-party investment; voluntary exit/upgrade of license; capital-build up program; and supervisory intervention.

Furthermore, this program aims to aid the challenges that rural banks' face in terms of enhancing their risk management systems; upgrading resources and managing

operational costs; meeting prudent standards; and accelerating digital transformation, among others.

INCLUSION INTERRUPTED?

With its primary objective of meeting credit needs and providing affordable financial services to the rural population of farmers, fishermen, and merchants, the new minimum capital requirement would push the rural banks to close their doors.

This move of the regulators will stunt the financial inclusion initiatives in the rural areas, Rural Bankers Association of the Philippines President Albert T. Concha, Jr. said.

"We find the proposed amounts too high given the BSP concerns that the increase in capital seeks to address... The increase should be aligned to the needs and realities of each rural bank," Mr. Concha said in an e-mail interview.

Mr. Concha said the rural banks' hiking of minimum capitalization should not be across the board, but should consider each lender's market availability, local economy, and operational requirements.

"A look at the annual 2019 to 2021 per capita local GDP (gross domestic product) shows that an increase of the requirement to P60 million and P200 million is unwarranted as the local economic activity cannot support said capital and the market to lend to simply does not exist," he said.

The current RBSP is "better" compared to the previous strengthening programs in the past, except for the proposed hike in minimum capitalization requirement, Mr. Concha said.

Further, he expressed concerns on the deadline that was given to them for the compliance of amended minimum requirement,

“The rural banking industry has always been resilient especially during challenging times, and we remain relevant in the respective communities we serve. With the BSP’s RBSP, it aims to provide strategic and policy direction in developing a sustainable capacity-building program for the RB (rural bank) industry. Our mandate to help develop the countryside and literacy for all Filipinos is close to our hearts.”