

noting that “rural banks are still recovering from the losses of the pandemic and the timeframe proposed of three years is too short a time to work on capital buildup of that amount.”

For her part, Guagua Rural Bank, Inc. Chief Operations Officer Elizabeth C. Timbol said it would be wise for the BSP to extend the compliance period to 10 years to give rural banks ample time to raise a large amount to meet the new minimum capital.

“For if the smaller banks become big, they will surely cater to larger markets and the unbanked market will no longer be reached and will then remain unbanked,” Ms. Timbol said in an e-mail.

Rural banks shall be given three years from the draft circular’s effectivity to meet the revised minimum capital requirements.

There were 15.90 million rural bank depositors as of end-March with a total of 16.23 million accounts, central bank data showed. The bulk of them — around 13.91 million — have account values amounting to P5,000 and below.

“With account values falling below P5,000 per depositor and the limited number of depositors available per community, we highly doubt that commercial or thrift banks would be interested to open and operate branches where single-unit rural banks have decided to close shop,” Mr. Concha said.

“This will stunt the financial inclusion initiatives in the countryside,” he said.

Early this year, the BSP has launched a six-year financial inclusion plan that aims to onboard unbanked adult Filipinos who belong to small businesses and agriculture sectors. The National Strategy for Financial Inclusion



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2022-2028 is an update to a similar plan in 2015. The central bank eyes to onboard 70% unbanked Filipinos by 2023.

Notably, Ms. Timbol commended the program which sought to boost the resilience of rural banks in the countryside.

“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,” Ms. Timbol said.

In terms of developments in digitization efforts of rural banks, according to Mr. Concha, some of rural banks has embraced online mobile banking and the National Retail Payment System — a policy and regulatory framework that aims to provide direction in carrying out

