

retail payment activities through BSP-supervised financial institutions (BSFIs).

Meanwhile, a large number of rural banks have adapted technology in its back office, altering its core banking systems, digitization of records, and accelerating its internet connectivity.

“We continue to support the micro, small, and medium enterprise (MSMEs), farmers and fisherfolk, and with rural banks going digital, we enjoin the local government units in the disbursement and collection of payments through our digital platforms. We continue to be strong partners with the government in promoting financial inclusion even in far flung areas in the countryside,” Ms. Timbol said.

IMMINENT CLOSURES

However, Mr. Concha expressed a gloomy outlook with the amendment of capital requirement, citing possible closures of multiple rural banks in the countryside.

“With RBSP and the increased capital stock requirement, if implemented in its current form of P60 million, we foresee many single unit RBs to voluntarily surrender their licenses and severely crippling access to banking and credit in the countryside,” he said.

Since the start of the pandemic, the BSP has closed a total of 21 rural banks while two rural banks voluntarily surrendered their banking licenses. Meanwhile,

the regulator has processed 18 transactions for mergers, consolidations, and acquisitions — nine of these were rural banks.

In addition, a total of 30 rural banks have undergone mergers and consolidations under its previous program, the Consolidation Program for Rural Banks (CPRB). Of the 30 rural banks, 16 have been absorbed by thrift banks while the rest were merged with other rural banks.

Amid the challenges that the rural banks are facing, Ms. Timbol expects the rural banking industry to be more secure and strong. However, she believes that the new minimum capitalization requirement should not be the priority in these times when the local economy is still in the recovery period from the impact driven by the global pandemic.

“The rural banking industry will definitely be more stable and will continue to be a strong partner of the government in promoting growth and development in the countryside. With the assistance of the BSP, rural banks are poised for greater heights in bringing credit to the underbanked and developing entrepreneurial activities in the countryside,” she said.

“However, this is not the best time to impose increase in capitalization while everyone is recovering from the pandemic because many RBs, especially from the remote areas, need to focus in helping in the countryside development,” Ms. Timbol said. —

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