



RURAL BANKERS ASSOCIATION OF THE PHILIPPINES

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PRESS RELEASE

P1-B ‘social investment’ firm to help grow rural banks

They are now slowly knocking on the door. Pretty soon, more will come in droves.

Amid the impending opening up of the rural banking industry to majority foreign ownership, a \$24.2-million, "socially-motivated" investment and technical support company Bridge of Singapore was formed composed of different foreign finance companies dedicated to building Filipino banks in provincial areas.

Social investors are corporate entities involved in any investment strategy that considers both the financial return and social good in its investment initiatives. It also includes more proactive practices such as impact investing, shareholder advocacy and community investing which matches the sustainable development initiatives currently being implemented in the countryside to spur growth.

Bridge will infuse equity investments into successful banks serving lower income populations and small businesses—an expertise of rural banks. It will also provide these banks with a range of capability-building services to help them grow faster and serve more people according to Rural Bankers Association of the Philippines (RBAP) Executive Director Vincent Mendoza.

The socially-responsible investment company aims to support the livelihoods of three million Filipinos by 2020.

According to a recent statement by the National Economic and Development Authority, only 41 out of 100,000 Filipinos have deposit accounts. This is way below the government's target of 750,000 Filipinos, or 750 out of 100,000, for 2016. This data tally with the Consumer Finance Survey (CFS) recently conducted by the Bangko Sentral ng Pilipinas. Socioeconomic Planning Secretary Arsenio M. Balisacan said market participants and regulators alike have to innovate and foster strategic partnerships to further expand client reach in the countryside.

Meanwhile, this conundrum has led to slower job creation, greater risk for the poor and general inequality especially in the growth of our rural communities.

Bridge seeks to remove this barrier to development as it has already identified a number of rural banks it will be partnering with in the future. The rural banks will be provided with long-term capital to fund growth, with expertise to manage risk, and with central services to reduce cost according to RBAP President Attorney Edward Leandro Garcia.

These services will be provided to a team of Filipinos and international experts working with the banks on a daily basis as part of the partnership framework.

Industry pundits say this is just the first sign of things to come as a bill allowing foreign capital infusion in rural banks is expected to be enacted into law by March. The bill amends Section 4 of Republic Act 7353 that allows foreign individuals and entities to acquire equity of up to 60 percent in rural banks.

The two panels of the Senate and the House of Representatives already agreed to adopt the Senate version of the bill—Senate Bill No. 3282 and is in the process of transmitting this to the Office of the President.

Legislators, regulators and economists predict that foreign investors' entry into the local rural banking industry will have a direct impact on countryside development, as it will spur economic activities in rural areas by creating an environment that is beneficial to foreign investors, local banking patrons, and national economy.

A healthier and more competitive rural banking sector, with the benefit of international partnerships, will mean more resources to reach out to the unbanked, underbanked, and the less privileged sector of society, said RBAP President Attorney Edward Leandro Garcia. “Our goal is to continue the role for which rural banks were established and that is to promote financial inclusion in the far flung areas of the Philippines” – he added.

Foreign equity in rural banks will serve as a major stimulus for microfinance, micro-enterprise, and agriculture sectors, and all will serve as catalysts in countryside development, in turn, sustaining the efforts being implemented by the current administration of President Aquino.

Meanwhile, the legislation will put rural banks in equal footing with all other banking categories, as it will open a new source of equity infusion, particularly for rural banks that are hard-pressed to expand and cannot afford sophisticated forms of financial services.