

## **2017 BANK LENDING TO AGRICULTURE**

The Agricultural Credit Policy Council (ACPC), an attached agency of the Department of Agriculture, has been mandated to oversee the country's agricultural credit system. As such, one of the major activities of ACPC is to regularly monitor and evaluate the flow of credit to the agricultural sector particularly those provided by the banking sector and government-supported programs.

This report contains consolidated information on agricultural loans granted and loans outstanding of all types of banks (i.e. Commercial and Universal Banks, Thrift Banks, Private Development Banks and Government banks). The data in this report serve as inputs to policy research studies and programs being developed by ACPC for the agriculture and fisheries sector. Likewise, this report is frequently consulted by other policy makers, the banking sector, other researchers and stakeholders in rural finance.

The principal data source for the report is the Bangko Sentral ng Pilipinas (BSP) 2016 Annual Report Volume 2, Land Bank of the Philippines (LBP) and Development Bank of the Philippines (DBP).

### **1.0 Total Loans Granted**

For 2017, total loans granted by the banking system slightly grew by almost 2% amounting to P39.6 trillion in support of all the economic activities. Of this amount, only 1.6% or P619 billion went to agriculture, fishery and forestry (AFF). Despite its minimal share to total loans granted by banks, loans to the AFF sector actually rose by 23.7% from P500 billion in 2016 (Table 1).

**Table 1**  
**Amount of Banks' Loans Granted: Agricultural vs. Non-Agricultural**  
**(Amounts in PM)**  
**For Years 2016-2017**

Type	2016		2017 <sup>a/</sup>		% Change
	Amount	% Share	Amount	%Share	
Agriculture	500,001.5	1.3	618,793.0	1.6	23.76
Non-Agriculture	37,213,873.5	98.7	39,035,671.3	98.4	4.90
Total	37,713,875.0	100.0	39,654,464.3	100.0	1.90

<sup>a/</sup> Estimated based on average growth rate from 2006 – 2016.

Data source: BSP, LBP, DBP

## 2.0 Agricultural Loans Granted

In 2017, financing of the banking sector in support of the agricultural sector expanded. Financial assistance of all types of banks to the sector increased at an average of 24% from previous year's performance. This may be attributed to the favorable factors affecting the agricultural sector like favorable weather conditions, ample government interventions which boosted agricultural production. The aggregate loan releases of government banks (DBP and LBP) showed an increment of 22% from last year's figure amounting to P237 billion. As the leading government agricultural lending institution, Land Bank continue to beef-up its lending to priority sectors (i.e. small farmers, fisherfolk, microenterprises, small and medium enterprises (SMEs), among others) posting a 24% growth in agricultural loans at P202 billion. On the other hand, loans released by the Development Bank of the Philippines' (DBP) to the agriculture sector rose by 12% from last year's level amounting to P35 billion. Agricultural lending by private commercial banks (PKBs), rose by almost 24% amounting to P215 billion. Rural Banks (RBs), on the other hand, whose commitment is to sustain growth in the countryside, posed barely a 10% growth in loan releases to agriculture amounting to P42 billion (Table 2).

**Table 2**  
**Loans Granted to Agriculture, Fisheries and Forestry (AFF)**  
**by Type of Bank, 2016-2017**  
**(Amounts in PM)**

Financial Institution	2016		2017 <sup>a/</sup>		% Change
	Amount	% Share	Amount	% Share	
Government Banks	193,460.01	38.69	237,150.57	38.32	22.58
DBP	31,220.01	6.24	35,054.57	5.66	12.28
LBP	162,240.00	32.45	202,096.00	32.66	24.57
Private Banks	306,541.46	61.31	381,642.46	61.68	24.50
PKBs	173,929.95	34.79	215,524.36	34.83	23.91
TBs	94,151.60	18.83	123,812.20	20.01	31.50
RBs	38,459.91	7.69	42,305.90	6.84	10.00
Total	500,001.47	100.00	618,793.03	100.00	23.76

<sup>a/</sup> Preliminary. Amounts were estimated due to non-availability of actual data.

Estimates derived using the average growth rate for the past ten (10) years;

LBP estimated using average growth rate of 2014-2015.

Data sources: BSP, LBP and DBP.

## 2.0 Agricultural Production Loans Granted

Agricultural production loans in all types of banks posted a positive growth from previous year's level. Government banks' farm loans showed a robust increase of 26% amounting to P65.4 billion. LBP, as it continued to intensify lending to the agricultural sector, released nearly P62 billion worth of production loans, a 14% increase compared to the previous year. On the other hand, DBP showed strong performance as the bank continued to strengthen its assistance to agriculture with its agricultural production loans grew more than double (147%) from P1.3 billion to P3.3 billion for the year. Among the private banks, private commercial banks' (PKBs) production loans grew by more than half (56%) from the previous year amounting to P170 billion while rural banks (RBs) and thrift banks (TBs) grew at a slower pace by 10% and less than 1%, respectively (Table 3).

**Table 3**  
**Agricultural Production Loans Granted**  
**by Type of Bank, 2016-2017**  
**(Amounts in PM)**

Financial Institution	2016		2017 <sup>a/</sup>		% Change
	Amount	% Share	Amount	% Share	
Government Banks	51,896.10	19.14	65,435.00	18.68	26.09
DBP	1,334.70	0.49	3,303.00	0.94	147.47
LBP	50,561.40	18.64	62,132.00	17.73	22.88
Private Banks	219,308.20	80.86	284,947.50	81.32	29.93
PKBs	108,994.00	40.19	170,381.90	48.63	56.32
TBs	71,854.30	26.49	72,259.70	20.62	0.56
RBs	38,459.90	14.18	42,305.90	12.07	10.00
<b>TOTAL</b>	<b>271,204.30</b>	<b>100.00</b>	<b>350,382.50</b>	<b>100.00</b>	<b>29.20</b>

<sup>a/</sup> Preliminary. Amounts were estimated due to non-availability of actual data.  
Estimates derived using the average growth rate for the past ten (10) years;  
LBP estimated using average growth rate of 2014-2015.

#### **4.0 Loans Outstanding**

As of 2017, total loans outstanding reached P8.8 trillion reflecting a 2% increase from the previous year. Receivables from the agriculture sector which is almost 5% of the total loan outstanding grew by 13% (Table 4).

**Table 4**  
**Amount of Banks' Loans Outstanding: Agricultural vs. Non-Agricultural**  
**(Amounts in PM)**  
**For Years 2016-2017**

Type	2016		2017 <sup>a/</sup>		% Change
	Amount	% Share	Amount	%Share	
Agriculture	366,824.3	4.9	405,329.7	4.6	13.52
Non-Agriculture	7,107,156.9	95.1	8,406,132.9	95.4	18.28
Total	7,473,981.2	100.0	8,811,462.6	100.0	1.90

a/ Preliminary. Amounts were estimated due to non-availability of actual data. Estimates derived using the average growth rate for the past ten (10) years

Data source: BSP, LBP, DBP

#### **4.1 Agricultural Loans Outstanding, By type of Bank**

Total loan exposure by the banking industry to agriculture posted a growth of 10.5% from previous year's level. The loan receivables of government banks rose by almost 10% amounting to P143 billion. Meanwhile, among the private banks, only PKBs and TBs exhibited an increase in its loan exposure to agriculture at 13% and 6.5%, respectively. On the other hand, total agricultural loans outstanding of rural banks (RBs) contracted by measly less than 1% (Table 5).

**Table 5**  
**Agriculture Fishery and Forestry Loans Outstanding, by Type of Bank**  
**Amounts in PM**  
**2016-2017**

Financial Institution	2016	% Share	2017 <sup>a/</sup>	% Share	% Change
Government Banks	130,473.3	35.6	142,963.1	35.27	9.6
DBP	41,218.0	11.2	40,880.6	10.09	-0.8
LBP	89,255.3	24.3	102,082.5	25.19	14.4
Private Banks	236,351.0	64.4	262,366.6	64.73	11.0
PKBs	188,779.0	51.5	213,527.9	52.68	13.1
TBs	22,046.0	6.0	23,487.7	5.79	6.5
RBs	25,526.0	7.0	25,351.0	6.25	-0.7
<b>TOTAL</b>	<b>366,824.3</b>	<b>100.0</b>	<b>405,329.7</b>	<b>100.00</b>	<b>10.5</b>

<sup>a/</sup> Preliminary. Amounts were estimated due to non-availability of actual data. Estimates were derived using the average growth for the past ten (10) years.