



Department of Agriculture  
Agricultural Credit Policy Council

---

# Compliance of the Banking Sector to Agri-Agra Law (RA 10000) 2019 Year-End Report

## **Compliance of the Banking Sector to Agri-Agra Law (RA 10000)**

The overall compliance of banks to the mandatory 25% lending quota under the Agri-Agra Law (RA 10000) hit P733.9 billion representing 11.9% of the banks' total loanable funds for the year (as of December 2019) amounting to more than P6.1 trillion. The overall compliance rate of 11.9% fell compared with the previous year's level of 14.3% (as of December 2018).

This is around 13.1 percentage points short of the 25% requirement under the law. The banking industry in general both under-complied (10.8%) with the 15% agricultural quota (1.1%) with the 10% agrarian reform quota (Table 6).

By type of bank, rural and cooperative banks that are historically compliant with the law, again over-complied with a compliance rate of 32.5%. On the other hand, Thrift banks under-complied with compliance rate of 7.7%. Also, universal and commercial banks' compliance at the rate of 11.8%.

The downward trend of banks' compliance, both on agri and agra portion, might indicate that some banks opted not to lend to the agri-agra sector due to perceived high cost and risk in lending to the said sector, attributed to the low income brought by the low prices of palay in 2019.

**Table 1. Compliance of Banks with the Agri-Agra Law (RA 10000)  
As of Year-Ends 2018 and 2019  
(Amount in Billion Pesos)**

	UKBs		TBs		RCBs		ALL BANKS	
	2018	2019	2018	2019	2018	2019	2018	2019
<b>A. Total Loanable Funds Generated (P'000)</b>	4,648.5	5,809.3	234.6	270.3	80.2	94.0	4,963.3	6,173.6
<b>B. Minimum Amount Required to be Allocated for:</b>								
1. 10% AGRA	464.9	580.9	23.5	27.0	8.0	9.4	496.3	617.4
2. 15% AGRI	697.3	871.4	35.2	40.5	12.0	14.1	744.5	926.0
<b>C. Compliance with AGRA</b>								
1. Direct Compliance	29.4	37.5	2.0	1.7	7.6	8.0	39.1	47.1
2. Alternative Compliance	16.6	18.4	1.0	0.7	2.0	2.2	19.6	21.3
3. Excess Compliance with AGRA Utilized for AGRI	-	-	(0.0)	(0.0)	(0.7)	(0.9)	(0.7)	(0.9)
4. Total Compliance with Agra	46.0	55.8	3.0	2.4	9.0	9.3	58.0	67.5
5. % of Compliance vs. Required 10% for AGRA	1.0	1.0	1.3	0.9	11.2	9.9	1.2	1.1
<b>D. Compliance with AGRI</b>								
1. Direct Compliance	276.4	292.9	9.9	10.4	18.0	19.4	304.2	322.7
2. Alternative Compliance	336.2	334.2	7.6	7.9	0.6	0.6	344.4	342.7
3. Excess Compliance with AGRA Utilized for AGRI	-	-	0.0	0.0	0.7	1.2	0.7	1.2
4. Total Compliance with Agri	612.6	627.1	17.5	18.3	19.3	21.3	649.4	666.7
5. % of Compliance vs. Required 15% for AGRI	13.2	10.8	7.5	6.8	24.0	22.6	13.1	10.8
<b>E. Total Compliance with AGRI</b>								
1. Direct Compliance	305.8	330.4	11.9	12.1	25.6	27.4	343.3	369.8
2. Alternative Compliance	352.8	352.6	8.6	8.6	2.6	2.9	364.1	364.1
3. Total Compliance	658.6	682.9	20.5	20.7	28.2	30.3	707.4	733.9
4. % Overall Compliance	14.17	11.76	8.75	7.66	35.21	32.54	14.25	11.89

Source: BSP-Department of Supervisory Analytics, Financial Supervision Sector