

BANK LENDING TO AGRICULTURE

As of December 31, 2023

A. Bank Loans for Agriculture

As of year-end 2023, the banking system’s total outstanding loans in support of all economic activities reached P13.8 trillion. Of this amount, 93% or close to P13 trillion was directed to non-agricultural activities such as industries and the services sector, while 6.8% or P944 billion went to agriculture. This underscores the comparatively limited credit support that goes to agriculture (Table 1).

Table 1. Amount of Banks’ Loans Outstanding: Agricultural vs. Non-Agricultural
As of December 31, 2023
(Amounts in Billion Pesos)

Sector	2023	
	Amount	% Share
Agriculture	944.38	6.81
Non-Agriculture	12,915.49	93.19
Total	13,859.87	100.00

B. Agricultural Loans Outstanding, by Sector/Activity

Out of the banking system's P944 billion loan exposure to agriculture, more than half (P477.63 billion) went to support activities, including wholesale & retail trade and transportation & storage, among others (Table 2). On the other hand, 31% (P292 billion) went to manufacturing activities, and 18.41% (P173.83 billion) went to agriculture, forestry, and fishing (AFF) activities for production. This distribution shows the greater support provided by the banking sector to other components of the agricultural value chain vis-a-vis production activities.



Table 2. Amount of Agricultural Loans Outstanding, by Sector/Activity
As of December 31, 2023
(Amounts in Billion Pesos)

Sector/ Activity	2023	
	Amount	% Share
Agriculture, Forestry and Fishing	173.83	18.41
Manufacturing	292.92	31.02
Others:	477.63	50.58
Electricity, Gas, Steam and Air- Conditioning Supply	95.49	10.11
Water supply, Sewerage, Waste management and Remediation Activities	14.98	1.59
Construction	54.06	5.72
Wholesale and Retail Trade, Repair of Motor Vehicles, Motorcycles	150.69	15.96
Transportation and Storage	21.85	2.31
Information and Communication	116.01	12.28
Financial and Insurance Activities	7.61	0.81
Real Estate Activities	6.86	0.73
Professional, Scientific and Technical Activities	4.10	0.43
Administrative and Support Service Activities	1.04	0.11
Public Administration and Defense; Compulsory Social Security	4.95	0.52
Total	944.38	100

C. Agricultural Loans Outstanding, By Regional Grouping

The regional distribution of agriculture loans continues to show significant disparities, influenced by the regions’ different economic characteristics, agricultural significance, and strategic priorities.

The highest amount of outstanding loans is in Central Luzon (P6.0 billion), the country’s rice granary, which contributed 18% of the nation’s rice production in 2023 (Philippines Statistics Authority, 2024). On the other hand, 95% of the agriculture loans in Southern Luzon are concentrated in the National Capital Region (NCR), where most banks have their head offices. However, most agriculture loans that are processed and approved in the NCR are consequently released and utilized outside of the NCR.

In the Visayas Region, most agriculture loans are in the Central Visayas area (P9.6 billion). This is the fastest-growing region in the country and has the largest economy in the Visayas and Mindanao area according to the data provided by the Philippine Statistics Authority (Fuentes, 2024).

In Mindanao, the Davao Region (Region XI) is the primary beneficiary of agricultural loans, receiving three-fourths of the total outstanding agricultural loans disbursed in the island



region (see Table 3). The economy of the Davao Region reached the level of the other big regional economies like NCR, CALABARZON, Central Luzon, Central Visayas and Western Visayas in 2023 as its Gross Regional Domestic Product (GRDP) grew by 6.7% (PSA, 2024).

Table 3. Amount of Agricultural Loans Outstanding, by Region
For the years 2022 and 2023
(Amounts in Billion Pesos)

Regions	2023	
	Amount	% Share
Northern Luzon		
CAR - Cordillera Administrative Region	0.72	0.08
Region I - Ilocos Region	1.60	0.17
Region II - Cagayan Valley	4.06	0.43
Region III - Central Luzon	6.38	0.68
<i>Subtotal</i>	<i>12.76</i>	<i>1.35</i>
Southern Luzon		
NCR - National Capital Region	895.21	94.79
Region IV-A - CALABARZON	3.35	0.35
Region IV-B - MIMAROPA	0.72	0.08
Region V - Bicol Region	0.98	0.10
<i>Subtotal</i>	<i>900.26</i>	<i>95.33</i>
Visayas		
Region VI - Western Visayas	1.43	0.15
Region VII - Central Visayas	9.61	1.02
Region VIII - Eastern Visayas	0.18	0.02
<i>Subtotal</i>	<i>11.22</i>	<i>1.19</i>
Mindanao		
Region IX - Zamboanga Peninsula	0.65	0.07
Region X - Northern Mindanao	2.82	0.30
Region XI - Davao Region	15.10	1.60
Region XII - SOCCSKSARGEN	1.24	0.13
Region XIII - Caraga Region	0.33	0.03
BARMM - Bangsamoro Autonomous Region in Muslim Mindanao		0.00
<i>Subtotal</i>	<i>20.14</i>	<i>2.13</i>
Total	944.38	100



D. Agricultural Loans Outstanding, By Type of Lending Bank

Most of the outstanding agriculture loans are from Universal Banks and Commercial Banks, including the Government Financial Institutions, which leverage their extensive resources and networks to dominate the agricultural credit market. These banks are the sources for 92.84% (P876.76 billion) of the banking sector’s total agriculture loans.

Rural and Cooperative Banks (RCBs), on the other hand, provided P38.44 billion for agriculture loans, or 4.07% of the total agriculture loans provided by the entire banking sector. Rural Banks deliver vital financial services especially in the rural areas where major commercial banks are not present. They primarily support agricultural activities and foster community-based economic development. While relatively small, their market share underscores their specialized focus in serving the financial needs of farmers and fisherfolk in the rural regions.

Finally, Thrift Banks (TBs) contributed 3.0% of the banking sector’s total outstanding agriculture loans (P29.19 billion). Thrift Banks primarily target local communities and small businesses, providing loan and savings services that are more accessible to the public. This type of bank also plays a critical role in promoting financial inclusion and in addressing the financial needs of underserved communities

Table 4. Amount of Agricultural Loans Outstanding, by Type of Lending Bank
For the year 2023
(Amounts in Billion Pesos)

Type of Banks	2023	
	Amount	% Share
Universal Banks and Commercial Banks	876.76	92.84
Thrift Banks (TBs)	29.19	3.09
Rural and Cooperative Banks (RCBs)	38.44	4.07
Total	944.39	100

E. Outstanding Agriculture Loans of Government Banks

As of year-end 2023, the aggregate outstanding agriculture loans of the Land Bank of the Philippines (LBP) and the Development Bank of the Philippines (DBP) reached P265.5 billion. Of this amount, 79% (P209 billion) comes from the LBP. LBP remains the premier lender to the agriculture sector, upholding its social mandate of fostering inclusive and sustainable development. As the largest provider of credit to the agriculture sector, LBP reaches every segment of the agricultural value chain. Contributing to this continued robust increase in its loan portfolio is the bank’s adoption of digital platforms for loan disbursements and collections. Land Bank continually harnesses technology to enhance service delivery and promote financial inclusion nationwide. With increasing customer demand, the bank is poised to broaden its portfolio of innovative solutions, thereby significantly advancing the country's digital transformation efforts. (LBP, 2024).



On the other hand, DBP’s agriculture loan portfolio amounted to P56.0 billion or 21% of the total agricultural loans outstanding. DBP primarily supports agricultural and industrial enterprises, especially small and medium-scale firms.

Table 5. Amount of Total Agricultural Loan Outstanding, by GFI
For the year 2022 and 2023
(Amounts in Billion Pesos)

Government Financial Institution	2023	
	Amount	% Share
DBP	56.08	21.12
LBP	209.46	78.88
Total	265.54	100

F. Prospects for Bank Lending to Agriculture in 2024

The prospects for bank lending to agriculture in 2024 are positive, driven by a combination of robust economic growth and supportive government policies. Recent policy reforms and amendments to the Agri-Agra Law have created a more favorable environment for banks to extend credit to the agricultural sector. One significant change is the broadening of loan allocations to cover the entire agricultural value chain, including not just production but also processing, transport, and storage. This holistic approach reduces the perceived risk and encourages banks to lend more actively to a wider range of participants in the agriculture sector.

Furthermore, economic forecasts indicate strong growth for the Philippines, with real GDP growth expected at 6-7% in 2024 (NEDA, April 2024). This growth, coupled with anticipated lower inflation and interest rates, is set to boost credit demand across various sectors, including agriculture. Banks are well-positioned to take advantage of these conditions, with projections showing credit growth of 10% to 12% in 2024, significantly higher than the previous year (Anand, 2024).

Moreover, the ongoing recovery from the pandemic is expected to boost loan demand, as agribusiness enterprises look to expand and innovate.



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