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## Credit Subsidy in Philippine Agriculture

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Philippine Institute for Development Studies  
*Surian sa mga Pag-aaral Pangkaunlaran ng Pilipinas*

## Credit Subsidy in Philippine Agriculture

*Ma. Piedad S. Geron and Magdalena S. Casuga*

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# **CREDIT SUBSIDY IN PHILIPPINE AGRICULTURE<sup>1</sup>**

Ma. Piedad S. Geron and Magdalena S. Casuga

**Abstract:** This study attempts to measure subsidies to agricultural credit in recent years, and provides policy implications. It finds that credit policy has evolved, from provision of subsidized credit, to one that is more market-oriented, focusing on providing access to credit to farmers, while exposing them to market interest rates. Nevertheless there is remains a significant public outlay for credit, largely through unintended default subsidy. It recommends that publicly supported credit be provided solely through competent government financial institutions under independent regulatory oversight, rather than through agencies (such as for the Agricultural Credit Enhancement Fund), or through government-owned and controlled corporations (such as QUEDANCOR). Government may also need to invest in other support services that would attenuate agricultural risk and encourage greater private sector participation in agricultural lending.

**Keywords:** credit subsidy, market-oriented policy, default risk, risk reduction

## **1. Introduction**

As the rural economy develops and transforms, opportunities for investments in farm enterprise and technological changes require complementary investments that increase demand for working and investment capital. Meyer (2004) stated that financial resources in the form of reasonably priced loans in the countryside is important to hasten the adoption of technology, increase food production and increase farm incomes.

Providing access to financial resources in the rural areas is one of the important

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elements for rural development. Ideally, financial resources for rural development are mobilized by relying on financial institutions to mobilize resources from the fund surplus sectors and to allocate these resources to the fund-deficit sectors. This, however, does not happen because financial institutions do not have sufficient information on borrowers, their projects and on their intentions to repay (Stiglitz, 1981). In view of this, lenders face lending risks that those borrowers will not honor their commitment to pay their loans at the agreed terms and condition. Because of this, lenders incur costs in collecting adequate and sufficient information on borrowers<sup>2</sup>.

Aside from these costs, provision of financial services in the rural areas also entails risks brought about by factors inherent to agricultural lending. For instance, lenders with loan portfolios that are highly concentrated in one geographic area are exposed to covariant income risks especially when their borrower-clients who are mostly located in contiguous geographic area are affected by natural calamities (e.g. typhoon, drought or infestations). Farm price volatility also affects the borrower's capacity to pay and therefore results in high credit risks.

The foregoing costs and risks associated with agricultural lending result in market failures that provide rationale for government intervention in the provision of agricultural credit. Over the years, governments have used either of the following types of interventions: lending quotas imposed on banks, refinance schemes, loans at preferential interest rates, credit guarantees, and lending by development finance institutions. These actions are intended to increase lending to the agriculture sector by reducing the costs and risks to lenders of making loans to preferred clients and sectors (Meyer, 2004).

Government intervention in the provision of credit in Philippine Agriculture has evolved over time. From the view that credit is an input to production and should therefore be provided to farmers to increase agriculture production, it has evolved to one where credit is considered a financial service needed by farmers – hence they should be given access to credit. With the former, the Philippine government intervened through the implementation of subsidized directed credit programs by government non-financial agencies, imposition of mandated credit allocation for banks and provision of low cost rediscounting facilities for financial institutions providing agricultural credit. With the latter view, government provided the enabling policy environment for increased private sector participation in the provision of agricultural credit. Market-based financial and credit policies for the agriculture sector were then adopted.

Given recent policy developments in the provision of agricultural credit (i.e. adoption of market-based interest rates, phase-out of directed credit programs, non-participation of government non-financial agencies in the implementation of credit programs), this paper examines whether credit subsidies in Philippine agriculture still exist. If so, how are these provided, in what form and to what extent. Section 2

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<sup>2</sup> Borrowers, on the other hand, also incur transaction costs (e.g. cost of transportation to and from the financial institution, time lost, etc).

provides an account of the evolution of the policy and regulatory environment resulting in the establishment of varied institutional structures responsible for the delivery of rural financial services in the Philippines from the 70s up to the present. The resulting agricultural credit trends and performance is also discussed in this section. Section 3 describes and analyzes the provision of credit subsidies in Philippine agriculture. And lastly, Section 4 provides some lessons and insights in the provision of agricultural credit subsidies over time.

## **2. Agriculture Credit Over Time: Policy Landscape, Institutional Structures and Resulting Trends**

The provision of agricultural credit in the Philippines has evolved over time. This was mainly shaped by the different policies adopted by government to direct the flow of credit resources to the agriculture sector. This section discusses the policy environment and the various policies implemented at various points in time. The institutional landscape that facilitated the flow of credit resources to the countryside is likewise discussed including the resulting agriculture credit performance at various periods.

### **2.1. Direct Government Intervention in the 60s and the Early 70s**

As early as the 1960s, the government has used credit as a major instrument for agricultural development in the Philippines. To ensure that credit is provided to the agriculture sector, the government established several institutional structures to serve as channels of credit.

The Rural Bank Law was enacted in 1952 allowing the establishment of family-owned rural banks in each municipality. To encourage this, establishment of rural banks were given the following incentives: 50 percent government equity, access to preferential rediscount rates, tax exemption and technical assistance (David, 1973). The Agriculture Credit Cooperative and Farmers' Association (ACCFA) was also established during the same year to develop small farmers cooperatives that were used as channels of small production credit and marketing loans to farmers. After a decade of operations, the ACCFA was plagued by serious default problems; hence its operations were limited to the provision of unsecured loans to land reform beneficiaries.

Prior to this period several government financial institutions were already established with the mandate to among other things, provide financing to the agriculture sector. These are the Philippine National Bank (PNB), the Development Bank of the Philippines (DBP) and the Land Bank of the Philippines (LBP). The PNB mainly provided financing for sugar while the DBP concentrated on the provision of funds for agri-based processing industries such as rice milling, coconut and livestock. The LBP catered mostly to land reform beneficiaries.

In 1973, the country suffered major setbacks in rice production due mainly to a series of natural calamities that hit the country during the period. To ensure

that there will be sufficient rice production for the country, government implemented a massive rice production program (also known as Masagana 99), which was primarily aimed at increasing rice production. To attain its objective of increased rice production, the program provided farmers a package of technology that includes technical assistance, fertilizer and seed subsidy and credit subsidy.

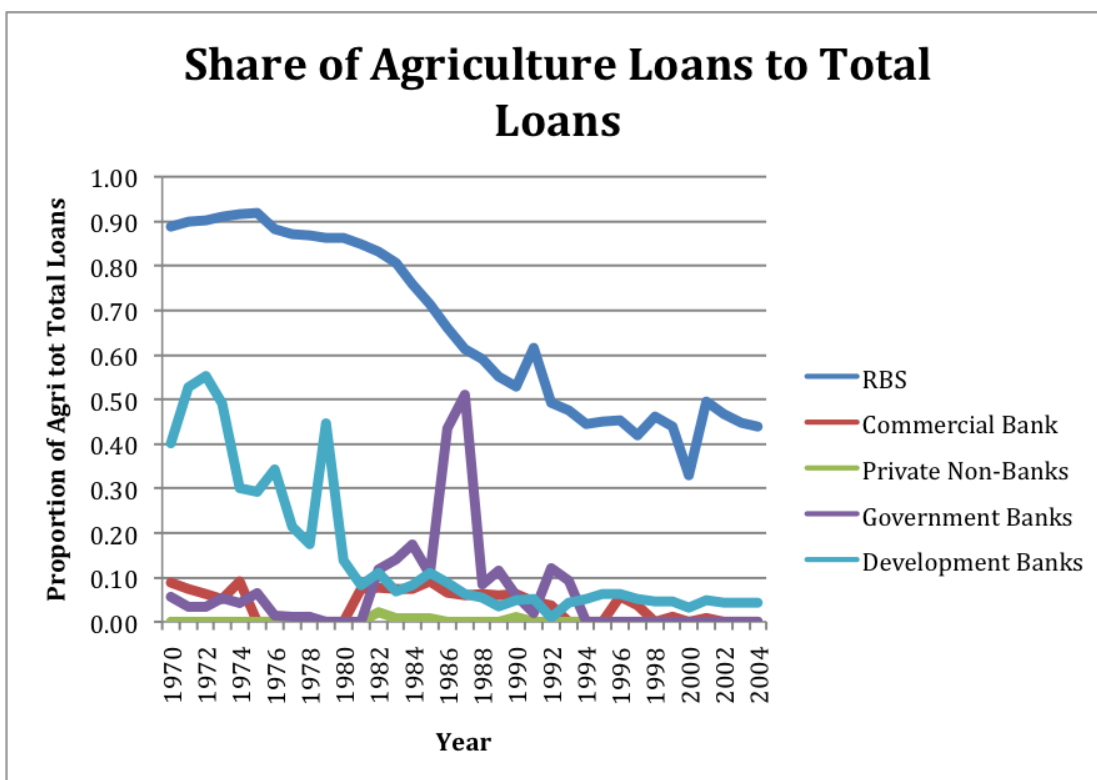
Under the intensive rice production program (a.k.a Masagana 99), credit was considered as an input to production. The program presumed that farmers need credit to be able to use the recommended package of technology for increased rice production. To ensure that farmers were able to avail of credit, loans were provided at highly subsidized interest rates to bring down the cost of borrowing of the targeted sectors. To direct credit resources into the sector, special time deposits and a subsidized rediscounting facility were made available by the Central Bank of the Philippines to both private and government financial institutions that were used as conduits of government funds for agriculture. These funds were provided to participating financial institutions at subsidized rates.<sup>3</sup> In the same manner, government prescribed the rates of interest to be charged by private financial institutions availing of the rediscount facility and providing loans under the program.

To further ensure that private financial institutions are providing credit to the agriculture sector, mandated credit quotas for agriculture and agrarian areas and a deposit retention scheme in favor of rural areas were likewise imposed. Banks were required to set aside 25 percent of their loanable funds to agriculture, 10 percent of which should be used for agrarian reform beneficiaries. Banks in the rural areas were required to retain a certain percentage of their total deposits in their area of operation.

During the period when the foregoing policies and interventions were implemented, the ratio of agricultural loans to total bank loans increased from only 7 percent in 1973 to more than 50 percent towards the end of the decade. Rural banks provided the highest proportion of agricultural loans granted (about 80 to 90 percent) compared to total loans followed by Development banks. Government banks (comprised mostly of the Philippine National Bank and the Land Bank of the Philippines) provided only a small proportion of their total loan portfolio to the agriculture sector (Figure 1).

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<sup>3</sup> Under the government-sponsored supervised credit programs, the lending rates to borrowers were as low as 12 percent prior to March 1984. At the same time, lending institutions enjoyed preferential treatment at the CB rediscount window to encourage their involvement in agricultural credit programs and to support the prescribed rates on such loans. Through the rediscounting facility, the Central Bank provided funds to credit institutions for as low as 1 percent per annum prior to the 1980 banking reforms, at a time when savings and time deposit rates were at a maximum of 9.5 percent and 14.5 percent per annum, respectively. (Cuevas and Corrales, 1987).



**Figure 1. Proportion of Agricultural loans to Total Loans, by Financial Institutions**

Aside from the Masagana 99 program that was mainly focused on intensifying rice production in the early 70s, the program was followed by the implementation of other commodity based credit program. These subsidized credit programs were implemented to bring about higher production of corn, and other farm products, fish, etc. The provision of low-cost and commodity specific credit funds is based on the premise that farmers should be given low-cost working capital in the form of credit to increase agriculture production. Funds for these programs were provided at subsidized interest rates through the Central Banks' rediscounting facility.

With the provision of low-cost rediscount facility for agricultural lending, agriculture financing became too dependent on the rediscount window of the Central Bank. Cuevas and Corrales (1987) reported that rediscounts had funded about 33 percent of total agricultural loans in previous years; rural banks sourced from rediscounts up to 65 percent of their loans granted to agriculture, PNB up to 16 percent and private commercial banks, 30 percent. This is consistent with the preceding discussion on the results shown in Figure 1 above. The higher proportion of agricultural loans to total loans provided by rural banks shows that it was mostly the rural banks that availed of the low-cost funds provided by government through special time deposits and subsidized rediscounting facility at the Central Bank.

As the decade drew to a close, several assessments on the effectiveness of the various subsidized government credit programs were conducted. The

assessments showed that most of the credit programs suffered from very low repayment rates<sup>4</sup> resulting in weak financial performance of most of the financial institutions, rural banks in particular, that were used as conduits of cheap government funds. The flow of credit from most of the credit programs implemented during the period declined over time due mostly to high levels of default, disqualification of many borrowers and rural banks from program participation (due to massive default problems), termination of major foreign-backed on-lending projects, and rediscounting restraints<sup>5</sup>.

The agricultural credit quota policy (PD 717), which primarily aimed to increase the flow of credit to the countryside through increased participation of banks in agriculture and small farm financing failed to produce the expected results. Compliance with agrarian credit was substantially met through investments in government securities as lack of rural outlets, expertise, and an environment of interest rates ceiling made such activity unattractive.

2.2. ***Onset of the Financial Market Reforms in the 80s.*** Realizing that direct government intervention in the credit market yielded unintended results (e.g. poor repayment rates, weak private financial institutions, huge fiscal costs), the government started to implement financial reforms in the mid 80s.

The following key policy reforms in the financial market were implemented: interest rates were deregulated; subsidized rediscounting facility of the Central Bank for agriculture was terminated; and development financing function of the Central Bank was transferred to Government Financial Institutions (LBP and DBP)<sup>6</sup>. With the implementation of these key financial market reforms, twenty agriculture credit programs were abolished and consolidated into the Comprehensive Agricultural Loan Fund (CALF)<sup>7</sup>.

While subsidized agriculture credit programs were terminated, other agencies continued to implement subsidized credit programs in the non-agriculture sector (e.g. DTI, DAR, DOST etc). This resulted in a strong lobby for the resurrection of subsidized credit programs in the mid 80s. As a result, Cabinet Resolution Number 20 was issued during the Aquino Administration allowing the implementation of livelihood programs in all sectors, including agriculture. By the end of 1992, subsidized credit programs have once again mushroomed,

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<sup>4</sup> Low repayment rates were a result of dole-out mentality among borrowers (i.e. loans from government need not be repaid). In his analysis of credit subsidies in 1981, Esguerra mentioned that a large portion of the credit subsidies came in the form of non-repayment of loans. (Esguerra, 1981). These further resulted in unsustainable credit programs that continued to depend on government for loanable funds.

<sup>5</sup> Due to limitations imposed by domestic credit ceilings, the tightening of the rediscount window in 1984 in response to economic and financial difficulties had seriously affected the provision of agricultural credit.

<sup>6</sup> In 1993, the New Central Bank Act that created the Bangko Sentral ng Pilipinas (BSP) in place of the bankrupt Central Bank of the Philippines, mandated that BSP should not undertake quasi-fiscal activities.

<sup>7</sup> EO 113 was issued during the Aquino administration abolishing twenty (20) directed credit programs and transferring these to the CALF. CALF is a fund that was used as a guarantee fund for agricultural loans extended by private financial institutions. 85% of the loan was guaranteed under CALF.



undermining the government’s own market-oriented credit and financial policy and the viability of formal rural financial markets.

In 1993, a group of concerned representatives from both the government and private sector (also known as the Social Pact on Credit) raised the issue of the poor’s inadequate access to credit despite government’s implementation of several credit programs. In response to this, the National Credit Council (NCC)<sup>8</sup> was created in 1994 with the main mandate of rationalizing the implementation of directed credit programs and identifying alternative delivery mechanisms for the effective and efficient provision of financial services to the poor.

To execute its mandate, the NCC conducted several studies<sup>9</sup> that assessed and reviewed government’s policies and framework for the provision of credit services to the poor, including the agriculture sector. The NCC also conducted an inventory of all credit programs implemented by government where it was found out that there were about 86 directed credit programs implemented by about 20 government non-financial agencies. From only 68 DCPs in 1992, the number of credit programs increased to 86 in 1997. Of the latter, 43 programs were directed to the agriculture sector. The Department of Agriculture (DA) and its attached agencies and bureaus, the Department of Agrarian Reform (DAR), the Cooperative Development Authority (CDA) and Quedan Guarantee Fund Corporation (a government-owned and controlled corporation), implemented these credit programs. This showed that with the termination of rediscount lines for agriculture lending at the Central Bank, a number of government non-financial agencies and government-owned corporations started to directly implement subsidized agriculture credit programs. Table 1 below shows the list of government non-financial agencies that implemented directed credit programs. The number of credit programs implemented by each agency is also shown. QuedanCor, a government-owned and controlled corporation under the Department of Agriculture and the Department itself including some Bureaus and Councils under it implemented the most number of credit programs.

**Table 1.** No. of Directed Credit Programs in the Agriculture Sector by Implementing Agency, 1999

<b>Implementing Agency</b>	<b>No. of DCPs</b>
Department of Agriculture	7
Department of Agriculture - Agricultural Credit Policy Council (DA-ACPC)	5

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<sup>8</sup> The National Credit Council was created under AO No. 86 in 1993 . The NCC is a policy council comprised of representatives from both the government and the private sector with the main mandate of rationalizing the implementation of all government directed credit programs and of developing viable and sustainable alternative mechanisms for providing the poor access to credit.

<sup>9</sup> The National Credit Council (NCC) with technical assistance from the Credit Policy Improvement Project (CPIP), a technical assistance from USAID, conducted several studies that highlighted the inefficiencies and ineffectiveness of government-implemented directed credit programs in the country. Results of these studies became the basis for formulating and implementing the needed credit policy reforms that eventually led to increased interest of the private sector in providing financial services to the poor.

Department of Agriculture - National Agricultural Food Council (DA-NAFC)	2
Department of Agrarian Reform	5
Bureau of Animal Industry	1
Philippine Carabao Center	1
Cooperative Development Authority	5
Congress/Land Bank of the Philippines	1
QuedanCor	11
National Food Authority	1
National Resource Development Corporation	1
National Livelihood Support Fund	2
Technology and Livelihood Resource Center	1
<b>Total No. of DCPs</b>	<b>43</b>

Source: Policy Notes 99-04, National Credit Council, Department of Finance

The NCC studies also showed that the government is a poor creditor and that most of the 86 directed credit programs were both inefficient and ineffective resulting in large fiscal losses on the part of the government. The studies also found that the DCPs (a) have low outreach, (b) are financially unsustainable and (c) exact an enormous fiscal cost on the government. The studies also reported that these credit programs suffer from poor program management, large default rates, political intervention, and inefficient program operations resulting in high costs.

Despite the proliferation of government directed credit programs and the large amount of government budget that have been earmarked for these programs the studies and anecdotal evidences showed that the poor or the supposed target beneficiaries of directed credit programs still do not have access to credit.

- 2.3. **The Phase-out of DCPs in Agriculture.** The failure of the commodity-based subsidized lending in the 70s, the continued proliferation of DCPs in the late 80s through the early 90s and the huge amount of fiscal resources spent on these programs called for a re-thinking in the way credit resources are channeled to the agriculture sector.

The results of the DCP survey conducted by the NCC confirmed that the government incurred huge fiscal costs in implementing subsidized directed credit programs. For instance, survey results showed that initial fund allocation for 63 directed credit programs<sup>10</sup> amounted to almost 2 percent of the country's Gross Domestic Product (GDP) in 1996. Aside from the enormous fiscal costs associated with DCPs, the survey also found out that DCPs have low outreach

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<sup>10</sup> This includes DCPS in the agri and non-agriculture sector. Breakdown by sector is not available.

(about 20,000 beneficiaries per program) and are financially unsustainable (repayment rates range from 70 to 80 percent) (Llanto, Geron and Tang, 1998).

Recognizing the costs of implementing Directed Credit Programs and heeding the results of the studies and the survey conducted by the NCC, a new view/approach to rural/agricultural lending was adopted. The approach is characterized by a paradigm shift from a subsidized credit regime to a market-oriented financial system's approach<sup>11</sup>. Under this approach, the importance of financial intermediation was stressed giving emphasis on savings mobilization.

With the new approach, Congress enacted RA 8435, the Agriculture Credit and Modernization Act (AFMA) in 1998. AFMA provided for the adoption of market-based interest rates in agriculture lending and the phase-out of subsidized directed credit programs in agriculture. Under the law, funds of phased-out and terminated DCPS were consolidated into the Agriculture Modernization Credit and Financing Program (AMCFP)<sup>12</sup>. The law also provides that only government financial institutions are allowed to borrow loanable funds from the AMCFP. Funds borrowed should be wholesaled and lent out to private financial institutions, NGOs and people's organization as retailers.

Learning from the results of the evaluation of earlier directed credit programs, the implementing rules and regulations for the AMCFP adopts the following key principles:

- Government non-financial agencies (GNFAs) are no longer involved in the implementation of credit programs. GNFAs, the Department of Agriculture, in particular is mandated to coordinate with the other government agencies in providing the following support services to make the provision of credit viable: infrastructure, research, training, policy development, advocacy and fund sourcing from donors. This comes from the realization that GNFAs do not have the distinctive competence to screen, evaluate and monitor credit programs resulting in unsustainable credit provision.
- Credit decisions are made by lending institutions (banks, cooperatives, and other microfinance institutions). Under the AMCFP, only Government Financial Institutions (GFIs) are allowed to directly provide credit. GFIs are mandated to wholesale the funds to private retail financial institutions such as cooperatives, rural banks and microfinance NGOs.

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<sup>11</sup> This approach also recognizes that other than credit, rural finance should also include the provision of other financial services such as deposit or savings facilities, remittances, insurance and such. Rural finance is not limited to agriculture, as empirical studies have shown that there are other economic activities in the rural areas other than agriculture.

<sup>12</sup> Similarly, the President also issued Executive order 138 in 1999 terminating directed credit programs in the other sector. Under the EO, non-financial government institutions are no longer allowed to implement credit programs. Only GFIs are allowed to implement government credit programs using market based interest rates. GFIs shall wholesale funds to private financial institutions that shall act as retailer of agriculture loans.

Both the GFIs and the private financial retail institutions are given the leeway to disburse the funds and screen their clients using their own credit policies and procedures. The credit risks are borne by the lending institutions. In this way, political pressure to lend out to specific interest groups is ruled out and inefficiencies in fund allocation are minimized.

- Market-based interest rates are employed in the lending process. Under the AMCFP, market-based interest rates are adopted, i.e. interest rates of loans from government (through the AMCFP) to GFI-wholesalers, from wholesalers to private retail financial institutions, and from private retail financial institutions to end-borrowers. Participating financial institutions are allowed to charge interest rates that cover their financial and administrative costs of lending. By doing so, competition among financial institutions is encouraged resulting in lower interest rates for end borrowers. This also encourages financial institutions to compete not only in terms of cost but in terms of the quality of financial service as well.
- Funds are allocated based on demand. Unlike in the past when funds for credit programs are provided directly to implementing agencies based on the government's perceived demand of the credit needs of the sector, funds under the AMCFP are allocated based on the demand of wholesalers, whose demand estimates are based on the actual need in the sector.

To date, 49 DCPs have already been consolidated into the AMCFP. As of June 30, 2009, ACPC, the designated administrator of the AMCFP fund, has already transferred to the Bureau of Treasury the amount of P1.25 billion.<sup>13</sup> Of this amount, almost a billion pesos were lent out to eligible financial institutions that will wholesale the fund to private retail financial institutions.

## **2.4. Resulting Agriculture Credit Trends**

### **2.4.1. Formal loans to agriculture has not significantly improved over the years**

#### **i. Bank density ratios**

The number of banks established in the last 10 years increased by 32% from the 1990s resulting in improved bank density ratios, albeit in the National Capital Region (NCR). The creation of new banking offices slowed down during the five years after the 1997 Asian financial crisis mainly because of regulations imposed by the Bangko Sentral ng Pilipinas (BSP) to strengthen the industry (such as increase in capitalization requirements, restrictions in the opening of

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<sup>13</sup> ACPC Report on AMCFP Collections, 30 June 2009.

new branches, others). Growth in the number of banks ensued since 2003 (Table 2).

Bank density has always been highest in the NCR than in other regions in the country owing to the high concentration of banking offices in the region. Outside the NCR, the availability of banking facilities and services hardly improved as indicated by lack of growth in bank density ratios. The number of banking offices per city/municipality for many years has remained at three while the number of persons served by each banking office has increased. Given the low bank density ratios outside the NCR, rural areas predictably have even lower density ratios and hence constrained access to banking services. This impacts on the provision of agricultural loans by formal financial institutions.

**Table 2.** No. of Banks and Bank Density Ratios, as of end of periods indicated

	1990-2000	2000-2008
<b>No. of banks</b>	5,768	7,633
<b>Bank density ratios</b>		
<b>No. of banks per city/municipality</b>		
Philippines	5	5
NCR	157	155
Outside NCR	3	3
<b>No. of persons served by each bank</b>		
Philippines	12,562	10,804
NCR	3,815	4,127
Outside NCR	13,531	14,380

Source: BSP

- ii. Agriculture production loans<sup>14</sup> remained low over the years but the share of agriculture loans (including non-production related loans) improved in recent years

While the amount of banks' loans to agriculture increased with that of total lending, the share of agricultural production loans and total agricultural loans to banks' total lending continued to shrink over the years (Table 3). From more than 8 percent in the late 1970s, agriculture production loans comprised a measly average of one percent of the aggregate amount of loans released by banks from 2000 to 2008.

<sup>14</sup> For comparative purposes, discussions will focus on agricultural production loans. Data gathered on loans for agriculture (including non-production loans) only started in 1998.

Figure 2 further shows that during the 1970s up to the 1980s, the proportion of agricultural production loans was more than 6 percent. This was the period of direct government intervention in the provision of agricultural credit. Earlier discussion showed that government provided direct credit subsidies through cheap rediscount facilities to private financial institutions in the 70s while non-financial government agencies engaged in direct lending (using varied type of conduits such as NGOs, cooperatives and people's organization) in the 80s. Despite the onset of financial liberalization in the 80s, the Department of Agriculture and its attached agencies continued to provide cheap credit funds to both financial and non-financial institutions during the period.

Towards the end of the 1990s up to the present, the proportion of agricultural production loans to total bank loans has only been a little over one percent. The proportion of agricultural loans (including non-production related loans) to total bank loans however, ranged from 2 to 6 percent from 1996 to 2008. Note that this is the period when government started to terminate its direct involvement and started to implement market-based policies in agricultural lending. This was also the period of the AFMA implementation.

The foregoing shows that lending to agriculture moved from merely financing agriculture production towards financing other non-production related agricultural activities. One might say that the market-based approach to agricultural lending encouraged financial institutions to finance not just production loans. Financial institutions were encouraged to finance higher yielding agricultural projects (non-production related). This is further supported by the discussion on the share of agricultural loans to GVA in agriculture.

**Table 3 . Banks' Agriculture Production Loans Granted, Average for the periods indicated (Amounts in P Billion)**

	<b>1978-1980</b>	<b>1981-2000</b>	<b>2000-2008</b>
<b>Amount of loans granted</b>			
Total bank loans	196.29	3,821.69	14,165.43
Agriculture loans	n.a.	412.41	381.26
Agri production loans	17.09	98.25	134.90
<b>% of total bank loans</b>			
Agriculture loans	-	4.18	2.98
Agri production loans	8.62	4.88	1.01
Agri production/Total Agri	-	59.82	35.70

n.a.=not available

Source: BSP and ACPC

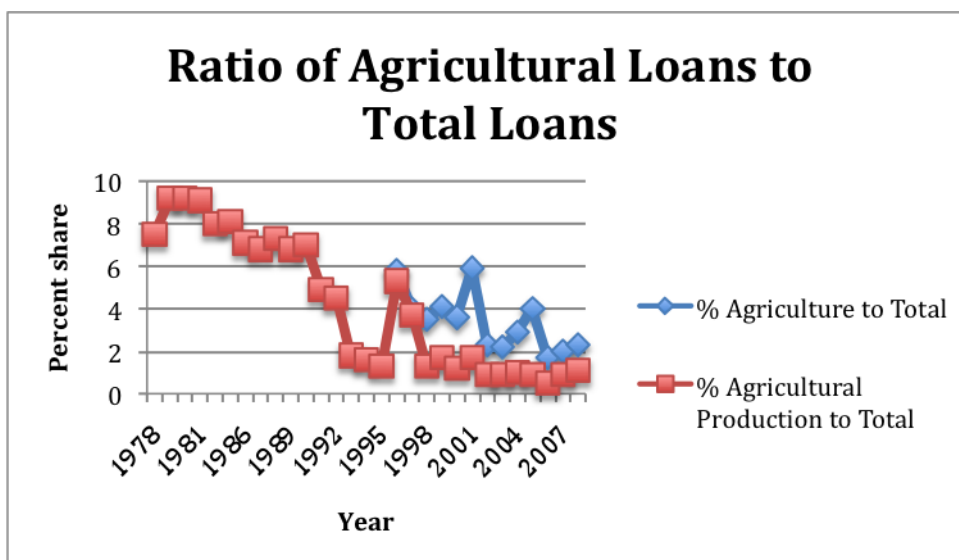


Figure 2

iii. Agricultural Loan to GVA in agriculture ratio improved over the years

The agricultural production loan to GVA in agriculture ratio has been declining over time. From 41% in the late 1970s, the ratio of agriculture production loans to gross value added (GVA) in agriculture and fisheries decreased to about 39% in the 1980s and 1990s and further on to only 22% in the past 10 years (Table 4).

Declining ratio of agricultural production loans to GVA in agriculture and the declining share of agricultural production loans to total bank loans (as shown in the preceding discussion) indicate that loans in the agriculture sector may have shifted towards financing non-production related agricultural activities (non-farm, agro processing, etc.). This is supported by the 66.3 percent average ratio of agricultural loans (including non-production related loans) to GVA in agriculture for the period 2000 to 2008. This again supports earlier observation that with the implementation of market-based policies and the use of demand-driven approach to agricultural lending, financial institutions were encouraged to provide financing to higher yielding agricultural investments.

**Table 4.** Ratio of Agriculture Production Loans to Gross Value Added (GVA) in Agriculture, Annual Average in Various Periods

	1978-1980	1981-2000	2000-2008
Agriculture production loans to GVA ratio, %	41.34	39.36	22.10

Source: ACPC

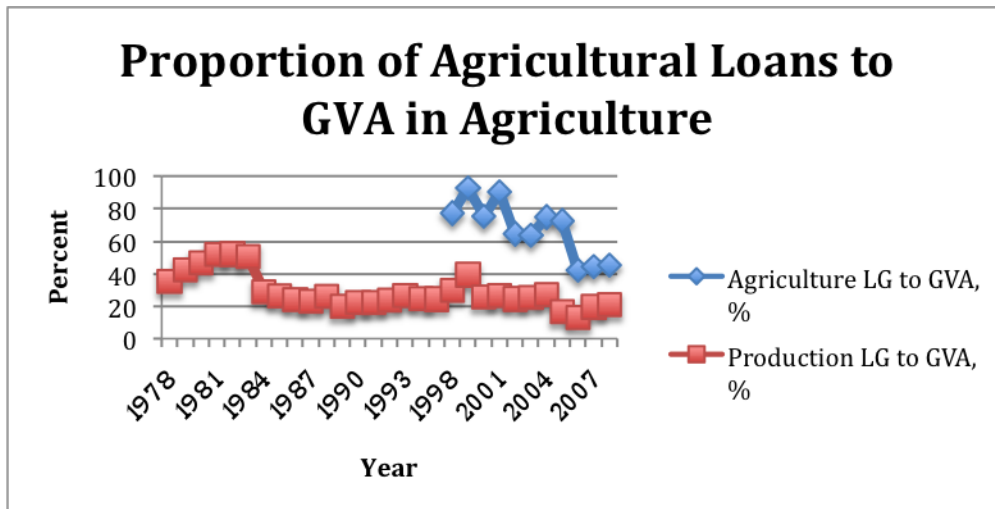


Figure 3

**2.4.2. Continued reliance on informal credit. Informal loans has remained a major source of financing (almost 2/3 over the years)**

There have been a growing proportion of borrowers among small farmers and fisherfolk. From only a third of small farmers borrowing from formal institutions in the 1980s to the late 1990s, about half of the small farmers are now borrowing from formal financial institutions. A significant proportion (about 56 percent), however, has continued to rely on informal credit sources such as traders, private moneylenders, and relatives/friends. The proportion of those borrowing from informal sources, however declined from 69 percent in the 1980s to only 56 percent in the most recent decade.

The proportion of borrowing small farmers has also increased from only about 40 percent in the 80s to about 65 percent in the last decade. ACPC surveys on small farmers' credit accessibility showed that 65% of smallholders in agriculture were borrowers, of which half received loans from formal sources such as cooperatives, rural banks, and non-governmental organizations (NGOs) including savings and loan associations (SLAs). Conversely, the percentage of small farmers availing themselves of loans from informal sources decreased over the period although the proportion still remains significant (Table 5).

**Table 5.** Borrowing Incidence, by Major Source of Loans, In Percent



	<b>1981-2000</b>	<b>2000-2008</b>
Formal institutions	30.6	50.1 <sup>a</sup>
Informal lenders	69.4	56.6 <sup>a</sup>
All Borrowers	100.0	100.0
% Borrowing	41.7	65.0
% Non-borrowing	58.3	35.0

<sup>a</sup> There were 7% who reported borrowing from both formal and informal sources  
Source: ACPC Small Farmers Credit Accessibility Survey, various years

### ***2.5. Self financing also a major source of funds for small farmers***

It can also be noted from Table 5 that the proportion of non-borrowers among small farmers and fisherfolk has declined over time but still remains considerable (35%). This implies that self-financing among small farmers remains prevalent.

## **3. Agricultural Credit Subsidies Over Time**

The provision of credit to the agriculture sector is highly influenced by the prevailing policy and regulatory environment that government adopts to influence and direct the flow of financial resources to the sector. Over time, governments have employed both direct and indirect means by which lenders are encouraged to provide credit to agriculture. Direct intervention includes government implementation of directed credit programs at subsidized rates and imposition of lending quotas, among other things. Indirect means, on the other hand, refers to the government establishing a policy and regulatory environment that encourages the private sector (i.e. private financial institutions<sup>15</sup>) to provide the necessary credit resources to the borrowers in the agriculture sector. During the last three decades, the Philippines moved from one end of the spectrum to the other.

This section examines this and looks into the effectiveness of credit subsidies in directing or influencing the flow of credit resources into the agriculture sector. Due to the lack of a systematic set of data on the various credit programs implemented over time, previous studies that look into the provision of credit subsidies in agriculture were used. For purposes of the study, we identify three periods where specific distinctions in the provision of credit subsidies in agriculture were identified. These are:

- 1970s to 1980 - Government through the Central Bank of the Philippines provides low-cost rediscount funds (or special time deposits) to private retail lending institutions (mostly rural banks). The government prescribes and requires lending institutions to charge borrowers a specific interest rate that is lower than market.

<sup>15</sup> These include both banks and non-bank financial institutions. The latter include cooperatives engaged in savings and credit operations as well as NGOs engaged in the provision of lending services to its member-clients.

- 1981 to the late 90s - Government provides zero cost or very low cost funds (through budgetary appropriations or low cost official development assistance) to non-financial government agencies to finance directed credit programs. Non-financial government agencies pass on the funds to lending institutions (banks and non-banks) at market interest rates. Borrowers are charged market-based interest rates.
- After 1999 - Government provides credit funds (from the Agriculture Modernization Credit Financing Program (AMCFP)) to Government Financial Institutions (GFIs) or Government-Owned and Controlled Corporations (GOCCs) at market interest rates (treasury bill rates). GFIs and GOCCs wholesale the funds to private retail financial institutions at market based interest rates. Borrowers are charged market-based interest rates.

Provision of credit subsidies in agriculture in each of the period identified is discussed below identifying when possible, the amount of estimated credit subsidies that government provided to the agriculture sector. Estimates of credit subsidies for the two earlier periods (1970 to 1980s and 1980s to 2000) used results of earlier studies.

3.1. 1970s to 1980s. During this period, government implemented various agriculture credit programs with subsidies from the government. Agriculture credit subsidy was provided by allowing accredited private financial institutions (rural banks in particular) to rediscount and borrow loanable funds<sup>16</sup> from the Central Bank of the Philippines at very concessional rates. These funds were on-lent to farmers identified by the agriculture technicians of the Department of Agriculture (DA) at interest rates (lower than the prevailing market lending rate) that are prescribed under the Masagana 99 and other commodity specific credit programs implemented by government during the period. The provision of low-cost and commodity specific credit funds is based on the premise that farmers should be given low-cost working capital in the form of credit to increase agriculture production.

The amount of government subsidy in the implementation of the M99 program were provided in the form of “seed” funds from the government under a Special Time Deposit (STD) arrangement with the rural bank or through rediscount availments from the Central Bank. The interest rates on STDs and rediscounts are 3 per cent per annum and 1 per cent per annum respectively. Esguerra (1981) estimated that the total subsidies from government to the various lending institutions implementing the M99 program from May 1973 to April 1980 were about a billion pesos (Php 1,061 million). Total loans granted under the M99 program during the period amounted to about Php 4.3 billion. Credit subsidies provided were almost 20 percent of the total loans granted during the period covered.

Esguerra (1981) pointed out in his evaluation of the provision of credit subsidy under the M99 credit program that the credit subsidies provided did not achieve the intended goal of providing small farmer-borrowers access to credit. Unintended beneficiaries capture the subsidies and rural banks developed

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<sup>16</sup> Loanable funds are borrowed through the Central Banks Rediscount Window or through Special Time Deposits in participating financial institutions.

dependency on the Central Bank of the Philippines. Several studies also showed that the provision of agricultural credit subsidies during the period resulted in, among other things, the following: low repayment rates, dole-out mentality among borrowers, weak private financial institutions (particularly rural banks), large borrowers capturing most of the subsidies. In particular, the non-repayment of the (subsidized) Masagana 99 loans and other loans under the government's subsidized credit programs led to the weakening if not the closure of many rural banks as the 1980s drew to a close. Out of 1,167 rural banks in 1981, only 856 were operational by 1986 of which 82 percent were in arrears with the Central Bank of the Philippines (Abiad and Llanto 1989).

While the foregoing results showed that credit subsidies comprised about 20 percent of the total loans granted for the period reviewed, one might say that the credit subsidies seem to be underestimated. The studies that estimated credit subsidies used repayment rates in estimating default subsidies. Since repayment rate is measured as the amount of loan collections as a proportion of loans that has matured in a given period, restructuring of loans will result in seemingly good repayment rates. Midway during the implementation of the M99 program, loan arrearages started to accumulate. As a result, loan restructuring was implemented in the latter phases of program implementation. In view of this, it is likely that the estimated credit subsidies are underestimated.

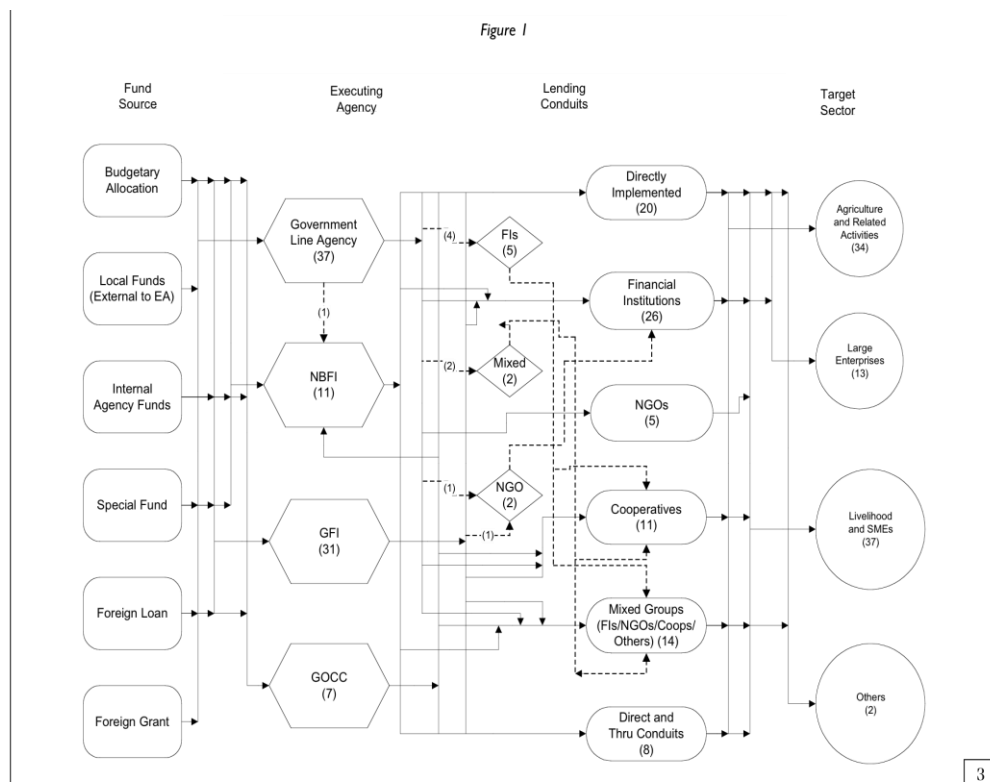
- 3.2. ***1981 to the late 90s.*** During this period, the government started to implement key financial policy reforms: interest rates were deregulated; subsidized rediscounting facility of the Central Bank for agriculture was terminated; development financing function of the Central Bank was transferred to Government Financial Institutions (LBP and DBP). In line with these financial reforms, subsidized agriculture credit programs were also terminated. In the mid-80s, twenty agricultural credit programs were abolished and were consolidated into the Comprehensive Agricultural Loan Fund (CALF).

Since termination of credit subsidies was only done in the agriculture sector, the other agencies implementing development programs in other sectors (i.e. trade and industry, agrarian reform, science and technology) continued to implement subsidized credit programs in their sectors. This resulted in a strong lobby for the resurrection of subsidized credit programs in the mid 80s resulting in the proliferation of subsidized credit programs in various sectors.

Two comprehensive surveys of Directed Credit Programs (DCPs) conducted by Lamberte in 1992 and Llanto et al in 1997 showed that DCPs endured and even expanded, although the degree of subsidies associated with these programs generally shrunk (Adams and Lim, 1998). From only 68 DCPs in 1992, the number of programs increased to 86 in 1997. Of the latter, 43 credit programs were directed to the agriculture sector.

Unlike in the 70s, when most of the funds for directed credit programs were provided to private banks (rural banks in particular) through cheap rediscount facility from the Central Bank, the second wave of directed credit programs (those implemented after the financial market reforms in the 80s) involved

several types of institutions, i.e. non-financial government agencies, government financial institutions, private financial institutions, cooperatives and non-government organizations. The 1997 survey of DCPs showed that with more players (mostly non-financial government agencies) the flow of funds became complex making it difficult to trace the flow of funds from the providers to the beneficiaries. The complexity of these programs is such that tracing program funds from source to end entails moving through a labyrinth of credit conduits of varied shapes and sizes as shown in the diagram below.



With various players involved in the implementation of directed credit programs, it became more difficult to estimate the amount of credit subsidy provided to the agriculture sector. Of the 86 reported directed credit programs, Lim and Adams (1998) were only able to estimate credit subsidies for 20 major DCPs, half of which were implemented in the agriculture sector. Estimated credit subsidies for 10 programs in the agriculture sector amounted to almost a billion pesos in 1996. Interest subsidies amounted to P592.7 million and default subsidies amounted to P442.11. Total loans granted by the ten credit programs in 1996 amounted to almost P5 billion. The total amount of credit subsidy

accounts for only 21 percent of the total loans granted by the 10 programs during the period. Of this, interest subsidy accounts for only 11 percent while default subsidy is only 8.86 percent of the volume of loans granted for the ten programs.

Interest rate subsidies comprise the large unaccounted expenditure item. These subsidies were captured by the financial institutions, cooperatives and NGOs acting as conduits since they got most of the DCP funds for on-lending at below market rates. The end-borrowers paid market rates of interest.

The default subsidy, on the other hand, was calculated based on repayment rates submitted per program. Since computations used repayment rates reported by the project management offices of the various DCPs and did not use any aging of past due loan accounts under each of the ten programs, there is a strong possibility that the default subsidies and therefore the resulting credit subsidies are also underestimated.

**Table 6.** Estimated Credit Subsidies for Ten Agricultural Credit Programs, 1996

	1996
	Amount
Volume of Loans Granted (P million)	4987.5
Interest Subsidy	
To Executing Agencies	268.27
To Private Financial Institutions	53.31
To coops and NGOs	208.72
To end-users	62.41
Total interest subsidy (P million) (Percent to Loans Granted)	592.71 (11.9)
Total default subsidy (P million) (Percent to Loans Granted)	442.11 (8.86)
Total Credit Subsidy (P million)	1034.82
Percent Credit Subsidy to Total Loans Granted	20.75

Source: Adams and Lim (1998)

3.3. ***After 1999.*** In 1998, Congress enacted RA 8435, the Agriculture Credit and Modernization Act (AFMA). The new law specifically mandates the adoption of market-based interest rates in agriculture lending and the phase-out of

subsidized directed credit programs in agriculture. The law provides that the funds of phased-out and terminated DCPS shall be consolidated into the Agriculture Modernization Credit and Financing Program (AMCFP)<sup>17</sup>. As provided for under the AFMA, only government financial institutions are allowed to borrow loanable funds from the AMCFP. Funds borrowed should be wholesaled and lent out to private financial institutions, NGOs and people's organization as retailers.

#### **4. After AFMA: Are There Still Credit Subsidies In Philippine Agriculture?**

The foregoing discussions show the serious intent of government to phase out credit subsidies in agriculture. The initial attempt in the late 80s did not materialize because it was done through a mere executive issuance and the continued implementation of directed credit programs in the non-agriculture sector resulted in a clamor that resurrected and revived the implementation of directed credit programs. Learning from this experience, the enactment of the AFMA in 1998 phasing out directed credit programs in the agriculture sector was complemented by the issuance of Executive Order 138 in 1999. The latter directs the phase-out of directed credit programs in the non-agriculture sector. EO 138 basically adopts and supports the policy principles of the AMCFP therefore preventing market segmentation and the resurrection of DCPs again just like what happened in the early 80s.

But have credit subsidies really been phased-out? Or have they metamorphosed into a different form? This section tries to examine this.

##### ***4.1. Estimating Credit Subsidy***

Credit subsidies in agriculture is comprised of interest and default subsidies. Interest rate subsidies are subsidies given to the sector when lending rates are lower than the prevailing market interest rates. Lending rates used for agricultural credit programs are usually below than what would have been paid by borrowers had they used commercial sources of loans. Default subsidies on the other hand, are subsidies provided when loans extended to the sector are not paid. The total credit subsidies in agriculture is the sum total of the interest and default subsidies.

To estimate the amount of agriculture credit subsidies provided after the AFMA, the level of subsidy estimated was limited to the subsidy provided by the government to agriculture through the AMCFP wholesale conduits. With the

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<sup>17</sup> Similarly, the President also issued Executive order 138 in 1999 terminating directed credit programs in the other sector. Under the EO, non-financial government institutions are no longer allowed to implement credit programs. Only GFIs are allowed to implement government credit programs using market based interest rates. GFIs shall wholesale funds to private financial institutions that shall act as retailer of agriculture loans.

termination of the participation of GNFA's in the implementation of credit programs in agriculture, funds for lending are now downloaded from the AMCFP to wholesale institutions. The amount of credit subsidy provided to the sector is then estimated using the following:

#### 4.1.1. Interest Rate Subsidies

To estimate interest subsidies for agriculture in a given year, the following will be used:

$Int S_i = (i_m - i_{pi}) Lagr_i$  where  $i_m$  is the prevailing market interest rate (i.e. the average time deposit rate)

$i_{pi}$  is the rate given to the GFI or GOCC conduit of AMCFP funds

$Lagr_i$  is the total amount of loans Granted to the GFI or GOCC conduit

$i = 1....n$  where  $n$  is the number of wholesale conduits

$Tot Int S = Int S_1 + Int S_2 + ..... + Int S_i$  where  $i = 1....n$  where  $n$  is the number of wholesale conduits

For purposes of this study, the prevailing market interest used is the time deposit rates prevailing at the time the loan was granted. This is taken to be the cost of fund that a wholesale financial institution would have used had it mobilized funds from the market.

#### 4.1.2. Default Subsidies

Due to the inherent risks associated with agricultural lending, most agricultural credit programs suffer from non-repayment of loans. The amount of loans that are not paid are considered subsidy inasmuch as the government is not able to recover the funds lent out to the sector<sup>18</sup>. To estimate default subsidies in agricultural lending, the following will be used:

$Def S_i = (1 - Rr_i) Lout_i$  where  $Def S_i$  is the default subsidy for credit program  $i$

$(1 - Rr_i) = Pdr_i$  is the past due ratio of conduit  $i$

$Lout_i$  is the amount of loans outstanding for conduit  $i$

$i = 1....n$  where  $n$  is the number

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<sup>18</sup> Since past due loans still has the probability of repayment, one may argue that default subsidy can be overestimated. Using loan write-off data would result in a more accurate estimate. Write-off data is not used in estimating default subsidies inasmuch as write-off data is not available. Also, government agencies are not allowed to write-off loans since only Congress has the power to write-off loans.

of wholesale conduits

$$\text{Total Def S} = \text{Def S}_1 + \text{Def S}_2 + \dots + \text{Def S}_n$$

#### 4.1.3. Total Credit Subsidies

Total credit subsidies in a given year are the sum of the interest rate subsidies and the default subsidies of AMCFP funds lent out to the sector through the wholesale conduits.

#### 4.2. Estimates of Agricultural Credit Subsidies under the AMCFP

While the AFMA law was enacted in December, 1998, it was only in 2000 that the operating guidelines for the implementation of AMCFP were formulated and approved by the Agriculture Credit Policy Council (ACPC). The transfer of remaining DCP funds and collection of loans for remittance to the AMCFP funds started thereafter. Budgetary allocation for directed credit programs (both in the agriculture and non-agriculture sector) were terminated starting 2002. Hence, it was only in 2003 when drawdowns from the AMCFP fund started.

Recognizing the lessons of the past, ACPC, as the administrator of AMCFP funds<sup>19</sup> had only lent out to four (4) wholesale conduits from 2003 to 2008. These are: QuedanCor, National Agribusiness Corporation (NABCOR), National Tobacco Administration (NTA) and the United Coconut Planters Bank (UCPB)<sup>20</sup>.

During the period 2003 to 2008, total AMCFP releases amounted to a little over a billion pesos (P1,086 million)<sup>21</sup>. More than fifty percent of the funds lent out under AMCFP went to QuedanCor. The funds were used to finance the Self-Reliant Team Programs for Rice and Corn. Releases to NABCOR and NTA amounted to P180 million and P20 million respectively while total releases to UCPB was P186 million. The latter was released in 2008.

Using the average time deposit rates as the market cost of funds, total interest and default subsidies from 2003 to 2008 are estimated to total P693 million. Ninety-

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<sup>19</sup> AMCFP funds comprised of all remaining cash of terminated DCPs in the agriculture sector. This also includes all collections from the loans outstanding of the terminated DCPs. ACPC, as the fund administrator, collects the funds and remits it to the Bureau of Treasury. All AMCFP funds are with the Bureau of Treasury.

<sup>20</sup> Under the AMCFP, only GFIs and GOCCs qualify as wholesalers of funds. The amount allocated for UCPB was initially earmarked for QuedanCor, however, with huge problems on non-repayment, UCPB was instead designated as the administrator of the funds. These funds are those earmarked for relending to Cooperative Banks participating in the FIELDS program of the Department of Agriculture. The FIELDS is the program launched by the DA in 2007 to address the impending rice shortage at that time.

<sup>21</sup> Of this amount, P100 million was deposited as trust fund in the Land Bank of the Philippines (LBP). The amount is used to guarantee loans released by LBP under the Innovative Financing Scheme-Rural Household Borrowers Credit Program. This is a microfinance program extended to rural households engaged in agricultural activities.



seven (97 ) percent of the total credit subsidies are default subsidies that went to QuedanCor. Interest subsidies were a measly amount of P16 million only (Table 8).

**Table 8.** Credit Subsidy Estimates After the Implementation of AFMA/AMCFP, 2003 to 2008

	2003	2004	2005	2006	2007	2008	Total	% of Loans Granted for the period
<b>A. Interest subsidies</b>								
(1) Market interest rates, in % p.a.								
Time deposit rate	5.25	6.26	5.18	4.93	3.43	4.07		
(2) AMCFP lending rate (to GFI/wholesaler), in % p.a.	4.00	4.00	4.00	3.50	3.50	4.36		
<b>(3) Interest rate subsidy, in % p.a.</b>								
Using time deposit rate	1.25	2.26	1.18	1.43	-0.07	-0.29		
(4) Amount of AMCFP loans granted (PM)	300	150	200	112	80	246	1,088	100.0
<b>(5) Amount of interest subsidy, PM</b>								
Using time deposit rate	3.8	3.4	1.2	3.4	1.9	2.4	16.1	1.5
<b>B. Default subsidies</b>								
(1) Amount of AMCFP loans outstanding, as of yearend (PM)	300	450	650	583	583	664		
(2) Amount collected as of yearend (PM)				179,2	199.2	274.2		
(3) Amount past due as of yearend (PM)				85,4	275,8	315.3		
(4) Past due ratio, in %				14.7	47.3	47.5		
<b>(5) Amount of default subsidy**, PM</b>	0	0	0	85.4	275.8	315.3	676.5	62.2
**Default subsidy = (5)past due ratio*(2) amount of loans outstanding								
<b>C. Credit Subsidies (PM)</b>								
credit subsidy estimate	3.8	3.4	1.2	88.8	277.7	317.7	692.6	63.7

The foregoing estimates highlights the following important points:

- Under the current AMCFP framework, interest subsidies are very small since the framework prescribes the use of market based interest rates. In fact, the interest rates that were used for the 4 loans granted under the AMCFP approximate the 90-day Treasury bill rates at the time the loan was granted (i.e. 4 percent compared to 4 to 6 percent time deposit rates during the period).
- A very large portion of the subsidy went to unintended default subsidies. The large default subsidy went to QuedanCor<sup>22</sup>, a government owned and controlled corporation that is not supervised nor examined by any regulatory authority. A Board that is represented by ex-officio representatives from various agencies with the Secretary of Agriculture as Chairman governs it. In view of this, it is likely that loans extended by the institution did not undergo a good loan screening process resulting on massive defaults. Also, the institutions's accounting and recording system is not reliable. COA reported in 2005 that "...Receivables are inaccurate because of unreliable data capture due to deficiencies noted in the accounting system." For instance, daily transactions were encoded in a computer without proper review by the appropriate officer. District offices have only one accountant who is assisted by one accounting clerk, most of whom are not occupying regular plantilla items. Since the Board is chaired by the Secretary of the DA, there is always a risk that the institution suffered from political pressure to implement DA programs according to the Secretary's own priorities.
- The large amount of default subsidy that went to QuedanCor confirms the findings of a study conducted by Lamberte and associates in 1998. The study assessed the performance of both Government Financial Institutions (GFIs) and Government-owned and controlled Corporations in implementing credit programs. The study showed that GFIs are more effective and more efficient in implementing credit programs compared to GOCCs (of which QuedanCor is one). For one, GFIs incur lower administrative cost (P0.05 centavos per

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<sup>22</sup> The estimated default subsidy that went to QuedanCor is still underestimated. The amount only includes the default subsidy arising from the AMCFP funds that were on-lent to QuedanCor. Reports of the Secretariat of the Agricultural Competitiveness Enhancement Fund (ACEF) show that P1 billion was lent out to QuedanCor in 2003 for lending to small farmers to improve their competitiveness. To this date, however, no repayment to the fund has yet been reported.

peso lent) compared to GOCCs (P0.36 centavos per peso lent). It is in this context that Lamberte (1999) specifically recommended the following<sup>23</sup>:

“Transfer the management of DCPs from GOCCs/NBFIs to GFIs. The DBP and LBP must continue to implement the DCPs and absorb those run by GOCCs/NBFIs. GFIs have clear accountability, and they are directly supervised by the Bangko Sentral ng Pilipinas. DBP could focus on SMEs and industry projects while LBP could serve as the main financial institution to cater to agriculture and agrarian reform. NLSF’s LCAP, SBGFC’s RDF and SEFF and TLRC’s AITTP and SDML may be transferred to DBP. Meanwhile, the PCFC’s lending functions, the various lending programs of Quedancor and TLRC’s CEP may be assumed by LBP.”

### ***4.3. Limitations of the Credit Subsidy Estimates***

The foregoing estimates of credit subsidy after the implementation of AFMA/AMCFP focused on the amount of subsidy provided through the AMCFP. As mandated by law and as provided for in the implementing guidelines of the AMCFP, program funds maybe accessed by Government Financial Institutions (GFIs) that in turn wholesales the funds to private financial institutions. The estimates refer to the subsidy to the sector in general inasmuch as it is assumed that the amount of loans granted under the AMCFP are relented by the wholesalers to retail private financial institutions catering to the agriculture sector.

The foregoing credit subsidy estimates do not include the subsidy that might be provided to the sector through the loans provided by the Land Bank of the Philippines. As of November 9, 2009, LBP loans outstanding to the agriculture sector amounted to about P87 billion. This is about 47 percent of their total loan portfolio. With the advent of the AFMA, LBP has been providing loans to private financial institutions at market rates hence it is presumed that there is no interest subsidy on loans. Loans to small farmers and fisherfolk are channeled through cooperatives and rural banks. This is only about 9% of LBP’s total loan portfolio and about 20 percent of the bank’s lending to the agriculture sector. LBP’s agricultural loan portfolio is comprised of loans to agribusiness, loans to LGUs for agricultural infrastructure and loans to GOCCs for on-lending. An attempt was made to estimate the default subsidy of the loans provided by the LBP. The Bank at this time, however, do not estimate or make any report on past due loans by sector. Bank reports on loan portfolio quality are generated for management purposes and are consolidated by area of operation. This is used to evaluate performance of LBP offices by geographical area. As of June 2009, LBP’s non-performing loans ratio is only 3.62%. This is slightly lower than the industry average of 3.74%.

The credit subsidy estimates also did not include the Agricultural Competitiveness Enhancement Fund (ACEF implemented by the Department of Agriculture (DA). The ACEF is a fund arising from the income generated from the Minimum Access Volume

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<sup>23</sup> Recent decision of the government to streamline the operations of QuedanCor due to poor financial performance (due to large loan defaults resulting from both mismanagement and poor evaluation and monitoring system within the organization) confirms and supports this findings and recommendations.

(MAV) of imports.<sup>24</sup> Under the law, the fund shall be earmarked and disposed for projects that will enhance the competitiveness of the agriculture sector. The projects funded by ACEF are released as one time credit assistance with zero interest rates. Perceived as an assistance to support competitiveness of the sector, the amount released is mostly unpaid. For instance, in 2007, only about 9% of the P343 million loan amortization due were collected. Given this, it seems that the amount of funds released under ACEF maybe considered an expense and therefore a direct support and subsidy to the agriculture sector. Such amount therefore should be included as part of the credit subsidy to the agriculture sector.

## 5. Some Concluding Remarks

The following lessons and insights from the implementation of credit subsidies in Philippine agriculture may guide policymakers in making sure that credit resources are efficiently provided to the agriculture sector:

- Even in a policy environment that promotes the adoption of market-based interest rates in lending, credit subsidies are still inevitable. For as long as government funds are used for agriculture lending, unintended credit subsidies will be present. This comes in the form of default subsidies. The amount of subsidy can be huge especially if institutions through which government funds are channeled are not carefully assessed and evaluated. Or if these institutions are highly influenced by political pressure.
- To avoid or minimize unintended credit subsidies (in the form of default subsidies), it is important to make sure that the conduits of government funds have the necessary competence, network as well as infrastructure to minimize defaults. Also, it is important that these institutions are appropriately supervised and monitored by an independent third party (e.g. the BSP) to ensure that the necessary systems and procedures for effective and efficient lending are in place. Government Financial Institutions like the Land Bank of the Philippines qualify for this.
- GOCCs are neither effective nor efficient conduits of government funds for credit. This is evidenced by the high default rate experienced in the loans given to QuedanCor. It is not examined nor supervised by the Bangko Sentral ng Pilipinas just like any other financial institutions. A Board that is chaired by the Secretary of Agriculture currently governs QuedanCor. Also, it does not have sufficient network and accounting infrastructure to monitor and record the various loans extended.

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<sup>24</sup> The MAV represents the in-quota volume of agricultural products allowed into the country at a lower in-quota tariff rate.

- Elimination of credit subsidies should be economy-wide, not just sector-wide. Since the enactment of AFMA in 1998 and the issuance of EO 138 in 1999, there has not been a massive resurrection of subsidized DCPs. While there is always a tendency for policy reversal (especially with an executive issuance), the issuance of a law prohibiting DCPs in agriculture made it difficult to revive DCPs in the other sectors.<sup>25</sup>
- With the adoption of market-based approach to lending under the AFMA, the proportion of agricultural loans to total bank loans almost doubled from 1.42 percent during the period 1980 to 2000 to 2.98 percent during the last eight years. This confirms earlier claims that an enabling policy environment for increased private sector lending would increase the flow of credit resources to the countryside.
- Since directing the flow of credit to the countryside through the provision of government funds for lending inevitably results in unintended credit subsidies (default subsidies), government may rethink on the use of public funds. Various studies and recent evidences have shown that the private sector has the necessary liquidity and is willing to provide the much needed credit resources to viable economic activities. In this regard, subsidy to agriculture maybe better provided in improving the viability of economic activities in the agriculture sector which could be achieved through other means in a more transparent manner (e.g. farm to market roads, irrigation, post-harvest facilities). This will increase economic activity in the rural areas and increase incomes, thereby directing or encouraging private financial institutions to provide the needed credit resources to the sector.
- Also, government may invest in other support services that would make agriculture lending less risky. To encourage greater private sector participation in agriculture lending, there is a need to minimize inherent risks in agriculture. A study of the use of weather-based insurance index for minimizing risks in agriculture may have some merit. Subsidy in gathering the relevant weather-based information for actuarial purposes may be provided. For now, the cost of weather-based insurance seems costly but the government may want to look closely on how the cost may be reduced.

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<sup>25</sup> The issuance of EO 558 repealing EO 138 in 2006 demonstrates this. With the support of the private sector, the President issued EO 558-A limiting government implementation of microfinance (credit) programs to the Department of Social Welfare and Development in areas where there are no identified microfinance institutions. To date, DSWD has only lent a very small amount to the identified areas.

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Bangko Sentral Statistical Bulletin

**Table A.1: No. of Banks and Bank Density Ratios, 1978-2008**

Year	No. of banks	No. of banks per city/municipality			No. of persons served by each bank		
		Philippines	NCR	Outside NCR	Philippines	NCR	Outside NCR
1978	2,888						15,784
1979	3,188						14,686
1980	3,411				14,101	6,302	16,910
1981	3,538				13,914	5,866	17,116
1982	3,689				13,658	5,611	17,032
1983	3,822				13,493	5,418	17,044
1984	3,791				13,923	5,725	17,453
1985	3,594				15,031	6,392	18,623
1986	3,581				15,440	6,467	19,308
1990	3,637				16,690		
1991	3,791				16,384		
1992	4,296				14,793		
1993	4,656				13,966		
1994	5,096				13,056		
1995	5,569				12,321		
1996	6,332				11,092		
1997	7,182				10,010		
1998	7,646				9,625		
1999	7,693	5	158	3	10,059	3,679	13,508
2000	7,554	5	155	3	10,184	3,950	13,553
2001	7,585	5	156	3	10,351	3,990	13,799
2002	7,454	5	151	3	10,736	4,167	14,239
2003	7,494	5	153	3	10,892	4,190	14,491
2004	7,612	5	155	3	10,929	4,190	14,546
2005	7,670	5	156	3	11,019	4,228	14,648
2006	7,710						
2007	7,744	5	156	3	11,516	4,174	15,386
2008	7,878						
<b>Average values</b>							
1978-1980	3,162				14,857	6,302	16,910
1981-2000	5,027	5	157	3	13,155	5,388	16,705
2000-2008	7,633	5	155	3	10,804	4,127	14,380
<b>Average change, %</b>							
1978-1980	8.7				-5.5		
1981-2000	5.1	0.0	-1.9	0.0	-2.4	1.6	2.0
2000-2008	0.3	0.0	-0.2	0.0	2.0	1.9	1.9

Source: BSP website

**Table A.2: Banks' Total and Agricultural Loans Outstanding, at Current and Constant (2000) Prices, 1978-2008, (Amounts in P Billion)**

Year	Loans Outstanding		Loans Outstanding at constant prices		% Agri to Total
	Total	Agriculture	Total	Agriculture	
1978	77.72		887.24		
1979	100.48		977.40		
1980	120.36		996.39		
1981	139.51		1,041.10		
1982	165.33		1,117.11		
1983	204.09		1,259.84		
1984	211.46		870.22		
1985	175.24		588.04		
1986	124.58		413.88		
1987	145.96		466.34		
1988	175.03		490.27		
1989	225.49		563.73		
1990	225.75		502.78		
1991	177.26		330.70		
1996	1,329.95	72.42	1,689.90	92.02	5.4
1997	1,693.53	89.43	2,037.95	107.62	5.3
1998	1,666.31		1,835.14		
1999	1,752.61	72.78	1,821.83	75.65	4.2
2000	1,804.82	74.75	1,804.82	74.75	4.1
2001	1,812.16	74.62	1,696.78	69.87	4.1
2002	1,857.79	143.61	1,688.90	130.56	7.7
2003	1,982.18	112.32	1,741.81	98.70	5.7
2004	2,031.33	128.88	1,684.35	106.86	6.3
2005	2,153.57	134.36	1,659.14	103.51	6.2
2006	2,427.94	142.32	1,760.65	103.20	5.9
2007	2,601.70	144.73	1,834.76	102.06	5.6
2008	2,924.44	344.02	1,886.74	221.95	11.8
<b>Average values</b>					
1978-1980	99.52		953.68		
1981-2000	638.56	77.35	1,052.10	87.51	4.76
2000-2008	2,177.32	144.40	1,750.88	112.38	6.38
<b>Average change, %</b>					
1978-1980	24.5		6.1		
1981-2000	6.3	-2.8	-4.8	-10.9	-11.5
2000-2008	5.9	26.4	0.5	19.5	19.0

Source: BSP and ACPC



**Table A.3: Banks' Loans Granted: Total, Agriculture and Agricultural Production, 1978-2008**  
(Amounts in Billion Pesos)

Year	Total Loans Granted	Loans Granted to Agriculture	Loans Granted to Agri Production	% Agriculture to Total	% Agricultural Production to Total
1978	166.06		12.39		7.5
1979	194.22		17.92		9.2
1980	228.59		20.95		9.2
1981	278.75		25.38		9.1
1982			27.33		
1983	352.04		28.28		8.0
1984	336.13		27.07		8.1
1985			27.50		
1986	352.14		25.11		7.1
1987	404.35		27.46		6.8
1988	480.49		35.29		7.3
1989	472.16		32.25		6.8
1990	590.08		41.25		7.0
1991	941.47		46.16		4.9
1992	1,241.07		56.11		4.5
1993	3,669.29		67.78		1.8
1994	4,615.27		74.34		1.6
1995	6,262.83		82.57		1.3
1996	10,636.25	620.90	564.72	5.8	5.3
1997	10,141.48	403.66	376.24	4.0	3.7
1998	8,650.83	299.04	115.08	3.5	1.3
1999	9,901.13	401.88	170.48	4.1	1.7
2000	9,464.73	336.58	114.51	3.6	1.2
2001	7,090.02	416.90	122.60	5.9	1.7
2002	14,362.96	326.99	123.46	2.3	0.9
2003	15,397.73	339.62	135.16	2.2	0.9
2004	16,183.18	463.75	167.96	2.9	1.0
2005	11,935.64	476.14	108.94	4.0	0.9
2006	17,479.54	302.16	93.23	1.7	0.5
2007	17,452.25	349.35	153.83	2.0	0.9
2008	18,122.79	419.89	194.43	2.3	1.1
<b>Average values</b>					
1978-1980	196.29		17.09		8.62
1981-2000	3,821.69	412.41	98.25	4.18	4.88
2000-2008	14,165.43	381.26	134.90	2.98	1.01
<b>Average change, %</b>					
1978-1980	17.3		30.8		11.5
1981-2000	30.2	-10.7	32.5	-10.0	-6.7
2000-2008	12.1	3.2	5.6	3.6	1.8

Source: ACPC

**Table A.4: Ratios of Agriculture and Agricultural Production Loans Granted (LG) to Gross Value Added (GVA) in Agriculture, Fishery and Forestry, 1978 – 2008**

Year	Amounts in Constant 2000 Prices (In Billion Pesos)			Agriculture LG to GVA, %	Production LG to GVA, %
	Loans Granted to Agriculture	Loans Granted to Agri Production	GVA in AFF		
1978	-	141.44	402.05		35.2
1979	-	174.32	412.49		42.3
1980	-	173.43	372.29		46.6
1981	-	189.40	365.31		51.8
1982	-	184.66	355.32		52.0
1983	-	174.57	345.98		50.5
1984	-	111.40	386.28		28.8
1985	-	92.28	350.67		26.3
1986	-	83.42	347.03		24.0
1987	-	87.73	381.52		23.0
1988	-	98.85	380.25		26.0
1989	-	80.63	406.02		19.9
1990	-	91.87	414.73		22.2
1991	-	86.12	388.15		22.2
1992	-	96.41	406.40		23.7
1993	-	109.15	411.34		26.5
1994	-	108.37	440.05		24.6
1995	-	112.80	463.45		24.3
1996	788.95	717.56	479.98	164.4	149.5
1997	485.75	452.76	465.58	104.3	97.2
1998	329.34	126.74	426.77	77.2	29.7
1999	417.76	177.21	450.88	92.7	39.3
2000	336.58	114.51	447.04	75.3	25.6
2001	390.35	114.79	432.40	90.3	26.5
2002	297.27	112.24	460.69	64.5	24.4
2003	298.43	118.77	469.34	63.6	25.3
2004	384.54	139.27	514.26	74.8	27.1
2005	366.83	83.93	506.76	72.4	16.6
2006	219.12	67.61	520.78	42.1	13.0
2007	246.37	108.49	556.32	44.3	19.5
2008	270.90	125.44	599.35	45.2	20.9
<b>Average values</b>					
1978-1980	-	163.06	395.61		41.34
1981-2000	117.92	164.82	405.64	102.76	39.36
2000-2008	312.26	109.45	500.77	63.60	22.10

Source: ACPC, BSP, NSO

**Table A.5: Total Loans Granted, by Bank Type, 1986-2008**

(Amounts in Million Pesos)

	Government Banks				Private Banks							Total
	PNB	DBP	LBP	Sub-total	PKBs	TBs a	PDBs	SMBs	SSLAs	RBs	Sub-total	
1986	24,991	190		25,181	303,179	19,312	6,213	8,359	4,740	4,467	326,957	352,139
1987	12,110	666	9,882	22,659	346,830	29,213	7,503	16,875	4,836	5,650	381,693	404,351
1988	17,312	2,798	48,776	68,885	355,835	49,260	8,081	35,810	5,370	6,513	411,608	480,493
1989	24,422	4,567	22,116	51,105	339,369	73,708	10,186	61,152	2,370	7,976	421,053	472,158
1990	9,133	3,239	12,309	24,681	490,978	65,070	10,934	51,244	2,892	9,349	565,397	590,079
1991		21,317	22,478	43,795	821,566	65,586	12,560	49,740	3,286	10,519	897,671	941,466
1992	100,313	6,353	30,178	136,843	966,597	124,920	9,332	104,652	10,935	12,709	1,104,225	1,241,068
1993	134,000	10,345	35,914	180,260	3,289,642	180,845	18,161	147,367	15,317	18,548	3,489,034	3,669,294
1994	66,687	23,461	28,097	118,245	4,229,601	252,236	67,348	166,121	18,767	15,187	4,497,024	4,615,269
1995		52,201	31,623	83,824	5,812,759	338,480	70,506	239,844	28,130	27,770	6,179,008	6,262,832
1996		20,706	23,302	44,008	10,213,706	342,590	104,420	195,445	42,725	35,944	10,592,239	10,636,248
1997		26,052	23,146	49,198	9,603,991	467,615	197,852	211,058	58,706	20,679	10,092,285	10,141,483
1998		36,687	27,414	64,101	8,206,929	341,511	101,025	199,159	41,327	38,291	8,586,731	8,650,832
1999		90,518	27,458	117,976	9,316,382	433,226	178,321	220,482	34,422	41,544	9,791,152	9,909,128
2000		89,538	25,783	115,321	8,777,087	538,442	153,047	354,021	31,374	33,876	9,349,405	9,464,726
2001		24,227	26,026	50,253	6,507,406	500,065	165,472	318,811	15,782	32,296	7,039,767	7,090,020
2002		109,346	28,703	138,049	13,481,624	682,330	85,464	591,547	5,319	60,957	14,224,911	14,362,960
2003		97,084	28,067	125,150	14,515,998	675,300	56,249	618,057	994	69,417	15,260,715	15,385,865
2004		177,165	28,244	205,408	15,444,705	406,615	1,960	391,213	13,442	80,451	15,931,772	16,137,180
2005		188,157	28,422	216,579	10,810,327	818,395	50,731	754,203	13,461	90,341	11,719,063	11,935,642
2006		197,159	29,796	226,954	15,855,964	1,299,972	59,477	1,218,008	22,487	96,653	17,252,589	17,479,544
2007		184,770	30,140	214,910	13,909,251	3,207,493	161,458	3,006,896	39,139	120,593	17,237,337	17,452,247
2008		191,396	31,240	222,637	13,910,750	3,860,536	162,569	3,655,267	42,699	128,864	17,900,150	18,122,787
<b>Average amounts (PM)</b>												

	Government Banks				Private Banks							Total
	PNB	DBP	LBP	Sub-total	PKBs	TBs a	PDBs	SMBs	SSLAs	RBs	Sub-total	
1986-2000	48,621	25,909	26,320	76,405	4,204,963	221,467	63,699	137,422	20,346	19,268	4,445,699	4,522,104
2000-2008		139,871	28,491	168,362	12,579,235	1,332,128	99,603	1,212,003	20,522	79,272	13,990,634	14,158,997
<b>Average shares, %</b>												
1986-2000	2.2	0.6	1.8	4.7	87.5	7.0	1.5	4.9	0.6	0.8	95.3	100.0
2000-2008	-	1.0	0.2	1.2	89.6	8.7	0.8	7.7	0.2	0.5	98.8	100.0
<b>Ave change in amounts, %</b>												
1986-2000	(30.8)	111.2	#DIV/0!	32.2	36.5	30.7	40.9	37.8	26.6	20.5	34.7	33.3
2000-2008		39.7	1.5	19.9	10.4	37.8	277.0	47.4	132.9	16.3	12.1	12.1

a Comprised of PDBs, SMBs and SSLAs.

DBP=Development Bank of the Philippines, LBP=Land Bank of the Philippines, PDBs=Philippine Development Banks, PKBs=Private Commercial Banks, PNB=Philippine National Bank, RBs=Rural Banks,

SMBs= Savings and Mortgage Banks, SSLAs=Stocks, Savings and Loan Associations, TBs= Thrift Banks

Source: ACPC, BSP

**Table A.6: Loans Granted to Agriculture, by Bank Type, 1998-2008**

(Amounts in Million Pesos)

	Government Banks			Private Banks							Total
	DBP	LBP	Sub total	PKBs	TBs	PDBs	SMBs	SSLAs	RBs	Sub-total	
1998	1,451	12,270	13,721	252,356	15,311	5,280	4,168	5,863	17,656	285,323	299,044
1999	1,591	14,051	15,642	348,158	18,758	7,926	5,279	5,554	19,323	386,238	401,881
2000	1,432	13,091	14,524	284,123	22,018	7,015	8,988	6,015	15,916	322,057	336,580
2001	847	12,920	13,767	363,509	23,659	9,689	11,370	2,600	15,962	403,129	416,896
2002	2,397	13,408	15,805	255,547	27,245	5,184	21,145	916	28,397	311,190	326,995
2003	4,666	14,016	18,682	264,251	25,676	3,412	22,093	171	31,009	320,935	339,618
2004	1,982	16,632	18,614	393,472	16,417	119	13,984	2,314	35,248	445,137	463,751
2005	13,437	15,687	29,125	393,471	15,141	892	12,285	1,964	38,408	447,020	476,145
2006	5,038	17,161	22,199	217,432	23,217	1,082	20,596	1,539	39,314	279,963	302,162
2007	18,427	18,189	36,616	239,260	25,462	1,040	22,776	1,645	48,010	312,731	349,347
2008	42,732	26,452	69,184	220,132	77,183	4,702	65,709	6,773	53,391	350,706	419,890
<b>Average amounts (PM)</b>											
1998-2000	1,491	13,138	14,629	294,879	18,696	6,740	6,145	5,810	17,632	331,206	345,835
2000-2008	10,106	16,395	26,502	292,355	28,446	3,682	22,105	2,660	33,962	354,763	381,265
<b>Average shares, %</b>											
1998-2000	0.4	3.8	4.3	85.1	5.4	1.9	1.8	1.7	5.1	95.7	100.0
2000-2008	2.6	4.4	6.9	76.4	7.6	1.0	5.9	0.7	9.1	93.1	100.0
<b>Ave change in amounts, %</b>											
1998-2000	(0.2)	3.8	3.4	9.8	19.9	19.3	48.5	1.5	(4.1)	9.4	9.1
2000-2008	120.3	8.2	23.0	(1.2)	28.5	96.5	45.0	148.9	14.2	1.6	3.2

a Comprised of PDBs, SMBs and SSLAs.

DBP=Development Bank of the Philippines, LBP=Land Bank of the Philippines, PDBs=Philippine Development Banks, PKBs=Private Commercial Banks, PNB=Philippine National Bank, RBs=Rural Banks,

SMBs= Savings and Mortgage Banks, SSLAs=Stocks, Savings and Loan Associations, TBs= Thrift Banks

Source: ACPC, BSP

**Table A.7: Loans Granted to Agricultural Production, by Bank Type, 1978-2008**

(Amounts in Million Pesos)

	Government Banks				Private Banks							Total
	PNB	DBP	LBP	Sub-total	PKBs	TBs	PDBs	SMBs	SSLAs	RBs	Sub-total	
1978	1,021	471	272	1,763	7,818	421	98	66	258	2,385	10,624	12,386
1979	3,031	394	848	4,273	10,213	480	124	80	277	2,950	13,644	17,917
1980	3,093	539	72	3,704	13,343	643	171	96	376	3,257	17,243	20,946
1981	2,605	675	131	3,411	17,431	805	215	116	474	3,730	21,966	25,377
1982	3,643	604	221	4,468	17,434	1,125	407	183	534	4,307	22,865	27,333
1983	3,268	80	208	3,555	18,916	1,200	330	90	779	4,610	24,726	28,281
1984	1,947	83		2,030	21,330	348	331	15	2	3,362	25,040	27,070
1985	1,316	62		1,378	22,480	864	352	13	499	2,779	26,123	27,501
1986	575	4		579	20,009	1,579	858	97	623	2,948	24,535	25,114
1987	702	131	652	1,486	21,007	1,511	1,013	90	407	3,456	25,974	27,460
1988	2,631	459	402	3,493	23,777	4,166	1,190	202	2,774	3,855	31,798	35,290
1989	3,395	211	2,234	5,839	18,559	2,406	1,481	356	569	5,444	26,409	32,248
1990	1,681	251	4,003	5,935	27,251	3,124	1,142	1,339	643	4,938	35,313	41,247
1991		336	8,115	8,451	28,938	3,289	1,679	842	767	5,487	37,714	46,165
1992	3,009	356	7,021	10,386	35,178	4,116	1,491	768	1,856	6,430	45,723	56,110
1993	3,216	747	5,854	9,817	37,028	7,293	1,986	1,044	4,263	13,638	57,960	67,777
1994	2,067	962	5,029	8,059	40,151	12,900	3,740	4,269	4,891	13,227	66,277	74,336
1995		990	5,471	6,461	43,273	20,369	6,364	7,044	6,961	12,468	76,110	82,571
1996		1,221	6,832	8,052	519,754	20,610	4,229	4,350	12,031	16,300	556,664	564,717
1997		1,119	7,260	8,379	335,236	22,939	6,034	4,739	12,166	9,689	367,864	376,243
1998		688	8,398	9,085	73,026	15,311	5,280	4,168	5,863	17,656	105,993	115,079
1999		258	9,129	9,388	123,012	18,758	7,926	5,279	5,554	19,323	161,092	170,480
2000		261	8,130	8,391	68,630	22,018	7,015	8,988	6,015	15,916	106,563	114,954
2001		214	7,404	7,618	77,979	23,659	9,689	11,370	2,600	15,962	117,599	125,217

	Government Banks				Private Banks							Total
	PNB	DBP	LBP	Sub-total	PKBs	TBs	PDBs	SMBs	SSLAs	RBs	Sub-total	
2002		903	7,650	8,552	61,014	27,245	5,184	21,145	916	26,649	114,908	123,460
2003		655	7,763	8,418	69,950	25,676	3,412	22,093	171	29,072	124,697	133,115
2004		798	9,952	10,750	104,213	16,417	119	13,984	2,314	32,506	153,136	163,886
2005		470	8,125	8,595	46,792	15,141	892	12,285	1,964	38,408	100,341	108,936
2006		714	9,158	9,872	20,825	23,217	1,082	20,596	1,539	39,314	83,356	93,228
2007		668	9,313	9,981	33,657	62,186	4,366	52,217	5,603	48,008	143,851	153,832
2008		917	17,056	17,973	45,879	77,183	4,702	65,709	6,773	53,391	176,453	194,426
<b>Average amounts (PM)</b>												
1978-1980	2,381	468	397	3,246	10,458	515	131	80	304	2,864	13,837	17,083
1981-2000	2,312	475	4,652	5,932	75,621	8,236	2,653	2,200	3,384	8,478	92,335	98,268
2000-2008		38.0	10.3	10.5	(0.2)	26.2	92.4	42.8	145.2	13.8	5.5	5.5
<b>Average shares, %</b>												
1978-1980	13.3	2.9	2.4	18.6	61.3	3.0	0.8	0.5	1.8	17.1	81.4	100.0
1981-2000	4.3	0.8	4.9	10.0	68.5	8.8	3.2	2.1	3.4	12.8	90.0	100.0
2000-2008	-	0.5	7.0	7.5	44.3	23.1	3.1	17.8	2.2	25.1	92.5	100.0
<b>Ave change in amounts, %</b>												
1978-1980	99.5	10.2	60.4	64.5	30.6	24.0	32.5	20.8	21.6	17.1	27.4	30.8
1981-2000	(4.9)	157.4	38.4	14.1	57.5	32.6	27.3	73.5	1,351.6	12.8	35.6	32.5
2000-2008		38.0	10.3	10.5	(0.2)	26.2	92.4	42.8	145.2	13.8	5.5	5.5

a Comprised of PDBs, SMBs and SSLAs.

DBP=Development Bank of the Philippines, LBP=Land Bank of the Philippines, PDBs=Philippine Development Banks, PKBs=Private Commercial Banks, PNB=Philippine National Bank, RBs=Rural Banks, SMBs= Savings and Mortgage Banks, SSLAs=Stocks, Savings and Loan Associations, TBs= Thrift Banks

Source: ACPC, BSP