



The 2021 Countryside Bank Survey: A Baseline Report



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THE 2021 COUNTRYSIDE BANK SURVEY: A BASELINE REPORT

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Executive Summary

The 2021 Countryside Bank Survey (CBS) is a baseline survey conducted by the Department of Agriculture - Agricultural Credit Policy Council (DA-ACPC) and the Bangko Sentral ng Pilipinas (BSP). It aims to analyze trends and present emerging policy issues on bank behavior towards lending to the agriculture sector using branch-level data. Specifically, the 2021 CBS focuses on the banking units' agricultural lending experience in 2021 vis-a-vis 2020. The survey also looks into the practices and outcomes of various aspects of branch banking operations in 2021, as follows: (a) agricultural loan releases and demand; (b) interest rates and other charges on bank loans; (c) borrowers' repayment and debt position; (d) bank risk management; (e) bank profitability; (f) problems encountered by banking units; (g) effects of the COVID-19 pandemic on banking performance; and (h) plans and prospects by banks for the next year.

The Report on the 2021 CBS discusses the following key findings:

1. In 2021, the share of agriculture to total loans granted in most banking units ranged from 11-15 percent of total loans and benefitted at most 500 borrowers per banking unit. Compared to the 2020 level, the amount of agricultural loans granted and as a share of total loans granted by majority of banking units in 2021 declined. Likewise, the number of agricultural borrowers served in 2021 was lower by at least 30 percent than in 2020;
2. Across the different types of banks, at least 26 percent and 36 percent from respondent banks of RCBs and GBs, respectively, reported that their total agricultural borrowers were comprised of at least 76 percent small agricultural borrowers;
3. Compared to results in 2020, demand for agricultural loans in 2021 remained relatively tepid despite the low policy rate environment. Banking units imposed rates on agricultural loans that were at par with the average of all banking units in 2021 with rural and cooperative banks (RCBs) in the National Capital Region (NCR), RCBs outside the NCR, and thrift banks (TBs) posting lending rates that were higher than those of government banks (GBs) and universal and commercial banks (UKBs) during the same year. Banking units in the survey posted an average repayment rate of 68 percent for 2021, with TBs declaring a higher repayment rate of 72 percent during the same period. Nevertheless, about 62 percent of the respondent banks reveal a positive outlook following higher demand for agricultural loans in 2022;
4. Almost half (47 percent) of banking units indicated greater net incomes in 2021 than in 2020, while 34 percent generated lower profits. About half of the respondent banks claimed that the pandemic has negatively affected their profitability due to mobility restrictions thereby limiting bank operations particularly on loan collections, marketing of loan products, and other general daily transactions;
5. In terms of the outlook, more than half of the respondents expect no change in lending and deposit rates while a third of the banking units anticipate higher lending rates. Meanwhile, nearly 61 percent of the respondents anticipate higher profits in 2022, while 32 percent expect no change in their profitability levels;

6. Around two thirds (66 percent) of respondent banks still require and accept conventional forms of loan securities from agricultural borrowers, the most acceptable of which remain to be real estate mortgages. For GBs, however, Philippine Crop Insurance Corporation's (PCIC) agricultural insurance is more generally accepted. To encourage banking units to increase their lending to the agriculture sector, two-thirds of the respondent banks confirmed that the following credit support mechanisms should be in place: (a) credit guarantee/loan insurance, (b) availability of information on potential borrowers, and (c) agricultural/crop insurance;
7. Significant challenges were encountered by banks in their lending operations in 2021, foremost of which were brought about by the COVID-19 pandemic. Banks cited other challenges in lending to agriculture sector in 2021; among the most significant were: (a) reluctance of bank/investors to capitalize in agriculture due mainly to the sector's vulnerability to natural calamities, such as typhoons and pest manifestation, fluctuations in agricultural prices, and outdated farming skills and technologies; (b) lack of viable projects owing to farm lands, which are mostly fragmented, far-flung, and with poor road access and security conditions, and lack of market/buyers for farmers produce; (c) farmers' lack of properly documented properties that are deemed acceptable as collateral/loan security; and (d) volatility of farmers' cash flow due to instability of farmer incomes, and lack of other income sources from non-agriculture-related activities; and
8. At least three fourths (76 percent) of bank branches in the survey plan to expand their lending to the agriculture sector in the next 12 months, with the majority of TBs affirming plans to expand their agricultural loan portfolio. Factors that would encourage banks to expand lending to agriculture sector include: (a) to respond to increasing demand for agricultural loans as the COVID-19 pandemic is getting controlled, (b) to serve as compliance to the mandatory credit allocation, (c) to fulfill the bank's mandate to extend agricultural loans, (d) to help farmers expand their businesses and improve their quality of life, (e) to provide for the farmers' financing needs and stop them from availing high-interest rate loans from informal lenders, and (f) to support the nation's goal of attaining food security, financial stability, and economic development.

THE 2021 COUNTRYSIDE BANK SURVEY: A BASELINE REPORT

I. Survey objective

The 2021 Countryside Bank Survey (CBS) is an annual survey of the Department of Agriculture - Agricultural Credit Policy Council (DA-ACPC)¹ and the Bangko Sentral ng Pilipinas (BSP). It generally aims to generate branch-level data, analyze trends, and present emerging policy issues on bank behavior towards lending to the agriculture sector. Specifically, the CBS aims to:

- a. determine the extent and behavior of banks towards lending to agriculture sector;
- b. compile and analyze indicators of demand for loans and debt position of agricultural borrowers;
- c. generate indicators on the costs and profitability of agricultural lending; and
- d. identify factors and risk management measures that would encourage banks to increase loans to agriculture sector.

The 2021 CBS is a baseline report. It focuses on the banking units' agricultural lending experience in 2021 vis-a-vis 2020. The survey looks into the practice and outcomes of various aspects of branch banking operations during the year, as follows:

- a. agricultural loan releases and demand;
- b. interest rates and other charges on loans;
- c. borrowers' repayment and debt position;
- d. bank risk management;
- e. bank profitability;
- f. problems encountered by banking units;
- g. effects of the COVID-19 pandemic that started in March 2020 on banking performance; and
- h. plans and prospects for the next year.

Section II discusses the profile of respondent banks. Section III reports the survey results and Section IV summarizes key findings and insights. Section V identifies some policy implications and concludes.

II. Profile of respondent banks

The survey was administered electronically to sample bank branches/offices in and outside the National Capital Region.² Sample unit banks were randomly selected for each bank type: a) private universal and commercial banks (UKBs), b) private thrift banks (TBs), c) private rural and cooperative banks (RCBs), and d) government-owned banks (GBs). Appendix A presents the sampling methodology.

Out of 2,530 sample unit banks, 1,904 or 75 percent responded to the survey (Table 1). The respondent banks comprised of 35 percent UKBs, 26 percent TBs, 27 percent RCBs, and

¹ The Governing Council of DA-ACPC is composed of the following: (1) Department of Agriculture (DA) Secretary as Chair; (2) Bangko Sentral ng Pilipinas (BSP) Governor as Vice Chair; (3) Department of Finance (DoF) Secretary; (4) Department of Budget and Management (DBM) Secretary; and (5) National Economic and Development Authority (NEDA) Director-General.

² The survey included a small (30) sample of bank branches of Rural and Cooperative Banks (RCBs) based in Metro Manila.

12 percent GBs. Response rate is highest among TBs (83 percent) followed by UKBs (81 percent) while RCBs and GBs response rate is at 70 percent and 62 percent, respectively. Figure 1 shows the relative size of sample respondent banks against the population for each type of banks.

Table 2 shows the distribution of respondent banks by type of bank. About 40 percent of the respondents are the head offices or branches of respondent banks. Majority (60 percent) of the respondent banks however were represented by main offices or lending centers in responding to the survey, i.e. there are 124 main offices or lending centers that participated in the survey and covered 1,152 sample bank branches/offices.

Table 1. Number of Sample and Respondent Bank Branches/Offices, By Bank Type

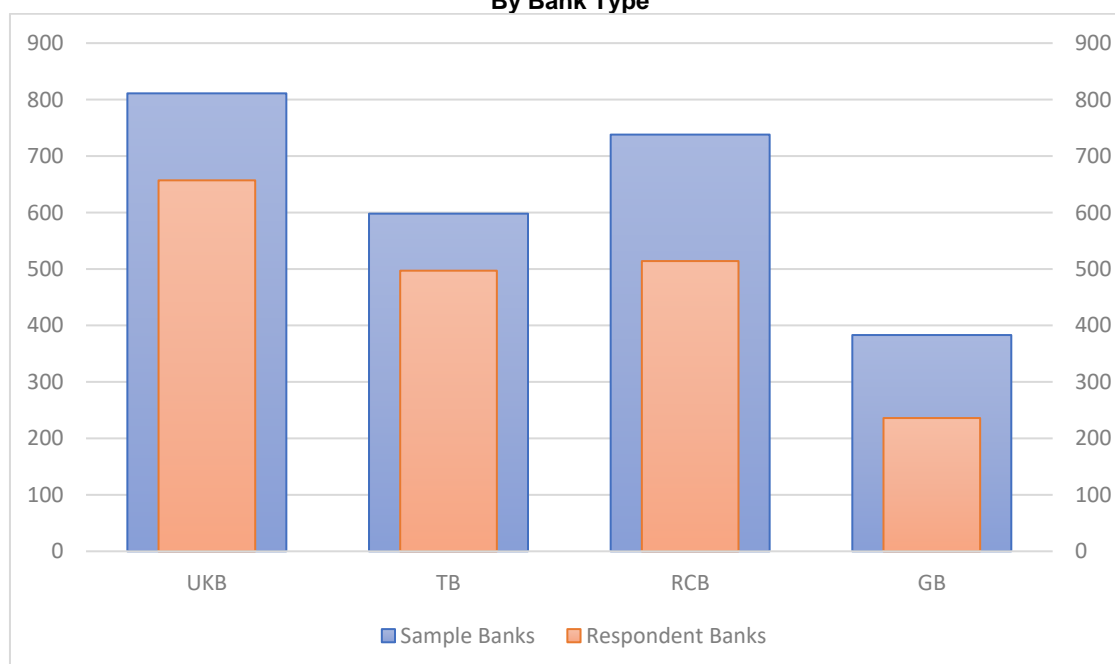
Bank Type	Total Banks ^{a/}	Sample Banks	Respondent Banks	Response Rate (%) ^{b/}
<i>Private banks (PB)</i>				
Universal and Commercial Banks (UKB)	3,086	811	657	81.0
Thrift Banks (TB)	1,302	598	497	83.1
Rural and Cooperative Banks (RCB)	2,022	738 ^{c/}	514	69.6
<i>Sub-total – PB</i>	<i>6,410</i>	<i>2,147</i>	<i>1,668</i>	<i>77.7</i>
<i>Government banks (GB)</i>				
Universal and Commercial Banks (UKB)	536	355	209	58.9
Thrift Banks (TB)	45	28	27	96.4
<i>Sub-total – GB</i>	<i>581</i>	<i>383</i>	<i>236</i>	<i>61.6</i>
Total	6,991	2,530	1,904	75.3

^{a/} Total number bank branches/offices located outside of NCR as of 30 October 2021. (Source: BSP)

^{b/} Margin of error of response rate, at 95 percent confidence level, per bank type: UKB - 3.4 percent, TB – 3.5 percent, RCB - 3.7 percent, GB – 4.9 percent, and All bank types / Overall – 1.9 percent; (Reference: www.raosoft.com)

^{c/} Includes 30 RCB branches/offices based in NCR, of which 26 (or 86.7 percent of the total RCB branches in NCR) responded.

Figure 1. Number of Sample and Respondent Unit Bank Branches/Offices By Bank Type



Source: 2021 Countryside Bank Survey.

Table 2. Number of Respondent Banks, By Bank Office Type

Bank Type	Head / Branch Office	Head Office (HO)/Lending Center (LC)		Total Respondents	
		HO/LC	Branches/Offices Covered	No.	%
Private					
UKB	142	12	515	657	34.5
TB	200	13	297	497	26.1
RCB	316	42	198	514	27.0
<i>Sub-total</i>	<i>658</i>	<i>67</i>	<i>1,010</i>	<i>1,668</i>	<i>87.6</i>
Government					
UKB	67	57	142	209	11.0
TB	27			27	1.4
<i>Sub-total</i>	<i>94</i>	<i>57</i>	<i>142</i>	<i>236</i>	12.4
Total	752	124	1,152	1,904	100.0
% of Total	39.5		60.5	100.0	

Source: 2021 Countryside Bank Survey.

By regional distribution, Table 3 shows that 29 percent of the respondent banks are located in North Luzon regions, about 30 percent are in Southern Luzon while 19 percent are in the Visayas and 21 percent are in Mindanao. Of the total 1,904 respondent banks, 34.5 percent are UKBs, 26.1 percent are TBs, 27.0 percent are RCBs and 12.4 percent are GBs. Figure 2 shows graphically the regional distribution of all banks outside of NCR while Figure 3 is the regional distribution of respondent banks by types of banks. By region, respondent banking units in Region IV-A (CALABARZON) posted the highest share relative to total respondent banking units at 21.3 percent. (Table 3)

Table 3. Number of Respondent Banking Units, By Region

Region	UKB	TB	RCB	GB	Total Respondents			
					No.	%		
North Luzon	Cordillera Administrative Region (CAR)	12	4	17	5	38	2.0	29.4
	Region I (Ilocos Region)	39	39	40	19	137	7.2	
	Region II (Cagayan Valley)	22	20	32	12	86	4.5	
	Region III (Central Luzon)	111	89	70	29	299	15.7	
South Luzon	Region IV-A (CALABARZON)	158	114	93	40	405	21.3	29.8
	Region IV-B (MIMAROPA)	12	13	21	12	58	3.1	
	Region V (Bicol Region)	24	28	21	14	87	4.6	
Visayas Regions	Region VI (Western Visayas)	59	36	35	10	140	7.4	19.3
	Region VII (Central Visayas)	73	44	40	21	178	9.4	
	Region VIII (Eastern Visayas)	16	8	11	13	48	2.5	
Mindanao Regions	Region IX (Zamboanga Peninsula)	19	20	17	7	63	3.3	21.1
	Region X (Northern Mindanao)	29	32	27	14	102	5.4	
	Region XI (Davao Region)	47	24	30	8	109	5.7	
	Region XII (SOCCSKSARGEN)	19	10	17	15	61	3.2	
	Region XIII (Caraga)	13	14	19	5	51	2.7	
	Autonomous Region in Muslim Mindanao (ARMM)	4			12	16	0.8	
National Capital Region (NCR)			2	24		26	1.4	1.4
Total		657	497	514	236	1,904	100.0	100
Share to Total Respondents		34.5	26.1	27.0	12.4	100.0		

Source: 2021 Countryside Bank Survey.

Figure 2. Regional distribution of all banks outside of NCR (as of Oct. 2021)

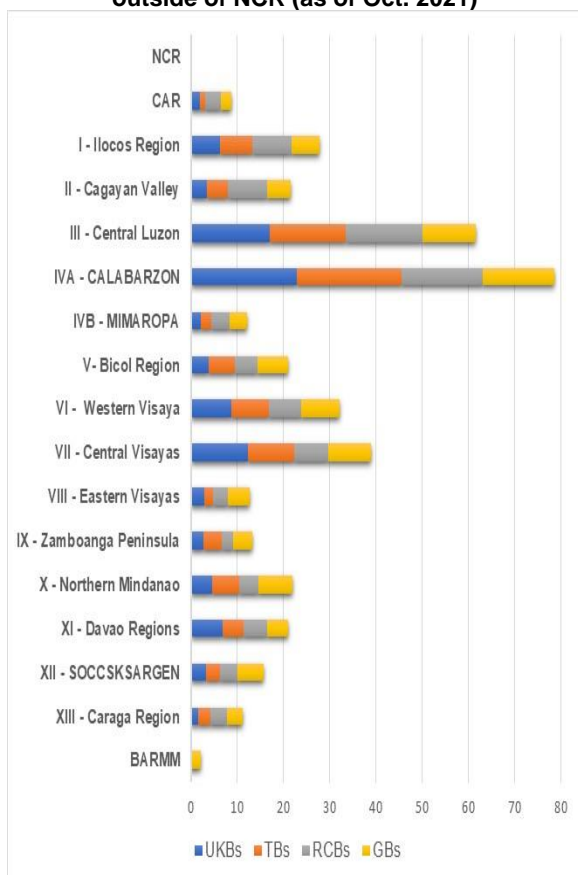
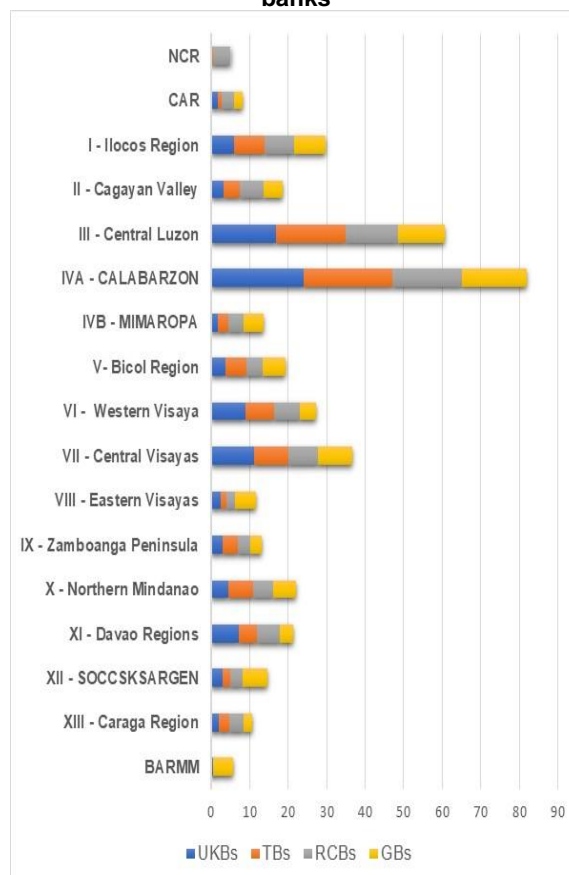


Figure 3. Regional distribution of respondent banks



Source: Department of Supervisory Analytics, BSP.

III. Survey results

A. Agricultural loans of banks

1. Value and share of agricultural loans granted by banks in 2021

On aggregate, Table 4 shows that 29 percent of the respondent banks released no agricultural loans in 2021 while one third of respondent banks reported to have granted agricultural loans with value not exceeding 5 million pesos. Across different types of respondent banks, two thirds (67 percent) of UKBs reported to have no agricultural loans in 2021 while one third (36 percent) of GBs offered more agricultural loans with value over P100 million.

Figure 4 shows where respondent banks have allotted their agricultural loans in terms of loan value for each type of banks. UKBs concentrated their loan offerings with loan value of more than P200 million and not more than P20 million. GBs offered more agricultural loans for each loan value category, especially to loan value of over P200 million. TBs and RCBs granted loans with value of no more than P100 million, albeit most of them released loans of no more than P5 million.

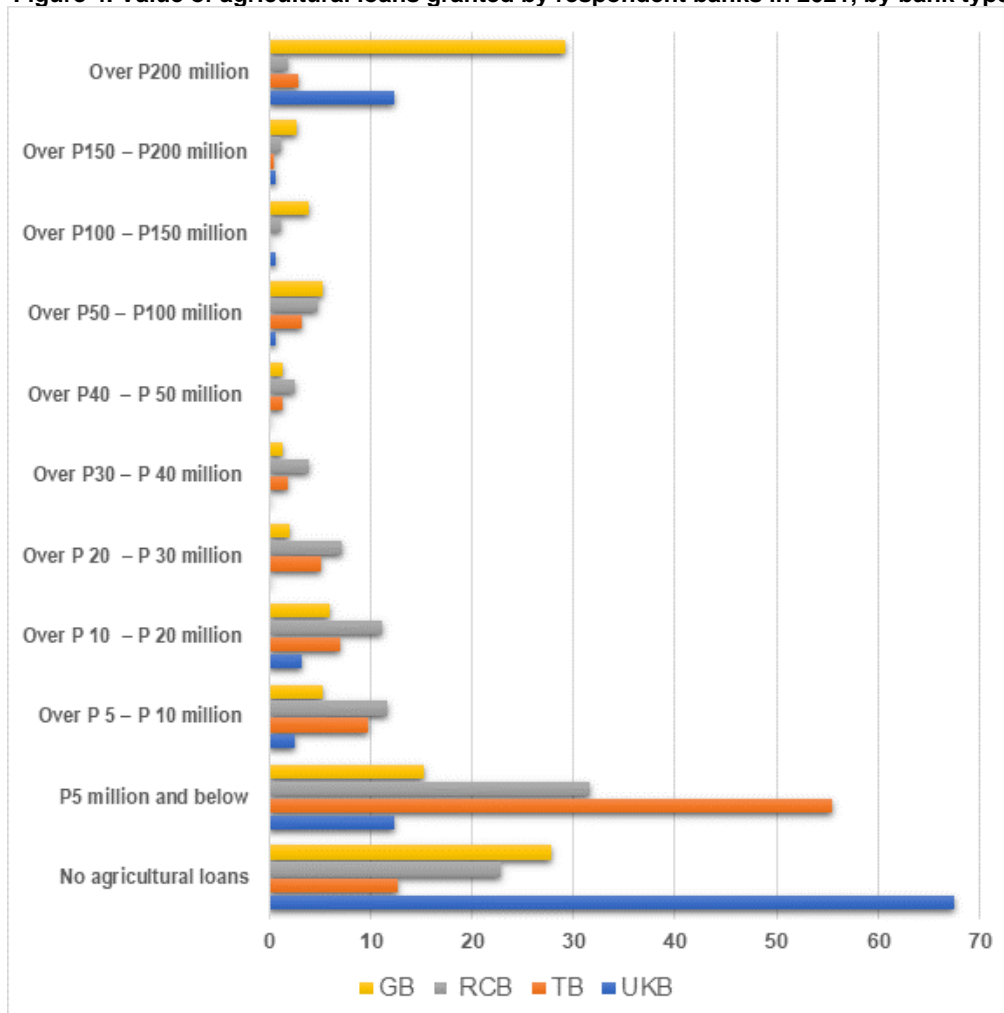
Table 4. Value of agricultural loans granted by respondent banks in 2021, by bank type

<i>Value of agricultural loans granted</i>	UKB	TB	RCB	GB	Total	Average
Over P200 million	12.3	2.8	2.0	29.1	8.7	11.6
Over P150 – P200 million	0.6	0.5	1.1	2.6	1.1	1.2
Over P100 – P150 million	0.6	0.0	1.1	4.0	1.3	1.4
Over P50 – P100 million	0.6	3.3	4.7	5.3	3.8	3.5
Over P40 – P 50 million	0.0	1.4	2.5	1.3	1.6	1.3
Over P30 – P 40 million	0.0	1.9	3.9	1.3	2.3	1.8
Over P 20 – P 30 million	0.0	5.2	7.3	2.0	4.6	3.6
Over P 10 – P 20 million	3.2	7.0	11.2	6.0	7.9	6.9
Over P 5 – P 10 million	2.6	9.9	11.7	5.3	8.6	7.4
P5 million and below	12.3	55.4	31.6	15.2	31.2	28.6
No agricultural loans	67.5	12.7	22.9	27.8	29.1	32.7
Total share	100.0	100.0	100.0	100.0	100.0	
No. of respondents	154	213	358	151	876	

Note: The survey questionnaire does not contain the option for “no agricultural loans”. This was derived from comments of banks to question no. 1 (See survey questionnaire in Appendix B).

Source: 2021 Countryside Bank Survey.

Figure 4. Value of agricultural loans granted by respondent banks in 2021, by bank type



Source: 2021 Countryside Bank Survey.

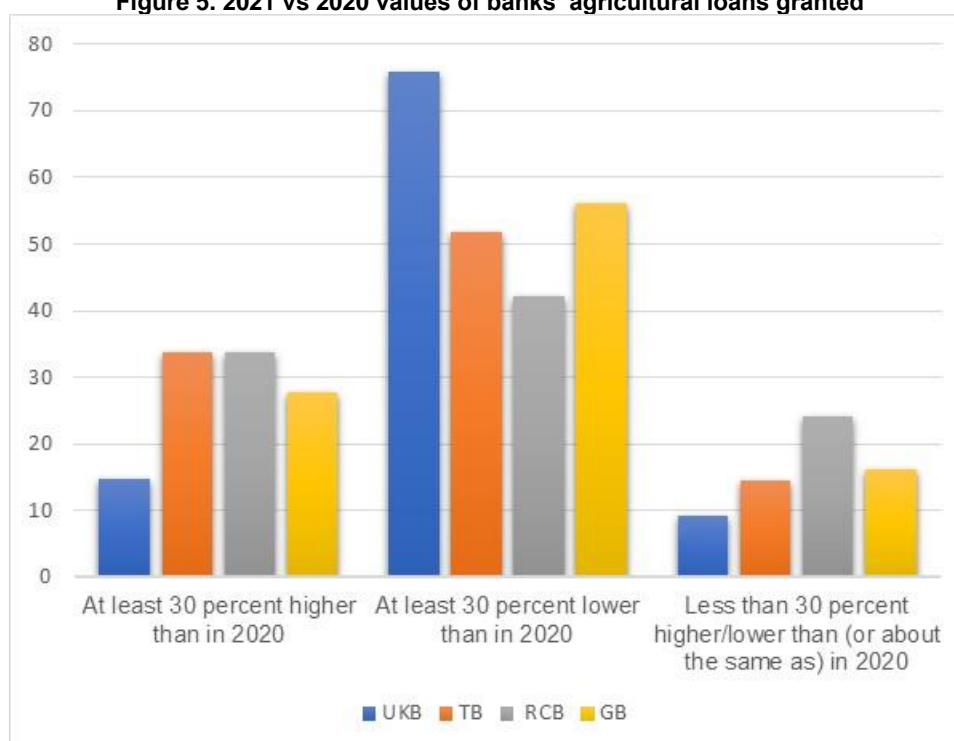
In comparing banks' agricultural loans in 2021 vis-a-vis in 2020, Table 5 and Figure 5 indicate that half (50 percent) of respondent banking units on the aggregate reported that the value of agricultural loans granted in 2021 was at least 30 percent lower than in 2020. A greater proportion (76 percent) of UKBs had relatively lower amount of agricultural loans. Roughly one third (31 percent) of the respondent banks expressed the opposite, i.e., their agricultural loans granted increased in 2021. The rest of the respondents (19 percent) reported that the value of agricultural loans they released in 2021 was relatively the same as in 2020.

Table 5. 2021 vs 2020 values of banks' agricultural loans granted, by bank type

<i>Value of agricultural loans granted in 2021 was ...</i>	UKB	TB	RCB	GB	Total	Average
At least 30 percent higher than in 2020	14.8	33.7	33.8	27.7	31.0	27.5
At least 30 percent lower than in 2020	75.9	51.9	42.1	56.2	50.4	56.5
Less than 30 percent higher/lower than (or, about the same as) in 2020	9.3	14.4	24.1	16.2	18.6	16.0
Total share	100.0	100.0	100.0	100.0	100.0	
No. of respondents	54	187	290	130	661	

Source: 2021 Countryside Bank Survey.

Figure 5. 2021 vs 2020 values of banks' agricultural loans granted



Source: 2021 Countryside Bank Survey.

Table 6 reveals that, on the average, at least 75 percent of respondent banks reported in 2021 loans granted to agriculture sharing at most 25 percent of total loans, which may indicate non-compliance with the 25 percent mandatory credit allocation under Republic Act (R.A.) No.10000 or the Agri-Agra Reform Credit Act of 2009.³ In other words, only one for

³ Under R.A. 10000 or The Agri-Agra Reform Credit Act of 2009 and its amendatory law R.A. 11901 or The Agriculture, Fisheries and Rural Development Financing Enhancement Act of 2022, banks are mandated to allocate 25 percent of their loanable funds to agriculture and other rural projects.

every four banks had agricultural loans comprising at least 25 percent of total loans granted in 2021. Of the four types of banks, bigger proportion (25 percent) of reporting RCB and GB branches released agricultural loans in 2021 that comprised least 25 percent of their total loans compared to 19 percent of TBs and only seven percent of UKBs.

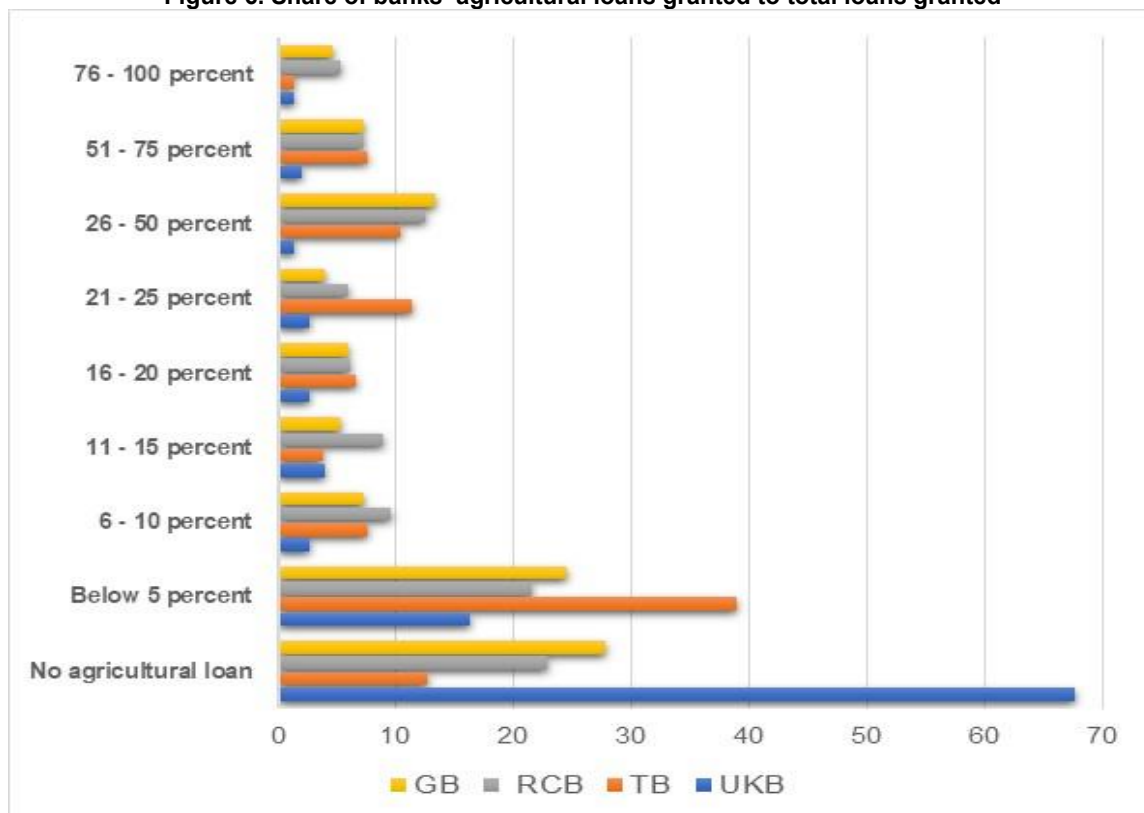
Across different types of banks, Table 6 and Figure 6 further show that, on the average, one fourth of respondent banks reported to have granted below five percent of their loans to agriculture sector in 2021.

Table 6. Share of banks' agricultural loans granted to total loans granted, by bank type

Share of agricultural to total loans granted	UKB	TB	RCB	GB	Total	Average
76 - 100 percent	1.3	1.4	5.3	4.6	3.5	3.2
51 - 75 percent	1.9	7.5	7.3	7.3	6.4	6.0
26 - 50 percent	1.3	10.3	12.6	13.2	10.2	9.4
21 - 25 percent	2.6	11.3	5.9	4.0	6.3	5.9
16 - 20 percent	2.6	6.6	6.1	6.0	5.6	5.3
11 - 15 percent	3.9	3.8	8.9	5.3	6.2	5.5
6 - 10 percent	2.6	7.5	9.5	7.3	7.4	6.7
Below 5 percent	16.2	39.0	21.5	24.5	25.3	25.3
No agricultural loan	67.5	12.7	22.9	27.8	29.1	32.7
Total share	100.0	100.0	100.0	100.0	100.0	
No. of respondents	154	213	358	151	876	

Source: 2021 Countryside Bank Survey.

Figure 6. Share of banks' agricultural loans granted to total loans granted



Source: 2021 Countryside Bank Survey.

When asked to compare the share of their agricultural loans to total loans, Table 7 shows that more than half (58 percent) of the respondent banks disclosed that their 2021 loans to agriculture was lower by at least 30 percent in 2021 vis a vis in 2020, of which, 80 percent of UKBs cited to have experienced the decrease of the share of agricultural loans in 2021 vis-a-vis in 2020. However, only about one fourth (24.8 percent) of respondent banks claimed that the share of agricultural loan in 2021 was higher than in 2020 while 17 percent of them said the 2021 share of agricultural loans was about the same in 2020.

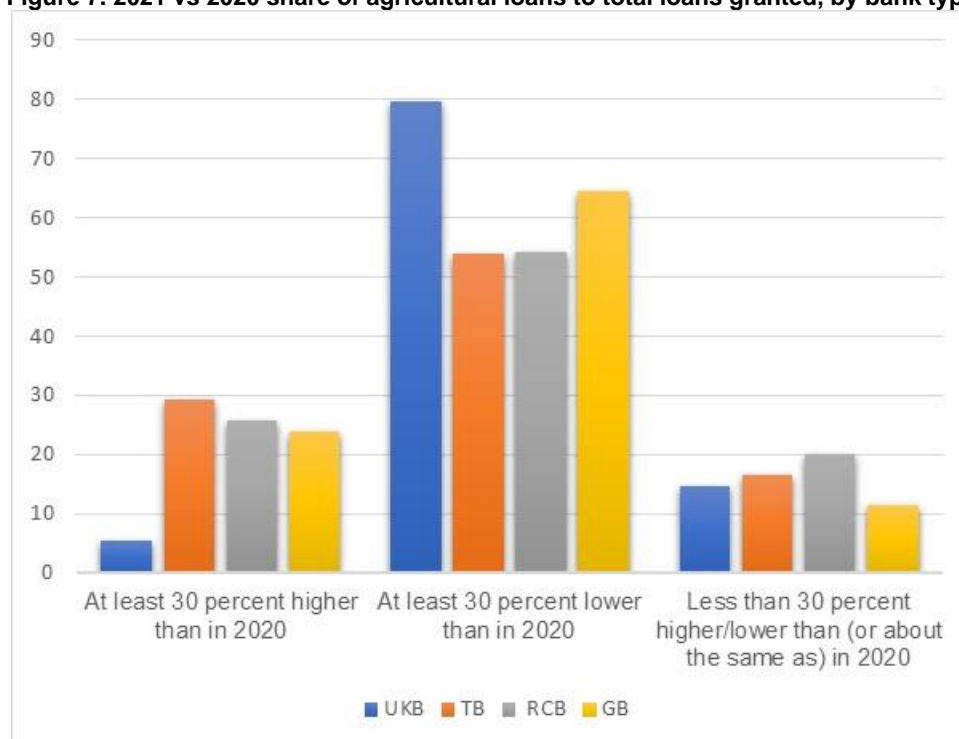
Table 7. 2021 vs 2020 share of agricultural loans to total loans granted, by bank type

Share of agricultural loans to total loans granted in 2021 was ...	UKB	TB	RCB	GB	Total	Average
At least 30 percent higher than in 2020	5.6	29.4	25.9	23.8	24.8	21.2
At least 30 percent lower than in 2020	79.6	54.0	54.1	64.6	58.2	63.1
Less than 30 percent higher/lower than (or, about the same as) in 2020	14.8	16.6	20.0	11.5	16.9	15.7
Total share	100.0	100.0	100.0	100.0	100.0	
No. of respondents	54	187	290	130	661	

Source: 2021 Countryside Bank Survey.

Figure 7 shows that the 2021 share of agricultural loans to total loans was at least lower by at least 30 percent relative to 2020.

Figure 7. 2021 vs 2020 share of agricultural loans to total loans granted, by bank type



Source: 2021 Countryside Bank Survey.

2. Agricultural borrowers

Table 8 shows that, on the average, at least one half (57 percent) of the respondent bank branches/offices reported to have granted agricultural loans to no more than 500 agricultural borrowers in 2021. One third of respondent banks reported to have no agricultural borrowers

at all in 2021. While TBs (84 percent) and RCBs (61 percent) have no more than 500 agricultural borrowers, GBs had more agricultural borrowers relative to other types of banks, having borrowers for each type of borrower category range.

Meanwhile, Figure 8 clearly shows the apparent low number of no more than 500 agricultural borrowers per bank branch/office in 2021 across different types of banks. The case of no agricultural borrowers in 2021 was also highlighted in the graph.

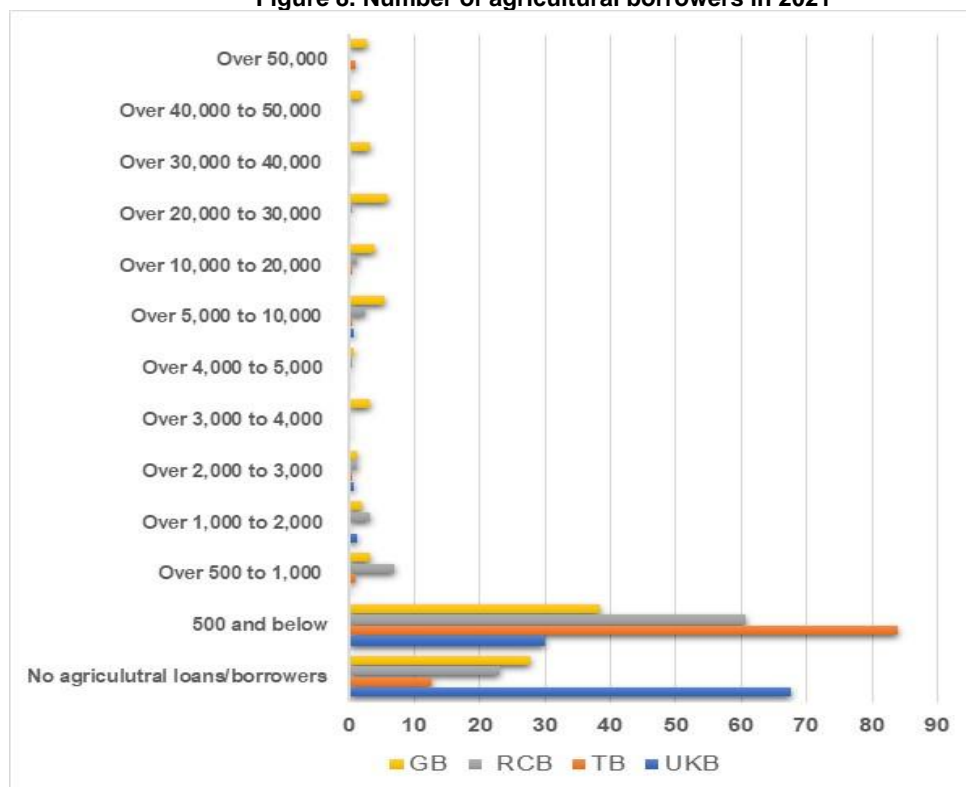
Table 8. Number of agricultural borrowers in 2021, by bank type

Number of agricultural borrowers	UKB	TB	RCB	GB	Total	Average
Over 50,000		0.9	0.3	2.6	0.8	1.0
Over 40,000 to 50,000				2.0	0.3	0.5
Over 30,000 to 40,000				3.3	0.6	0.8
Over 20,000 to 30,000			0.6	6.0	1.3	1.6
Over 10,000 to 20,000		0.5	1.1	4.0	1.3	1.4
Over 5,000 to 10,000	0.6	0.5	2.5	5.3	2.2	2.2
Over 4,000 to 5,000			0.6	0.7	0.3	0.3
Over 3,000 to 4,000			0.3	3.3	0.7	0.9
Over 2,000 to 3,000	0.6	0.5	1.1	1.3	0.9	0.9
Over 1,000 to 2,000	1.3		3.1	2.0	1.8	1.6
Over 500 to 1,000	0.0	0.9	7.0	3.3	3.7	2.8
500 and below	29.9	84.0	60.6	38.4	57.1	53.2
No agricultural borrowers	67.5	12.7	22.9	27.8	29.1	32.7
Total share	100.0	100.0	100.0	100.0	100.0	
Total no. of respondents	154	213	358	151	876	

Note: The survey questionnaire does not contain the option for “no agricultural borrowers”. This was derived from comments of banks to the question no. 10 (See survey questionnaire in Appendix B).

Source: 2021 Countryside Bank Survey.

Figure 8. Number of agricultural borrowers in 2021



Source: 2021 Countryside Bank Survey.

Table 9 shows that almost 60 percent of respondent banks affirmed that the number of agricultural borrowers they served in 2021 was lower by at least 30 percent than the previous year. By contrast, 23 percent of respondent banks reported to have at least 30 percent higher number of agricultural borrowers during 2021 vis-a-vis 2020 while 17 percent of them said the number of agricultural borrowers remained about the same.

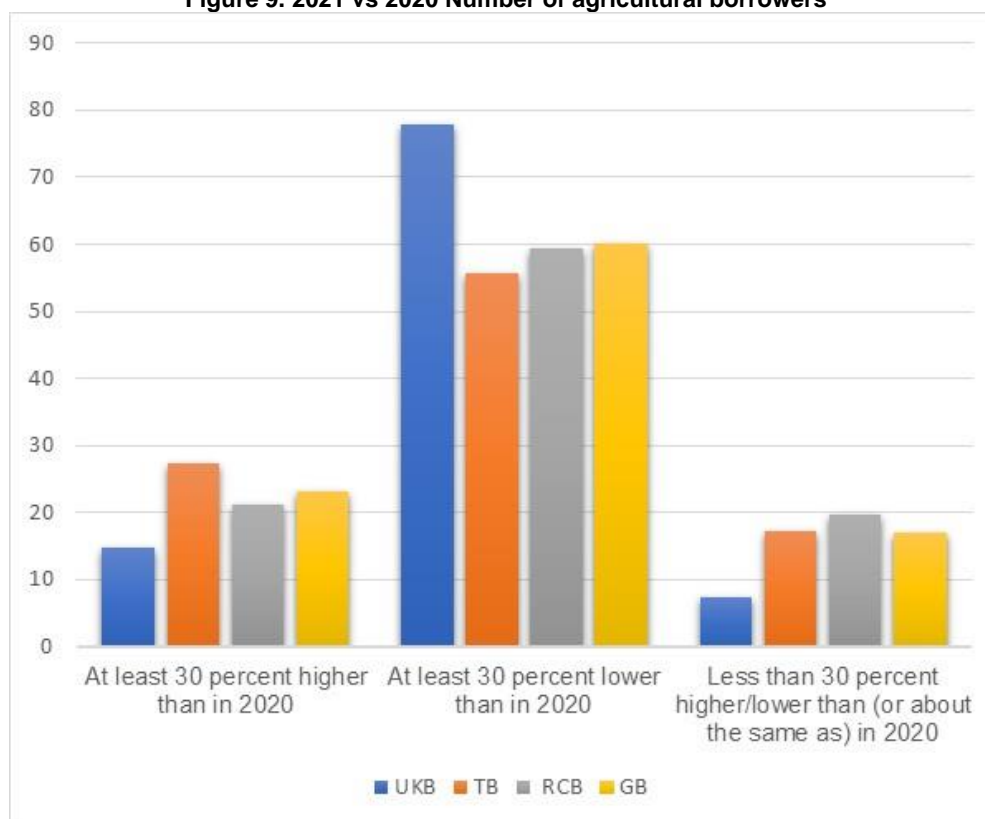
Figure 9 provides a graphical presentation of Table 9 which shows the drop of agricultural borrowers by at least 30 percent in 2021 vis-a-vis 2020. Specifically, three fourths (77.8 percent) of UKBs experienced the decrease of agricultural borrowers in 2021.

Table 9. 2021 vs 2020 number of agricultural borrowers, by bank type

<i>Number of agricultural borrowers in 2021 was ...</i>	UKB	TB	RCB	GB	Total	Average
At least 30 percent higher than in 2020	14.8	27.3	21.0	23.1	22.7	14.8
At least 30 percent lower than in 2020	77.8	55.6	59.3	60.0	59.9	77.8
Less than 30 percent higher/lower than (or, about the same as) in 2020	7.4	17.1	19.7	16.9	17.4	7.4
Total share	100.0	100.0	100.0	100.0	100.0	
No. of respondents	54	187	290	130	661	

Source: 2021 Countryside Bank Survey.

Figure 9. 2021 vs 2020 Number of agricultural borrowers



Source: 2021 Countryside Bank Survey.

Table 10 shows that at least 20 percent of the respondent banks reported to have agricultural borrowers from all regions nationwide. Geographically, about 30 percent of respondent banks had agricultural borrowers in Northern Luzon, 24 percent in Southern Luzon, 18 percent in the Visayas, and 23 percent in Mindanao. More agricultural borrowers were from Central Luzon (14 percent) and Calabarzon (15 percent) while BARMM (0.8

percent) had the least number of agricultural borrowers. Only TBs and GBs had agricultural borrowers in BARMM.

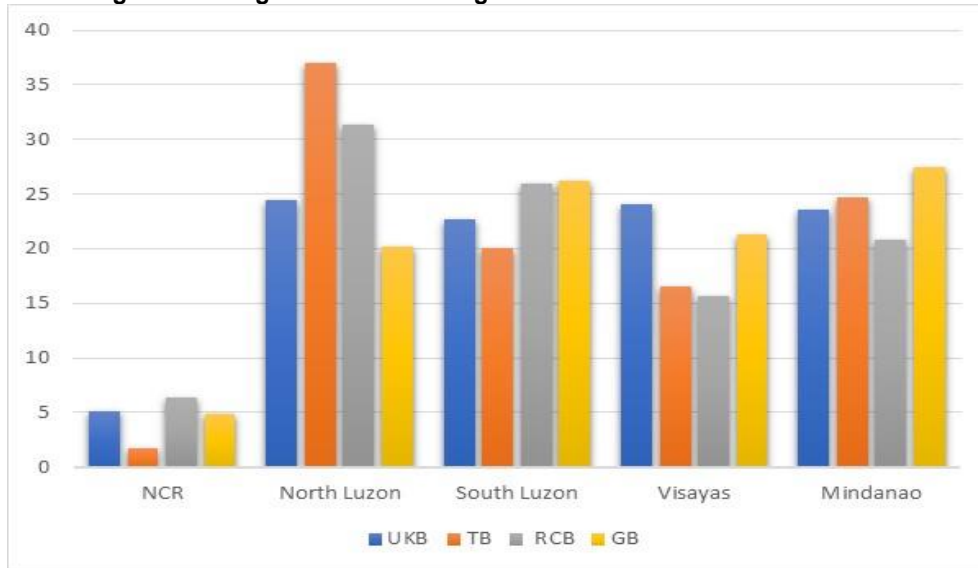
Meanwhile, across different types of banks, Figure 10 shows that TBs had relatively more agricultural borrowers in North Luzon while GBs had more agricultural borrowers in Mindanao.

Table 10. Regional location of agricultural borrowers of banks in 2021

Region	UKB	TB	RCB	GB	Total	Average
NCR	5.2	1.8	6.4	4.9	4.7	4.5
CAR	1.7	1.8	3.2	2.4	2.4	2.3
I - Ilocos Region	5.6	9.9	6.6	6.1	7.2	7.0
II - Cagayan Valley	5.2	5.3	7.1	3.7	5.7	5.3
III - Central Luzon	12.0	20.1	14.4	7.9	14.4	13.6
North Luzon	24.5	37.0	31.3	20.1	29.6	28.2
IVA - CALABARZON	15.0	12.7	17.1	15.9	15.3	15.2
IVB - MIMAROPA	4.3	2.1	4.4	4.9	3.9	3.9
V - Bicol Region	3.4	5.3	4.4	5.5	4.6	4.7
South Luzon	22.7	20.1	25.9	26.2	23.8	23.7
VI - Western Visayas	3.4	4.6	2.7	4.3	3.6	3.7
VII - Central Visayas	11.6	6.0	5.4	9.8	7.5	8.2
VIII - Eastern Visayas	9.0	6.0	7.6	7.3	7.4	7.5
Visayas	24.0	16.5	15.6	21.3	18.5	19.4
IX - Zamboanga Peninsula	3.9	4.6	2.7	2.4	3.4	3.4
X - Northern Mindanao	6.0	8.1	5.6	7.9	6.7	6.9
XI - Davao Region	7.7	4.6	6.4	4.3	5.9	5.7
XII - SOCCSKSARGEN	3.0	3.5	3.9	6.7	4.0	4.3
XIII - Caraga	3.0	3.2	2.2	1.8	2.6	2.6
BARMM	0.0	0.7	0.0	4.3	0.8	1.2
Mindanao	23.6	24.6	20.8	27.4	23.4	24.1
Total share	100.0	100.0	100.0	100.0	100.0	
No. of Respondents	233	284	409	164	1090	

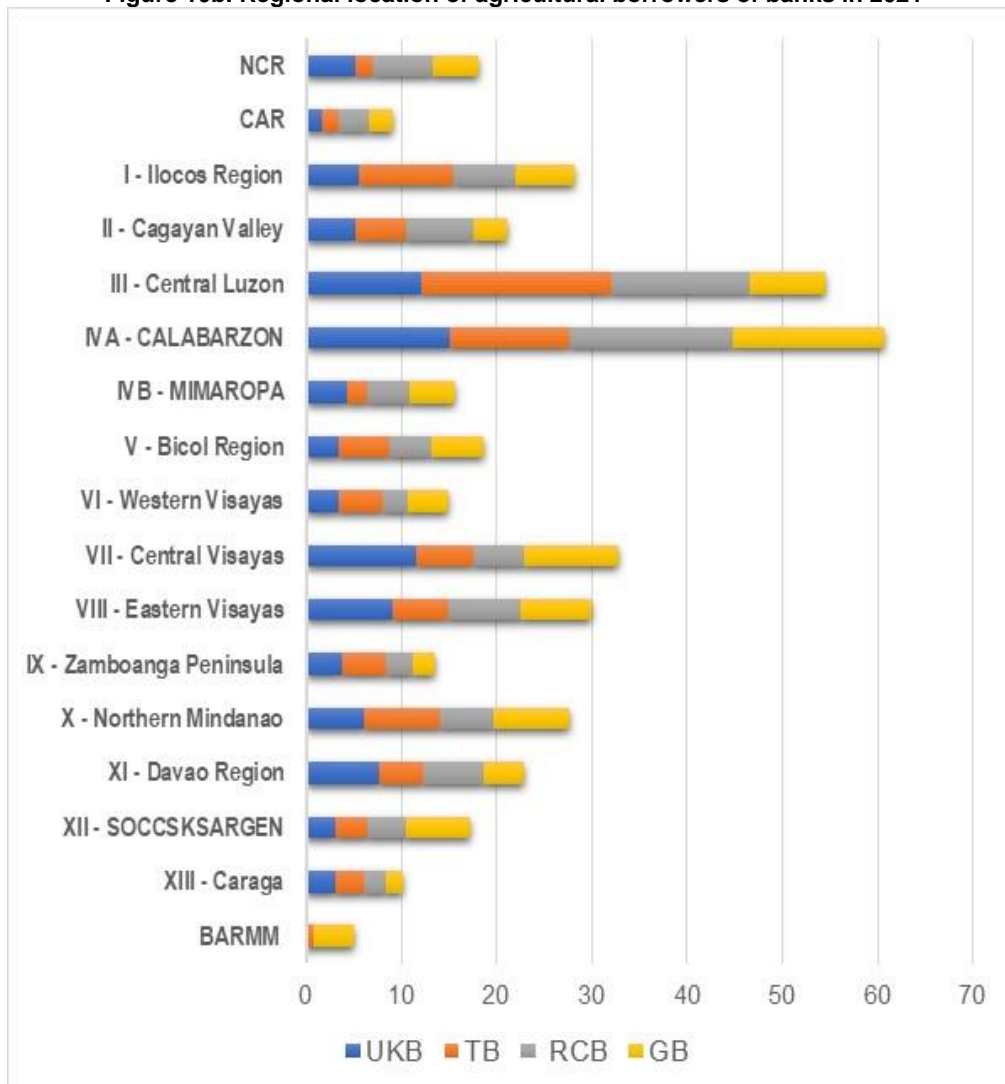
Source: 2021 Countryside Bank Survey.

Figure 10a. Regional location of agricultural borrowers of banks in 2021



Source: 2021 Countryside Bank Survey.

Figure 10b. Regional location of agricultural borrowers of banks in 2021



Source: 2021 Countryside Bank Survey.

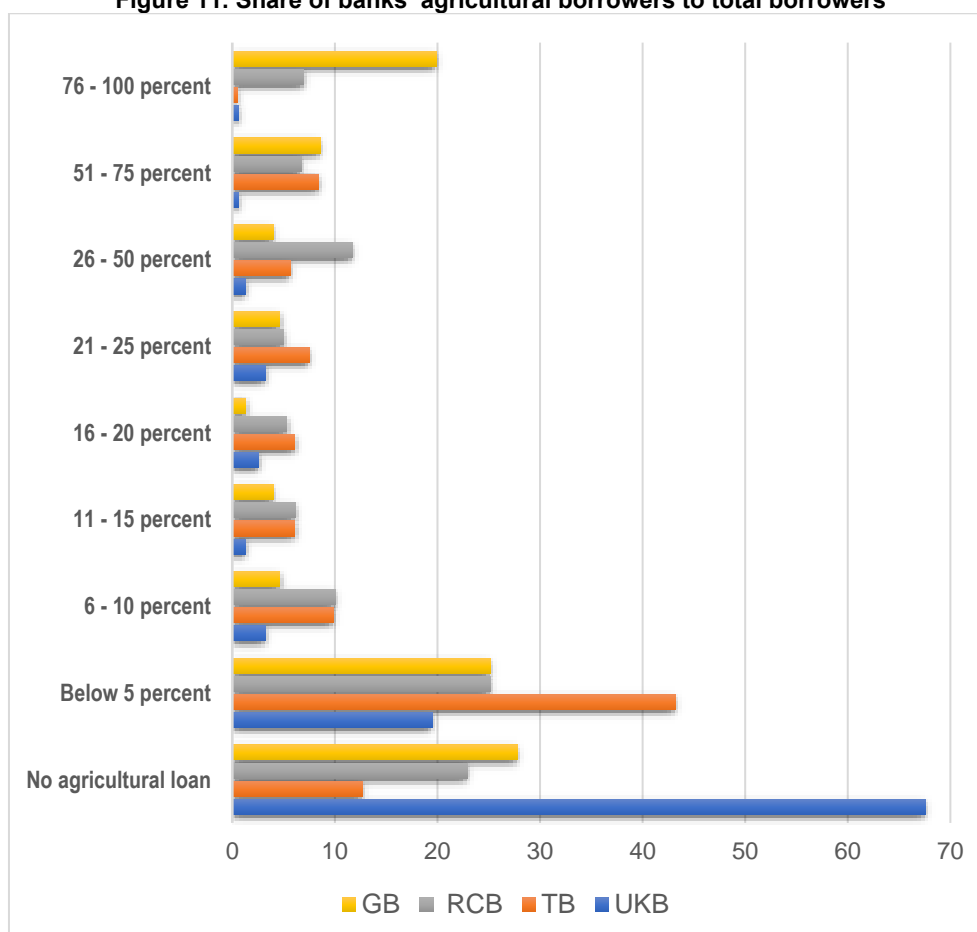
Table 11 shows that 28 percent of all respondent banks reported that their agricultural borrowers were below 5 percent of total borrowers, of which, TBs had the highest share (43 percent) in this category while one-fourth of RCBs and GBs belong to this range. Most of UKBs had small share of agricultural borrowers. Meanwhile, almost 20 percent of GBs reported that 76-100 percent of their borrowers belong to the agricultural sector.

Table 11. Share of banks' agricultural borrowers to total borrowers, by bank type

Share of banks' agricultural borrowers to total borrowers	UKB	TB	RCB	GB	Total	Average
76 - 100 percent	0.6	0.5	7.0	19.9	6.5	7.0
51 - 75 percent	0.6	8.5	6.7	8.6	6.4	6.1
26 - 50 percent	1.3	5.6	11.7	4.0	7.1	5.7
21 - 25 percent	3.2	7.5	5.0	4.6	5.3	5.1
16 - 20 percent	2.6	6.1	5.3	1.3	4.3	3.8
11 - 15 percent	1.3	6.1	6.1	4.0	4.9	4.4
6 - 10 percent	3.2	9.9	10.1	4.6	7.9	6.9
Below 5 percent	19.5	43.2	25.1	25.2	28.5	28.2
No agricultural loan	67.5	12.7	22.9	27.8	29.1	32.7
Total share	100.0	100.0	100.0	100.0	100.0	
No. of respondents	154	213	358	151	876	

Source: 2021 Countryside Bank Survey.

Figure 11. Share of banks' agricultural borrowers to total borrowers



Source: 2021 Countryside Bank Survey.

With regard to the share of small farmer-borrowers⁴ to total agricultural borrowers, Table 12 shows that 30 percent of respondent banks did not know or had no data, as most respondents from UKBs claimed. Of those respondent banks with data, at least 19 percent of them reported that a number of small agricultural borrowers comprised at least 76 percent of their total agricultural borrowers while 9.2 percent indicated that they did not have small agricultural borrowers.

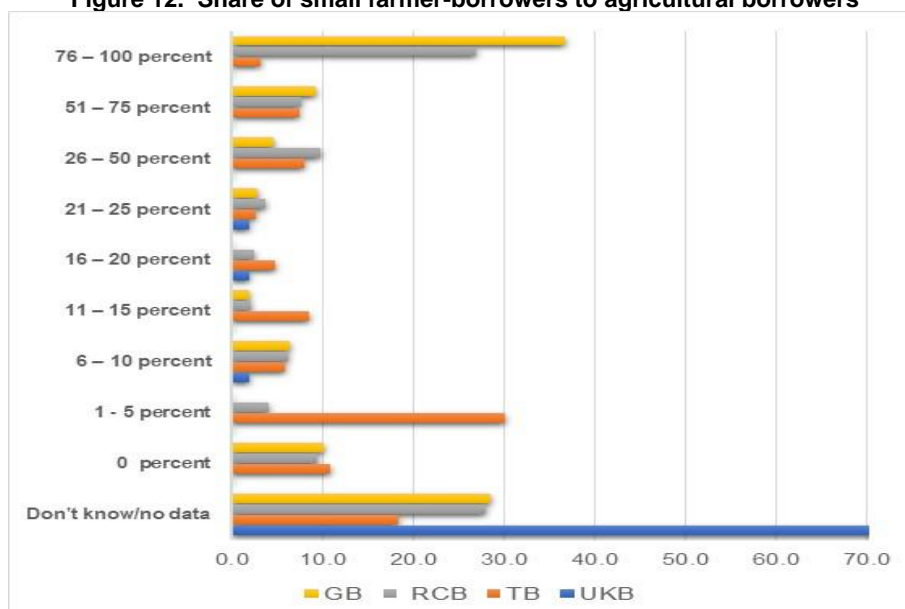
Across different types of banks, Figure 12 illustrates that at least 26 percent and 36 percent from respondent banks of RCBs and GBs, respectively, reported that their total agricultural borrowers were comprised of at least 76 percent small agricultural borrowers.

Table 12. Share of small farmer-borrowers to agricultural borrowers, by bank type

<i>Share of small agricultural borrowers to total agricultural borrowers</i>	UKB	TB	RCB	GB	Total	Average
76 – 100 percent	0.0	3.2	26.8	36.7	19.3	16.7
51 – 75 percent	0.0	7.5	7.6	9.2	7.2	6.1
26 – 50 percent	0.0	8.1	9.8	4.6	7.6	5.6
21 – 25 percent	2.0	2.7	3.6	2.8	3.1	2.8
16 – 20 percent	2.0	4.8	2.5	0.0	2.7	2.3
11 – 15 percent	0.0	8.6	2.2	1.8	3.9	3.2
6 – 10 percent	2.0	5.9	6.2	6.4	5.8	5.1
1 - 5 percent	0.0	30.1	4.0	0.0	10.8	8.5
0 percent	0.0	10.8	9.4	10.1	9.2	7.6
Don't know/no data	94.0	18.3	27.9	28.4	30.4	42.2
Total share	100.0	100.0	100.0	100.0	100.0	
No. of respondents	50	186	276	109	621	

Source: 2021 Countryside Bank Survey.

Figure 12. Share of small farmer-borrowers to agricultural borrowers



Source: 2021 Countryside Bank Survey.

⁴ Small farmers include those who are (1) tilling/operating farms of not more than 3 hectares, (2) engaged in backyard poultry and livestock raising, and (3) are artisanal fisherfolk or municipal, small-scale, or subsistence fishers who use fishing gears which do not require boats, or which only require boats with capacity of below 3 tons.

B. Demand for agricultural loans

Table 13 and Figure 13 reveal that at least one-third of respondent banks confirmed that they actively sought agricultural borrowers in 2021. Of the four types of banks, TBs (91 percent) were aggressive in marketing their agricultural lending facility, followed by RCBs (76 percent) and GBs (66 percent) while UKBs (35 percent) were relatively passive.

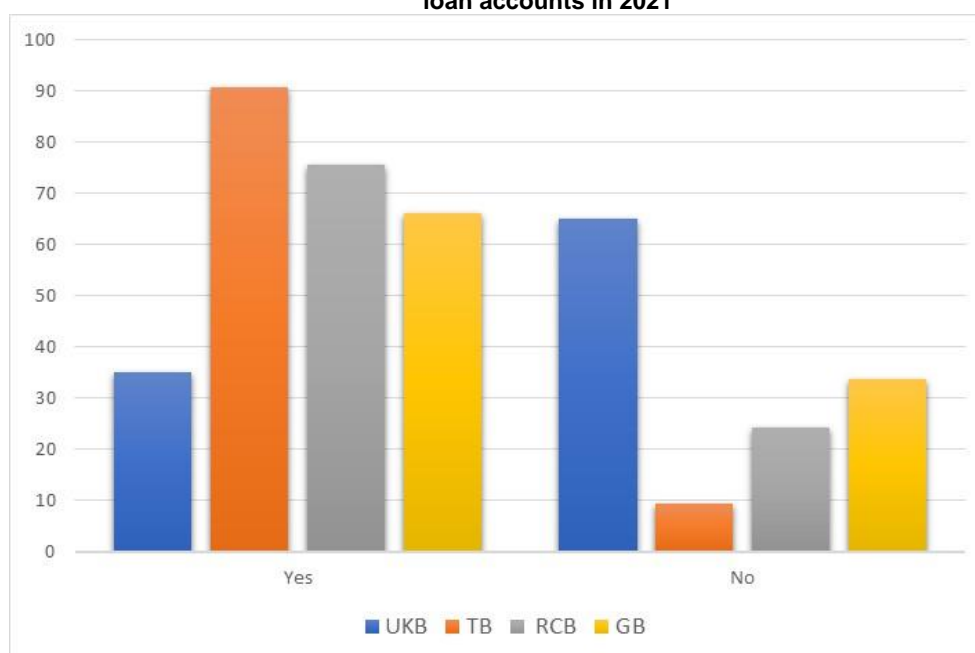
The main reasons cited by respondent banks for not actively seeking agricultural borrowers in 2021 are low demand for loans from the sector and the perceived weak capacity of agricultural borrowers. In particular, at least 40 percent of the respondent banks commented that they have noted low to no demand for loans from farmers explaining that they operate in largely urban areas, they have quite a few agricultural loan accounts, there are no qualified borrowers, and/or farmers do not have collaterals acceptable to the bank. Hence, some banks have as a policy to focus on SMEs, which have higher demand for loans (Table C.1, Appendix C).

Table 13. Whether or not the bank actively sought agricultural borrowers in 2021

<i>Did you actively seek agricultural borrowers in 2021?</i>	UKB	TB	RCB	GB	Total	Average
Yes	35.1	90.6	75.7	66.2	70.5	66.9
No	64.9	9.4	24.3	33.8	29.5	33.1
Total share	100.0	100.0	100.0	100.0	100.0	100.0
No. of respondents	154	213	358	151	876	

Source: 2021 Countryside Bank Survey.

Figure 13. Whether or not the bank actively sought agricultural borrowers / loan accounts in 2021



Source: 2021 Countryside Bank Survey.

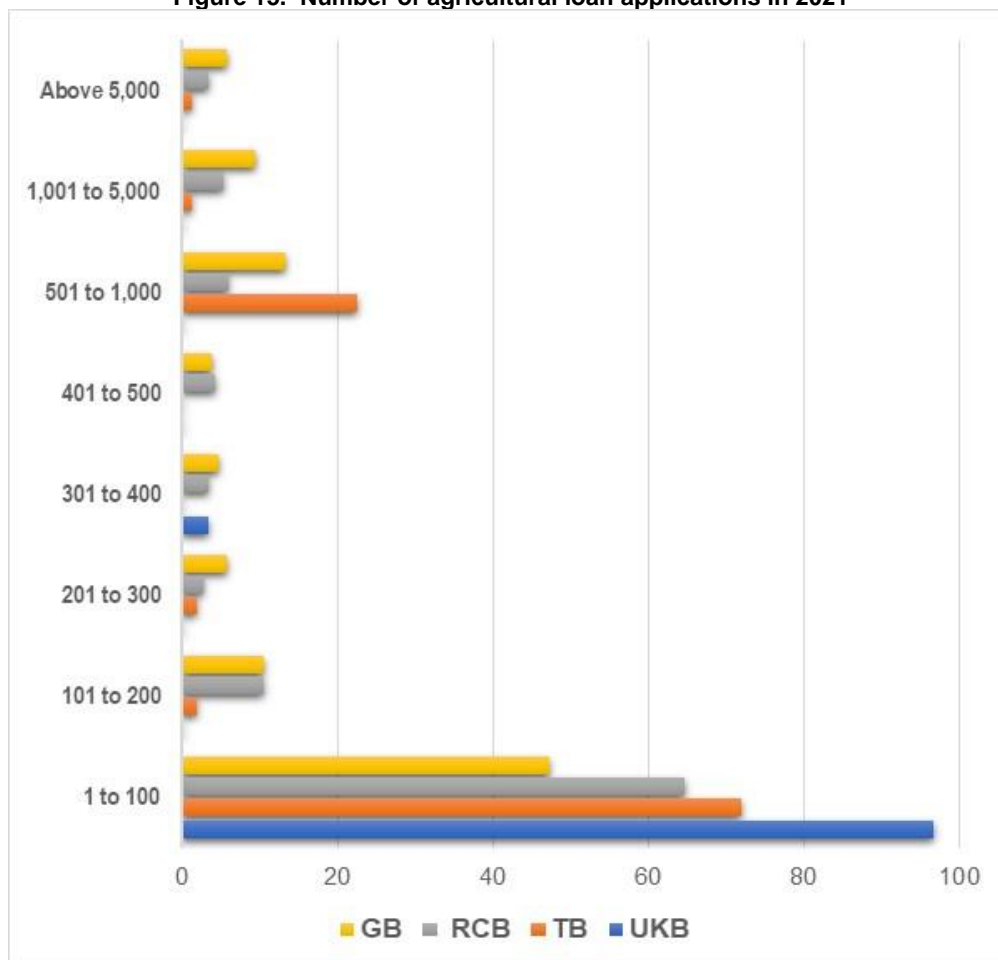
Table 15 and Figure 15 show that 65 percent of respondent banks reported to have accepted no more than 100 loan applications in 2021. On the average, GBs received the highest number of agricultural loan applications followed by RCBs and TBs, while UKBs got the least number of agricultural loan applications.

Table 15. Number of agricultural loan applications in 2021

No. of loan applications	UKB	TB	RCB	GB	Total	Average
1 to 100	96.7	71.8	64.7	47.2	65.3	70.1
101 to 200	0.0	1.7	10.5	10.4	7.3	5.7
201 to 300	0.0	1.7	2.6	5.7	2.8	2.5
301 to 400	3.3	0.0	3.4	4.7	2.6	2.9
401 to 500	0.0	0.0	4.1	3.8	2.6	2.0
501 to 1,000	0.0	22.4	6.0	13.2	12.0	10.4
1,001 to 5,000	0.0	1.1	5.3	9.4	4.5	4.0
Above 5,000	0.0	1.1	3.4	5.7	3.0	2.5
Total share	100.0	100.0	100.0	100.0	100.0	
No. of respondents	30	174	266	106	576	
Minimum	1	1	1	1	1	
Maximum	400	8,876	26,451	30,000	30,000	
Average	28	340	572	1,493	642	

Source: 2021 Countryside Bank Survey.

Figure 15. Number of agricultural loan applications in 2021



Source: 2021 Countryside Bank Survey.

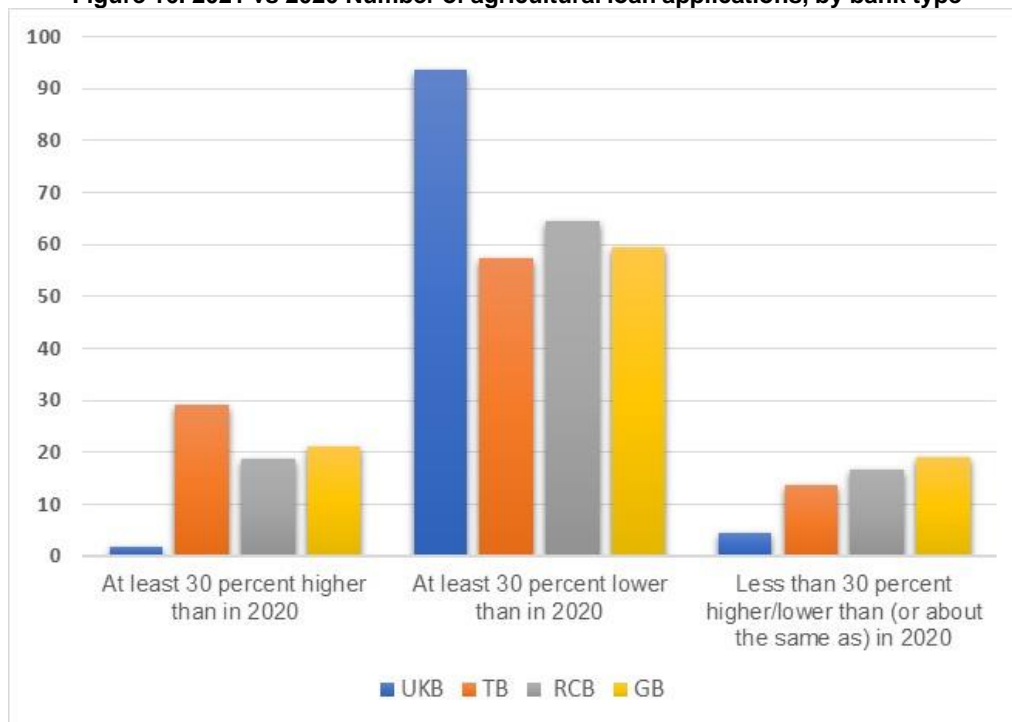
Table 16 shows that two thirds of the respondent banks reported that the number of agricultural loan applications received in 2021 was 30 percent lower than the previous year. Across different types of banks, almost all UKBs (94 percent) relative to TBs (57 percent), RCBs (64 percent) or GBs (60 percent) experienced such decline in the number of agricultural loan applications.

Table 16. 2021 vs 2020 Number of agricultural loan applications, by bank type

<i>Agricultural loan applications in 2021 was...</i>	UKB	TB	RCB	GB	Total	Average
At least 30 percent <u>higher</u> than in 2020	1.9	29.1	18.7	21.2	18.7	17.7
At least 30 percent <u>lower</u> than in 2020	93.5	57.3	64.5	59.6	67.0	68.7
Less than 30 percent higher/lower than (or, about the same as) in 2020	4.5	13.6	16.8	19.2	14.3	13.5
Total share	100.0	100.0	100.0	100.0	100.0	100.0
No. of respondents	154	213	358	151	876	

Source: 2021 Countryside Bank Survey.

Figure 16. 2021 vs 2020 Number of agricultural loan applications, by bank type



Source: 2021 Countryside Bank Survey.

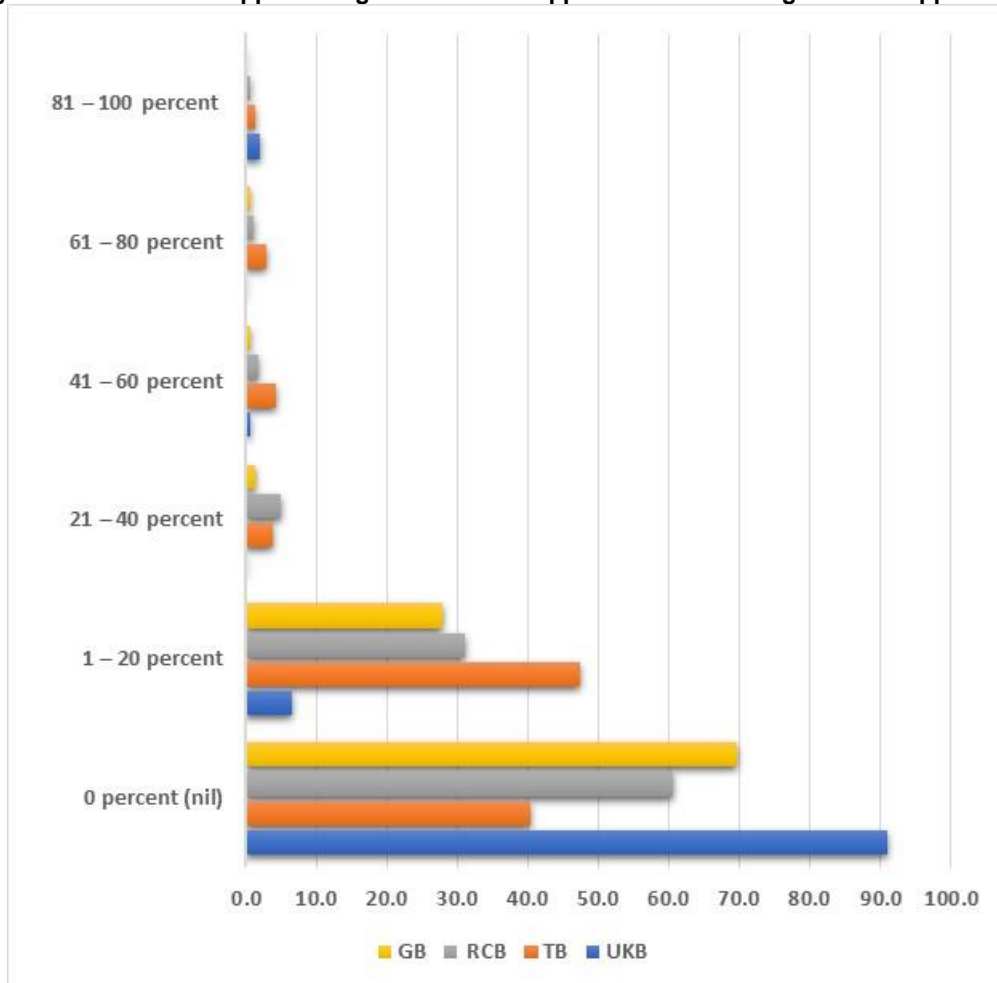
Table 17 and Table 18 show that only a small proportion of agricultural loan applications were disapproved as 93 percent of respondent banks indicated that the disapproval ratio of agricultural loan applications was either nil or at most 20 percent.

Table 17. Share of disapproved agricultural loan applications to total agricultural applications

<i>Share of disapproved agricultural loan applications to total agricultural applications</i>	UKB	TB	RCB	GB	Total	Average
81 – 100 percent	1.9	1.4	0.6	0.0	0.9	1.0
61 – 80 percent	0.0	2.8	1.1	0.7	1.3	1.1
41 – 60 percent	0.6	4.2	1.7	0.7	1.9	1.8
21 – 40 percent	0.0	3.8	5.0	1.3	3.2	2.5
1 – 20 percent	6.5	47.4	31.0	27.8	30.1	28.2
0 percent (nil)	90.9	40.4	60.6	69.5	62.6	65.4
Total share	100.0	100.0	100.0	100.0	100.0	
No. of respondents	154	213	358	151	876	

Source: 2021 Countryside Bank Survey.

Figure 17. Share of disapproved agricultural loan applications to total agricultural applications



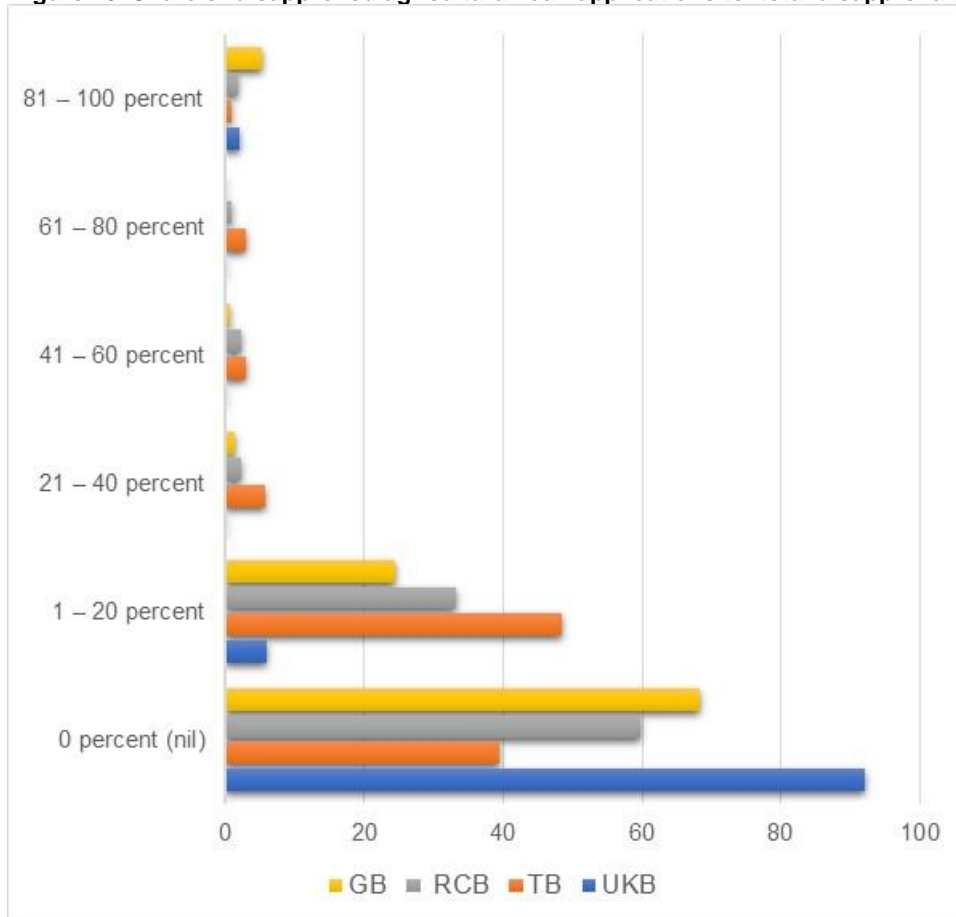
Source: 2021 Countryside Bank Survey.

Table 18. Share of disapproved agricultural loan applications to total disapprovals

<i>Share of disapproved agricultural loan applications to total disapprovals</i>	UKB	TB	RCB	GB	Total	Average
81 – 100 percent	1.9	0.9	1.7	5.3	2.2	2.5
61 – 80 percent	0.0	2.8	0.8	0.0	1.0	0.9
41 – 60 percent	0.0	2.8	2.2	0.7	1.7	1.4
21 – 40 percent	0.0	5.6	2.2	1.3	2.5	2.3
1 – 20 percent	5.8	48.4	33.2	24.5	30.6	28.0
0 percent (nil)	92.2	39.4	59.8	68.2	62.0	64.9
Total share	100.0	100.0	100.0	100.0	100.0	
No. of respondents	154	213	358	151	876	

Source: 2021 Countryside Bank Survey.

Figure 18. Share of disapproved agricultural loan applications to total disapprovals



Source: 2021 Countryside Bank Survey.

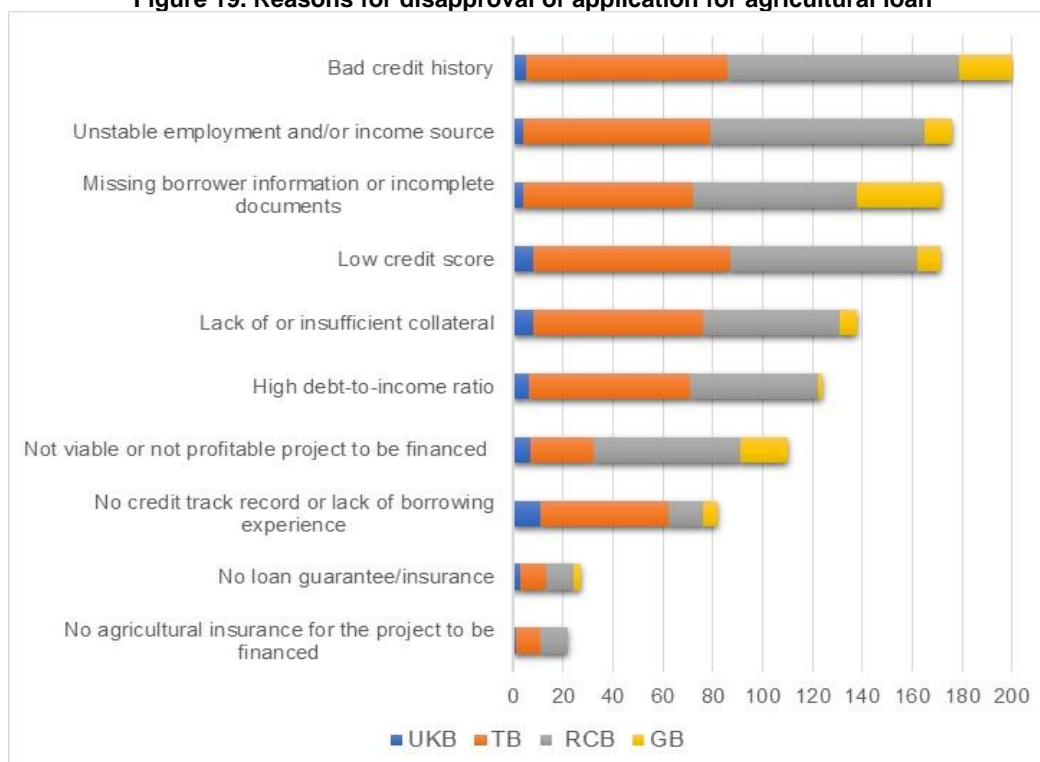
Table 19 listed the reasons of respondent banks for disapproving agricultural loan applications. The top four reasons include the following: (a) the applicant’s “bad credit history” or poor borrowing record; (b) unstable employment and/or limited income source of the borrower applicant; (c) incomplete documents and missing information on the borrower; and (d) low credit score. Among RCBs and TBs, the most frequently-cited reason for agricultural loan disapprovals, is “bad credit history”. Meanwhile, GBs cited that their top reason is “missing borrower information or incomplete documents”. For UKBs, the “lack of credit track record or borrowing experience” is their top concern.

Table 19. Reasons for disapproval of application for agricultural loan

Reasons for agricultural loan disapproval	UKB	TB	RCB	GB	Total	
					No.	percent
Bad credit history	5	81	93	21	200	16.4
Unstable employment and/or income source	4	75	86	11	176	14.4
Missing borrower information or incomplete documents	4	68	66	34	172	14.1
Low credit score	8	79	75	9	171	14.0
Lack of or insufficient collateral	8	68	55	7	138	11.3
High debt-to-income ratio	6	65	51	2	124	10.1
Not viable or not profitable project to be financed	7	25	59	19	110	9.0
No credit track record or lack of borrowing experience	11	51	14	6	82	6.7
No loan guarantee/insurance	3	10	11	3	27	2.2
No agricultural insurance for the project to be financed	1	10	11		22	1.8
Total	57	532	521	112	1,222	100.0

Source: 2021 Countryside Bank Survey.

Figure 19. Reasons for disapproval of application for agricultural loan



Source: 2021 Countryside Bank Survey.

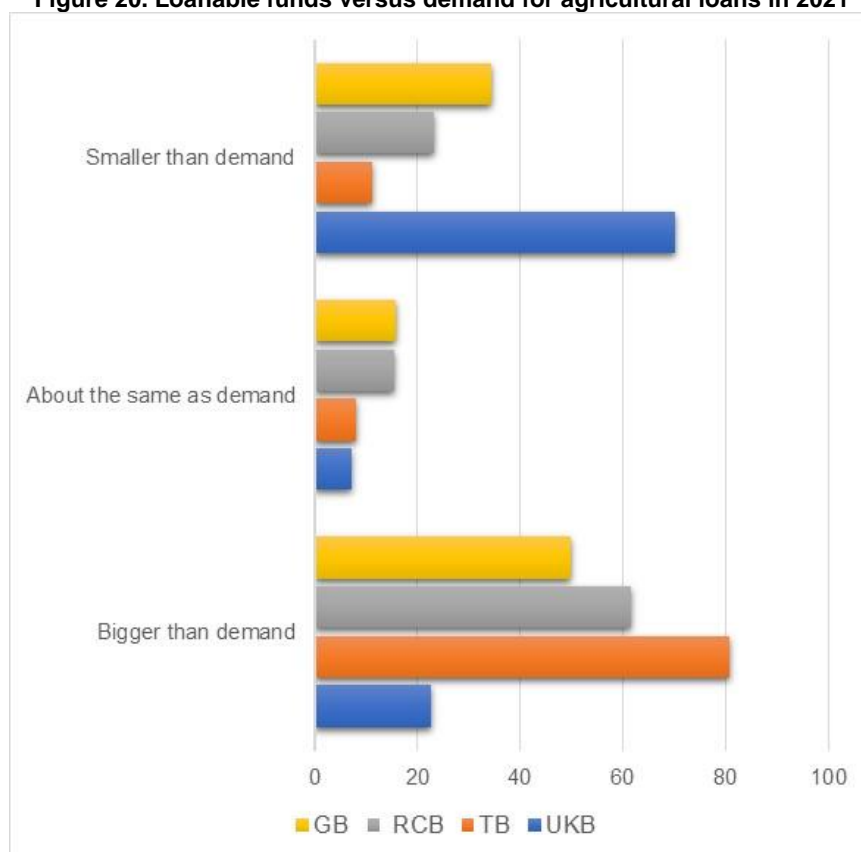
Table 20 shows that, in general, 57 percent of respondent banks indicated that loanable funds were bigger than the demand for agricultural loans. This was true for the case of TBs (81 percent), RCBs (61 percent), and GBs (50 percent) as shown in Figure 20. However, 70 percent of UKBs stated otherwise, that is, their loanable funds were smaller than the demand for agricultural loans.

Table 20. Loanable funds versus demand for agricultural loans in 2021

<i>Loanable funds was ...</i>	UKB	TB	RCB	GB	Total	Average
Much bigger than demand	17.5	74.6	44.1	21.9	43.0	39.5
Somewhat bigger than demand	5.2	6.1	17.3	27.8	14.3	14.1
About the same as demand	7.1	8.0	15.4	15.9	12.2	11.6
Somewhat smaller than demand	0.6	2.8	3.4	6.6	3.3	3.4
Much smaller than demand	69.5	8.5	19.8	27.8	27.2	31.4
Total share	100.0	100.0	100.0	100.0	100.0	
No. of respondents	154	213	358	151	876	

Source: 2021 Countryside Bank Survey.

Figure 20. Loanable funds versus demand for agricultural loans in 2021



Source: 2021 Countryside Bank Survey.

C. Interest rates and other charges on loans

Interest rates and other charges on loans. In general, respondent banks in the survey imposed rates on agricultural loans in 2021 that were at par with the average of all banking units. Amid the low policy rate environment that started in 2019, banks were able to pass on lower interest rates to their borrowers following the decline in bank funding cost. Defined as the ratio of annualized interest expense to average interest-bearing liabilities, the funding cost of Philippine banks stood at 0.7 percent by end-December 2021, lower than 0.8 percent by end-June 2021 and 1.1 percent as of end-December 2020. The latest data confirmed that low-cost deposits have remained not only a stable but also the biggest source of funds for banking units' operations.

The overall interest rates on loans by UKBs showed a general downtrend from end-March 2020, when community quarantines were first imposed, to end-December 2021. As of end-December 2021, the overall mean weighted average interest rates (WAIR) on loans of UKBs went down to 5.3 percent from 8.2 percent as of end-March 2020 and 5.5 percent as of end-December 2020. Meanwhile, the overall median WAIR registered at 5.2 percent as of end-December 2021, lower than the 5.8 percent as of end-March 2020 but higher than the 4.8 percent as of end-December 2020.

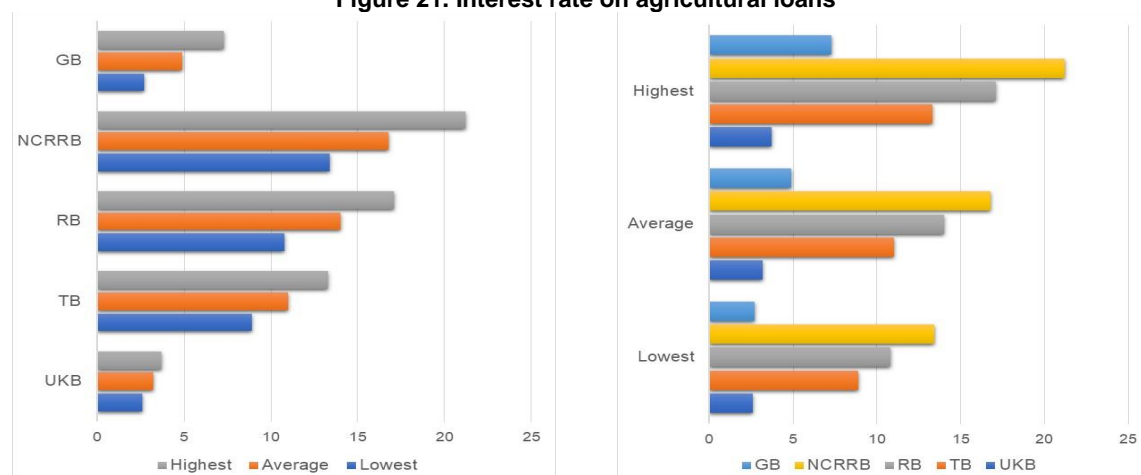
RCBs in the NCR (NCRRB), RCBs outside the NCR (RB) and TBs registered lending rates that were higher than those of GBs and UKBs. Specifically, average interest rates on UKBs' and GBs' agricultural loans were lower than the UKB mean and median WAIR. However, NCRRBs, RBs and TBs registered lending rates that were higher than those of government banks (GBs) and UKBs. Looking at the range, Table 21 shows that NCRRBs imposed the highest range from 13.4 percent to 21.2 percent, followed by RBs from 10.8 percent to 17.1 percent and TBs from 8.9 percent to 13.3 percent. GBs and UKBs registered ranges between 2.7 percent and 7.3 percent, and between 2.6 percent and 3.7 percent, respectively.

Table 21. Interest rates on agricultural loans

<i>Interest rates on agricultural loans</i>	UKB	TB	RB	NCRRB	GB	Total
Lowest	2.6	8.9	10.8	13.4	2.7	7.4
Average	3.2	11	14	16.8	4.9	9.6
Highest	3.7	13.3	17.1	21.2	7.3	11.8
No. of respondents	224	233	400	15	160	1,032

Source: 2021 Countryside Bank Survey.

Figure 21. Interest rate on agricultural loans



Source: 2021 Countryside Bank Survey

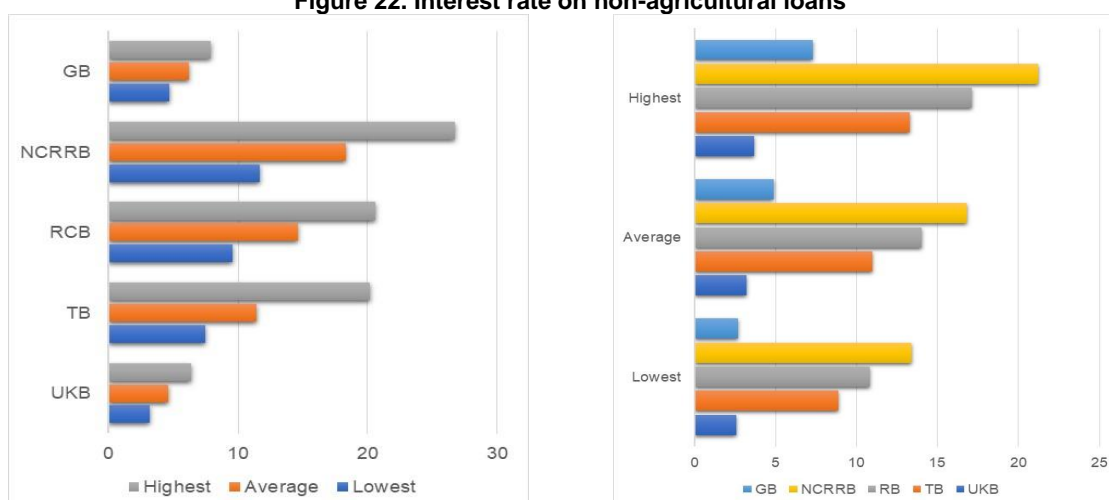
Broadly, average interest rates on non-agricultural loans in 2021 were higher than agricultural loans. Non-agricultural loans by banks include loans to the government, private corporations, small- and medium enterprises, microenterprises, and loans to individuals. Table 22 shows that average rates on non-agricultural loans by all banking units at 10.5 percent in 2021 was higher than the 9.6 percent average rate of agricultural loans by all banking units. Meanwhile, branches of RBs (14.6 percent), TBs (11.4 percent) and NCRRBs (18.3 percent) posted higher average rates than the average of all banking units (10.5 percent). Meanwhile, rates of NCRRBs in 2021 posted differential rates with agricultural loans of 1.7 percent (low) to 1.5 percent (average) to 5.5 percent (highest).

Table 22: Interest rates on non-agricultural loans

<i>Interest rates on non-agricultural loans</i>	UKB	TB	RB	NCRRB	GB	Total
Lowest	3.2	7.5	9.6	11.7	4.7	7.0
Average	4.6	11.4	14.6	18.3	6.2	10.5
Highest	6.4	20.2	20.6	26.7	7.9	15.5
No. of respondents	224	233	400	15	160	1,032

Source: 2021 Countryside Bank Survey

Figure 22. Interest rate on non-agricultural loans



Source: 2021 Countryside Bank Survey

For both agricultural outstanding loans and outstanding non-agricultural loans, respondent banks generally charge a one-time bank service or loan processing fee of between 1 and 5 percent of the total loan take-up.

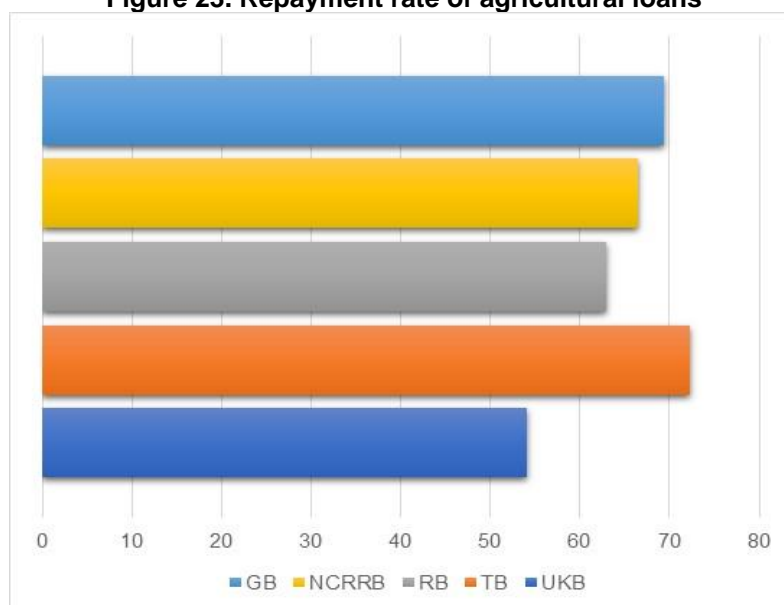
D. Borrowers' repayment and debt position

Repayment rate of agricultural loans: Table 23 shows the repayment rate for agricultural loans across branches of banks. The average repayment rate of branches was 68.5 percent for 2021. The highest repayment rate was posted by TBs at 72.2 percent, an indication of their relatively strong screening standards on the viability of their borrowers to repay their loan obligations. This was followed by GBs at 69.3 percent, NCRRBs at 66.5 percent, and RBs at 62.9 percent. Branches of UKBs registered the lowest repayment rate at 54.1 percent.

Table 23: Repayment rate of agricultural loans

Repayment rate	UKB	TB	RB	NCRRB	GB	Total
Average repayment rate	54.1	72.2	62.9	66.5	69.3	68.5
No. of respondents	224	233	400	15	160	1,032

Source: 2021 Countryside Bank Survey

Figure 23. Repayment rate of agricultural loans

Source: 2021 Countryside Bank Survey

Loan repayment rate (RR): agricultural vs non-agricultural borrowers. Table 24 shows the shares of responses across banking units of the overall direction of agricultural loan repayment rate in 2021 compared to that of non-agricultural borrowers. Majority of banking units or 45.2 percent of the total respondents revealed that the repayment rate in 2021 of agricultural borrowers was much lower than that of non-agricultural borrowers. This result was consistent across branches of the different banking groups specifically to branches of UKBs (71.9 percent of the total respondents).

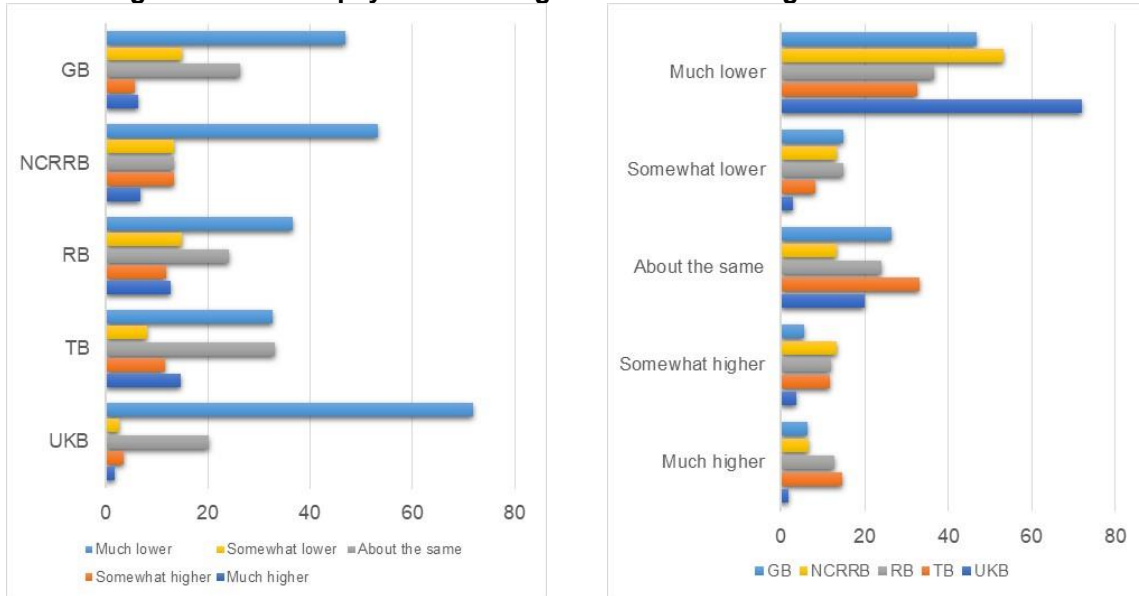
About 25.4 percent of the respondents indicated that the repayment rates of both the agricultural and non-agricultural loans were about the same. The remaining respondent banks disclosed mixed responses. About 10.8 percent of bank branches showed that the repayment rate of agricultural loans was somewhat lower, 9.7 percent was much higher, and 9.0 percent was somewhat higher compared to non-agricultural loans.

Table 24: Loan repayment rate: agricultural vs non-agricultural borrowers

	UKB	TB	RB	NCRRB	GB	Total
Much higher	1.8	14.6	12.8	6.7	6.3	9.7
Somewhat higher	3.6	11.6	11.8	13.3	5.6	9.0
About the same	20.1	33	24	13.3	26.3	25.4
Somewhat lower	2.7	8.2	15	13.3	15	10.8
Much lower	71.9	32.6	36.5	53.3	46.9	45.2
Total share	100.0	100.0	100.0	100.0	100.0	100.0
No. of respondents	224	233	400	15	160	1032

Source: 2021 Countryside Bank Survey

Figure 24: Loan repayment rate: agricultural vs non-agricultural borrowers



Source: 2021 Countryside Bank Survey

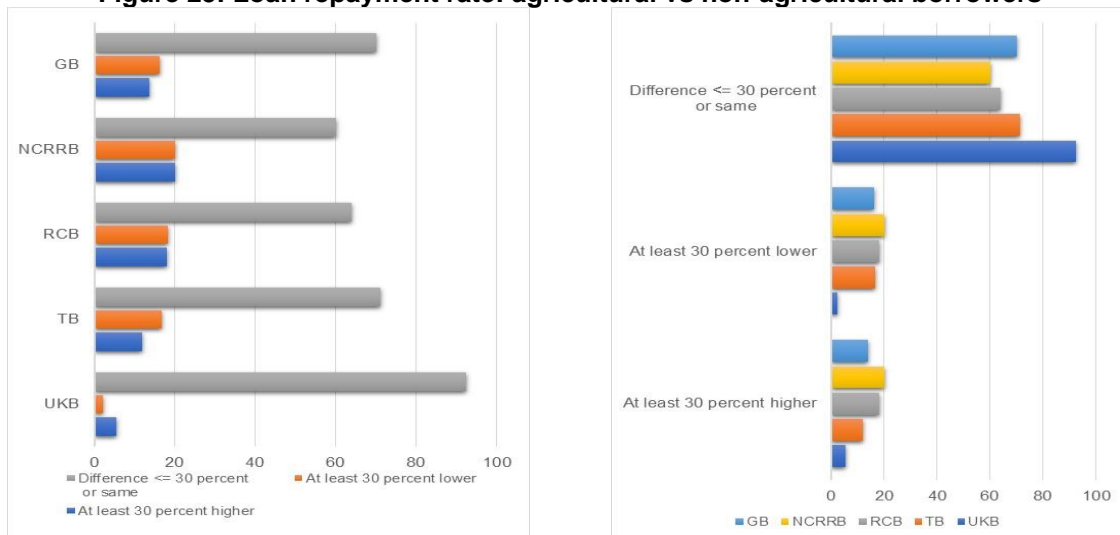
2021 vs 2020 Agricultural NPL Ratio. Table 25 shows that bank branches' average NPL ratio for 2021 was almost unchanged from that in 2020. This finding was consistent across the different bank groups and could be due largely to the effects of the monetary and fiscal relief measures as well as the regulatory initiatives adopted by the National Government and the BSP that started in March 2020.

Table 25: 2021 vs 2020 Agricultural NPL Ratio

	UKB	TB	RCB	NCRRB	GB	Total
At least 30 percent higher	5.4	12.0	18.0	20.0	13.8	13.3
At least 30 percent lower	2.2	16.7	18.3	20.0	16.3	14.1
Difference <= 30 percent or same	92.4	71.2	63.8	60.0	70.0	72.6
Total share	100.0	100.0	100.0	100.0	100.0	100.0
No. of respondents	224	233	400	15	160	1,032

Source: 2021 Countryside Bank Survey

Figure 25: Loan repayment rate: agricultural vs non-agricultural borrowers



Source: 2021 Countryside Bank Survey

In the Philippines, the National Government under President Rodrigo Duterte placed the entire Luzon island under enhanced community quarantine (ECQ) on March 16, 2020, two days after the declaration of community quarantine in Metro Manila on March 14, as the number of COVID-19 cases began to spiral. The Luzon island group is home to about 62 million people or 57 percent of the national population. The ECQ required a suspension of economic activity, except for essential sectors; a skeletal work force and social distancing restriction in the permitted sectors; a prohibition on public transportation; and a stay-home order on all quarantined persons unless they were accessing basic necessities and health services, also subject to movement restrictions and social distancing. The ECQ was extended to some cities and provinces outside of Luzon, while other jurisdictions were placed under general CQ, depending on the upsurge of COVID-19 cases.

Indeed, during the ECQ, agri-food system and food marketing were treated as essential sectors or activities. However, these sectors have undergone severe disruption because of the movement restrictions associated with CQs. The Philippines has mostly succeeded in sustaining functional food supply chains due to measures imposed by the Government. Among the most effective measures has been the “food lane pass,” which permits suppliers and truckers to pass freely through checkpoints (subject only to verification of documents and a quick health check). The pass is extended to food, whether fresh or processed, and inputs required to produce food, such as feed, seed, and fertilizer.

Moreover, the Philippines distributed cash aid targeting 18 million households under the Bayanihan to Heal as One Act. The local government units (LGUs) within Metro Manila and some other areas under ECQ have begun to distribute food packs to quarantined residents (World Bank 2020)⁵.

Discontinued financing due to past due loans. In 2021, majority of respondent bank branches revealed that no agricultural borrowers were discontinued financing due to past due loans or non repayment of matured loans. There were incidents where branches’ financing of agricultural loans were halted due to the following reasons: (1) project failure/crop damage or low quality produce due to natural calamities (typhoon, flood, volcanic eruption, drought), pest infestation, plant and animal diseases (ASF, bird flu) and other unfavorable events (such as fire); (2) COVID-19 pandemic mobility restrictions limited business transactions, adversely affected disposal, transporting and marketing of produce; (3) low (decreased) market price of produce; and (4) low to no income generated from the project/sales of produce due to a host of reasons (such as low market price of produce, high cost of inputs, pandemic, others)/project or business failure.

E. Bank risk management

Banks normally require hard collateral to cover for the risk of borrower loan default. This is validated by survey responses on the forms of loan securities banks require and accept from agricultural borrowers. Table 26 shows that real estate mortgage (REM) remains the topmost commonly acceptable collateral among banks, except for GBs. GBs prefer Philippine Crop Insurance Corporation’s (PCIC) agricultural loan insurance to REM. Many banks also require chattel mortgage, post-dated checks, hold-out deposits, and credit guarantee.

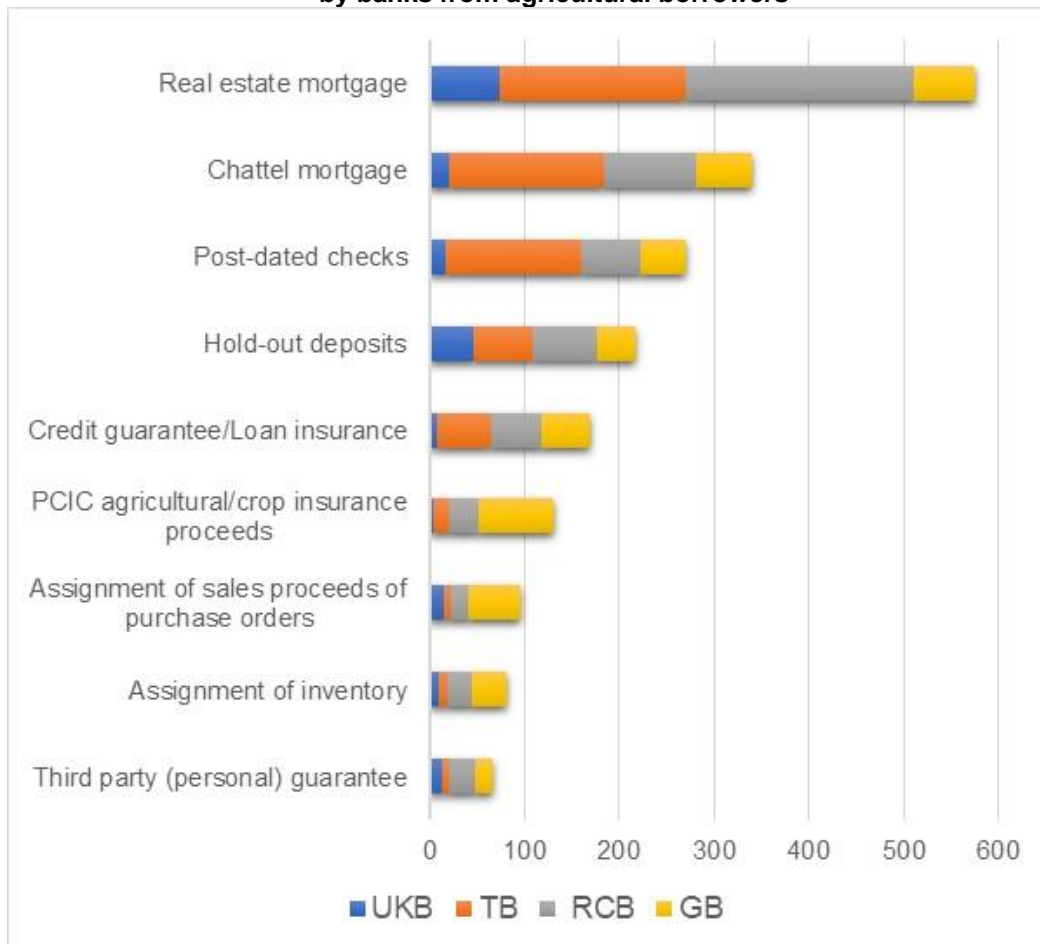
⁵ The World Bank (2020). Transforming Philippine Agriculture During Covid-19 and Beyond. June 2020.

Table 26. Collaterals and other loan securities required and/or accepted by banks from agricultural borrowers

Forms of collaterals and loan securities	UKB	TB	RCB	GB	Total	
					No.	percent
Real estate mortgage	73	196	242	63	574	65.5
Chattel mortgage	21	162	97	59	339	38.7
Post-dated checks	16	144	63	46	269	30.7
Hold-out deposits	46	63	67	40	216	24.7
Credit guarantee/Loan insurance	7	57	53	52	169	19.3
PCIC agricultural/crop insurance proceeds	3	17	32	78	130	14.8
Assignment of sales proceeds of purchase orders	14	9	18	54	95	10.8
Assignment of inventory	10	8	27	35	80	9.1
Third party (personal) guarantee	13	7	27	20	67	7.7
No. of respondents	154	213	358	151	876	100.0

Note: Multiple response allowed
Source: 2021 Countryside Bank Survey

Figure 26. Collaterals and other loan securities required and/or accepted by banks from agricultural borrowers



Source: 2021 Countryside Bank Survey

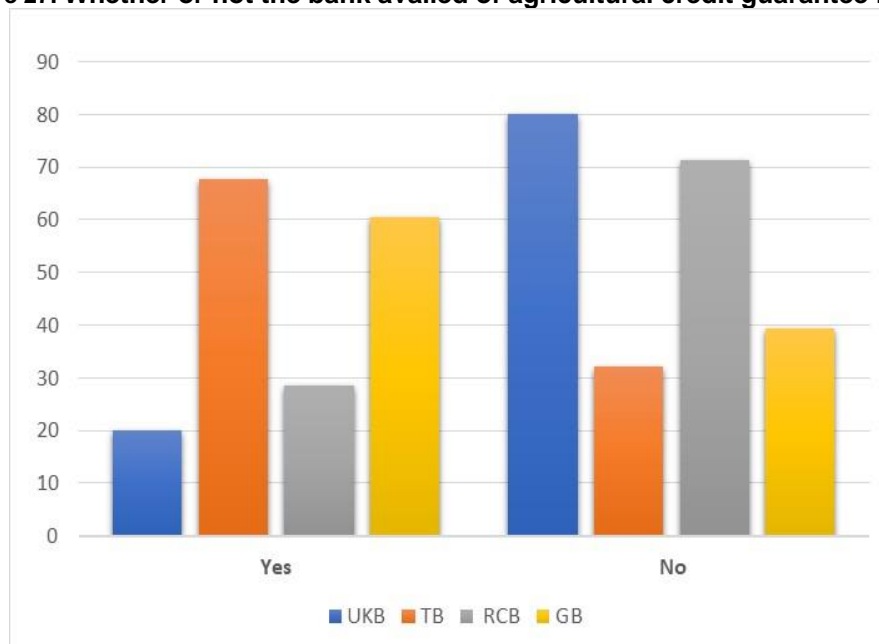
Based on Table 26, credit guarantee or loan insurance is one form of loan security that banks are willing to accept from agricultural borrowers. Table 27 shows that 45 percent of the respondent banks disclosed that they availed of a credit guarantee facility to secure the agricultural loans they released in 2021. Figure 27 shows that at least 60 percent of TBs and GBs availed of agricultural credit guarantee facility.

Table 27. Whether or not the bank availed of agricultural credit guarantee facility

<i>Did the bank avail of credit guarantee to insure the agricultural loans in 2021?</i>	UKB	TB	RCB	GB	Total	Average
Yes	20.0	67.7	28.6	60.6	45.2	44.2
No	80.0	32.3	71.4	39.4	54.8	55.8
Total share	100.0	100.0	100.0	100.0	100.0	100.0
No. of respondents	154	213	358	151	876	

Source: 2021 Countryside Bank Survey.

Figure 27. Whether or not the bank availed of agricultural credit guarantee facility



Source: 2021 Countryside Bank Survey.

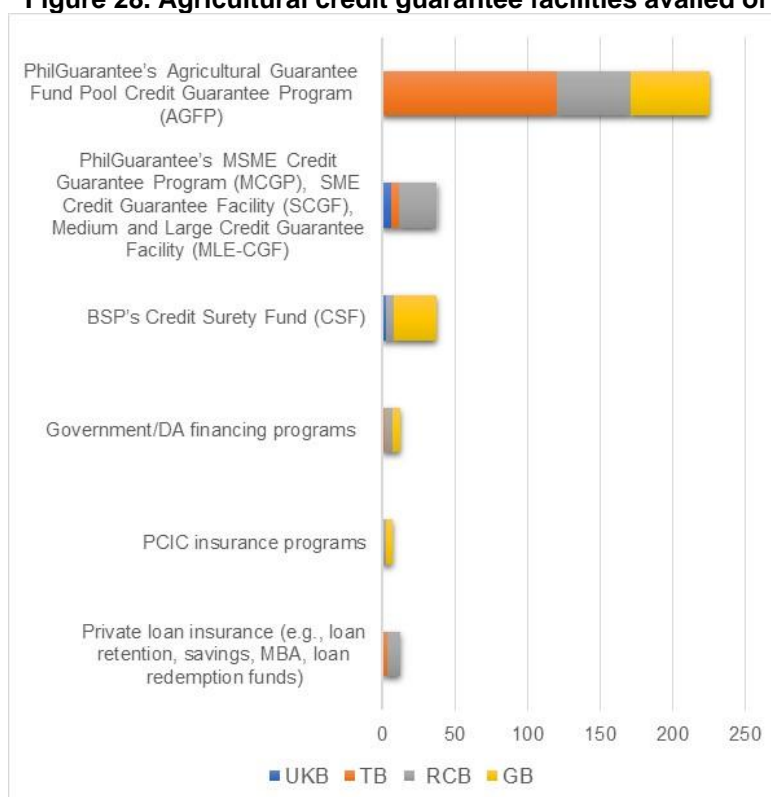
The Agricultural Guarantee Fund Pool (AGFP) administered by the Philippine Guarantee Corporation (PhilGuarantee) is the guarantee program most banks (80 percent) used as guarantee cover for loans of farmers and fisherfolk. Other government-funded guarantee facilities tapped by some banks are the PhilGuarantee for MSMEs, PCIC agricultural insurance, and Credit Surety Fund (Table 28).

Table 28. Agricultural credit guarantee facilities availed of in 2021

Agricultural credit guarantee facilities	UKB	TB	RCB	GB	Total	
					No.	percent
PhilGuarantee's Agricultural Guarantee Fund Pool Credit Guarantee Program (AGFP)		120	51	54	225	80.1
PhilGuarantee's MSME Credit Guarantee Program (MCGP), SME Credit Guarantee Facility (SCGF), Medium and Large Credit Guarantee Facility (MLE-CGF)	6	5	26	0	37	13.2
BSP's Credit Surety Fund (CSF)	2		6	29	37	13.2
Government/DA financing programs		1	6	5	12	4.3
PCIC insurance programs			2	5	7	2.5
Private loan insurance (e.g., loan retention, savings, MBA, loan redemption funds)		3	9		12	4.3
Total	8	126	79	66	281	100.0

Source: 2021 Countryside Bank Survey.

Figure 28. Agricultural credit guarantee facilities availed of in 2021



Source: 2021 Countryside Bank Survey.

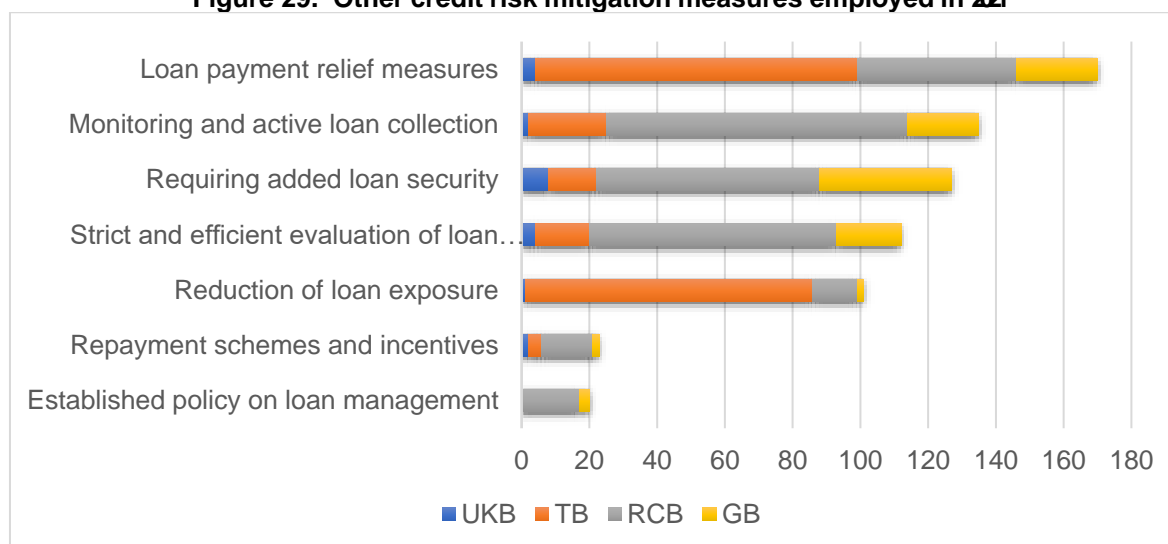
Aside from availing of government credit guarantee, banks employed measures to lessen their risks of borrower default as listed down in Table 29. The credit risks mitigation measures applied by at least about 20 percent of respondent banks were repayment relief measures such as loan restructuring or moratorium and intensified monitoring and collection of loan accounts. Many banks also conducted stricter or closer examination of the loan applications and required added loan security or outright reduction of loan exposure by limiting the number of accounts per bank staff and/or focusing only on existing good borrowers.

Table 29. Other credit risk mitigation measures employed in 2021

Other credit risk mitigation measures	UKB	TB	RCB	GB	Total	
					No.	percent
<i>Loan payment relief measures:</i> loan restructuring; moratorium; condonation of penalties and surcharges	4	95	47	24	170	24.7
<i>Monitoring and active loan collection:</i> advance, more frequent notification of due date / demand letters; partnership with payment gateway channels	2	23	89	21	135	19.6
<i>Requiring added loan security:</i> equity, post-dated checks, promissory notes, agri insurance, hold-out deposit, guarantor, co-borrower, endorsement from allied agencies, multiple sources of income, auto-debit arrangement	8	14	66	39	127	18.5
<i>Strict and efficient evaluation of loan applications:</i> Closer examination of character, credit history, project viability; Adoption of credit risk rating system; Conduct of creditworthiness/financial literacy seminars	4	16	73	19	112	16.3
<i>Reduction of loan exposure:</i> limiting number of accounts per account officer, focus on existing good borrowers	1	85	13	2	101	14.7
<i>Repayment schemes and incentives:</i> customizing maturity dates to expected borrower cash flow; staggered release of loans based on needs; rebates for advance/full repayment; penalties on late payment; foreclosure of collateral; Interest rate repricing	2	4	15	2	23	3.3
<i>Established policy on loan management</i> e.g., agri value chain financing	0	0	17	3	20	2.9
Total	21	237	320	110	688	100.0

Source: 2021 Countryside Bank Survey.

Figure 29. Other credit risk mitigation measures employed in 2021



Source: 2021 Countryside Bank Survey.

F. Bank profitability

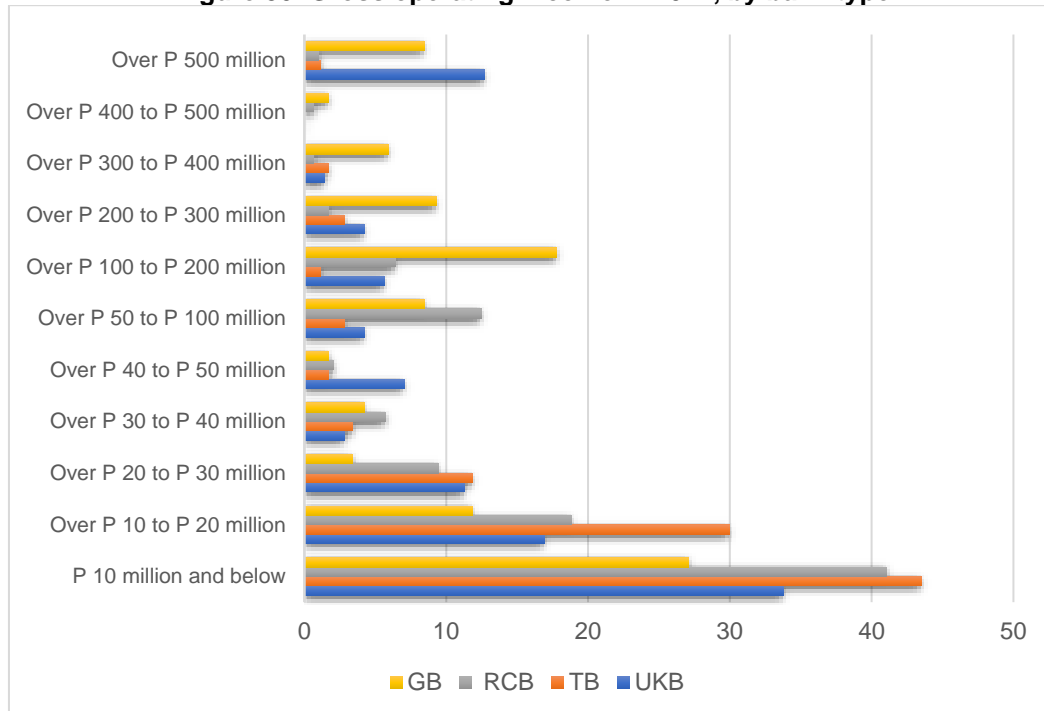
Table 30 reveals that 59 percent of respondent banks reported that, on aggregate, their banks generated gross incomes not exceeding P20 million. The average gross income of reporting banks however amounted to P64 million reflecting the relatively much higher income of fewer banks, particularly GBs and UKBs.

Table 30. Gross operating income in 2021, by bank type

<i>Gross operating income</i>	UKB	TB	RCB	GB	Total	Average
P 10 million and below	33.8	43.5	41.1	27.1	38.5	36.4
Over P 10 to P 20 million	16.9	29.9	18.9	11.9	20.4	19.4
Over P 20 to P 30 million	11.3	11.9	9.4	3.4	9.2	9.0
Over P 30 to P 40 million	2.8	3.4	5.7	4.2	4.5	4.0
Over P 40 to P 50 million	7.0	1.7	2.0	1.7	2.4	3.1
Over P 50 to P 100 million	4.2	2.8	12.5	8.5	8.3	7.0
Over P 100 to P 200 million	5.6	1.1	6.4	17.8	6.9	7.7
Over P 200 to P 300 million	4.2	2.8	1.7	9.3	3.6	4.5
Over P 300 to P 400 million	1.4	1.7	0.7	5.9	2.0	2.4
Over P 400 to P 500 million	0.0	0.0	0.7	1.7	0.6	0.6
Over P 500 million	12.7	1.1	1.0	8.5	3.6	5.8
Total share	100.0	100.0	100.0	100.0	100.0	
No. of respondents	71	177	297	118	663	
Minimum	0.45	0.1	0.05	0.2	0.05	
Maximum	911.9	334	728.7	2000	2000	
Average gross income (Pm)	53.6	29	43.2	174.7	64.1	

Source: 2021 Countryside Bank Survey

Figure 30. Gross operating income in 2021, by bank type



Source: 2021 Countryside Bank Survey

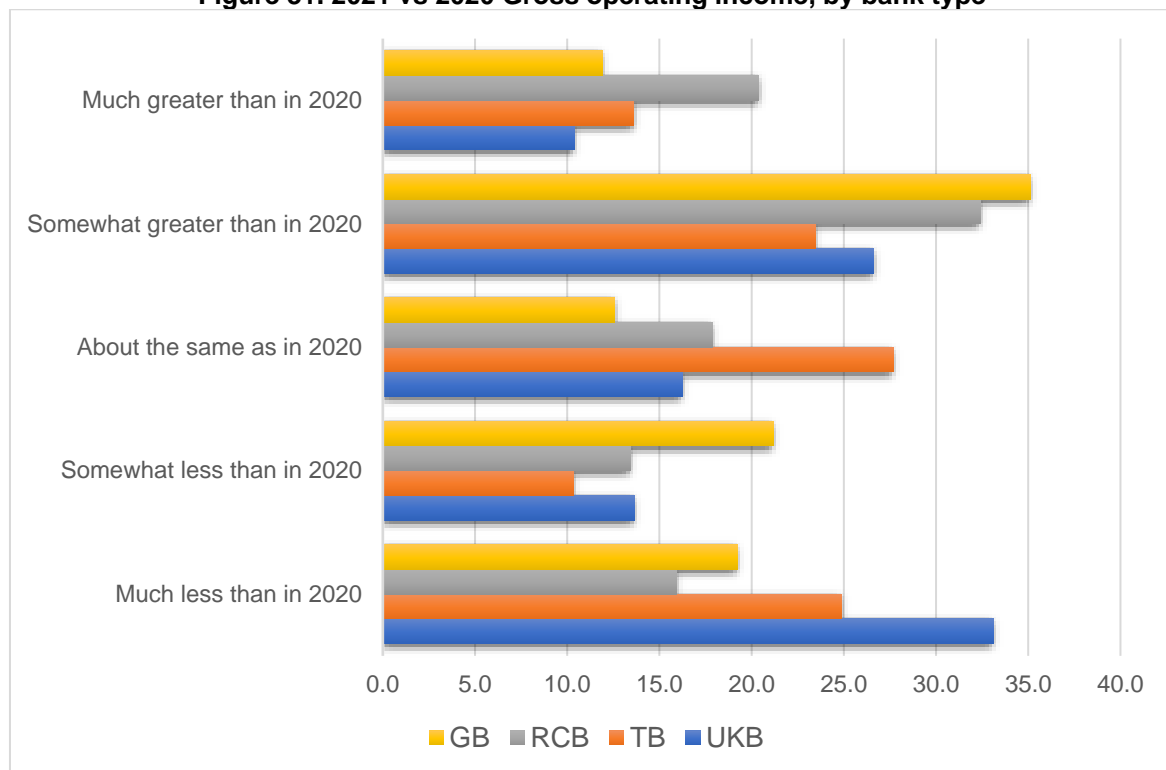
Overall, Table 31 reveals that 45 percent of respondent banks indicated that their gross income in 2021 was greater than in 2020 while 36 percent of them reported otherwise. This is particularly true for RCBs and GBs. Whereas for UKBs, there are more banks that generated lower income in 2021 (47 percent) than those that posted higher income (37 percent). Nonetheless, 19 percent of respondent banks specified that they had about the same gross operating income in 2021 relative to 2020.

Table 31. 2021 vs 2020 Gross operating income, by bank type

2021 Gross operating income was	UKB	TB	RCB	GB	Total	Average
Much less than in 2020	33.1	24.9	15.9	19.2	21.7	23.3
Somewhat less than in 2020	13.6	10.3	13.4	21.2	14.0	14.6
About the same as in 2020	16.2	27.7	17.9	12.6	19.1	18.6
Somewhat greater than in 2020	26.6	23.5	32.4	35.1	29.7	29.4
Much greater than in 2020	10.4	13.6	20.4	11.9	15.5	14.1
Total Share	100.0	100.0	100.0	100.0	100.0	
No. of respondents	154	213	358	151	876	

Source: 2021 Countryside Bank Survey

Figure 31. 2021 vs 2020 Gross operating income, by bank type



Source: 2021 Countryside Bank Survey

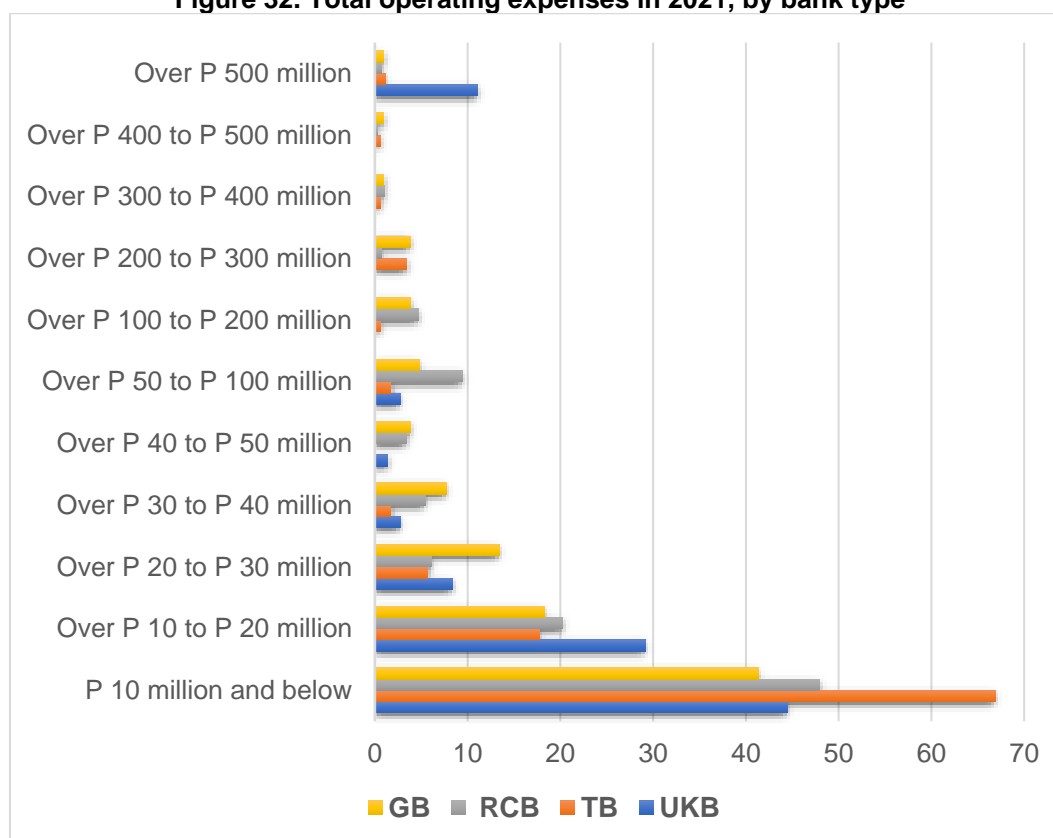
Meanwhile, Table 32 reports that the gross operating expenses of banks in 2021 averaged at about P32 million with half (52 percent) of the banks incurring expenses for the year not exceeding P10 million. Among the four types of banks, GBs had, on average, the highest expenses followed by RCBs while UKBs incurred the lowest.

Table 32. Total operating expenses in 2021, by bank type

<i>Gross operating expenses</i>	UKB	TB	RCB	GB	Total	Average
P 10 million and below	44.4	66.9	48.0	41.3	51.6	50.2
Over P 10 to P 20 million	29.2	17.7	20.3	18.3	20.2	21.4
Over P 20 to P 30 million	8.3	5.7	6.1	13.5	7.4	8.4
Over P 30 to P 40 million	2.8	1.7	5.4	7.7	4.5	4.4
Over P 40 to P 50 million	1.4	0.0	3.4	3.8	2.3	2.2
Over P 50 to P 100 million	2.8	1.7	9.5	4.8	5.9	4.7
Over P 100 to P 200 million	0.0	0.6	4.7	3.8	2.9	2.3
Over P 200 to P 300 million	0.0	3.4	0.7	3.8	1.9	2.0
Over P 300 to P 400 million	0.0	0.6	1.0	1.0	0.8	0.6
Over P 400 to P 500 million	0.0	0.6	0.3	1.0	0.5	0.5
Over P 500 million	11.1	1.1	0.7	1.0	2.0	3.5
Total share	100.0	100.0	100.0	100.0	100.0	
No. of respondents	72	175	296	104	647	
Minimum	0.1	0.01	0.03	0.12	0.01	
Maximum	100	440.1	670	700	700	
Average operating expenses (Pm)	15.12	23.08	34.87	46.04	31.63	

Source: 2021 Countryside Bank Survey

Figure 32. Total operating expenses in 2021, by bank type



Source: 2021 Countryside Bank Survey

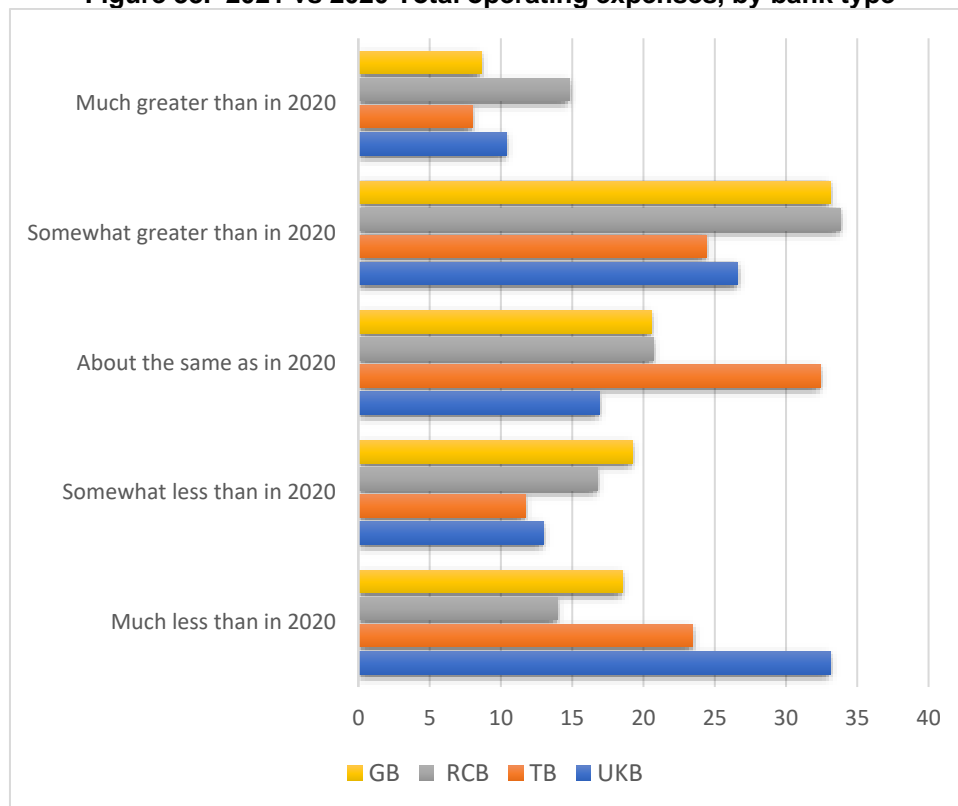
Overall, Table 33 reports that 41 percent of the respondent banks indicated their 2021 operating expenses were generally higher than in 2020, particularly among RCBs (48 percent) and among GBs (42 percent). The opposite is true for UKBs, i.e., there are more UKBs that indicated that they incurred lesser expenses in 2021 than during the previous year (46 percent) compared to UKBs who thought otherwise (37 percent).

Table 33. 2021 vs 2020 Total operating expenses, by bank type

<i>2021 Total operating expenses was ...</i>	UKB	TB	RCB	GB	Total	Average
Much less than in 2020	33.1	23.5	14.0	18.5	20.4	22.3
Somewhat less than in 2020	13.0	11.7	16.8	19.2	15.3	15.2
About the same as in 2020	16.9	32.4	20.7	20.5	22.8	22.6
Somewhat greater than in 2020	26.6	24.4	33.8	33.1	30.1	29.5
Much greater than in 2020	10.4	8.0	14.8	8.6	11.3	10.4
Total share	100.0	100.0	100.0	100.0	100.0	
No. of responses	154	213	358	151	876	

Source: 2021 Countryside Bank Survey

Figure 33. 2021 vs 2020 Total operating expenses, by bank type



Source: 2021 Countryside Bank Survey

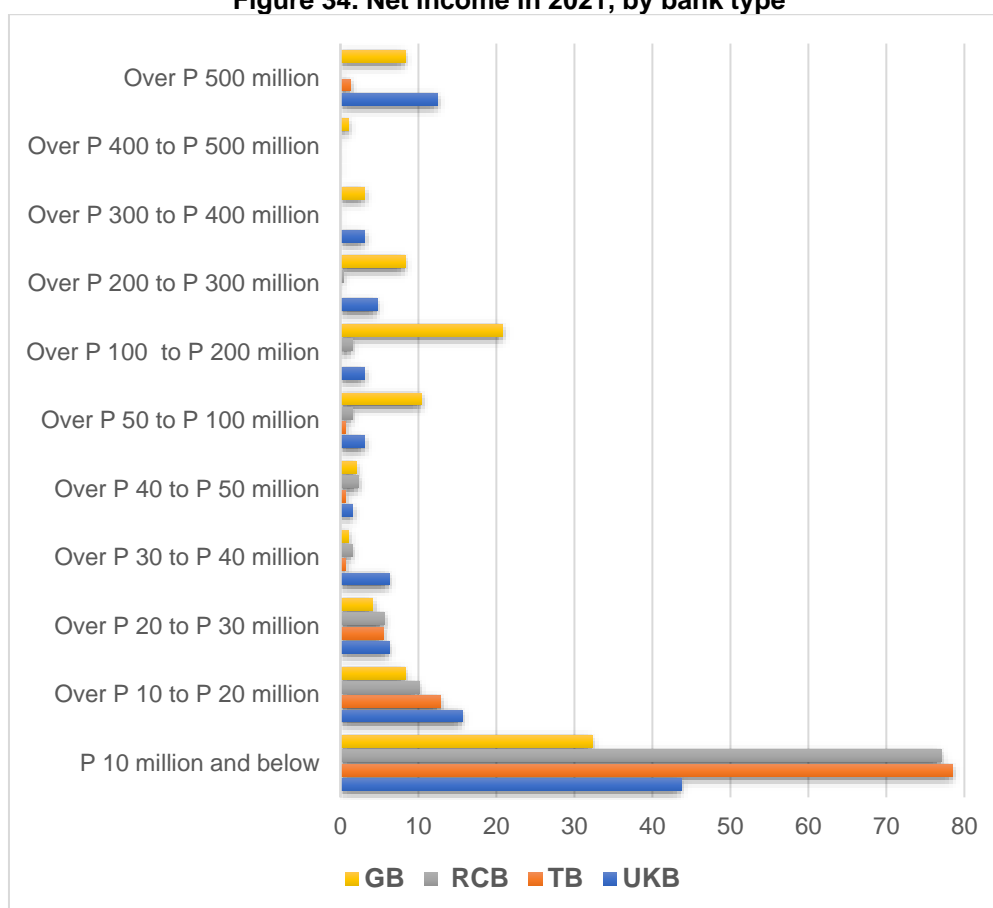
Overall, Table 34 reveals that the net earnings of respondent banks for the year 2021 averaged at roughly P34 million, although two thirds (67 percent) of them had profits not exceeding P10 million. Table 34 further suggests that GBs and UKBs realized relatively much higher profits compared to the net earnings of RCBs and TBs.

Table 34. Net income in 2021, by bank type

<i>Net income</i>	UKB	TB	RCB	GB	Total	Average
P 10 million and below	43.8	78.5	77.1	32.3	66.6	57.9
Over P 10 to P 20 million	15.6	12.9	10.2	8.3	11.2	11.7
Over P 20 to P 30 million	6.3	5.5	5.6	4.2	5.4	5.4
Over P 30 to P 40 million	6.3	0.6	1.5	1.0	1.7	2.4
Over P 40 to P 50 million	1.6	0.6	2.3	2.1	1.7	1.6
Over P 50 to P 100 million	3.1	0.6	1.5	10.4	2.9	3.9
Over P 100 to P 200 million	3.1	0.0	1.5	20.8	4.4	6.4
Over P 200 to P 300 million	4.7	0.0	0.4	8.3	2.0	3.3
Over P 300 to P 400 million	3.1	0.0	0.0	3.1	0.8	1.6
Over P 400 to P 500 million	0.0	0.0	0.0	1.0	0.2	0.3
Over P 500 million	12.5	1.2	0.0	8.3	3.1	5.5
Total share	100.0	100.0	100.0	100.0	100.0	
No. of respondents	64	163	266	96	589	
Average Net Income (Pm)	41.0	6.1	10.0	130.8	33.6	

Source: 2021 Countryside Bank Survey

Figure 34. Net income in 2021, by bank type



Source: 2021 Countryside Bank Survey

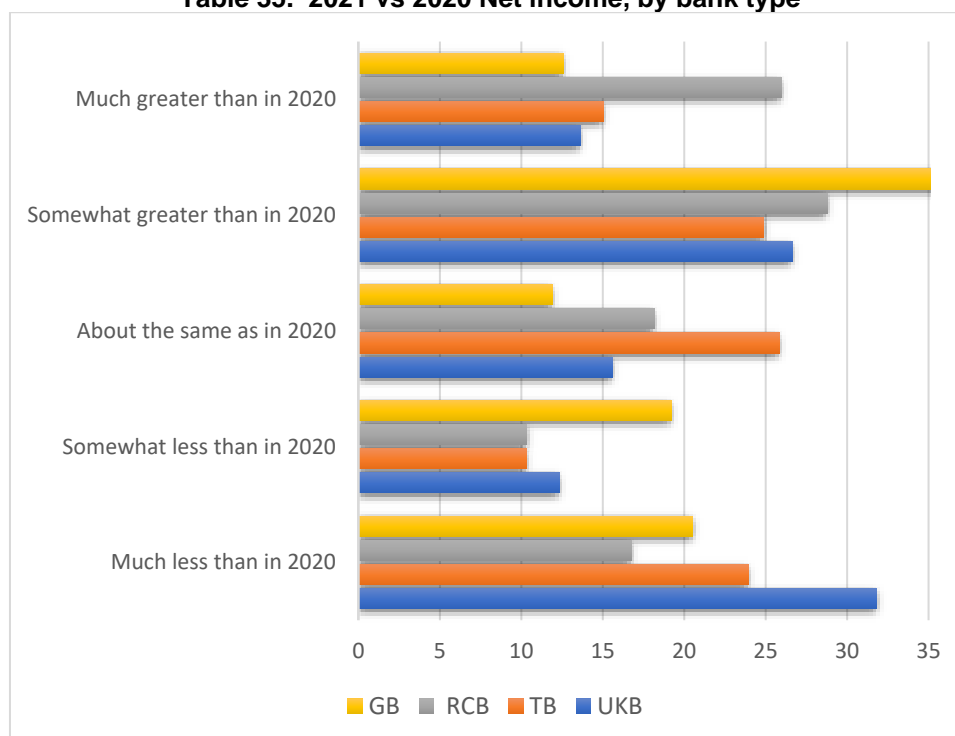
In comparing bank's profitability over time, two of every five (or 47 percent) of respondent banks signified that their net incomes in 2021 were greater than what they earned in 2020 as shown in Table 35. A slightly lower proportion (34 percent) reported that they generated lower profits in 2021 compared to the previous year. This is generally the case for TBs, GBs, and RCBs although there are significantly more RCBs which indicated higher profits (55 percent) in 2021 than RCBs with lower profits (27 percent). UKBs, on the other hand, had more branches specifying that their net earnings in 2021 were less (44 percent) than UKB branches reporting higher profits for the year (40 percent).

Table 35. 2021 vs 2020 Net income, by bank type

2021 Net income was ...	UKB	TB	RCB	GB	Total	Average
Much less than in 2020	31.8	23.9	16.8	20.5	21.8	23
Somewhat less than in 2020	12.3	10.3	10.3	19.2	12.2	13
About the same as in 2020	15.6	25.8	18.2	11.9	18.5	18
Somewhat greater than in 2020	26.6	24.9	28.8	35.8	28.7	29
Much greater than in 2020	13.6	15.0	26.0	12.6	18.8	17
Total share	100	100	100	100	100	
Total no. of responses	154	213	358	151	876	

Source: 2021 Countryside Bank Survey

Table 35. 2021 vs 2020 Net income, by bank type



Source: 2021 Countryside Bank Survey

G. Problems encountered by banks

There were significant challenges encountered by banks in their lending operations in 2021. Foremost of these were brought about by the COVID-19 pandemic that adversely affected both the agricultural and non-agricultural credit functions of banks as listed down in

Table C2 of Appendix C. Banks cited that the lockdowns, mobility restrictions, and health protocols implemented caused delays and lengthened loans processing. The pandemic likewise diminished the client's capacity to earn, disrupted the commodity supply chains, discontinued or slowed down businesses, and led to loss of jobs resulting in delayed or non-repayment of loans or difficulties in loan collection.

With regard to agricultural lending, respondent banks cited the following problems they observed in 2021 (i.e., other than those attributed to the COVID-19 pandemic), as follows: (1) reluctance of banks/investors to invest in agriculture sector due mainly to natural calamities, pest and diseases, fluctuating/low prices of produce, outdated farming techniques, etc. ; (2) lack of viable projects as most farm lands are fragmented or in far-flung areas with poor road access and security condition, agricultural produce do not have assured market/buyers, others; (3) inadequate acceptable collateral offered by agricultural borrowers; (4) Insufficient cash flow or unstable income from farming activities and no other source of income; (5) poor/low credit score and negative credit bureau findings due to among others, diversion of loan proceeds, over indebtedness of farmers; and (6) lack of information/data on potential clients to establish the borrowers' paying capacity, such as proof of income/sales and other relevant documentary requirements.

Meanwhile, lending by bank branches to non-agricultural lending also had problems in 2021, such as the following: (1) low demand and lack of qualified borrowers due to insufficient acceptable collateral, poor financial capacity, instability of income, limited cash flow, and/or weak business management skills; (2) low profitability or failure of business, mostly due to COVID-19 pandemic and which resulted in low repayment; (3) unavailable or insufficient data on the borrower and/or the project to be financed; (4) difficulties in loan collection/repayment problems; (5) adverse record or findings on borrowers such as diversion of loan proceeds and income funds for repayment, over-indebtedness or multiple borrowings, discrepancies in documents; (6) stiff competition among financial institutions; and (7) bank's lack of skills and limited resources (e.g., manpower to process loans, technology to adapt to impacts of the pandemic, loan products that match the needs of target clients, others).

Other difficulties cited by the banks are enumerated in Table C2 and Table C3 of Appendix C.

H. Effects of the COVID-19 pandemic on banking operations

The survey also investigated on how the COVID-19 pandemic affected banking operations. Respondent banks were asked about the specific effects of the pandemic that they experienced in 2021, particularly, on the following: (1) demand for loans, (2) loan repayment and past due loans, (3) lending procedures and requirements, (4) deposit mobilization, and (5) bank's profitability. The banks' responses are summarized below.

1. Demand for loans

About half of the respondent banks (49 percent) observed that the immediate effect of the pandemic is the reduction of the demand for loans in 2021 following the decline in the number of loans or borrowers. Also, about 14 percent of the respondent banks limited loan approvals and became quite strict in reviewing and approving loans. However, around 17 percent of respondent banks cited high demand for loans although many borrowers were not qualified and, thus, were disapproved. Moreover, a few respondent banks noted that there was higher demand for loans for start-ups and recovery of businesses as shown in Table C4 of Appendix C.

2. Loan repayment and past due loans

Banking units faced difficulties with regard to the timely collection and repayment of loan amortizations mainly because of quarantine restrictions imposed during the COVID-19 pandemic. They had very limited bank staff and follow-ups with borrowers. Loan collections thus decreased as loan repayments were delayed or not received by the bank. Affected clients were unable to pay due to closure of non-essential businesses or delayed harvest of crops, income losses or saving and use of earnings for basic family needs. Banks further disclosed that they had to implement special payment arrangements such as loan restructuring and granting of longer term to match the borrowers' cashflow.

Nonetheless, some respondent banks maintained that the pandemic had not adversely affected loan repayments as clients with strong financial capacity continued to pay on time. Moreover, several banks suspended loan collections and availed of the moratorium provided under the Bayanihan Act 1 & 2.⁶

The poor repayment rates thus led to increased delinquency and non-performing loans. Many respondent banks revealed that past due loan rates were higher compared to pre-pandemic situations, but they were able to control the increase within tolerable levels. It helped that a moratorium on loan repayment was issued, and the banks had no or limited new loan approvals (Table C4, Appendix C).

3. Lending procedures and requirements

Respondent banks cited adjustments/enhancements they made in their lending requirements and procedures to adapt to the challenging situation brought about by the COVID-19 pandemic, as follows: (a) stricter guidelines and more rigid evaluation of the repayment capacity of the borrower to ensure repayment; (b) additional lending parameter such as added safety margins on collateral valuation; (c) revision of policies on Banking Regulatory Reporting (BRR), (d) keener on 5Cs⁷; (e) more frequent reviews of policies and internal credit risk system; (f) more data visibility for analysis; and (g) frequent monitoring of borrowers.

Moreover, many respondent banks acknowledged that the pandemic paved the way to consider digital solutions as alternatives to business as usual (BAU) processes. Banks have had to innovate and move to the direction of digitization through online platforms. Specifically, credit investigation, loan approvals, and client calls/meetings were conducted through emails and teleconferencing. (See Table C4, Appendix C)

4. Deposit mobilization

About 25 percent of the respondent banks cited that the pandemic situation made it more difficult for them to mobilize deposits. In fact, some respondent banks divulged that deposits decreased due to termination of some accounts and temporary/permanent closure of branches. Clients could not go to the bank and make deposits due to restricted travel. Some clients kept their savings for emergency purposes and family's basic needs.

By contrast, a number of banks (18 percent) claimed that they were able to mobilize larger deposits as pushed by management and use of digital channels were maximized.

⁶ Refers to Republic Act No. 11469 or Bayanihan to Heal as One Act (*Bayanihan 1*) dated 24 March 2020 and Republic Act No. 11494 or Bayanihan to Recover as One Act (*Bayanihan 2*) dated 11 September 2020.

⁷ The five (5) Cs of credit is a system typically used by lenders to gauge the creditworthiness of potential borrowers. The system weighs five characteristics of the borrower and conditions of the loan, attempting to estimate the chance of default and, consequently, the risk of a financial loss for the lender. The five Cs of credit are character, capacity, capital, collateral, and conditions.

5. Bank profitability

About half of the respondent banks asserted that the pandemic had caused significant reduction in the bank's earnings as banks were not able to market their loan products and had limited transactions and decreased portfolio. Also, banks explained that because of the poor economic condition, past due loans and NPLs of the bank increased while their collections declined.

However, there were banks, albeit fewer, which claimed that the pandemic had positive effects on the bank's profitability. Improved profits were attained by banks that were able to: (a) collect written off accounts aside from the regular loan collection; (b) sell foreclosed properties at a profit; lower operating expenses; and (c) increase collection of penalties. Several banks said that their profits increased (due to high demand for loans) with some exceeding the target income for 2021 and have recovered from the pandemic.

Interestingly, about 38 percent of the respondent banks averred that the pandemic had no significant effects on the bank's profitability as their earnings were about the same as before the pandemic or have remained strong. (See Table A4, Appendix A)

I. Plans and prospects

1. Plans of expanding lending to agriculture sector

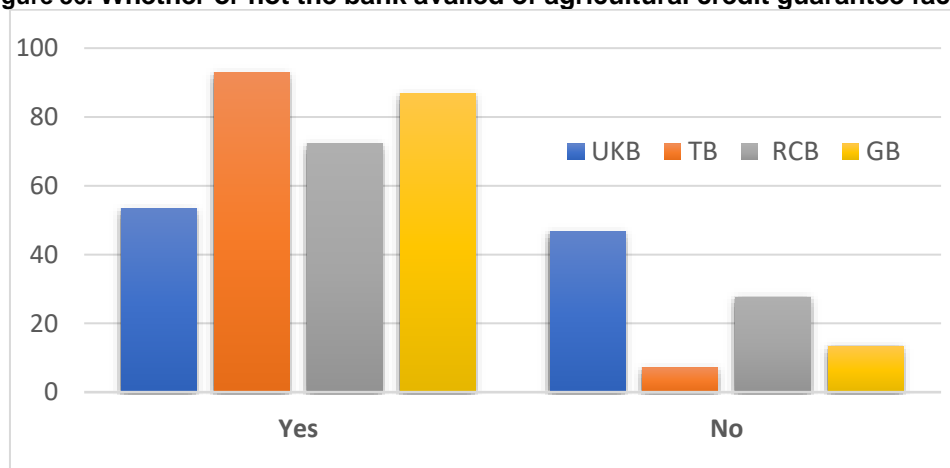
Table 36 shows that majority (76 percent) of the respondent banks affirmed that they have plans of expanding their lending to the agriculture sector in the next 12 months. This affirmation was expressed particularly by 93 percent of TBs, 87 percent of GBs, 72 percent of RCBs, and 53 percent of UKBs. However, about half (47 percent) of UKBs admitted having no plans of expanding their agricultural loan portfolio.

Table 36. Whether or not the bank has plans of expanding agricultural lending

<i>Do you have plans of expanding loans to agriculture in the next 12 months?</i>	UKB	TB	RCB	GB	Total	Average
Yes	53.2	93.0	72.3	86.8	76.5	76.3
No	46.8	7.0	27.7	13.2	23.5	23.7
Total share	100.0	100.0	100.0	100.0	100.0	100.0
No. of respondents	154	213	358	151	876	

Source: 2021 Countryside Bank Survey.

Figure 36. Whether or not the bank availed of agricultural credit guarantee facility



Source: 2021 Countryside Bank Survey.

Motivating factors for bank's expansion of agricultural lending. Banks which are planning to increase their loans to agriculture see great potential of the sector for growth and development. The banks' area of operation is mainly agricultural where farming is a major source of livelihood and the demand for agricultural products is constantly growing. Many banks therefore consider the agriculture sector as a widely untapped market. They also noted that most agribusiness enterprise projects were not affected by the pandemic while affected borrowers may want to borrow and start business again as the pandemic is getting controlled. Hence, banks could take this opportunity to support financing the sector and increase their loan portfolio and income.

Some respondent banks cited somewhat noble reasons for planning to increase agricultural lending such as: (a) help farmers expand their business and improve their quality of life; (b) provide for farmers' financing needs and stop them from availing high-interest rate loans from informal lenders; (c) help the agriculture and agribusiness sector; and (d) support the nation's goal of attaining food security, financial stability, and economic development. At the same time, respondent banks noted that agricultural lending is one of the priority programs of the new administration.

Other banks, particularly RCBs, argued that it is their mandate to extend agricultural loans in fulfilling their mission to eradicate poverty. Some other banks were targeting to increase their agricultural loan portfolio to be able to comply with the Agri-Agra Law.

As regards the factors that motivate or could encourage banks to increase agricultural lending, the following were commonly specified by the respondents: (a) high collectability rate, good credit history/repayment record; (b) low past due ratio or address past due issues; (c) agricultural insurance; (d) credit guarantee; (e) availability of information on the demand / potential borrowers; (f) research and extension support; (g) loan products appropriate for farmers; (h) good, marketable collateral; and (i) availability of government support and resources to banks such as capacity building of bank staff, funding support, low interest rate/cost of funds (Table C5, Appendix C).

2. Mechanisms to encourage agricultural lending

From a list of known credit support mechanisms, about two thirds of banks confirmed that the following could encourage them to increase their lending to the agriculture sector: a) credit guarantee; b) availability of information on potential borrowers/projects to be financed; and c) agricultural insurance (Table 37).

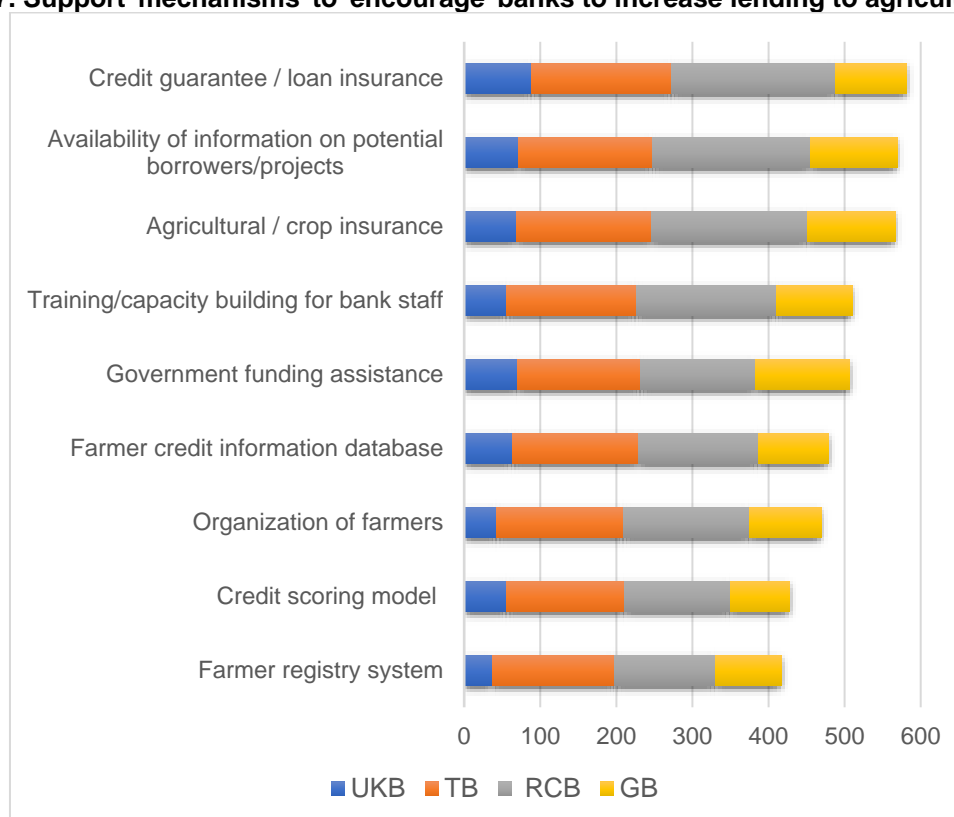
Also validated by at least half (54 percent) of the banks as helpful in promoting agricultural credit among banks are: a) training/capacity building for bank staff; b) government funding assistance; c) farmer credit information database; d) organization of farmers; e) a credit scoring model that could predict probability of borrower default at the time of loan application; and f) farmer registry system.

Table 37. Support mechanisms to encourage banks to increase lending to agriculture sector

Support Mechanisms	UKB	TB	RCB	GB	Total	
					No.	percent
Credit guarantee / loan insurance	89	184	215	94	582	66.4
Availability of information on potential borrowers/projects	71	177	207	114	569	65.0
Agricultural / crop insurance	69	177	205	116	567	64.7
Training/capacity building for bank staff	56	170	184	100	510	58.2
Government funding assistance	70	162	151	124	507	57.9
Farmer credit information database	63	166	158	92	479	54.7
Organization of farmers	43	167	165	95	470	53.7
Credit scoring model	56	155	139	77	427	48.7
Farmer registry system	37	161	132	87	417	47.6
Total	154	213	358	151	876	100.0

Source: 2021 Countryside Bank Survey.

Figure 37. Support mechanisms to encourage banks to increase lending to agriculture sector



Source: 2021 Countryside Bank Survey

The banks rated the level of importance of the above-cited credit-enhancing mechanisms in encouraging their respective banks to increase lending to agriculture using a rating scale of 0-4, where 4=extremely important, 3=very important, 2=moderately important, 1=slightly important, and 0=not at all important, and the results are summarized in Table 38 (see Table A6, Appendix A for details).

It can be noted that all the identified mechanisms received an average rating of “very important”, or “nearly very important”. To the banks, “availability of information on the potential borrowers or projects” that need financing is relatively the most important, followed by “farmer credit information database” and “agricultural insurance”, which are all risks mitigants.

Table 38. Summary rating of importance of agricultural credit support mechanisms*

Agricultural credit support mechanisms	Extremely important (4)	Very important (3)	Moderately important (2)	Slightly important (1)	Not at all important (0)	Average Rating (n=876)
Availability of information on potential borrowers/projects	366	328	92	22	68	3.03
Farmer credit information database	247	407	116	30	76	2.82
Agricultural / crop insurance	285	307	184	29	71	2.81
Credit scoring model	245	375	149	32	75	2.78
Credit guarantee / loan insurance	294	294	104	112	72	2.71
Training/capacity building for bank staff	212	357	193	45	69	2.68
Farmer registry system	208	384	160	43	81	2.68
Organization of farmers	241	288	232	35	80	2.66
Government funding assistance	241	274	228	54	79	2.62

*See Table C6, Appendix C for details
Source: 2021 Countryside Bank Survey

3. Expectations and outlook for the next 12 months

Many respondent banks generally foresee key aspects and condition related to their lending operation to remain the same or be better in the next 12 months/2022.

Specifically, Table 39 shows that the demand for agricultural and non-agricultural loans is expected by about 60 percent of respondents to increase and roughly 30 percent to remain the same. Likewise, majority of the respondent banks project that their available loanable funds would be higher or at least be at the same level as in 2021.

As regards interest rates, more than half of the respondents expect no change on interest rates on loans and deposits. However, about one third (33 percent) of the banks anticipate higher interest rates on loans.

Borrowers’ capacity to repay their loan is believed by 58 percent of the banks to be better in the next 12 months while 32 percent expect no change. Relatedly, borrowers’ demand for loan restructuring is seen by 34 percent of respondents to remain the same. Less than half (40 percent) of the respondents predict greater need for loan restructuring.

Roughly two thirds (61 percent) of the respondents are optimistic that the bank’s profits in 2022 would be higher while 32 percent estimate that profitability of the bank would remain at the same.

Table 39. Expectations on key aspects of bank lending operations in the next 12 months

Key aspects of bank lending operations	percent of total responses				Total	
	UKB	TB	RCB	GB	No.	percent
<i>a. Demand for agricultural loans</i>						
Much higher / Higher	42.2	67.1	50.3	66.9	489	55.8
About the same	40.9	27.7	40.5	23.8	303	34.6
Lower / Much lower	16.9	5.2	9.2	9.3	84	9.6
<i>b. Demand for non-agricultural loans</i>						
Much higher / Higher	59.7	52.6	66.5	69.5	547	62.4
About the same	28.6	7.5	29.3	21.2	197	22.5
Lower / Much lower	11.7	39.9	4.2	9.3	132	15.1
<i>c. Availability of loanable funds</i>						
Much higher / Higher	50.0	50.7	68.4	67.5	532	60.7
About the same	37.0	47.4	28.5	25.8	299	34.1
Lower / Much lower	13.0	1.9	3.1	6.6	45	5.1
<i>d. Interest rate on loans</i>						
Much higher / Higher	38.3	60.6	15.9	27.2	286	32.6
About the same	37.7	30.5	70.9	51.7	455	51.9
Lower / Much lower	24.0	8.9	13.1	21.2	135	15.4
<i>e. Interest rate on deposits</i>						
Much higher / Higher	24.0	28.2	14.0	17.9	174	19.9
About the same	55.8	57.7	68.4	64.2	551	62.9
Lower / Much lower	20.1	14.1	17.6	17.9	151	17.2
<i>f. Borrowers' repayment capability</i>						
Much higher / Higher	35.7	78.9	56.7	52.3	505	57.6
About the same	44.8	16.9	32.7	35.8	276	31.5
Lower / Much lower	19.5	4.2	10.6	11.9	95	10.8
<i>g. Borrowers' demand for loan restructuring</i>						
Much higher / Higher	25.3	71.4	31.6	31.8	352	40.2
About the same	42.2	16.4	41.6	35.1	302	34.5
Lower / Much lower	32.5	12.2	26.8	33.1	222	25.3
<i>h. Bank's profitability</i>						
Much higher / Higher	55.2	49.3	68.4	63.6	531	60.6
About the same	31.2	47.9	24.3	27.2	278	31.7
Lower / Much lower	13.6	2.8	7.3	9.3	67	7.6
Total no. of responses	154	213	358	151	876	100.0

Source: 2021 Countryside Bank Survey

IV. Summary of findings

A. Extent and behavior of banks towards lending to agriculture sector

In 2021, the average amount of loans granted by respondent banks to the agriculture sector was P10 million or less per bank with many of the banks' releasing an aggregate of no more than P5 million. The average agricultural loan disbursement of each banking unit benefitted at most 500 borrowers. In most banks, the average share of agriculture to total loans granted during the year ranged from 11 to 15 percent. This implies under-compliance of many banks from the mandatory 25 percent credit for the agriculture and agrarian sector under the Agri-Agra Law of 2009 like in previous years.

Across different types of banks, at least 26 percent and 36 percent from respondent banks of RCBs and GBs, respectively, reported that their total agricultural borrowers were comprised of at least 76 percent small agricultural borrowers.

Government-owned banks, in general, had the biggest loan disbursements to the agriculture sector and its share to total loans was relatively higher. Among private banks, UKBs provided the biggest amount of total loan releases to agriculture sector mostly ranging from P10 million to P20 million. However, UKBs had the lowest amount of agricultural loans as a share of total loans at below 5 percent. TBs had the lowest amount of loans to agriculture as majority released an aggregate of loans of not more P5 million while its share of agriculture to total was lower at 6 to 10 percent. Many RCBs, however, provided relatively larger agricultural loans totaling to at least P10 million and, along with GBs, had relatively higher share of agricultural loans to total loans at 11 to 15 percent.

By and large, banks' amount of agricultural loans granted and as a share of total loans granted in 2021 declined from the previous year. Moreover, the number of agricultural borrowers served in 2021 was lower by at least 30 percent than in 2020 as affirmed by majority of the banks.

The decrease in agricultural lending was attributed by the banks mainly to low credit demand from and weak capacity of the sector, which was exacerbated by the effects of the COVID-19 pandemic. The quarantine restrictions and health protocols brought about by the pandemic limited banks' transactions, diminished client's capacity to earn, and discontinued or slowed down farming activities and businesses. The other challenges encountered by banks during the year that further weakened the bankability of the agriculture sector were: (1) increased credit risks due to natural calamities, pests and diseases, fluctuating/low prices of produce, outdated farming techniques, etc.; (2) lack of viable projects as most farm lands are fragmented or in far-flung areas with poor road access and security condition, agricultural produce do not have assured market/buyers, others; (3) inadequate acceptable collateral offered by agricultural borrowers; 4) insufficient cash flow or unstable income from farming activities and no other source of income; 5) poor/low credit score and negative credit bureau findings due to, e.g., diversion of loan proceeds, over indebtedness of farmers, others.; and (6) lack of information/data on potential clients to establish the borrowers' paying capacity, such as, proof of income/sales and other relevant documentary requirements.

B. Demand for loans and debt position of agricultural borrowers

The Baseline Report reveals that in 2021 or one year after the onset of the COVID-19 pandemic in March 2020, demand for agricultural loans remained relatively tepid amid the low policy rate environment. In general, respondent banking units (or bank branches) in the survey imposed interest rates on agricultural loans that were at par with the average of all banking units in 2021. By banking group, RBs in the NCR, RBs outside the NCR, and TBs registered lending rates that were higher than those of government banks and UKBs during the same

year. This finding indicates that, on average, lending to agricultural borrowers has been relatively risky.

All bank branches in the survey posted an average repayment rate of 41.1 percent for 2021. RBs in the NCR showed strong screening loan standards as they posted a repayment rate of 66.5 percent during the same period. Compared to non-agricultural borrowers, the majority of banking units or 45.2 percent of the total respondents revealed that the repayment rate in 2021 of agricultural borrowers was much lower due partly to the effects of the pandemic that affected borrowers' income flows. However, the majority of respondent bank branches revealed that no agricultural borrowers were discontinued financing due to past due loans or non-repayment of matured loans. To a limited extent, there were incidents where branches' financing of agricultural loans were halted due to (1) project failure/crop damage or low quality produce caused by natural calamities, pest infestation, plant and animal diseases, and other fortuitous events; (2) COVID-19 pandemic mobility restrictions; (3) low market price of produce; and (4) low to no income generated from the project/sales of produce due to low market price of produce, high cost of inputs, pandemic, others)/project or business failure.

Meanwhile, about two thirds (62 percent) of the respondent banks reveal an outlook of increased demand for agricultural loans in 2022. Consistently, about the same proportion (61 percent) of respondents project that their available loanable funds will be higher for the next 12 months.

C. Costs and profitability of agricultural lending

Interest rates and other loan charges

Based on the results of the survey, respondent banks imposed rates on agricultural loans in 2021 that were at par with the average of all banking units.

By type of bank, interest rates charged by UKBs and GBs on their agricultural loans were lower than the UKB mean and median weighted average interest rates (WAIR), which are 5.5 percent and 5.2 percent as of end of December 2021, respectively. Notably, RBs and TBs, on average, charged interest rates higher than the mean and median WAIR, at 14 percent, and 11 percent, respectively. RBs imposed the highest range from the lowest recorded rate of 10.8 percent to the highest of 17.1 percent.

Average interest rates on non-agricultural loans charged by banks in 2021 were higher than the interest rates charged on agricultural loans. Interest rates imposed by banks on non-agricultural loans averaged at 10.5 percent in 2021, about one percentage point higher than the average rate charged against agricultural loans. RBs charged the highest interest rates to non-agricultural loans, consistent with the interest rate levels imposed on agricultural loans.

Profitability

The average net earnings of banks in 2021 amount to roughly P34 million. However, more than 83 percent of the respondents reported earnings of only P30 million and below. GBs and UKBs reported much higher profits compared to the net earnings of RCBs and TBs, inflating the average net earnings of all respondent banks.

Almost half (47 percent) of the respondent banks indicated that their net incomes in 2021 were greater than their net incomes in 2020, while a slightly lower proportion (34 percent) claimed that they generated less profits during the same reference periods. This is generally true to all banks, except for UKBs, which had slightly more banks reporting less earnings in 2021 (44 percent), than UKBs reporting higher profits for the same year (40 percent).

Effect of COVID-19 on bank's profitability

About half of the respondent banks claimed that the pandemic has negatively affected their profitability due to mobility restrictions limiting the bank's operations particularly on loan collections, marketing of loan products, and other general daily transactions. In addition, poor economic conditions, increase in past-due loans and NPL, and decline in loan collections, also contributed to the decrease in the bank's net earnings.

On the other hand, there were a few which declared that improved profits were realized by banks amidst the pandemic. Respondent banks claimed that they were able to collect written off accounts during the pandemic, in addition to regular collections. Additionally, banks were able to sell foreclosed properties at a profit. Also, with the limited operations, some banks' operating expenses decreased.

Outlook

More than half of the respondent banks expect no change on interest rates on loans and deposits. However, about a third (33 percent) of the banks anticipate higher interest rates on loans.

With regards to profit, nearly two-thirds (61 percent) of the respondent banks anticipate higher profits in 2022, while 32 percent of the banks expect no changes in their profitability levels.

D. Factors and risk management measures that would encourage banks to increase loans to agriculture sector

Survey results show that 65 percent of respondent banks still require and accept conventional forms of loan securities from agricultural borrowers to cover for the risk of default, the most acceptable of which remain to be real estate mortgage (REM). This is true across all types of banks, except among GBs where PCIC's agricultural insurance is more generally accepted. This may be attributed to GBs' wider exposure to agricultural lending, as evidenced by nearly half (45 percent) of GBs reporting having more than 25 percent share of agricultural borrowers to total borrowers, as against the 24 percent of the rest of the respondent banks reporting the same. It is also worth noting that government-owned banks are partners and implementers of government-funded credit programs where agricultural insurance programs are usually linked.

In addition to agricultural insurance, credit guarantee or loan insurance is another form of loan security that banks are willing to accept from borrowers. Survey results show that in 2021, 45 percent of respondent banks reported availing of credit guarantee to insure the agricultural loans they granted during the year, 80 percent of which used the Agricultural Guarantee Fund Pool (AGFP) as guarantee cover. Other government-funded guarantee facilities tapped by some banks are the Philippine Guarantee Corporation (PhilGuarantee) for MSMEs, and Credit Surety Fund.

The results also reveal other measures employed by banks to lessen their risks of borrower default, which include but no limited to the following: (1) repayment relief measures such as loan restructuring or moratorium, and (2) intensified monitoring and collection of loan accounts.

To encourage the banks to increase their lending to agriculture, two thirds of the respondent banks confirmed that the following credit support mechanisms should be in place: (1) credit guarantee/loan insurance, (2) availability of information on potential borrowers/projects, and (3) agricultural/crop insurance.

Problems encountered

Significant challenges were encountered by banks in their lending operations in 2021, foremost of these were brought about by the COVID-19 pandemic.

Other than those attributed to the COVID-19 pandemic, respondent banks cited challenges in lending to agriculture sector they encountered in 2021, among the most significant are: (1) reluctance of bank/investors to capitalize in agriculture due mainly to the sector's vulnerability to natural calamities, such as, typhoons and pest manifestation, fluctuations in agricultural prices, and outdated farming skills and technologies; (2) lack of viable projects owing to farm lands, which are mostly fragmented, far-flung, and with poor road access and security conditions, and lack of market/buyers for farmers produce; (3) farmers' lack of properly documented properties that are deemed acceptable as collateral/loan security; and (4) volatility of farmers cash flow due to instability of farmer incomes, and lack of other income sources from non-agriculture-related activities.

Banks also reported problems confronted in non-agricultural lending. Apart from COVID-19 pandemic-related constraints, respondent banks claimed that there was low to lack of demand for loans, and/or of qualified borrowers, i.e., with acceptable collateral to offer, viable projects to be financed, with stable income/income source, and with proven sufficient management skills. Respondent banks also mentioned that borrowers provided insufficient data/information to accurately evaluate their creditworthiness and/or the viability of their projects to be financed. Also mentioned was the difficulty in loan repayments during the period.

Motivating factors to increase loans to agriculture sector

Majority (76 percent) of the respondent banks declared that they have plans to expand their lending to the agriculture sector in the next 12 months. By type of bank, TBs has the biggest proportion (93 percent) affirming plans to expand their agricultural loan portfolio, while only a little over half (53 percent) of UKBs responded in the affirmative.

Banks with plans to increase their agriculture loans claimed that they see great potential of the sector for growth and development, and that the sector is a widely untapped market. Thus, respondent banks would like to take the opportunity to cater to the financing needs of the sector and increase their loan portfolio and income.

Factors that would encourage banks to expand lending to agriculture include but limited to the following: (1) to respond to the increasing demand for agricultural loans as the pandemic is getting controlled, (2) to comply with the mandatory credit allocation, (3) to fulfill the bank's mandate to extend agricultural loans, (4) to help farmers expand their businesses and improve their quality of life, (5) to provide farmers with financial support and stop them from availing high-interest rate loans from informal lenders, and (6) to support the nation's goal of attaining food security, financial stability, and economic development.

V. Conclusion: Policy implications

1. Implications of CBS results in addressing the impact of COVID-19 pandemic

While the agricultural sector accounts for one-third of the labor force, it has the lowest contribution to the country's gross domestic product (GDP). The COVID-19 pandemic has adversely affected the flow of agricultural commodity, supply and demand, exacerbating further the low agricultural income of farmers and fisherfolks. If the erosion of gains from the previous agricultural modernization programs is not properly addressed, this

downward trend may continue to have long-term negative impact on the food security of the country. Based on Gregorio and Ancog (2020) estimates, the COVID-19 pandemic has reduced the aggregate volume of agricultural production in 2020 by 2.97 percent due to a decline in agricultural labor force (ALF) which has a long-term consequence on increased population succumbing to poverty. (See Table 41a and Table 41b)

Table 41a. Estimated reduction in the volume agricultural production due to decrease in agricultural labor force in Southeast Asia

Country	Volume of Agricultural Production* (Million Tons)	Labor Productivity (Tons/ Worker)**	With COVID Scenario			
			Estimated ALF in 2020 Due to COVID (Million)***	Estimated Volume of Agricultural Production (Million Tons)****	% Change in Volume of Agricultural Production Due to Decrease in ALF	Reduction in Volume of Agricultural Production (Million Tons)
			2020	2020		2020
Brunei	0.16	15.793	0.01	0.156	-1.40%	-0.002
Cambodia	4.88	1.580	2.98	4.705	-3.63%	-0.177
Indonesia	0.05	0.001	38.05	0.045	-3.28%	-0.002
Lao PDR	12.30	5.211	2.35	12.230	-0.56%	-0.069
Malaysia	132.73	80.932	1.60	129.274	-2.60%	-3.454
Myanmar	64.47	5.302	11.90	63.096	-2.13%	-1.373
Philippines	99.98	9.379	10.34	97.011	-2.97%	-2.972
Singapore	0.18	6.163	0.0296	0.182	-1.40%	-0.003
Thailand	112.53	9.002	12.16	109.442	-2.74%	-3.084
Timor-Leste	0.38	1.595	0.24	0.377	-1.40%	-0.005
Vietnam	120.67	5.492	21.13	116.056	-3.82%	-4.614
Southeast Asia	548.33	5.272	100.77	531.295	-3.11%	-17.034

* Computed using crops and livestock production

** Computed using the agricultural production in 2018 as base year

*** Computed assuming 1.4 percent reduction in agricultural labor force (Vos, Martin, and Laborde 2020)

**** Estimated based on 2018 production and with 1.4 percent reduction in ALF

Table 41b. Estimated reduction in GDP due to decrease in labor productivity in Southeast Asia

Country	With COVID Scenario				With COVID Scenario		
	Estimated ALF in 2020 Due to COVID (Million)*	Estimated GDP (Billion USD)**	Difference in GDP (Billion USD)	% Change in GDP	Total Population (Millions)	Percent Increase in Poverty Ratio Due to ALF Reduction***	Estimated Increase in the Number of Population Living Below USD 1.90 a Day (Millions)
	2020	2020	2000	2020	2020		
Brunei	0.01	0.14	0.000	0.00%	0.43		
Cambodia	2.978	4.70	-0.066	-1.39%	16.50		
Indonesia	38.05	142.50	-2.022	-1.40%	266.10	2.07	5.51
Laos	2.347	3.03	-0.043	-1.39%	6.70	2.97	0.20
Malaysia	1.597	27.90	-0.402	-1.42%	32.60		
Myanmar	11.901	17.16	-0.244	-1.40%	54.10	2.97	1.61
Philippines	10.343	30.26	-0.430	-1.40%	108.80	2.97	3.23
Singapore	0.0296	0.08	-0.001	-1.33%	5.71		
Thailand	12.157	38.06	-0.542	-1.40%	66.56	2.36	1.57
Timor-Leste	0.237	0.41	-0.005	-1.25%	1.30	1.63	0.02
Vietnam	21.13	34.51	-0.490	-1.40%	96.48	0.96	0.93
Southeast Asia	100.769	264.60	-3.758	-1.40%	655.28	2.24	14.68

* Computed assuming 1.4 percent reduction in agricultural labor force (Vos, Martin, and Laborde 2020)

** Computed using the estimated 2020 ALF and the computed labor productivity

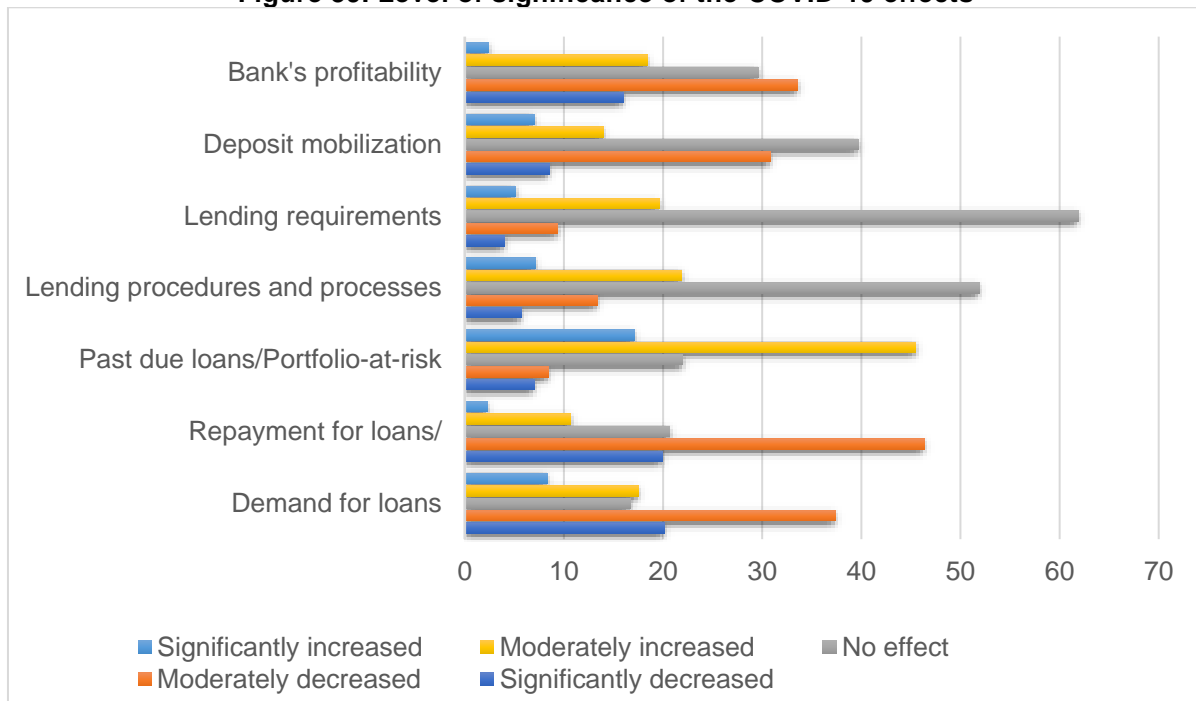
*** Based on the estimates of IFPRI from 1.4 percent reduction in labor supply, except for Brunei, Cambodia, Malaysia, and Singapore, for which data are not available

Source: Gregorio, Glenn B., and Rico C. Ancog. (2020). "Assessing the Impact of the COVID-19 Pandemic on Agricultural Production in Southeast Asia: Toward Transformative Change in Agricultural Food Systems." *Asian Journal of Agriculture and Development* 17(1): 1-13.

<https://doi.org/10.37801/ajad2020.17.1.1>

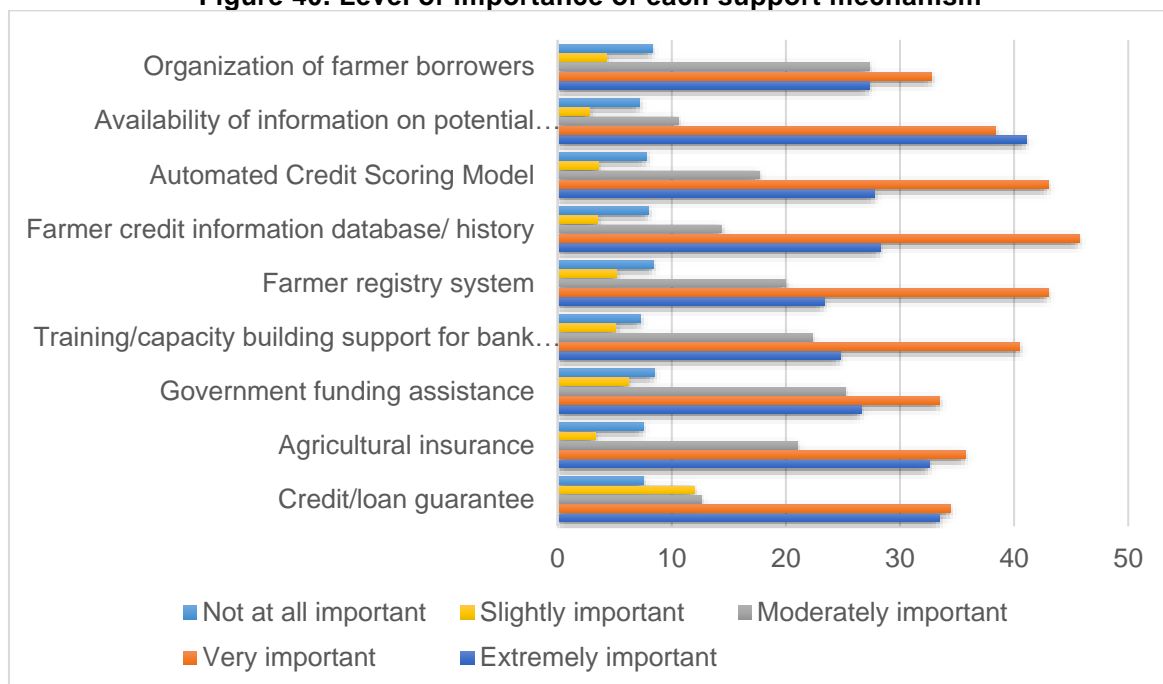
The 2021 CBS report provides supporting evidence to the negative impact of COVID-19 pandemic on the agriculture sector, particularly on credit. Figure 39 (from CBS question no. 41) shows that majority of the respondent banks across different types still acknowledged the significant effects of COVID-19 pandemic in 2021, albeit at moderate rate as evidenced by the moderately lower bank's profitability, repayment of loans and demand for loans. Figure 39 also shows that lending requirements and lending procedures and processes have not been affected by the pandemic. As a result, past due loans/portfolio-at-risk increased moderately in 2021.

Figure 39. Level of significance of the COVID-19 effects



Source: 2021 Countryside Bank Survey

Figure 40. Level of importance of each support mechanism

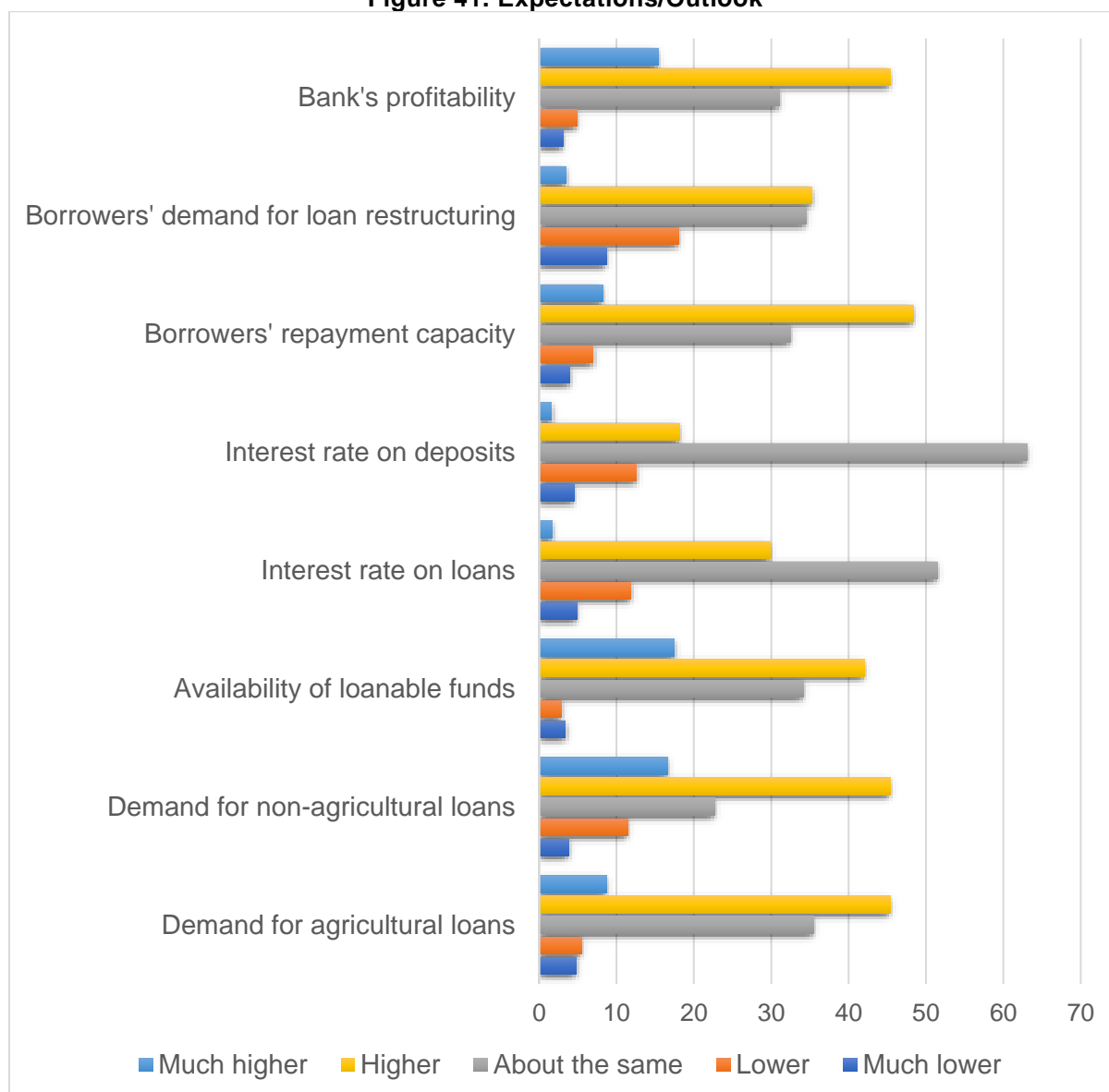


Source: 2021 Countryside Bank Survey

As the bank supervisor/regulator, the BSP may calibrate its support to help revive the market-oriented agricultural credit system by enabling a sustainable environment for various support mechanisms to flourish as shown in Figure 40. Specifically, the respondent banks note the extreme importance of support mechanisms, such as, the availability of information on potential borrowers or projects, credit/loan guarantee, agricultural insurance, automated credit scoring model, and farmer credit information database/history.

However, despite many challenges, Figure 41 suggests that most respondent banks are relatively optimistic about the future.

Figure 41. Expectations/Outlook



Source: 2021 Countryside Bank Survey

2. Implications of the CBS results in setting BSP policies

The findings in this Baseline Report pose implications for the setting of BSP policies. The Report provides a useful baseline report to see the potential impact of the recent reforms adopted by the Government. There have been developments recently in the reforms that are meant to support the agricultural and rural sector development. Importantly, the Agri-Agra law or the “Agri-Agra Reform Credit Act of 2009” was recently revised as Republic Act No. 11901⁸ or “The Agriculture, Fisheries and Rural Development Financing Enhancement Act of 2022” which basically provides for the establishment of an enhanced financing system that would provide financial services and support to qualified rural community beneficiaries, including their organizations and enterprises (i.e. MSMEs), and members of their households.

Based on RA No. 11901, banks are no longer required to allot 10 percent of their lending portfolio for agrarian reform beneficiaries and 15 percent for agricultural activities. Instead, the amended law provides banks with “greater flexibility in allocating the combined 25 percent mandatory credit quota to a range of borrowers in the agriculture, fisheries, and agrarian reform sectors. The new law also expanded agricultural credit and rural development financing to include agri-tourism, digitalization of agricultural activities and processes, public rural infrastructure, programs that promote health and wellness of rural communities, and activities that improve livelihood skills. It also promotes financing toward environmental, social, and governance projects, including green projects that support sustainable and inclusive economic growth.

As of end-June 2022, banks compliance to Agrarian Reform Credit which should be 10 percent of their total loanable amount of P8.22 trillion, was only 0.78 percent. Moreover, the percentage or ratio of compliance to the 15 percent other agricultural credit was only 9.53 percent. Big banks or the universal and commercial banks released ₱796.59 billion Agri-Agra loans during the same period, up by 7.6 percent from the same period in 2021 of ₱ 740.32 billion. Meanwhile, thrift banks’ loans to the agricultural sector and agrarian reform-related businesses also increased by 9.06 percent to ₱ 22.73 billion from ₱ 20.84 billion. The smaller rural and cooperative banks’ lending posted minimal movement, only up by 0.45 percent to ₱ 28.63 billion from ₱ 28.50 billion.

The BSP has issued Circular No. 1159 dated 4 November 2022 on the Implementing Rules and Regulations of the Mandatory Agriculture, Fisheries and Rural Development Financing under R.A. No. 11901. A better Agri-Agra Law is expected to improve banks’ compliance to the law in terms of loanable amounts to the sectors involved. The amendments broaden the access of the agrarian reform sector to bank financing, and it will also streamline banks’ process of investing in Agri-Agra eligible securities. The BSP emphasized that in the circular, it is expected that banking institutions to design and offer financial products and services that will match the specific requirements of their agricultural clients, taking into account their cash flows and the gestation and harvest period of the agricultural produce, activity, and project being financed. The agriculture, fisheries, and rural development financing basically refers to loans and investments to increase agricultural sector productivity and competitiveness, and fund rural areas’ sustainable development.

Under the enhanced financing, government-owned banks such as the Land Bank of the Philippines and the Development Bank of the Philippines will remain as large sources of credit for rural communities through basic deposit accounts and by offering low-interest rate lending. Meanwhile, lending cooperatives, microfinance institutions, retail banks, rural and thrift banks will also apply minimum interest rates for wholesale loans obtained from government banks.

⁸ RA No. 11901 lapsed into a law last 28 July 2022.

The rules and regulations should also improve access of rural communities and agricultural and fisheries households to financial services and programs. More credit may result in higher productivity, market efficiency, and modernization.

Financing will be given to the following: (a) off-farm/fishery entrepreneurial activities; agricultural mechanization/ modernization; (b) agri-tourism; environmental, social and governance projects, including green projects; (c) acquisition of lands authorized under the Agrarian Reform Code of the Philippines and its amendments; (d) digitalization/automation of farming, fishery and agri-business activities and processes; and (e) for the efficient and effective marketing, processing, distribution, shipping and logistics, and storage of agricultural and fishery commodities.

Loans and investments will also be extended to public rural infrastructure as well as programs that will promote the health and wellness of farmers, fisherfolk and agrarian reform beneficiaries (ARBs); and address the developmental needs of rural communities, such as, but not limited to, projects that promote the livelihood, skills enhancement, and other capacity-building activities of the rural community beneficiaries.

The Circular also mandates banks to lend and invest in activities identified under the Agro-Industry Modernization Credit and Financing Program (AMCFP), such as, agriculture and fisheries production, acquisition of work animals, farm and fishery equipment and machinery, as well as the acquisition of seeds, fertilizer, poultry, livestock, feeds and other similar items.

The procurement of agriculture and fisheries products for storage, trading, processing and distribution and the acquisition of water pumps and installation of tube wells for irrigation as well as construction, acquisition and repair of facilities for production, processing, storage, transportation, among others, are also activities under the AMCFP.

It also includes other financing such as: working capital for agriculture and fisheries, agribusiness activities which support soil and water conservation and ecology-enhancing activities; privately-funded and local government unit (LGU)-funded irrigation systems that are designed to protect the watershed; working capital for long-gestating projects; and credit guarantees on uncollateralized loans to farmers and fisherfolk.

3. Implications of the CBS results in enhancing the agricultural credit policies and programs of the Agricultural Credit Policy Council under the Department of Agriculture (DA-ACPC)

The 2021 CBS likewise bore findings that are instructive in strengthening DA-ACPC's credit programs aimed at increasing banks' loans to agriculture and improving access of farmers to credit from banks.

The perceived loan default and other risks in agriculture and rural areas, informational problems and other difficulties encountered by banks in lending to the sector suggest the need for the following courses of action: (a) strengthening of the Agricultural Guarantee Fund Pool (AGFP) credit guarantee and the Philippine Crop Insurance Corporation (PCIC) agricultural insurance facilities; and (b) updating of the registry system for basic sectors in agriculture (RSBSA) and development of farmers credit database; and (c) capacity building program to develop/enhance farmers' technical and business skills, financial literacy, and skills on livelihood enterprise development including value-adding income-generating activities.

It is also imperative that support systems to make agriculture and rural enterprise viable and profitable, such as adequate irrigation, post-harvest facilities, market, and transportation, be present to ensure access of farmers to credit and other financial services of banks.

APPENDIX A

SAMPLING METHODOLOGY OF THE 2021 COUNTRYSIDE BANK SURVEY

Determination of survey sample size

A. Assumptions

1. The underlying distribution of the data is normal
2. The margin of error, denoted by “d”, is equal to 0.03 or 3%
3. The confidence interval is prescribed at 95%;
4. No knowledge of variance (S^2) and/or proportion (P) of variable/characteristics we are interested in, which is the proportion of unit banks with increase loans granted to agriculture, is available so we assume $P=0.5$

B. Computation of Sample Size

1. Raosoft Sample Size Calculator-generated sample

Type of Bank	Total Operating Banks (N_{ToB})	Sample Size (n_{ToB})
Universal Commercial Banks (UCBs)	3,086	794
Thrift Banks (TBs)	1,302	587
Rural and Cooperative Banks (RCBs)	1,980	694
Government Banks (GBs)	581	377
Total	6,949	2,452

2. Stratified random sampling (manual calculation)

To approximate a by type of bank representation of sample banks, the generation of number of sample banks is done, by type of bank.

The formula used to find the total number of required samples denoted by “ n_{ToB} ” is as follows:

$$n_{ToB} = \frac{N_{ToB} \sum_{h=1}^{16} N_{ToB} P_h (1 - P_h)}{N_{ToB}^2 \frac{d^2}{Z^2} + \sum_{h=1}^{16} N_{ToB} P_h (1 - P_h)}$$

where:

- N_{ToB} = total no. of operating banks, by type
 P_h = estimated proportion in the hth stratum, assumed at 0.5
d = maximum error acceptable is specified at 0.03
Z = normal variable read from the normal distribution table corresponding to 95% reliability of estimates (i.e. 1.96)

Values, per variable, per type of bank, are shown in the matrix below:

Type of Bank	(N_{ToB})	$N_{ToB}P_h(1 - P_h)$
UCBs	3,086	772
TBs	1,302	326
RCBs	1,980	495
GBs	581	145
Total	6,949	1,737

Hence:

For UCBs:

$$n_{UCB} = \frac{3,086 (772)}{3,086^2 \cdot \frac{.03^2}{1.96^2} + 772} = 793$$

$$\mathbf{n_{UCB} = 793}$$

For TBs:

$$n_{TB} = \frac{1,302 (326)}{1,302^2 \cdot \frac{.03^2}{1.96^2} + 326} = 586$$

$$\mathbf{n_{TB} = 586}$$

For RCBs:

$$n_{RCB} = \frac{1,980 (495)}{1,980^2 \cdot \frac{.03^2}{1.96^2} + 495} = 693$$

$$\mathbf{n_{RCB} = 693}$$

For GBs:

$$n_{GB} = \frac{581 (145)}{581^2 \cdot \frac{.03^2}{1.96^2} + 145} = 376$$

$$\mathbf{n_{R3} = 376}$$

The number of samples per stratum is determined by the formula:

$$n_{ToBh} = \frac{N_{ToBh}}{N_{ToB}} n_{ToB}$$

and also shown in Table A.

Table A. Allocating Samples in Each Stratum

Stratum Label	Stratum No.	No. of operating banks (N_h)	Proportion (P_h)	$1-P_h$	$N_h P_h$ ($1-P_h$)	No. of Samples (n_h)*
UKBs						
CAR	1	60	0.5	0.5	15.00	15
I	2	192	0.5	0.5	48.00	49
II	3	103	0.5	0.5	25.75	26
III	4	524	0.5	0.5	131.00	135
IVA	5	703	0.5	0.5	175.75	181
IVB	6	63	0.5	0.5	15.75	16
V	7	117	0.5	0.5	29.25	30
VI	8	271	0.5	0.5	67.75	70
VII	9	381	0.5	0.5	95.25	98
VIII	10	88	0.5	0.5	22.00	23
IX	11	84	0.5	0.5	21.00	22
X	12	139	0.5	0.5	34.75	36
XI	13	208	0.5	0.5	52.00	53
XII	14	100	0.5	0.5	25.00	26
XIII	15	47	0.5	0.5	11.75	12
BARMM	16	6	0.5	0.5	1.50	2
TBs						
CAR	17	15	0.5	0.5	3.75	7
I	18	90	0.5	0.5	22.50	41
II	19	61	0.5	0.5	15.25	27
III	20	215	0.5	0.5	53.75	97
IVA	21	296	0.5	0.5	74.00	133
IVB	22	30	0.5	0.5	7.50	14
V	23	74	0.5	0.5	18.50	33
VI	24	105	0.5	0.5	26.25	47
VII	25	129	0.5	0.5	32.25	58
VIII	26	25	0.5	0.5	6.25	11
IX	27	51	0.5	0.5	12.75	23
X	28	76	0.5	0.5	19.00	34
XI	29	60	0.5	0.5	15.00	27
XII	30	40	0.5	0.5	10.00	18
XIII	31	35	0.5	0.5	8.75	16
BARMM	32					

Stratum Label	Stratum No.	No. of operating banks (N_h)	Proportion (P_h)	$1-P_h$	$N_h P_h$ ($1-P_h$)	No. of Samples (n_h)*
RCBs						
CAR	33	65	0.5	0.5	16.25	23
I	34	171	0.5	0.5	42.75	60
II	35	166	0.5	0.5	41.50	58
III	36	327	0.5	0.5	81.75	115
IVA	37	349	0.5	0.5	87.25	122
IVB	38	80	0.5	0.5	20.00	28
V	39	97	0.5	0.5	24.25	34
VI	40	139	0.5	0.5	34.75	49
VII	41	148	0.5	0.5	37.00	52
VIII	42	61	0.5	0.5	15.25	21
IX	43	48	0.5	0.5	12.00	17
X	44	84	0.5	0.5	21.00	29
XI	45	101	0.5	0.5	25.25	35
XII	46	72	0.5	0.5	18.00	25
XIII	47	71	0.5	0.5	17.75	25
BARMM	48	1	0.5	0.5	0.25	1
GBs						
CAR	49	13	0.5	0.5	3.25	8
I	50	35	0.5	0.5	8.75	23
II	51	30	0.5	0.5	7.50	19
III	52	67	0.5	0.5	16.75	43
IVA	53	90	0.5	0.5	22.50	58
IVB	54	22	0.5	0.5	5.50	14
V	55	38	0.5	0.5	9.50	25
VI	53	48	0.5	0.5	12.00	31
VII	57	53	0.5	0.5	13.25	34
VIII	58	28	0.5	0.5	7.00	18
IX	59	24	0.5	0.5	6.00	16
X	60	43	0.5	0.5	10.75	28
XI	61	26	0.5	0.5	6.50	17
XII	62	33	0.5	0.5	8.25	21
XIII	63	20	0.5	0.5	5.00	13
BARMM	64	11	0.5	0.5	2.75	7
Total		6,926			1,737	2,449

C. Target sample banks

The 2021 CBS targeted to cover a sample of “unit banks” operating outside of Metro Manila or the National Capital Region (NCR). These unit banks are comprised of head offices and branches of Rural and Cooperative Banks (RCBs), Thrift Banks (TBs), private-owned Universal and Commercial Banks (UKBs), and government-owned banks (GBs), i.e., excluding branch-lite offices⁹ of all types of banks. As of August 23, 2021, the number of unit banks outside of NCR totaled to 6,949 consisting of 44 percent UKBs, 19 percent TBs, 28 percent RCBs, and 8 percent GBs (Table A1). From these total unit banks, a nationally representative sample of each type was selected to constitute the survey’s sample unit banks.

Table A1. Total unit banks outside of NCR, by type and by regional location as of August 23, 2021

	UKBs	TBs	RCBs	GBs	Total
Cordillera Administrative Region (CAR)	60	15	65	13	153
Region I (Ilocos Region)	192	90	171	35	488
Region II (Cagayan Valley)	103	61	166	30	360
Region III (Central Luzon)	524	215	327	67	1,133
Region IV-A (CALABARZON)	703	296	349	90	1,438
Region IV-B (MIMAROPA)	63	30	80	22	195
Region V (Bicol Region)	117	74	97	38	326
Region VI (Western Visayas)	271	105	139	48	563
Region VII (Central Visayas)	381	129	148	53	711
Region VIII (Eastern Visayas)	88	25	61	28	202
Region IX (Zamboanga Peninsula)	84	51	48	24	207
Region X (Northern Mindanao)	139	76	84	43	342
Region XI (Davao Region)	208	60	101	26	395
Region XII (SOCCSKSARGEN)	100	40	72	33	245
Region XIII (Caraga)	47	35	71	20	173
Autonomous Region in Muslim Mindanao (ARMM)	6		1	11	18
Total unit banks outside NCR	3,086	1,302	1,980	581	6,949

Source of data: BSP-Financial Supervision Sector

⁹ Branch-lite unit is defined as an office or place of business of a bank that performs limited banking activities and records its transactions in the books of the head office or the branch to which it is annexed.

D. Number of sample unit banks

The survey covered a total of 2,500¹⁰ sample unit banks representing 36 percent of the total banking offices outside of NCR. These sample banks are comprised of 811 UKBs (32 percent), 598 TBs (24 percent), 708 RCBs (28 percent), and 383 GBs (15 percent).

E. Sample bank selection method

Sample banking offices for each bank type were selected using the “stratified random sampling” method. For each type of bank -- i.e., UKB, TB, RCB, and GB -- sample unit banks were stratified or grouped according to regional location. The number of sample unit banks for each type of bank was allocated for each region in proportion to the number of all banking offices located in the region (Table A2). The required number of sample banks representing each bank type was then selected randomly from each regional stratum/group.

Table A2. Number of sample unit banks, by type and by regional location

Regions	UKBs	TBs	RCBs	GBs	Total
Cordillera Administrative Region (CAR)	16	7	23	9	55
Region I (Ilocos Region)	50	42	61	23	176
Region II (Cagayan Valley)	26	28	59	19	132
Region III (Central Luzon)	137	99	117	43	396
Region IV-A (CALABARZON)	184	136	124	59	503
Region IV-B (MIMAROPA)	16	14	29	15	74
Region V (Bicol Region)	30	34	35	25	124
Region VI (Western Visayas)	71	48	50	31	200
Region VII (Central Visayas)	100	59	53	34	246
Region VIII (Eastern Visayas)	23	11	21	18	73
Region IX (Zamboanga Peninsula)	22	23	17	16	78
Region X (Northern Mindanao)	37	35	30	28	130
Region XI (Davao Region)	54	28	36	17	135
Region XII (SOCCSKSARGEN)	26	18	26	21	91
Region XIII (Caraga)	13	16	26	14	69
Autonomous Region in Muslim Mindanao (ARMM)	6		1	11	18
Total unit banks outside NCR	811*	598*	708*	383*	2,500**

* Number of sample required at ± 3 percent margin of error and 95 percent confidence interval.

** Gives ± 2 percent margin of error and 95 percent confidence interval

Source: Study Team

¹⁰ This sample size gives an overall margin of error of $\pm 2\%$ and 95% confidence interval. How this sample size was determined is illustrated in Appendix A

APPENDIX B

2021 COUNTRYSIDE BANK SURVEY QUESTIONNAIRE



PSA Approval No: ACPC-2158

Expiration: December 31, 2022

Thank you for taking the time to participate in the ACPC - BSP 2021 Countryside Bank Survey. Your feedback is important in the formulation of policies to encourage higher investments in agriculture and increase access of farmers to financial services.

IMPORTANT REMINDERS

1. The survey reference period covers January 1, 2021 to December 31, 2021. In case data for the entire year of 2021 are not yet available at this time, the latest available data for 2021 can be used to answer the questionnaire. Please indicate the date/month in 2021 of the latest available data in the comment box of the relevant question.
2. The survey questionnaire is expected to be completed in about 45 minutes. If you need to stop and will not be able to finish the questionnaire in one sitting, please come back to complete it by clicking on (or pasting on your browser) the link provided in the e-mail.
3. If you encounter internet connectivity issues and as a consequence the survey hangs and does not respond, exit the browser, and either: (a) re-open the survey by clicking on (or pasting on your browser) the link provided in the e-mail; **or** (b) continue with the survey by using the PDF copy of the questionnaire attached to the e-mail.
4. All questions require an answer. If you missed answering a question in a page, you will be prompted to respond to the question before you can move to the next page.
5. In order to progress through the survey, please use the following navigation links:
 - Click the "Next" button to save your responses and continue on to the next page.
 - Click the "Prev" button to return to the previous page to review your responses.
 - Click the "Done" button to submit your completed survey.

Thank you.

PRIVACY AND CONFIDENTIALITY CLAUSE

In compliance with R.A. 10173 (Data Privacy Act of 2012), information acquired through this questionnaire are only collected, processed, stored, and disposed by duly authorized staff of ACPC and BSP Research Academy (BRAC). All personal and private information shall be held confidential. The collected data from this survey questionnaire shall be used only for purposes of the 2021 Countryside Bank Survey. The ACPC and BRAC assure, with utmost diligence, that they shall protect the privacy and confidentiality of the information provided.\

A. AGRICULTURAL LOANS GRANTED AND NUMBER OF AGRICULTURAL BORROWERS

1. **Value of total agricultural loans granted in 2021.** What was the total amount of loans your bank branch/office granted (i.e., loans approved and released) to the agriculture sector in 2021? (*Tick the appropriate range of your answer. If data is not available for the entire year of 2021, please indicate in the comment box the date/month in 2021 of the latest available data.*)

- Over PhP200 million
- Over PhP150 million – PhP200 million
- Over PhP100 million – PhP150 million
- Over PhP 50 million – PhP100 million
- Over PhP 45 million – PhP 50 million
- Over PhP 40 million – PhP 45 million
- Over PhP 35 million – PhP 40 million
- Over PhP 30 million – PhP 35 million
- Over PhP 25 million – PhP 30 million
- Over PhP 20 million – PhP 25 million
- Over PhP 15 million – PhP 20 million
- Over PhP 10 million – PhP 15 million
- Over PhP 5 million – PhP 10 million
- PhP5 million and below

Comment (*Date/month in 2021 of the latest available data*)

2. **2021 vs 2020 Loans granted to agriculture.** How would you compare the bank's amount of agricultural loans granted in 2021 with that in 2020?

- The **2021 agricultural loans granted** was at least 30% higher than the **2020 agricultural loans granted**
- The **2021 agricultural loans granted** was at least 30% lower than the **2020 agricultural loans granted**
- The *difference between 2021 and 2020 values was less than 30% of the 2020 value (the 2021 value of loans granted was about the same as that in 2020.)*

Comment/Explanation

3. **Share (%) of agricultural loans granted to total loans granted in 2021.** What was the proportion or percentage share of your bank's agricultural loans granted to total loans granted in 2021?

- 76 – 100%
- 51 – 75%
- 26 – 50%
- 21 – 25%
- 16 – 20%
- 11 – 15%
- 6 – 10%
- Below 5%

Comment (*Date/month in 2021 of the latest available data*)

4. **2021 vs 2020 Share of agricultural loans granted to total loans granted.** How would you compare the bank's 2021 share of agricultural loans granted to its total loans granted in 2020?
- The **2021 share** was *at least 30% higher* than the **2020 share**
 - The **2021 share** was *at least 30% lower* than the **2020 share**
 - The *difference between 2021 and 2020 shares was less than 30%* of the 2020 share (*the 2021 share of agri loans granted to total loans granted was about the same as that in 2020*).

Comment/Explanation

5. **Number of agricultural borrowers in 2021.** How many agricultural borrowers did your bank branch/office serve in 2021?
- Over 50,000
 - Over 40,000 to 50,000
 - Over 30,000 to 40,000
 - Over 20,000 to 30,000
 - Over 10,000 to 20,000
 - Over 5,000 to 10,000
 - Over 4,000 to 5,000
 - Over 3,000 to 4,000
 - Over 2,000 to 3,000
 - Over 1,000 to 2,000
 - Over 500 to 1,000
 - 500 and below

Comment (Date/month in 2021 of the latest available data):

6. **2021 vs 2020 Number of agricultural borrowers.** How would you compare the number of total agricultural borrowers in 2021 with that in 2020?
- The **2021 number of agri-borrowers** was *at least 30% higher* than the **2020 number of agri-borrowers**.
 - The **2021 number of agri-borrowers** was *at least 30% lower* than the **2020 number of agri-borrowers**.
 - The *difference between 2021 and 2020 was less than 30%* of the 2020 number of agri-borrowers (*the 2021 number of agricultural borrowers was about the same as that in 2020*).

Comment/Explanation

7. **Share (%) of agricultural borrowers to total borrowers in 2021.** What was the percentage share of your bank's agricultural borrowers to total borrowers during 2021?
- 76 – 100%
 - 51 – 75%
 - 26 – 50%
 - 21 - 25%
 - 16 – 20%
 - 11 – 15%

- 6 – 10%
- Below 5%

Comment (Date/month in 2021 of the latest available data):

8. **2021 vs 2020 Share of agricultural borrowers to total borrowers.** How would you compare the share of the bank's agricultural borrowers to total borrowers in 2021 with that in 2020?

- The **2021 share of agricultural to total borrowers** was *at least 30% higher* than the **2020 share of agricultural to total borrowers**.
- The **2021 share of agricultural to total borrowers** was *at least 30% lower* than the **2020 share of agricultural to total borrowers**.
- The *difference between 2021 and 2020 shares* was *less than 30%* of the 2020 share of agricultural to total borrowers (*the 2021 share of agricultural borrowers to total borrowers was about the same as that in 2020.*)

Comment/Explanation

9. **Regional location of agricultural borrowers/ loans granted in 2021.** From which Region(s) did the agricultural loans your bank granted in 2021 originate? (*Please tick all that apply.*)

- NCR (Metro Manila)
- CAR (Cordillera Administrative Region)
- Region I (Ilocos)
- Region II (Cagayan Valley)
- Region III (Central Luzon)
- Region IVA (CALABARZON)
- Region IVB (MIMAROPA)
- Region V (Bicol)
- Region VI (Eastern Visayas)
- Region VII (Central Visayas)
- Region VIII (Western Visayas)
- Region IX (Zamboanga Peninsula)
- Region X (Northern Mindanao)
- Region XI (Davao)
- Region XII (SOCCSKSARGEN)
- Region XIII (CARAGA)
- BARMM (Bangsamoro Autonomous Region of Muslim Mindanao)

10. **Number of total borrowers in 2021.** How many total borrowers did your bank branch/office serve during 2021?

- Over 50,000
- Over 40,000 to 50,000
- Over 30,000 to 40,000
- Over 20,000 to 30,000
- Over 10,000 to 20,000
- Over 5,000 to 10,000
- Over 4,000 to 5,000
- Over 3,000 to 4,000
- Over 2,000 to 3,000

- Over 1,000 to 2,000
- Over 500 to 1,000
- 500 and below

Comment (*Date/month in 2021 of the latest available data*)

11. **2021 vs 2020 Number of total borrowers.** How would you compare the bank's total number of borrowers in 2021 with that in 2020?
- The **2021 total number of borrowers** was *at least 30% higher* than the **2020 total number of borrowers**.
 - The **2021 total number of borrowers** was *at least 30% lower* than the **2020 total number of borrowers**.
 - The *difference between the 2021 and 2020 total number of borrowers was less than 30%* of the 2020 total number of borrowers (*the 2021 total number of borrowers was about the same as that in 2020.*)

Comment/Explanation

12. **Share (%) of Small farmer borrowers to Agricultural borrowers in 2021.** In the past year, what proportion or percentage share of your agricultural borrowers are *small farmers (i.e., crop and fish farmers with no more than 3 hectare farm; backyard poultry and livestock raisers; and municipal fishers who use fishing gears only or boats with capacity of below 3 tons)*?

- 76 – 100%
- 51 – 75%
- 26 – 50%
- 21 – 25%
- 16 – 20%
- 11 – 15%
- 6 – 10%
- 1 – 5%
- 0%
- Don't know/No data

Comment (*Date/month in 2021 of the latest available data*):

13. **Share (%) of Small farmer borrowers to Total borrowers in 2021.** In the past year, what proportion or percentage share of your total borrowers (all types) are small farmers?

- 76 – 100%
- 51 – 75%
- 26 – 50%
- 21 – 25%
- 16 – 20%
- 11 – 15%
- 6 – 10%
- 1 – 5%
- 0%
- Don't know/No data

Comment (Date/month in 2021 of the latest available data):

B. DEMAND FOR AGRICULTURAL LOANS

14. Did you/your bank branch/office actively seek **new agricultural borrowers/loan accounts** in 2021?

- Yes
- No

If NO, please comment/explain why your bank did not seek new agricultural borrowers/loan accounts in 2021.

15. **Number of agricultural loan applications in 2021.** Approximately how many applications/applicants for an agricultural loan did you receive during 2021? (Please provide an estimate number (or range) of agricultural loan applications.)

16. **2021 vs 2020 Number of agricultural loan applications.** How would you compare the number of agricultural loan applicants/ applications in 2021 with that in 2020?

- The **2021 number of agricultural loan applications** was *at least 30% higher* than the **2020 number of agricultural loan applications**.
- The **2021 number of agricultural loan applications** was *at least 30% lower* than the **2020 number of agricultural loan applications**.
- The *difference between the 2021 and 2020 values was less than 30%* of the 2020 number of agricultural loan applications (*the 2021 number of agricultural loan applications was about the same as that in 2020*)

Comment/Explanation

17. **Share (%) of disapproved agricultural loan applications to total applications for agricultural loan.** In 2021, what proportion or percentage share of total applications for agricultural loan were disapproved?

- 81 – 100%
- 61 – 80%
- 41 – 60%
- 21 - 40%
- 1 – 20%
- 0% (Nil)

Comment (Date/month in 2021 of the latest available data):

18. **Share (%) of disapproved agricultural loan applications to total disapproved loan applications.** In 2021, what proportion or percentage share of total disapproved loan applications were applications for agricultural loan?

- 81 – 100%
- 61 – 80%
- 41 – 60%
- 21 - 40%
- 1 – 20%
- 0% (Nil)

Comment (Date/month in 2021 of the latest available data):

19. Reason(s) for disapproval of applications for agricultural loan. (Tick all that apply. If there were no disapproved applications for agricultural loan, tick "not applicable")

- Low credit score
- No credit track record or lack of borrowing experience
- Bad credit history
- High debt-to-income ratio
- Unstable employment and/or income source
- Not viable or not profitable project to be financed
- Lack of or insufficient collateral
- No loan guarantee/insurance
- No agricultural insurance for the project to be financed
- Missing borrower information or incomplete documents
- Other (please specify)

Not applicable

20. **Loanable funds vs Demand for agricultural loans in 2021.** How would you compare the bank's available loanable funds with the demand for agricultural loan during 2021?

- Available loanable funds were *much bigger* than the agricultural loan demand
- Available loanable funds was *somewhat bigger* than the agricultural loan demand
- Available loanable funds were *about the same* as the agricultural loan demand
- Available loanable funds were *somewhat smaller* than the agricultural loan demand
- Available loanable funds were *much smaller* than the agricultural loan demand

Comment/Explanation

C. INTEREST RATES AND OTHER CHARGES ON LOANS

21. **Interest rates on Agricultural Loans.** Throughout 2021, what were the *lowest, highest, and average interest rates* charged by your bank on **agricultural loans**? Please specify interest rate per annum in the space provided (*enter numbers only, e.g., 5, 7.2, 12.0, 20.5, etc.*).

- a. Lowest/minimum interest rate (% per annum) _____
- b. Highest/maximum interest rate (% per annum) _____
- c. Average interest rate (% per annum) _____

22. **Interest rates on Non-agricultural Loans.** Throughout 2021, what were the *lowest, highest, and average interest rates* charged by your bank on **non-agricultural loans**? Please specify interest rate per annum in the space provided (*enter numbers only, e.g., 5, 7.2, 12.0, 20.5, etc.*).

- a. Lowest/minimum interest rate (% per annum) _____
- b. Highest/maximum interest rate (% per annum) _____
- c. Average interest rate (% per annum) _____

23. **Service fee on agricultural loan vs non-agricultural loan.** In 2021, how much service fee did your bank charge to borrowers of agricultural loan and borrowers of

non-agricultural loan? (Specify the amount of service fee per PhP1,000.00 of each type of loan. Please explain in the comment box any difference in the service charges between agricultural loan and non-agricultural loan.)

- a. On **Agricultural loan**
 (Fee per PhP1,000.00 loan) _____
- b. On **Non-agricultural loan**
 (Fee per PhP1,000.00 loan) _____

Comment (Explanation of difference in service fee, if any)

24. **Other loan charges.** What other fees do you charge on loans? Please specify the name and fee/other charges on the loan (e.g., loan application, documentary stamp, etc.), and the corresponding amount of fee in the answer boxes. (If there are no other fees charged by the bank, please indicate "None".)

	Name of other loan charges	Value of other loan charges (PhP)
a. Other fee (specify)	_____	_____
b. Other fee (specify)	_____	_____
c. Other fee (specify)	_____	_____

Comment (Please indicate other loan fees charged by the bank, which are not specified above, and the corresponding amount.)

D. BORROWERS' REPAYMENT AND DEBT POSITION

25. **Repayment rate of agricultural loans:** What was the overall repayment rate of agricultural loans in 2021?

26. **Loan repayment rate (RR): Agricultural vs Non-agricultural borrowers.** How would you compare the overall loan repayment rate (RR) in 2021, of agricultural borrowers to that of non-agricultural borrowers?

- RR of Agri borrowers** was *much higher* than the **RR of Non-agri RR**
- RR of Agri borrowers** was *somewhat higher* than the **RR of Non-agri RR**
- RR of Agri borrowers** was *about the same* as the **RR of Non-agri RR**
- RR of Agri borrowers** was *somewhat lower* than the **RR of Non-agri RR**
- RR of Agri borrowers** was *much lower* than the **RR of Non-agri RR**

Comment/Explanation

27. **Agricultural Non-Performing Loans (NPL) as of end-December 2021.** What was the bank's amount of outstanding non-performing loans (NPL) as of end-December 2021?

- a. Agricultural-NPL (PhP Million) _____
- b. Non-Agriculture NPL (PhP Million) _____
- c. Overall NPL (PhP Million) _____

28. **Agricultural NPL Ratio as of end-December 2021.** What was the ratio of non-performing loans (NPL) to total agricultural loans outstanding as of end-December 2021?

- a. Agricultural-NPL (%) _____
- b. Non-Agriculture NPL (%) _____

c. Overall NPL (%) _____

29. **2021 vs 2020 Agricultural NPL Ratio.** How would you compare the agricultural NPL ratio, in 2021, with that in 2020?

- The 2021 Agricultural NPL ratio was at least 30% higher than the 2020 Agricultural NPL ratio.**
- The 2021 Agricultural NPL ratio was at least 30% lower than the 2020 Agricultural NPL ratio.**
- The difference between the 2021 Agricultural NPL ratio and the 2020 Agricultural NPL ratio was less than 30% of the 2020 Agricultural NPL ratio (the 2021 Agricultural NPL ratio was about the same as the 2020 Agricultural NPL ratio).*

Comment/Explanation

30. **Discontinued financing due to past due loans.** In 2021, how many agricultural borrowers were discontinued financing due to past due loans or non-repayment of matured loans? *(Please specify number. If none, write "0".)*

31. **Reasons for past due agricultural loans.** What were the top 3 causes or reasons for non-repayment or delayed payment of agricultural loans in 2021? *(Please specify the known cause or reason for past due loans in the appropriate boxes. Write "don't know" if you are unaware of the reasons and "not applicable" if there was no incidence of past due agricultural loan in 2021).*

a. Reason 1 _____

b. Reason 2 _____

c. Reason 3 _____

E. RISK MANAGEMENT

32. **Loan collateral/security.** What forms of collateral or loan security do you require and/or accept from your agricultural borrowers *(Please tick all that apply).*

- Real Estate Mortgage
 - Chattel Mortgage
 - Credit guarantee/Loan insurance
 - Assignment of inventory
 - Assignment of sales proceeds of purchase orders
 - Hold-out deposits
 - PCIC agricultural/crop insurance proceeds
 - Third party (personal) guarantee
 - Post-dated checks
 - Others *(please specify)*
- _____

33. **Credit guarantee facility.** Did your bank avail of a credit guarantee program to guarantee/insure the loans it provided to the agriculture sector in 2021?

- Yes
- No

34. Identify the credit guarantee program your bank availed of as guarantee cover for its agricultural loans in 2021. (Please tick all credit guarantee program/s you availed in 2021.)

- PhilGuarantee's Agricultural Guarantee Fund Pool (AGFP)
 - PhilGuarantee's SME Credit Guarantee Facility (SCGF)
 - PhilGuarantee's MSME Credit Guarantee Program (MCGP)
 - PhilGuarantee's Medium and Large Credit Guarantee Facility (MLE-CGF)
 - BSP's Credit Surety Fund (CSF)
 - Other (please specify credit guarantee program availed)
-

35. Other credit risk mitigation measures. What other measures did your bank employ in 2021 to mitigate the risk of default or non-payment of loan and other risks associated with lending to the agricultural sector? (If no other measure was employed in 2021, please indicate "None".)

- a. Other measure (specify) _____
- b. Other measure (specify) _____
- c. Other measure (specify) _____

F. PROFITABILITY

36. **2021 Operating Income and Expenses.** Approximately how much did your bank branch/unit spend and earn in 2021? (Please provide an estimate on the amount, in Million Pesos, of the bank's gross operating income, total operating expenses, and net income in 2021.)

- a. **Gross Operating Income** (PhP Million) _____
- b. **Total Operating Expenses** (PhP Million) _____
- c. **Net Income** (PhP Million) _____

37. **2021 vs 2020 Operating Income and Expenses.** How would you compare the bank's 2021 operating income and expenses, with those in 2020? Were the bank's income and expenses *much less, somewhat less, about the same, somewhat greater or much greater* in 2021 than in 2020?

	<u>Much less</u> in 2021 than in 2020	<u>Somewhat</u> <u>less</u> in 2021 than in 2020	<u>2021 about</u> <u>the same</u> as 2020	<u>Somewhat</u> <u>greater</u> in 2021 than in 2020	<u>Much</u> <u>greater</u> in 2021 than in 2020
a) Gross operating income:	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b) Total operating income:	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c) Net income:	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Comment/Explanation

G. PROBLEMS ENCOUNTERED

38. **Problems encountered in lending to Agriculture.** In 2021, what were the top 3 major problems or difficulties you encountered in lending to agriculture?

- 1. _____
- 2. _____
- 3. _____

Comment/Explanation or Other problem(s) encountered

39. **Problems encountered in lending to Non-agriculture.** In 2021, what were the top 3 major problems or difficulties you encountered in lending to non-agriculture?

1. _____

2. _____

3. _____

Comment/Explanation or Other problem(s) encountered

H. EFFECTS OF THE COVID-19 PANDEMIC

40. **Effects/Impact of COVID-19 on banking operations.** What have been the negative or positive effects / impacts of the COVID-19 pandemic on the following aspects of your banking operations? *(Please specify the effect of the pandemic, if any, to each aspect of banking operation identified. If the pandemic has no effect on the identified aspect of the bank's operation write "None".)*

a. Demand for loans _____

b. Repayment for loans _____

c. Past due loans/Portfolio-at-risk _____

d. Lending procedures and processes _____

e. Lending requirements _____

f. Deposit mobilization _____

g. Bank's profitability _____

h. Other, please specify _____

Comment/Explanation

41. **Rating of the level of significance of the COVID-19 effects.** For each effect of the pandemic that you identified above, please rate the severity or significance of the effect of COVID-19 on the particular aspect of your banking operation using the following rating scale: *Significantly decreased, Moderately decreased, No effect, Moderately increased, Significantly increased.*

	Significantly decreased	Moderately decreased	No Effect	Moderately increased	Significantly increased
a. Demand for loans	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b. Repayment for loans	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c. Past due loans/ Portfolio-at-risk	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
d. Lending procedures and processes	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
e. Lending requirements	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
f. Deposit mobilization	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
g. Bank's profitability	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
h. Other, please specify	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

 Comment/Explanation

I. PLANS AND PROSPECTS

42. Do you have plans of expanding your lending to agriculture in the next 12 months?

- Yes
- No

43. If YES, what factors enable or motivate your bank to expand its lending to agriculture?

1. _____
2. _____
3. _____

44. If NO, what factors would enable or motivate your bank to expand its lending to agriculture?

1. _____
2. _____
3. _____

45. Which of the following support mechanisms would help encourage your bank to increase lending to agriculture? *(Please tick all that apply.)*

- Credit/loan guarantee
- Agricultural insurance

- Government funding assistance
 - Training/capacity building support for bank staff
 - Farmer registry system
 - Farmer credit information database
 - Automated Credit Scoring Model that predicts probability of borrower default at the time of loan application
 - Availability of information on potential borrowers/projects
 - Organization of farmers
 - Other (please specify)
-

46. Please rate the level of importance of each of the support mechanism in encouraging your bank to increase its lending to agriculture using the rating scale: *Extremely important, Very important, Moderately important, Slightly important, or Not at all important.*

	Extremely important	Very important	Moderately important	Slightly important	Not at all important
a. Credit/loan guarantee	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b. Agricultural insurance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c. Government funding assistance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
d. Training/capacity building support for bank staff	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
e. Farmer registry system	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
f. Farmer credit information database	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
g. Automated Credit Scoring Model that predicts probability of borrower default at the time of loan application	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
h. Availability of information on potential borrowers/projects	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
i. Organization of farmers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
j. Other, please specify	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Comment/Explanation

47. **Expectations/Outlook.** What are your expectations on identified credit and financial conditions for 2022? Do you expect each item to be *much lower*, *somewhat lower*, *about the same*, *somewhat higher*, or *much higher* in 2022 than in 2021?

	Much lower	Lower	About the same	Higher	Much higher
a. Demand for agricultural loans	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b. Demand for non-agricultural loans	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
c. Availability of loanable funds	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
d. Interest rate on loans	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
e. Interest rate on deposits	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
f. Borrowers' repayment capacity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
g. Borrowers' demand for loan restructuring	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
h. Bank's profitability	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Comment/Explanation

J. CONTACT INFORMATION

We would appreciate having your contact details should we have further clarification/s on the answers you provided. We reassure you that all your responses and personal details will be kept strictly confidential.

48. Name of Bank: _____

49. Bank Branch/Office Address: _____
(City/Municipality) (Province)

50. Number of years the bank branch/office is in operation _____

51. Contact details of Branch Manager

a. Name of Branch Manager: _____
(Last Name, First Name, Middle Initial)

b. Name of Contact Person, if different from the Branch Manager: _____
(Last Name, First Name, Middle Initial)

c. Designation/Position of Contact Person _____

d. Mobile Number: _____

e. Landline Number: _____

f. Email Address: _____

You have reached the end of the survey. Thank you for your participation!

APPENDIX C

SUMMARY TABLES OF SELECTED SURVEY RESPONSES

Table C1. Reasons for not actively seeking new agricultural borrowers/loan accounts in 2021

Cited reasons	UKB	TB	RCB	GB	Total	
					No.	percent
Low to no demand from the sector: area of operation is urban, few agri accounts, to focus on SMEs with higher demand for loans	41	5	19	12	77	42.8
Branch does not/no longer handle agricultural loans	20	4	20	15	59	32.8
Pending policy on agricultural loans; ongoing management transition	3	1	2	11	17	9.4
No qualified borrowers; Farmers do not have acceptable collateral (agricultural lands with no titles / proof of ownership)	8	1	1	0	10	5.6
Uncertainties brought about by the pandemic	2	2	3	1	8	4.4
Have enough agri borrowers being a lending conduit of government-funded credit programs			5		5	2.8
Agri loans not performing well; high default rate of agricultural loans			2	1	3	1.7
Competition with government banks offering lower rates	1				1	0.6
Total	75	13	52	40	180	100.0

Source: 2021 Countryside Bank Survey

Table C2. Problems encountered in lending to agriculture, by bank type

Cited problems in agricultural lending	UKB	TB	RCB	GB	Total	
					No.	percent
Adverse effect of pandemic/calamities (including pest infestation) affected clients' capacity to earn a living, resulting to delayed/non-repayment/difficulty in collecting	8	43	184	80	315	21.8
Pandemic, lockdown, limited mobility and restrictions (longer processing time due to health protocols)	4	160	19	12	195	13.5
Investors are hesitant to invest in agriculture (due to unpredictable weather, particularly amid calamities, fluctuating/low prices of produce, farmers farming techniques outdated)	21	20	88	30	159	11.0
Lack of borrowers with viable agricultural projects qualified for financing (most farm lands are fragmented and/or in far-flung areas, and with poor road access, poor security condition) no market for produce	8	21	84	44	157	10.9
No/inadequate acceptable collateral / collateral-related concerns (tax declaration boundaries, no clean title, low valuation of lots)	12	43	75	17	147	10.2
Cashflow problem (unstable income from farming activities, no other non agri-related income sources)	6	24	85	29	144	10.0
Poor credit risk/low credit score (negative bureau findings) (e.g. diversion of loan proceeds, over indebtedness)	4	19	55	18	96	6.6
Lack of potential clients' information/data to establish capacity to pay (lack of proof of income/ sales, other relevant documentary requirements)	9	14	40	31	94	6.5
Delay in government issuances (permits) processing (annotation of mortgage agreement, guarantee and insurance claims); lack of government support (setting market price, technical assistance, strict policies on agri loans)	2	4	18	11	35	2.4
Bank lacks capacity to manage agri loans (i.e., no appropriate policies/guidelines, no proper control mechanism, lack tools to assess agri borrowers, lack manpower, no sufficient funds, readiness in digitizing processes)	0	7	14	12	33	2.3
Agri-borrowers are afraid/apprehensive to borrow in banks (uncertain business environment/pandemic, preference with informal sources)	3	0	24	3	30	2.1
Competition with other branches/banks, and government credit programs	3	2	13	5	23	1.6
Others (Agri-fishery land/area conversion, illness, death of clients, layoff, client relocated, old age, change in bank's management)	0	2	14	2	18	1.2
Total	80	359	713	294	1,446	100.0

Source: 2021 Countryside Bank Survey

Table C3. Problems encountered in lending to non-agriculture, by bank type

Cited problems in non-agricultural lending	UKB	TB	RCB	GB	Total	
					No.	percent
Impact of pandemic - Loss of job and business due to the pandemic, discontinuance/slowdown of business; pulled out borrowers due to uncertainty; supply chain disrupted; poor market condition	29	45	239	109	422	24.4
Low/no demand, lack of qualified borrowers - no/insufficient acceptable collateral (agri land not acceptable for housing loan, co-obligator), poor financials/instability of client's income; reduced revenues affecting cash flow; insufficient business management skills	39	54	166	40	299	17.3
Business failure; business viability; lower profitability	14	106	67	13	200	11.6
Data needed not available/insufficient data – lack of/delay in submission of documents, requirements (audited financial statements), age limit, Insufficient operating history of the business, requirements	26	63	67	41	197	11.4
Repayment problem/Collection problem/Deterioration of loan asset quality, difficulty in loan collection	17	18	83	58	176	10.2
Adverse records/findings of borrower (low credit score), attitude, Diversion of loan/repayment, Over-indebtedness/multiple borrowings, discrepancies in documents	15	21	68	20	124	7.2
Distance of bank/LC from clients; access to clients affected by COVID-19 restrictions, increase in bank's costs (pandemic protocols)	12	48	23	18	101	5.8
Stiff/tough/intense competition among financial institutions (interest rate, microfinancing), informal lenders	7	44	26	10	87	5.0
Banks lack skills and resources (e.g. manpower to process loans), and proper control mechanism in place/no technology to help adapt to recent events that impacted bank's operations, no lending product/lending product not matched to the needs of target clients, limited funds/clientele	10	4	21	23	58	3.4
High risk industries due to volatility of market (inflation), increase in prices of raw materials, politics, inflation rate, Clients not up to date in technology, access to loan guarantee	6	6	18	11	41	2.4
Clients afraid to borrow – fear of not able to pay, due to uncertain business environment/pandemic	2	0	13	0	15	0.9
Others (Government policy restrictions, prioritization of gov't deductions, Oversupply due to presence of multiple industries, Government corruption, Peace and security/insurgency problem (NPA))	1	2	5	3	11	0.6
Total	178	411	796	346	1,731	100.0

Source: 2021 Countryside Bank Survey

Table C4. Effects/Impact of COVID-19 pandemic on banking operations

COVID-19 effects on banking operations	UKB	TB	RCB	GB	Total	
					No.	percent
1. Demand for loans						
<i>Negative effect</i>						
Reduced demand for loans	38	83	164	64	349	42.6
Limited and tempered accommodation of loans particularly new and unsecured loans (bank strict in accepting clients)	8	89	17	5	119	14.5
Lack of/decreased number of borrowers	17	6	20	8	51	6.2
<i>Positive effect</i>						
High demand for loans (but most not qualified, increased in disapproved loans)	30	12	60	35	137	16.7
Higher demand for loans for start-up businesses and project recovery		2	3	2	7	0.9
<i>No effect / No answer</i>	46	20	61	29	156	19.0
Total	139	212	325	143	819	100.0
2. Loan repayment / collections						
<i>Negative effect</i>						
Decreased/low repayments particularly for non-essential businesses as some had closed or had to temporary close; Delayed/no repayments due to delayed/poor harvest, insufficient/loss of income, unable to deliver produce on time, earnings/money reserved for family's basic needs, others; Some accounts were restructured	52	182	222	76	532	65.8
Decreased collection due to quarantine restrictions imposed by LGUs, skeletal workforce; limited personal follow ups with borrowers, reduced over the counter payments	2	3	22	8	35	4.3
<i>Positive effect</i>						
Increased/collection higher than in 2020	1		3	1	5	0.6
<i>No effect</i>						
Repayment mostly unaffected; Managed to avoid default in payment; Strict implementation of repayment plan; Implemented risk measures such as insurance claims to PCIC; Still collected except during the <i>Bayanihan</i> Act 1&2 moratorium; Special payment arrangements were implemented to help manage cash flow (e.g., longer terms were provided to clients to match weak cash flow)	78	23	67	57	225	27.8
<i>Other</i>						
Up and down/ unstable; Slightly deteriorated in 2020, but slowly improving, not the same for all industries/accounts		1	10		11	1.4
Total	133	209	324	142	808	100.0
3. Past due loans / portfolio-at-risk						
<i>Negative effect</i>						
Increased delinquency/higher past due (PD), portfolio-at-risk (PAR); restructuring pushed through	31	87	139	57	314	38.9

COVID-19 effects on banking operations	UKB	TB	RCB	GB	Total	
					No.	percent
High/all accounts past due, income loss to the bank; Significant increase in PD/PAR	18	20	74	19	131	16.2
Minimal (within tolerable level) to moderate increase (20 to 30 percent PD ratio during the pandemic) due to income deficiency of some clients	3	7	19	15	44	5.4
<i>Positive effect</i>						
Decreased/lower PD ratio; increased restructured loans, due to Bayanihan 1 & 2 moratorium	0	3	16	1	20	2.5
<i>No effect</i>						
Somewhat the same/not impacted; manageable; implemented remedial actions such as collections and loan restructuring; Remained as in pre-pandemic situation; No past due	79	95	77	48	299	37.0
Total	131	212	325	140	808	100.0
4. Lending procedures and processes						
<i>Negative effect</i>						
Slower processing and longer procedure due to COVID-19 restrictions that made credit investigation and validation difficult; Longer turn-around time (especially for new applications) due to limitations of manpower	25	19	57	31	132	16.8
Modified to be more stringent and conservative; Applied stricter guidelines in evaluating repayment capacity and additional safety margins on collateral valuation; Slowed down in acquiring/granting loans; More loans were applied for renewal, restructuring, or moratorium	43	25	58	9	135	17.2
<i>Positive effect</i>						
Increased efficiency of credit processes; Strengthened and optimized the use of online, digital, social media platforms in loan application/processes; Improved procedure due to revision of BRR, cash flow, product policies; Easier, more flexible and shortened processes	4	50	27	18	99	12.6
<i>No effect</i> (same procedures and processes)	55	51	165	76	347	44.1
<i>Other effects</i>						
Focused lending to farmers & agri-based SMEs only		62			62	7.9
Adjusted/modified based on industry vulnerability rating per PSIC; Account segmentation	3	1	6	1	11	1.4
Total	130	208	313	135	786	100.0
5. Lending requirements						
<i>Negative effect</i>						
More stringent; Observed higher level of extra due diligence and KYC with the standard bank requirements; Tedious and more conservative	29	11	36	9	85	10.6
Delayed and incomplete submission of requirements by borrowers due to closure or scheduling of government agencies; Low compliance rate	11	11	26	8	56	7.0
Required other requisites to cope with the pandemic situation such as additional cash flow, co-borrower/s	18	7	8	3	36	4.5

COVID-19 effects on banking operations	UKB	TB	RCB	GB	Total	
					No.	percent
esp. if account poses higher risk, higher income for high risk industries, info on how the business was to cope with the pandemic						
<i>Positive effect</i>						
Relaxed or waived some lending requirements due to closure/scheduling of some government agencies; Adopted underwriting/scoring standards requiring minimal updated documents to establish current status of business, project viability, and financial capacity of borrowers; Catered to low-risk segments such as borrowers of salary-consumption loans	12	5	36	15	68	8.5
Optimized use of social media platform in loan application; digitized requirements; interview thru phone calls; explored digital options	2	1	6	4	13	1.6
<i>No effect</i>						
The same with pre covid/No changes/ No additional requirements; The same but balanced exposure between secured and unsecured lending	71	143	226	102	542	67.8
Total	143	178	338	141	800	100
6. Deposit mobilization						
<i>Negative effect</i>						
Decreased/reduced deposit levels due to closing of some branches	2		4	1	7	0.9
Decreased, closure of some accounts - clients could not deposit due to restricted travel, lesser income (businesses affected), more withdrawals than deposits	8	6	19	8	41	5.2
Hard/more difficult mobilization of deposits, limited/slowdown in deposit mobilization	35	18	73	25	151	19.0
Some clients kept their deposits/savings for emergency purposes/basic needs	3	9	2	1	15	1.9
<i>Positive effect</i>						
Increase in deposit; higher demand and deposit volume generation; very high increase in deposit liability	5	47	50	5	107	13.4
Pushed by management; focused on marketing of savings products/mandatory weekly deposit for savings/collection of savings/continued services	3	2	6	1	12	1.5
Digital channels for deposits encouraged; online/mobile banking utilized/maximized	5	1	9	6	21	2.6
<i>No effect</i>						
Manageable, measures in place to cope changes, and with deficiency (cash reserves, loan deposits, CASA)	65	122	133	82	402	50.5
No significant change/still the same except for new normal set up	4	4	16	4	28	3.5
Stable: met deposit/income target for 2021	1	3	7	1	12	1.5
Total	131	212	319	134	796	100.0
7. Profitability						
<i>Negative effect</i>						

COVID-19 effects on banking operations	UKB	TB	RCB	GB	Total	
					No.	percent
Decreased profitability due to: increase in NPLs as continuing effect of the pandemic; decrease in portfolio and collections; limited banking transactions	51	39	180	74	344	38.2
Weaker economic conditions, broadly affect bank earnings, credit quality, operations and capital; target not achieved; Bayanihan 1 & 2 have caused delay in bank's income generation	1	6	13	3	23	2.6
Very low profit because could not market loans; no releases and payments	3	2	6		11	1.2
<i>Positive effect</i>						0.0
Improved - written off accounts were collected aside from the regular loan collection; sale of foreclosed properties at a profit, decreased operating expenses, collected penalties	10	44	35	13	102	11.3
Increased (due to high demand of loan), exceeded target income for 2021, recovered from the pandemic	2	4	9	1	16	1.8
Improved - written off accounts were collected aside from the regular loan collection; sale of foreclosed properties at a profit, decreased operating expenses, collected penalties	10	44	35	13	102	11.3
<i>No effect</i>						0.0
About/almost the same, met target, managed within acceptable levels, profitability falls short, but still remained strong	64	118	76	45	303	33.6
Total	141	257	354	149	901	100

Source: 2021 Countryside Bank Survey

Table C5. Motivation/Enabling factors for bank expansion of its agricultural lending

Motivation/Enabling factors	UKB	TB	RCB	GB	Total	
					No.	percent
Help farmers, agriculture and agribusiness sectors attain improved quality of life and food security for the nation; Support government programs for agri/agri-business being a priority of the new administration to lessen importation and increase production; "Stop" farmers from availing of high interest rate bearing informal loans	37	138	185	71	431	49.20
Increase bank's income/profit to which agri loans is a big contributor; Diversify and expand loan portfolio to include agricultural loan products/services	34	109	87	15	245	27.97
High/increasing/recovering demand for agricultural loans as pandemic is getting controlled so affected borrowers may start business again	7	119	37	24	187	21.35
Compliance with the Agri-Agra Law/mandatory credit allocation	18	12	66	76	172	19.63
Agri lending is "untapped loan exposure": area of operation is agricultural; farmers have great potential for production growth; to enrich stagnant/idle farm lots; agriculture industry is resilient	22	31	41	17	111	12.67
Loan products that are appropriate for farmers/agri sector; Enhanced agricultural lending policy and guidelines; Availability of information on potential borrowers; Automated credit scoring	6	8	30	6	50	5.71
Availability of government support and resources to banks: capacity building of bank staff, funding support, low interest rate/cost of funds	3	5	18	15	41	4.68
Creditworthy farmers: high collectability rate/low past due; with good collateral	3	9	22	4	38	4.34
Risk mitigating and credit enhancement measures in place such as agricultural insurance, credit guarantee, and education program for farmers	3	4	23	1	31	3.54
Refinancing, focus on high value crops/big loans, granting of seasonal loans, agri projects with high potential ROI (such as livestock, poultry, hydro-phonics)	3	3	13	3	22	2.51
Sustained implementation of value chain financing framework	1	1	14	1	17	1.94
Management direction - merger of UCPB and LBP, preference from commercial to agri		2	2	1	5	0.57
Total	137	441	538	234	1,350	

Table C6. Level of importance of cited support mechanisms in encouraging agricultural lending, by bank type

Support mechanisms	UKB	TB	RCB	GB	Total	
					No.	percent
a. Credit / loan guarantee						
Extremely important	43	74	113	64	294	33.6
Very important	60	45	127	62	294	33.6
Moderately important	30	2	55	17	104	11.9
Slightly important	5	85	18	4	112	12.8
Not at all important	16	7	45	4	72	8.2
Total	154	213	358	151	876	100.0
b. Agricultural insurance						
Extremely important	41	64	115	65	285	32.5
Very important	57	52	134	64	307	35.1
Moderately important	32	87	52	13	184	21.0
Slightly important	6	3	17	3	29	3.3
Not at all important	18	7	40	6	71	8.1
Total	154	213	358	151	876	100.0
c. Government funding assistance						
Extremely important	37	60	73	71	241	27.5
Very important	64	26	119	65	274	31.3
Moderately important	28	108	84	8	228	26.0
Slightly important	5	11	35	3	54	6.2
Not at all important	20	8	47	4	79	9.0
Total	154	213	358	151	876	100.0
d. Training/Capacity building support for bank staff						
Extremely important	36	31	92	53	212	24.2
Very important	58	77	151	71	357	40.8
Moderately important	34	93	54	12	193	22.0
Slightly important	8	6	19	12	45	5.1
Not at all important	18	6	42	3	69	7.9
Total	154	213	358	151	876	100.0
e. Farmer registry system						
Extremely important	28	64	59	57	208	23.7
Very important	53	121	142	68	384	43.8
Moderately important	45	16	84	15	160	18.3
Slightly important	8	5	24	6	43	4.9
Not at all important	20	7	49	5	81	9.3
Total	154	213	358	151	876	100.0
f. Farmer credit information database						
Extremely important	39	65	85	58	247	28.2
Very important	59	128	147	73	407	46.5

Support mechanisms	UKB	TB	RCB	GB	Total	
					No.	percent
Moderately important	31	12	64	9	116	13.2
Slightly important	5	1	18	6	30	3.4
Not at all important	20	7	44	5	76	8.7
Total	154	213	358	151	876	100.0
<i>g. Credit scoring model</i>						
Extremely important	39	63	86	57	245	28.0
Very important	56	120	133	66	375	42.8
Moderately important	34	21	78	16	149	17.0
Slightly important	5	2	18	7	32	3.7
Not at all important	20	7	43	5	75	8.6
Total	154	213	358	151	876	100.0
<i>h. Availability of information on potential borrowers/projects</i>						
Extremely important	43	156	100	67	366	41.8
Very important	59	41	159	69	328	37.4
Moderately important	25	10	49	8	92	10.5
Slightly important	9		9	4	22	2.5
Not at all important	18	6	41	3	68	7.8
Total	154	213	358	151	876	100.0
<i>i. Organization of farmers</i>						
Extremely important	35	71	70	65	241	27.5
Very important	45	42	134	67	288	32.9
Moderately important	47	90	87	8	232	26.5
Slightly important	7	3	20	5	35	4.0
Not at all important	20	7	47	6	80	9.1
Total	154	213	358	151	876	100.0

Source: 2021 Countryside Bank Survey

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To download the complete report of the 2021 Countryside Bank Survey Baseline Report, kindly scan the QR code or access the link below:

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