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FAOSTAT ANALYTICAL BRIEF 56

Credit to agriculture

Global and regional trends

2012–2021

HIGHLIGHTS

- **Credit to agriculture* increased by 32 percent in real terms, or USD 272 billion, between 2012 and 2021, from USD 844 billion to USD 1 116 billion.**
- **The global share of agriculture in total credit continued to decrease, from 2.50 percent in 2012 to 2.14 percent in 2021.**
- **The share of Asia in total credit to agriculture increased from 39 percent in 2012 to 51 percent in 2021, while that of Europe decreased from 37 percent to 27 percent over the same period.**
- **Credit to agriculture was largest in China (with USD 185 billion loaned on average each year between 2012 and 2021) and India (USD 137 billion). India also has one of the highest shares of agriculture in total credit: 12 percent on average during 2012–2021.**

* The term “agriculture” includes forestry and logging, and fishing and aquaculture, as per ISIC Rev. 4, A_01-03.

Note: Values in this brief are based on the 123 countries for which data are available or imputable for the period 2012–2021, which are expressed in 2015 constant values.

FAOSTAT CREDIT TO AGRICULTURE

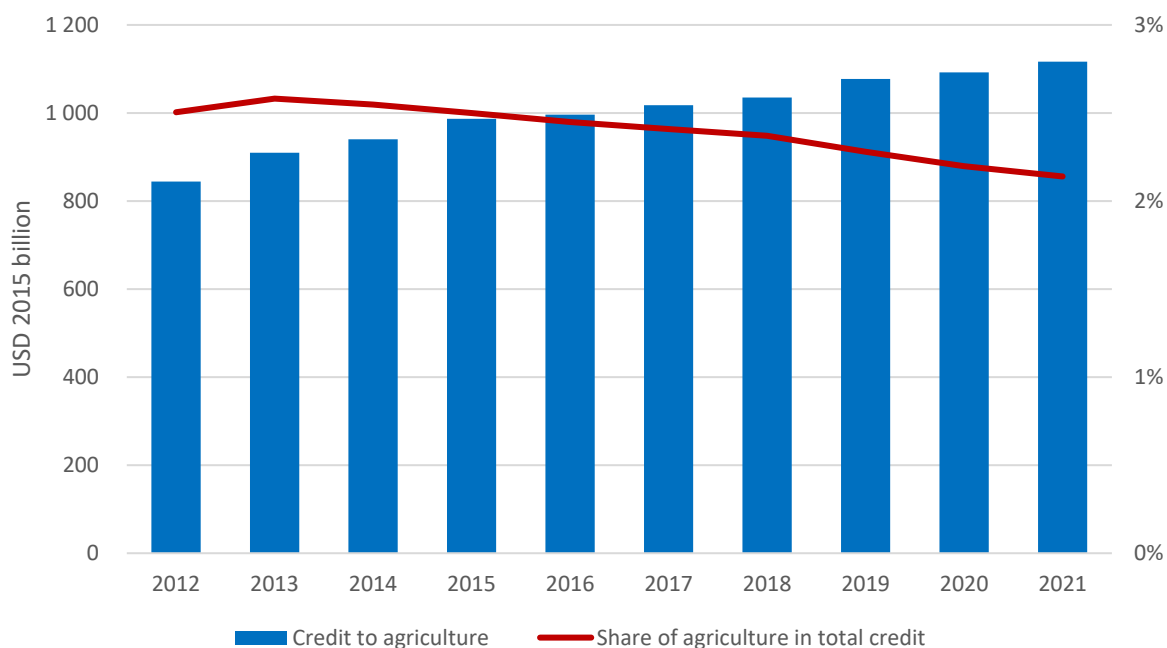
BACKGROUND

Access to formal credit is crucial to farmers for purchasing inputs such as seeds, fertilizers, plant protection materials or animal feed. In the absence of personal savings, borrowing from informal sources (such as moneylenders, relatives and friends) may involve unduly high interest rates and unfavourable conditions, which may make many agricultural operations uneconomical. The lack of access to credit is particularly problematic for farmers as there is a gap between the time that money is spent on cultivating crops or raising livestock, and the time money is made from the sale of the products; if they do not have access to formal sources of credit, they may resort to informal ones with all the issues that that might entail.

GLOBAL

In 2021, credit to agriculture reached USD 1 116 billion, an increase of USD 272 billion (or 32 percent) compared with USD 844 billion in 2012. Yet, the growth in credit to agriculture was slower than in other sectors, as the share of agriculture in total credit slowly declined between 2012 and 2021 from 2.50 percent to 2.14 percent, with a peak in 2013 at 2.58 percent (Figure 1).

Figure 1: Global credit to agriculture and share of agriculture in total credit



Note: Based on data for 124 countries.

Source: FAO. 2022. FAOSTAT: Credit to agriculture. In: FAO. Rome. Cited December 2022. <http://www.fao.org/faostat/en/#data/IC>

REGIONAL

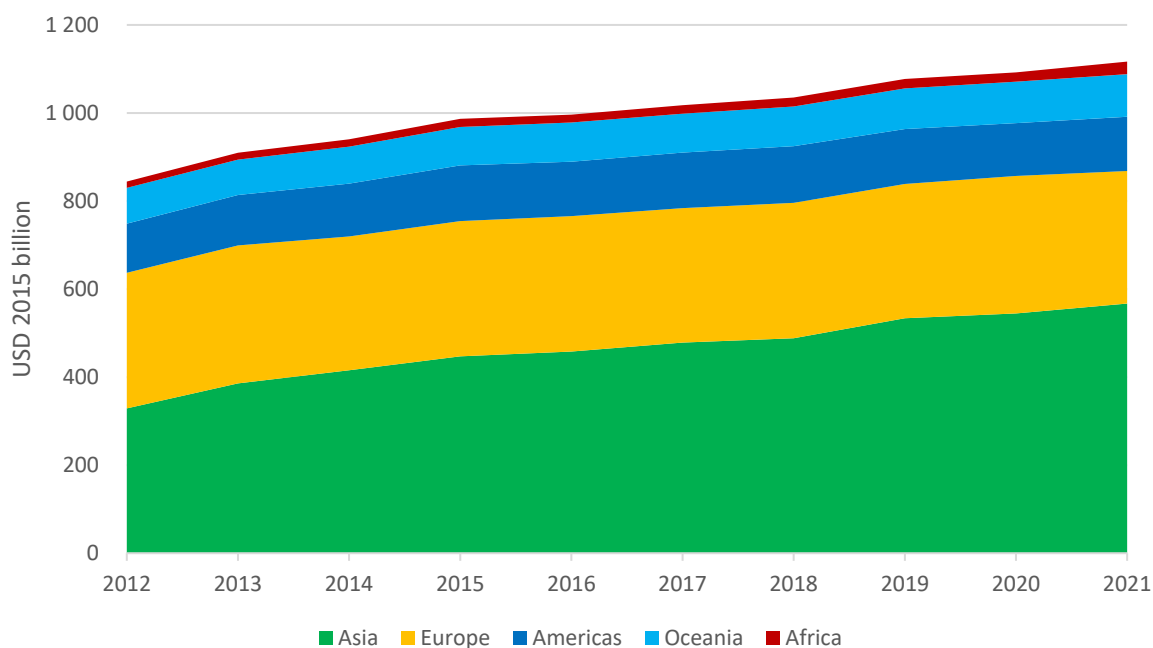
Asia dominates the regional breakdown of credit to agriculture, accounting for 39 percent of the global amount in 2012 and 51 percent in 2021. The amount loaned in the region increased considerably – by 72 percent – between 2012 and 2021, from USD 329 billion to USD 567 billion, led mainly by China (which increased from USD 130 billion to USD 225 billion), and India (which more than doubled from USD 82 billion to USD 175 billion) (Figure 2).

Only Europe experienced a decrease (of 5 percent) from USD 308 billion to USD 301 billion for the same period, resulting in a reduced share in the world total: 27 percent in 2021 compared with 37 percent in 2012.

The amount of loans increased by 10 percent in the Americas from USD 112 billion to USD 123 billion, 19 percent in Oceania from USD 81 billion to USD 97 billion, and 100 percent in Africa from USD 14 billion to USD 28 billion.

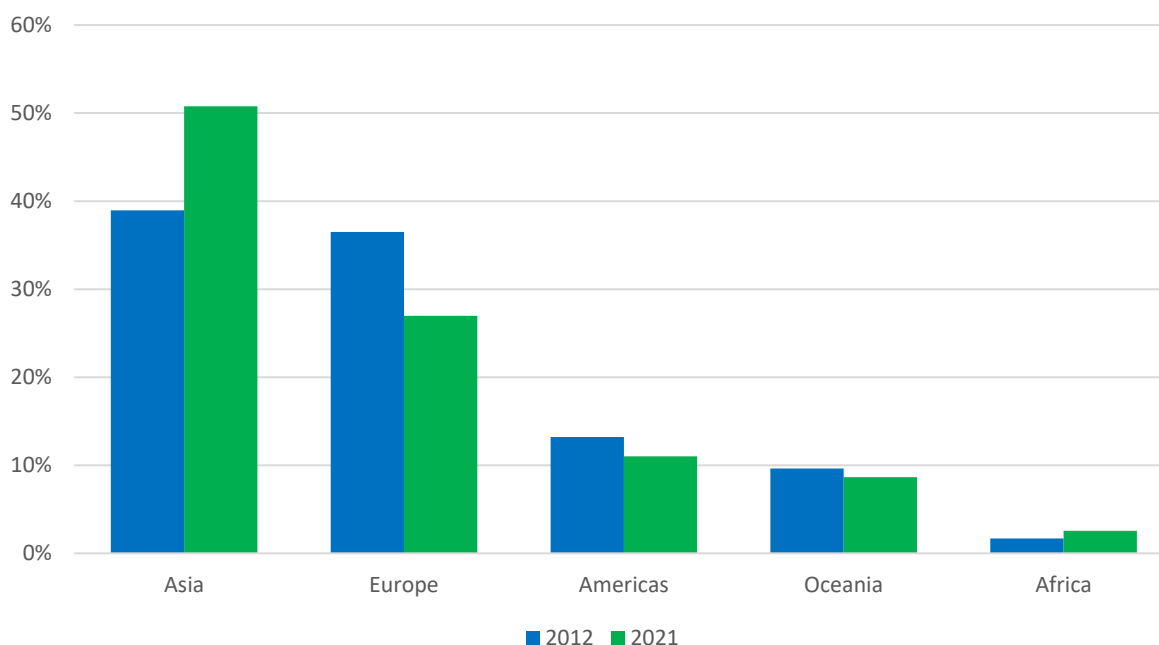
Compared with Europe and Asia, the changes in the shares of the Americas, Oceania and Africa were smaller: a decrease of 2 percentage points for the Americas (from 13 percent in 2012 to 11 percent in 2021), and less than 1 percentage point for Oceania (from 10 percent in 2012 to 9 percent in 2021) while Africa experienced an increase of 1 percentage point (from 2 percent in 2012 to 3 percent in 2021) (Figure 3).

Figure 2: Credit to agriculture by region



Source: FAO. 2022. FAOSTAT: Credit to agriculture. In: FAO. Rome. Cited December 2022. <http://www.fao.org/faostat/en/#data/IC>

Figure 3: Regional shares of credit to agriculture in global total



Source: FAO. 2022. FAOSTAT: Credit to agriculture. In: FAO. Rome. Cited December 2022. <http://www.fao.org/faostat/en/#data/IC>

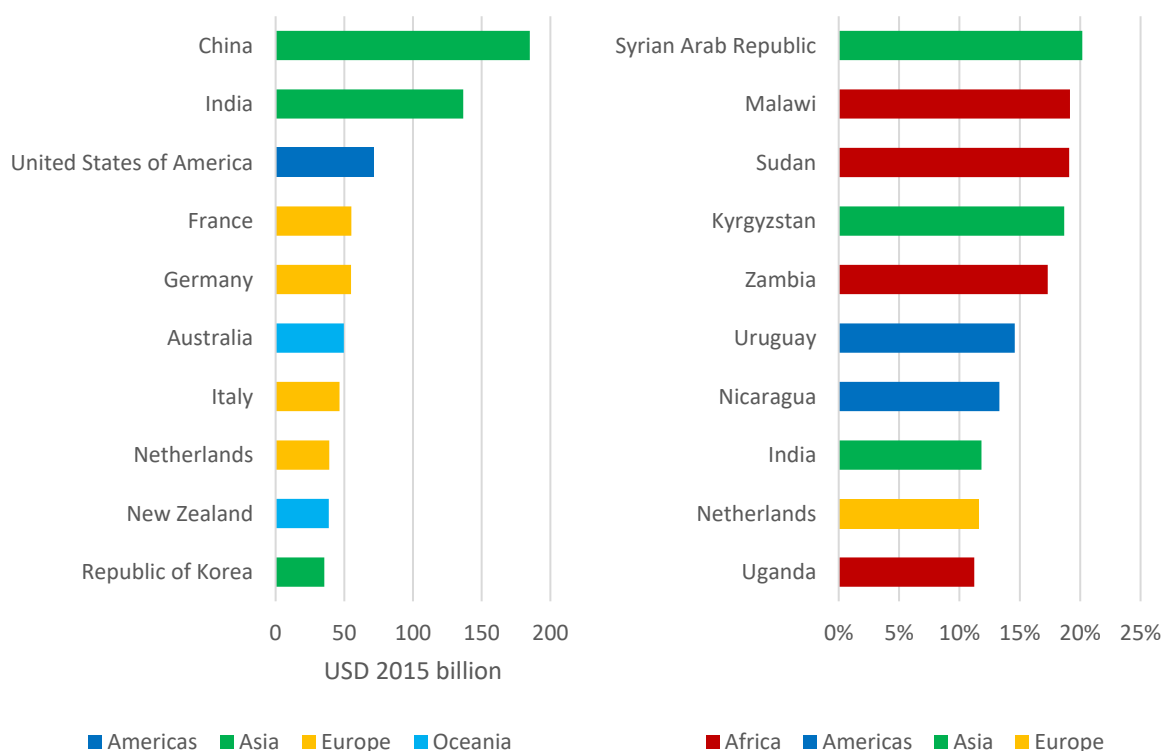
COUNTRY

Countries with the highest amounts of credit to agriculture are by far China (with USD 185 billion loaned between 2012 and 2021 on average) and India (with USD 137 billion) as a clear indication of their economic and physical sizes. Credit to agriculture is also high in high-income countries with large-size economies and intensively mechanized agriculture: the United States of America, Japan, France Germany, Australia, Italy, the Netherlands and New Zealand. Banks in these countries disbursed USD 39–72 billion each year on average between 2012 and 2021.

China has developed various lending systems to deal with credit demands for expanding its agriculture sector since the mid-1990s, such as the Rural Credit Cooperatives, the Agricultural Bank of China, the Agricultural Development Bank of China, and many small lending institutions such as microcredit corporations, village and township banks, and credit-only financial institutions. In India, agriculture is one of the sectors benefiting from the Priority Sector Lending scheme, which relaxes the lending norms for poor and small businesses and sets targets for the share of each sector in the adjusted net bank credit or the credit equivalent amount of off-balance sheet exposure.

Countries with the highest shares of agriculture in total credit are mostly low and middle-income countries where agriculture represents a high share of GDP or employment. Of the top ten countries with the largest share of credit to agriculture, seven are in Asia and Africa. India stands out as it has some of the highest amounts of credit to agriculture and shares of agriculture in total credit (Figure 4).

Figure 4: Credit to agriculture and share of agriculture in total credit, top countries (2012–2021 average)

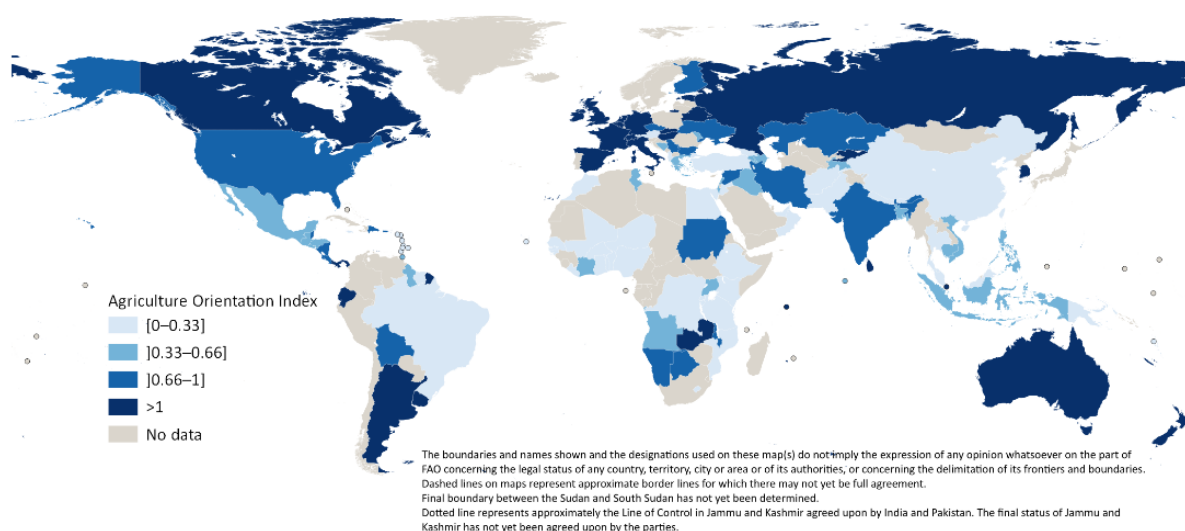


Source: FAO. 2022. FAOSTAT: Credit to agriculture. In: FAO. Rome. Cited December 2022. <http://www.fao.org/faostat/en/#data/IC>

The agriculture orientation index (AOI) for credit normalizes the share of credit to agriculture by dividing it by the share of agriculture in gross domestic product (GDP). As such, it can provide a more accurate indication of the relative importance that commercial banks place on financing the sector. An AOI lower than 1 indicates that the agriculture sector receives a credit share lower than its contribution to the economy, while an AOI greater than 1 indicates a credit share to the agriculture sector greater than its economic contribution.

Among countries for which credit data are reported or imputed, many high-income countries had AOI values above or close to 1 between 2012 and 2021, mostly because agriculture in these countries accounts for a small share of GDP or is dominated by large producers, more focused on commercial production, more mechanized, and has a greater capacity to provide collateral.

Figure 5: Agriculture orientation index of credit to agriculture (2012–2021 average)



Source: FAO. 2022. FAOSTAT: Credit to agriculture. In: FAO. Rome. Cited December 2022. <http://www.fao.org/faostat/en/#data/IC>, based on UN Geospatial. 2020. Map geodata [shapefiles]. New York, USA, UN.

EXPLANATORY NOTES

Credit to agriculture measures the amount of loans and advances given by the banking sector to farmers, to rural households, to agricultural cooperatives or to any agri-related businesses. Each country's central bank compiles its credit by economic activities as part of their monetary and financial statistics publications via annual or quarterly reports online. Data collection has been carried out mostly through reports found on the central bank websites.

Although all countries whose data are collected provide credit data extended to the agriculture sector separately from the ones to manufacturing and services, not all countries follow the international standard industrial classifications of all economic activities (ISIC Rev. 4: <https://unstats.un.org/unsd/classifications/Family/Detail/27>). Therefore, the definition of an agriculture sector which also includes forestry and logging, as well as fishing and aquaculture varies from country

to country (<https://unstats.un.org/unsd/classifications/Econ>). Where such information is available, countries provide details separately for the three subsectors: agriculture, forestry and fishing.

The Food and Agriculture Organization of the United Nations (FAO) provides the country data information (<http://www.fao.org/faostat/en/#data/IC>) about the established concepts of credit and lending institutions and the composition of total credit of each country's financial statistics, to help users better understand the source data.

However, data for some years and some countries were not readily found online and these missing values were imputed for regional and global aggregates (see the metadata). Those missing data were imputed using a panel data model with an index of countries and ordinary least squares with macro data variables.

FAOSTAT provides credit data series from 1991 to 2021 for over 200 countries. Currency measures were standardized in millions of units and were provided both in terms of local national currency and USD using exchange rates published by the International Monetary Fund (IMF). They are also converted to 2015 constant values in both local national currency and USD using GDP deflators published by the United Nations Statistics Division, which were both republished in FAOSTAT.

This analytical brief was prepared by Eun Jeong Lee under the supervision of Veronica Boero, team leader of the Socio-Economic Statistics Team, FAO Statistics Division.

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