

PN-AAR-742

Rec 9/21/78

KW

LSU 3800-9

PRELIMINARY LITERATURE REVIEW

ON

SMALL FARMER CREDIT PROBLEMS

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September 1978

SMALL FARMER CREDIT IN HONDURAS

LITERATURE REVIEW

by

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Introduction

Honduras occupies a land area of about 43,266 square miles with a population of 264 million people. It is about the second largest country of the Central American nations. About 65 percent of the economically active population is engaged in agriculture.

Small farmers under the context of this study are defined as those who own farms which are small in absolute size or the number of acres of land is less than thirteen acres.

The Banco Nacional de Fomento (BNF) has been concerned with the financing of agricultural credits to farmers (mostly small and medium farms). Being the only means of financing agricultural projects its activities have been limited, reaching only a small spectrum of the entire population of small farmers. In order to meet and attend to a larger population of small farmers, it becomes desirable to involve AID in its functions which merger may result in higher service and greater number of farmers reached.

AID has agreed to carry out the following set of objectives aimed at improving the activities of agricultural credit programs in Honduras:

1. Improve farm management.
2. Increase farm incomes and production.
3. Train BNF employees and other technicians.
4. Improve BNF credit administration.
5. Generate enterprise budgets.

6. Implement farm records-keeping system.
7. Perform whole farm analysis.
8. Revise loan processing procedures.
9. Revise loan evaluation criteria.
10. Improve BNF employee quality.
11. Reduce default and administration costs.

Based on the above set of objectives as outlined by AID utilizing OSU agricultural economic experts some pertinent literature review has been made on small farm credits in different countries within developing economies. The literature review is to assist in offering some suggestions and direction with regards to our set of objectives.

A. Failure of Small Farmer Credit Programs

Various reasons and problems have been given as the results of the ineffectiveness of current agricultural credit projects in most of the developing economies. But the most outstanding factors are the results of the following factors.

I. Interest Rate Ceilings

The interest rates have been very low in less developed countries (6). They have not reflected the opportunity cost of the scarce capital (1,2). The implication of this trend has been the continuance of government subsidies necessary for the survival of many financial institutions. The interest rate ceilings have restricted internal capital generation among the small farmers and eliminate the possibility of farmers entering into additional markets, since the cost to bare such a venture cannot be borne by the low interest rates (2,3).

It is suggested that interest rate ceilings on agricultural loans be discontinued. An open interest rates will offer a better opportunity costs to the progressive small farmers.

Bottomley (13) studied the interest charges made by informal credit groups in rural areas of low countries. He pointed out two main elements of the informal credit interest rates which consisted of the opportunity cost and the liquidity preferences of the lender. He stated that there is little that the government can do to reduce the opportunity and liquidity costs charged by the informal lending groups.

Tinnermeier et al. (19) has reaffirmed that high administrative costs and a desire to minimize risk makes it difficult for financial institution to justify any loan policy which would favor small farmers. As a result, credit has flowed to the more wealthy farmer and thus has not been the key to income redistribution.

II. Problems of Defaults

High default rate in the repayment of agricultural credits have been observed with agricultural credit programs to Sri-Lanka small farmers. Such high default rate has created some financial burdens to the government's budget and financial operations of the people's bank which has been the main disbursing agency for credit. The main causes of the high default rate have been associated with variability in incomes caused by seasonal factors, high land rentals and lack of interest and corruption of officials of lending institutions (7).

It can be inferred that high default rate is far from being solved since the land tenure system must be revised in favor to agricultural production. To affect such a change needs a great deal of diligence and concern on the government side. Education of the farmers on the other

hand is imperative to assist farmers to utilize insurance practices and adapt to better loan repayable attitude. The question of a change in attitude is very important since most banks believe that the farmers who come for loans are rational decision makers, so the banks put money into the hand of these individuals, trusting their judgement in the use of the credits (4,5). Efforts should be made towards generating data adequate to give the average borrower's behavior.

III. Credit Organization Failures

Most credit organizations focus superficially on two main factors: (a) credit delivery, and (b) credit recovery. These two factors have only intermediate effects and do not result to the success of credit programs. This points out the importance of the creation of adequate data bank, which will offer the economic environments surrounding the useful employment of the credit into productive end.

Diaz-Cisneros (18) noted that the major problem with the small farmers is that they are poor, disorganized and face a technological ceiling that does not allow them to increase their productivity.

Ways to remedy this condition as outlined by Diaz-Cisneros include the followings:

i. Availability of credit and modern inputs in the local markets, the credit must be at an attractive interest rate and the inputs at a price that makes their use worthwhile for farmers and

ii. The provision of extension service to help the farmers be organized and to spread the new technology.

IV. Personnel Problems

Roberts (8) has reported that most training officers in charge of disbursement of agricultural loans have had little or no instruction in

teaching methods and the materials on which they base their instructions have been deficient in many respects. They have been associated with the lack of numerate skills involved in farm budget and cash flow preparation. The entry level qualifications of the officers has been low, marching to school leaving certificate of middle junior high school standard while other followed a 1-3 year course in general agriculture. Only in a few instances have college graduates found as credit officers.

Attitudinal weaknesses have been observed among most of the credit officers. From Pakistan came the comments with respect to junior staff that:

"....the job is held in the beginning as an interim arrangement and a search for a better job continues simultaneously, attacking concentration, discipline and morale."

It is recommend that more emphasis be placed on education of credit officers and the use of practical training devices be employed in the education of farmers.

V. Borrowing Costs

Borrowing costs have been associated with the failure of agricultural credits to small farmers (8). Such expenditure include paper work costs, expenses visiting the bank a number of times to negotiate the loan and the probability that the loan application will be rejected increase small borrowers expected loan transaction costs.

It is suggested that some means be developed to reduce the number of visits required for the loan application. The establishment of small branches of banks in small villages may be a partial solution where capital is not a constraint. In order to accomplish success a re-examination of the characteristics and surroundings of the small farmer becomes important.

B. Informal Credits

Rotating informal credit organizations are common in developing countries. These have been observed in many parts of Africa, Asia, and South America (9,10). These forms of organization have been documented by Hartevea Ld (1972) in the grasslands of West Cameroon among Babanki village people. Also similar documentation has been reported by Brokensha in 1959 for the 60,000 Africans in employment in Bulawayo, southern Rhodesia. The rotating credit association has been described as a group of participants who make regular contributions to a fund which is given, in whole or in part, to each member in turn. Mostly each association consists of about ten members for example each participant contributes ten dollars monthly, in which case each member will pocket \$100 in ten months. Both the credit and saving positions rotate.

Rotating credit associations in South Vietnam are called Hui. They have served a diversified group of people - petty traders, white collar workers, farmers, and laborers. It has been documented by Barton (10) that about 10-15 percent of the available credit in South Vietnam during the decade from 1965-75 has been provided by the Hui.

The rotating credit associations have consisted in one instance of friends organized to provide mutual assistance and on other hand consisted of businessmen. In most cases most of the loans given are interest free and where interest is incorporated it is usually low.

I. Points of Success of Informal Credits

They are mostly localized at village levels in contrast to formal finance of which large segments of rural population have no ready access. Most rural farmers are geographically isolated in most cases difficulties are presented by lack of adequate roads. In some cases loan applications

when not in native language have been a source of mass resentment.

The rotating credit associations have been characterized as a social status concern in which case a deep fabric of affirmity and social control in face-to face relations are maintained. As such defaults are mostly absent.

Barton (10) has stated that rotating credits are effective mechanisms for promoting savings and provide attractive returns to savers and investors. They strengthen social ties and serve as a vital component of mutual aid (9).

Liberal financial assistance can easily provoke fraud, jealousy, corruption, and evasion of obligations where a massive influx of outside resources is offered much above the absorptive capacity of the community. To certain extent this has already been the fate of some of the agricultural credit programs. Since the provision of credit has to be kept within the contest of the socio-economic environment of the borrower, this points out that there is much to learn from traditional credit suppliers, especially in terms of what criteria to apply and what policy and procedures to follow. It is pointed out here that integration of both formal and informal credits will benefit the weaker section of the economy a section which the formal market has not shown much concern in the past.

The rotating credit associations suggest two important areas for further studies. One they offer an opportunity for studying the characteristics of those individuals involved in formal credit unions, those engaged in informal rotating credit and others not engaged in both formal and informal credits.

C. Record-Keeping System:

A review of the available literature on small farmer credit programs reveals that record keeping device has been practiced in very restrictive

instances. Rice (11) has noted in his study that record of uses and record of incremental impact in most small farmer agricultural credit projects have been missing.

Some instances where record keeping system has been employed, could be related to the studies done by Rice (11) and Hayami et al. (12) respectively.

Double-entry system has been used by Hayami et al. (12) that summarizes the flows of goods and services. This involves two dimensions: 1) income, and 2) expenses. It has been difficult to collect statistics that would enable the analysis of peasant complex in its entirety. As a measure to fill this gap Hayami et al. (12) attempted to document the complex of economic activities in rural households in the Philippines in terms of a set of accounts in a double entry system. The sampling population consisted of a mix of large farmers, small farmers and landless workers who were chosen based on their ability to cooperate in the project.

The respondents filled out all their daily activities on the record books distributed by Hayami et al. (12). They were to make the records for the time period between June 1, 1975 to May 31, 1976, utilizing the two preceeding months (April and May 1975) as a test period. The record book comprised of, (a) labor trends, and (b) transaction sheets. The investigators checked cooperators' records regularly twice a week (Tuesday and Friday). The record books were distributed and collected weekly every Friday.

Accounting framework involved the following activities:

1. Current agricultural production account
2. Current non-agricultural production account
3. Income expenditure account
4. Fixed capital production account

5. Saving - investment account

6. Outside -- of -- household account

The study by Hayami et al. (12) shows that most of the small farmers are under share tenancy and the large farmers are under leasehold tenancy. This infers that record keeping system could be used to show any available disparity among farmers in income distribution. Hayami et al. (12) have proven that data can be systematically collected and documented at a village household level to be consistent with the framework of macro national accounts, which can be used in allocation of credits to farmers.

Rice (11) has pointed out that record keeping system can be used in, 1) capital asset description, 2) Record of usesuch item as fertilizer, and 3) Record of incremental impact. Rice (11) states that the absence of record keeping system in agricultural credit projects has contributed to the failure of many credit programs. Record keeping system will help to generate adequate data necessary to offer average borrower's behavior.

I. Implication of Record Keeping for Honduras Project

The exercise of record keeping system in Honduras will be a rewarding undertaking where the following factors or activities are absent:

1. There are no available statistics on previous credit use by large, medium and small farmers, thus the allocation, and absorptive capacity of farmers to external credit become a matter of uncertainty.

2. There are no available data on how a given agricultural credit has been used for example whether such a loan has been directed in the procurement of agricultural inputs eg. fertilizer, farm machines, etc., that might have a direct or indirect effect in increasing efficiency in production.

3. Also where there is some uncertainty surrounding capital generation in the farm sector and what are the priority input factors desirable, where scarcity of capital (\$) is a constraint.

The record system approach whereby implemented in agricultural credit programs will assist us in the use of L.P. model to determine those factors that will yield optimum result in production with constraints such as capital, labor availability, fertilizer, and mechanization inputs. The LP model using a flow of funds approach will enable us also to project farm credit needs. So far high default rates are presented in most of the current agricultural credit programs since there are no data system created through record keeping that will give direction on the better way to allocate funds. The Honduras case will be benefited accordingly where some statistics are firstly generated to form some basis on what is presently available, lacking, and what gap is to be filled in terms of the manner of approach to reach the desirable objectives sought for in Honduras project.

D. Impact of Credit Loans

Adams et al. (16) observed in their small farmer project in Southern Brazil that most of the credits loanable to the farmers were on the hands of a few wealthy farmers inspite of the increase made in amounts of credit made to farmers.

The investigator (14) examined the impact of credit use on economic performance of 132 farmers in Southern Brazil in 1965. From their study they found that judicious credit use was associated with higher average economic performance and that most of the credit use dwelt among relatively high income farmers.

Argarwal et al. (15) examined the anticipated returns which could be derived from new technology and additional credit use among representative semi-arid 60 farms in Rajasthan. By employing the linear programming model on the collected data they confirmed that most farmers were short of credit and that the average household's income could be increased by about 73 percent if new technologies were applied and adequate credit was available.

E. Special Project Case

The Fondo de Garantia y Fomento Parala Agricultura, Ganadeira y Avicultura referred to as Fondo (17) offers an insight of which the anticipated project in Honduras could sample on. Fondo operations and objectives seem similar to that of Honduras.

The objectives of Fondo were to increase long and short term financing available to farmers in conjunction with the organization and training of producers and formulation of credit plans encompassing both economical and technical assistance with emphasis on employment creation in areas with critical and economic situations.

Fondo has felt short of ultimate objective as a result of these factors:

- i. Interest rate ceiling
- ii. High default in repayment
- iii. In some instances the credit institutions has either under or over-evaluated the farmers.

Actions taken to remedy their failures include the following:

- i. Farmers are handled per individual case rather than grouped together.
- ii. Marketing aspect which has been overlooked in most of Fondo

activities has to be considered as a necessary problem to be solved simultaneously with the grant of credit to farmers. It has been discovered that production has been increased without a subsequent increase in market outlets and intermediaries. Efforts should be made to increase both the markets and intermediaries as productivity increases.

iii. Efforts should be generated towards laying foundations for formulation of a network of infrastructure in which resources are fully utilized.

F. Summary and Conclusions

This study on small farmer credits shows that not much progress has been attained in most of the current agricultural credit programs which are carried out in developing countries. Failures have been largely attributed to many factors but the frequent causes are the result of lack of initial data to work from, interest rate ceilings, lack of specific studies on the characteristics of small farmer population and credit agency personnel deficiencies.

This study suggests three dimensional steps that may be of value in our present agricultural project in Honduras.

I. It creates an awareness to the importance of informal institutions (rotating credit associations) that may be of value in facilitating the activities of formal agricultural credit organizations. It has been shown that the members of rotating credit associations are morally, socially, and economically bounded together in their activities, such a mutual understanding can lend some useful ideas for the operation of formal agricultural credit.

II. It suggests that record keeping has not been practiced in most of the agricultural credit programs, which failure has led to wasteful but unpro-

ductive allocation of funds. The Honduras project may carry out some feasibility studies on initial data generation from which other studies could be based upon. Also it creates some interest to study the attitudes and activities of those who are receiving loans from BNF, and those who are not, in terms of capital generation and income in the farm sector.

III. It suggests that there is some need to train the staff in charge of carrying out credit transactions such that desirable work ethics are attained, skills in relevant accounting methods are reached.

The incorporation of these factors in our current program in Honduras may offer some success direction in our attempt to establish a working agricultural credit system in Central America.

References

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2. Chita Tanchoco-Subido. "Small Farmer Credit Policies and Programs in the Philippines," Paper No. 10, Conference on Rural Finance Research, San Diego, California, July 28 - Aug. 1, 1977.
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6. Claudio Gonzalez-Vega. "Do Interest Rate Restrictions Affect Income Distribution?," Paper No. 25. Conference on Rural Finance Research, San Diego, California, July 28 - Aug. 1, 1977.
7. Nimal Sanderatne. "The Problems of Defaults in Sri-Lanka's Small Farmer Loans," Paper No. 9, Conference on Rural Finance Research, San Diego, California, July 28 - Aug. 1, 1977.
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9. Bouman, F. J. A. "Indigenous Savings and Credit Societies in the Third World - Any Message?," Paper No. 15, Conference on Rural Finance Research, San Diego, California, July 28 - Aug. 1, 1977.
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11. Rice, E. B. "Problems and Results in Evaluating Agricultural Credit Projects," Operations Evaluation Department, World Bank, Washington, D.C.
12. Hayami, Yujiro, Piedad Flores-Moya, Luisa Maliga-Lig-Bambo and Masao Kikuchi. "Anatomy of Peasant Economy: The Economic Accounts of Rural Households in the Philippines (revised)," Paper No. 76-15, July 1977, Agricultural Economics Dept., International Rice Research Institute, P.O. Box 933, Manila, Philippines.

13. Bottomley, Anthony. "A Monetary Strategy for Underdeveloped Rural Areas," in Agricultural Economics Bulletin for Africa, No. 12, June 1970, p. 1-10, ACTS No. 1236.
14. Araujp, Paulo Fernando Cidode de. An Economic Study of Factors Affecting the Demand for Agricultural Credit of the Farm Level. Unpublished masters thesis, Ohio State University, 1967, 101 p., OSU Agricultural Library.
15. Argarwal, N. L. and R. K. Kumawat. "Potentialities of Increasing Farm Incomes through Credit and New Technology," in Agricultural Situation in India, Vol. 29, No. 7, Oct. 1974, p. 489-493. ARC Catalog No. IN 338 13A261, ACTS No. 1308.
16. Adams, Dale W. and J. L. Tommy. "Financing Small Farms: The Brazilian Experience 1965-69," in Agricultural Finance Review, Vol. 35, Oct. 1974, p. 36-41. ACTS No. 1226.
17. Small Farmer Credit Summary. Papers A.I.D. Spring Review of Small Farmer Credit, Vol. XX, June 1973.
18. Heliodoro Diaz-Cisneros. Credit Among Small Farmers - The Case of the Puebla Project of Mexico. University of Wisconsin and Puebla Project Puebla, Mexico, January 1973.
19. Tinnermeier, Ronald and Chris Dowsell. Small Farmer Credit (Research and Training Network Workshop Report). The Agricultural Development Council, Inc. 630 Fifth Ave., New York, NY 10020.

SMALL FARMER CREDIT IN HONDURAS

ABSTRACTS

Salgado Jorge Uriza et.al. 1972, Small Farmer Credit in Mexico and Central America. AID Spring Review of Small Farmer Credit. Vol. 1, No. SR 101, February 1973.

Abstract:

Outlined the outstanding characteristics of small farmers, ex.: assets, acreage farm, rights over the land, annual income and level of farm technology used.

Agricultural Credit for Development. Food and Agriculture Organization of the United Nations. Rome. 14-21, October 1975.

Abstract:

What are the nature of the factors of production--labor, land, capital in developing countries, also the secondary factors of production are discussed--research, production and distribution of new inputs, and services available to the farmer. Existing conditions before and after the implementation of credit system.

Philippines: Appraisal of Fourth Rural Credit Project. Report No. 1415-PH. (March 1977), Rural Credit and Agro-Business Division, East Asia and Pacific Regional Office.

Abstract:

Itemized products, for example rice, corn, sugarcane, beef, pork, feeder hogs, broilers, eggs, fish, etc. engaged by the farmers. Nature of markets and prices of farm products in the markets and background information of agricultural revenue. It discussed some existing conditions before the era of the introduction of credit system, and the organization and management of the banking system.

*Hayami Yujiro, Piedad Flores-Moya, Luisa Maligalig-Bambo and Masao Kikuchi, Anatomy of Peasant Economy: The Economic Accounts of Rural Households in the Philippines. (Revised) Paper No. 76-25, July 1977. Agricultural Economics Department, International Rice Research Institute, P.O. Box 933, Manila, Philippines.

Abstract:

It offers - brief insight in the peasant economy. It presents the complex of economic activities in rural households in the Philippines in terms of a set of accounts in a double-entry system,* that summarizes the flows of goods and services. The study tried to document production, income, expenditures, capital formation and transactions activities of rural village households in developing economy.

*Double entry system as used here involves (1) income (2) expenses. It doesn't involve the balancing up of the Credit and Debit. It is merely a two side entry of income coming in and expenses accruing accordingly, for example see Appendix F.

Bishop, W.D. Characteristics of Limited Resource Farmers. Proceedings of the Workshop on Methods of Working with Limited Resource Farmers'. February 9-11, 1972, p. 3.

Abstract:

The study states that it is important in designing programs of change to meet needs of people, an understanding of the target audience is critical to either success or failure of such program.

Smith, Edward J. Economic Profile of Limited Resource Farmers'. Proceedings of the Workshop on Methods of Working with Limited Resource Farmers, February 9-11, 1972.

Abstract:

Analyzes the chief characteristics of limited resource farmers in the Southern United States. Next tries to analyze the resources available to them and looks at the choices available to them to improve their situation. The study looks into the total income accruing from the farm and off farm income, and total sales figures in given years.

* Abada, Jorge C., The Agricultural Guarantee Program in the Philippines. Unpublished paper, Land Bank of the Philippines, Manila, Philippines, October 1975, gp, ACTS No. 1302

Abstract:

Offers some insight on the constituents and scope of a major loan guarantee program in the Philippines. The goal of the program is to stimulate local banks to lend more money to land reformers and other small farmers. The guarantee fund is administered by the Land Bank and reimburses about 85 percent of qualified loans which are not repaid. The author outlines also some of the strengths and weaknesses of the program.

* Adams, Dale W. and J.L. Tommy, "Financing Small Farms: The Brazilian Experience 1965-69" in Agricultural Finance Review, Vol. 35, October 1974, p. 36-41. ACTS No. 1226.

Abstract:

Outlines the results of credit use in a given sample of 338 farmers in Southern Brazil between 1965 and 1969. The analysis of this study showed 3/4 of the farmers had less than 30 hectares of land. In spite of increase made in amounts of credits made to farmers, there was no significant increase to new formal borrowers. Eleven of the largest farms absorbed almost 2/3 of the increase in institutional loans to the entire group of farmers. The authors concluded that loans were concentrated in the hands of relatively few farmers as a result of the concessional interest rates applied to formal loans.

* Argarwal, N.L. and R.K. Kumawat, "Potentialities of Increasing Farm Incomes through Credit and New Technology," in Agricultural Situation in India, Vol. 29, No. 7, October 1974, p. 489-493. ARC Catalog No. IN 338 13A261, ACTS No. 1308.

Abstract:

Examines the returns from new technology and additional credit use among representative semi-arid farms in Rajasthan. Study is based on interview with 60 farmers covering the 1971-72 crop year. Through the use of linear programming authors estimate farm incomes under various technology and credit availability assumptions. They conclude that most farmers are short of credit and that the average household's income could be increased by 73 percent if new technologies were applied and adequate credit was available.

Agrawal, Ramesh Chandra, "An Analysis of the Contribution of Nationalized Banks in Financing India Agriculture in Zeitschrift fur Ausländische Landwirtschaft, Vol. 14, No. 2, April - June 1975, p. 144-158. ACTS No. 1263.

Abstract:

Reports on the extent to which nationalized banks in India have increased agricultural lending over the 1969 to 1974 period. After nationalization in July 1969 over 80 percent of the banking in India was handled by public banks. Reports that since 1969 the number of rural branch banks more than doubled, that lending procedures for farmers have been simplified and that banks have shifted from indirect financing for agriculture to more direct lending to farmers. Discusses the graded interest rate policy which is based on land holding size. The interest rate paid on public loans varies inversely with the size of land holding owned by the borrower. Author notes, however, that better-off farmer have derived the most benefits from public credit program.

* Agency for International Development, Integrated Agricultural Fund. Unpublished paper. USAID, Manila, Philippines, September 1972, 15p. ACTS No. 1262.

Abstract:

Outlines a program to provide full farm financing through rural private banks in the Philippines. This program provides farmers lines of credit which can be used to finance farm as well as household activities.

* Ames, Glenn C.W. "Small Farmer Associations and Development Programs: Case of the Dominican Republic," in Land Tenure Center Newsletter. No. 52. April - June 1976, p. 14-21. ARC Catalog No. 333 32 L 253 (No. 52), ACTS No. 1365,

Abstract:

Reports on the results of a group lending program carried out by one agency in the Dominican Republic. These groups were made up of 6 or more farmers.

* Andrus, J. Russell and Azizali, F. Mohammed, Trade Finance and Development in Pakistan. 1966, Chapter VI, p. 313-162. Stanford Univ. Press, Stanford, CA ACTS No. 1360.

Abstract:

Presents a review of agricultural credit activities in Pakistan during the 1950's and early 1960's. Authors stress the use of Cooperatives to provide financial services in rural areas.

- * Araujo, Paulo Fernando Cidode de, An Economic Study of Factors Affecting the Demand for Agricultural Credit of the Farm Level. Unpublished masters thesis, Ohio State University, 1967, 101 p., OSU Agricultural Library.

Abstract:

Evaluates how credit affected the economic performance of 132 farmers in Southern Brazil in 1965. Describes the difference between farmers in the sample who use and do not use credit. Studies factors which affect demand for short and intermediate term loans. Concludes that credit use was associated with higher average economic performance. Credit users were found to be in the relatively high income groups.

- Bottomley, Anthony, "A Monetary Strategy for Underdeveloped Rural Areas," in Agricultural Economics Bulletin for Africa, No. 12, June 1970, p. 1-10, ACTS No. 1236.

Abstract:

The author looks on ways to reduce the interest charges on informal credit in rural areas of low income countries. He outlines that two important elements in these interest rates are the pure rate of interest or the opportunity costs of capital and the liquidity preferences of the lender. He concludes that there is relatively little that governments can do to decrease these two elements of interest charges by informal lenders.

- Brake, John R., "Farm Finance and National Economic Policy--Some Gaps in Knowledge," in American Journal of Agricultural Economics, Vol. 5, No. 5, December 1974, p. 1058-1062, ARC Catalog No. 338 13 B814, ACTS No. 1398.

Abstract:

Reports on - review of literature in the farm finance area. Concludes that agricultural finance research has been too heavily oriented toward micro economics and that too little concern has been given to national economic policies. Suggests that four topic areas need more research attention:

- (1) how capital formation in agriculture is affected by national policies
- (2) the effect of national monetary and credit policies on agricultural production and investment
- (3) performance of rural financial markets and
- (4) sources and uses of funds in rural financial markets.

- * Browson, P.A., The Impact of Agricultural Credit on the Subsistence Farmer. Unpublished paper presented at the Eastern African Agricultural Society Lusaka Conference, May 1974, 34p., ACTS No. 1348.

Abstract:

This paper was prepared at the end of a five year development program to assess the impact that the credit component of the Chikwawa Cotton Development Project had on local farmers. The project was financed by the Agency for International Development. A systematic sample of 174 farmers purchasing machines on credit was used. The affects of credit, farmer's saving and spending patterns were analyzed. A pilot savings program was introduced as a result of the study.

- * Credit Union National Association Inc. (CUNA), Assessment Report on the Haiti Small Farmer Project and the Bureau de Credit Agricole. Unpublished report by CUNA, Washington, D.C., No. 15, 1976, 193p. ACTS No. 1358.

Abstract:

Evaluates the credit activities in a small farmer coffee improvement project in Haiti initiated in 1974 and largely financed by a \$5 million dollar AID loan. The project focuses on increasing coffee production on small farms through use of chemical fertilizer financed through formal credit. Credit and fertilizer is distributed to groups with membership of about 15 farmers. Discusses reasons why disbursements under the loans have been slower than expected and lists recommended changes in the program.

- Dell'Amore, Giordano, Agricultural Credit in African Countries. Cassa di Risparmio delle Province Lombarde, Milan, Italy, 1973, 97p. OSU Agricultural Library.

Abstract:

Describes some of the major problems found in agricultural credit systems in Africa. These include (1) colonial legacy (2) the economics of credit use at the farm level, (3) Sources of loanable funds, (4) the demand for credit and (5) overall banking policies. The role of private savings is stressed.

- * Donald, Gordon, Credit for Small Farmers in Developing Countries. 1976. 286p. Westview Press, Boulder, Colorado, ARC Catalog No. 332.71 D675, OSU Agricultural Library.

Abstract:

Distills much of the material presented in AID's 1972-73 Spring Review of Small Farmer Credit. Major sections in the book treat AID's experience with credit programs, the overall role of credit, credit institutions and policies, other institutions and policies related to credit, and strategies for small farmer credit programs. A useful credit bibliography is also included.

- * Hadiwigeno, Soetatwo S., Potential Effects of Modification in the Credit Program for Small Farms in East Java, Indonesia. Unpublished doctoral dissertation, University of Illinois, 1974, 241p., OSU Agricultural Library.

Abstract:

Reports on the economics of credit use in four villages in East Java. Data from 200 farmers for the years 1972-73 were used in the analysis. Author uses linear programming to test the potential farm level effects of various modifications in credit policies in a development program in Indonesia (BEMIS). Concludes that farmers could pay much higher interest rates on their formal loans without affecting production decisions.

Harvey, Charles, "Rural Credit in Zambia: Access and Exit," in *Development and Change*, Vol. 6, No. 2, 1975, p. 89-105., ACTS No. 1389.

Abstract:

Reviews the growth in the formal agricultural credit system in Zambia since 1964, noting that despite heavy government emphasis, small farmers have little access to formal credit. Explains how in remote areas it may be impossible to provide credit to small farmers, and suggests that state farms in remote areas may provide more economic opportunities for the rural poor than credit programs.

Harrison, Alan, *Agricultural Credit in Botswana* Development Studies No. 4. Department of Agricultural Economics, University of Reading, Dec. 1967, 32p., ACTS No. 1254.

Abstract:

Reports on an evaluation of a small revolving loan fund which provided credit to small progressive African farmers in Botswana. The credit was extended to less than one percent of the farmers in the country. All borrowers were associated with an extension program. The paper also reviews agricultural conditions in the country presents data on loan repayment problems, and makes suggestions for strengthening the credit activities.

* Long, Millard F., *Economics of a Credit Program for Small Scale Farmers in Rain Fed Areas*. Unpublished paper prepared for AID/Washington, July 20, 1976, 49p., ACTS No. 1367.

Abstract:

Provides information on projected loan demand and acts of granting credit for a proposed credit program in Pakistan. Stresses the need for better data which will clearly show the payoffs to credit use. Also stresses interest rate policies, savings mobilization and need for further research.

Singh Barla, Chain, *An Analysis of Cooperative Agricultural Credit Institutions in India: A Case Study of the Primary Credit Societies in Rajasthan*. Unpublished doctoral dissertation, Michigan State University, 1973, 232p., OSU Agricultural Library.

Abstract:

Study evaluates the adequacy of formal agricultural credit supplies in India, reports on the progress of cooperative credit institutions, examines the availability of credit to different groups of farmers, and recommends policy changes. Data from a 1971-72 sample of 161 farm households in India are used in the analysis. The author concludes that it is difficult to project aggregate credit demand and that credit coop-

eratives in India have performed poorly. He stresses the overdue loan problems in cooperatives. He also argues that it is mainly the medium and large-sized farmer who could profitably use more credit.

- * U.S. Dept. of Agriculture, Major Statistical Series of the U.S. Dept. of Agriculture; How They Are Constructed and Used, Vol. 6, Land Values and Farm Finance, Agricultural Handbook, No. 365, April 1971, p. 16-26, ACTS No. 1225.

Abstract:

Handbook describes and defines the various measures used by U.S.D.A. in its agricultural credit reporting.

- Von Pischke, J.D., Some Causes and Effects of Poor Loan Collection Performance. Unpublished paper, World Bank, Washington, D.C., March 1976, 13p. ACTS No. 1295.

Abstract:

Author feels that procedures used by lenders to select borrowers often result in later loan repayment problems. His main point is that loans must be made on debt repayment capacity if loan repayment problems are to be resolved in most countries. A discussion of the effects of poor collection performance by lenders is also presented.

- * Nendal, D.S. "Pattern of Income, Investment, Expenditures and Savings of Selected Demonstration Farms in Haryana," in Indian Journal of Agricultural Economics, Vol. 27, No. 4, Oct.-Dec. 1972, p. 11-19. ACTS No. 1272.

Abstract:

Reports on the extent of disparity in income and savings among a group of record-keeping progressive farmers in Haryana State, India. Data for 49 farm households covering the years 1967-70 are used in the analysis. Savings were estimated by the asset-account method. Author finds that large farmers benefited most from new farm technology, that most household invested a substantial part of their income, and that the marginal propensity to save over the period for all households was .34.

- * Ong, Marcia L., Dale W. Adams, and J.J. Singh, Voluntary Rural Savings Capacities in Taiwan 1960-70," in American Journal of Agricultural Economics, Vol. 58, No. 3, Aug. 1976, p. 278-582. ARC Catalog No. TW 332.2 037, ACTS No. 1221.

Abstract:

Provides information on rural household savings and some of its determinants in Taiwan during the 1960's. Income, consumption and savings information for farm households in a farm record keeping project are used in the analysis. Authors found that households were saving very large proportions of their income. They conclude that appropriate policies have been a major factor in explaining the substantial savings capacities.

Claudio Gonzalez-Vega. Do Interest Rate Restrictions Affect Income Distribution? The Agricultural Development Council, The American Agricultural Economics Association, The Ohio State University, June 15, 1977.

Abstract:

This study looks at the effect of interest rate restrictions on the availability of farm credit loan. It shows that such restrictions have led to the concentration of the increasing real volumes of credit in a few hands. About 9 percent of those receiving formal loan obtain about 81 percent of the total value of agricultural credit outstanding. Honduras is a good example of this incidence.

Paulo F.C. de Araujo, and Richard L. Meyer, Agricultural Credit Policy in Brazil: Objectives and Results. The Agricultural Development Council. The American Agricultural Economics Association. The Ohio State University.

Abstract:

Discusses the results of an agricultural credit program in Brazil. The results of the program are weighed against the following set of objectives:

1. Effect of external funds provision to finance a portion of operating costs of agricultural production.
2. Impact on capital formation in agricultural sector.
3. Effects on the adoption of modern technology.
4. Finally how farmers' (small and medium) economic position has been strengthened.

The study also shows the negative effects of interest rate controls on the availability of the loan.

Ladman, J.R., and Ronald L. Tinnermeir. Credit Policies and Rural Financial Markets in Bolivia. Paper No. 21, Conference on Rural Finance Research, San Diego, California. July 28-August 1, 1977.

Abstract:

Reviews the general background of Bolivian agricultural sector. The nature of its financial markets are outlined. Emphasis is made on changing its financial structure.

Tun Wai, V. "Role of Financial Markets in Development," in FinAfrica Bulletin, Vol. 3, No. 3, 1976, p. 91-105. OSU Agricultural Library.

Abstract:

Reviews the relationship between economic and financial development. Emphasizes the role which financial institutions play in the savings and investment process. Presents a table which summarizes financial market activities and financing of domestic investments in 1974 among various groups of countries.

*Rice, E.B. Problems and Results in Evaluating Agricultural Credit Projects. Operations Evaluation Department World Bank. 1818 R. Str. N.W., Washington, D.C. 20433.

Abstract:

This study points out the difficulties which are encountered with data gap at the farm level with the establishment of Agricultural Credit Programs. It outlines 3 levels of information which are important to create an analysis of impact.

1. A description of the capital assets, operating materials and services financed by the loan (example: kgs of fertilizer);
2. A record of the uses of those items (example: area fertilized);
3. A measure of the incremental impact on production that can be associated with the input (example: yield improvement).

The author summed up by stating that the data gap in agricultural projects is a familiar problem at AID, other donor agencies, and executing governmental agencies. He stated further that agricultural projects, credit projects are among the worst offenders.

Barry, P.J., Micro Issues in Rural Banking. Paper No. 17, Conference on Rural Finance Research, San Diego, California. July 28-Aug. 1, 1977.

Abstract:

Narrates banks structures and level of agricultural finance involvement. The study characterizes the forms of rural banks. It shows some disparity between growth in deposits/bank capital and growth in total demand for loans. Some of these problems the author attributed to the remoteness of the rural banks from national financial markets.

Bouman, F.J.A., Indigenious Savings and Credit Societies in the Third World—Any Message? Paper No. 15, Conference on Rural Finance Research, San Diego, California - July 28-Aug. 1, 1977.

Abstract:

The study narrates the different types of credit organizations found in the developing nations. The characteristics of the different forms of the credit organizations are described and their activities are narrated. The relationship between agricultural credit and agricultural development is described and the authors discuss the impact of agricultural rotating credit associations and informal finance on agricultural development.

Roberts, R.A.J. Personnel Deficiencies in Agricultural Banking Systems in Developing Countries. Paper No. 13, Conference on Rural Finance Research, San Diego, California, July 28-Aug. 1, 1977.

Abstract:

The author outlines the major personnel deficiencies in agricultural banking systems in developing countries. The countries contributing to the broad survey include: Bangladesh, Cameroon, Costa Rica, Egypt, Ethiopia, Gabon, Ghana, Guatemala, Guyana, India, Iraq, Jordan, Kenya, Martinique, Nepal, Nigeria, Papua New Guinea, Sierra Leone, Surinam, Swaziland, Thailand, Tonga, Western Samoa and Zambia.

Pischke, J.D. Von, The Quantification of Rural Credit Repayment Performance. Paper No. 11, Conference of Rural Finance Research. San Diego, California. July 28-Aug. 1, 1977.

Abstract:

The author states that the understanding of financial accounting will add to the success of credit lenders. The study outlines those criteria necessary to evaluate credit program performance. Some of the criteria are:

1. Collection ratio
2. Percentage of the Portfolio which is in Arrears.
3. Ageing of areas
4. Average collection period
5. Proportion of borrowers meeting repayment obligations.
6. Repayment Index

Chita Tanchoco-Subido, Small Farmer Credit Policies and Programs in the Philippines. Paper No. 10. Conference on Rural Finance Research, San Diego, California. July 28-Aug. 1, 1977.

Abstract:

The study narrates Philippine small farmer credit policies, economic and social conditions in the country, difficulties faced in the implementation process and the history of small farmer financing. Such data as the following:

1. median household income (MHI) by region or county
2. median farm household income (MFHI)
3. ratio of MFHI to MHI
4. no of farms, size of farms
5. interest rate policy

could be used in the record keeping system.

Nimal Sanderatne, The problems of Defaults in Sri Lanka's Farmer loans. Paper No. 9. Conference on Rural Finance Research. San Diego, California, July 28-Aug. 1, 1977.

Abstract:

The author states that the inability to recover loaned funds results in inability of government to provide credit subsequently. The magnitude of defaults in Sri Lanka is of an order, which creates financial burdens to the government's budget, and other operating banks, which disburse credit. The author attribute the defaults to the following reasons:

1. Defects in the agrarian structure
2. Variability in incomes caused by fortuitous and seasonal factors
3. Defects in the credit organizational structure
4. Attitudinal conditions not favoring repayment
5. Misuse of funds
6. Other miscellaneous reasons

Kwame Opoku-Owusu, and William Tetteh, Small Farmer Group leading Programme. Paper No. 8. Conference on rural finance research, San Diego, California. July 28-Aug. 1, 1977.

Abstract:

The study describes the characteristics of the small farmers eligible for the loan credit, acreage cultivated and types of crops are described. The study shows that the high interest rates which could be desirable, could be absorbed by the small farmers taking into consideration:

- (a) improvement in the marketing of farm supplies
- (b) improvement in education of the farmers
- (c) improvement in preservation and marketing of farm produce.

Tongroj Onchan, Research on Credit Needs of Thai Farmers. Paper No. 7, Conference on Rural Finance Research. San Diego, California, July 28-Aug. 1, 1977.

Abstract:

The author states that the need to estimate the current and future needs of credit for both short term and long term purposes is quite urgent. He says that any sound policy requires reliable estimates and information regarding the nature and magnitude of the needs under alternative conditions.

2/10