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AN ANALYSIS OF AGRICULTURAL CREDIT OPERATIONS OF SELECTED BRANCHES OF THE CAJA DE CREDITO AGRARIO, INDUSTRIAL Y MINERO IN COLOMBIA

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previously been published.[3] The Caja Agraria is the largest agricultural credit institution in South America. It is involved in the retail sale of agricultural inputs, manufacture and sale of fertilizer, improved seed multiplication and sale, and many other endeavors in addition to the normal banking functions of checking accounts, savings accounts, credit and international transactions. The institutional research in Colombia was concentrated on the Caja Agraria; its structure, operations and efficiency. Because of the complex organization and broad activities of the Caja Agraria, and with the limited time and resources available, the institutional research was confined to the agricultural credit and closely related activities of the Caja Agraria.

PROCEDURE

Three specific studies of Caja Agraria operations were conducted during the period October, 1965 to June, 1966. A questionnaire was mailed to Caja field inspectors. These men perform on-farm loan investigations when such investigations are required for loan approval. The purpose of the questionnaire was to determine the inspectors' views toward farmers' credit needs, the problems encountered in servicing farmer clients, and as a source of information in determining the efficiency of operations of Caja branch offices. The questionnaire was sent to 67 inspectors located in 7 different areas throughout Colombia. Forty-seven questionnaires were completed and returned.

A loan processing study was conducted in the same branch offices in which the surveyed field inspectors were located. The purpose of this study was to determine the time involved in processing various types of loans and the problems encountered in loan processing. Forty questionnaires were sent to each of six main Caja branch offices (*sucursales*) and 20 questionnaires to each of 33 sub-branch offices (*agencias*). The questionnaires were to be completed for the first 40 loans (20 for *agencias*) that were processed in the branch offices after receipt of the questionnaires. Of the 900 questionnaires sent out, 462 were completed and returned.

A study was also conducted of the cost of operations at the *agencia* level of the Caja Agraria operations. For this purpose, balance sheets from the four *agencias* of Honda, Mariquita, Armero,

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[3] *Colombian Agricultural Credit--1965: The Caja Agraria, INCORA and the Banking System.* AFC Research Publication 110, Agricultural Finance Center, Ohio State University, Columbus, Ohio.

and Fresno were obtained for the 1965 fiscal year. These four branches are located in the northern part of the State of Tolima and are also the branches that served the credit needs of the farmers interviewed in the farm survey conducted by the Ohio State group. Data from the field inspectors' questionnaire and from the central office of the Caja Agraria in Bogota were also utilized in this study.

OPERATIONS OF CAJA AGRARIA BRANCH BANKS

A basic question is whether an agricultural credit institution can be charged with the responsibility of fostering development and yet cover its cost of operation and achieve capital accumulation. In order to provide some insights into this problem, estimates were made of costs and revenue of Caja branch office operations, specifically with reference to the cost of credit services.

The four branch offices which serviced the area surveyed in the farm level study were selected for the cost of operations study. These included the Caja Agraria branch banks in Honda, Mariquita, Armero and Fresno. The complete income and expense statement for 1965 was obtained for each branch. Data on volume of credit extended, savings accounts, checking accounts and retail sales were also obtained. A questionnaire was completed by the director of each of the branches. This questionnaire provided information as to number of employees, average time the director spent with each client, average time field inspectors spent making loan evaluations, and other background information pertaining to the operations of the branch.

Data describing the operations of the four branches in question are shown in Table 1.[4] The estimated percent of total business in credit was calculated by dividing total volume of new loans granted by total volume of business.[5] This calculation should be looked at only as a relative indicator of the importance of credit in the operations of the branches. The figure would vary depending upon the date on which the balance of savings accounts and checking accounts were taken since these two figures are for a point in time (December 31, 1965) and not total flow for the year. Also no account is taken of the volume of transactions in repayment of loans granted in previous years.

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[4]The income and expense statements from which much of the information for the calculations in Table 1 were taken are shown in Tables 2 and 3.

[5]Total volume of business is the sum of retail sales, savings accounts, checking accounts and new loans.

TABLE 1

OPERATIONS OF SELECTED CAJA AGRARIA BRANCH OFFICES

Dollars = Pesos	Caja Branch[a]			
	Armero	Mariquita	Honda	Fresno
Total income	$ 1,000,508	$ 112,642	$ 263,548	$ 254,337
Total expense	$ 565,066	$ 178,209	$ 369,572	$ 272,790
Profit or loss	$ 435,442	$- 65,567	$- 106,024	$- 18,453
Total number of employees	17	7	14	11
Total volume of business	$10,315,863	$ 1,855,685	$ 4,062,923	$ 2,830,425
Retail sales	$ 976,092	$ 264,959	$ 604,543	$ 284,577
Saving accounts (December 31, 1965)				
Number	8,719	5,473	9,232	4,618
Amount	$ 1,874,338	$ 1,040,957	$ 2,324,908	$ 738,935
Average size	$ 215	$ 190	$ 252	$ 160
Checking accounts (December 31, 1965)				
Number	422	98	206	142
Amount	$ 1,382,848	$ 73,343	$ 102,806	$ 182,383
Average size	$ 3,277	$ 748	$ 499	$ 1,284
New loans (July 1964-July 1965)				
Number	536	213	106	1,088
Amount	$ 6,960,985	$ 476,426	$ 1,030,666	$ 1,624,530
Average size	$ 12,987	$ 2,237	$ 9,723	$ 1,493
Estimated percent of total business in credit[b]	67.2%	25.7%	25.4%	57.4%
Estimated expenses attributable to credit operations[c]	$ 253,867	$ 38,919	$ 73,718	$ 120,884
Average cost/new loan serviced	$ 474	$ 183	$ 695	$ 111
Average cost/peso loaned	3.6%	8.2%	7.2%	7.4%
Volume of business/employee	$ 606,815	$ 265,097	$ 290,209	$ 257,311
Commission on retail sales	$ 48,625	$ 14,276	$ 30,162	$ 12,797
Percent commission on retail sales	5.0%	5.7%	5.0%	4.5%

[a] All data for 1965 unless otherwise indicated.
[b] Estimate of use of facilities by credit section based upon volume of business.
[c] Estimate based in part on an allocation using percent indicated under "b" above.

TABLE 2

INCOME STATEMENT--1965:
SELECTED CAJA BRANCH OFFICES

(in pesos)

Income	Caja Branch Office			
	Armero	Honda	Mariquita	Fresno
Interest from loan portfolio	902,674	157,953	58,072	222,969
Field inspection fees	5,303	1,305	763	1,520
Commissions	16,169	18,196	2,563	1,632
Commissions received by credit section	842	436	1,103	407
Commissions from retail sales	48,625	30,162	14,276	12,797
Title search fees	135	50		85
Income from freight charges	2,287	1,388	616	731
Rent received	21,600			13,800
Miscellaneous	2,323	525	278	379
Internal interest received/Central Office		53,234	34,690	
Returns on fringe benefit funds	537	257	215	
Interest received by savings section			68	18
Inactive savings accounts reverting to Caja	13	43		
	1,000,518	263,549	112,644	254,338

TABLE 3

EXPENSE STATEMENT--1965:
SELECTED CAJA BRANCH OFFICES

(in pesos)

Expense	Caja Branch Office			
	Armero	Honda	Mariquita	Fresno
Salaries and wages	183,463	127,797	67,363	98,499
Travel--field inspectors	3,700	2,438	2,575	7,150
General transportation	340	462		65
Loan committee expense	1,550	760	720	1,070
Rent	21,600	23,133	5,200	13,800
Water, light, telephone	1,973	3,615	1,007	1,487
Cables, telegrams, and postage	4,999	5,604	2,178	2,786
Office supplies	8,405	5,926	2,152	5,931
Medical expense for employees	6,574	22,039	12,431	3,209
Repairs	1,020	3,115		
Fringe benefits for employees	131,213	91,088	48,523	71,821
Reserves for bad debts	12,296	1,646	732	2,284
Repacking, refilling	422	415	60	73
Internal interest paid to Central Office	107,330	112		41,297
Interest paid on savings accounts	59,984	76,206	34,175	20,208
Publication subscriptions	10	21		50
Miscellaneous costs	4,538	5,187	1,096	1,832
Social security payments				
Building maintenance	15,403			1,107
Other travel expenses	240	15		120
	565,060	369,579	178,212	272,789

Realizing that the resulting figures in Table 1 for estimated percent of total business in credit, estimated expenses attributed to credit operations, average cost per new loan serviced, and average cost per peso loaned may not be correct in absolute terms because some data used in the calculations were for a point in time and some data were for the total year's operation, the resulting calculations do give relative data which can be used in comparing the operations of the different branches. Separation of the various functions of the branch bank operations was virtually impossible, as was allocation of expenses and personnel time to the various functions since the employees in the branches perform more than one function and the time spent on various functions depends upon current demand for services. Also, the cost figures represent only the costs of operations of the individual branch in question and do not include cost of services performed by the Central Office (Bogota) of the Caja Agraria. The cost figures in Table 1, therefore, do not represent total costs but only estimated costs incurred at the branch level.

COST OF CREDIT SERVICES

The largest single expense item in the branches was salaries and employee fringe benefits. It would appear from the data and observations within the branch offices themselves that, through necessity, personnel were underemployed and that costs of operations were greatly influenced by volume of business. For example, a full-time teller is required during office hours even though the volume of savings and checking transactions are small. Also, the number of employees is geared to maximum volume of business but the flow of transactions, including credit business, is cyclical. The volume of credit business is large at the beginning of each six month period when loan funds are available, and decreases greatly at the end of each six month period as the branches exhaust their loanable funds.

Of the four branches in question, only Armero showed a profit in 1965 and of the other three branches, Fresno showed the smallest operating loss. There appears to be a direct correlation between profit or loss and the volume of credit business of the branch. The estimated percent of total business in credit was 67.2% in Armero and 57.4% in Fresno in 1965. Armero showed a profit and Fresno only a small loss. This is contrasted to the Mariquita and Honda offices, both with an estimated 25% of their total business in credit and both showing large losses. Fresno, even though it has a relatively large volume of credit business, has a large number of small loans in its portfolio, many of which are cattle loans and farm purchase or rural housing loans (Table 4) which require more extensive loan application evaluation and field inspection. The cost of these types of loans is thus larger than short-term crop loans and, since many are small loans, the cost is not always covered by the interest payments.

TABLE 4

NUMBER OF LOANS[a] EXTENDED FOR VARIOUS PURPOSES IN FOUR CAJA AGRARIA BRANCH OFFICES ACCORDING TO TERM OF LOAN

Purpose of Loan	Armero			Mariquita			Fresno			Honda		
	S	M	L	S	M	L	S	M	L	S	M	L
Crop	140	2	0	83	12	0	295	83	1	8	0	0
Buildings, equipment, improvements	2	20	0	4	7	0	3	4	0	0	2	0
Cattle	2	74	0	0	44	0	4	201	0	1	18	0
Other livestock	12	0	0	10	2	0	19	8	0	7	0	0
Livestock buildings, equipment, pasture improvements	9	7	0	0	0	0	9	8	0	0	4	0
Farm purchase	0	0	7	0	1	6		10	45	0	0	5
Rural housing	0	6	15	4	0	5	17	27	50	0	1	2
Rural industry	13	6	0	1	0	0	5	0	0	1	0	0
Other	6	4	0	0	0	1	1	2	1	3	1	0
Sub-total	184	118	22	105	67	12	354	342	97	19	26	8
Total			325			184			793			53

[a] Number of loans outstanding as of June 30, 1965.

S = Short term (up to 1 year)
M = Medium term (1 to 5 years)
L = Long term (5 years or more)

The average cost per peso loaned in the Armero office was estimated to be 3.6 percent and in the other three offices between 7 and 8 percent. The fixed cost of processing a loan is not a great deal higher for large loans than for small loans, yet the large loans will return much more in absolute interest payments. The average size loan in the Armero office was larger than in the other offices and thus the average cost per peso loaned was considerably less. The Honda office extended fairly large loans, but few of them. Thus, there was a comparatively small volume of credit business to absorb the overhead costs of extending loans.

There is also some question as to the size of loan which should be granted. As a further indication of the cost of processing a loan, the average salary and expenses of Caja Agraria Agency directors and field inspectors is shown in Table 4. The average per hour cost of the services of the directors was 21.45 pesos and for the field inspectors was 11.36 pesos (Table 5). The directors indicated that they spent an average of one hour on each loan application and that the field inspectors spent an average of five hours on each application where an on-farm evaluation was necessary. The per loan cost for only the services of the director and field inspector was estimated to be 78.25 pesos (Table 6). At an interest rate of 8 percent, a 1000 pesos loan would return 80 pesos annually. The 2.75 pesos spread between personnel expense and interest payments would not be sufficient to cover the other costs involved in extending the loan. Of the 462 Caja Agraria loans studied in the loan processing study, 20 percent were loans of 1000 pesos or less. Even if a field evaluation is not required, it is questionable if the interest payments on extremely small loans are sufficient to cover the branch office costs of extending the loan.

TABLE 5

AVERAGE SALARY AND EXPENSES OF SELECTED CAJA AGENCY DIRECTORS AND FIELD INSPECTORS

Average	Director Per Month (pesos)	Field Inspector Per Month (pesos)
Salary[a]	2082	827
Expenses[a]		500
Fringe benefits[a]	1499	595
Medical expenses[a]	194	77
Total	3775	1999
Per hour (4 weeks--44 hour week)	21.45	11.36

[a] Average of four agencies: Armero, Mariquita, Honda and Fresno.

TABLE 6

AVERAGE COST PER LOAN FOR SERVICES OF DIRECTOR AND FIELD INSPECTOR ONLY

Average time director spends on each application	1 hour
cost = 1 hour x $21.45/hour	$21.45
Average time field inspector spends on each farm inspection	5 hours
cost = 5 hours x $11.36/hour	$56.80
Total cost of director's and inspector's time	$78.25

MAINTENANCE OF SAVINGS ACCOUNTS

Another potential source of loss in the branch offices is the maintenance of savings accounts. The average size savings account in the four branches studied was 204 pesos in 1965. The Caja Agraria pays 4 percent interest on savings accounts. If all of the savings funds were in turn loaned out, which they are not, at 8 percent interest, the 204 pesos would return about 16 pesos, 8 of which would be paid to the depositor. This would leave only 8 pesos (about $.50 U.S. at 1966 rates of exchange) to cover the cost of maintaining the savings account and servicing the loan. The potential loss is even greater when one considers the size distribution of the savings accounts (Table 7). In 1960, 85.6 percent of the savings accounts of the Caja Agraria were 100 pesos or smaller and 13.2 percent of the savings accounts were 2 pesos or smaller. It does not seem possible for the return from accounts of this size to cover the cost of maintaining such small accounts. These comments are not meant to imply that providing savings service is not beneficial to both the Caja Agraria and to the depositor but rather that some lower limit should be placed on the size of the savings accounts and that savings should be stimulated in order to increase the average size of savings accounts. One problem is the requirement that borrowers must maintain an account with the Caja Agraria with no stipulation being made as to the size of the account. Many borrowers, including large borrowers who could maintain larger accounts, deposit only token amounts in a savings account in order to qualify for credit. The requirement should either be eliminated or made more definite by requiring that a percentage of the value of the loan be maintained in an account. This would assist in increasing the average size of savings accounts and also serve as an educational tool to demonstrate to rural people the value of savings.

TABLE 7

SAVINGS ACCOUNTS AS OF DECEMBER 31, 1960

CAJA AGRARIA[a]

Size of Accounts (in Pesos)	Number of Accounts	Percent	Value of Accounts (000 Pesos)	Percent
.05	67,391	3.4	28	.01
.05-2.0	194,221	9.8	198	.06
2-100	1,440,689	72.4	24,509	6.9
100.01-500	158,382	8.0	33,230	9.4
500.01-1000	48,774	2.3	32,443	9.2
1000.01-5000	65,145	3.3	129,279	36.6
5000.01-7500	6,870	0.34	40,094	11.3
7500.01-10,000	3,187	0.16	26,964	7.6
More than 10,000	4,848	0.24	66,729	18.9

a Data from special report by Dr. Antonio Franco, Research Dept., Caja de Credito Agrario, Industrial y Minero, 1961.

REMARKS ON BRANCH OPERATIONS

The results of this study would indicate that the high cost of operations of the branch banks may be due to two basic factors: a lack of loanable funds and an attempt to service the credit needs of extremely small borrowers. There is a minimum overhead in each branch office.

The branches do not have sufficient loanable funds to meet the demand in their area, thus fewer loans are extended resulting in a high cost per loan granted. If at all possible, the amount of loanable funds allocated to each branch office should be increased. The existing personnel should be able to handle the larger volume of business.

Because of distance and transportation difficulties, on-the-farm evaluations are time consuming and costly, particularly where small loans are involved. One possible course of action would be to establish a minimum size of loan, with that minimum set sufficiently high for the loan to generate sufficient income to cover the cost of loan servicing, including necessary on-farm inspections and evaluations. If the policies of the credit institution dictate that small loans be

serviced, then two courses of action may be open to the institution. They can either reduce servicing costs by eliminating on-farm evaluations and assume the resulting risk of losses or be compensated from public sources for the cost of small loan servicing.

There is a cost involved in servicing a savings account. A large number of extremely small savings accounts are maintained by the Caja Agraria. It would seem advisable to place some minimum on the size of a savings account so that the returns from the investment of these funds would more nearly cover the cost of maintaining the account.

LOAN PROCESSING STUDY

Information was obtained pertaining to 462 individual loans processed through various Caja Agraria offices throughout Colombia. These represented a random sample of loan applications received during the period December 1, 1965 through March 1, 1966. The main interest was in the time required for loan approval and the influence of type of security and class of clientel on the length of time required to process a loan application.

The clientel of the Caja Agraria were divided into two classes: new clients, or borrowers who had no previous credit history with the Caja Agraria; and established clients, or borrowers who had received one or more previous loans from the Caja Agraria. In the loan processing study, 90 percent of the sample of loan applications for which questionnaires were returned were applications from established borrowers and 11 percent were applications from new borrowers (Table 8). Table 8 also shows the relationship between class of client and number of days between loan application and final action on the loan. As would be expected, loan applications from established borrowers were approved considerably faster than loan applications from new borrowers. This can be partially explained by the fact that the Caja Agraria often maintains a higher degree of control of new clients by requiring the borrower to pledge specific assets, such as real estate or livestock, as security for his loan. A higher percent of new borrowers used livestock and co-signers as security for their loans than did established borrowers and a lower percent of the new borrowers obtained loans on the basis of personal notes than did established borrowers (Table 9).

A field inspection is generally required for all loans to new clients and credit checks made on new clients and co-signers when used. The more thorough evaluation of new clients and of the security he presents all tend to increase the time between loan application and loan approval.

TABLE 8

NUMBER OF DAYS BETWEEN LOAN APPLICATION AND FINAL ACTION ON THE LOAN, CAJA AGRARIA, BY CLASS OF CLIENT

Days Between Application and Final Action[a]	Class of Client				Total	
	New Client		Established Client			
	Number	Percent	Number	Percent	Number	Percent
Same day	21	44.7	239	75.5	260	63.1
1	0	0.0	35	9.6	35	8.5
2-4	1	2.1	17	4.7	18	4.3
5-7	1	2.1	23	6.3	24	5.8
8-10	7	14.9	6	1.6	13	3.2
11-30	11	23.4	27	7.4	38	9.2
31-90	4	8.5	8	2.2	12	2.9
More than 90	2	4.3	10	2.7	12	2.9
Total	47	11.0	365	89.0	412	100.0

[a] Actual number of days. No allowance made for weekends or holidays.

No information: 50.

TABLE 9

SECURITY GIVEN BY ESTABLISHED AND NEW CLIENTS:
SAMPLE OF CAJA AGRARIA BORROWERS

Type of Security	Class of Client				Total	
	New Client		Established Client			
	Number	Percent	Number	Percent	Number	Percent
Real estate mortgage	4	8.3	48	12.3	52	11.8
Crop	12	25.0	78	20.0	90	20.5
Livestock	5	10.4	22	5.6	27	6.2
Personal note	21	43.8	229	58.7	250	57.1
Machinery and equipment	0	0.0	3	0.8	3	0.7
Co-signer	6	12.5	9	2.3	15	3.4
Combination	0	0.0	1	0.2	1	
Total	48	11.0	390	89.0	438	100.0

No information: 24.

The data in Table 9 show a higher percent of established borrowers used real estate mortgage for security than do new borrowers. However, an open-mortgage is commonly used as security by established borrowers. These open-mortgages are used much like a line-of-credit and the title search, field inspection and other credit evaluations are only carried out for the first loan application against this open-mortgage. Subsequent loans are approved rapidly. This is shown in Table 9 in that 33 of the 51 loan applications for which a real

estate mortgage served as the security were approved the same day as the application was received. Many of these 33 loans were made against open-mortgages. These loans were general short-term production loans and not loans for the purchase of real estate.

Once a client has established a good credit history with the Caja Agraria, many of his loans can be secured by only a personal note and the application processed rapidly. The data showing the number of days between loan applications and final action includes weekends and holidays. If only work days are considered, the time required for loan processing by the Caja Agraria is well within reason. Only when special problems arise does the loan processing procedure become lengthy. These data would indicate that, in the absence of any difficulties, the loan processing procedure of the Caja Agraria should cause no delays in borrowers obtaining credit particularly if a reasonable lead time is allowed in making his loan application. The percentage distribution of the data shown in Table 10 is presented in Tables 11 and 12.

TABLE 10

TYPE OF LOAN SECURITY AND NUMBER OF DAYS BETWEEN LOAN APPLICATION AND FINAL ACTION ON A SAMPLE OF CAJA AGRARIA LOANS: NUMBER OF LOANS

Type of Security	Days Between Application and Final Action[a]								
	Same Day	1	2-4	5-7	8-10	11-30	31-90	More Than 90	Total
Real estate mortgage[b]	33	6	1	0	2	4	3	2	51
Crop	44	4	4	4	6	17	7	1	87
Livestock	6	2	0	1	2	10	1	8	30
Personal note	182	22	14	10	1	7	1	1	238
Machinery and equipment	0	0	0	1	0	2	0	0	3
Co-signer	3	5	3	7	3	1	0	0	22
Combination	0	0	0	1	0	0	0	0	1
Total	268	39	22	24	14	41	12	12	432

[a] Actual number of days. No Allowance made for weekends or holidays.
[b] Includes open-mortgage.

No information: 30.

Regardless of how efficiently a credit institution may be operating further improvements are always desirable. One area in which many Latin American credit instutions fall short in loan processing is in the paperwork involved. A considerable amount of the basic information included in the loan application is repeated in subsequent forms used in credit evaluations, field inspections and inter-office reports. It is the opinion of the authors that the various instruments used in processing a loan could be simplified, thus allowing more efficient loan processing and less personnel time involved in the mechanics of loan processing yet more time for the critical job of loan evaluation without decreasing the desired degree of control.

TABLE 11

TYPE OF LOAN SECURITY AND NUMBER OF DAYS BETWEEN LOAN APPLICATION AND FINAL ACTION ON A SAMPLE OF CAJA AGRARIA LOANS: PERCENT OF LOANS BY TYPE OF SECURITY

Type of Security	Days Between Application and Final Action[a]							
	Same Day	1	2-4	5-7	8-10	11-30	31-90	More Than 90
	%	%	%	%	%	%	%	%
Real estate mortgage[b]	12.3	15.4	4.5	0.0	14.3	9.8	25.0	16.7
Crop	16.4	10.2	18.2	16.7	42.9	41.5	58.3	8.3
Livestock	2.2	5.1	0.0	4.2	14.3	24.4	8.3	66.6
Personal note	67.9	56.4	63.6	41.7	7.1	17.1	8.3	8.3
Machinery and equipment	0.0	0.0	0.0	4.2	0.0	4.9	0.0	0.0
Co-signer	1.1	12.8	13.6	29.2	21.4	2.4	0.0	0.0
Combination	0.0	0.0	0.0	4.2	0.0	0.0	0.0	0.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

[a] Actual number of days. No allowance made for weekends or holidays.
[b] Includes open-mortgage.

TABLE 12

TYPE OF LOAN SECURITY AND NUMBER OF DAYS BETWEEN LOAN APPLICATION AND FINAL ACTION ON A SAMPLE OF CAJA AGRARIA LOANS: PERCENT OF LOANS BY DAYS BETWEEN APPLICATION AND FINAL ACTION

Type of Security	Days Between Application and Final Action[a]								
	Same Day	1	2-4	5-7	8-10	11-30	31-90	More Than 90	Total
	%	%	%	%	%	%	%	%	%
Real estate mortgage[b]	64.7	11.8	1.9	0.0	3.9	7.8	5.9	3.9	100.0
Crop	50.6	4.6	4.6	4.6	6.9	19.5	8.0	1.1	100.0
Livestock	20.0	6.7	0.0	3.3	6.7	33.3	3.3	26.7	100.0
Personal note	76.5	9.2	5.9	4.2	0.4	2.9	0.4	0.4	100.0
Machinery and equipment	0.0	0.0	0.0	33.3	0.0	66.6	0.0	0.0	100.0
Co-signer	13.6	22.7	13.6	31.8	13.6	4.5	0.0	0.0	100.0
Combination	0.0	0.0	0.0	100.0	0.0	0.0	0.0	0.0	100.0

[a] Actual number of days. No allowance made for weekends or holidays.
[b] Includes open-mortgage.

One of the most important outcomes of this study of the operations of the Caja Agraria may be to point out some of the various functions performed by the Caja Agraria which may be useful within the structure of agricultural credit institutions in other countries.

THE DISTRIBUTION OF LIMITED LOANABLE FUNDS

Three basic factors are considered by the Caja Agraria in allocating their pool of loanable funds:

1. the amount of funds available,
2. the demand for agricultural credit, and
3. Control of the investment of credit by the borrower.

Because of the scarcity of capital in the face of a constant demand for credit, a system of priorities has been established. The Caja Agraria attempts to meet the demand for credit and at the same time

carries out its objectives as a development institution. A variety of factors are taken into account in determining the priorities for alloting loanable funds. These are:

1. Cropping patterns in the various regions of the country.
2. Supply and demand of primary products for direct consumption.
3. Industrial needs for raw materials.
4. Agricultural development in colonization projects.
5. Development of export products.
6. Needed support for improvements in rural living.
7. Encouragement of small and medium industry in rural areas.
8. Development of national agricultural production.
9. Government development projects.
10. Capital needs of projects and enterprises, which are not attractive to private investors but whose development is in the public interest.
11. Demand for agricultural credit as expressed by the Directors of the Caja Agraria branch offices. Each six months, the Directors estimate, by purpose of loan, the funds needed to satisfy the demand in his area (Table 13).

Information has been assembled by the Research Department of the Caja Agraria as to the growing conditions (rainfall, temperature, soil structure, etc.) for the various regions within Colombia and determinations made as to the best crops to grow in these regions and at what time of year they should be planted. An attempt is then made to correlate the allocation of loanable funds with the credit needs of each region in the country. The time of planting and harvesting varies, even for the same crop, in different regions of Colombia and funds are alloted to Caja Agraria offices in these regions to correspond to the needs during these credit use periods. For example, sesame does not do well in northern Tolima during the first six months of the year. Therefore, no funds are alloted to Caja Agraria offices in this area for production loans for sesame during the first six months of the year, and if a farmer does apply for a loan to finance the production of sesame during this period, his loan is refused. There is, thus a degree of built-in technical supervision in the distribution of loan funds to be used for agricultural production.

Through a consideration of both farm level and national level needs, the Caja Agraria attempts to equitably utilize its limited resources for the development of both individual farmers and the national social, political, and economic development.

TABLE 13

VOLUME OF LOANABLE FUNDS REQUESTED BY CAJA DIRECTORS AND VOLUME OF LOANABLE FUNDS ASSIGNED TO DIRECTORS, BY SEMESTERS[a]

Total Country

Semester	Funds Requested (pesos)	Funds Assigned (pesos)	Assigned / Requested Percent
1o. - 1965	799,328,000	431,500,000	54
2o. - 1965	869,900,000	407,680,000	47
1o. - 1966	1,001,097,000	549,000,000	55
Armero			
1o. - 1965	4,420,000	1,946,000	44
2o. - 1965	2,891,000	1,705,000	58
1o. - 1966	3,700,000	1,914,600	52
Fresno			
1o. - 1965	725,000	440,600	61
2o. - 1965	563,000	345,000	61
1o. - 1966	1,465,000	653,000	44
Honda			
1o. - 1965	999,000	528,000	53
2o. - 1965	1,045,000	485,000	46
1o. - 1966	931,000	480,000	51
Mariquita			
1o. - 1965	471,000	283,000	60
2o. - 1965	392,000	190,000	48
1o. - 1966	493,000	266,000	54

[a] Ordinary credit only. Does not include development loans.

Source: Data from Dept. de Investigaciones Economicas, Caja de Credito Agrario, Industrial y Minero.

OTHER FUNCTIONS OF THE CAJA AGRARIA

Many of the agricultural credit institutions in Latin America do not accept savings deposits. Savings can be an important source of loanable funds. A large share of the savings deposits of commercial banks are channeled into the industrial sector of an economy. The Caja Agraria is the largest depository for savings in Colombia, accounting for over 50 percent of Colombia's total volume of savings (Table 14). A large share of these deposits are received in the urban branches of the Caja Agraria. A part of these funds are in turn channeled into the agricultural sector of the economy. Agricultural credit institutions in other developing countries may well want to consider the acceptance of savings deposits as another source of resource for carrying out their agricultural development objectives.

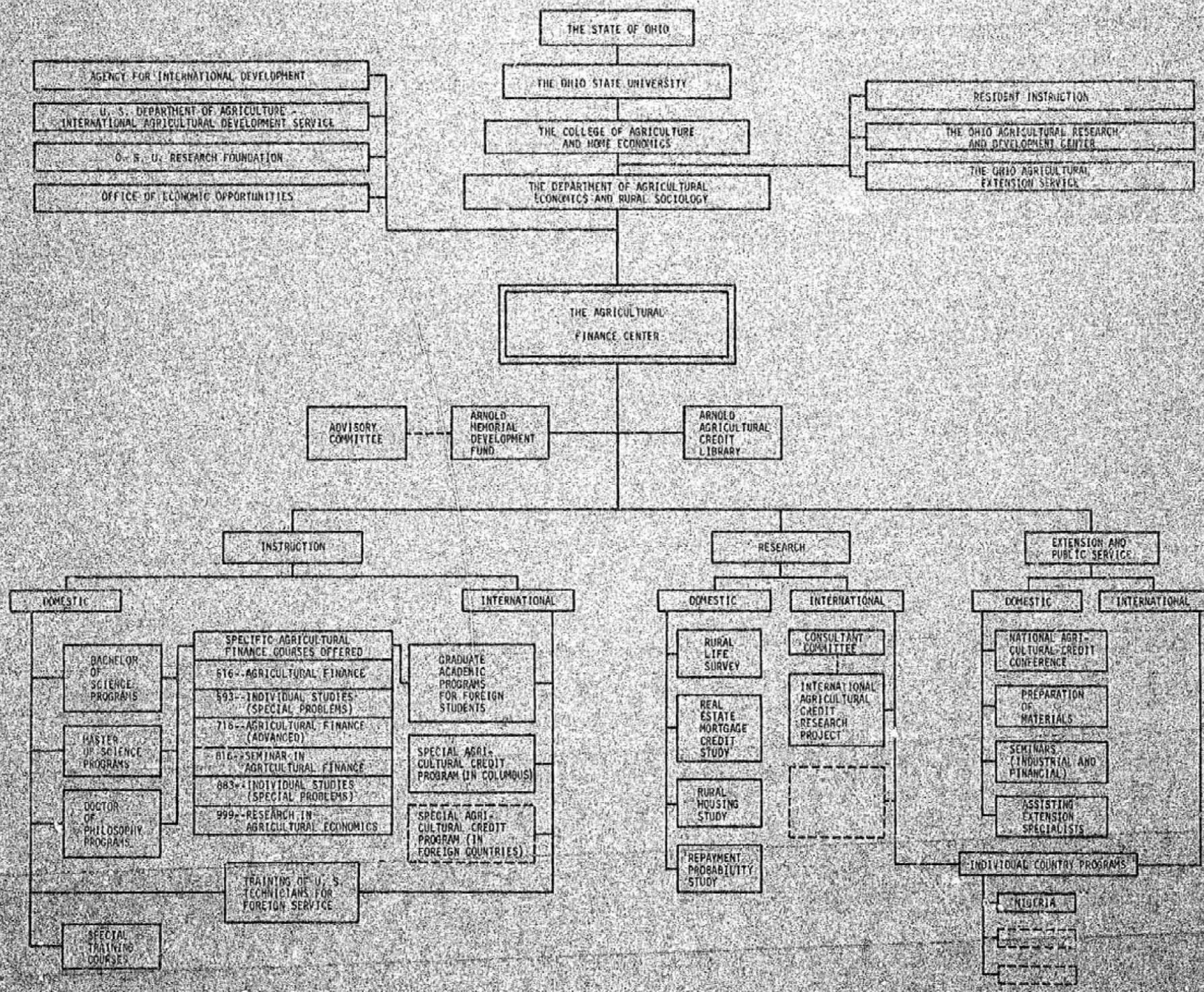
TABLE 14

SAVINGS ACCOUNTS IN COLOMBIA

(October 31, 1964)	Pesos	Percent
Caja Colombiana de Ahorros	$ 710,888,683	57.6
Other entities	523,874,000	42.4
Total	$1,234,762,000	100.0

(October 31, 1965)	Pesos	Percent
Caja Colombiana de Ahorros	$ 745,315,000	56.2
Other entities	580,770,000	43.8
Total	$1,326,085,000	100.0

The branch offices of the Caja Agraria maintain a retail outlet for agricultural inputs. This too may be a service which other agricultural credit institutions may want to consider as a part of their structure. In some rural communities in which agricultural credit institution branches are located, the availability of certain agricultural inputs is limited and, if available, prices are often high. Improved seed may be an example of the type of input in question. Providing these scarce resources at reasonable prices could prove to be a real service to farmers in relatively isolated areas, this should be considered as a secondary function of a credit institution and such activities should be eliminated when alternative sources of the scarce resources become available at reasonable prices. The Caja Agraria may be extending this service past the necessary point for many branch offices stock items which are available on the local market at reasonable prices. The cost of maintaining these inventories may not be justified.


THE STATE OF OHIO
THE OHIO STATE UNIVERSITY
THE COLLEGE OF AGRICULTURE AND HOME ECONOMICS
THE DEPARTMENT OF AGRICULTURAL ECONOMICS AND RURAL SOCIOLOGY
AGENCY FOR INTERNATIONAL DEVELOPMENT
U. S. DEPARTMENT OF AGRICULTURE - INTERNATIONAL AGRICULTURAL DEVELOPMENT SERVICE
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THE OHIO AGRICULTURAL RESEARCH AND DEVELOPMENT CENTER
THE OHIO AGRICULTURAL EXTENSION SERVICE
THE AGRICULTURAL FINANCE CENTER
ADVISORY COMMITTEE
ARNOLD MEMORIAL DEVELOPMENT FUND
ARNOLD AGRICULTURAL CREDIT LIBRARY
INSTRUCTION
RESEARCH
EXTENSION AND PUBLIC SERVICE
DOMESTIC
INTERNATIONAL
BACHELOR OF SCIENCE PROGRAMS
MASTER OF SCIENCE PROGRAMS
DOCTOR OF PHILOSOPHY PROGRAMS
SPECIFIC AGRICULTURAL FINANCE COURSES OFFERED
616--AGRICULTURAL FINANCE
693--INDIVIDUAL STUDIES (SPECIAL PROBLEMS)
716--AGRICULTURAL FINANCE (ADVANCED)
816--SEMINAR IN AGRICULTURAL FINANCE
883--INDIVIDUAL STUDIES (SPECIAL PROBLEMS)
999--RESEARCH IN AGRICULTURAL ECONOMICS
GRADUATE ACADEMIC PROGRAMS FOR FOREIGN STUDENTS
SPECIAL AGRICULTURAL CREDIT PROGRAM (IN COLUMBUS)
SPECIAL AGRICULTURAL CREDIT PROGRAM (IN FOREIGN COUNTRIES)
TRAINING OF U. S. TECHNICIANS FOR FOREIGN SERVICE
SPECIAL TRAINING COURSES
RURAL LIFE SURVEY
REAL ESTATE MORTGAGE CREDIT STUDY
RURAL HOUSING STUDY
REPAYMENT PROBABILITY STUDY
CONSULTANT COMMITTEE
INTERNATIONAL AGRICULTURAL CREDIT RESEARCH PROJECT
NATIONAL AGRICULTURAL CREDIT CONFERENCE
PREPARATION OF MATERIALS
SEMINARS (INDUSTRIAL AND FINANCIAL)
ASSISTING EXTENSION SPECIALISTS
INDIVIDUAL COUNTRY PROGRAMS
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