

The National Agricultural Credit Bank makes three types of loans to small farmers organized into solidarity groups: (a) short-term loans (maximum 12 months), mainly for purchase of inputs for annual crops at 10.5 percent/year interest; (b) intermediate-term loans (1 to 5 years) to acquire work animals, farm machinery, dairy cattle, etc., at 9 to 10 percent/year interest; and (c) long-term loans (6 to 10 years) to purchase heavy machinery or construct farm buildings at 7 to 10 percent/year interest.

The majority of the farmers in the Project area are not eligible for individual credit from the Agricultural Bank, because their holdings are too small. Although the regulations of the Agricultural Bank provide for the organization of credit societies, none of these were operating when the Project began in 1967. As seen in Table 7.1 the Agricultural Bank provided credit for farmers to use Project recommendations on 687 ha in 1969 and on 1,788 ha in 1970. In 1969, credit was granted to individual farmers; in 1970, to 23 groups with a total of 480 farmers. These groups, however, were poorly organized and there was little contact with the technical assistance agents. Repayment was made on only about 50 percent of the loans made in these two years.

In 1971, the Agricultural Bank and the Project technical assistance agents began to promote the organization of solidarity groups. These groups have a maximum membership of nine and a minimum of three. According to bank regulations each member of these groups must mortgage his land to the bank in order to obtain credit. As most small farmers do not have a clear title to their land, the Puebla Branch of the Agricultural Bank obtained authorization to change this requirement. Now, the only requirement is that one member of the group has a clear title to his land and is willing to mortgage it to the bank. This change in regulations has made it possible for many farmers who were previously unable to qualify for loans to obtain credit as members of a solidarity group.



Organized farmers are encouraged to repay their loans as soon as possible. Many farmers liquidate their loans by making several payments throughout the year. In 1972, the percentage repayment on loans from the Impulsora de Puebla was 98%, from the National Agricultural Credit Bank 94%, and from the National Ejidal Credit Bank 90%.

With the change to solidarity groups in 1971, the Agricultural Bank has greatly increased its credit to farmers using Project recommendations. Table 7.1, shows that the Agricultural Bank provided credit for 4,950 ha in 1971; 7,499 ha in 1972; and 8,207 ha in 1973. Repayment of loans by solidarity groups exceeded 90 percent during this period.

### Operating Procedures of the Agricultural Bank

Farmers in solidarity groups follow these steps in arranging for credit with the Agricultural Bank: (a) the group representative prepares a list of the members that indicates their ages, beneficiaries in the case of death, and the areas for which credit is requested; (b) one farmer with a clear title to his property agrees to guarantee the group loan—both he and his wife must register their signatures with the legal department of the bank; (c) each member presents the receipt for his most recent property tax payment, or a letter from the highest authority in the community certifying that he is a property owner; (d) the representative obtains a written statement from the technical assistance agent indicating the fertilizer rates recommended for the group; (e) a credit application is drawn up for the group, specifying the total area for which credit is requested and the total amount of credit—this application is signed by the group representative, by the guarantor, and by the technical assistance agent; (f) based on the application, a special form, called F-200, is prepared as a credit application from the group to the Planning Council of the bank—these F-200's have to be signed by five persons in the Credit, Legal, and Administrative Departments, as well as by the bank manager; (g) the group signs a contract with the bank for the amount of credit requested—the contract must be registered in the city of Puebla with the payment of a registration fee of \$8.00; the contract is good for 5 years, provided there are no changes in the group; (h) all members sign a formal charter, specifying that they assume a common responsibility for the obligations of the group—this means that should any member fail to repay his loan, the others are obligated to find a way to liquidate it; (i) each member signs a letter in which he agrees to repay his loan with the produce from the land for which credit was received; (j) multiple promissory notes are drafted showing the cost of fertilizers, amount of interest, and other charges for each member—these documents are prepared with 18 copies and signed by all members of the group; and, finally (k) the guarantor deposits a letter with the bank giving it power to take possession of his property in case the group fails to meet its obligations.

In 1972, this procedure required an average of 13 days from the time the application was presented until the group received the order to pick up the fertilizers. Some groups were able to complete this process in 3 days; others required as much as 4 weeks.

Some farmers felt this procedure for arranging for credit was too complicated and chose not to join a solidarity group. Other farmers were discouraged from seeking credit