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A state-owned bank for small farmers in Chile, c.1926-1953

Abstract

This article deals with the creation and operations of the first agricultural development bank ever created in Chile, the Caja de Crédito Agrario (CCA), founded in 1926, in operations until 1953. The main sources are the annual reports of CCA from 1933 to 1951. The main contributions are to show first that the CCA was instrumental to provide subsidized long-term capital to small farmers in Chile to promote agricultural production, but that also had a “social mission”. The CCA soon became a protagonist within the local financial market. Given the lack of knowledge about the modus operandi of development banks in Latin America, we provide the first account of the management and financial activities of the CCA. We show that the management structure of the firm, and in particular its strategy of decentralization, was key to explain its success. Likewise, the CCA managed successfully to raise increasing amounts of capital from other state institutions at low interest rates, thus being able to cover its increasing loan operations.

Keywords: development banks; state-owned banks; Chile; Caja de Crédito Agrario

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Introduction

There has been a fair amount of work on the role played by international financial institutions in Latin America, in particular on the activities of the World Bank (formerly the International Bank of Reconstruction and Development), the EXIMBANK and the Inter-American Development Bank during the period of state-led industrialization, *c.*1930s-1960s (Alacevich 2009; Kedar 2012; Londoño and Perry 1985; Basch 1968; Diamond 1957; Kapur, Lewis and Webb 1997; Brezina 1999; Kofas 1997). Likewise, there has been increasing interest on the working of the state-owned Latin American national development banks that emerged during this ISI period, many of which received (or administered) loans from some of these international financial institutions, such as the Brazilian National Development Bank (BNDES); Nacional Financiera (NAFINSA) in Mexico; Corporación de Fomento de la Producción (CORFO) in Chile; and Fedesarrollo in Colombia (Lazzarini et. al. 2015; Brennan and Rougier 2009; López 2012; CEPAL 1971; Arés 2007; Nazer, Camus and Muñoz 2009; Nazer, 2016; Doctor 2015; Londoño and Perry 1985). Since the financial crisis of 2007-2009 there has been a renewed interest in development banks (Griffith-Jones et. al. 2019; Clifton, Díaz-Fuentes and Howarth 2021; Mertens, Thiemann and Volberding 2021).

These state banks were instrumental to provide subsidized long-term capital into many emerging industries which otherwise would not have accessed credit, not only in Latin America, but in any market where there was a lack of trust among potential lenders and borrowers. Often state banks have been seen as playing a social role, promoting economic development or solving market failures (Gerschenkron 1962, 19-22),¹ although for many scholars government

¹ These views have been termed the “social view” and the “development view”: the former supports the idea that state banks are needed because the banking sector has too many imperfections that need to be solved by the state,

ownership of banks had political, rather than social motivations. According to this latter group of scholars, or “political view”, governments promote the creation and control of banks in order to provide benefits to supporters.²

In any case, the international financial institutions and the national development banks that emerged during the 1930s-1950s provided long-term credit mainly to promote emerging industrialization, transport, utility, and infrastructure projects, most of which were second-tier lenders, although many were also first-tier lenders (Griffith-Jones et. al. 2019). And indeed, there is an important body of literature on sectoral industrial banks for many Latin American countries (Lazzarini et. al. 2015; Armendáriz de Aghion 1999; Rougier 2001; Nazer 2016), which is not surprising since they are more prevalent in countries with less developed financial markets (La Porta, Lopez-de-Silanes and Shleifer 2002). Yet, and important for the aim of this article, a lesser-known range of developing banking activities encompassed the provision of loans to promote agricultural production too (by first-tier lenders), which is unfortunate given the continuing importance of this latter sector for most Latin American republics, even during the period when the state tried hard to promote local industries.

But this is not to say that there were not state-owned banks linked to the agricultural sector in Latin America during the first half of the twentieth century, despite a general perceived unsuitability of the traditional local banking system to operate within the agricultural sector (Tulchin and Seibert 1978). And indeed, we know about the existence of the *Caja de Credito*

while the latter view emphasizes the idea that there is a need for public intervention in the banking sector in countries lacking capital and/or suffering from weak institutions (for a summary, see Levy-Yeyati, Micco and Panizza 2004).

² On this discussion, see La Porta, López-de-Silanes and Shleifer 2002; Levy-Yeyati, Micco and Panizza 2004.

Agrario (CCA hereafter) in Chile from 1926 (our focus of study); the *Banco Nacional de Crédito Agrícola* in Mexico, also from 1926, together with the *Banco de Sinaloa* (1933), the *Banco Agrícola de Sonora* (1933) and the *Banco Nacional de Crédito Ejidal* from 1935 in the same country (López 2012; De la Peña 1940; Méndez 2017; Aguilar and Grijalva 2011; Mottier 2019); and the *Banco Agrícola* in Peru, founded in 1931 (Quiroz 1992), just to mention some illustrative examples. Yet, and unfortunately, agricultural development banks have received little attention by scholars. Most attention for this period has been devoted to the industrial sector.

Even more, despite the extant works on developing banking for both the agricultural and the non-agricultural sectors, it is believed that development banks are not only a peculiar but also an understudied type of lender, in particular in Latin America. Most of the extant literature has analysed them from a theoretical point of view, focussing on whether the state should directly own banks, or just regulate/subsidize them (La Porta, Lopez-de-Silanes and Shleifer 2002; Levy-Yeyati, Micco and Panizza 2004). As a consequence, its *modus operandi* has been neglected (Lazzarini et. al. 2015), perhaps given the lack of surviving archives. For example, the management structure of developing banks has not been studied, neither the ways they raised capital within the internal market. There is, therefore, an important lacuna to our knowledge of state banking in Latin America during the ISI period, and in particular for the non-industrial sector.

Thus, the aim of this article is to provide an account of the management and financial activities of an agricultural development bank in Chile, the *Caja de Crédito Agrario* (CCA), from the mid-1920s to the 1950s. It was created to promote Chilean agricultural production by giving

directly credit to small farmers, as first-tier lender, at low (subsidised) interest rates,³ whose main issue was not long-term finance but working capital. The CCA's loans were used by farmers to buy seeds, cattle, fertilisers, and basic production tools/machinery. As they were microenterprises, they were highly dependent on informal channels of finance, so welcomed the presence of the CCA as a lending institution (Griffith-Jones et. al. 2019).

The maximum interest rate that the CCA could charge was 5% per year, well below the very high rates charged by the traditional banking system ("25 años de fomento agrario", *El Mercurio*, January 2, 1952). More importantly, it was a nominal rate in an economy suffering chronic inflation. That is, real interest rates were far lower than this 5%, and most of the time were even negative.⁴ Additionally, the repayment period was longer (7-12 months)⁵ than most agricultural loans that could be taken from commercial banks (most usually at 90 days), while the collaterals asked for by the CCA (e.g. seeds, cattle, tools) were less demanding than those requested by the traditional banks or informal lenders, who often asked to mortgage their own land to farmers ("25 años de fomento agrario", *El Mercurio*, January 2, 1952). The CCA was improving competitive behaviour in the rural banking system, which has been identified as another reason to support the creation of state banks in uncompetitive markets (Levy-Yeyati,

³ Small farmers were usually taken as those exploiting plots of under 10 hectares, or those whose legal value of their plots was under \$50 million (BCCH-AR, 1938). They were also defined in terms of their borrowing capacity. Indeed, Law No. 5185 (1933) defined "small farmers" as those who received loans for amounts not exceeding \$20,000.

⁴ The maximum interest rate that could be charged was 5% per annum between 1932 and 1953. Since this was a nominal rate under inflation (a salient feature of the Chilean economy at that time; Llorca-Jaña and Miller 2021), real interest rates were lower, which was a fact perceived by economic agents at that time ("Caja Agraria propone modificar el interés cobrado por sus préstamos", *El Mercurio*, 8 December 1949; "Los recursos de la Caja de C. Agrario y sus operaciones: influencia de la desvaloración monetaria en sus actividades", *El Mercurio*, 19 May 1950).

⁵ In the case of those CCA's loans given to cooperatives, the repayment period was even longer: up to 18 months (BCCH-AR 1940).

Micco and Panizza 2004), as well as improving banking specialisation and enhancing financial inclusion, which are other functions usually performed by development banks (Griffith-Jones et. al. 2019). The CCA also aimed to support small farmers during difficult times. For example, during draughts or frosts, loan payments were condone or postpone, interest rates were reduced, interest penalties forgiven, cattle (livestock) mobilised if needed with the support of the CCA, additional credit was extended to cope with any crisis, among other supporting measures.⁶ This is important because it has been acknowledged that state banks play an important role in stabilizing credit over the business cycle and/or during periods of financial instability, while financial support to microenterprises (small farmers in this case) is perceived as critical for poverty reduction and for improving overall standards of living (Bertay, Demirguç-Kunt and Huizinga 2015; Griffith-Jones et. al. 2019).

And indeed, only three years after its creation, it came the 1929 world depression. It hit Chile badly, leading the country to its first default on its external debt in over 100 years (in 1931), and second only in its entire history, being the previous one that of 1825 (Díaz-Bahamonde 2021). Yet, the CCA continued providing credit to small farmers, despite the debt crisis and the consequent lack of finance both in Chile and internationally. How was this possible? During these years, the main financer of the CCA was the *Caja de Crédito Hipotecario* (CCH), as we shall see, which had a great international reputation, to the extent that it even managed to float bonds in the US market (Brock 2009). If there was anyone with available resources in Chile

⁶ For some examples, see “Caja de Crédito agrario acordó otorgar facilidades a agricultores damnificados”, *El Mercurio*, 18 March 1950; “Ayuda a damnificados por la sequía en la zona norte acordó el consejo de la Caja de Crédito Agrario”, *El Mercurio*, 19 October 1946; “Sería ventajoso que los pequeños agricultores se organizaran en cooperativas para gozar del crédito”, *El Mercurio*, 21 June 1933; CCA-AR 1935 (when interest rates were reduced to 3% for some loans for those farmers affected by a severe frost). Likewise, agricultural cooperatives of small farmers were enthusiastically supported by the CCA.

that was the CCH, with together with the National State Railways company concentrated about half of the nation's external debt (Díaz-Bahamonde 2021).

By this stage, it is important to mention that it is clear that the CCA's activities are a clear example of counter cyclical measures during this period, which renders additional importance to this study. This was part of a set of expansionary fiscal policies implemented during the 1930s-1940s, aiming to reactivate the economy, partly funded with increasing taxation (Díaz-Bahamonde 2021; Marfán 1984; Duarte 2019), as well as to avoid or to diminish the impact of any food shortage. The Chilean government decided to channel part of its scarce financial resources to both the construction and the agricultural sectors, including small farmers: a clear targeting strategy (in particular during the second presidency of Alessandri). That is, despite these difficult times, the Chilean government managed to provide increasing finance to the CCA, which makes even more important to focus on the financing side of the CCA's activities.

Taking all these factors into account, it is clear, therefore, that the CCA was conceived by Chilean authorities as having a "social mission", and was entrusted to finance socially valuable projects that could not get funding elsewhere, in particular those related to residents (farmers in this case) of relatively isolated areas.⁷ In Chile banks were concentrated in Santiago and Valparaíso in north-Central Chile (see Map 1); therefore, most of the agricultural cities (or towns) did not have any private financial institution nearby. These two reasons have been identified as important arguments in favour of state intervention in the banking sector (Levy-Yeyati, Micco and Panizza 2004). During this period even large enterprises had to resort to own

⁷ Those in favour of offering banking facilities in isolated areas argue that access to financial services is a right, and that when unavailable, the state should be there to provide them. These scholars believe that by granting new banking services financial development improves, and with it, economic growth (Levy-Yeyati, Micco and Panizza 2004).

resources to finance their investment projects as a result of the limited role played by credit institutions (Aguirre-Briones 2020).

Finally, the creation of the CCA was also part of the beginning of a process of increasing intervention of the state in economic affairs,⁸ that would further increase after the Great Depression hit the Chilean economy as no other country in the region (Meller 1996). For the banking sector in particular this was translated in the following fact: between 1927 and 1952 the CCA managed to provide around 12% of all loans extended in Chile, thus becoming one of the main lenders of the economy, and the largest within the agricultural sector (González-Correa and Robles-Ortiz 2022). This is important because it is well known that in economies with significant capital constraints, as Chile was during the 1920s-1950s, development banks were one of the few means to alleviate capital scarcity (Lazzarini et. al. 2015; Armendáriz de Aghion 1999), and, in our particular case, to promote agricultural production. As we shall see, the CCA soon became a protagonist within the local financial market, allowing many small farmers, formerly completely excluded from the formal financial market to access loans from a state institution (Nisbet 1967). One reason given for the rationale behind the existence of state banks (including developing banks) is that they facilitate socially profitable projects that are financially unattractive to the traditional banking system (Levy-Yeyati, Micco and Panizza 2004). In this vein, one of the first Presidents of the CCA, Manuel Merino, proudly declared that the main aim of the CCA was “to provide support exclusively to productive labour, and preferably to small farmers, only this way our loans can exert a positive influence upon our

⁸ And indeed, together with the CCA, it was created a state mining and a state industrial bank too in 1927 and 1928, respectively.

agriculture and our national economy” (“La Caja Agraria ayuda de preferencia a los pequeños agricultores”, *El Mercurio*, March 14, 1933).

Thus, in this article we wanted to focus our attention on the management structure of the firm and on how the strategy of decentralization followed by the CCA was key to explain its success. Although it started as a very centralized organization, with headquarters and decision making in Santiago, soon the CCA board decided to open branches in the main agricultural regions where agencies were empowered with a great deal of autonomy to provide loans to small farmers and to take many other important decisions. Finally, we also wanted to provide evidence on how the CCA raised the capital needed to provide loans to small farmers, and, as part of this, on the main sources of capital for this institution.

For the uninformed reader, it is worth mentioning that the CCA was founded in 1926, well before the better-known case of Chile’s main development bank, CORFO, that was created in 1939 (Nazer, Camus and Muñoz 2009; Nazer 2016). The fact that the CCA was created thirteen years before the mighty CORFO makes its study even more attractive to our understanding of the early emergence of developing banking in Latin America. Indeed, it was a direct result of the influence exerted by the cadre of technocrats that emerged in Chile from the 1920s, as well as part of the development of sectoral credit institutions after the conclusion of the US’s Kemmerer Mission that led to the establishment of the Central Bank in 1925, amongst many other institutions, including the Caja de Crédito Minero and the Instituto de Crédito Industrial (Drake 1989; Ibáñez 1983).⁹

⁹ This is quite similar to what happened in Brazil, albeit a few decades later, after the creation of a joint Brazil-United States Development Commission (Lazzarini et. al. 2015).

More generally, this paper contributes too to the historiography on banking in Latin America. And indeed, despite the importance of the above mentioned works and in particular if compared to other sectors of the economy, the historiography on monetary, financial and banking history is underdeveloped for most of Latin America during the 1930s-1960s (Marichal and Gambi 2017), and in particular for Chile (Couyoumdjian and Couyoumdjian 2021; Llorca-Jaña and Miller 2021). Additionally, a study on the CCA would contribute to further improve our understanding of the development of the agricultural sector during our period of study, which later economists saw it as a backward sector (Mamalakis 1976). This view, though, has been recently revised by Claudio Robles (2009, 2018, 2020, and Robles et. al., 2021).

Our main primary sources are the CCA Annual Reports (CCA-AR hereafter), available from 1933 to 1951 at the Chilean National Library (*hemeroteca* section), and that have not been used before by other scholars. Not to rely solely on the CCA as a source of information, we also reviewed *El Mercurio*, the most influential Chilean newspaper for the whole period under analysis and that had a special interest in the agricultural sector, also at the Chilean National Library (*hemeroteca* section). Finally, we consulted the Central Bank's Annual Reports (BCCH-AR hereafter), given the fact that it was the most important provider of capital for the CCA. They have been recently released by the Central Bank in its newly inaugurated digital repository.¹⁰ And indeed, within these annual reports there was a section called "Credit to Development Institutions", in which all operations with the CCA were reported/commented.

After this introduction, this paper contains four more sections. Next, we provide a section on the origins of the CCA. The subsequent sections deal with the decentralization process of the

¹⁰ <https://repositoriodigital.bcentral.cl/>

CCA, and with the expansionary period of this institution. A last section touches on the financial side of the business, before concluding.

Origins and development of the CCA

Before the mid-nineteenth century there was no formal banking in Chile. A first private bank (Arcos & Co.) was created in 1848, but it failed quickly, as did that of Bezanilla & MacClure (1854). The first important and successful commercial bank, the Banco de Valparaíso, was not created until 1855. It discounted bills of exchange, extended credit, took deposits, operated on the securities, gold, and silver markets as a broker, and issued bills. The first banking law of the country was not promulgated until 1860, and together with other positive developments led to the emergence of a proper banking system (Llorca-Jaña and Navarrete-Montalvo 2021; Couyoumdjian and Couyoumdjian 2021).

Within this development, in 1855 the Chilean government decided to create, first, the *Caja de Crédito Hipotecario* or National Mortgage Bank (CCH) to funnel credit to the countryside, being the first state-owned financial institution of the country,¹¹ being followed by the *Caja Nacional de Ahorros* (CNA), funded in 1910 (which operated as a commercial bank);¹² and thereafter by our focus of study, the *Caja de Crédito Agrario* or Agricultural Credit Bank (CCA),¹³ which was created in 1926, as a subsidiary of the CCH, although it started operations in 1927, ending its existence in 1953 after being merged with other institutions to create the

¹¹ The CCH provided loans within the agricultural sector, but mainly to large state holders (Bauer 1975; Brock 2009; Mamalakis 1976; Fetter 1937; Drake 1989; Friedmann 1993).

¹² For a recent work on the CNA, see González-Correa 2021. See also Cordero 2000.

¹³ In 1953 these three institutions merged and created, together with the *Instituto de Crédito Industrial*, the *Banco del Estado de Chile* (State Bank), still in operation. It currently ranks as the bank with the largest number of clients.

national state bank (Banco del Estado de Chile).¹⁴ Surprisingly, the CCA has received little attention from previous scholars,¹⁵ despite being the first banking institution created in Chile after the promulgation of a new (far more comprehensive) banking law in 1925 (which replaced the first law of 1860) and the creation of the Central Bank that same year (Couyoumdjian and Couyoumdjian 2021). The country had now achieved a mature banking system. Between 1925 and the 1950s the Chilean Central Bank supplied credit to different public institutions, including the CCA, as well as the *Caja de Crédito Minero* and the *Instituto de Crédito Industrial*. The Central Bank's role was that of an institution in charge of productive development (Couyoumdjian and Couyoumdjian 2021).

During its 26 years of existence, the CCA was a state development bank, whose main mission was to provide soft loans to small farmers in Chile, although from 1929 it was also authorised to trade seeds, cattle, fertilizers, and other inputs needed by agricultural producers such as basic machinery. As far as seeds in particular is concerned, the CCA signed agreements with producers of genetically produced seeds, to improve national harvests, of wheat in particular (“Difícil será para la Caja Agraria financiar sus operaciones”, *El Mercurio*, February 20, 1933). For this, a special committee was created within the CCA to ensure a regular supply of top quality seeds (“La Caja Agraria no escatimará sacrificios para cooperar con el fomento de la producción agrícola”, *El Mercurio*, March 17, 1933), which would be sold at cost to farmers (“La Caja Agraria venderá las semillas a precio de costo”, *El Mercurio*, March 22, 1933). For

¹⁴ In 1932, the CCA was granted full institutional and financial autonomy, although it remained closely tied to the Agriculture Ministry. Indeed, from 1945 the Agriculture Minister was also the president of the CCA board.

¹⁵ The only exceptions would be Bernedo (1989), Friedmann (1993) and Almonacid (2009), where the CCA is mentioned in passing, using secondary sources only. More recently, see the comprehensive work of González-Correa and Robles-Ortiz (2022). However, Almonacid offers a distorted view of the institution.

the reader to have an idea of the coverage of the CCA within the seeds market, in the season 1948-9, the CCA provided farmers with 16% of all wheat seeds used in the whole country (“La Caja de Crédito Agrario aumentó sus préstamos y colocaciones en 1948”, *El Mercurio*, June 29, 1949). Likewise, the CCA signed agreements too with guano and nitrate producers, such as *Consortio Agrícola*, also to supply local farmers (“La labor de la Caja Agraria en el año agrícola último”, *El Mercurio*, February 26, 1934; “Difícil será para la Caja Agraria financiar sus operaciones”, *El Mercurio*, February 20, 1933).

In many ways the CCA was not a traditional banking institution in as much as it did not receive deposits, nor it opened bank accounts as such, despite many pressures for the CCA to be transformed into a formal National Agricultural Bank (“Hacia la descentralización de la Caja de Crédito Agrario”, *El Mercurio*, January 27, 1933). Most loans extended by the CCA were channelled to promote the production of essential foodstuffs to improve the nutritional status of the population such as wheat, meat, and milk. The Chileans governments of that time regarded the agriculture sector as a key to the economic development of the country, while at the same time they tried to promote national industrialisation (Robles 2003; Nazer 2016).

The CCA had a slow start since only two years after beginning operations Chile was hit by the Great Depression. During these early years its organization structure was rather simple. The headquarters were in Santiago, the capital of the country, while eight agencies were opened (from north to south) in some of the main regional capitals, such as La Serena, Talca, Chillán, Concepción, Los Ángeles, Temuco, Valdivia and Osorno (see Map 1). Decision making was highly concentrated in the headquarters as well as the geographical distribution of the loans (CCA-AR 1933). During the 1930s business improved gradually in Chile, including production by the agricultural sector, and therefore the CCA’s activities started to gather momentum. It

started to receive more loan requests than ever before. With that, the CCA's changed: it opened new agencies, some units were subdivided into new ones, while other completely new were created, as we shall see in the next section.

Regarding the early structure of the institution, the CCA was led by a Board. Its members were ten people appointed by the government. Board members were typically MPs, members of agricultural associations and members of other state organizations' Boards such as the Central Bank. This is in line with the idea that the success of development banks rests to an important degree on their ability to coordinate with other state institutions (Griffith-Jones et. al. 2019). There were strong financial and administrative links among the CCA, CNA and CCH that explain both their success and subsequent merger (González-Correa, 2021). The Board was in charge of making all strategic decisions, while it also decided the level of the loans to be granted every year for every region, as well as the resources allocated to trading activities and internal guidance (CCA-AR 1933-1934). The initial capital of the CCA was \$2 million pesos (some US\$360k), divided in 50,000 shares. Of these, 49,500 (99%) were subscribed by the CCH and the remaining 500 by a few selected people (see below). In 1928 the capital was increased to \$20M, while the CNA was authorised to acquire the extra \$18M (CCA-AR 1933-1934).

To deal with its mission, the CCA had initially 380 employees, while its Board defined the following areas as strategic concerns: clients' selection; loans' supervision; and unpaid loans. Thus, nine units were created to deal with these issues (Figure 1). From its early start, the CCA tried hard to select premium clients, understanding by this those perceived as having low risks of delaying payments or defaulting them. For this, the Reports (*Informes*) unit gathered information on the standing of those requesting loans. This unit produced regular reports containing information on the economic situation of farmers, their moral standing, their

working methods and any other information deemed relevant. The collaterals used by farmers were also inspected and valued, and these reports were even validated by the CCA's Comptroller.¹⁶ A director of the CCA made it clear that, despite its social mission, the CCA was not charity institution: it needed to cover its loans with good collaterals ("La Caja Agraria ayuda de preferencia a los pequeños agricultores", *El Mercurio*, March 14, 1933). For this, the CCA employed local inspectors, hired by the nearest CCA branch. Additional information was also gathered from public servants working in relevant institutions, and from large landholders of the same region (CCA-AR 1933-1934). This is in line with the idea that although the main objective of a good development bank should be to maximise its development impact rather than profits, it must assure minimal commercial returns: credit should meet the standards of creditworthiness (Griffith-Jones et. al. 2019). The financial situation of the CCA was healthy even if we consider the subsidized interest rates for loans (Table 1).

TABLE 1. CCA's net income and ROE, 1927-1951 (selected years)

Year	Net Income (Mill pesos)	ROE
1927	0.01	0.1%
1928	0.88	4.4%
1929	1.93	9.5%
1930	1.29	6.3%
1931	0.26	1.3%
1932	-0.80	-4.0%
1933	2.42	12.1%
1934	2.28	11.4%
1935	2.84	13.3%
1936	2.38	6.3%
1938	1.03	2.7%
1940	0.16	0.4%

¹⁶ Collaterals were regulated by a special law, No. 4097, promulgated in 1926, the so-called Prenda Agraria law (available at <http://bcn.cl/2f4u8>). See also "25 años de fomento agrario", *El Mercurio*, January 2, 1952.

Year	Net Income (Mill pesos)	ROE
1946	34.89	6.5%
1947	0.50	0.1%
1948	1.72	0.3%
1949	1.66	0.2%
1950	1.14	0.1%
1951	20.30	2.4%

Source: Own elaboration from CCA-AR 1933-1951.

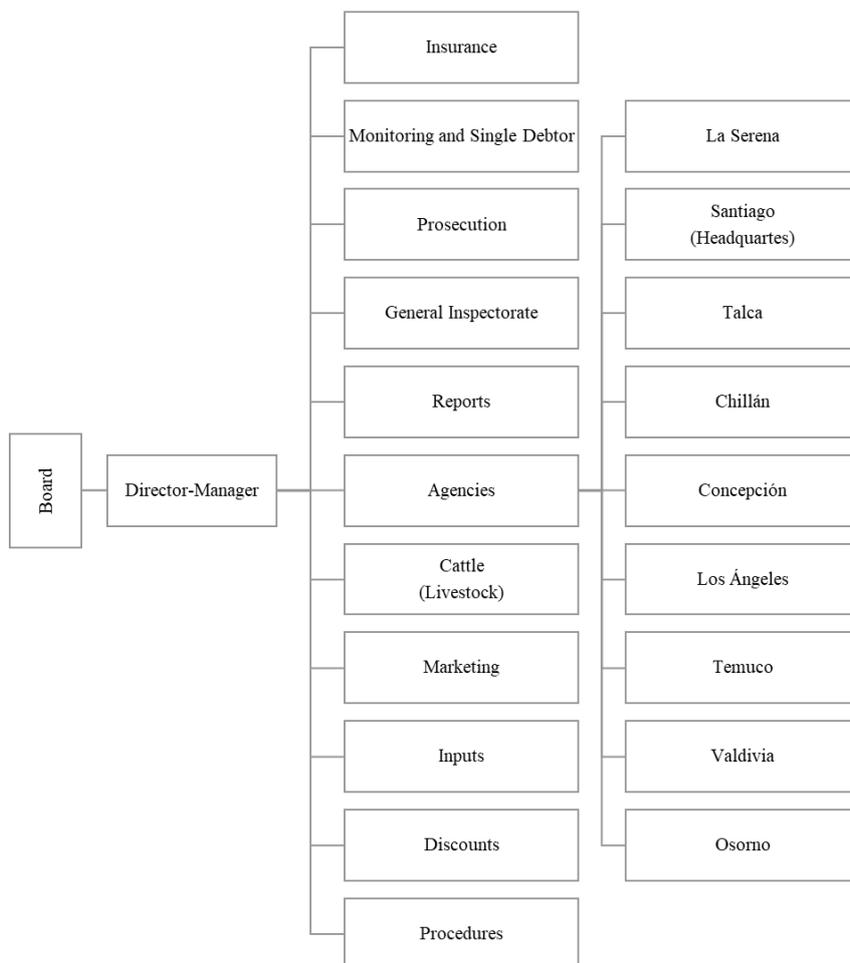
The CCA enjoyed profits in all the years contained in the table, except in 1932 when the Great Depression affected the company's finances. On the other hand, the ROE was quite irregular. For most years it was less than 1 percent, but in other years it was higher than 10 percent. If compared to the financial profitability of the main Chilean economic groups for 1938 and 1958 (the only years for which we have comparable data), which amounted to 13.7% and 12.7%, respectively (Aguirre-Briones 2020),¹⁷ CCA's ROE was slightly lower than those results, and similar in some years, such as in 1935, when the CCA's ROE reached 13.3%. The CCA obtained good financial results most of the time, despite its social mission.

Next, there was a special unit in charge of offering clients insurance protection, called Insurance (*Seguros*). The CCA acted as an intermediary between insurance companies and the small farmers, while also intermediate in case of any losses, in particular of the collaterals used by farmers to obtain the loan. In addition, there was another unit called "Monitoring and Single Debtor" (*Control de Garantías y deudor único*), which was in charge of valuations, inspections, and interventions. There was also a Prosecution unit (*Fiscalía*), which oversaw all the legal aspects of the business, including the collaterals files, actions over defaulters, and the elaboration of special reports for the Superintendence of Banks and the CCA Board. Likewise,

¹⁷ These are the only available years in Aguirre-Briones' study that are relevant for our period of study.

the General Inspectorate unit (*Inspectoría General*) was entrusted with valuing and monitoring the loans' collaterals, reporting to the "Monitoring and Single Debtor" unit. In turn, the Procedures unit (*Tramitaciones*) oversaw credit applications from Santiago and the agencies, and the Discounts unit (*Descuentos*) was in charge of the amortization of credit letter and other documents for the loan repayment (CCA-AR 1933-1941).

FIGURE 1. CCA's earliest organizational structure, c.1926-1931



Source: Own elaboration.

Another important unit was Cattle or Livestock (*Ganado*). We already mentioned that apart from providing loans, the CCA got also involved in trading operations to promote agricultural production. The most relevant of these activities was the cattle trade (together with the seeds trade). The CCA acquired cattle that was subsequently sold to farmers, either in cash or via loans.¹⁸ The operations based on credit are easy to explain: farmers were short of capital. Yet, how to explain those operations in which the CCA was a mere intermediary? In these cases, small farmers, in particular those living in isolated regions, found it difficult to find cattle sellers, so that it was easier for them to go directly to the CCA, which was a trusted institution (the alternative was to buy cattle to unscrupulous private traders). The CCA would thus also reduce information asymmetries to the benefit of small farmers and decreased the risk of default. Likewise, in those regions suffering draughts, and when farmers were unable to feed their cattle, the CCA acted as intermediary to get these cattle sold in regions where there was not any draught, including transportation by railways (CCA-AR 1933-1936).¹⁹ Continuing with the operations side of the business, the Marketing unit (*Propaganda*) was in charge of promoting the activities of the CCA, of producing internal reports, amongst other office duties. Finally, the Inputs section (*Materiales*) was entrusted with buying office supplies and all related inputs needed for the normal operations of any office (CCA-AR 1933-1934). By this early stage, all these units reported directly to the Board, as did the agencies.

¹⁸ As with seeds, the CCA was also opened to provide cash to farmers to buy cattle from elsewhere, although this rarely happened (“La Caja Agraria venderá las semillas a precio de costo”, *El Mercurio*, March 22, 1933).

¹⁹ For example, during a draught in 1933, the CCA offered farmers from the most affected area (Ovalle) to transport their cattle to the south to be fed, temporarily, or, alternatively, to act as intermediary to sell the cattle to southern farmers. “Una provechosa gira realizó el presidente de la Caja Agraria”, *El Mercurio*, 25 September 1933.

The decentralization process

Following the negative impact of the Great Depression, it was only from the 1930s that agricultural production really expanded in Chile, and with that the total value of the loans extended by the CCA. As part of this process, there was a government intervention of the CCA in 1932, including firing the entire Board, which was perceived as being responsible for not reaching small farmers as originally intended. Thus, government authorities decided to promote a decentralization of the CCA, in particular in the decision-making process regarding the geographical distribution of loans and to whom they were granted. They also decided to increase the staff of the CCA. This process was welcomed and widely publicised by the national press.²⁰ There were also increasing political concerns about the urgent necessity of supporting small farming in Chile, a country characterised by the concentration of agricultural land in a few hands. According to the 1933 director of the CCA, the main aim of the decentralization process was to provide loans to small farmers quickly, timely and directly, “without any intervention whatsoever by the national direction”.²¹

The main decentralization measures were three: local agencies in the regions were allowed to grant small loans (i.e. less than \$5k) without authorization from Santiago; elaboration of regular comprehensive reports for each agricultural zone; and relocation of some duties from the Santiago’s headquarters to the regional agencies. Likewise, the 8 agencies were divided into two categories: Category 1 (Talca, Chillán, Temuco and Osorno) and Category 2 (La Serena,

²⁰ See, for example “Hacia la descentralización de la Caja de Crédito Agrario”, *El Mercurio*, January 27, 1933; “Descentralizar sus servicios persigue la Caja Agraria”, *El Mercurio*, March 3, 1933.

²¹ “La Caja Agraria ayuda de preferencia a los pequeños agricultores”, *El Mercurio*, March 14, 1933. See also “La labor de la Caja Agraria en el año agrícola último”, *El Mercurio*, February 26, 1934.

Concepción, Los Ángeles y Valdivia). Agencies in Categories 1 and 2 could provide loans for up to \$10k and \$5k (in either cash or goods, respectively) without seeking authorization from Santiago (“Difícil será para la Caja Agraria financiar sus operaciones”, *El Mercurio*, February 20, 1933). To support their decision-making process, regional committees were created (CCA-AR 1933). Furthermore, if larger loans were needed, they could be extended too after quick consultation with Santiago. Decentralization did not mean lack of coordination. Indeed, the CCA decided to create what they call “single debt” monitoring for each borrower, as a mean to control total loans taken by small farmers.²² During 1933-1935 over 70% of the value of the CCA’s loans ended in the provinces belonging to Central Chile, but by 1953 this share had decreased to 35%. During the same period, the comparable shares of La Frontera and Llanquihue jumped from 7%, and 12%, respectively, to 30% and 25%, respectively (González-Correa and Robles-Ortiz 2022).

All in all, this process of decentralisation ended being one of the main causes that explain the successful performance of the CCA after a mediocre beginning of operations (c.1927-1932). Clients’ transaction costs were reduced by accessing directly their nearest local agencies thus shortening the time spent on travelling and other related procedures, while application processes were also speedy. For example, before 1933 loan requests that could take up to 2-4 months to be approved were shortened to 7-8 days (“La labor de la Caja Agraria en el año agrícola último”, *El Mercurio*, February 26, 1934; “La política seguida por la Caja Agraria”, *El Mercurio*, April 5, 1934). Equally important, the new Board appointed by 1932 decided to greatly increase the

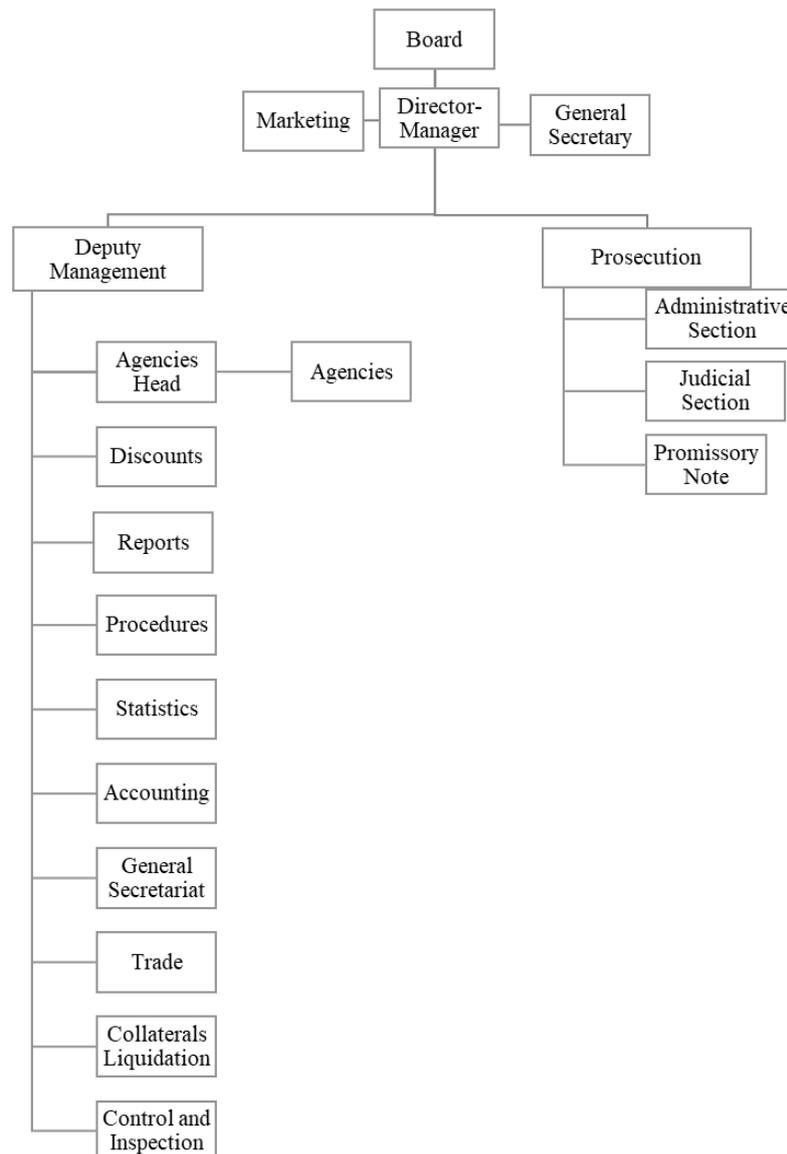
²² “Hacia la descentralización de la Caja de Crédito Agrario”, *El Mercurio*, January 27, 1933. Likewise, the agencies received regular visits from Santiago’s officers. “A visitar agencias de la Caja Agraria”, *El Mercurio*, March 29, 1934.

number of chief inspectors in the regions (in particular in Talca, Chillán, La Serena, Osorno and Los Ángeles), while reducing at the same time those in Santiago (CCA-AR 1933-1934). Likewise, fairs' inspectors (*Inspectores de Ferias*) were also appointed. They were in charge of supervising the use of credits for the acquisition of agricultural inputs (mainly livestock) at fairs organized by agricultural associations or at small farmers' markets such as the *Vega Central* (CCA-AR 1933-1939). Likewise, a new unit was added in 1932: the Promissory Note unit (*Conservador del Pagaré*), to tighten the control over debtors, and in particular to speed the process of debts recovery. By this stage, the CCA had introduced widely the use of Promissory Notes (*pagarés*) as a new collateral, so that a specialised unit was needed. The purpose of introducing the *pagarés* was to ease the access to credit to small farmers since no physical collateral was needed, neither notarial expenses and they quickly granted ("La Caja Agraria ayuda de preferencia a los pequeños agricultores", *El Mercurio*, March 14, 1933).

This process was further enhanced after a new structure was implemented between 1934 and 1936 (Figure 2). It further promoted decentralization but also modernization. For example, as part of the modernization process, in 1934 it was created the Statistics unit (*Estadísticas*), in recognition to the lateness in the delivery of information, and to provide better information to many stakeholders, such as the Central Bank, the Banks' Superintendence and Chile's National Statistics Office. It was also created a Trade unit (*Comercial*), separated from the Cattle unit, to deal with seeds, fertilisers, and other goods. In 1935 it was also created the Collaterals Liquidation unit (*Liquidadora de Garantías*), to speed up the process of debt recovery from defaulters. It would sell quickly all collaterals held by the CCA. A further step was taken in 1936, when two new divisions were created: Deputy Management and Prosecution. Each of them had several units under their belt (figure 2). Likewise, in 1937 a Human Resources unit

was added to the organization chart of the company. By this stage, the CCA had become a large and complex organization (CCA-AR 1934-1937).

FIGURE 2. CCA's structure, circa the mid-1930s



Source: Own elaboration.

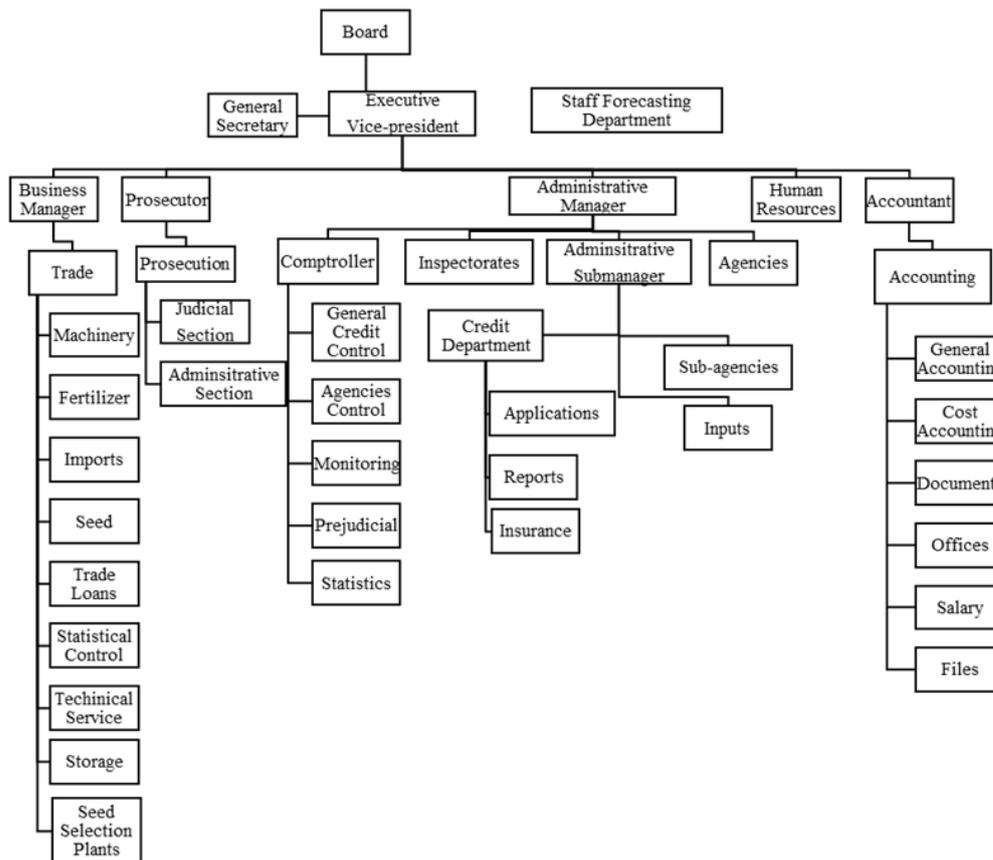
Regarding the ownership of CCA around 1936, around this time there were 30 shareholders, but ownership was as concentrated as before in the state's hands, a common feature of development banks: only a minority of governments have a minority ownership (Griffith-Jones

et. al. 2019). The Treasury owned 90% of all shares (450,000), followed by the CCH with 9.8% of the shares (49,467). The public sector owned 99.8% of the CCA. The greatest advantage of the state's owning banks has been highlighted elsewhere: it allowed the government to exert full control over the projects receiving funding (La Porta, Lopez-de-Silanes and Shleifer 2002), which in our case would be socially desirable.

The other 28 shareholders owned just 0.2% of the company. But they were not ordinary people, among them were: Pedro Aguirre Cerda future president of Chile between 1938 and 1941 and wine entrepreneur; Luis Barros Borgoño, director of the CCH, Ministry, and former vice president of the country in 1925; Luis Correa Vergara, Agriculture Ministry in 1925; Arturo Lyon Peña, Senator; Luis Matte Larraín, former Ministry of Carlos Ibáñez del Campo and founder of *Compañía Manufacturera de Papeles y Cartones*, one of the most important industrial companies of the country; Pedro Opaso Letelier, longstanding MP, which was twice president of the Senate; and Francisco Vidal Garcés, also MP.

Further expansion and consolidation, c.1940s-1950s

Following the decentralization and modernization processes of the 1930s, combined with an expansion of the institution, it was now the time to create larger divisions, and to distribute the previous units within them (Figure 3). If by the early 1930s there were 10 units, by the early 1950s this had increased to more than 30 within 4 divisions.

FIGURE 3. CCA's structure, early-1950s

Source: Own elaboration.

It is clear then that not only divisions were created but also that new units were launched, including a Wine unit (*Vinos*) in 1940. Its aim was to better control the many loans that were regularly extended to wine producers. Likewise, the CCA wanted to expand its increasing business associated to this industry. Thus, CCA employees were trained to undertake regular visits to vineyards, to control the quality of the grapes and its alcohol content, including the analysis of laboratory samples (CCA-AR 1940-1941). Additionally, some of the old units were reformed. For example, the Reports unit started to request financial reports from banks, retail

stores and respectable neighbours about the standing of those requesting loans (CCA-AR 1942-1943). To make the most of these units, in 1939 many employees were fired while others were hired, in particular agronomists, former banking employees, and technical staff who were qualified in trade and banking (“Análisis de la gestión de la ex Caja de Crédito Agrario”, *El Mercurio*, September 17, 1953). All in all, the number of staff increased up to 910 employees in 1953 (classified in 15 different grades) (“La Dirección de la Caja de Crédito Agrario”, *El Mercurio*, September 16, 1953; “La verdadera situación del personal de la Caja de Crédito Agrario”, *El Mercurio*, May 13, 1953).

Equally important, new agencies were opened. From having eight at its early beginnings, by the early 1950s the CCA had twice as much: La Serena, *San Felipe*, *Santiago*, Talca, Linares, Chillán, Concepción, Los Ángeles, *Angol*, Temuco, Valdivia, Osorno, *Puerto Montt*, *Castro* and *Punta Arenas* (the new ones are highlighted in italic). Perhaps the most important change within this process, besides the obvious increase in the number of agencies, was that the CCA expanded the range of operations to the extreme south of the country (see Map 1). This allowed to further support the production of many products such as potatoes (in Chiloé archipelago).

In turn, these agencies strengthen their relationships with other state institutions in the zones they operated. For example, loan committees were created within each agency, and they included the CCA’s agent, three local farmers, but also the agronomist of the area, who was employed by the Minister of Agriculture rather than by the CCA (CCA-AR 1944). Likewise, the state National Railways company was very supportive of the CCA’s activities, either to move cattle or any other good such as seeds and fertilizers at preferential rates (CCA-AR 1940-1950). Furthermore, the National Railways company allowed the CCA to store goods in the

railways' own stores, giving the CCA national coverage, in particular for a swift supply of nitrate and other fertilizers.

Apart from these new agencies, twenty-five Inspectorates (*Inspectorías*) were created too. They were sort of an agency, but smaller, mainly located in remote places, although in occasions close to large regional capitals. They were opened in Arica, Copiapó, Illapel, La Ligua, Los Andes, Quillota, Melipilla, Rancagua, Rengo, San Fernando, Santa Cruz, Curicó, San Javier, Parral, San Carlos, Cañete, Traiguén, Mulchén, Victoria, Lautaro, Loncoche, Río Negro, Puerto Varas, Maullín and Puerto Aysén. In addition, the CCA complemented the work of its Agencies and Inspectorates with Resident Inspectors (*Inspectores Residentes*). They resided in the following locations: Combarbalá, San Antonio, San Vicente de Tagua Tagua, Licantén, Molina, Cauquenes, Bulnes, Pemuco, Los Sauces, Collipulli, Lanco, San José de la Mariquina and Ancud. Finally, the CCA decided to open warehouses in many of these locations too, either in own premises or rented ones: Arica, San Felipe, Ovalle, Santiago, Paine, San Fernando, Santa Cruz, Curicó, Linares, Talca, Chillán, Los Ángeles, Traiguén, Temuco, Mulchén, Angol, Valdivia, Osorno, La Unión, Puerto Montt, Puerto Aysén and Punta Arenas (see Map 1). That is, not only credit was available from many locations, but also a wide array of goods, such as seeds, fertilizers and the likes. All in all, the CCA now had physical presence in nearly 60 locations all over Chile, from Arica to Punta Arenas, covering some 4,000 km. Furthermore, the CCA had an agreement with the CNA so that small farmers could apply for CCA's loans at the CNA's branches too (González-Correa 2021). This geographical diversification process came to hand with real decentralisation in decision making too. The head of the agencies, the inspectorates and the resident inspectors themselves were entrusted, gradually, with more and

more powers by the Board. This included granting of loans in either cash or goods, and for sizeable amounts.

So important and innovative was this process of being present in so many places that it was highlighted by the national and the regional press. For example, according to a Santiago's newspaper, *El Diario Ilustrado*, the CCA became "the most decentralised public institution" in the entire Chilean history (quoted in Caja de Crédito Agrario 1952, 9). This was supported by Chillán's newspaper *La Discusión*, where it was stated that the CCA's decentralisation was worth revealing, and in particular as that it was the main cause of its great success (quoted in Caja de Crédito Agrario 1952, 10).

Financial resources

Most Latin American developing banks funded themselves with paid-in capital provided by governments, which also raised further funds from the national (or international) capital markets (Griffith-Jones et al. 2019). Regarding the CCA's financial resources needed to operate, the 1927's \$20 million pesos capital was not modified until 1945. Given currency depreciation, it passed from being US\$3.6 million in 1927 to three-quarters of a million (all figures in US\$ of 1951) by 1944. This, understandably, was not enough to provide all loans requested by small farmers in Chile. Thus, the CCA had necessarily to receive financial support from many state institutions. The initial financier was the CCH, which is not surprising: after all the CCA had been created as a subsidiary of this institution.

From 1932 the Central Bank started to cooperate too through specific loans granted to the CCA via discounts,²³ or rediscounts,²⁴ although until 1940 the CCH still remained the most important partner. This protagonist role was taken by the Central Bank from the early 1940s until the end of our period of study (Table 2). The Central Bank was firstly very enthusiastic about discounting and rediscounting for cattle and seeds operations, under the law No. 4806 (BCCH-AR 1936). Furthermore, from 1933, a new law (No. 5185) allowed the Central Bank to lend directly to the CCA, for up to \$40 million. A further increase was given after passing the 1938 law No. 6290, which authorized the Central Bank to extend direct and indirect loans to the CCA, for up to \$100 million (BCCH-AR 1938).

Given the expansionary policy followed by the CCA, above described, from the late 1930s the CCA was borrowing from the Central Bank at the maximum level allowed by the legislation, and at the very low rate of 1% per annum (BCCH-AR 1939; BCCH-AR 1940; BCCH-AR 1941). In 1941 this threshold was further increased to \$250 million (BCCH-AR 1941), and a year later to \$370 million, including direct loans, indirect loans, discount and rediscounts (laws No. 4806, 6006, 6021, 6874, 7413), while all operations at 1% were extended to 12 months (BCCH-AR 1942). Likewise, from 1943 all loans provided by the Central Bank to the CCA were given at this preferential interest rate (BCCH-AR 1943). For the CCA the increasing importance of the Central Bank as a capital provider was the most important since there were some tensions between the CCA and the CCH: at one moment the CCH stopped providing

²³ This was formalised after the promulgation of the law No. 127 of 4 July 1932: it allowed the Central Bank to discount CCA's bills for up to \$50 million, at 2% interest rate, although that year only \$16.1 million were actually discounted (BCCH-AR 1932).

²⁴ By law, commercial banks and the CNA could also discount for the CCA, with the approval of the Central Bank, who would rediscount these operations (BCCH-AR, 1933).

funds, even ignoring previous agreements, for example to provide loans to cooperatives through the CCA.²⁵

By this stage the Central Bank was lending, not only to the CCA, but also to the Treasury and many other state institutions, such as COVENSA, Instituto de Crédito Industrial, Caja de Crédito Minero, CNA, and CCH. And indeed, and rightly so, for many scholars the early Latin American Central Banks can be taken as development banks too, apart from its regular monetary duties (Doctor 2015; Epstein 2006).

TABLE 2. Origin and value of the CCA's financial resources, 1927-1951 (US\$ millions of 1951)

Year	CCH contributions	Central Bank's contributions	CORFO contributions	Other state institutions contributions	Capital	Reserves	Total
1927	7.17	0.00	0.00	0.00	3.60	0.00	10.77
1928	13.30	0.00	0.00	0.00	3.70	0.02	16.99
1929	21.04	0.00	0.00	0.00	3.68	0.07	24.73
1930	31.63	0.00	0.00	0.00	3.78	0.09	35.41
1931	31.59	0.00	0.00	0.00	3.62	0.00	35.21
1932	8.83	0.61	0.00	0.00	1.05	0.00	10.49
1933	9.82	0.36	0.00	0.00	1.21	0.00	11.39
1934	12.45	0.00	0.00	0.00	1.57	0.00	14.02
1935	9.72	1.14	0.00	0.00	1.52	0.10	12.37
1936	9.39	3.35	0.00	0.00	1.47	1.30	14.21
1937	8.89	3.42	0.00	0.00	1.39	1.37	13.70
1938	8.76	4.77	0.00	0.00	1.37	1.28	14.89
1939	8.73	8.13	0.73	0.00	1.36	1.35	18.96
1940	8.56	7.62	1.78	0.00	1.34	1.32	19.30
1941	7.37	9.90	1.10	0.00	1.15	1.14	19.52
1942	6.60	13.03	0.99	0.45	1.03	1.02	22.11
1943	5.72	15.52	0.80	0.67	0.89	0.65	23.60
1944	4.98	13.59	0.50	0.58	0.78	0.51	20.43

²⁵ "Modificaciones a la ley que creó las cooperativas de pequeños agricultores", *El Mercurio*, 18 September 1949.

Year	CCH contributions	Central Bank's contributions	CORFO contributions	Other state institutions contributions	Capital	Reserves	Total
1945	0.00	3.87	0.00	1.94	20.14	0.56	25.95
1946	0.00	5.21	0.00	3.30	18.07	0.54	26.58
1947	0.00	6.40	0.00	4.16	19.85	0.48	30.41
1948	0.00	5.45	0.00	4.10	18.31	0.48	27.86
1949	0.00	6.31	0.00	7.63	19.27	0.51	33.21
1950	0.00	10.05	0.00	7.51	15.01	0.40	32.57
1951	0.00	27.32	0.00	3.17	12.99	0.33	43.48
TOTAL	214.6	146.1	5.9	33.5	158.1	13.5	558.2

Source: Own elaboration from CCA-AR 1933-1951.

Without direct support from the Central Bank, the CCA could not have expanded as it did. Indeed, when the CCA accumulated many authorised loans that could not be delivered because of lack of funds, the CCA board requested to the Agriculture Ministry to send to Parliament a new law project aiming to increase the Central Bank's contributions to the CCA. Many laws were passed increasing the amounts of loans that could be taken by the CCA from the Central Bank during the 1940s (e.g. No. 6280 and No. 7413). Regular visits were undertaken by either directors of the CCA or the Agriculture Ministry to the Central Bank's council meetings to request additional funds.²⁶ In 1945 a new law authorized that all pending obligations of the CCA with the Central Bank for up to \$350 million could be converted into public bonds issued by the Treasury (BCCH-AR 1945). Furthermore, the Central Bank was also authorized to buy any bond issued by the CCA. Finally, in 1951 law No. 9872 increased to \$1,000 million the annual limit of the Central Bank's loans to the CCA (BCCH-AR 1952).

²⁶ See for example, visit of Fernando Moller to the Central Bank's council meeting of August 1951 to request additional resources for the CCA ("Préstamos necesitan dos rubros agrícolas", *El Mercurio*, August 9, 1951).

Another important financial contributor was CORFO, Chile's main development bank, that had been created in 1939. Between 1939 and 1944, every year, CORFO, through the CCA, provided funds destined to provide small loans to farmers. Yet, in 1945 CORFO's contributions disappeared, since it was thought that it was not CORFO's role to get involved directly in agricultural loans: that ought to be the sole remit of the CCA. Yet, by the mid-1940s it was widely acknowledge that the CCA needed additional financial support from the state to continue operations ("Alcance del proyecto de ley que otorga recursos a la Caja Agraria", *El Mercurio*, February 2, 1945). Eventually, in 1951, a new law was passed after which the CCA managed to obtain \$1,000 million from the government as a capital contribution ("Ley que otorga mil millones para Caja de Crédito Agrario", *El Mercurio*, February 10, 1951). Likewise, not included in Table 2 (since there are not CCA's Annual Reports for 1952-3), in 1952 a new capital provider was added: the CNA. It gave the CCA \$150 million to provide long-term loans for the cattle sector, but also for infrastructure ("Créditos especiales para fomento ganadero otorgará la Caja Agraria", *El Mercurio*, August 27, 1952). A final contribution of \$30 million was given in 1953, to cover loans for wood producers ("Créditos destinados a industria maderera: entrega de fondos a la caja de crédito agrario", *El Mercurio*, February 5, 1953), just a few months before the CCA was merged with the rest of the institutions that formed Banco del Estado de Chile. Finally, the CCA's own profits also provided funds to operate within the Chilean market, although they were rather limited. All in all, one way or another, the CCA's board managed to secure the capital needed to finance its increasing operations. In real values, the average annual loans extended by the CCA to small farmers in 1950-1953 were 3.6 times higher than during 1930-1933, while the geographical distribution of the loans extended changed dramatically for the benefit of Llanquihue and the Frontier's provinces.

Conclusions

We have shown in this article that Chile was a pioneer within Latin America regarding the creation of agricultural development banks (i.e. for rural financing), following the creation of the CCA as early as in 1926, a few years before the beginning of state led development within the region, at least according to its most classic periodisation. The CCA was instrumental to provide subsidized capital in longer repayment periods than so far available to small farmers in Chile to promote agricultural production, while the CCA also had a “social mission”. It was part of a successful effort to build strong state capacities in the rural sector, and to promote the social inclusion of small farmers, formerly excluded from the banking sector. It helped its clients whenever needed, providing cash, seeds, cattle, fertilizers, and other inputs needed by agricultural producers such as basic machinery. The CCA personnel was made of experts in the marketing chain of all these products. Further, even during the turbulent years that followed the Great Depression of 1929, the government decided to continue financing the CCA’s activities: agriculture was perceived as a key sector of the economy.

All this said, despite its social mission, the CCA was not a charity institution. On the contrary, the CCA endeavoured to reach timely as many small farmers as possible throughout the entire country, without incurring in operational losses (except for 1932), and protecting itself against the usual lending risks, even becoming a protagonist within the local financial market. It also endeavoured to get full knowledge of all markets in which clients were operating, would it be wheat, wine, or cattle production. For this, it successfully implemented a strategy of highly coordinated decentralization, having a physical presence in most Chilean provinces, either with agencies, inspectorates, resident inspectors, or empowered representatives, which ended being a key to explain its success. The decentralization process can be labelled as a success in as much

as the CCA increased the real values of total loans provided, and the geographical distribution of these loans improved to the benefit of the southern provinces beyond Central Chile. Most clients were small farmers, so the main goals of the CCA were fully accomplished.

The CCA also introduced novel business strategies such as not requesting physical collaterals for its loans, the establishment of collaboration schemes with other state institutions (e.g. the National Railways company and the CNA), and the creation of highly specialised units within its divisions staffed with competent professionals. This is important because effective collaboration with other institutions is perceived as essential in a “good” development bank. Finally, the CCA managed successfully to raise increasing amounts of capital from other state institutions at low interest rates, such as CCH, CORFO, and the Central Bank, despite the international shortage of capital, thus being able to cover its increasing loan operations, also at subsidized rates. The CCA’s activities can be taken as a successful case of counter cyclical policy.

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MAP 1. Location of CCA’s agencies, warehouses, and related facilities



Source: Own elaboration.

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