Working papers regional urban economics - Characterization of Credit for Small Rural Producers in Colombia: Recent Developments and Challenges

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Access to development credit for small-scale agricultural producers has improved over the past two decades but remains limited. Although they account for more than 90% of beneficiaries, small producers receive less than 30% of the total amount disbursed, with low average loan values.

Publication Date: Tuesday, 11 of November 2025 **Approach**
This study analyzes the agricultural credit system in Colombia, with a particular focus on access to financing by small-scale rural producers. It examines the policies of the National Agricultural Credit System (SNCA), the financial instruments managed by the Agricultural Sector Financing Fund (FINAGRO in Spanish), and the conditions faced by financial intermediaries. Additionally, it evaluates both supply and demand-side constraints that limit access to formal credit and includes an econometric analysis to identify the factors that influence the likelihood of rural households accessing credit.

Contribution
The document provides a detailed characterization of agricultural credit in Colombia, highlighting the regional concentration of loan disbursements, the costs associated with issuing credit to small producers, and gender gaps in access. It also identifies areas of credit rationing and proposes adjustments to development policies, such as revising interest rate ceilings and strengthening subsidies. Econometric analysis offers evidence on individual determinants of access to rural credit, such as gender, income level, prior experience with credit outside the financial system, and affiliation with social security.

Findings
Access to development credit for small-scale agricultural producers has improved over the past two decades but remains limited. Although they account for more than 90% of beneficiaries, small producers receive less than 30% of the total amount disbursed, with low average loan values. The Agrarian Bank is the main financing channel for this segment, with increasing reliance on the Agricultural Guarantee Fund (FAG in Spanish), which backs most operations. Disbursements are concentrated in the Andean Region, reflecting structural inequalities in infrastructure, training, and productive profitability. Moreover, loans are mainly allocated to working capital, limiting investment in productive growth.

Supply-side constraints include interest rate ceilings that hinder cost recovery by financial intermediaries, creating rationing zones for low amounts and short terms. On the demand side, self-exclusion, lack of financial education, and the perception of complex procedures lead many producers to prefer informal sources. An econometric analysis shows that being male, having higher income, prior experience with credit outside the financial system, and affiliation with social security significantly increase the likelihood of accessing credit. The potential of microfinance institutions to expand coverage through technologies that reduce costs and improve risk assessment is also emphasized.

Fuente: https://www.banrep.gov.co/en/publications-research/working-papers-regional-urban-economics/characterization-credit-smallscale-rural