

## ABSTRACT

This study is concerned with an analysis of the nature of farm finance and institutional credit in Tobago paying particular emphasis on the contribution of agricultural credit to farm production and agricultural development in the island.

Because the Agricultural Development Bank (ADB) is the primary source of farm credit in Tobago, an assessment was made of its performance in terms of the composition and volume of its loan portfolio, methods of disbursement and supervision and the extent to which its objectives were achieved among the farming population.

Data used in these analyses were obtained mainly from the files and records of the ADB and from a survey of the farming population conducted over a three-month period in 1975 in Tobago. The survey was carried out among two groups of farmers. The first group - Sample A - comprised twenty (20) farmers who used institutional credit over the period under investigation. Data on size, purpose and terms of loans, default, income, production, attitudes towards the ADB, the extent of supervision and the timeliness of credit were analysed. Regression equations were also used to determine the productivity of credit.

The other group - Sample B - comprising thirty-four (34) farmers without agricultural credit was chosen to represent non-credit farms ("farms" and "farmers" are used interchangeably) in Tobago. The nature of their farm finance and the factors that influence their willingness to incur debts were assessed. The information generated from this sample was then compared with the results obtained from Sample A.

In general, credit, as a factor, is more productive or most efficient when combined with other factors - land, labour, technology,

management and adequate marketing facilities. These factors were therefore investigated relative to their importance to an effective credit programme.

This study revealed that borrowing was not a major source of farm finance in Tobago. Even those farmers who borrowed from the ADB used a substantial part of their non-farm income to finance their farms. Furthermore, many farmers were unaware of the ADB and the services it offered. Farmers with credit had a higher level of farm production and income than farmers without credit. The age of farmers, the size of their holdings, the level of technology, use of modern inputs and the type of their enterprises were some factors that influenced their willingness to incur debts. The timeliness of credit and the inadequacy of the marketing system further inhibited many farmers from using the facilities of the ADB.

Default appeared more to be the result of the farmers' inability rather than their unwillingness to repay loans. Short-term loans, generally unsuited to long-term development, were the main type of loans disbursed. Supervision of loans and extension services provided were considered inadequate for an effective credit programme.