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ABSTRACT

The principal objectives of this study are to explore the sources and availability of credit to the agricultural sector in Trinidad and Tobago, with special reference to the Agricultural Development Bank and, to identify the costs affecting the behaviour of both lender and borrower in such ways that credit fails to create the dynamic impact on the development of the agricultural sector.

The ADB attempts to meet a credit deficiency resulting from the reluctance of commercial banks to finance agricultural activities. The analysis of the ADB's operations identifies three distinct and different kinds of lending costs: the cost of funds borrowed from external sources, the cost of administration of funds lent and the cost associated with probable loss of funds due to loan defaults. The total of these costs is fairly high and poses problems to the credit program. ADB's loan customers experience two kinds of borrowing costs: interest costs and transaction costs. Only the latter is significant.

The combination of both lender and borrower costs in the credit delivery systems influences the use of credit and probably serves to make the increased injections of funds to the agricultural sector less effective than they could be.

SOURCES OF CREDIT TO THE AGRICULTURAL SECTOR

Commercial Banks

Other Sources