Vol. 3 No. 1 September 2023

Central Bank of Trinidad & Tobago

Research Papers

Alternative Financing for MSMEs in Trinidad and Tobago: Expanding Financial Intermediation to Support Economic Diversification

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Research Department

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CENTRAL BANK OF TRINIDAD & TOBAGO

Research Papers Vol. 3 No. 1 September 2023

ISSN 2220-1297

Publisher: Central Bank of Trinidad and Tobago
P.O. Box 1250, Eric Williams Plaza, Independence
Square, Port of Spain
Phone: (868) 621-2288; (868) 235-2288

Email: info@central-bank.org.tt URL: www.central-bank.org.tt

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Abstract

The development of a thriving micro, small and medium-sized enterprise (MSME) sector in Trinidad and Tobago has been stymied by access to financing, limiting its capacity to contribute to sustainable growth and job creation. Alternative finance instruments, including those in the fintech space, have been introduced successfully in some developing economies to minimise common barriers to finance from both the supply and demand perspectives. However, they must be appropriately matched to the needs of modern businesses within a particular economy. A survey was issued by the Central Bank to capture preferred sources and uses of financing, barriers to financing, and the awareness of non-traditional credit sources. The survey shed light on the current MSME finance gap – the difference between credit demand and supply – and its influencing factors. Unmet demand for the sample was estimated to range between 75 and 84 per cent of the financing requested. Further, while there was fair knowledge of alternative finance instruments, this did not translate to similar recourse to these sources. The paper proposes several recommendations to narrow the MSME finance gap through two complementary approaches: reducing the infrastructural barriers to finance and fostering an enabling environment to expand the range of alternative financing options available.

Keywords: micro, small and medium-sized enterprises, access to finance, alternative finance, financial intermediation.

ACKNOWLEDGEMENTS

This project was supported by the Inter-American Development Bank.

The author would like to acknowledge Professor Thorsten Beck for his constructive comments and direction in the completion of this study. The author also wishes to express gratitude to Natalie Thomas of the Research Department for her quality assistance in the design and execution of the Sample Survey on MSME Financing in Trinidad and Tobago, as well as Planting Seeds Caribbean and the National Entrepreneurship Development Company Limited (NEDCO) for their enthusiastic support in disseminating the Survey. Lastly, the author thanks the Survey participants for their time and input.

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1 Introduction

Micro, small and medium-sized enterprises (MSMEs) are inarguably the lifeblood of a developing economy, but inadequate access to finance has limited them from maximising their growth potential, generating employment opportunities, and contributing optimally to economic development. In Trinidad and Tobago, MSMEs[1] employed around 200,000 persons and contributed nearly 30 per cent of gross domestic product (GDP) in 2009 (Williams 2009). The latest data from the Central Statistical Office's register of business establishments suggests that MSMEs accounted for 95 per cent of registered businesses[2] in 2018. These firms operate in various sectors of the economy, but their most significant activities are in the services sectors (such as retail and distribution, personal services, and construction). Anecdotal evidence suggests that the number of MSMEs (formal and informal) may have ballooned over the last decade, powered by the digital revolution. However, traditional finance provided by the banking system remains insufficient to fulfil the credit needs of the sector owing to extant barriers that limit supply and demand (Temelkov, Boshkov and Zezova 2018, Berkmen, et al. 2019). Increasing digitalisation and rapid advances in financial technology (fintech) present new opportunities for developing alternative vehicles for financial intermediation, which can narrow the shortfall between credit demand and supply, otherwise known as the MSME finance gap.

Alternative financing refers to various instruments available for funding outside of bank debt, including debt-based, equity-based, and non-investment-based instruments (OECD 2015, Ziegler, Shneor, et al. 2021). In developing economies such as Trinidad and Tobago, the capital market is considered an "alternative" solution as it is not a traditional source of finance for MSMEs. Even so, it may be better suited for larger firms. The domestic market has been characterised by a limited number of listings and low trading volumes. In 2012, a junior stock market was introduced to allow SMEs to raise capital on the Trinidad and Tobago Stock Exchange. Despite tax incentives offered by the Government and the introduction of an SME mentorship programme in 2022, uptake of equity-based financing has been low.[3] Other public sector initiatives have been introduced over the years with limited success.[4] Beyond the regulated banking sector and capital markets, alternative finance mechanisms include financial products and services developed through innovative and predominately online platforms, instruments, and systems. Fintech companies (fintechs), such as marketplace lenders or crowdfunders, also present a viable solution to bridge the MSME financing gap.

Trinidad and Tobago is well positioned to capitalise on the burgeoning fintech movement in alternative finance with the launch of supportive initiatives such as the Innovation Hub and the Regulatory Sandbox in 2020.[5] The Sandbox will enable fintechs to operate provisionally and within limits under the supervision of the regulators in a live testing environment.[6] Phase 1, which is currently underway, is applicable to e-money issuers, while Phase 2 is expected to incorporate broader fintech

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[1] According to the Ministry of Labour, a micro enterprise in Trinidad and Tobago is defined as having a staff of between 1-5 employees, assets of up to $250,000, and sales turnover of up to $250,000; a small enterprise has between 6-25 employees, assets of up to $1,500,000, and sales turnover up to $5,000,000; and a medium enterprise has between 26-50 employees, assets of up to $5,000,000, and sales turnover of up to $10,000,000.
[2] It should be noted that several micro and small enterprises are unregistered or are informal business entities.
[3] As of March 2023, there were two listings on the SME market.
[4] Dhanessar, Alon. (2023). "The Role of the Government of Trinidad and Tobago in Facilitating Financial Market Development and Financial Inclusion." Central Bank of Trinidad and Tobago, Research Paper.
[5] The Innovation Hub and Regulatory Sandbox are joint initiatives of the Central Bank of Trinidad and Tobago, the Financial Intelligence Unit of Trinidad and Tobago, and the Trinidad and Tobago Securities and Exchange Commission.
[6] https://www.central-bank.org.tt/fintech/regulatory-sandbox

ventures. The introduction of such fintechs into the domestic financial environment may necessitate a change to regulatory and legal frameworks, especially if cross-border ventures are considered. It is against this background that a deep dive into alternative finance mechanisms is timely to understand the capacity to expand financial intermediation in Trinidad and Tobago, so as to promote financial inclusion and alleviate long-standing funding challenges that have stifled the MSME sector. It is envisioned that the narrowing of the MSME finance gap will have positive implications for the sector to stimulate inclusive growth and sustainable economic diversification.

The overarching aim of this explorative study is to examine the diversity of alternative finance instruments, including those provided by fintechs, with a view to identifying those which could effectively reduce the mismatch between the supply and demand of MSME credit in Trinidad and Tobago. A starting point would be the quantification of the MSME financing gap in Trinidad and Tobago and the identification of influencing factors, so that the potential determinants of the demand and supply for various alternative finance options can be ascertained. Primary research will be conducted to achieve this objective using a descriptive research design. This includes the issuance of a survey to domestic MSMEs, through selected business development organisations, to collect qualitative and quantitative statistics. The end goal is to present policymakers and regulators with a suite of recommendations that can reduce long-standing barriers to finance while fostering an enabling environment for the development of alternative finance mechanisms through, inter alia, the establishment of appropriate legal and regulatory frameworks.

The following research questions will guide the study:

- What is the spectrum of financial opportunities and risks presented by various alternative finance solutions?
- Which alternative finance options are potentially most effective, in terms of cost, accessibility, and risk, to reduce the MSME finance gap in Trinidad and Tobago?
- What actions can the Government and regulators take to facilitate the development and encourage the adoption of alternative finance mechanisms in Trinidad and Tobago?

The paper proceeds as follows: Section 2 provides a background on MSME financing, including a review of the global financing gap, common supply and demand constraints, as well as a taxonomy of alternative finance options. Section 3 describes the sample survey issued to MSMEs for this study, reports and analyses the results, and produces the MSME financing gap for the sample. Section 4 reviews country experiences (case studies) with alternative finance options in developing economies. The paper concludes in Section 5 by proposing feasible options for minimising the MSME finance gap in Trinidad and Tobago and suggesting practical policy considerations for alternative finance development.

2 Background: MSME Financing

2.1 The Global Financing Gap

MSMEs play a key role in economic and social development. According to the World Trade Organization, MSMEs represent 95 per cent of companies worldwide and account for 60 per cent of employment (World Trade Organization 2020). In developing countries particularly, the World Bank estimates that MSMEs provide close to 80 per cent of jobs, including the informal sector (World Bank 2013). Although they account for a large proportion of the workforce, MSMEs typically contribute less to GDP – 35 per cent in developing economies and 50 per cent in developed countries – due to lower productivity compared to larger enterprises (World Trade Organization 2017).

Access to finance is a major growth inhibitor for MSMEs in developing economies. In a study of 128 developing economies, the International Finance Corporation estimated unmet financing needs to be US$5.2 trillion – 19 per cent of the cumulative GDP in these countries and 1.4 times the level of MSME lending (International Finance Corporation 2017). Moreover, the gap in financing represented 59 per cent of the total potential credit demand. Microenterprises accounted for 14 per cent of the gap, but 81 per cent of their potential demand was unmet. Unmet financing for small and medium-sized enterprises (SMEs) represented 56 per cent of their potential demand. This suggests that microenterprises have relatively higher unmet needs from formal providers, which may be fulfilled by alternative financing sources.

The global MSME finance gap is unevenly distributed across regions. East Asia and the Pacific (EAP) constituted close to half of the estimated gap, followed by Latin America and the Caribbean (LAC), and Europe and Central Asia (ECA) (**Figure 1**). However, on a proportional basis, the Middle East and North Africa (MENA) and LAC regions had the highest unmet financing needs. The finance gaps in these regions accounted for 88 per cent and 87 per cent of total potential demand, respectively (**Figure 2**). For the LAC region, this implies that just 13 per cent of financing was supplied by financial institutions. Financial depth in the LAC region, estimated by domestic credit to the private sector relative to GDP, was 47 per cent in 2017, compared to 199 per cent in the United States (Herrera 2020). This suggests that the financial sector has a greater capacity to finance real sector activity.

Figure 1: Regional Distribution of MSME Finance Gap, US$ Billions

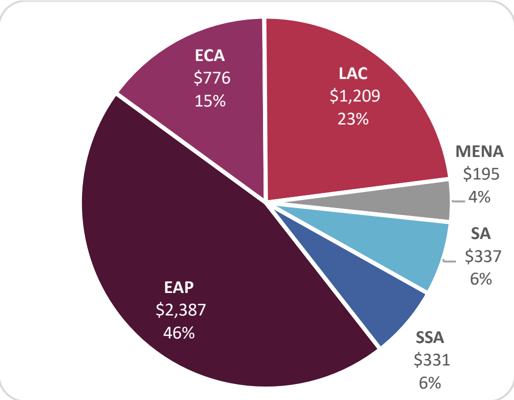
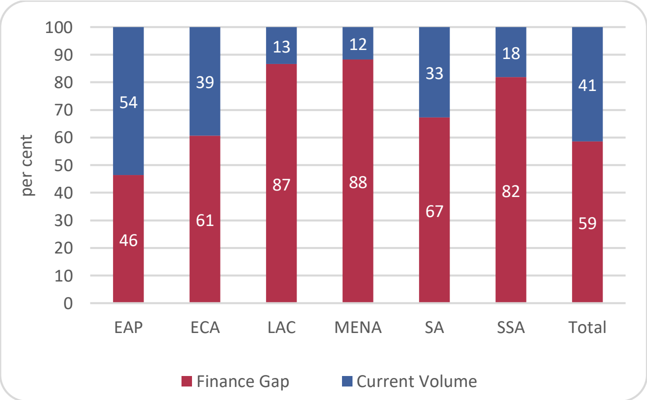


Figure 2: MSME Finance Gap as a Proportion of Potential Demand, per cent



Source: International Finance Corporation (2017).
Note: EAP = East Asia and the Pacific; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; MENA = Middle East and North Africa; SA = South Asia; SSA= Sub-Saharan Africa.

2.2 Supply and Demand Constraints

There are numerous barriers that deter financial institutions from maximising their capacity to finance MSMEs. Financial institutions tend to perceive MSMEs as risky; many enterprises fail within the first few years of operation. Common challenges experienced from the financial institutions' view include businesses being unable to put forward a convincing loan proposal as ideas may not be based on market research. Business owners may also lack financial literacy, a detailed record of corporate financial statements, and performance management systems. MSMEs are often undercapitalised and do not possess adequate collateral. Moreover, collateral may be of poor quality, or difficult to liquidate in the event of a default. Further, deficient credit information systems do not provide the institution with ample information to assess the creditworthiness of a potential borrower. Financial institutions are more likely to provide financing if a government or government-related entity could provide a guarantee. Overall, there is a higher relative cost of due diligence related to an MSME loan, which is typically lower value, compared to credit to a larger enterprise (Dalberg Global Development Advisors 2011, Madan 2020, International Labour Organization 2020, Alliance for Financial Inclusion 2020).

Traditional finance providers, largely banks, are generally less exposed to the MSME sector in developing economies compared to their developed counterparts. Beck et al. (2008) surveyed 91 large banks in 45 countries and found that, although banks viewed the sector as potentially profitable, macroeconomic instability was a major deterrent in developing economies. In addition to reducing their exposure to the sector, banks offered a lower share of investment loans and charged higher interest rates and fees to MSMEs in these countries. Consistent with the supply barriers identified earlier, Beck et al. (2008) reported that the surveyed banks had a positive perception of government programmes, including guarantee schemes, directed credit programmes, interest rate subsidies, and regulatory subsidies. Such programmes are commonly found in developing economies, including Trinidad and Tobago, as a means to stimulate activity in the MSME sector in light of banks' hesitancies. Even so, there are several services provided by the Government and related entities to address other shortcomings of the sector, such as financial literacy and poor records management.

Demand-side constraints overlap supply barriers in some areas. From the businesses' perspective, applying for financing may be intimidating if owners do not have an existing relationship with a financial institution, perceive the administrative requirements to be too onerous or difficult to comply with, believe they will be rejected, or may have been rejected in the past. Young businesses, or those with limited experience or credit history, also face an obstacle in meeting the requirements of traditional financing sources, as formal credit assessment models may be tied to historical performance. Some owners find difficulty in developing a solid loan proposal. With respect to collateral, the required amount may be too high, or businesses are unwilling to pledge assets for fear of loss in case of a default. The cost of borrowing, for example high interest rates, also presents a challenge to MSMEs (Alliance for Financial Inclusion 2020, United Nations Economic and Social Commission for Asia and the Pacific 2020).

Corporate financing surveys conducted in Trinidad and Tobago revealed similar results. In a 1992 study, 87 per cent of SMEs identified both availability of finance and cost of finance as constraints to the scale of operations (Clarke, Stoddard and Shield 1995). In response to factors limiting business expansion, 41 per cent of SMEs highlighted bank queries regarding project feasibility as a major inhibitor and 17 per cent were limited by the lack of collateral. In an update to the study one decade later, a lower proportion of SMEs viewed availability and cost of finance as a constraint to the scale of operations (Finch and Stoddard 2003). However, the cost of finance (56 per cent) was deemed a slightly more important factor than the availability of finance (54 per cent). These factors were considerably higher for startups and firms less than ten years in operation – 79 per cent of these SMEs were constricted by the cost of financing and 67 per cent by the availability of funds.

2.3 Taxonomy of Alternative Finance Options

There are multiple avenues outside the traditional financial sector by which MSMEs can fulfil their unmet financing needs to support long-term growth. New and innovative solutions have emerged, echoing developments in financial services, particularly in the fintech space (International Monetary Fund 2019). Due to the digitalisation of their services, fintech companies are capable of faster loan processing with lower transactional and funding costs. They may accept smaller loan requests and may be willing to consider non-traditional data in their credit risk assessments (Temelkov, Boshkov and Zezova 2018).

Increasing awareness of existing financing models is key to expanding financial intermediation by stimulating interest from both the supply and demand perspectives. While classifications and definitions may vary somewhat by jurisdiction, depending on the development of the model within the particular financial ecosystem (OECD 2015, Rubanov and Marcantonio 2017), alternative financing instruments may be broadly categorised as debt-based, equity-based, and non-investment-based (Ziegler, Shneor, et al. 2021). Each approach has its advantages in overcoming traditional financing hurdles and reducing market inefficiencies, but the introduction of new products or providers may present unique risks to both the issuer and the borrower. **Table 1** compiles a working taxonomy of alternative financing options. Characteristics of the model types are subsequently highlighted, and opportunities and risks are discussed.

Table 1: Taxonomy of Alternative Financing Options for MSMEs

Category	Model		Stakeholders
Debt-Based	Securities	Public Offerings	Individuals or institutional investors purchase bonds issued by corporations in the capital market, typically at a predetermined interest rate.
		Private Placements	A limited pool of individuals or institutional investors purchase privately-issued debt securities, typically at a predetermined interest rate.
	Peer-to-Peer (P2P)/ Marketplace Lending		Individuals or institutional investors provide a loan to a borrower, commonly ascribed to off-balance sheet lending.
	Balance Sheet Lending		The platform entity provides a loan directly to the borrower, ascribed to on-balance sheet, non-bank lending.
	Invoice Trading/ Factoring		Individuals or institutional investors purchase invoices or receivables from a business, at a discount.
Equity-Based	Public Equity via Specialised Platforms		Individuals or institutional investors purchase equity security from a company via specialised platforms for public listing of businesses and share in the profits or royalties of the business.

Category	Model		Stakeholders
	Private Equity	Venture Capital	Individuals or institutional investors purchase equity issued by a company via a privately-managed pool of funds, typically in the early or expansionary stages of development.
		Angel Investing	Individuals or institutional investors purchase equity issued by a company, typically in the early stages of development.
	Equity-Based Crowdfunding		Individuals or institutional investors purchase equity issued by a company, typically in the early stages of development.
Non-investment-Based	Reward-Based Crowdfunding		Backers provide funding to companies in exchange for non-monetary rewards or products.
	Donation-Based Crowdfunding		Donors provide funding to companies based on philanthropic or civic motivations with no expectation of monetary or material return.
	Crowd-Led Microfinance		Backers provide funding to companies based on non-financial motivations, typically for zero or minimal return on capital.

Source: Adapted from Ziegler, Shneor, et al. (2021) and OECD (2015).

2.3.1 Debt-Based Financing

The most established form of financing outside of bank-based lending involves the issuance of debt-based **securities** in the capital markets. The corporate bond market presents significant capital-raising opportunities by enabling access to a large and diversified investor base. In contrast to equity instruments, there is no loss of ownership or control of the issuing company. Notwithstanding, there has been limited uptake from the MSME sector, especially in emerging markets, owing to several challenges (Carvajal and Loladze 2016). Most firms generally do not meet standard issuer requirements including size, scale, credit history, and stability in earnings (cash flow) to maintain the fixed repayment schedule. Bonds, which may be secured or unsecured (debentures), are often expensive to issue and more suitable for medium-sized and large firms. There have been efforts in various jurisdictions to expand access to the capital markets, such as regulatory reforms to allow private placements by unlisted MSMEs, including the introduction of mini-bonds[7] (World Bank 2020). While the private placement of bonds targets a smaller pool of sophisticated investors, smaller companies may gain faster access to financing with fewer regulatory burdens (such as the provision of a credit rating) than if issued through a public placement.

Debt-based securities offer investors an opportunity to diversify portfolios at potentially high yields; however, investors are also exposed to numerous risks including default risk, interest rate risk, inflation risk, liquidity risk, and call risk (OECD 2015). MSMEs may be incapable of offering the yields necessary to offset the higher risk undertaken by investors.

There are a number of debt-based financing options available beyond the regulated banking sector and capital market, which leverage developments in fintech. **Peer-to-peer (P2P) or marketplace lending** directly connects individuals or institutional investors to borrowers, typically through online platforms, without needing a traditional (bank-based) intermediary. The platform, or marketplace,

[7] Mini-bonds, while unsecured, are medium-term instruments that have a smaller minimum issuance size than typically required.

facilitates requests for funding and the fintech provider assesses the potential borrower to determine their creditworthiness and an appropriate interest rate. These factors are applied to match borrowers to available investors within the marketplace; P2P lending can also be described as debt-based crowdfunding (Fenwick, McCahery and Vermeulen 2017). The provision of the loan and subsequent repayments are made over the platform, between the borrower and the selected investor or group of investors. Both parties pay a fee to the P2P provider for services rendered including credit assessment, matchmaking, coordination of payments, and debt recovery (World Bank 2020).

P2P lending is attractive due to its approval speed and affordable lending terms. It is most useful to borrowers who may not qualify for financing through a traditional service provider due to, inter alia, low (or no) credit ratings and limited collateral. It also allows borrowers with short credit histories to build credit scores – which could improve future access to other financing instruments with more stringent requirements – as platforms may report to existing credit bureaus. Competition among lenders within the marketplace may drive interest rates lower, further benefitting the borrower. At the same time, investors typically earn higher returns on P2P investments compared to other options and can diversify their investment portfolio across the marketplace. This must compensate for the default risk borne entirely by the lender; there is no risk to the platform and no insurance on the investment (World Bank 2020). Given the nature of the borrowers, most lending across P2P platforms is unsecured. However, there are specific platforms that require collateral held against the loan, for example, property-secured P2P lending.

Similar to the P2P model, the **balance sheet lending** model is an online fintech platform but operates closer to a traditional intermediary. That is, the lending platform offers non-crowd-based funding directly to the borrower using its own resources. A balance sheet lender earns income through fees and interest margins. While P2P lending is recognised as off-balance sheet, the loan, provided in a balance sheet model is recorded on the company's books. As a result, the platform is directly exposed to default risk (Ziegler, Shneor, et al. 2021). Borrowers may prefer balance sheet to P2P models due to the disbursement speed. A balance sheet lender can supply funds immediately upon approval of an application, whereas access to funding under a P2P model is dependent on the availability of appropriately matched borrowers and investors at the point in time. However, loan durations are typically shorter and rates higher than under the P2P model (Owens and Wilhelm 2017).

Invoice trading or factoring refers to a firm's sale of invoices or receivables, at a discount, to individuals or institutional lenders (the factors). This form of financing may or may not be facilitated through an online marketplace. The facility is accessed by companies in several industries, including construction, retail, manufacturing and transportation, particularly where outstanding accounts receivables constitute a significant proportion of current assets (Euler Hermes 2021).

By selling invoices or receivables to the invoice financing provider, borrowers gain quick access to cash to meet short-term operational needs and minimise a strain on working capital. Moreover, borrowers transfer default risk to the lenders who now own the receivable and, therefore, have sole responsibility for collecting payments due from the borrowers' customers (non-recourse factoring). In return, lenders are afforded high, short-term earning potential through service fees. This form of invoice trading can be expensive but generally low risk; it is suitable for MSMEs with limited financial records as lenders consider the creditworthiness of the customer and not the firm (OECD 2015). General invoice financing (recourse factoring) is also an option for companies. In this model, companies borrow against the receivables (rather than selling the invoice) thus default risk is retained.

While service fees may be lower, interest charged on the loan may mount if the customer's payment is delayed, thereby postponing repayment to the lender (Wood 2021).

2.3.2 Equity-Based Financing

Similar to debt-based securities, **public equity funding via a specialised platform** on the capital market is a more traditional alternative financing option for MSMEs. This entails listing on a subset of a stock exchange (or a secondary market) dedicated to entrepreneurial development, also known as a junior stock market. To encourage listing, these markets feature more favourable terms, including tax breaks, simplified listing processes, or fewer regulatory requirements. Public equity funding also benefits firms indirectly by encouraging them to improve financial reporting and corporate governance practices, which may improve their chances of accessing finance from traditional lenders (G20 and OECD 2016). The platform may also serve as a stepping stone for listing on the primary or first-tier stock exchange. Despite the advantages offered, a public listing may be intimidating to MSMEs due to concerns surrounding higher operating (administrative) costs, increased regulatory requirements, loss of privacy, and dilution of ownership. The illiquidity of the stock and volatility in the market may also be discouraging to investors (OECD 2015).

Private equity options such as angel investing and venture capital are alternative financing options most suited for unlisted startups, early-stage companies, or MSMEs seeking expansion. Private equity options are financed by individuals or small groups of experienced investors or entrepreneurs. Both angel investors and venture capitalists target innovative companies with high growth potential and may actively monitor progress in the achievement of that goal (Fenwick, McCahery and Vermeulen 2017). While it is more difficult to acquire financing through this option, companies may benefit from being associated with a particular investor. In comparison to angel investors, venture capitalists tend to have larger access to resources, financial and otherwise, and typically invest at the later stages of a firm's growth. However, control is shared among a smaller number of shareholders who may be more demanding with respect to oversight, ownership, and decision-making. Investors face a high risk for high potential rewards (Ganti 2021).

Equity-based crowdfunding is an innovative financing model that enables individuals or institutional investors to purchase shares in unlisted startup companies, through an online platform, in order to raise capital. Startups with innovative or complex business proposals may face difficulty in accessing finance from traditional, conservative investors. This form of investment may appeal to less risk-averse parties who are enticed by entrepreneurship (OECD 2015). The company defines the terms of the financing, including a funding threshold and time for reaching the target, as well as share price and financial remuneration (equity and/or dividends). The role of the fintech provider is to ensure that potential investors have verified, transparent information to assess the investment opportunity, including a valuation presented by the company. The fintech may charge a percentage of financing raised, alongside administrative or legal fees related to listing on the platform (European Commission 2015, World Bank 2020).

In contrast to angel investing and venture capital, the public platform for equity-based crowdfunding is intended to attract many investors, each contributing a small proportion of the required financing. This may serve to raise the profile of the company ahead of a product launch, expand the potential customer base, and provide a broad base for market research. A successful campaign may also be utilised by companies as proof-of-concept when approaching other financiers for additional funding (Disse and Sommer 2020). Due to the greater number of shareholders, control is not concentrated among a few investors. Like angel investing and venture capital, equity-based crowdfunding can offer high returns, but startup companies are exposed to a high risk of failure. Potential investors should also note the illiquidity of the shares purchased and the limited exit options. On the plus side, due to the small value of an individual investment, investors can diversify risk across multiple companies (OECD 2015).

2.3.3 Non-investment-Based Financing

Reward-based and donation-based crowdfunding are non-investment-based forms of financing by many individuals or companies in exchange for non-monetary gains. In the case of reward-based crowdfunding, supporters may receive a tangible reward, such as products or services, which may be proportional to the contribution (Motylska-Kuźma 2018). The reward may be the product for which the funds are being raised and so, similar to equity-based crowdfunding, this model provides an opportunity to build awareness, expand the customer base, and refine the product according to feedback. For donation-based crowdfunding, donors have no expectation of physical returns but are instead driven by altruistic motives. It is important to note that there is no legally-binding financial obligation between the parties under these models. That is, backers and donors neither gain ownership of the company nor become creditors (Kenton 2019). They are therefore not exposed to the risks associated with the failure of the particular project. Nonetheless, the costs associated with producing and supplying rewards, as well as potential service fees owed to the crowdfunding platforms could reduce net funds received (Keng 2014).

A lesser known source of non-investment-based financing is **crowd-led microfinance**, which combines the best features of microfinancing and crowdfunding to deliver financial support to low-income or financially marginalised MSMEs. In contrast to reward-based and donation-based crowdfunding, debt is incurred under the model, though a minimal amount due to the nature of microfinance loan sizes (Wardrop, et al. 2015). Participants in the crowd-led microfinance model are not financially motivated; lenders may receive little or no return. Rather, any interest forgone (considered a donation) or profit generated may be reinvested to provide microfinance at a lower rate (Ziegler, Shneor, et al. 2021).

Table 2 summarises the characteristics of the aforementioned models by key criteria for selection.

Table 2: Characteristics of Alternative Financing Models by Criteria

Criterion	Characteristics of Model	Examples of Models
Provider of financial resources	Individual Investors	P2P lending; equity-based, reward-based and donation-based crowdfunding
	Institutional Investors (investment, pension, venture funds, banks and others)	P2P lending; equity-based, reward-based and donation-based crowdfunding
	Trade Organisers (Online Alternative Financing Platform)	Balance sheet lending
The main purpose of the provider of financial resources	Profit	P2P lending; equity-based crowdfunding
	Support for innovative ideas, implementation of socially significant projects	Reward-based and donation-based crowdfunding; crowd-led microfinance
Formation of income (remuneration) of the provider of financial resources	Funding on the basis of share participation (income – dividends, royalties)	Equity-based crowdfunding
	Financing on the basis of debt participation (income – interest)	P2P lending; balance sheet lending; debt-based securities
	Lack of financial reward for the provider of financial resources	Reward-based and donation-based crowdfunding; crowd-led microfinance
The purpose of attracting financial resources	Realisation of socially meaningful and other unprofitable projects	Donation-based crowdfunding; crowd-led microfinance
	Funding of working capital, increasing liquidity	P2P lending; invoice trading/factoring; balance sheet lending; debt-based securities
	Financing of investment projects, startups	Equity-based, reward-based and donation-based crowdfunding
Motivation to use alternative financing	Maintaining maximum control over business	Reward-based and donation-based crowdfunding; crowd-led microfinance
	Maximum speed and ease of attraction of financial resources	P2P lending; equity-based crowdfunding

Source: Adapted from Rubanov and Marcantonio (2017).

3 Sample Survey on MSME Financing in Trinidad and Tobago

Quantifying the current MSME financing gap in Trinidad and Tobago and defining its contributing factors is the first step in addressing the research problem – understanding the dynamics of the gap and the weaknesses that exist in the support system can steer policymakers, regulators, and financial service providers towards the most efficient and effective solutions in the alternative finance space. To supplement this objective, information on the sources and uses of funding, factors influencing MSME credit demand, as well as the awareness and perception of credit sources outside of the traditional banking system were deemed important information to collect. Given the inadequacy of recent qualitative and quantitative statistics for the local MSME sector, it was determined that a survey targeting MSMEs would be the most useful resource to close the data gap as it relates to credit demand. The assessment will serve to improve the richness of the MSME dataset and may allow researchers to track developments since the corporate financing surveys commissioned by the Central Bank of Trinidad and Tobago (the Central Bank)[8].

3.1 Survey Methodology

The Sample Survey on MSME Financing in Trinidad and Tobago[9] (the Survey) was developed as the data collection tool. Determining the MSME finance gap in Trinidad and Tobago was the primary objective of the Survey. The target population was all MSMEs registered and operating in Trinidad and Tobago. Non-probability sampling, in particular a mixture of purposive and convenience sampling, was utilised as the sampling technique. Planting Seeds Caribbean and the National Entrepreneurship Development Company Limited (NEDCO) were the entities selected based on the Central Bank's network of contacts in the MSME sphere. Planting Seeds Caribbean is a private entrepreneurship development company that supports and promotes innovation among regional MSMEs who register with them, and connects registrants with investors across varying industries. NEDCO is a state-owned company that provides development financing, training, and other support to micro and small enterprises in Trinidad and Tobago. The Survey was also dispatched to the Business Development Unit of the Division of Finance and Economy of the Tobago House of Assembly.

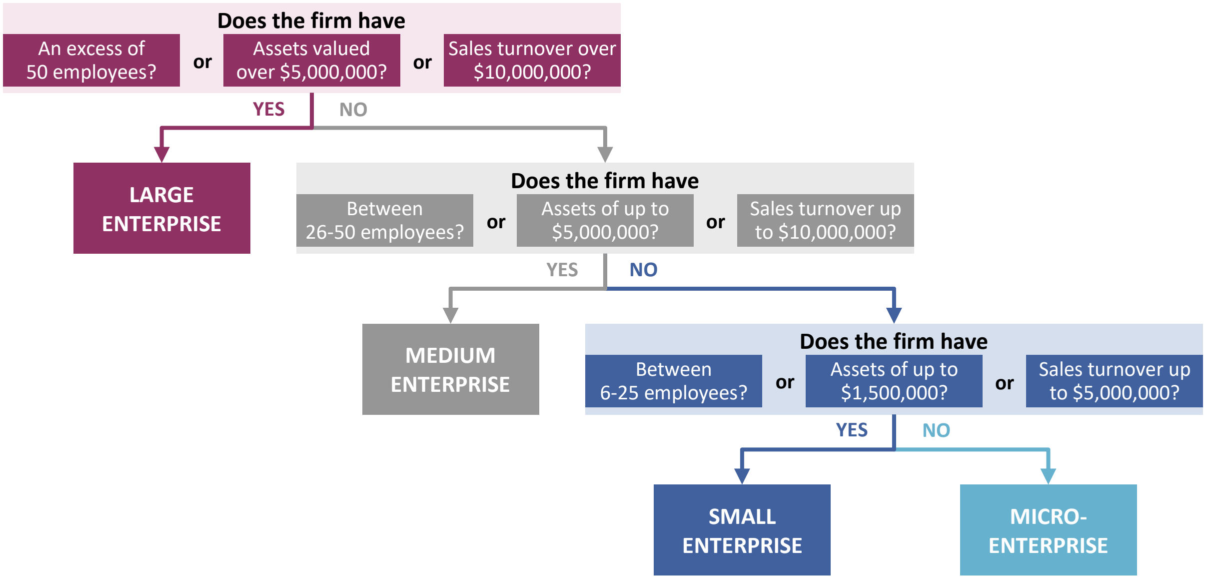
The data collected allowed for a distinction between micro, small, and medium-sized enterprises, number of years in operation, operating sector, and other characteristics. The results of the Survey were also expected to shed light on the current profile of domestic MSMEs, especially young microenterprises, and their unique characteristics in an increasingly digitalised environment.

[8] Farrel, Najjar and Marcelle (1986), Clarke, Stoddard and Shield (1995), and Finch and Stoddard (2003).
[9] See Appendix A.

3.2 Survey Procedures

The Survey was administered through Opinio, an online-based survey software, and disseminated by two organisations – Planting Seeds Caribbean and NEDCO. These organisations facilitated greater reach to the target population due to their extensive databases of domestic MSMEs. Moreover, due to the nature of the organisations, it was expected that the companies engaging their services may have an active interest in accessing financing to support continuous growth. No identifying information such as company name, email address, or IP address was used to assess the results.

The Survey was available for a six-week period between October 31 – December 9, 2022. During the dissemination period, 257 participants began the survey. However, 144 completed the questions. Further cleaning of the data was required to redistribute responses where appropriate, for example, to correct for misclassifications in the "Other" categories. Moreover, for this analysis, firms were classified according to the schematic below.



Firms were classified as large if they met one of the following criteria: an excess of 50 employees, assets valued over $5,000,000, and sales turnover over $10,000,000. Firms were then classified as medium if they met one of the following criteria: between 26-50 employees, assets of up to $5,000,000, and sales turnover of up to $10,000,000. Of the remaining pool, firms were classified as small if they met one of the following criteria: between 6-25 employees, assets of up to $1,500,000, and sales turnover of up to $5,000,000. All other firms were classified as microenterprises.[10]

Of the 144 completed responses, two were categorised as large enterprises. Results presented in the following section are therefore reflective of 142 completed questionnaires.

[10] According to the Ministry of Labour, a micro enterprise in Trinidad and Tobago is defined as having a staff of between 1-5 employees, assets of up to $250,000, and sales turnover of up to $250,000; a small enterprise has between 6-25 employees, assets of up to $1,500,000, and sales turnover up to $5,000,000; and a medium enterprise has between 26-50 employees, assets of up to $5,000,000, and sales turnover of up to $10,000,000.

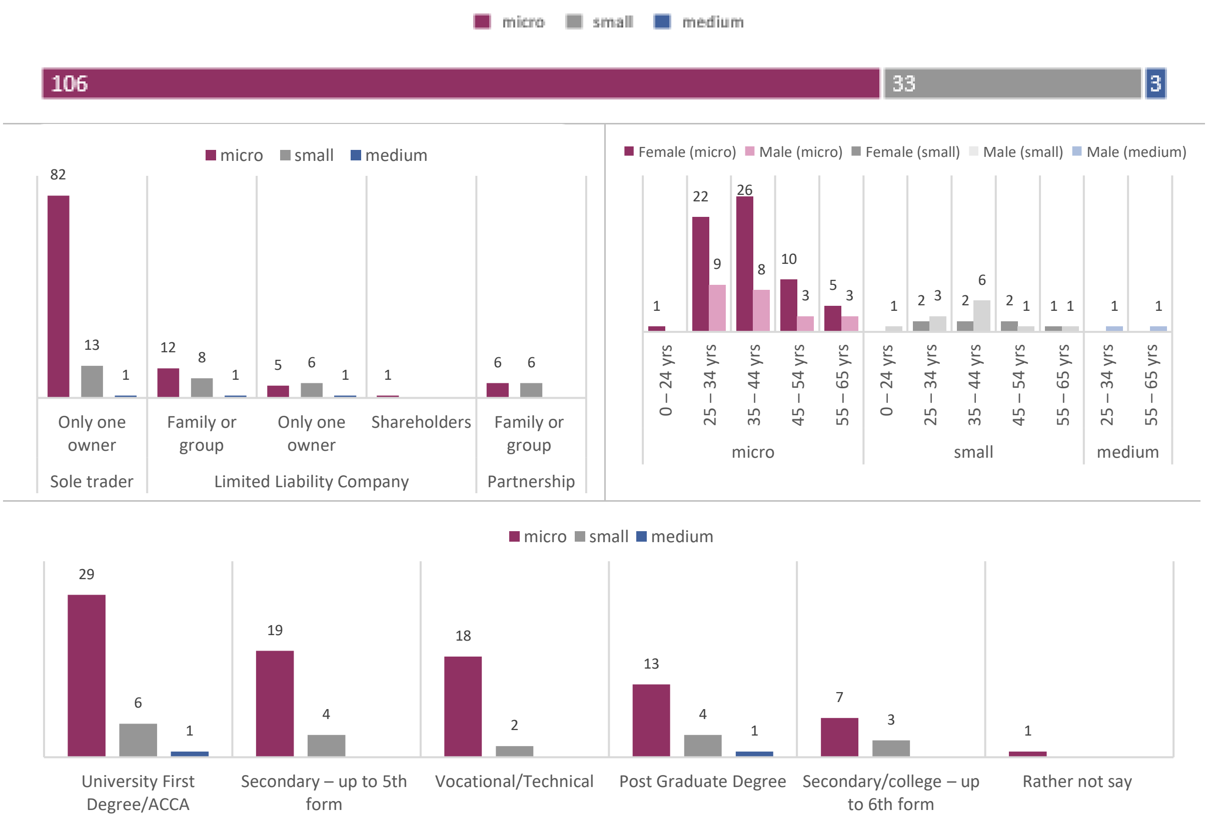
3.3 Survey Results

3.3.1 Respondent Profile

The survey sample consisted of 142 firms, the majority of which were microenterprises (75 per cent).[11] Small firms represented 23 per cent of the respondents, while medium firms accounted for only 2 per cent (**Figure 3**). With respect to legal status, most firms were sole traders or individual proprietors (68 per cent), followed by limited liability companies (24 per cent) and partnerships (8 per cent).

Further details on demographics were collected for sole traders and single-owner limited liability companies. Results revealed that most of these businesses were owned by persons between the ages of 25 to 44 years (73 per cent) and female entrepreneurs outnumbered their male counterparts (66 per cent). Additionally, microenterprises had no male owners under the age of 25 years, but female owners ranged from under 25 to 65 years. Conversely, for small firms, there were no female owners under the age of 25 years, but male owners ranged from under 25 to 65 years. Medium-sized, single-owner proprietorships were solely male-owned. Results also suggested that respondents were well educated as the academic profile was concentrated at the tertiary level (University First Degree/ACCA, Post Graduate Degree) (50 per cent), and there was a notable proportion of owners educated up to secondary level (5th or 6th form) (31 per cent). Micro-firms and small firms were represented across the various academic levels.

Figure 3: Owner Demographics (Type of Owner, Legal Status, Gender, and Educational Background)

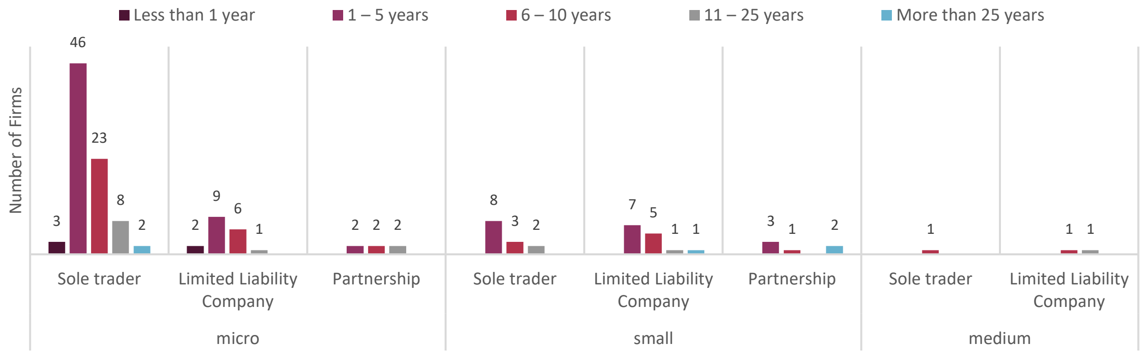


Source: Sample Survey on MSME Financing in Trinidad and Tobago 2022.

[11] The latest data from the Central Statistical Office's register of business establishments suggests that microenterprises accounted for 70 per cent of registered MSMEs in 2018.

Most surveyed firms have been operating for less than a decade (**Figure 4**). Notably, 53 per cent of the sample began operations within, or just before the onset of, the COVID-19 pandemic (1-5 year bracket). Roughly one-quarter of these firms were small firms and the remainder were microenterprises.

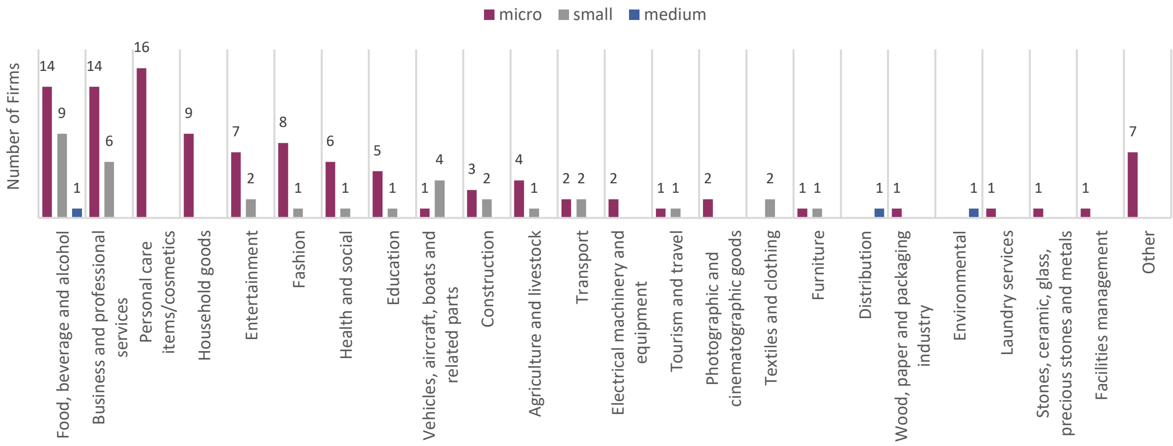
Figure 4: Company Dynamics (Years of Operation, Legal Status and Size)



Source: Sample Survey on MSME Financing in Trinidad and Tobago 2022.

Just over 60 per cent of the sample was concentrated in six sectors: Food, beverage and alcohol; Business and professional services; Personal care items/cosmetics; Household goods; Entertainment; and Fashion business lines (**Figure 5**). Further, most goods and services were targeted for the domestic market – 13 per cent of firms exported their products, the majority of which were microenterprises.

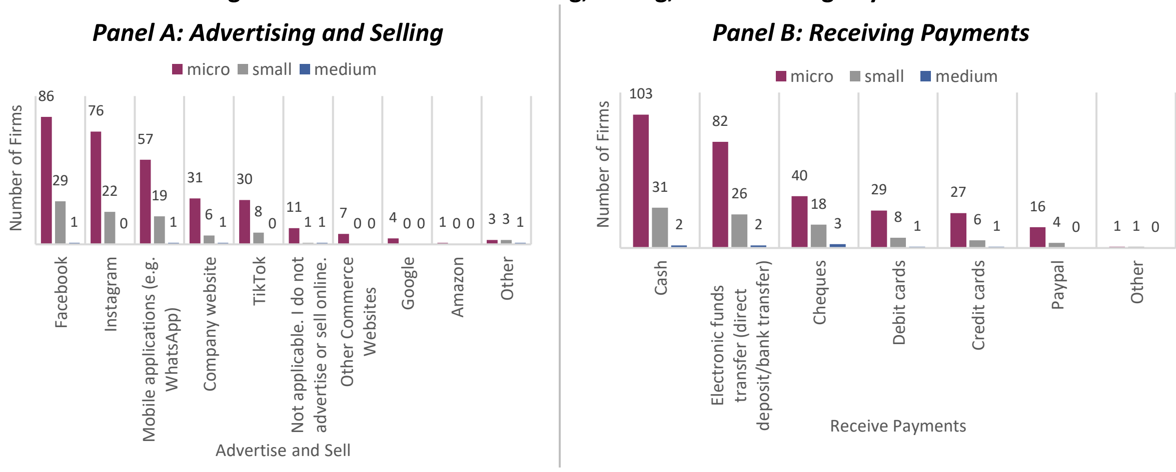
Figure 5: Sectoral Distribution of Sample



Source: Sample Survey on MSME Financing in Trinidad and Tobago 2022.

Most respondents advertise and/or sell products and services on social media (**Figure 6, Panel A**). The more popular social media platforms selected by the firms were Facebook, Instagram, and WhatsApp, as over 50 per cent of firms utilised these applications. Others included TikTok and, to a lesser extent, YouTube and LinkedIn. Following social media channels, other advertisement and sales channels identified by respondents were company websites and other commerce sites. Cash and e-transfers were the more common forms of payments accepted by the surveyed firms. Across all firm sizes, cash was the dominant choice – 96 per cent of firms accepted this payment method. This was followed closely by electronic transfers, cheques, debit and credit card payments and lastly, electronic wallets (e-wallets) such as Paypal (**Figure 6, Panel B**). For the firms that selected e-wallets (14 per cent), their social media channels were the dominant platforms used for advertisements and sales.

Figure 6: Channels for Advertising, Selling, and Receiving Payments

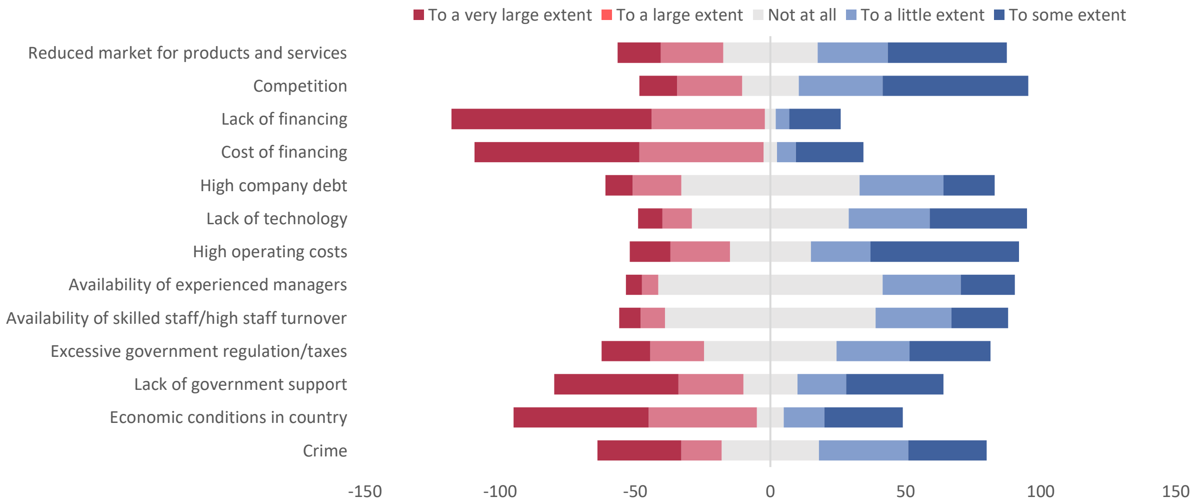


Source: Sample Survey on MSME Financing in Trinidad and Tobago 2022.

3.3.2 Growth Inhibitors

The lack of financing, cost of financing, and local economic conditions were selected as the top three constraints affecting firms' ability to grow (**Figure 7**). Most respondents that selected these three constraints were in their formative years (1-5 years in operation). The local economic climate over the last three years may be responsible for driving the negative sentiment towards economic conditions and cost of financing, despite reduced interest rates and ample liquidity during the period. Businesses may have preferred to prioritise savings in light of pandemic-related lockdowns, supply chain disruptions, and rising inflation. Factors that affected firms to a lesser extent were competition, high operating costs, and a reduced market for products and services. Most respondents were neutral about staff matters, that is, the availability of experienced managers and skilled staff, or high staff turnover. A closer look at the responses by size showed that a lack of government support followed closely behind the top three constraints for small firms. On the other hand, in the medium-sized segment, two of the top growth inhibitors identified at the aggregate level (cost of financing and lack of financing) were less of a concern. While local economic conditions still ranked as a major growth inhibitor for medium-sized firms, crime and lack of government support had greater impacts.

Figure 7: MSME Growth Inhibitors

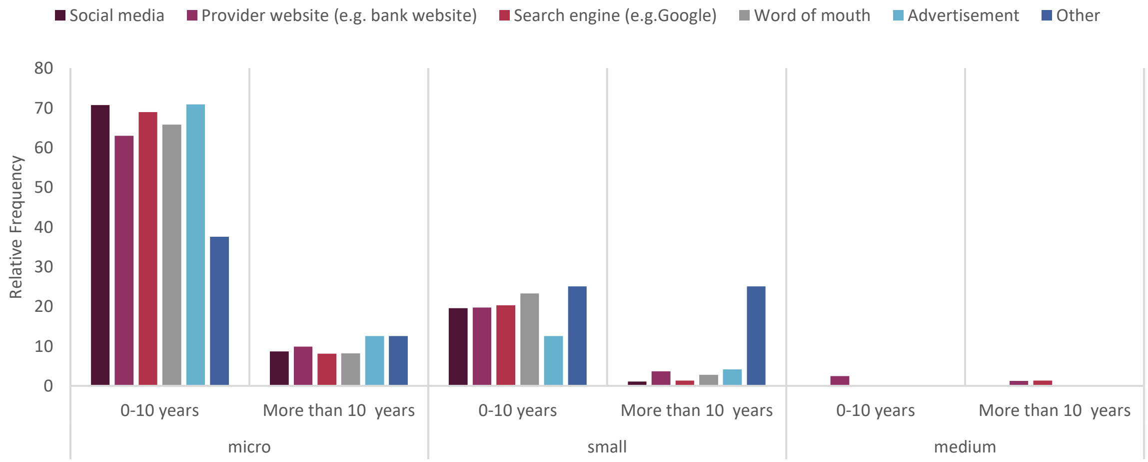


Source: Sample Survey on MSME Financing in Trinidad and Tobago 2022.

3.3.3 Awareness

Internet-based platforms were the most popular resources used to find information on financing. Respondents identified social media as the preferred resource (65 per cent of all firms selected this option), followed by provider websites such as bank websites (58 per cent of firms). The digitalisation of products and services has increased the prevalence and use of digital technology in the business community (be that for advertisements, sales and as a replacement for physical business fronts). With the recent upsurge in usage caused by the pandemic, it was therefore not unexpected that social media was favoured by firms operating for ten years or less, while older firms tended to rely on advertisements and other resources such as business conferences (**Figure 8**).

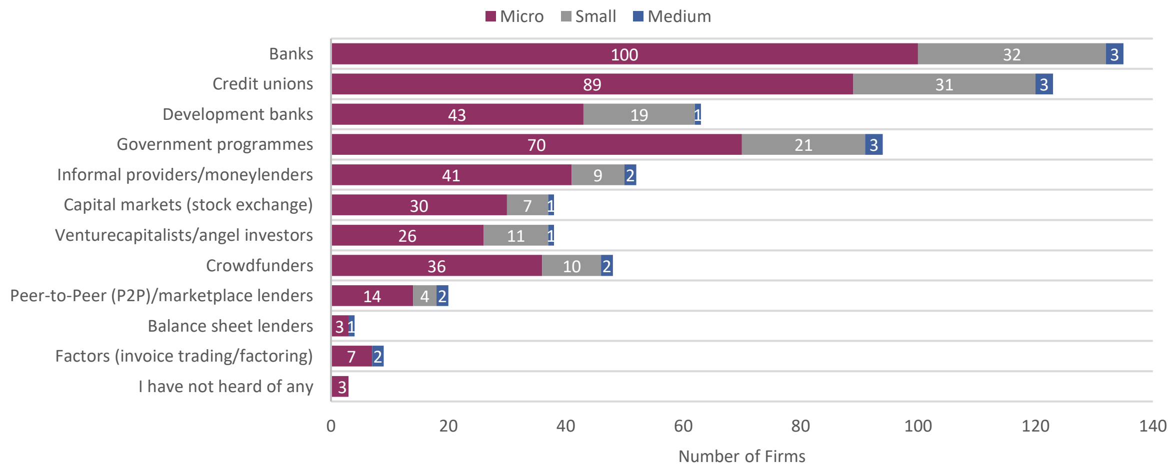
Figure 8: Resources Used to Access Financial Information, by years of operation



Source: Sample Survey on MSME Financing in Trinidad and Tobago 2022.

Traditional sources of credit such as banks and credit unions were the most well-known sources of credit across all firm sizes and years of operation (95 per cent and 87 per cent of respondents, respectively) (**Figure 9**). Government programmes and development banks were also popular, particularly among the microenterprises. While the majority of firms were not as familiar with the innovative sources of financing, it is worth noting that just over one-third of respondents (34 per cent) were aware of crowdfunding as a source of financing, while around 27 per cent had heard of the capital markets, and venture capitalists or angel investors. Younger firms (less than ten years) were more likely to have heard about the more innovative forms of financing that were internet-based, a likely indicator of the platforms through which these sources advertise and consistent with a growing trend globally. A greater proportion of older firms were aware of capital markets as a source of financing.

Figure 9: Known Sources of Financing

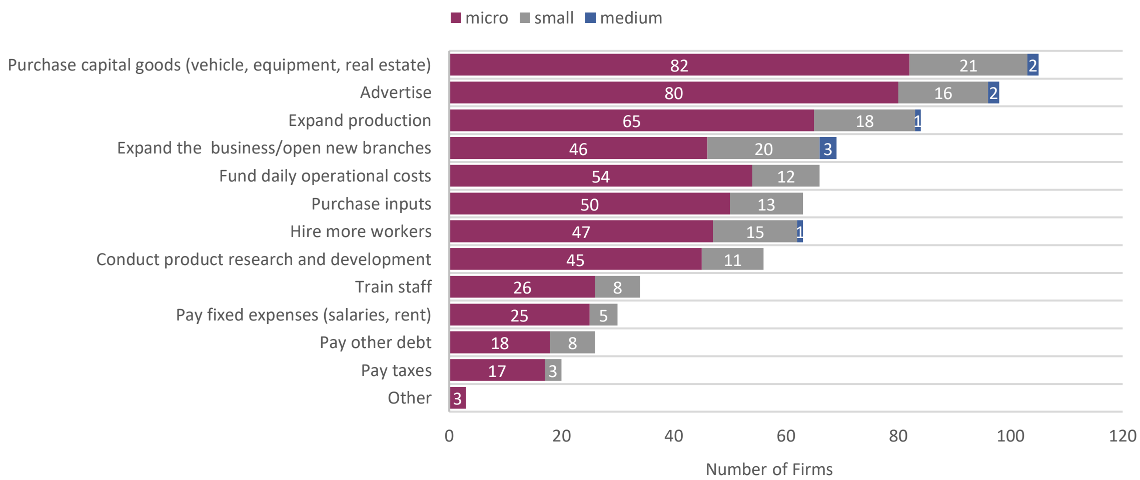


Source: Sample Survey on MSME Financing in Trinidad and Tobago 2022.

3.3.4 Proposed Uses of Financing

Companies were asked to identify how they would use financing if they received it. Just under 74 per cent of firms indicated that they would invest in capital goods such as vehicles, equipment, and real estate, whereas 69 per cent wanted to increase advertising (**Figure 10**). Closing off the three most popular selections was the expansion of existing production (59 per cent of firms). However, given the skewness of the sample towards microenterprises, closer scrutiny of the results revealed clear differences by firm size. SMEs were slightly more inclined to expand their footprint by, inter alia, opening new branches, rather than advertising or expanding production. Similar results were observed for businesses operating for greater than ten years. Compared to larger businesses, young microenterprises were slightly more inclined to acquire funding for working capital – 51 per cent of microenterprises indicated that they would use funds to pay daily operational costs, compared to 36 per cent of small businesses. There was a healthy appetite among all firms to undertake activities that would elevate the business, but, on average, a microenterprise indicated a greater number of potential uses than a small or medium-sized business.

Figure 10: Proposed Uses of Financing



Source: Sample Survey on MSME Financing in Trinidad and Tobago 2022.

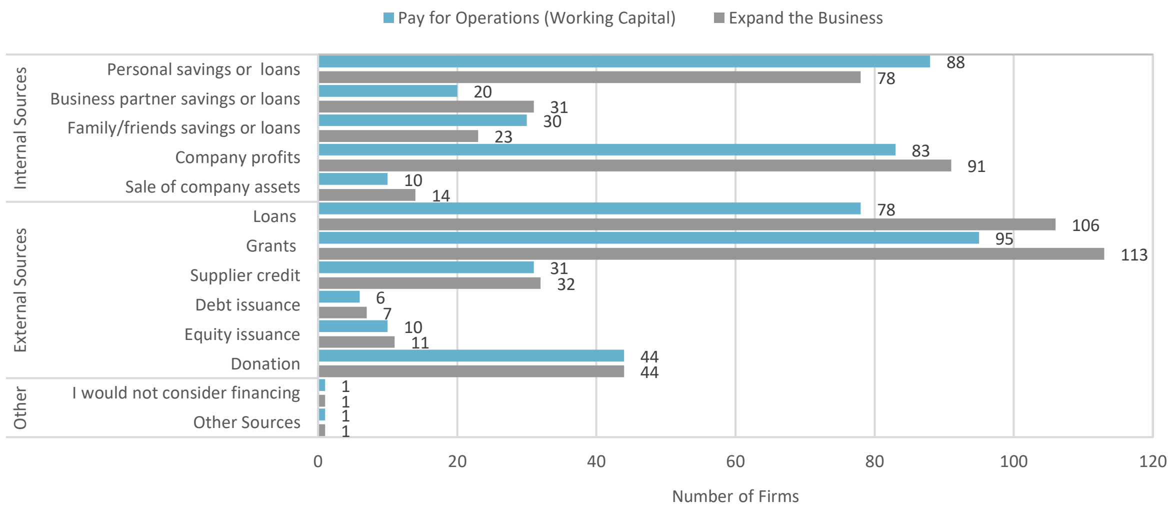
3.3.5 Proposed Sources per Use of Financing

Businesses generally preferred financing through externally-generated sources such as grants, loans, donations, and supplier credit, and they were more likely to access a larger pool of options to fund expansionary activities than to pay for the company's operations (**Figure 11**). Overall, firms were indifferent to using internally-generated sources of financing to fund working capital or business expansion. However, company profits and personal savings or loans were more favoured than other resources.

Grants were the primary desired source of financing to fund activities – 67 per cent of firms indicated that they would utilise grants to pay for their company's operations, while 80 per cent of firms would use them to expand their business. This is expected given that most respondents identified cost and lack of financing as major growth inhibitors. The second most popular financing source for working capital was personal savings or personal loans (62 per cent of firms), whereas companies preferred to access formal loans to expand their business (75 per cent of firms). Formal lines of credit provide greater potential access to the higher amounts required to undertake a business expansion in comparison to running daily operations. This corroborates earlier results which suggested that there was a healthy appetite among firms to elevate their businesses, though they may recognise that they are limited in their resources.

When analysing preferences by size of business, it was observed that a greater proportion of small businesses (85 per cent) or firms greater than ten years (65 per cent) favoured formal credit in the form of loans, compared to micro firms (72 per cent) or firms operating less than ten years (53 per cent).

Figure 11: Proposed Sources of Financing

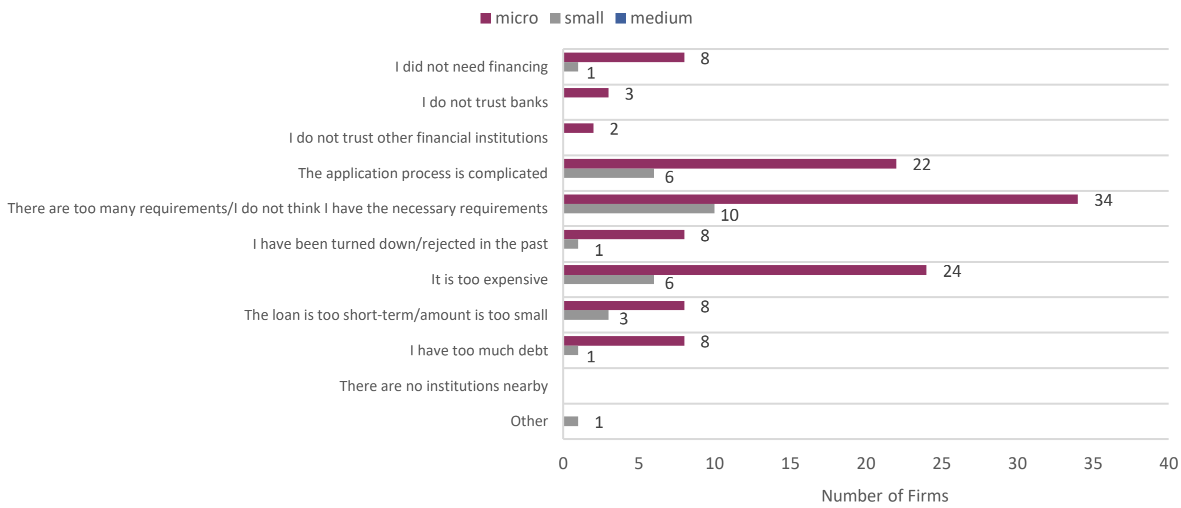


Source: Sample Survey on MSME Financing in Trinidad and Tobago 2022.

3.3.6 Applications for Financing

Respondents were asked whether they had applied for financing within the last five years. A notable 44 per cent of the respondents (63 firms) indicated that they had not, and the reasons provided were consistent across firm sizes (**Figure 12**). Close to 70 per cent of firms that chose not to apply felt that there were too many requirements or believed that they did not have the necessary requirements such as financial statements or enough history. Three-quarters of this group would opt to use personal savings or personal loans to fund working capital or expansionary activities. Loan affordability was also a significant concern (too expensive), as 48 per cent of firms were dissuaded by high interest rates, fees, and charges. The perception of a complicated application process was found to be a major deterrent (44 per cent). Interestingly, only 8 per cent of respondents (5 firms) stated that they did not apply because they did not trust banks or other financial institutions.

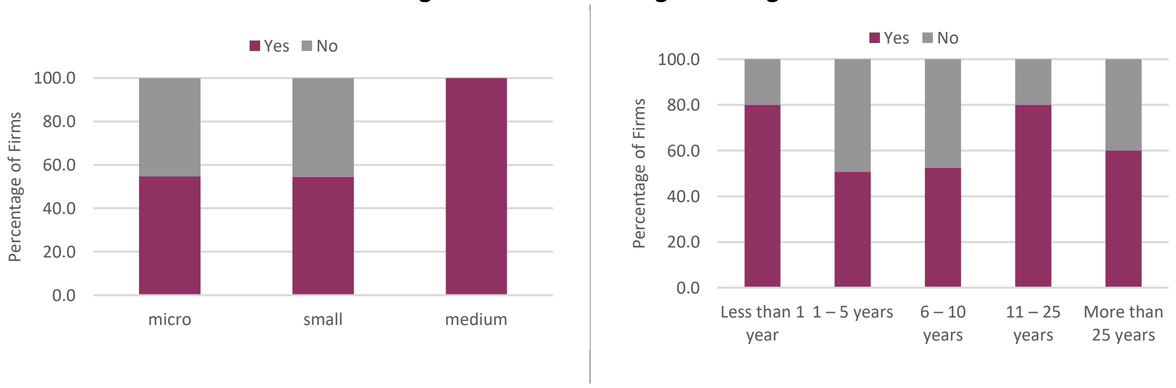
Figure 12: Reasons for Not Applying for Financing



Source: Sample Survey on MSME Financing in Trinidad and Tobago 2022.

Conversely, just over half of all businesses (56 per cent or 79 firms) applied for financing at least once within the last five years (**Figure 13**), at an average rate of three applications per firm. Medium-sized firms, as well as firms less than five years in operation or 11-25 years in operation, were more likely to apply. Moreover, while the average number of applications was consistent across firm size, results pointed to a higher frequency of applications from firms less than five years in operation (four times per firm) and slightly lower for firms in the 6-10 year bracket (two times per firm), as well as firms over 25 years (once per firm).

Figure 13: Firms Seeking Financing



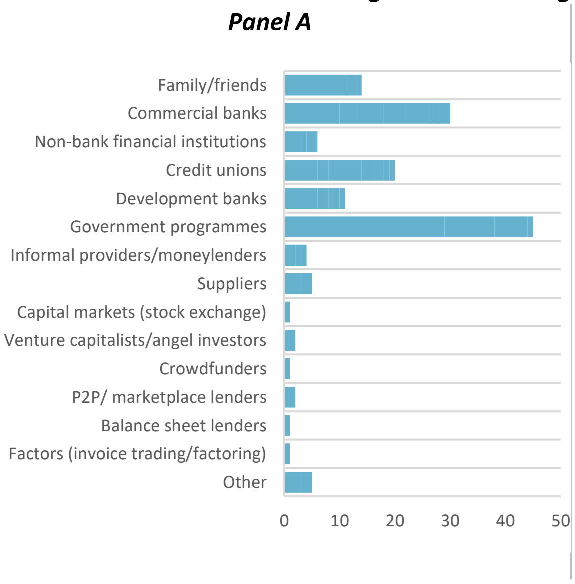
Source: Sample Survey on MSME Financing in Trinidad and Tobago 2022.

Altogether, 148 applications for financing were submitted by respondents over the last five years. The most popular source applied to was government programmes, though this may be skewed because the survey was distributed through NEDCO, a state-owned entrepreneurship financing institution

(**Figure 14, Panel A**). The subsequent distribution of results mirrors the sample's awareness of traditional financing sources. As such, commercial banks and credit unions were the more desirable among the financing options. Companies preferred, however, to engage family and friends for financing more than they would development banks and other non-bank financial institutions. There was a weak appetite for funding from innovative forms of financing (12 per cent of requests), in comparison to respondents' awareness of these options as highlighted in earlier discussions. This may suggest that there are information asymmetries, making traditional avenues more attractive.

Respondents identified the main reasons they chose to go to the selected forms of financing. Most companies sourced financing from providers that they had existing relationships with (23 per cent of responses), or those with easy application processes (19 per cent), and fewer requirements (13 per cent). The cost of financing was also an important factor (13 per cent), though the option of fixed interest rates was less important than low interest rates and fees (**Figure 14, Panel B**). Other reasons for selecting particular sources included targeted advertisements and specific funding for COVID-19 pandemic relief. When alternative finance providers were considered exclusively, results showed that an existing relationship was also the most important determining factor (32 per cent of responses). However, fewer requirements (17 per cent) and speed of obtaining finance (13 per cent) were also significant influences, alongside ease of applying (13 per cent).

Figure 14: Financing Sources and Drivers

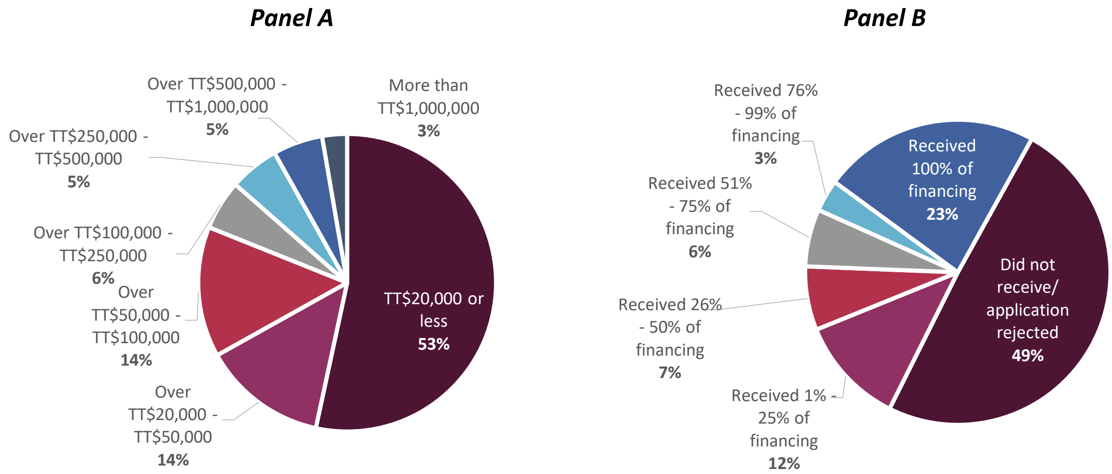


Source: Sample Survey on MSME Financing in Trinidad and Tobago 2022.

Respondents were asked to identify the financing amount requested from each source. Of the 148 applications, over 80 per cent were low-value, that is, under $100,000 (**Figure 15, Panel A**). Government programmes accounted for 38 per cent of these applications, followed by commercial banks (18 per cent), and family and friends (13 per cent). The large proportion of low-value applications could reflect the distribution of firms by sector, as earlier results pointed to a proliferation of micro-sized, retail firms in the sample. In fact, microenterprises requested 81 per cent of low-value applications and 54 per cent of high-value applications. MSMEs applied to commercial banks and credit unions for 64 per cent of the high-value applications, while alternative providers such as moneylenders, venture capitalists or angel investors, and P2P/marketplace lenders accounted for 11 per cent. The remainder were requested from government programmes and development banks.

Table 3 depicts the total number of applications for financing according to the amount requested, and the extent to which the request was fulfilled. Higher value amounts were more likely to be rejected than lower-value requests – 61 per cent of applications over $100,000 were denied, compared to 47 per cent of applications under $100,000. Notably, among the lower-value requests, applications for TT$20,000 or less were rejected more frequently (51 per cent) than other tranches of financing. Overall, around half of all applications received no funds (**Figure 15, Panel B**).

Figure 15: Financing Requested and Financing Received



Source: Sample Survey on MSME Financing in Trinidad and Tobago 2022.

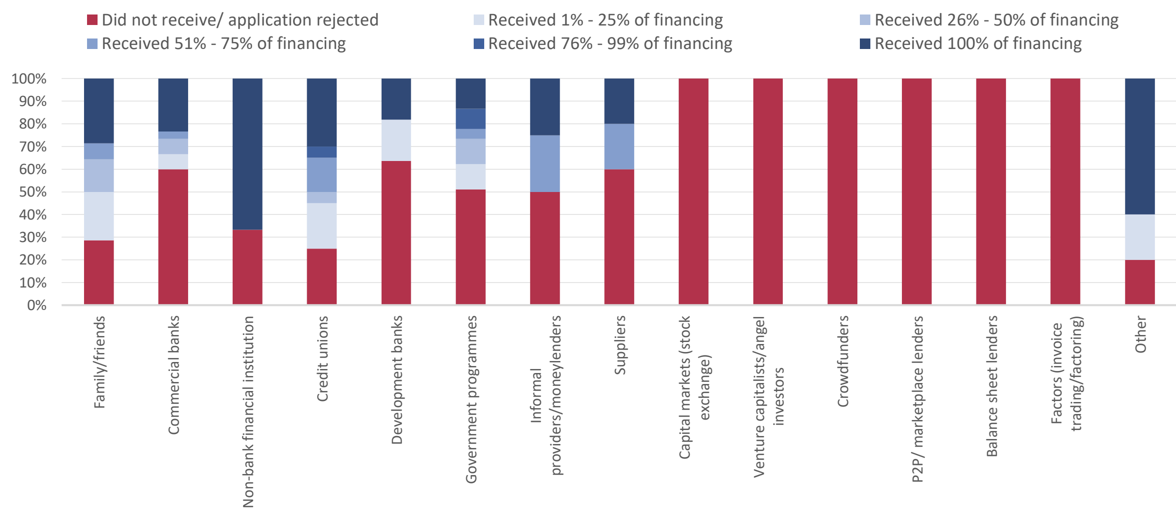
Table 3: MSME Financing Requested and Received, by Number of Applications

	TT$20,000 or less	Over TT$20,000 - TT$50,000	Over TT$50,000 - TT$100,000	Over TT$100,000 - TT$250,000	Over TT$250,000 - TT$500,000	Over TT$500,000 - TT$1,000,000	More than TT$1,000,000	Total Number of Applications by Percentage Received
Did not receive	40	9	7	5	4	7	1	73
Received 1% - 25%	7	4	3	-	-	1	2	17
Received 26% - 50%	6	2	-	1	1	-	-	10
Received 51% - 75%	2	-	3	1	2	-	1	9
Received 76% - 99%	3	-	2	-	-	-	-	5
Received 100%	21	5	6	1	1	-	-	34
Total Number of Applications by Percentage Requested	**79**	**20**	**21**	**8**	**8**	**8**	**4**	**148**

Source: Sample Survey on MSME Financing in Trinidad and Tobago 2022.

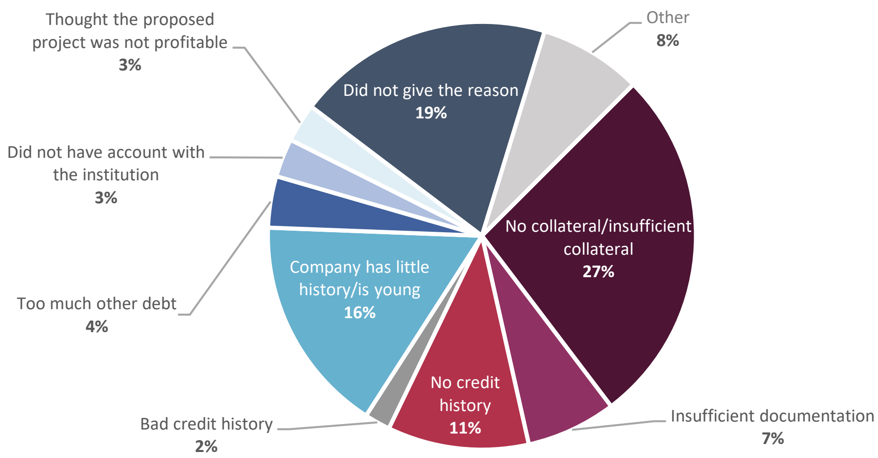
The distribution of financing approved by the source shed light on some interesting results (**Figure 16**). Applicants found little success with the non-traditional credit providers. Of the traditional sources of finance, development banks, commercial banks, and government programmes had the highest rejection rates. Conversely, firms found more favour with credit unions, and family and friends. Respondents were also asked to identify the reasons provided by the various credit sources for denying the full amount of financing requested (**Figure 17**). The primary reasons identified were lack of collateral (27 per cent of firms) and the age of the company (16 per cent). No credit history or poor credit history accounted for 11 per cent of firms. Notably, 19 per cent of firms stated that they did not receive a reason why their application was not approved in full.

Figure 16: MSME Financing Received, by Source



Source: Sample Survey on MSME Financing in Trinidad and Tobago 2022.

Figure 17: Provider Reasons for Rejecting Full Financing



Source: Sample Survey on MSME Financing in Trinidad and Tobago 2022.

3.3.7 MSME Finance Gap

The MSME finance gap is the shortfall between credit demand and supply. This can be estimated for the survey sample as the difference between the financing applied for and the financing received. Using the data in **Table 3**, the total estimated amount of financing requested by the sample was calculated for each tranche of financing, by percentage received, using the midpoint of each range (**Table 4**). For example, according to **Table 3**, 40 persons did not receive requests of $20,000 and under. Using a midpoint of $12,500 (the midpoint between $5,000 and $20,000) resulted in a dollar value of $500,000 (40*$12,500). The dollar values for each tranche were summed by percentage received. Total financing applied for by the sample amounted to **$18.7 million**.

Table 4: Estimated MSME Financing Gap, TT$

		Midpoint of Financing Range							Total Amount Requested by Percentage Received
		TT$ 12,500*	TT$ 35,000	TT$ 75,000	TT$ 175,000	TT$ 375,000	TT$ 750,000	TT$ 1,250,000**	
Percentage Received	Did not receive	500,000	315,000	525,000	875,000	1,500,000	5,250,000	1,250,000	10,215,000
	1% - 25%	87,500	140,000	225,000	-	-	750,000	2,500,000	3,702,500
	26% - 50%	75,000	70,000	-	175,000	375,000	-	-	695,000
	51% - 75%	25,000	-	225,000	175,000	750,000	-	1,250,000	2,425,000
	76% - 99%	37,500	-	150,000	-	-	-	-	187,500
	100%	262,500	175,000	450,000	175,000	375,000	-	-	1,437,500
									18,662,500

Source: Author, Sample Survey on MSME Financing in Trinidad and Tobago 2022.
Note: *Range of TT$5,000 to TT$20,000 used for minimum range.
**Range of TT$1,000,000 to TT$1,500,000 used for maximum range.

To estimate the range of the total amount received, the total amount applied for (column A) was multiplied by the minimum (column B, per cent) and maximum (column C, per cent) of each percentage group (**Table 5**). For example, the dollar value of requests of which 1 – 25 per cent were received, totalled $3.7 million. This implies a range between $37,025 (1 per cent of $3.7 million) and $925,625 (25 per cent of $3.7 million) for these requests. Ranges were summed by percentage received. This resulted in a total amount received between $3.0 million and $4.7 million (columns B and C, TT$).

The gap is calculated as the difference between the amount requested and the amount received. Therefore, the range of the estimated gap for the sample was determined to be between $13.9 million and $15.6 million. This represents between 75 and 84 per cent of the financing requested. When analysed by firm size, the funding gaps varied. The estimated gap for microenterprises ranged between 81 and 87 per cent of financing requested; this accounted for an average of 61 per cent of the total funding gap. Unsatisfied demand for small businesses was 78 to 90 per cent of credit requested (or 36 per cent of the total gap). Medium businesses had a higher relative approval rate – the gap was estimated between 20 to 40 per cent of financing requested (or 3 per cent of the total gap) – but only accounted for 3 per cent of applications.

Table 5: MSME Financing Gap Range, TT$

		Total Amount Requested by Percentage Received (A)	Minimum Total Amount Received (B)		Maximum Total Amount Received (C)		Minimum MSME Financing Gap (A-C)	Maximum MSME Financing Gap (A-B)
			per cent	TT$	*per cent*	TT$		
Percentage Received	Did not receive	10,215,000	*0*	0	*0*	0	10,215,000	10,215,000
	1% - 25%	3,702,500	*1*	37,025	*25*	925,625	2,776,875	3,665,475
	26% - 50%	695,000	*26*	180,700	*50*	347,500	347,500	514,300
	51% - 75%	2,425,000	*51*	1,236,750	*75*	1,818,750	606,250	1,188,250
	76% - 99%	187,500	*76*	142,500	*99*	185,625	1,875	45,000
	100%	1,437,500	*100*	1,437,500	*100*	1,437,500	0	0
		18,662,500	**3,034,475**		**4,715,000**		**13,947,500**	**15,628,025**

Source: Author, Sample Survey on MSME Financing in Trinidad and Tobago 2022.

4 Country Experiences

Barriers to financing are comparable among developing economies, but efforts towards narrowing the financing gap through the adoption of alternative financing models are at varying stages of maturity. In the 2nd *Global Alternative Finance Market Benchmarking Report*, Ziegler, Shneor, et al. (2021) noted an apparent correlation between alternative finance volume growth and advanced regulatory frameworks aimed at fintech activities. Furthermore, the World Bank and the Cambridge Centre for Alternative Finance (CCAF) (2019) suggested that regulatory benchmarking may push countries towards the adoption of tailored frameworks for alternative financing activities. In a survey of 111 jurisdictions[12], respondents identified Malaysia, Mexico, and India as the most benchmarked jurisdictions for alternative finance regulation within the regions of East Asia and the Pacific, Latin America and the Caribbean, and South Asia, respectively.[13]

The remainder of this section reviews the profile of the MSME sector and extant barriers to financing within the benchmarked developing economies, as well as Jamaica[14]. Trends in the alternative financing landscape in each jurisdiction are discussed, focusing on the lubricating impact of regulatory and policy support for the prevailing (fintech) ecosystem. **Table 6** summarises the MSME profiles and digital alternative finance statistics of the benchmarked developing economies and Jamaica.

Table 6: MSME Profiles and Digital Alternative Finance Statistics of Benchmarked Developing Economies

	Malaysia	Mexico	India	Jamaica
MSME contribution to GDP*, *per cent*	38	52	30	40
MSME share of businesses*, *per cent*	97	99	NA	98
MSME financing gap (2017), *per cent of GDP*	7	14	11	19
Number of digital alternative finance platforms (domestic/ foreign-based) (2020)	22 (12/10)	40 (26/14)	55 (38/17)	NA
Growth in digital alternative finance, five-year average (2015-2019), *per cent*	176	237	209	NA

Sources: International Finance Corporation (2017), Ziegler, Shneor, et al. (2021), Cambridge Centre for Alternative Finance, and various government agencies.
Note: *Latest available data.

[12] Though 111 jurisdictions were sampled, 99 responses were received. Out of the 99 responses, 42 participants were willing to name the jurisdictions studied, resulting in 205 benchmarking pairs.
[13] The United Kingdom and Spain, the United Arab Emirates, the United States of America, and Kenya were cited as the most benchmarked jurisdictions in the European and Central Asian, Middle Eastern and North African, North American, and Sub-saharan African regions, respectively. Singapore was also identified as one of the most benchmarked jurisdictions within East Asia and the Pacific. However, this study focuses only on the alternative financing landscape in a subset of benchmarked developing economies.
[14] The Jamaican case study is included as a supplement for the Latin American and Caribbean region. While 66 per cent of benchmarking for Mexico was cross-regional, only 34 per cent was intra-regional.

4.1 Malaysia

MSMEs have been identified as significant supporters of economic growth and development in Malaysia, contributing around 38 per cent of GDP and just under half of total employment in 2020 (Department of Statistics Malaysia 2021). According to the Malaysia Statistical Business Register, MSMEs represent 97 per cent of establishments, 78 per cent of which are microenterprises and 86 per cent of which are in the services sector. Financial institutions continue to be the primary source of external financing – 90 per cent of total MSME financing originates from banks and development finance institutions – but a proportion is also supplied through government schemes and special facilities funded by the regulator (Bank Negara Malaysia 2021). A range of alternative financing instruments is also available, including venture capital, equity crowdfunding, angel investments, leasing, factoring, and P2P lending (OECD 2020).

Unmet demand for financing by MSMEs in Malaysia was estimated at 7 per cent of GDP in 2017, which ranked among the twenty smallest gaps in the world (International Finance Corporation 2017). According to a 2018 survey commissioned by Bank Negara Malaysia, MSMEs do not appear to have difficulty accessing financing from financial institutions – access to financing was ranked seventh of nine business constraints identified and 94 per cent of applications submitted within the prior six months were approved (Kandasamy, Lee and Shyue Jer 2019). However, 41 per cent of the sample indicated that they needed financing, but did not apply due to debt repayment concerns or the burdensome application process. Almost half of the businesses surveyed (46 per cent) noted that the financial products offered did not meet their unique needs largely due to high financing costs, insufficient financing amounts, and demanding documentation requirements. In particular, firms using technology for automation, enhancing productivity, or innovation had a greater demand for financing but higher rejection rates related to insufficient documentation, inadequate cash flows, and inviable business plans. Alternative finance instruments in the fintech space would be well suited to target this segment and complement traditional bank-based funding.

Malaysia has well-established platforms for private equity and venture capital financing for MSMEs, in comparison to other Asian economies. However, there has been a push towards fintech-based financing to stimulate innovation, improve productivity, and increase competition among suppliers of capital (SME Corporation Malaysia 2021). In 2015, Malaysia was the first ASEAN state[15] to establish a regulatory framework for equity-based crowdfunding via an amendment of the Capital Markets and Services Act. Securities Commission Malaysia requires all registered platform operators to, inter alia, maintain a fair and transparent market, conduct due diligence on issuers, and facilitate investor education programmes (World Bank and CCAF 2019). There are conditions on eligibility to operate and, once approved, there may be restrictions on investment amounts. Following the successful introduction of the equity crowdfunding framework, the Commission expanded regulation to P2P lenders in 2016 with similar requirements but no restrictions on investments (Securities Commission Malaysia 2022). Malaysia is one of only two markets in East Asia and the Pacific region that permit the operation of secondary markets for equity crowdfunding and P2P financing (World Bank and CCAF 2019).

Securities Commission Malaysia continues to promote diversity in alternative financing and investment opportunities in alignment with the Government's thrust towards a digital revolution,

[15] There are ten members of the Association of Southeast Asian Nations (ASEAN).

alongside national efforts to increase awareness of alternative financing instruments by improving financial literacy. To support technological developments in strategic sectors and encourage new growth areas, the Government announced in the 2019 National Budget that funds would be allocated to match investments in private equity and venture capital funds managed by government agencies. The Malaysia Co-Investment Fund (MyCIF) was also introduced to grant matching investments alongside private investors in equity crowdfunding and P2P lending platforms (Ministry of Finance Malaysia 2018, Bank Negara Malaysia 2019). Initiatives under the 2021 National Budget included further allocations to the MyCIF scheme for both platforms. Moreover, an income tax exemption of 50 per cent of the investment was offered to investors as an incentive to participate in the equity crowdfunding market (SME Corporation Malaysia 2021).

Growth in alternative financing in Malaysia has been shaped by supportive regulation and an expansion in non-bank financial intermediation (Abd Rahman and Lee 2017, OECD 2020). As of December 2020, there were 106 registered venture capital corporations with total committed funds under management amounting to RM$4.3 billion[16]. While there was one-fifth the amount of private equity corporations (21), the segment contributed RM$7.4 billion in funds under management. Major funding for venture capital companies was provided by government agencies and investment companies, while private equity funds were sourced largely from corporate investors (Securities Commission Malaysia 2021).

Over the period 2015 to 2019, the digital alternative finance market in Malaysia expanded at an average annual rate of 176 per cent.[17] As of December 2020, 2,951 issuers raised funding through 16,021 successful campaigns, on 21 registered equity crowdfunding and P2P lending platforms. Total capital supplied by P2P lenders (RM$1.1 billion) was more than five times the amount raised through equity crowdfunding (RM$0.2 billion) (SME Corporation Malaysia 2022). While 57 per cent of equity crowdfunding issuers fundraised for business expansion, 97 per cent of P2P lenders financed working capital. Moreover, 60 per cent of equity crowdfunding issuers and 36 per cent of P2P lenders were technology focused (Securities Commission Malaysia 2021).

4.2 Mexico

The MSME sector plays a critical role in the Mexican economy on multiple fronts. The 2019 Economic Census reported that MSMEs accounted for over 99 per cent of all businesses (95 per cent owing to microenterprises) and provided 68 per cent of private sector employment in 2018 (Instituto Nacional de Estadística y Geografía 2020). Most businesses (78 per cent) were in the trade and non-financial services sectors. Given their contribution to national output – MSMEs generated 52 per cent of total income produced by businesses – the growth of the sector is vital to the health of the economy as a whole. However, 31 per cent of MSMEs cited access to financing as a hindrance to their development (International Finance Corporation 2020). The 2018 National Survey of Productivity and Competitiveness of MSMEs (ENAPROCE)[18] indicated that most MSME financing in Mexico is accessed

[16] RM is the national currency of Malaysia, the Malaysian Ringgit.
[17] Data compiled from the Cambridge Alternative Finance Benchmarks database (https://ccaf.io/cafb/) includes balance sheet lending, debt-based securities, invoice trading, mini-bonds and P2P lending, as well as equity-based, donation-based and reward-based crowdfunding.
[18] Conducted by Instituto Nacional de Estadística y Geografía or the National Institute of Statistics and Geography.

through the formal financial system, including commercial banks, development banks, and non-banks. Supplier credit accounts for the second largest share, followed by personal funding.

Despite an expansion in business credit provided by the financial system, MSMEs remain underserved by traditional lenders (OECD 2019) and have contended with reduced access to financing. Growth in non-bank lending surpassed traditional banking between 2013 and 2018, supported by innovative risk management practices (Moody's Investors Service 2018). Even so, just 12 per cent of MSMEs obtained financing in 2018, compared to 16 per cent in 2013 (Instituto Nacional de Estadística y Geografía 2020). Respondents of the 2018 ENAPROCE stated that several factors discouraged bank loan applications, such as high interest costs and distrust of the institutions. Of the entire sample, 16 per cent of MSMEs did not seek financing and around 35 per cent stated that they used internal resources to pay for activities. For those businesses that applied but were denied bank credit, poor or no credit history (29 per cent), lack of collateral (19 per cent), and an inability to verify income (14 per cent) were among the major reasons identified. These factors contributed to an MSME financing gap of 14 per cent of GDP in 2017 (International Finance Corporation 2017).

Online platforms for alternative financing have existed in Mexico for some time, the first being the factoring arrangement facilitated by the state-owned MSME development bank, Nacional Financiera (NAFIN). Under a new mandate to incorporate technology into MSME financing, NAFIN launched the Cadenas Productivas programme in 2001 to offer automated or reverse factoring to MSMEs, in contrast to traditional factoring. This arrangement links large, creditworthy buyers with small suppliers, such that the suppliers may use receivables from the large buyers to acquire working capital financing through factoring transactions with participating financial institutions (the factors) (de la Torre, Gozzi and Schmukler 2017). While NAFIN oversees the platform’s operations and legal expenses, it does not provide factoring services directly; income is earned through interest margins. The online platform reduces transaction costs and speed, as well as allows for built-in mechanisms to reduce information asymmetries and fraud that may be more prevalent with traditional factoring (Reserve Bank of India 2014). The factoring programme has been deemed a success due to its robust growth over an initial ten-year period. However, competition from similar platforms offered by commercial banks has tempered subsequent expansion.

In 2016, Mexico experienced accelerated growth in digital alternative finance volumes and was identified as the regional leader of alternative finance within Latin America and the Caribbean (Ziegler, Shneor, et al. 2021). Digital capital-raising activities and lending grew by 766 per cent, year-on-year, albeit from a low base. The increase comprised mainly debt-based financing such as balance sheet and P2P lending.[19] It should be noted that 68 per cent of balance sheet lending and 49 per cent of P2P lending was directed to individual consumers in 2016. Notwithstanding, businesses cited speed of funding, greater customer service, flexible terms, and easier application processes as attractive features of P2P lending. In addition to narrowing the finance gap, businesses could leverage the success of being granted a P2P loan to obtain additional funding from a traditional financial institution (Ziegler, Blume and de Paula 2018). Over the period 2015 to 2019, the average growth rate in the digital alternative finance market was 237 per cent.

The rapid expansion in 2016 prompted the introduction of specific regulations to promote the development and adoption of new technologies and fintechs, while safeguarding consumer protection

[19] Compiled from the Cambridge Alternative Finance Benchmarks database (https://ccaf.io/cafb/).

and financial stability.[20] The Fintech Law, the first of its kind in Latin America and the Caribbean, is a legislative framework enacted in 2018 for licensing and supervising fintech companies, particularly e-money issuers, cryptocurrencies, crowdfunding companies, and P2P lenders. Specifically, crowdfunding and P2P lenders are required to, inter alia, disclose risks related to the investment; implement operational risk management, as well as cyber security and anti-money laundering policies; and align fees with the performance of the investment (Berkmen, et al. 2019). The Law identifies minimal capital requirements and loan size limits for lenders. It also provides the legal foundations for the implementation of a regulatory sandbox for innovative companies (World Bank and CCAF 2019). Eligible companies were required to apply for a licence to operate as a "financial technology institution" or cease operations under their current business model (Ziegler, Shneor, et al. 2021).

Post-legislation, there has been a shift in the distribution of alternative finance in Mexico, but growth has remained robust. P2P and balance sheet consumer lending dominated the market in 2018. However, a reduction in P2P (debt-based crowdfunding) providers as a result of the new Fintech Law and a simultaneous increase in balance sheet business lending was observed in 2019 and 2020. In 2019, alternative finance in Mexico experienced a growth of 156 per cent, but volumes contracted by 1 per cent in 2020, owing in part to the impact of the COVID-19 pandemic on demand. Nevertheless, Mexico captured the third largest share in alternative finance volumes in Latin America and the Caribbean in 2020 (10 per cent of total volume) for digital capital-raising activities and lending. While the majority was owing to balance sheet consumer lending, balance sheet business lending commanded close to one-quarter of the share. Moreover, Mexico ranked second highest in balance sheet business lending within the region. Other models included invoice trading or factoring (9 per cent) and the full spectrum of equity-based and non-investment-based crowdfunding (1 per cent each).

4.3 India

India is among the largest export economies in the world, supported by a developing MSME sector – MSMEs contributed 48 per cent of exports and 30 per cent of GDP in 2019[21]. Unincorporated businesses, 99 per cent of which were microenterprises, were distributed fairly evenly between rural and urban areas and engaged primarily in trade (36 per cent), other services (33 per cent), and manufacturing (31 per cent) (Government of India 2021). Major sources of financing include banks, non-banks, venture capital, equity finance, microfinance institutions, loans from family and friends, and personal funds (Singh and Wasdani 2016). Latest available data from the 2014 Economic Census reported that just under 10 per cent of businesses were financed through formal sources such as the Government, financial institutions, and self-help groups. Notwithstanding, bank credit growth to medium enterprises soared to 49 per cent in November 2021, while lending to micro and small businesses expanded by 13 per cent (Government of India 2022).[22]

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[20] Pre-legislation, fintech firms operated under regulatory frameworks for traditional financial services or without a clear legal foundation (Berkmen, et al. 2019).

[21] "MSME sector contributes 30% to GDP, 48% to exports: Nitin Gadkari." *The Economic Times India*, October 30, 2020. Accessed January 4, 2022. https://economictimes.indiatimes.com/small-biz/sme-sector/msme-sector-contributes-30-to-gdp-48-to-exports-nitin-gadkari/videoshow/78945589.cms?from=mdr.

[22] Figures are reflective of government efforts to enhance the flow of credit to the MSME sector by, among other things, improving the ease of doing business through digital transformation.

Several factors contributed to the Indian MSME financing gap of 11 per cent of GDP in 2017 (International Finance Corporation 2017). Micro and small enterprises in the early stages of development have suffered especially from reduced access to financing due to scarce credit history, inadequate documentation and lack of collateral, much like MSMEs in most developing economies (Biswas 2014). Other discouraging factors included the high cost of credit, inflexible policies, complex application procedures, and limited financial literacy (Asian Development Bank 2014). Even if businesses were approved for credit, there would be lengthy wait times before funds could be accessed due to the documentation process and credit evaluation. As customers begin to demand more innovative products and services, MSMEs are increasingly considering the integration of technology into the redesign of products and services in alignment with global best practices.[23]

In 2011, the Factoring Regulation Act was introduced to ease liquidity challenges faced by MSMEs, by providing the legal framework for the regulation of invoice trading or factoring. The Act stated that banks, non-banks, statutory corporations and other companies could register to conduct factoring services, provided it was the principal business (greater than 50 per cent of their gross assets and gross income must consist of factoring-related assets and income, respectively). This severely restricted the number of registrants that could conduct business either manually or through the online platform set up by the Government. That is, while the framework was introduced to regulate factoring, it was less successful in promoting it due to the limited scope.[24] Therefore, in 2021, the Factoring Regulation (Amendment) Act removed the principal business criteria and further sought to improve inefficiencies in operations, thereby promoting the use of the online platform and reducing burdens on the factors, while ensuring adequate supervision and regulation (Government of India 2022). According to the Finance Minister, the amendment is expected to improve access to credit for MSMEs by expanding the factoring business from seven non-bank financial corporations to over nine thousand.[25]

India is a leader in the digital alternative finance industry in South and Central Asia, contributing just under 90 per cent of total alternative finance volumes in the region in 2020, owing in part to the popularity of fintech platforms among the younger population. Moreover, alternative finance volumes in India ranked as the fifth highest in the world in 2020, behind the United States, the United Kingdom, Brazil, and Italy (Ziegler, Shneor, et al. 2021). Growth in digital capital and lending averaged 209 per cent from 2015 to 2019, largely driven by debt-based models, which accounted for 98 per cent of total volume at the end of the period.[26] In 2019, India was among the top three contributors in the region to P2P lending, balance sheet lending, invoice trading or factoring, as well as donation-based crowdfunding.

Public equity alternative financing options are also available through junior stock markets dedicated to MSME development. The BSE[27] SME and National Stock Exchange (NSE) Emerge were established in 2012 as the MSME platforms of the primary stock exchanges. While BSE SME hosts a broad range of public limited companies, NSE Emerge focuses on companies and technology startups with high growth

[23] "42% SMEs in India find accessing finance difficult." *Financial Express*, November 30, 2018. Accessed January 7, 2022. https://www.financialexpress.com/economy/42-smes-in-india-find-accessing-finance-difficult/1398758/
[24] Mittal, Megha, "The Pious Intent of Promoting Factoring," *Vinod Kothari Consultants*, March 7, 2022, Accessed August 25, 2023. https://vinodkothari.com/2022/03/the-pious-intent-of-promoting-factoring/
[25] "Parliament passes Factoring Regulation (Amendment) Bill to help MSME sector." *The Economic Times India*, July 29, 2021. Accessed January 19, 2022. https://economictimes.indiatimes.com/small-biz/sme-sector/parliament-passes-factoring-regulation-amendment-bill-to-help-msme-sector/articleshow/84856800.cms?from=mdr.
[26] Compiled from the Cambridge Alternative Finance Benchmarks database (https://ccaf.io/cafb/).
[27] Formerly the Bombay Stock Exchange.

potential, subsidiary companies, and companies funded by venture capital firms or angel investors. The markets generally target wealthier, sophisticated investors. Compared to the primary exchanges, the MSME platforms enjoy lower minimum paid-up capital, reduced listing fees and fewer, less frequent reporting requirements post-issue (BSE Investor Services Fund 2021, NSE Emerge 2021). Both exchanges mandate graduation to the primary exchange once companies meet certain criteria.[28] As of January 2022, 363 listed companies were listed on the BSE SME, 131 of which migrated to the primary exchange. On the NSE Emerge platform, 216 companies were listed, 98 of which migrated to the primary exchange. This represents an immaterial proportion of the 66 million MSMEs registered in India (Government of India 2022).

4.4 Jamaica

According to Tax Administration Jamaica, tax-paying MSMEs constituted close to 98 per cent of total tax-paying businesses in 2016, 83 per cent of which were microenterprises. Moreover, the sector accounted for an estimated 80 per cent of jobs and the bulk of registered entities sampled in the 2016 Economic Social Survey Jamaica were engaged in the wholesale and retail trade industries (46 per cent); real estate renting and other business activities (26 per cent); and the manufacturing industry (7 per cent) (Ministry of Industry, Commerce, Agriculture and Fisheries 2019). The Jamaican MSME sector contributes over 40 per cent of GDP (Planning Institute of Jamaica 2023). According to the 2010 World Bank Enterprise Survey, most formal MSMEs in Jamaica had access to a chequing or savings account, but banks were not the preferred source of financing – only 27 per cent of MSMEs had a line of credit with a bank and fewer than one-quarter of total investments were funded by banks (National Financial Inclusion Council of Jamaica 2017). On the supply side, loans to MSMEs comprised just under 13 per cent of total private sector lending (36 per cent of total business lending) granted by deposit-taking institutions at the end of December 2020 (Bank of Jamaica 2021).

Access to financing has been identified as one of the top business environment constraints for Jamaican MSMEs. The high level of informality in the sector (particularly microenterprises) and significant information asymmetries deter financial institutions from extending credit to MSMEs in favour of lower-risk exposures (World Bank 2015). Even when financing is available, MSMEs are discouraged from applying due to high interest rates, as well as requirements for onerous financial records and traditional sources of collateral. The lack of appropriate equity-based funding to align with firms' business and product cycles also presents a challenge to MSME growth and development (Spencer 2017). Unmet demand for financing was estimated at 19 per cent of GDP in 2017 (International Finance Corporation 2017). Alternative funding sources such as crowdfunding and factoring are available, but rarely accessed. However, several initiatives have been undertaken by the Government to encourage public and private equity issuance.

The Jamaica Stock Exchange (JSE) launched its Junior Market in 2009 as an alternative equity financing option for SMEs, incorporated as a public limited company in Jamaica or other Caribbean Community (CARICOM) countries. Participants are subject to a number of requirements related to minimum paid-up capital and number of shareholders; appointment of a Board of Directors and a mentor to act as a compliance advisor; and regular reporting of financial statements and other material developments

[28] As of December 2021, over 35 per cent of MSMEs listed on the BSE SME migrated to the primary market.

to the JSE (JSE 2017). Nevertheless, entry barriers, fees, and ongoing compliance requirements are lower in comparison to listing on the main exchange. As an added incentive, listed companies receive an income tax holiday for the first five years after listing, followed by a 50 per cent exemption for the subsequent five-year period. The JSE Junior Market serves as a feeder to the primary market, to which listed companies must graduate after a maximum of ten years post-listing (JSE 2012).

According to a 2017 survey of SMEs in Jamaica, the top motivations for listing on the Junior Market were to position the firm for growth, raise capital at a lower cost, and increase the firm's competitive advantage. Proceeds at the initial public offering were used to fund inventory and other working capital, investment in factory or equipment. and development and launch of new products or services. Over 40 per cent of the sample raised additional medium- to long-term financing from banks post-listing (Irving, Schellhase and Woodsome 2017). As of December 2022, there were 47 listed securities, with a market capitalisation of US$1.3 billion. While the SME market presents significant capital-raising opportunities for these firms, they represent a small proportion of formal SMEs. Moreover, the limited number of qualifying firms, low liquidity, and risks to investors hinder further development of the market (World Bank 2015).

A private equity option for high-potential startups is also available via the state-owned Development Bank of Jamaica's Venture Capital Programme (JVCapital). JVCapital was established in 2013 to create an environment for a sustainable venture capital and private equity industry (Spencer 2017). This entails the development of a programme of activities to provide the training, tools, and infrastructure required by stakeholders to nurture the market. The Programme also encourages fund creation through public and private sector collaboration with local and international fund managers (Development Bank of Jamaica 2022). Such aspirations require amendments to the relevant legislative, regulatory, and taxation frameworks. While public policy support is necessary, the Development Bank of Jamaica recognises that long-term sustainability will need to be driven by the private sector. As of November 2021, US$415 million has been raised by five funds operating in the region under the Programme. The funds have made a combined investment of US$91 million in 25 Jamaican businesses.[29]

[29] "DBJ seeks equity fund managers as JV partners." *Jamaica Observer*, December 22, 2021. Accessed August 28, 2023. https://www.jamaicaobserver.com/business/dbj-seeks-equity-fund-managers-as-jv-partners/

5 Conclusion and Recommendations

5.1 Conclusion

The objective of this study was to explore the frontier of alternative financing to identify which options could help overcome the barriers to MSME financing in Trinidad and Tobago. The report first reviewed the global alternative finance landscape and the factors inhibiting traditional providers from serving the MSME sector, particularly in developing economies. A taxonomy of alternative financing instruments that have the potential to overcome deep-rooted supply and demand constraints was presented. The advantages and disadvantages of these approaches over traditional providers were discussed. The study also sought to determine the mismatch between credit demand and funding supply within Trinidad and Tobago, its contributing factors, and the characteristics of contemporary, domestic MSMEs. This was achieved via an in-house developed survey disseminated through two local organisations – Planting Seeds Caribbean and NEDCO. Finally, case studies of countries where alternative finance markets have prospered were assessed to draw lessons for Trinidad and Tobago.

Lack of financing and cost of financing prevailed as the most pervasive constraints to development for MSMEs in Trinidad and Tobago. Results of the primary survey conducted for this paper echoed the findings of local studies decades earlier, where these factors were especially inhibiting for younger firms. High interest rates, fees, and charges were identified as major deterrents for 44 per cent of firms in the current sample who chose not to apply for credit within the last five years. Further, of the firms who did not apply for financing, 70 per cent were discouraged by requirements like financial statements, and 44 per cent found the process too complicated. Instead, these firms chose to rely on personal savings or personal loans to fund working capital or expansionary activities. Given that these firms are in their formative years, the amount of funds available to them severely limits their ability to flourish, exacerbating the very failure rate that traditional providers have cited as a reason for denying financing to startups.

Many MSMEs are eager to build their capital base to achieve their business goals, however, despite some awareness of non-traditional financial providers, few have pursued these sources for funding. The majority of the sample applied for financing within the last five years (56 per cent), at an average rate of three applications per firm. Government programmes, commercial banks, and credit unions were the most frequently targeted sources of funding, and preference was given to providers with whom firms had an existing relationship, easy application processes, fewer requirements, or lower interest rates and fees. Though a fair number of firms stated that they were aware of alternative financing sources, including crowdfunding (34 per cent), capital markets (27 per cent), and venture capitalists or angel investors (27 per cent), only 12 per cent of total requests over the last five years were directed to these providers. The demand for alternative finance options was influenced by an existing relationship with the provider, fewer requirements, speed of obtaining finance, and easy application processes. Notably, close to 70 per cent of applications to non-traditional providers were submitted due to an existing relationship. This suggests that while firms may have heard of various alternative finance providers, they may not be aware of specific companies, platforms, or programmes facilitating these services.

Despite the healthy appetite for financing among MSMEs, demand remains unsatisfied due to several supply constraints. Close to half of all applications for financing received no funding, with higher rejection rates among the non-traditional providers. Conversely, only 23 per cent of applications received the full amount requested. Supply constraints may be inferred from the reasons provided by the various credit sources for denying the full amount of financing requested by MSMEs. Similar to the MSME sector in developing economies, supply constraints mirrored demand constraints. That is, credit providers cited lack of collateral (27 per cent of responses), insufficient company history (16 per cent), limited credit history (11 per cent), and scarce documentation (7 per cent) as major contributors to their hesitancy. It should be noted that one-fifth of the respondents indicated that the provider did not give a reason for rejecting funding, leaving firms at a disadvantage in improving their chances for subsequent applications, or even discouraging them from applying altogether. Future research could benefit from acquiring quantitative and qualitative supply-side data from credit providers to ensure a more holistic perspective.

The MSME finance gap for the sample in this study indicates that the credit needs of MSMEs are not being adequately met by available options, suggesting that there is greater capacity to expand the alternative finance landscape. The estimated funding gap for the sample ranged between $13.9 million and $15.6 million, or between 75 and 84 per cent of the amount requested. These findings are considerably higher than the unmet demand estimated for developing economies in 2017 (59 per cent), but closer aligned to the funding gap for the LAC region (87 per cent).[30] Microenterprises accounted for around 61 per cent of the estimated domestic MSME gap, in contrast to just 14 per cent for the global study, as they applied for over half of the higher-value requests (over $100,000). Though most applications were for lower-value amounts, these results suggest that microenterprises have just as much desire to scale up their business as other enterprises but find it relatively more difficult to access funding from available providers.

The problem is not the availability of loanable funds but rather the underlying structural issues that exacerbate funding barriers. Excess reserves in the commercial banking system averaged $6.8 billion at the end of 2022. Moreover, there are several programmes available through the Government and Government-related entities to encourage SME development.[31] The Government continues to expand the number of supportive facilities available, most recently introducing a long-term loan guarantee facility with favourable repayment terms for non-energy SMEs, and launching an SME mentorship programme through the Trinidad and Tobago Stock Exchange. While these may reduce some of the barriers faced by a select group of businesses, longer-term gains could be made from addressing the underlying constraints which appear concentrated in the pre-funding application phase (including, inter alia, business plans, record-keeping, and financial statements). This would give MSMEs access to a wider range of options, and may have the added benefit of spurring competition in the traditional market.

The introduction of alternative financing options has proven successful in several economies in reducing the MSME financing gap by minimising common barriers to finance. Generally, alternative finance providers are well suited to young MSMEs who are digitally literate (just over 90 per cent of the sample had an online presence). Many of the better-known alternative finance providers have developed in the fintech space. While platforms such as P2P lending may offer relatively fast loan processing, with limited collateral or credit history, the risk is borne entirely by the lender. This

[30] See Section 2.1.
[31] Dhanessar, Alon. (2023). “The Role of the Government of Trinidad and Tobago in Facilitating Financial Market Development and Financial Inclusion.” Central Bank of Trinidad and Tobago, Research Paper.

contrasts with balance sheet lending, where the platform is exposed to default risk. Invoice trading or factoring is another feasible option, which may overlook the lack of financial records and consider the creditworthiness of the owner and not of the firm. The capital markets are suitable for more mature firms. However, other equity-based options, such as venture capital, angel investing, or crowdfunding are more appropriate for startups with high growth potential. There may not be sufficient critical mass in the Trinidad and Tobago market at this time to support these aforementioned options given many MSMEs are involved in replicative (wholesale and retail trade) entrepreneurial activity as opposed to innovative, high-value-added activities. A review of country experiences with varying degrees of alternative finance adoption reveals a common element: government support alongside sufficient regulation has been pivotal in encouraging the growth of these markets while safeguarding financial stability.

5.2 Recommendations

Creating sustainable and meaningful diversification through the MSME sector requires a two-pronged approach: targeted action to reduce structural financial and non-financial barriers to financing while simultaneously facilitating an environment conducive to expanding the range of alternative financing options available to the sector. No single organisation can shoulder the responsibility of creating a broader financial ecosystem that supports MSME finance and its attendant economic benefits. Rather, each Government, regulator, MSMEs, and other private sector participants, such as credit providers, data collectors, and credit reporting agencies, has its part to play. The following interventions are recommended:

- **Establish a public credit registry**

The establishment of a credit registry could complement existing credit bureaus to reduce information asymmetries faced by credit providers and minimise transactional costs in assessing borrower creditworthiness. In contrast to credit bureaus, credit registries are information systems that are typically managed by a public entity. Registries can go beyond information sharing between a select few financial institutions and other lending agencies, and consider the integration of payment data from non-traditional sources such as utility companies. These enhancements may require a shift in current data collection methods and will likely be labour intensive to convert recent historical data to an appropriate format; legislative changes would therefore be necessary to mandate such reporting from non-traditional sources.

- **Establish a collateral registry to include moveable assets**

Institutions have long favoured immovable assets such as real estate for secured transactions, which places many modern MSMEs at a disadvantage, given the increasing number of microenterprises that do not possess brick-and-mortar businesses. A collateral registry should therefore be structured to include the value of moveable assets, both tangible and intangible, such as machinery and equipment, inventory, and intellectual property. This expands the collateral base acceptable for credit requests. The registry should be centralised to minimise fraud and should be easily accessible to users and online, electronic systems are recommended.[32] A legal framework for secured transactions is a necessary precursor to the establishment of a collateral registry.

- **Improve financial literacy among MSMEs**

Improving financial literacy rates could build confidence among MSMEs and improve their chances of successful credit applications. In particular, advisory services to improve the design of business plans, development of loan proposals, and preparation of financial statements could be encouraged. Large-scale campaigns could be launched with the support of the National Financial Literacy Programme to complement and promote existing business incubator programmes in Trinidad and Tobago. Based on the current MSME demographic, internet platforms such as social media should be the primary mode of communication for businesses, especially startups.

- **Build awareness of alternative finance options**

Related to financial literacy is building awareness of non-traditional credit providers. Awareness and understanding of the different types of alternative finance options available to MSMEs could be improved through public education efforts, such as in North Macedonia. A centralised online platform, funded by the European Union, has been established to provide information on available types of financial instruments, as well as educate MSMEs on the most appropriate options to suit their business needs (International Labour Organization 2020). Such a platform should take a collaborative approach between the public and private sectors as it also offers specific providers, both regionally and domestically, the opportunity to improve their visibility.

- **Establish favourable conditions for the introduction of alternative finance options**

Alternative finance providers face competition from more established sources of financing, such as banks, and may therefore need encouragement to participate more actively in the credit market. However, survey results also revealed that MSMEs preferred alternative providers to government programmes to fund higher-value applications. The Government should therefore channel greater financial resources into supporting these alternative providers through various incentives. Measures related to taxation are already in place for equity-based financing in Trinidad and Tobago, similar to the cases in India and Jamaica. Tax allowances are also granted to startups in key areas such as information and communications technology, as well as businesses investing in these startups. These tax breaks could be extended to more innovative forms of financing to encourage investors to participate in other equity-based markets such as crowdfunding. As highlighted in the Malaysia case study, this could be complemented by matching investments in private equity and venture capital funds managed by the Government, or co-investing with private investors in more innovative platforms such as P2P lending.

- **Enhance the legal and regulatory framework for the provision of alternative finance**

Grants were the preferred source of financing among survey respondents for working capital and business expansion. However, the establishment of specific legal and regulatory frameworks, backed by the appropriate financial infrastructure, is likely to have a greater impact on meaningful and

[32] The modernisation of the secured transactions regime and the establishment of an online collateral registry was a past initiative of the Government through the Ministry of Trade and Industry (Goverment of the Republic of Trinidad and Tobago 2019).

sustainable access to financing than partial policies focused on direct government financing or guarantees (Blancher, et al. 2019). Legal and regulatory frameworks should complement existing financial services regulation and initiatives that support the introduction of fintechs. That said, the alternative finance industry is in its nascent stages and dynamically changing as technology develops. For this reason, regulation targeted at fintech options should also be flexible enough to adapt to the changing industry over time. While this may take the form of legislation depending on the particular platform, there should be conditions in place to allow regulators flexibility in implementing the rules (Herrera 2016). Improved regulation and supervision of these entities may increase awareness and build investor confidence in the safety of the instruments, thereby improving the uptake of alternative finance options.

- **Encourage the introduction of fintech-based providers through the Regulatory Sandbox**

According to a survey of global regulators, the supervision of alternative finance providers is more complex than traditional sources due to limited technical expertise, resources, and reliable data. Innovative solutions are therefore required to safeguard the introduction of innovative instruments; one-quarter of global regulators have introduced innovation offices, while one-fifth have created regulatory sandboxes (World Bank and Cambridge Centre for Alternative Finance 2019). Trinidad and Tobago is ahead of the global movement and recently launched its Innovative Hub and Regulatory Sandbox, joint initiatives of the Central Bank, the Financial Intelligence Unit of Trinidad and Tobago, and the Trinidad and Tobago Securities and Exchange Commission.

The Innovation Hub exposes the regulators to the new technologies while allowing the fintechs to gain a better understanding of the regulatory and supervisory requirements. Further, the Regulatory Sandbox provides a safe space for alternative finance companies to test their services in a live environment, without the full breadth of requirements, for a limited time. Regulators will be able to actively monitor the activities of the company and determine whether it can be safely introduced into the financial ecosystem. Fintech-based providers could be encouraged to participate in these fora. As popularity increases, regulators would be better equipped to develop specific fintech legislation to safeguard financial stability, if necessary, such as in the Mexican case study.

- **Improve the quality and coverage of data in the MSME sector**

Collecting data from MSMEs and credit providers are two sides of the same coin. The survey issued in this study provided elements of qualitative and quantitative demand-side data, and indirectly implied supply-side constraints. However, more accurate information on loan portfolio distribution and borrower creditworthiness could be gathered by approaching credit providers directly. A proportion of the dataset can be proxied from the Central Bank's regulatory returns for the banking sector, but a special data request may be required for granular details. Moreover, data reporting from other providers, including alternative finance options, could be encouraged informally through moral suasion, as the ultimate goal is expected to be mutually beneficial, or more formally through expanding the regulatory perimeter or consolidating regulatory oversight of fintechs into one entity to mitigate reporting burden. Supply constraints could also be investigated through surveys and interviews.

The collection and dissemination of timely and relevant statistics for the MSME sector could facilitate in-depth analysis by several stakeholders and subsequently be utilised to inform public policy or private business decisions. Corporate financing surveys could be conducted on a wider scale, at more frequent intervals, to monitor the changing characteristics of MSMEs and fashion appropriate policy interventions. Disaggregation of the data could highlight the needs of newer businesses in more innovative industries. These tools will keep a pulse check on the success of policy measures and programmes targeted at reducing the financing gaps within the sector.

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APPENDIX A: SAMPLE QUESTIONNAIRE

A.1 Introduction

The Central Bank of Trinidad and Tobago (the Central Bank) is collecting information on the access to finance[33] for micro, small and medium-sized enterprises (MSMEs) in Trinidad and Tobago, as well as their awareness and perception of credit sources outside of the traditional banking system.

The purpose of this study is to determine the MSMEs' unmet credit demand. Survey findings will assist the Central Bank in proposing innovative solutions to improve access to funding for MSMEs and support sustainable economic diversification in Trinidad and Tobago.

Owners of MSMEs operating in Trinidad and Tobago are invited to participate in this survey. Alternatively, persons who have direct knowledge of the company's financial operations may provide the responses.

The online questionnaire will take approximately 15 minutes to complete. It will be accessible on a 24-hour basis on any desktop or mobile device until November 30, 2022. Responses will be confidential and will be published in aggregate form only. The survey does not collect any identifying information such as company name, email address or IP address.

To thank you for your time, you may enter for a chance to win a hamper of local products valued at $500 upon completion of the survey. You will be directed to an external link to provide this information.

If you have any questions regarding the survey, please contact us via MSMEFinancingSurvey@central-bank.org.tt. We look forward to your participation.

[33] Financing is the process of providing funds for business activities, making purchases or investing. Firms can be financed from internal or external sources.

A.2 Survey Questions

A.2.1 Section 1: Company Profile

1. Which sector of activity does your company operate in **mainly**?
   - ☐ Agriculture and livestock
   - ☐ Articles of plastics and rubber
   - ☐ Food, beverage and alcohol
   - ☐ Business and professional services
   - ☐ Communication
   - ☐ Construction
   - ☐ Distribution
   - ☐ Education
   - ☐ Electrical machinery and equipment
   - ☐ Energy
   - ☐ Entertainment
   - ☐ Environmental
   - ☐ Facilities management
   - ☐ Fashion
   - ☐ Financial
   - ☐ Furniture
   - ☐ Health and social
   - ☐ Household goods
   - ☐ Laundry services
   - ☐ Minerals, cement, ores and chemicals
   - ☐ Personal care items/cosmetics
   - ☐ Pharmaceuticals
   - ☐ Photographic and cinematographic goods
   - ☐ Stones, ceramic, glass, precious stones and metals
   - ☐ Textiles and clothing
   - ☐ Tourism and travel
   - ☐ Transport
   - ☐ Vehicles, aircraft, boats and related parts
   - ☐ Wood, paper and packaging industry
   - ☐ Other. Please specify _______________

2. Does your company export its goods and/or services?
   - ☐ Yes
   - ☐ No

3. Which of the following online platforms does your company use to advertise and/or sell products and services? Select all that apply.
   - ☐ Company website
   - ☐ Facebook
   - ☐ Instagram
   - ☐ TikTok
   - ☐ Amazon
   - ☐ Mobile applications (e.g. WhatsApp)
   - ☐ Other. Please specify_______________
   - ☐ Not applicable. I do not advertise or sell online.

4. What payment methods do you accept? Select all that apply.
   - ☐ Cash
   - ☐ Cheques
   - ☐ Debit cards
   - ☐ Credit cards
   - ☐ Electronic funds transfer (direct deposit/bank transfer)
   - ☐ Paypal
   - ☐ Other. Please specify______________

5. To what extent have the following factors affected your company's ability to grow?

	Not at all	*To little extent*	*To some extent*	*To a large extent*	*To a very large extent*
Reduced market for products and services	☐	☐	☐	☐	☐
Competition	☐	☐	☐	☐	☐
Lack of financing	☐	☐	☐	☐	☐
Cost of financing	☐	☐	☐	☐	☐
High company debt	☐	☐	☐	☐	☐
Lack of technology	☐	☐	☐	☐	☐
High operating costs	☐	☐	☐	☐	☐
Availability of experienced managers	☐	☐	☐	☐	☐
Availability of skilled staff/high staff turnover	☐	☐	☐	☐	☐
Excessive government regulation/taxes	☐	☐	☐	☐	☐
Lack of government support	☐	☐	☐	☐	☐
Economic conditions in country	☐	☐	☐	☐	☐
Crime	☐	☐	☐	☐	☐

A.2.2 Section 2: Company Financing

6. What are the main platforms you use to find financing information? Select all that apply.

- ☐ Search engine (e.g. Google)
- ☐ Social media
- ☐ Provider website (e.g. bank website)
- ☐ Advertisement
- ☐ Word of mouth
- ☐ Other. Please specify ____________

7. Have you heard of the following sources of finance? Select all that apply.[4]

- ☐ Banks
- ☐ Credit unions
- ☐ Development banks
- ☐ Government programmes
- ☐ Informal providers/moneylenders
- ☐ Capital markets (stock exchange)
- ☐ Venture capitalists [i] /angel investors[ii]
- ☐ Crowdfunders[iii] (e.g. GoFundMe, FundMeTnT)
- ☐ Peer-to-Peer (P2P)/marketplace lenders[iv]
- ☐ Balance sheet lenders[v]
- ☐ Factors (invoice trading/factoring)[vi]
- ☐ Other. Please specify _____________
- ☐ I have not heard of any

8. If your company were to receive financing, how would you use it? Select all that apply.

- ☐ Fund daily operational costs
- ☐ Purchase inputs
- ☐ Purchase capital goods (vehicle, equipment, real estate)
- ☐ Pay fixed expenses (salaries, rent)
- ☐ Pay other debt
- ☐ Pay taxes
- ☐ Expand production
- ☐ Expand the business/ open new branches
- ☐ Train staff
- ☐ Hire more workers
- ☐ Conduct product research and development
- ☐ Advertise
- ☐ Other. Please specify _____________

9. Which of the following types of financing would you consider using to *pay for your company's operations (working capital)*? Select all that apply.
   - ☐ Personal savings or personal loans
   - ☐ Business partner savings or partner loans
   - ☐ Family/friends savings or loans
   - ☐ Company profits
   - ☐ Sale of company assets
   - ☐ Loans
   - ☐ Grants
   - ☐ Supplier credit
   - ☐ Debt issuance (bonds)
   - ☐ Equity issuance (stocks, initial public offering [IPO])
   - ☐ Donation
   - ☐ Other. Please specify_____________
   - ☐ I would not consider financing

10. Which of the following types of financing would you consider using to *expand your company*? Select all that apply.
    - ☐ Personal savings or personal loans
    - ☐ Business partner savings or partner loans
    - ☐ Family/friends savings or loans
    - ☐ Company profits
    - ☐ Sale of company assets
    - ☐ Loans
    - ☐ Grants
    - ☐ Supplier credit
    - ☐ Debt issuance (bonds)
    - ☐ Equity issuance (stocks, initial public offering [IPO])
    - ☐ Donation
    - ☐ Other. Please specify_____________
    - ☐ I would not consider financing

11. Have you applied for financing within the last 5 years?
    - ☐ Yes. I have applied _____ time(s).
    - ☐ No

12. If no, why not? Select all that apply.
    - ☐ I did not need financing
    - ☐ I do not trust banks
    - ☐ I do not trust other financial institutions
    - ☐ The application process is complicated
    - ☐ There are too many requirements/ I do not think I have the necessary requirements (e.g. financial statements)
    - ☐ I have been turned down/rejected in the past
    - ☐ It is too expensive (high interest rates, other fees and charges)
    - ☐ The loan is too short-term/amount is too small
    - ☐ I have too much debt
    - ☐ There are no institutions nearby
    - ☐ Other. Please specify ___________

13. If yes, please indicate which sources of financing your company has applied for in the last 5 years and the amount requested? Select all that apply.

Source of financing	**Did not apply**	**Applied for**						
		TT$20,000 or less	**Over TT$20,000 - TT$50,000**	**Over TT$50,000 - TT$100,000**	**Over TT$100,000 - TT$250,000**	**Over TT$250,000 - TT$500,000**	**Over TT$500,000 - TT$1,000,000**	**More than TT$1,000,000**
Family/friends	☐	☐	☐	☐	☐	☐	☐	☐
Commercial bank	☐	☐	☐	☐	☐	☐	☐	☐
Non-bank financial institution (merchant bank, trust, finance house)	☐	☐	☐	☐	☐	☐	☐	☐
Credit unions	☐	☐	☐	☐	☐	☐	☐	☐
Development banks	☐	☐	☐	☐	☐	☐	☐	☐
Government programmes	☐	☐	☐	☐	☐	☐	☐	☐
Informal providers/moneylenders	☐	☐	☐	☐	☐	☐	☐	☐
Suppliers	☐	☐	☐	☐	☐	☐	☐	☐
Capital markets (stock exchange)	☐	☐	☐	☐	☐	☐	☐	☐
Venture capitalists/angel investors	☐	☐	☐	☐	☐	☐	☐	☐
Crowdfunders	☐	☐	☐	☐	☐	☐	☐	☐
P2P/ marketplace lenders	☐	☐	☐	☐	☐	☐	☐	☐
Balance sheet lenders	☐	☐	☐	☐	☐	☐	☐	☐
Factors (invoice trading/factoring)	☐	☐	☐	☐	☐	☐	☐	☐
Other. Please specify ____________	☐	☐	☐	☐	☐	☐	☐	☐

14. Why did you choose to go to this/these sources of financing?
<<Table will be filtered for sources applied to only (from previous question)>>

Source of financing	**Existing relation-ship**	**Met 100% of the financing needed**	**Ease of applying**	**Fewer requirem ents**	**Low interest rates/ fees**	**Fixed interest rates**	**Speed of obtaining finance**
Family/friends	☐	☐	☐	☐	☐	☐	☐
Commercial bank	☐	☐	☐	☐	☐	☐	☐
Non-bank financial institution (merchant bank, trust, finance house)	☐	☐	☐	☐	☐	☐	☐
Credit unions	☐	☐	☐	☐	☐	☐	☐
Development banks	☐	☐	☐	☐	☐	☐	☐
Government programmes	☐	☐	☐	☐	☐	☐	☐
Informal providers/moneylenders	☐	☐	☐	☐	☐	☐	☐
Suppliers	☐	☐	☐	☐	☐	☐	☐
Capital markets (stock exchange)	☐	☐	☐	☐	☐	☐	☐
Venture capitalists/angel investors	☐	☐	☐	☐	☐	☐	☐
Crowdfunders	☐	☐	☐	☐	☐	☐	☐
P2P/ marketplace lenders	☐	☐	☐	☐	☐	☐	☐
Balance sheet lenders	☐	☐	☐	☐	☐	☐	☐
Factors (invoice trading/factoring)	☐	☐	☐	☐	☐	☐	☐
Other. Please specify ____________	☐	☐	☐	☐	☐	☐	☐

15. Did your company receive all or part of the financing applied for in the last 5 years?
<<Table will be filtered for sources applied to only (from previous question)>>

			Received

Source of financing	Did not receive/ application rejected	Application approved but did not take it	1% - 25%	26% - 50%	51% - 75%	76% - 99%	100%
Family/friends	☐	☐	☐	☐	☐	☐	☐
Commercial bank	☐	☐	☐	☐	☐	☐	☐
Non-bank financial institution (merchant bank, trust, finance house)	☐	☐	☐	☐	☐	☐	☐
Credit unions	☐	☐	☐	☐	☐	☐	☐
Development banks	☐	☐	☐	☐	☐	☐	☐
Government programmes	☐	☐	☐	☐	☐	☐	☐
Informal providers/moneylenders	☐	☐	☐	☐	☐	☐	☐
Suppliers	☐	☐	☐	☐	☐	☐	☐
Capital markets (stock exchange)	☐	☐	☐	☐	☐	☐	☐
Venture capitalists/angel investors	☐	☐	☐	☐	☐	☐	☐
Crowdfunders	☐	☐	☐	☐	☐	☐	☐
P2P/ marketplace lenders	☐	☐	☐	☐	☐	☐	☐
Balance sheet lenders	☐	☐	☐	☐	☐	☐	☐
Factors (invoice trading/factoring)	☐	☐	☐	☐	☐	☐	☐
Other. Please specify ____________	☐	☐	☐	☐	☐	☐	☐

16. If your company did not receive all financing or your application was rejected, what was the reason for the largest amount requested?
    - ☐ No collateral/insufficient collateral
    - ☐ Insufficient documentation
    - ☐ No credit history
    - ☐ Bad credit history
    - ☐ Company has little history/is young
    - ☐ Too much other debt
    - ☐ Did not have account with the institution
    - ☐ Thought the proposed project was not profitable
    - ☐ Did not give the reason
    - ☐ Other. Please specify___________

17. Does your company **currently** have any outstanding debt obligations?
    - ☐ Yes
    - ☐ No

A.2.2.1 Section 2.1: Government Support

18. Have you successfully accessed government-supported financing programmes such as, grants, loan guarantees or loans from institutions such as: The National Entrepreneurial Development Company (NEDCO); Development Finance Limited (DFL); ExporTT; EXIMBANK; The Caribbean Industrial Research Institute (CARIRI); The Agricultural Development Bank of Trinidad and Tobago (ADB); Ministry of Social Development and Family Services (MSDFS); Ministry of Trade and Industry (MTI); The Ministry of Tourism etc.
    - ☐ Yes
    - ☐ No

19. If no to Question 18, why not? Select all that apply.
    - ☐ Access to government facilities was denied
    - ☐ Financing was accessed internally or from non-government sources
    - ☐ Government facility was not able to provide the necessary financial support
    - ☐ Access to government facilities required a lot of administrative work
    - ☐ Did not think my business would be able to access government support
    - ☐ Did not know about applicable government facilities
    - ☐ Other. Please specify ___________

20. If yes to Question 18, which institution and facility name supplied the financing?
    - ☐ The National Entrepreneurial Development Company (NEDCO)
      Name of Facility: ____________________
    - ☐ Development Finance Limited (DFL)
      Name of Facility: ____________________
    - ☐ ExporTT
      Name of Facility: ____________________
    - ☐ EXIMBANK
      Name of Facility: ____________________
    - ☐ The Caribbean Industrial Research Institute (CARIRI)
      Name of Facility: ____________________
    - ☐ The Agricultural Development Bank of Trinidad and Tobago (ADB)
      Name of Facility: ____________________
    - ☐ Ministry of Social Development and Family Services (MSDFS)
      Name of Facility: ____________________
    - ☐ Ministry of Trade and Industry (MTI)
      Name of Facility: ____________________
    - ☐ The Ministry of Tourism
      Name of Facility: ____________________
    - ☐ SME Stimulus Loan Facility
      Name of commercial bank/institution facilitating the loan: ____________________
    - ☐ Other. Please specify ________________

21. If yes to Question 18, was the government support able to assist your business to expand and grow?
    - ☐ Yes, the government support helped my business expand and grow.
    - ☐ The government support partially helped my business grow, however, additional financial support was required.
    - ☐ No, the government support did not help.

22. If no to Question 21 (*No, the government support did not help*), why not?
    - ☐ The support provided by the government programme was not sufficient for my business needs.
    - ☐ I did not receive the full allocation of support that was indicated by the programme.
    - ☐ Receipt of the support took very long and was ultimately insufficient.
    - ☐ Other. Please specify ____

A.2.3 Section 3: Demographics and Ownership Structure

23. Who are the owners of your company?
    - ☐ Only one owner. Please select: Male/Female/Rather not say
    - ☐ Family or group of private individuals (more than one owner)
    - ☐ Shareholders (company listed on stock market)
    - ☐ Other companies or business associates
    - ☐ Other. Please specify ________________

24. What is the legal status of your company?
    - ☐ Sole trader/ individual proprietorship
    - ☐ Partnership
    - ☐ Limited liability company

25. If *Sole trader/individual proprietorship* for Question 24, how old is the owner of your company?
    - ☐ 0 – 24 years
    - ☐ 25 – 34 years
    - ☐ 35 – 44 years
    - ☐ 45 – 54 years
    - ☐ 55 – 65 years
    - ☐ Over 65 years
    - ☐ Rather not say

26. If *Sole trader/individual proprietorship* for Question 24, what is the owner's highest level of education completed?
    - ☐ Primary
    - ☐ Secondary – up to 3rd form
    - ☐ Secondary – up to 5th form
    - ☐ Secondary/ college – up to 6th form
    - ☐ Vocational / Technical
    - ☐ University First Degree / ACCA
    - ☐ Post Graduate Degree

- ☐ No formal education/None
- ☐ Rather not say

27. Where is your company based/located? Please select all that apply.
    - ☐ Arima
    - ☐ Chaguanas
    - ☐ Couva-Tabaquite-Talparo
    - ☐ Diego Martin
    - ☐ Mayaro-Rio Claro
    - ☐ Penal-Debe
    - ☐ Port of Spain
    - ☐ Princes Town
    - ☐ San Fernando
    - ☐ San Juan-Laventille
    - ☐ Sangre Grande
    - ☐ Siparia
    - ☐ Tunapuna-Piarco
    - ☐ Tobago

28. How many years has your company been in operation?
    - ☐ Less than 1 year
    - ☐ 1 – 5 years
    - ☐ 6 – 10 years
    - ☐ 11 – 25 years
    - ☐ More than 25 years

29. How many persons are currently employed full-time at your company?
    - ☐ 0 – 5
    - ☐ 6 – 25
    - ☐ 26 – 50
    - ☐ More than 50

30. What is the current value of your company's asset base (excluding real estate)?
    - ☐ Less than TT$250,000
    - ☐ TT$250,000 – TT$1,500,000
    - ☐ TT$1,500,000 – TT$5,000,000
    - ☐ More than TT$5,000,000

31. What is the annual sales turnover of your company in a typical year?
    - ☐ Less than TT$250,000
    - ☐ TT$250,000 – TT$5,000,000
    - ☐ TT$5,000,000 – TT$10,000,000
    - ☐ More than TT$10,000,000

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[i] Venture capitalists are individuals or institutional investors who purchase equity issued by a company via a privately-managed pool of funds, typically in the early or expansionary stages of development.
[ii] Angel investors are individuals or institutional investors who purchase equity issued by a company, typically in the early stages of development.
[iii] Crowdfunders refer to individuals or institutional investors who may purchase equity issued by a company, provide funding to companies in exchange for non-monetary rewards or products, or donate funding to companies with no expectation of monetary or material return.
[iv] Peer-to-peer (P2P)/marketplace lenders directly connect individuals or institutional investors to borrowers, typically through online platforms, without the need for a traditional (bank-based) intermediary.
[v] Balance sheet lenders operate on online fintech platforms and offer non-crowd-based funding directly to the borrower using its own resources.
[vi] Factors are individuals or institutional investors who purchase invoices or receivables from a business, at a discount.