Vol. 3 No. 2 September 2023

Central Bank of Trinidad & Tobago

Research Papers

The Role of the Government of Trinidad and Tobago in Facilitating Financial Development and Financial Inclusion

Alon Dhanessar

RESEARCH DEPARTMENT

AIMS AND SCOPE

The aim of the Central Bank of Trinidad and Tobago Research Papers is to contribute to the literature on contemporary economic issues with a view to informing policy. The publication primarily highlights the work of economists in the Research Department of the Central Bank of Trinidad and Tobago as well as joint projects with other institutions.

The papers are intended to cover a wide range of macroeconomic and microeconomic topics which support the Bank's mission of promoting sound monetary, credit and exchange policies in Trinidad and Tobago.

Since the target audience comprises academia and policymakers, every effort will be made to ensure that the papers meet the required standards of technical rigour, while addressing the economic challenges of the day.

CENTRAL BANK OF
TRINIDAD & TOBAGO

Research Papers Vol. 3 No. 2 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

The Role of the Government of Trinidad and Tobago in Facilitating Financial Development and Financial Inclusion

Alon Dhanessar

Research Department

Central Bank of Trinidad and Tobago

Abstract

Financial development and inclusion are multifaceted and linked concepts referring to the growth, expansion, availability, and access of financial products and services. A well-developed financial system can promote economic growth, reduce poverty and inequality, and improve the economy's overall efficiency by channelling savings into productive investments, providing access to credit, and helping to manage risks. However, in developing economies, the goals of financial inclusion often encounter numerous challenges stemming from limitations to access. This study examines the financial development and financial inclusion issues in Trinidad and Tobago, from the perspective of Micro, Small and Medium-sized Enterprises (MSMEs), to determine the policy interventions required for these entities to contribute significantly to economic growth and job creation. An exploratory approach is adopted, reviewing the literature on the developmental concepts, and the different approaches undertaken by governments to improve financial development and inclusion. Available data for the domestic financial system is examined, the results of a 2022 MSME survey are evaluated, and estimates of the MSME financing gap are derived. Overall, the study reveals that MSMEs face challenges in accessing financial products and services, and that a significant portion of these businesses are unserved or underserved by the financial system.

Furthermore, the financing gap of a typical MSME is estimated to range between TT$94,000 to TT$106,000. The limitations to access and the presence of a funding gap suggest that deficiencies exist in domestic financial development. The study concludes that in order to promote financial inclusion and development, and reduce domestic funding gaps, government policies and programmes should be designed to reduce hurdles to access and usage, while encouraging financial system innovation.

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 Kateri Duke and Natalie Thomas of the Research Department for their work 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.

This research paper, which focuses on understanding the role of the government and areas where government support can be improved to bridge the financing gap, is part of a broader study. The focal point of other papers is on the role of regulators in encouraging the emergence of alternative finance providers to close the identified gaps and enhance financial inclusion.

Table of Contents

1. Introduction

Micro, Small and Medium-sized Enterprises (MSMEs) have played a vital role in the Trinidad and Tobago economy, contributing significantly to economic growth and job creation. An estimated 95.0 per cent of domestic businesses are MSMEs, with the vast majority being micro and small. This study examines the financial development and financial inclusion challenges in Trinidad and Tobago, from the perspective of MSMEs, to determine the policy interventions required for these entities to contribute significantly to economic growth and job creation.

Financial development refers to the growth and expansion of financial institutions and markets, encompassing a comprehensive array of financial products and services, and increased use and access to financial activities by households and businesses. On the other hand, financial inclusion refers to the ability of individuals and firms to access this wide-ranging selection of financial products and services, such as credit, savings, insurance, and payment methods. Access that is appropriate and affordable to the needs of individuals and businesses enables them to participate in the economy and promote economic well-being. The concepts of financial development and financial inclusion are closely linked and considered mutually reinforcing. Fundamentally, financial development can promote financial inclusion by increasing access to financial services and products, reducing costs, and improving the overall quality of financial services. However, without a well-developed and efficient financial system, financial inclusion can be limited, often requiring additional support.

In developing economies, and the absence of a well-developed financial system, the advancement of financial inclusion can encounter numerous challenges. MSMEs in these economies are frequently unserved or underserved due to business informality, lack of collateral, or limited credit history. Furthermore, while some economic agents are considered voluntarily excluded, many are involuntarily excluded due to barriers to entry, such as stringent documentation requirements, inadequate information, deficient market infrastructure, restrictive policies and regulations, distance, and costs. Essentially, involuntary financial exclusion is a sign of financial market failure, and policies aimed at reducing the barriers to entry and limiting market failures can be effective in promoting inclusion.

Governments, financial institutions, and non-profit organisations all play a pivotal role in advancing financial inclusion. However, the government's role is often central to the success of financial inclusion objectives. Firstly, government policies are necessary to establish a sound financial infrastructure, and encourage financial services development. Secondly, the implementation of policies and programs can support measures that increase access to financial services for underbanked or unbanked populations.

The success of efforts to promote financial inclusion depends on several factors, including the stability of the financial system, economy and political environment, the capacity of the government to implement policies and programs effectively, and the support of the private sector. Emerging and developing economies have adopted numerous approaches to financial inclusion. In many cases, countries undertook developmental policies related to fiscal, monetary, and institutional stability, advances in financial information infrastructure, regulatory innovations to diversify financial services towards underserved sectors, state-led financial inclusion programmes, the establishment of development banks to drive economic and financial developments, implementation of FinTech and digital technologies, and others.

Notwithstanding these developments, emerging and developing economies still experience gaps in financial development and inclusion, often characterised by large segments of unbanked and financially excluded individuals and firms. In most cases, these gaps result from hurdles to financial service and credit access, resulting in widespread informal borrowing sources. In many instances, lack of awareness and insufficient education are still prevalent. Furthermore, in some economies, the potential adverse effects of the natural resource curse present challenges to equitable financial development and inclusion.

In the domestic case, despite a sufficiently liquid and developed traditional banking sector, in addition to many government financing programmes and policy initiatives offered, there still seems to be a large gap between businesses that can access these facilities and those that experience hurdles to access. For micro and small businesses, barriers to entry are often due to the requirements and conditions that these firms must satisfy. While this may not be an issue for large and many medium-sized businesses, it can be a deterrent for numerous MSMEs that are unregistered or unincorporated and even for those that are formally established.

A critical deficit created by the hurdles to accessing financial products and services is the financing gap. Although access to credit is crucial to the growth and development of MSMEs, in many cases, firms experience financial exclusion and a financing gap through the unavailability of credit, especially from traditional sources of finance. The financing gap refers to the difference between the amount of funding that an MSME needs to meet its financial objectives and the amount of funding it can obtain through traditional sources. Often, the financing gap can be a significant obstacle as it can limit a firm's ability to expand and grow. While MSMEs need to be aware of their funding gap, it is also crucial for policymakers to be mindful of the funding gap and to understand the deficits in the financial system that create an environment of financial exclusion.

Considering that there is a lack of sufficient or available data in the domestic financial system to gauge the funding gap, a survey was conducted by the Central Bank of Trinidad and Tobago in December 2022 to collect information on the access to finance for MSMEs. The survey examined unmet credit demand, awareness and perception of different credit sources, and information on the sources and uses of funding. The survey results shed light on the current profile of MSMEs in Trinidad and Tobago, especially micro-enterprises, concerning alternative financing sources and government support programmes. This study primarily focuses on understanding the role of the government and areas where an improvement in government support can bridge the financing gap.

The survey revealed several significant findings, especially for micro-firms[1]. Most firms indicated that financed funds would be used to undertake growth and expansionary investments, however, access to financing was a major challenge. It was estimated that MSMEs applied for an average of $126,000 in financing over the last five years. However, these firms received roughly 16.3 per cent to 25.3 per cent of their requested funding, resulting in an estimated MSME financing gap of $94,000 to $106,000. The survey determined that this large financing gap, relative to the percentage of financing requested versus received, was due to several factors, such as collateral requirements, company age, document deficiencies and credit history. Considering that most of the firms surveyed were micro, these firms

[1] 95.3 per cent of the surveyed were considered micro.

would be susceptible to application challenges resulting in them being excluded, to some degree, from the financial system.

In light of this finding, the government's role in facilitating financial development and financial inclusion is essential to the growth and expansion of MSMEs. One way the government can provide support is by creating a regulatory environment that promotes access and encourages the development of new financial products and services. The government should also support financial literacy by providing education and information to the public. The government can also engage in partnerships with the private sector by offering guarantees/subsidies, funding, or other support to organisations that are expanding financial access. Additionally, the government can provide targeted assistance to specific groups or sectors which may be at a higher risk of exclusion.

The remainder of this study follows the following structure: Section two reviews the literature on financial development and inclusion, focusing on the challenges, the levels of financial inclusion policy, and exploring country experiences. Subsequently, section three describes financial access and financial markets in Trinidad and Tobago, highlighting the challenges in the domestic environment, while section four describes the different financing programmes and policy initiatives in Trinidad and Tobago. Section five introduces the MSME survey undertaken and examines the survey data to determine the use of finance, calculate the financing gap, and use of government-supported financing for MSMEs. Lastly, in section six, the study concludes and provides policy recommendations to support financial development and inclusion.

2. Literature Review

Economic growth may be a primary objective of most policy makers. However, the development of an inclusive financial system is necessary for equitable growth opportunities across the economy. Policies and initiatives that promote financial inclusion pave the way for economic development - a prerequisite for employment, poverty reduction, social cohesion, savings, credit access, and investment (Sudhakar and Singh 2017). Furthermore, evidence also points to the role of developed financial systems in facilitating rapid growth in the incomes of the poor, suggesting that financial development and inclusion assist the poor in catching-up with the rest of the economy (Demirgüç-Kunt 2012a).

The government's role in financial market development can play a significant part in facilitating financial inclusion and supporting the development of the MSMEs sector. However, the success or failure of financial systems often have their origins in the policy environment, and therefore, optimal policy decisions will continue to be a principal development challenge (Demirgüç-Kunt 2012a). A well-functioning financial system requires fiscal discipline, stable macroeconomic policies, political stability, and robust legal and informational infrastructure. Without these conditions, political turmoil and corruption can create uncertainty, deteriorate business conditions and increase the cost of doing business. Fiscal indiscipline can result in governments crowding-out private investments through large financing requirements, and a sub-par legal system can reduce the protection of property rights and contract enforcement, reducing the effectiveness of the legal system and business operations.

2.1. The Challenge of Financial Exclusion

Apart from political and macroeconomic stability, financial systems often fall short in many developing economies as MSMEs are either financially unserved or underserved due to business informality, lack of collateral, or limited credit history (Chen and Divanbeigi 2019). This is even more challenging for smaller and younger firms in developing economies due to less developed financial and legal institutions, and less effective systems of credit information sharing (Beck and De la Torre 2007).

Furthermore, an unfortunate characteristic of many formal financial systems is the unintended exclusion of numerous economic agents, especially the poor and rural residents. While some agents are voluntarily excluded from the system, many are involuntarily excluded due to barriers to entry such as distance, cost, distrust in the system, restrictive policy and regulatory environments, stringent documentation requirements, inadequate information, deficient market infrastructure, institutional weakness, limited technological innovations, banking obstacles, or social and macroeconomic inefficiencies. These barriers can be classified into price barriers, where available services are too expensive; information asymmetry barriers, where credit assessments cannot be determined, and product or service barriers, where specific services needed by certain groups are not available (Beck and De la Torre 2007, and Honohan 2005).

Fundamentally, involuntary financial exclusion is a sign of financial market failure. The role of financial inclusion policy should therefore be to reduce barriers to entry and limit market failures. Demirgüç-Kunt et al. (2012b) recommend that policies targeted to promote inclusion, such as basic or low-fee accounts, exemptions from onerous documentation requirements, and the use of bank accounts for government payments are especially effective among excluded individuals. Chinoda and Kwenda (2019) further that when policymakers lack a deep understanding of these barriers, poor policy decisions can result.

2.2. The Three Levels of Financial Inclusion Policy

The hurdles to financial inclusion can be overcome by implementing appropriate policy measures and regulations that enable an inclusive financial system. Policy measures mostly fall into three primary levels: the first being general developmental policies, which include fiscal, monetary, and institutional stability, in addition to financial literacy. Secondly, supportive regulatory policies are designed to promote financial inclusion while satisfying supervisory requirements. Lastly, pro-market intervention policies such as development banks.

Based on prior studies focused on measuring financial inclusion, Chen and Yuan (2021) explain that financial inclusion covers three components: access, awareness, and use. Access, which refers to the supply and accessibility of financial services, is generally dependent on fiscal and monetary stability, institutional soundness, and supportive regulatory policies. Providing these infrastructural and regulatory conditions are met, voluntary access to financial services would be easily achieved while involuntary access would be minimised. The second component, awareness, refers to financial literacy and the ability to make sound financial decisions. Awareness is also linked to pro-market intervention, where state and private developmental enterprises promote their financial inclusion products to the population. Lastly, the usage component refers to the amount of financial services accessed by the population, and is dependent on different aspects of the three primary policy levels.

In light of these components, the government's role should be designed to improve the availability and opportunities to access a range of appropriate financial services, through optimal monetary, fiscal, taxation and regulatory policies. Sound economic and governance policies supporting economic activities could lead to increased availability, accessibility, and usage of formal financial services. Additionally, areas where government policies can facilitate inclusion include the promotion of financial education, simplifying documentation requirements, and flexible collateral policies.

2.2.1. General Developmental Policies

From the supply-side perspective, general developmental policies refer to the stability of conditions in the economic environment, and institutional development. Fiscal and monetary soundness which promotes sustainable economic growth and stable inflationary conditions enables other macro-economic objectives to be achieved. Additionally, the quality of the institutional environment, relating to the proficiency and capacity of institutions, is necessary to support financial sector inclusion. Lastly, from the demand-side perspective, financial literacy is considered a core developmental objective which supports financial development and inclusion.

i. Fiscal, Monetary, and Institutional Stability

A well-functioning financial system requires fiscal discipline, stable macroeconomic policies, political stability, and robust legal and informational infrastructure. In the absence of these conditions, political turmoil and corruption can create uncertainty, deteriorate business conditions and increase the cost of doing business. Al Hassan et al. (2021) examined the relationship between political instability and financial inclusion in the Middle East and North Africa (MENA) region and concluded that both political and monetary policy instability impedes the development of financial inclusion in the region. Additionally, Cumming et al. (2016) suggests that in China, the positive effect of debt on innovation investment is significantly moderated by political instability.

In many cases, a high opportunity cost of lending may be due to fiscal solvency risks and inflation volatility, creating hurdles to credit access (Beck and De la Torre 2007). The authors further that these conditions are often associated with financial crowding-out where the government absorbs a large share of domestic financial savings. Fiscal indiscipline can therefore result in governments crowding-out private investments through large fiscal financing requirements. Furthermore, a sub-par legal system can reduce the protection of property rights and contract enforcement, reducing the effectiveness of the legal system and business operations. These conditions often discourage internal and external lenders from making funds available, consequently underfunding the financial sector and weakening economic development.

In order to effectively promote financial development and inclusion, the first step policymakers should undertake is ensuring that the fiscal and monetary environment is stable and conducive to economic and financial development. For many emerging market economies, this would require substantial legislative reforms designed to limit involuntary exclusion from the financial system. Beck and De la Torre (2007) discuss that market-developing reforms often include legal and constitutional changes, modernisation of public sector agencies, civil service reform, and substantial upgrades to macroeconomic and fiscal performance. Additionally, the stability of monetary policy conditions is essential. While monetary policy actions are generally used to guide output and inflation, these policies can impact credit conditions in the financial sector. Consequently, the stability and credibility of monetary policy are necessary to encourage financial inclusion.

ii. Institutional Barriers to Financial Inclusion

Beck, Demirguc-Kunt and Martinez Peria (2007) show that the quality of the institutional environment and the degree of credit information sharing are positively associated with financial depth and outreach, reflected by higher bank branch and ATM penetration, as well as higher deposit accounts per capita. In relation to information asymmetry, MSMEs are often unable to provide sufficient or reliable information to financial institutions resulting in adverse selection concerns. Additionally, informational opacity can be further aggravated if the MSMEs operate in the informal sector. Generally, financial intermediaries such as banks are hesitant to lend to MSMEs due to the perception of high levels of risk, limited ability to evaluate and price credit risk, and substantial information asymmetry (Multilateral Investment Fund 2014).

Information asymmetry in emerging economies can have a negative impact on MSME financing and development. For example, in Bosnia, inadequate credit information stemming from a sole private credit bureau resulted in over-indebtedness and high loan delinquency rates (Ehrbeck et al 2012). One solution is the establishment of credit registries, where the collection and processing of information relevant to small business lending is easily accessible. According to Demirgüç-Kunt (2012a), empirical results show that the volume of bank credit is significantly higher in economies with more information sharing, as better credit information reduces financing obstacles. Furthermore, the author mentions that in cases where public credit registries may discourage private entry, private registries have been encouraged to provide a wider and deeper range of financial services. Following the over-indebtedness crisis in Bosnia, the central bank expanded a state-owned Central Registry of Credits (CRK), requiring all Bosnian financial institutions to submit credit data. While in Morocco, financial institutions solved the lack of reliable credit information by informally sharing information among themselves, ultimately reducing cross-lending rates (Ehrbeck et al 2012).

For many developing economies, the use of movable collateral has constrained formal credit access for MSMEs. This often results in households and businesses incurring higher credit costs when relying on informal financial mechanisms (Ghosh 2013). Chen and Divanbeigi (2019) explain that an appropriate legal framework for movable collateral systems can create liquidity and ease credit access for MSMEs. Such a system could use warehouse receipts as collateral for credit access, where appropriate legislation protects depositors and lenders, and facilitates enforceability. A major development that occurred in Brazil's financial landscape in 2018 was the passing of legislation allowing the issuance of digital invoices that can be used as collateral by firms, and in 2020, the creation of 'segregated rural properties' which can be easily transferred to creditors in case of default and are expected to support rural producers' access to credit (Gershenson et al 2021).

Public institutions and development agencies can assist MSMEs by creating a facilitating environment and providing market players with instruments better tailored to their needs. According to De la Torre et al. (2017), there are two primary views on how the state can play a significant role in fostering financial development and broadening access to finance. The first is the interventionist view, which involves direct state involvement in the mobilisation and allocation of financial resources, while the second laissez-faire view suggests that state efforts should focus on improving the environment to reduce agency problems, transaction costs and access problems. The second view encapsulates market developing and enabling policies discussed by Barajas et al. (2013), where the state enacts policies that push the economy towards the financial possibility frontier. De la Torre et al. (2017) further state that there is the emergence of a third view, designated pro-market activism, where the state recognises that institutional efficiency is the best way to achieve financial development and access in the long run. However, the possibility of direct state interventions to broaden access is warranted under certain conditions.

iii. Financial Literacy

Financial literacy[2] is a major factor, globally acknowledged for its importance towards financial inclusion and stability. Generally, low financial education is significantly correlated with less retirement savings, higher interestrate borrowing, and lower formal financial sector participation (Aggarwal and Klapper 2013). On examining an access possibilities frontier[3], Beck and De la Torre (2007) explain that one important reason for being below the frontier is the demand problem of self-exclusion, in which case, appropriate policies would emphasise raising financial literacy. Furthermore, Geraldes et al. (2022) conclude that financial literacy and human development are conditions of high financial inclusion. Furthermore, the authors determine that the absence of financial literacy and human development, as demand-side drivers, leads to diminished financial inclusion.

Moreover, Atkinson and Messy (2013) discuss that simply increasing the supply of financial products to promote financial inclusion can create potential risks for inexperienced consumers. Sub-optimal supply-driven policies can therefore leave ill-informed consumers vulnerable and unwilling to enrol in the formal financial system, or result in risky behaviour which could lead to over-indebtedness. Financial education should therefore be a policy goal of authorities, however, focus should be targeted towards those with no formal financial products, those using a very limited range of products, or inexperienced and new individuals to the formal financial system[4] (Atkinson and Messy 2013).

Atkinson and Messy (2013) further discuss that government policies to enhance financial literacy can take two approaches. Firstly, a strong focus on financial inclusion at a national level and recognising the importance of financial education and consumer protection in addressing demand-side barriers[5]. This could include enhancing the awareness of the excluded population on the proper usage of financial products. Secondly, focus on promoting financial education as a complement to financial consumer protection with targeted interventions for the excluded population. These approaches can improve the financial literacy of the population in a way that changes long-term financial behaviour, thereby reinforcing the financial system and enhancing financial well-being.

2.2.2. Regulatory Policies

The second level required for the advancement of financial inclusion is through regulatory policies. According to Chen and Divanbeigi (2019), when economies focus on regulatory areas critical to financial inclusion, and adhere to a number of regulatory good practices, individuals are more likely to access formal financial services. Moreover, clear legal frameworks, removing corruption, good

---

[2] Financial education (literacy) is generally described as the process by which economic agents improve their understanding of financial products, concepts, and risks, and develop the skills and confidence to make informed choices to improve their financial well-being (OECD 2005).

[3] According to Beck and De la Torre (2007), the access possibilities frontier distinguishes between cases where a financial system settles below the constrained optimum or at the other extreme, where financial systems moves towards an unsustainable equilibrium beyond the frontier.

[4] For example, India's National Strategy for Financial Inclusion combines financial education and inclusion by undertaking education campaigns to help consumers effectively manage money and achieve financial well-being by improving access to products and services through regulated entities with fair and transparent operations ensuring consumer protection (RBI 2021).

[5] Consumers are more likely to trust financial systems if they understand financial terminology and can make knowledgeable financial decisions (Aggarwal and Klapper 2013).

administration, and fair judicial proceedings are key drivers of financial inclusiveness (Chinoda and Kwenda 2019). Furthermore, encouraging the development of low-cost, innovative financial products through the establishment of regulatory frameworks that encourage the development of appropriate financial products (Randall and Chien 2017) can support financial inclusion goals.

The government's role is therefore to provide a supportive regulatory environment that fosters competition and growth, as well as strong and independent institutions ensuring safeguards for financial stability and consumer protection (Lagarde 2019). Providing access to formal financial services while ensuring overall macroeconomic stability enables households and businesses to plan for long-term goals and prepare for unanticipated challenges. Additionally, regulatory policies that protect consumers through established rules for disclosure, fair treatment, and recourse will ensure consumers are provided with clear information to make informed financial decisions and avoid risks such as over-indebtedness.

i. Regulatory Constraints

Often, financial regulations impose stringent documentation requirements on the banking system, which are passed on to customers. Such documentation includes inflexible Know-Your-Customer (KYC) requirements in order to comply with Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) guidelines. While these requirements are generally necessary for financial security and transparency reasons, they inadvertently exclude individuals from the formal financial system (Aggarwal and Klapper 2013). A possible solution is a relaxation of some KYC requirements. According to Aggarwal and Klapper (2013), this could include the use of letters from the local rural authority in lieu of identity documents, allowing remote account opening in low-risk geographical areas, and basic savings accounts and capped credit facilities using simplified KYC requirements.

ii. Financial Market Competition

Another nexus frequently debated is the relationship between financial inclusion and financial sector, competition. From the supply-side, financial sector competition is often linked to improved financial access, capital allocation, and economic growth. Consequently, competition within the financial sector can result in financial innovation, reduced costs, and increased quality, characteristics of the market-power hypothesis[6]. Alternatively, via the structure-conduct-performance hypothesis[7], banking sector competition which reduces bank concentrations, can promote financial inclusion by ensuring higher levels of conduct in a more competitive environment.

Beck and De la Torre (2007) explain that competition is an important area for market-enabling policies aimed at enhancing supply outreach. The authors illustrated that in emerging markets, greater competition was achieved by the expansion of sustainable and profitable micro- and consumer lending, spurred by the removal of unnecessary regulatory distortions. This includes allowing the use

[6] The market-power hypothesis is typically associated with the advantages of dominant firms in the market resulting in less competition. The hypothesis posits that too much competition could prevent financial institutions from investing in long-term relationships and will induce them to take higher risks to counter lower profit margins. However, according to Chinoda and Mashamba (2021) and Boot and Thakor (2000), the market-power hypothesis suggests that competition causes banks with low profit margins to become more client oriented, raise efficiency, expand outreach, and enhance financial service accessibility and availability.

[7] The structure-conduct-performance hypothesis indicates that market concentration is inversely related to the degree of competition, and the behaviour of firms under a less competitive environment can encourage collusion and reduced market efficiency. Gyeke-Dako et al (2021) explain that a concentrated banking sector is able to extract monopoly rents, imposing a wedge on access, usage, and affordability of financial services, thereby hampering financial inclusion.

of scoring methods in credit risk management, calibrating entry capital requirements for microfinance firms, abolishing interest rate caps, and providing incentives for the use of credit bureaus. Increased competition through market-enabling policies could potentially address hindrances to credit access and financial inclusion.

With respect to bank competition and the penetration of bank accounts in Mexico, Marín and Schwabe (2019) found evidence that bank competition is positively related to financial inclusion. The authors elaborate that improving access to financial services has become a major policy goal, and market-based policies that favour new technologies (such as mobile banking and correspondent banking), have lowered the barriers to entry and made local banking markets more competitive. This is somewhat related to the recommendations by Randall and Chien (2017) that financial inclusion can be accelerated by promoting the diversity of financial institutions, facilitating the use of technologically innovative non-traditional institutions, and expanding agent-based banking and other cost-effective delivery channels.

Evaluating banking sector competition in Ghana, Gyeke-Dako et al. (2021) concluded that bank competition leads to an increase in the usage and affordability of financial services. However, higher competition also leads to a reduction in credit access due to a reduction in the quality of borrowers and an increase in adverse selection problems. As a result, the authors indicate that adopting measures to reduce the adverse selection challenges would be important to mitigate the negative impact of bank competition on credit access in Ghana. Additionally, Owen and Pereira (2018) examined a large cross-section of countries. They found that greater banking industry concentration can be associated with more access to deposit and loan products, while big banks are consistent with broad financial inclusion as long as the market remains competitive.

Alternatively, some studies have found that increased competition within the banking sector can have a negative impact on financial inclusion. This can occur if the regulatory and economic environment is weak, or via the information-based hypothesis[8] due to information asymmetries. In this scenario, increased banking competition, and unchanged screening costs, would reduce the banks' incentive to screen applicants, lowering the probability of credit availability, and unfavourably affecting financial inclusion. Owen and Pereira (2018) explain that competition can interact with the level of asymmetric information in the market, by weakening relationship-building by lowering banks' incentive to invest in soft information. As a result, competitive markets can be associated with less credit availability. Chinoda and Mashamba (2021) examined financial inclusion and bank competition in Africa and concluded that while bank competition has a positive effect in the short-run, consistent with the market-power hypothesis, in the long-run, bank competition has a significant negative effect on financial inclusion, likely due to the information-based hypothesis.

Given that increased financial sector competition can have differing impacts on financial inclusion, regulators should ensure that policies supporting financial sector depth and growth are designed to minimise the negative effects of competition. Such support includes high levels of firm conduct, innovations to reduce information asymmetries and adverse selection problems, and banking sector incentives that promote an inclusive financial system.

[8] The information-based hypothesis suggests that bank competition negatively affects financial inclusion as increased competition reduces banks' incentives to effectively screen loan applicants due to information externalities.

2.2.3. Pro-market activism

A key challenge for policy makers is the ability to create a broader interconnected ecosystem of market players and infrastructure (Ehrbeck et al 2012) required to promote equitable, efficient, and safe inclusive financial systems. Within emerging economies, efforts to solve these challenges would require a combination of research, funding, regulator capacity building, and implementation monitoring. According to Ehrbeck et al. (2012), the key is to identify which initiatives work best and under what conditions, accounting for local factors such as market structure and maturity, and regulatory capacity.

Market-enabling policies could counter these challenges by addressing hindrances such as coordination failures, first mover disadvantages, and obstacles to risk distribution (Beck and De la Torre 2007). Furthermore, government interventions could have the beneficial effect of encouraging private lenders and investors, and promoting the development of a financially inclusive system. In contrast, market-substituting policies such as government-directed lending, frequently fail to achieve financial inclusion objectives.

A potential pro-market activism solution would be the establishment of a Development Finance Institution (DFI) which can provide the research, capacity building, and implementation required to identify suitable initiatives to promote financial inclusion. According to Moretto and Scola (2017), DFIs play an invaluable role in developing financial markets and supporting financial service providers in low-income countries. However, this depends on the DFIs abilities to address underlying problems that limit financial markets from becoming more inclusive. Research conducted by the Consultative Group to Assist the Poor (CGAP) (See Box 1) suggests that DFI systems are usually not aligned with the market impact expected by Government shareholders, and often, DFI systems lack metrics and accountability for market development (Moretto and Scola 2017). However, the authors advise that when a systemic market system approach to financial inclusion is effectively adopted, DFIs can supply more inclusive financial services and promote further market development.

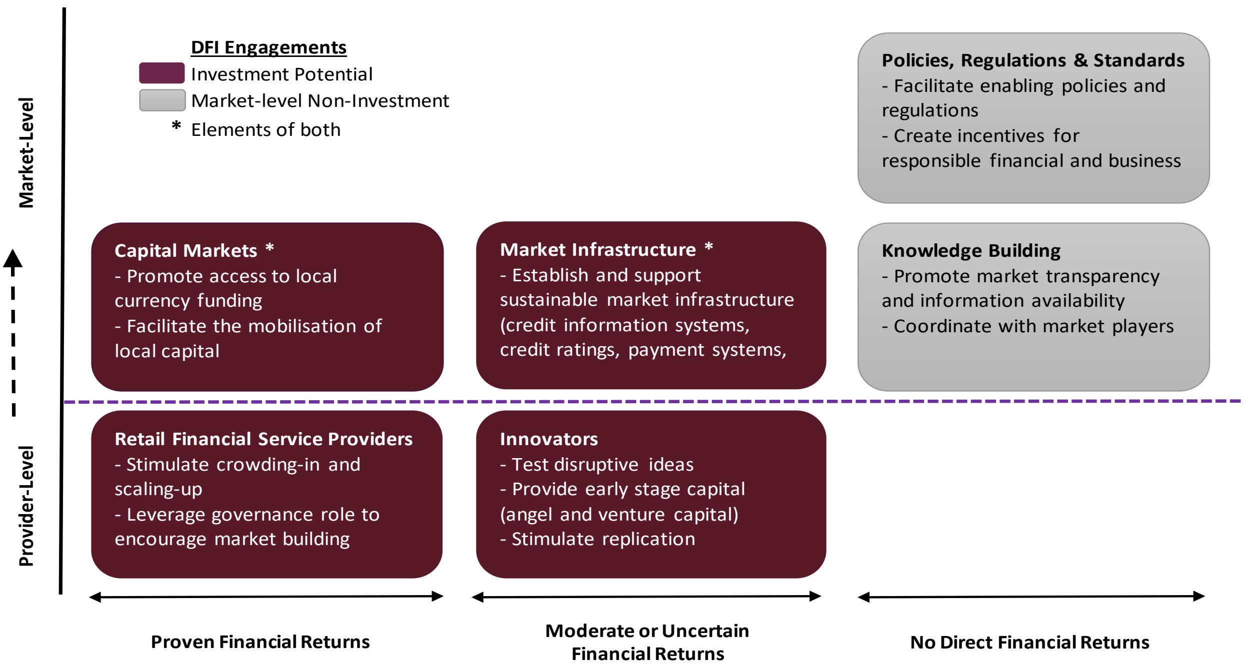
A market system approach requires that DFIs thoroughly understand the underlying constraints that limit financial inclusion. This would require a collaborative effort within the financial market, coordinating the individual strengths of market players in order to provide effective technical assistance and advisory services to respond to the market's barriers, needs, and opportunities.

In order for DFIs to drive an enabling environment for financial inclusion Moretto and Scola (2017) propose a two-level framework for DFIs to apply a market-system approach (**Figure 1**). The framework presents DFIs engagements on two dimensions – the level of intervention and the level of financial returns. Interventions transition from provider level to market level, with the ultimate goal being market change and deepening, while the level of return depends on the DFI engagement strategy. This approach should strengthen DFIs' abilities to support interventions into capital market and market infrastructure developments, driven by financial ecosystem knowledge building and enabling policies and standards.

Box 1: DFI Challenges Identified by the Consultative Group to Assist the Poor (CGAP) (Moretto and Scola 2017)

- Low Risk Appetite – DFI investment and market developments limited post 2008 Global Financial Crisis.
- Limited Access to Grant Funding – insufficient funding to support market development.
- Internal Structural Rigidities and Discomfort with New Business Models and Technology – staff incentives not aligned with market development strategies as large, low-risk deals limited the ability to invest in new, smaller, and innovative SMEs with untested business models.
- Organizational Silos – DFIs lack internal coordination to allow comprehensive investments across economic sectors.
- Pressure for Financial Returns – capital market funding required sufficient financial returns which limited investment in small and untested businesses, compared to large scale funding with proven returns.

Figure 1: Two-Level Framework of DFI Engagements in Financial Inclusion



Source: Adapted from Moretto and Scola (2017).

Key features of the market system approach include the consideration of the whole market, both supply and demand sides; facilitating interventions to enable a broad range of market actors to perform effectively; providing incentives and crowding-in; and allowing flexibility for innovative and untested business models (Moretto and Scola 2017). Furthermore, to maximise their contribution to market development, DFIs must allow more risk-taking, investment in market infrastructure companies, and prioritising investments that have a high spill over effect on the economy. DFIs must also leverage their technical ability, via access to high-level decision makers and stakeholders, to create an enabling regulatory and investment environment for financial inclusion.

Generally, DFI engagement and the level of market development stagnates in the lower left quadrant where basic provider level intervention results in proven financial returns. Furthermore, a crucial factor limiting the ability of SMEs to access finance is that commercial banks are often unwilling to accept the greater risks associated with small business lending (Roopnarine and Dhoray-Baig 2010). SMEs are often unable to effectively communicate business models and plans to banks, while banks are generally hesitant to lend due to the perception of high levels of risk, limited ability to evaluate and price credit risk, and substantial information asymmetry (Multilateral Investment Fund 2014). Similarly, within the retail lending approach, DFIs also face limited risk management constraints, related to the incentive structures of DFIs which are funded by the government and not subject to the profit maximisation incentives of commercial banks. Furthermore, DFIs can also face possible political interference which would undermine their ability to achieve financial development mandates.

However, if these constraints can be minimised, DFIs can potentially reduce SME funding challenges by undertaking a retail funding approach via the market system approach. A retail approach to funding would allow DFIs to directly fund SMEs, outside of the commercial banking sector. Given that DFIs generally have less onerous regulatory requirements compared to commercial banks, and can accept greater credit risks in lending, they would be in a better position to provide credit to innovative and untested SME business models. Notwithstanding these potential benefits, retail funding programmes through DFIs are generally less successful as these institutions have less capacity to minimise transaction costs, lack economies of scale when compared to the retail banking sector, and can be subject to political interference.

Consequently, a more systematic and collaborative approach can be achieved when DFIs undertake a wholesale market-enabling approach. Often, a critical issue with financial inclusion is sub-optimisation in credit supply, resulting in financial systems being below the access possibilities frontier (Beck and De la Torre 2007). DFIs could complement market-enabling policies by addressing hindrances such as coordination failures, first-mover disincentives, and obstacles to risk distribution and sharing. These limitations can be addressed by having DFIs provide wholesale funding to the financial sector and commercial banks. Via this channel, DFIs act as second-tier banks, benefiting from the existing financial infrastructure and existing client relations of retail banks. The funding provided by DFIs would not be considered liabilities such as commercial bank deposits or savings, while loans provided to SMEs utilising these funds would have lower capital requirements. Commercial banks can therefore utilise these funds, under guidelines from the DFIs, to accept greater risks associated with small business lending and move access towards the optimal possibilities frontier.

To maximise market development, DFI engagements can also be funded through financial product developments within the capital market. For example, DFIs can establish tradable government guaranteed investment funds or investment bonds with the capital raised directed to the SME sector. The fund or bonds will allow investors to diversify SME risk exposure and undertake official secondary market trading. Additionally, similar investment instruments can be issued by DFIs with the proceeds going towards market infrastructure developments such as credit rating systems. This funding can be used to subsidise the cost of SME credit ratings and the cost of sharing credit information throughout the market.

In light of the conservative bank lending practices and funding challenges faced by SMEs, a market system approach can also promote the development of a Junior or SME stock market, designed to encourage investment in legitimate SMEs and promote entrepreneurship, employment and economic development. An SME market is generally characterised by a simplified and less restrictive listing process compared to a first-tier market listing, and can be considered a stepping-stone to a larger market for high-growth SMEs. Such a market can provide SMEs with the ability to receive large capital injections from the public, without the burden of traditional loans and high collateral requirements. Listing on an exchange will also have the added benefit of improved branding and visibility, increasing public awareness of the business and establishing a perception of transparency. SMEs can also gain tax benefits for listing on a junior market, in addition to improving access to further financing for future investment and expansions (Jones and Mayne 2018).

2.3. Country / Region Experiences and Strategies

Emerging and developing economies have adopted numerous approaches to financial inclusion. In most cases, countries undertook developmental policies related to fiscal, monetary, and institutional stability (**Table 1**). These often included economic and regulatory reforms, fiscal and tax policies, monetary policies, the simplification of registration into the formal financial sector, and other regulatory innovations to diversify financial services towards underserved sectors. Generally, these developmental policies are designed to improve the regulatory environment conducive to financial development and inclusion.

Some economies also engaged in state led financial inclusion programmes and plans. These included the provision of banking type services such as savings accounts, credit access, pension and insurance plans, the reduction of the cost of financial services, payment system reforms, environmental and social strategies, and capital market innovations. India’s national mission for financial inclusion (PMJDY) has advanced financial inclusion objectives with a notable increase in bank account penetration, while China’s financial inclusion advancements have been met with a significant financial service penetration level. Capital market innovation undertaken by Jamaica has resulted in the development of a successful Junior stock market for SMEs, which is considered the largest in the Caribbean. Additionally, Guyana’s national payment system strategy and green state development strategy should provide a roadmap to successfully stimulate economic development and financial inclusion objectives.

Other economies established successful development banks to drive economic and financial developments from large scale investments to the provision of financial services to MSMEs. Mexico’s NAFIN experienced notable success with reverse factoring. Furthermore, more recently, NAFIN established a sustainability bond framework to assist the nation in achieving various SDGs. While these SDGs will support numerous large scale projects, funding is earmarked for the social category, focusing on supporting MSMEs in Mexico. On the other hand, Brazil’s BNDES, which is considered one of the largest development banks in the world, has had a substantial role in the transformational development of Brazil. Some BNDES policies included the lowering of loan costs through co-financing, the establishment of a crowd-in program for risk-sharing infrastructure, and special conditions for MSMEs to access investment lines.

Some economies, such as China, embarked on improving financial information infrastructure, with the establishment of credit ratings platforms, guarantee systems, and flexible collateral databases. Additionally, Chile’s FOGAPE has been a key player in the development of the MSME sector by providing credit access and credit guarantees. Many other developing economies, such as India, China, and Egypt, engaged in large scale bank expansion projects and agent banking systems in rural and underserved areas with notable success. Alternatively, many economies have embarked on modernisation objectives through FinTech and digital technology. For example, Africa has had notable success with internet-enabled mobile money growth, enabling large sectors of the population to enter the formal financial sector. Egypt has also engaged in supporting innovations and increasing investments into FinTech solutions to promote financial accessibility through the establishment of a FinTech fund. Within the region, Jamaica has also launched a CBDC through the monetary authority’s regulatory sandbox with the goal of creating a more inclusive system for safe, reliable, and efficient digital payments, and allowing easy and simplified entrance into the formal financial system.

Notwithstanding these developments, emerging and developing economies still experience gaps in financial development and inclusion. These gaps are often characterised by large segments of unbanked and financially excluded individuals and firms. In most cases, these gaps result from hurdles to financial service access and limited access to formal credit, resulting in informal borrowing sources still being widespread. In many instances, lack of awareness and insufficient education are also still prevalent. Furthermore, in some economies, the potential negative effects of the natural resource curse presents challenges to equitable financial development and inclusion.

Table 1: Summary Examples of Country / Region Experiences and Strategies

Country	Fiscal	Monetary	Institutional Stability
India	National Mission for Financial Inclusion	Bank-led model; bank nationalization; and financial inclusion fund	Various fiscal, financial, and monetary reforms
China	Plan for Advancing the Development of Financial Inclusion; financial sector reforms; fiscal and tax policies; guarantee funds	Differentiated required reserve ratios; loan refinancing; rediscounted loans; lending and discount facilities	Financial information infrastructure; and reforms to legal frameworks
Egypt	Policies to formalise the informal sector; Fintech solutions	Regulatory innovations; adjusted lending regulations; and funding SMEs using regulatory reserves	Institutional and legal framework reforms; modern legislative framework for investment and business activity
Mexico	National Strategy for Financial Inclusion; development bank programmes; and sustainability bond framework	Increased banking networks; and social programs to increase the number of adults with bank accounts	Strengthening governance and legal frameworks; and enhanced transparency requirements
Brazil	Economic and Social Development Bank (BNDES)	Legislation allows BNDES to carry out banking activities and financial operations; risk-sharing infrastructure	World Bank Country Partnership Framework
Chile	Fondo de Garantía para Pequeños Empresarios (FOGAPE) Small Enterprise Credit Guarantees; market-oriented approach		Structural reforms in areas such as labour markets, social protections, tax system, competition and regulations
Guyana	Green State Development Strategy	National Payments System Strategy; Deposit Insurance Bill; and emergency liquidity assistance (ELA) framework	Macroeconomic and social reforms; policies addressing market failures
Jamaica	Jamaica Stock Exchange (JSE) Junior market and Micro SME market	Central Bank Digital Currency (CBDC) and FinTech regulatory sandbox	Policy and institutional reforms to increase competitiveness and improve fiscal management

Source: Author’s compilation.

3. Financial Access in Trinidad and Tobago

3.1. Micro, Small, and Medium Enterprises (MSMEs) – An Overview

SMEs[9] have played a vital role in the Trinidad and Tobago Economy, contributing significantly to growth and job creation. While official data on the size and contribution of the SME sector is difficult to source, according to Governor Ewart Williams (2009), a study commissioned by the IADB and the Central Bank estimated that there were about 18,000 MSMEs, employing about 200,000 workers and contributing around 28 per cent of GDP. More recently, the Central Statistical Office (CSO) (2018) conducted its Business Establishments Statistics survey with a response rate of 68 per cent (17,217 establishments[10]). Using the Ministry of Labour and Small Enterprise Development (2014) business size by number of employee classification, the CSO statistics reveal that 95 per cent (16,382) of the reporting businesses are MSMEs, while 5 per cent are large. Further disaggregation of reporting MSMEs reveals that 67 per cent of local businesses are classified as micro, while small and medium represent 24 per cent and 4 per cent respectively. Taking into account the response rate, and assuming that MSMEs account for 95 per cent of businesses, this suggests that there are almost 24,000 MSMEs operating in the domestic economy.

Further disaggregation (**Figure 2**) shows that the following industries are concentrated with micro-sized businesses: domestic personnel work (92.9 per cent); accommodation and food services activities (84.4 per cent); arts and entertainment (75.6 per cent); and the wholesale and retail trade and repair industry (74.3 per cent). Additionally, across the majority of industry categories, micro enterprises account for the largest number of registered businesses. The larger SMEs account for the majority of firms in the construction (51.7 per cent) and water and waste management (50.0 per cent) industries, while large firms dominate the electricity and gas industry (66.7 per cent).

The statistics provide considerable information on the concentrations of MSMEs in the domestic economy. Based on the total number of reporting businesses, a large volume of micro (74.3 per cent or 5,670 businesses) and small (20.5 per cent or 1,563 businesses) enterprises operate in the trade and repair industry which includes the wholesale and retail sector, in addition to motor vehicle repairs. Given that this industry accounts for a significant part of domestic (non-energy) economic activity and is a major source of employment, the financial sector and government can provide financing solutions to support these enterprises in growth, innovation, and expansion. Additionally, while only 5.3 per cent (872 firms) of all reporting MSMEs are involved in the manufacturing industry, these firms account for 86.6 per cent of all firms in the domestic manufacturing industry[11]. Given the importance of the manufacturing sector as a catalyst for achieving economic transformation and diversification, government policies providing financial support facilities and export benefits could assist in developing this industry. The next sub-sections discuss the potential challenges faced by MSMEs and

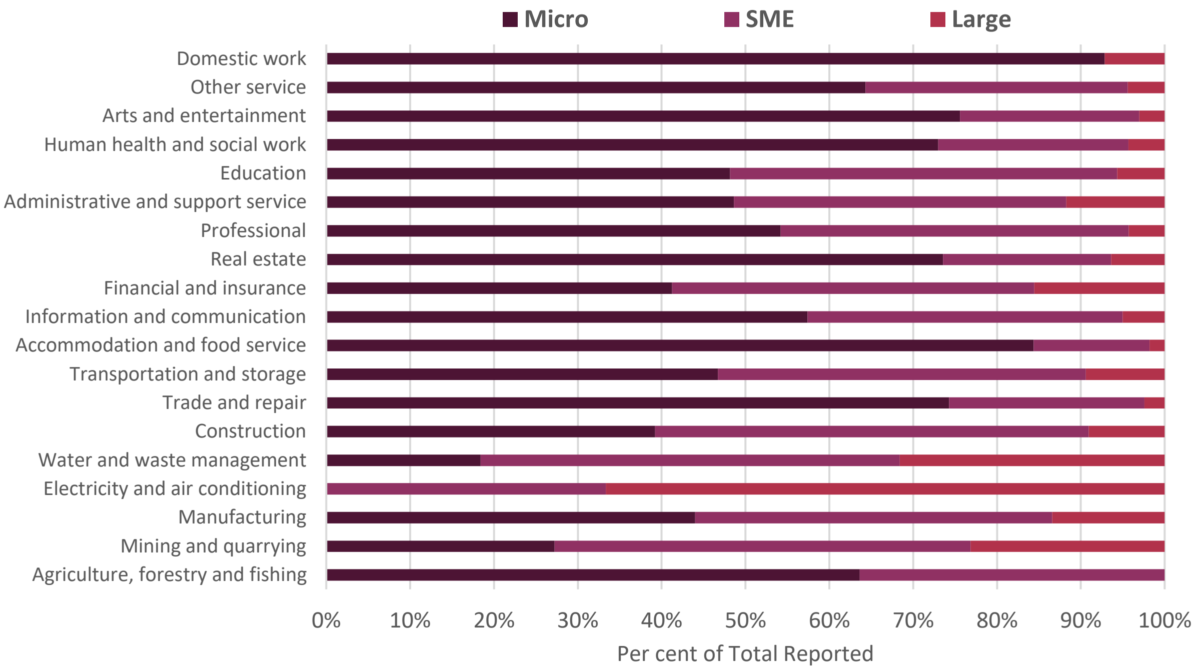
[9] While there are varying definitions on the sizes of MSMEs, the Ministry of Labour and Small Enterprise Development (2014) defines micro firms as having 1 to 5 employees, and small firms as having 6 to 25 employees. Based on this and other sources, medium firms would employ 26 to 50 employees, while large firms will have more than 50 employees.

[10] Based on a total number of registered establishments of 25,173, excluding the number of branches dataset.

[11] Data from the CSO (2018) suggests that the domestic manufacturing industry comprises of 443 micro firms, 342 small firms, 87 medium firms, and 135 large firms.

look at domestic credit developments to determine the ability of domestic MSMEs to access business financing facilities.

Figure 2: CSO Business Establishments by Size and Industry



Source: Central Statistical Office (CSO).

3.2. Potential MSME Challenges

Considering that MSMEs play a crucial role in the development of the economy, the Government and State Enterprises have engaged in numerous financing and support programmes, aimed at supporting entrepreneurial activities in Trinidad and Tobago. These facilities cover a range of enterprise sizes, businesses and industry sectors, and provide support ranging from financial grants and loans, to skills training and business development solutions (**Appendix 1**). However, MSMEs still face numerous challenges in accessing the support necessary for growth and expansion.

Despite a large number and variety of financing programmes and policy initiatives offered to domestic MSMEs, there still seems to be a large gap between businesses that are able to access these facilities and those that experience hurdles to access. While one challenge faced by firms could be the small size of the financial support, especially for micro and small businesses, in most cases, hurdles to access stem from the requirements and conditions that MSMEs must satisfy. In many instances, they must first submit business registration documents, including VAT, TAX, and Board of Inland Revenue (BIR) registration. While this may not be an issue for large and many medium-sized businesses, it can be a deterrent for numerous MSMEs that are unregistered or unincorporated.

Another hurdle for some programmes is the requirement to submit audited financial statements over specified periods, or opening balance sheets, projected cashflows for new enterprises, and business plans. Audited financial statements require firms to be well established with accurate logs of all financial transactions. This may not be a major hurdle for some medium-sized companies. However, most micro and small, and some medium-sized businesses may not have the resources to satisfy these criteria. Furthermore, for new enterprises, which are often run by individuals with limited seed capital, providing information on opening balance sheets, projected cashflows, and business plans requires a certain minimum level of accounting expertise which can be absent in many small starter businesses.

A criterion for some financial support programmes is that the firm must be in operation for a minimum number of years. This may not be an issue for many SMEs operating in the domestic landscape. However, for new business entrants that satisfy business plan and cashflow projection requirements, the minimum number of operational years' prerequisite could be a potential barrier to financial access. In such cases, while a firm may have strengths in certain areas of the business, the inability to access necessary funding support could potentially restrict a business from launching.

Another condition for some support programmes is that firms must provide evidence of financial ability to satisfy a certain percentage of the cost of a business project or expansion. Similarly, some support facilities require that the SME fully fund its business project or expansion and then apply for a partial reimbursement. Given that large and some medium-sized firms will likely have the financial capability to undertake such investments, most small and medium-sized firms will be excluded from this support due to limited internal funds. Additionally, if a firm uses its internal resources to undertake the investment, there is also the risk of not being able to access the financial support or reimbursement due to some other requirement hurdle or rejection by the application review process.

Considering that some of the financial support programmes offered are from merchant banks and other non-bank financial institutions, the requirements to access support from these sources can be very similar to commercial bank loan requirements, with certain collateral requirements. Accessing funding under these requirements might not be very difficult for some medium-sized firms. For most micro, small, and medium enterprises, with limited collateral, unaudited financial statements, and often unregistered businesses, these support facilities will be mostly inaccessible.

Another possible reason for a lack of access could be due to MSMEs not being aware of the various finance options available. Research into the various support programmes offered was not straightforward and was often located on multiple websites and with differing levels of required information. Additionally, information or data on the levels of access for each facility was not easily accessible. McLean and Charles (2020) explain that these weaknesses in access to information and information sharing have been found to negatively impact SMEs' access to finance.

Generally, while some of these requirements may be necessary for large financing needs, and for many medium and large companies, in most cases, these requirements create major hurdles for MSEs in the same business sector or environment. As a result, these enterprises will not have the same financial support or access needed to grow, expand, or compete, and will be at a greater risk of business failure. In order to ensure that the MSME sector has the necessary financial support and access to survive and grow, policymakers should ensure that these facilities are easily accessible and easily understood by the business community and potential new business entrants.

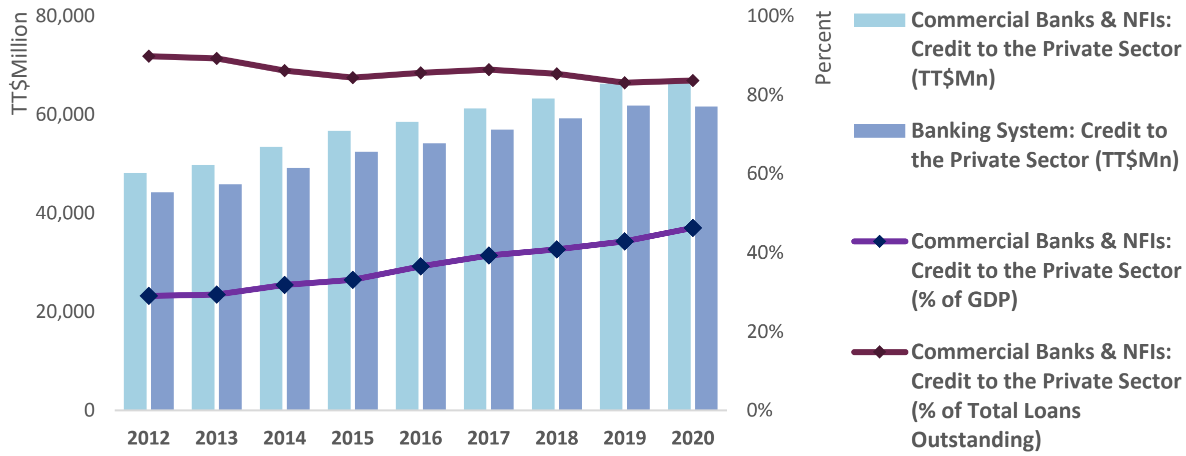
Appendix 1 describes the various financing and support programmes offered in the domestic economy.

3.3. Financial Sector Credit Dynamics

In light of the dominance of the domestic banking sector, it is worthwhile to explore the trends in credit within the sector. Recent data shows that credit to the private sector has been on an upward trend over 2012 to 2020 (**Figure 4**), while credit from the commercial banking sector dominates the private sector credit market. Taking into account the overall banking system (banks and non-bank financial institutions [NFIs]), private sector credit as a percentage of GDP has seen notable growth over the last decade, increasing from 29.0 per cent in 2012 to 46.3 per cent in 2020, averaging 36.6 per cent over the nine-year period. However, as a percentage of total loans outstanding, private sector credit by the overall banking system has observed a slight decline from 89.8 per cent in 2012 to 83.6 per cent in 2020[12].

Small business operations generally feature a high degree of informality and small-scale operations, and often comprise individual persons which can include family businesses and commercial households (Garcia-Singh 2022; Wenner and Chalmers 2001; and Jin and Zhang 2019). Therefore, this study adopts the classification by Garcia-Singh (2022) and refers to small business entities as unincorporated with an informal structure.

Figure 4: Commercial Banks & NFIs: Credit to the Private Sector



Source: Central Bank of Trinidad and Tobago.

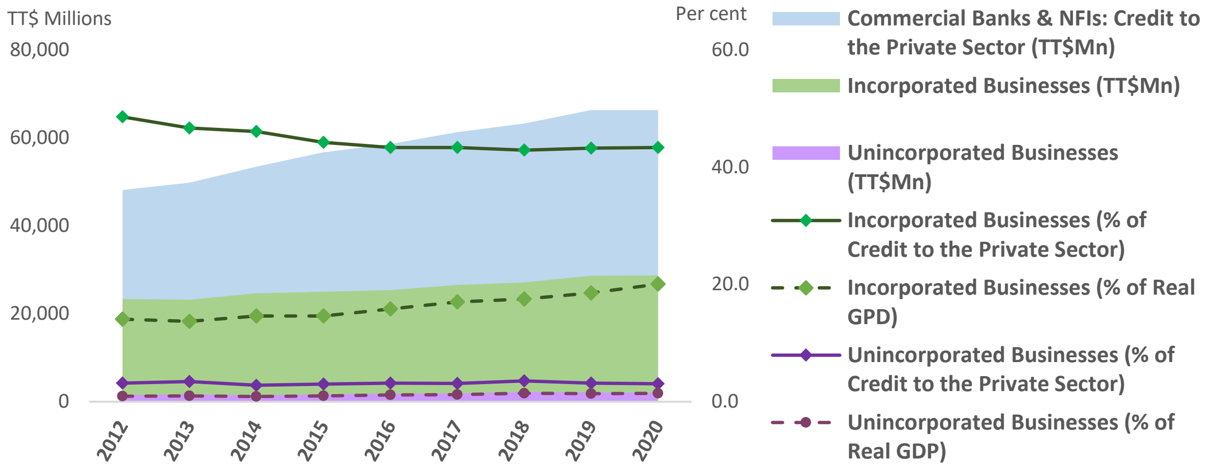
Figure 5 shows credit to the private sector with commercial banks and NFIs, in addition to the share breakdown for incorporated and unincorporated businesses. Apart from a slowdown in 2020, private sector credit increased over 2012 to 2020, averaging 4.1 per cent growth per year.

Additionally, over the period, incorporated business loans observed an average of 2.6 per cent growth per year, while unincorporated business loans averaged 4.1 per cent, albeit with substantial year-on-year volatility. However, the volume of incorporated business loans as a percentage of private sector credit declined from 48.5 per cent in 2012 to 43.3 per cent in 2020, while as a percentage of real GDP, the volume of incorporated business loans increased from 14.0 per cent to 20.0 per cent, reflective of the declining trend in economic output. On the other hand, the volume of unincorporated business

[12] The balance includes credit to the Government and state enterprises.

loans as a percentage of private sector credit and as a percentage of real GDP has been consistently low, averaging just 3.2 per cent and 1.2 per cent respectively, over the period.

Figure 5: Commercial Banks & NFIs: Total Loans Outstanding



Source: Central Bank of Trinidad and Tobago.

Despite year-on-year growth in private sector credit and both business loan categories, the dynamics of incorporated and unincorporated business loans are very different. The data shows that unincorporated businesses, as a proxy for small enterprises, account for a very small proportion of commercial bank and NFI credit provisions. However, small enterprises make up a significant proportion of businesses operating in the local economy (**Figure 2**). Furthermore, the volatility of credit growth to unincorporated businesses over the period suggests that credit access by these firms may not be consistent. While this could be due to the generally subdued economic climate as real economic activity contracted by an average of 2.4 per cent[13] per year, it is also very likely that these entities are either involuntarily excluded from accessing finance or voluntarily excluded as they are able to access capital from non-financial sector sources. In terms of involuntary exclusion, Garcia-Singh (2022) mentioned that post GFC, financial sector reforms may have resulted in banks classifying smaller firms as high risk, resulting in reduced funding allocated towards these firms.

Data on deposits outstanding with commercial banks and NFIs, and the share breakdown for incorporated and unincorporated businesses (**Figure 6**) can provide further insight into the level of financial inclusion for MSEs. Apart from small declines in 2015 and 2017, total deposits outstanding generally increased over 2012 to 2020, averaging 4.1 per cent growth per year. Additionally, over the period, deposits outstanding by incorporated businesses and unincorporated businesses grew by an average of 8.0 per cent and 3.9 per cent per year, respectively. This suggests that the business sector was likely accumulating savings during the subdued economic period as opposed to undertaking business expansions.

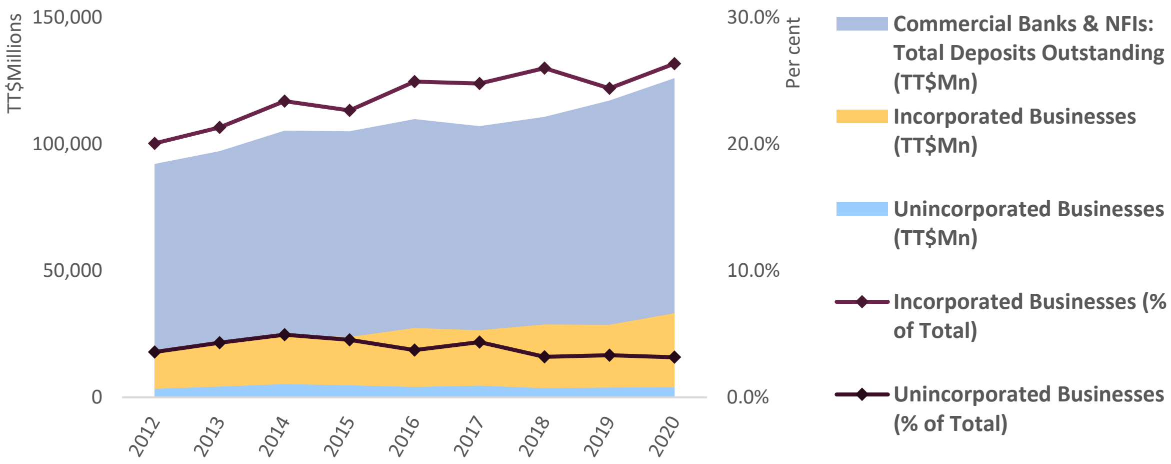
Furthermore, over the period outstanding deposits by incorporated businesses as a share of total deposits increased from 20.1 per cent in 2012 to 26.4 per cent in 2020, reflecting the increase in savings by these business entities. On the other hand, outstanding deposits by unincorporated businesses as a share of total deposits declined from 3.6 per cent in 2012 to 3.2 per cent in 2020, and

[13] This represents a year-on-year average decline of real economic activity, calculated from the Central Bank of Trinidad and Tobago Quarterly Index of Real Economic Activity (QIEA) (2012 = 100).

averaged 3.9 per cent over the period. Although the share of outstanding deposits by unincorporated businesses has declined slightly, the annual growth rate averaged 3.9 per cent over the reference period, suggesting that while savings may be volatile, these enterprises generally accumulate savings.

Overall, the data suggests that incorporated businesses, which are more likely to be medium to large enterprises, retain a large proportion of credit from the banking sector, despite a decline in more recent years. However, unincorporated or micro and small businesses, account for a very small share of commercial bank and NFI credit. Considering that the domestic financial sector is known to be bank-centric, micro and small enterprises appear to have limited financing options through the banking sector, and may depend heavily on non-financial sector options such as personal savings or capital from family and friends, which can restrict the growth of an MSE.

Figure 6: Commercial Banks & NFIs: Total Deposits Outstanding



Source: Central Bank of Trinidad and Tobago.

Source: The World Bank – Global FINDEX Database 2017.

3.4. National Financial Literacy Survey (NFLP 2022)

Additional insight into domestic micro and small enterprises can be garnered from the 2022 National Financial Literacy Survey[14], conducted by the Central Bank of Trinidad and Tobago (CBTT) National Financial Literacy Programme (NFLP 2022). The survey sampled 160 domestic micro and small enterprises (MSEs) of which 52 per cent have been in operation for less than five-years, and 48 per cent have been operating for more than five-years. Furthermore, 48 per cent were in the 'Services' industry, 42 per cent were in 'Retail Sales', and just 8 per cent were in manufacturing. Additionally, 80 per cent confirmed that the business was formally registered.

In terms of access to financial services and products, the survey revealed that the top products used by MSEs are bank accounts (71 per cent), online banking (57 per cent), and credit cards (33 per cent). Furthermore, 38 per cent of the surveyed indicated that they had borrowed funds, primarily from banks (65 per cent) and credit unions (35 per cent). However, 32 per cent of MSEs use personal savings for business operations, and 87 per cent indicated that the finances of the business were the

[14] The 2022 National Financial Literacy Survey sampled 1090 individuals (general public), 160 MSEs, and 151 students via online and telephone interviews. With respect to the sampled MSEs, 74 per cent were micro firms (1-4 employees), while 26 per cent were small firms (5-24 employees).

responsibility of the owner or co-owner. These conditions confirm the dominance of the domestic banking sector in the provision of financial products and services, and would be similar for other emerging economies with a similar financial system environment.

Given the importance of financial reporting in access to credit, 40 per cent of the surveyed MSEs prepare annual reports and 62 per cent have prepared financial statements. For the majority (57 per cent), an accountant is used to manage financial statements, while 30 per cent of owners manage their own financial statements. These firms indicated that financial statements are generally used to make business decisions and to conduct other financial matters. However, for MSEs that do not or irregularly prepare financial statements, the main reasons given are that the firm is too small, or they do not know the process. In terms of procedures used in cashflow and profit and loss (P&L) management, 47 per cent employ manual bookkeeping to manage cashflows, while 57 per cent use manual methods to calculate P&L. Conversely, only 27 per cent use electronic bookkeeping and 26 per cent use computer software for P&L management. These results suggest that there may be financial education shortfalls among domestic small business owners.

However, regarding business training, a notable 66 per cent of the MSEs surveyed have acquired formal training or certification in business studies, compared to 21 per cent in the NFLP 2013 survey. While this is indicative of an improvement in financial education, gaps may still be persistent within the small business sector. Furthermore, most respondents indicated that they receive financial and business, and technical advice from financial advisors and consultants, and from friends and family. In light of the recent challenging economic conditions and COVID-19 pandemic, 52 per cent of the MSEs have a negative sentiment about the state of the economy. However, 40 per cent hold a positive outlook for their business performance.

A key finding of the survey was a gap in the area of business and financial management, where a large proportion of MSEs (mainly micro firms) do not prepare financial plans or statements. Given this challenge, part of the NFLPs recommendation is to provide training in business management, investing, and preparing financial documents. Further, the NFLP suggests that building awareness of relevant platforms and useful resources available to MSEs, and guidance on the right tools and apps can prove useful in bridging observed gaps.

4. MSME Financing Programmes and Policy Initiatives in Trinidad and Tobago

4.1. Summary of Financing Programmes and Policy Initiatives

Considering that MSMEs play a crucial role in the development of the economy, the Government and State Enterprises have engaged in numerous financing and support programmes. These facilities cover a range of enterprise sizes, businesses and industry sectors, and provide support ranging from financial grants and accommodating loans, to skills training and business development solutions. The facilities are also generally designed towards the non-energy sector, in an effort to support businesses that can promote economic diversification.

Within the micro-enterprise industry, the Ministry of Social Development and Family Services (MSDFS) provides grants, seed capital, and skills training to micro-businesses and individuals who are among the most vulnerable. These facilities can be used by the underserved business community to improve operations, or start a business venture. The facilities are generally easy to access based on application procedures. However, the small grant and facility sizes may not be sufficient for all businesses. The Ministry of Sport and Community Development (MSCD) also provides training, entrepreneurial development, and craft programmes to promote skills and business training as a pre-requisite for establishing micro-businesses, and supporting the national goals of economic diversification and job creation. Additionally, the Ministry of Youth Development and National Service (MYDNS) offers a youth agricultural training programme which initially educates young individuals with the skills needed to become successful agribusiness entrepreneurs, following which lease access to farming land, in addition to technical and financial support can be obtained.

The Ministry of Trade and Industry (MIT) also provides financing and support facilities to SMEs in a variety of sectors and industries. SMEs that have the potential to compete in export markets or produce an import substitute, or even operate in domestic niche industries and tourism-related sectors can access grant funding. While SMEs can access support and funding up to TT$250 thousand, applications for these facilities require business and tax registration documents, audited financial statements, business plans, and other relevant documents. However, considering that many SMEs may be unincorporated, and will likely not have audited financial statements, accessing these facilities may be difficult.

In light of the importance of the export sector, the National Export Facilitation Organization of Trinidad and Tobago (ExporTT) was established to facilitate policy implementation of the MIT, generate export growth and diversification, increase the international competitiveness of exporters, expand to new export markets, and develop new exports across different sectors. A notable project undertaken by ExporTT, the MTI and the Trinidad and Tobago Manufacturers' Association (TTMA) is the Exporter Booster Initiative (EBI), which was developed to counteract the impact of the COVID-19 pandemic on the manufacturing sector and develop and promote exports into overseas markets. This initiative is intended to assist all size enterprises through capacity building and by promoting non-energy export business.

Additional facilities offered by ExporTT include a co-financing facility to assist firms with specific export market-entry activities; an international standards implementation facility; a labelling and product testing fund; and a research and development facility to enhance the international competitiveness. In most cases, access to these facilities requires SMEs to be in operation for a minimum of two years, and provide business registration documentation and audited financial statements, in addition to business plans, invoices, and any other necessary information. While these facilities and support services are designed to support SMEs, the criteria to access them may create some hurdles.

The Export-Import Bank of Trinidad and Tobago (EXIMBANK) has also been instrumental in providing foreign currency support to domestic SMEs. Given the challenges with accessing foreign currency, the EXIMBANK, in collaboration with the TTMA and Government, allocated US$100 million to export-focused SMEs in 2020. The first iteration of this support was successfully able to provide a large number of MSMEs with the necessary foreign currency needs, including the purchase of raw materials and other essential items. Subsequently, the Government committed an additional US$100 million through this facility. Additional services and facilities offered by the EXIMBANK include local factoring and discounting facilities to provide short-term financing and bridge the gap between the settlement of production costs and sales receipts; asset and raw material financing; advisory services for businesses seeking to enter the export market; and export credit insurance. Generally, applications for EXIMBANK facilities are similar to loan applications from commercial banks.

The National Entrepreneurial Development Company (NEDCO), which falls under the umbrella of the MYDNS, has a mission to promote and support the development of new and existing MSEs to achieve financial independence, sustainability and competitiveness. Specifically, NEDCO's mandate is to develop domestic MSEs whose needs cannot be met by traditional lending agencies. To achieve its mandate, NEDCO provides a variety of funding and training solutions to relevant businesses. In collaboration with other developmental institutions, NEDCOs Business Accelerator Programme also assists individuals in improving their business model through training workshops. More recently, and as part of the Government's COVID-19 relief programme, NEDCO provided financial assistance to MSEs that were negatively impacted by the pandemic. Similar to other state enterprise facilities, access to NEDCO's loans and relief grants requires the submission of registration and tax documents.

Another institution with a mandate to provide financial support to the development of the SME sector is Development Finance Limited (DFL)[15]. While the institution went through a major restructuring in 2011 and is currently structured as a merchant bank, the institution continues to provide support to the SME sector through business financing, investment services, and savings products. Moreover, in 2019 the Caribbean Development Bank (CDB) allocated US$10 million to DFL as an industrial credit line to assist in increasing viable investments in the SME sector. The funding was designed to assist SMEs in the agriculture, industrial, and tourism sectors.

Consistent with the Government's strategic priorities of economic growth, job creation, competitiveness and innovation, the Caribbean Industrial Research Institute (CARIRI) provides a number of support services to MSMEs. This includes a Business Hatchery, Innovation Incubator, Business Incubator, and Technology Incubator, which all form part of the institute's Centre for Enterprise Development (CED). These support services provide the necessary guidance and facilities required by start-ups and MSMEs to innovate and compete in local and export markets. MSMEs also benefit from economies of scale, related to facility, administrative, and support service costs, at the CARIRI facilities.

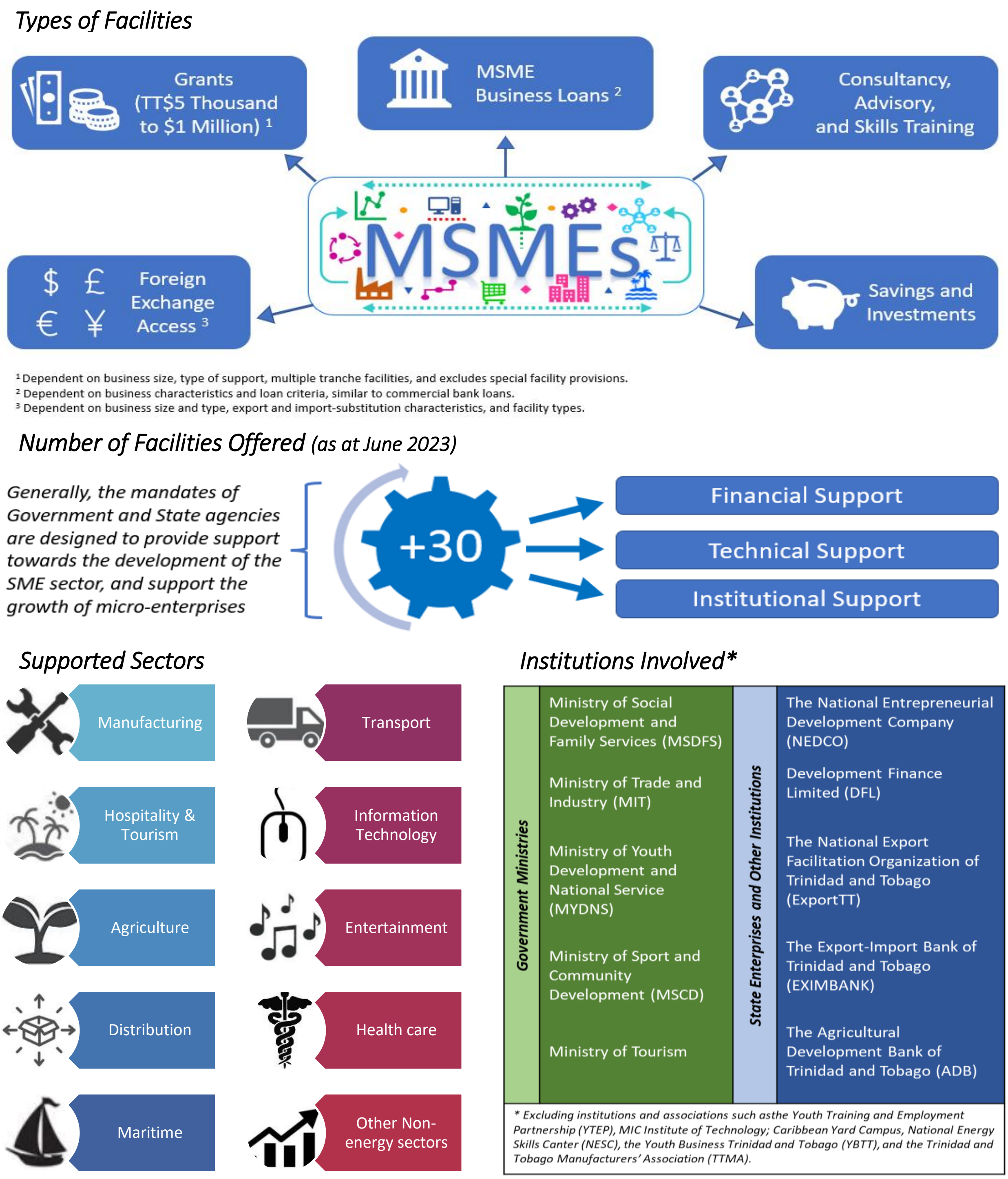
The agricultural sector in Trinidad and Tobago comprises a large number of MSEs. This sector faces a number of operational challenges, ranging from weather conditions, to inadequate infrastructure and competition from imports. In light of this, the Agricultural Development Bank of Trinidad and Tobago (ADB) specialises in development financing for this sector. The ADB provides support through investment and savings accounts, and loan facilities at competitive interest rates that align with the sectors needs and operations. Due to the structure of ADB, the accessibility of these facilities is similar to commercial banks.

Lastly, given the importance of the domestic tourism sector, a major development initiative undertaken by the Government was the provision of incentives to owners and operators of tourism

[15] DFL was established in the 1970s as a state enterprise known as the Trinidad and Tobago Development Finance Company. However, since 2011, the institution underwent major restructuring. As at the end of 2021, DFL was registered as an independent private limited liability company with the Ministry of Finance holding 49.75 per cent, and the remaining shareholding with Maritime General Insurance Company Limited (33.17 per cent), Maritime Life (Caribbean) Limited (16.58 per cent), and DFL Caribbean Holdings Limited (0.50 per cent).

and tourism-related businesses that have the potential to contribute towards the expansion of the industry. This includes grants, tax benefits, and infrastructural support to approved businesses such as resorts, hotels, guest houses, marinas, boatyards, cruise and boat activities, tour operators, and many others. Applications for these facilities are evaluated by the Ministry of Tourism following the submission of necessary documentation.

SUMMARY OF MSME FINANCING PROGRAMMES AND POLICY INITIATIVES



5. MSME Survey and Analysis – The MSME Financing Gap and Government Support

Financial inclusion refers to the extent to which MSMEs have access to the financial products and services required to manage their operations effectively. While financial services such as transactions, payments, savings, and insurance are all essential features of financial inclusion, access to credit is considered a crucial resource required for the growth and development of MSMEs. Firms often use credit to maintain operations, finance equipment, manage cash flows, and build a buffer to weather financial setbacks or unexpected expenses. However, in many cases, MSMEs experience financial exclusion and a financing gap through the unavailability of credit, especially from traditional[16] sources of finance.

The financing gap refers to the difference between the amount of funding an MSME needs to meet its financial objectives and the amount of funding it can obtain through traditional sources. Often, the financing gap can be a significant obstacle as it can limit a firm's ability to expand and grow. While it is important for MSMEs to be aware of their funding gap, it is also crucial for policymakers to be mindful of the funding gap and to understand the deficits in the financial system which are creating an environment of financial exclusion.

Considering that there is a lack of sufficient or available data in the domestic financial system to gauge the funding gap, a survey was conducted by the Central Bank of Trinidad and Tobago over a six-week period from October to December 2022 to collect information on the access to finance for MSMEs. Details of the survey can be found in the alternative financing paper[17]. The survey was used to determine MSMEs' unmet credit demand, firms' awareness and perception of different credit sources, and to provide information on the origins and uses of funding. The survey results shed light on the current profile of MSMEs in Trinidad and Tobago, especially micro-enterprises, in relation to alternative financing sources and to government support programmes. This study primarily focuses on survey results related to understanding the role of the government, and areas where government support can be improved to bridge the financing gap.

5.1.1. MSME Survey – Estimation of the Funding Gap[18]

To some degree, firms have access to a variety of sources of finance. Apart from internally sourced funds or government programmes, domestic firms generally gravitate towards traditional sources such as commercial banks, credit unions, non-bank financial institutions (merchant banks, trusts, and finance houses), and development banks. Additionally, local firms can also access funding from the capital markets (stock and bond markets). However, the local bond market is largely underutilised and mainly facilitates government borrowing, while the stock market has limited depth and issuances, despite being relatively large in size (market capitalisation). As a substitute, domestic firms can sometimes access alternative financing sources. However, these alternative sources may be limited in availability or considered the least preferred options.

[16] In this case, traditional sources of finance refer to the commercial banking sector and non-bank financial institutions.

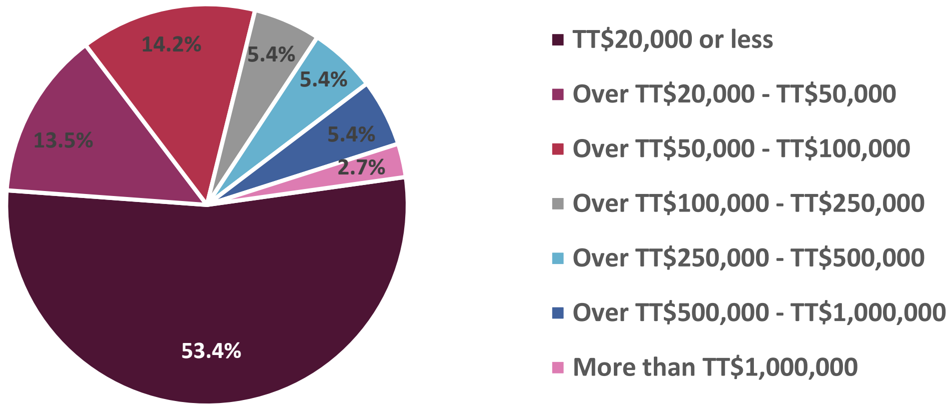
[17] "Alternative Financing for MSMEs in Trinidad and Tobago: Expanding Financial Intermediation to Support Economic Diversification." (Duke 2023).

[18] All values in this section are in TT dollars.

Although there are various funding options in the domestic financial system, hurdles to access can result in a funding gap, which is the shortfall between the credit demand and supply. The credit demand represents the amount of financing a firm needs to meet its financial objectives. The survey results (**Figure 18**) indicated that while the majority (53.4 per cent) of requests were for funding of $20,000 or less, 27.7 per cent requested funding of $20,000 to $100,000, and 18.9 per cent requested over $100,000 to $1.0 million. A notably smaller 2.7 per cent requested funding of more than $1.0 million. Overall, 81.1 per cent of financing requests were for $100,000 or less, reflecting the funding demands of MSMEs, and in particular, micro-firms.

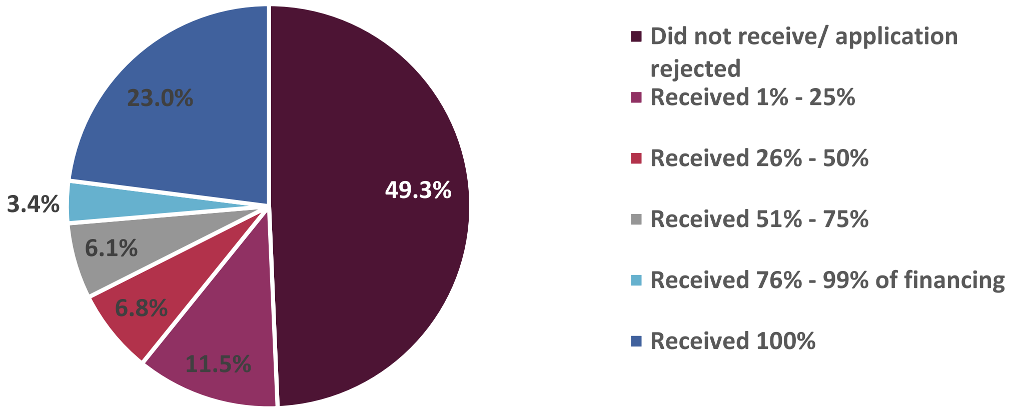
On the other hand, the credit supply represents the amount of financing a company received from their application. The survey results (**Figure 19**) showed that cumulatively, from all funding sources, only 23.0 per cent received 100 per cent of their requested financing, while 49.3 per cent did not receive any financing or their application was rejected. However, 27.7 per cent received some portion (0% < > 100%) of their request.

Figure 18: Amount of Financing Requested



Source: Central Bank of Trinidad and Tobago – Sample Survey on MSME Financing in Trinidad and Tobago 2022.

Figure 19: Amount of Financing Received



Source: Central Bank of Trinidad and Tobago – Sample Survey on MSME Financing in Trinidad and Tobago 2022.

Using the MSME credit demand and supply survey sample statistics, a finance gap can be estimated as the difference between the amount of financing requested and the financing received. From the sample data, the total number of financing requested, and the percentage received is shown in **Table 2**, which represents the data depicted in **Figure 18 and 19**. Notably, across all funding, funding applications were rejected (no financing received) on an average of 50.6 per cent, while just 15.0 per cent received their full allocation. However, for funding requests greater than $500,000, full financing received drops to zero per cent. The frequency data in **Table 2** was then used to estimate the total amount of financing requested by the sample for each financing tranche using the midpoint of each range (**Table 3**). The results indicate that total financing applied for by the sample amounted to just under $18.7 million. While the majority of applications are for less than $100,000, this accounts for just 17.5 per cent of the total financing requested.

Table 2: 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/ rejected	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% - 100%	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: Central Bank of Trinidad and Tobago – Sample Survey on MSME Financing in Trinidad and Tobago 2022.

Table 3: Total MSME Financing Requested and Received, TT$

Financing Tranche	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 Amount Requested by Percentage Received
Midpoint	TT$12,500*	TT$35,000	TT$75,000	TT$175,000	TT$375,000	TT$750,000	TT$1,250,000**	
Did not receive/ rejected	500,000	315,000	525,000	875,000	1,500,000	5,250,000	1,250,000	10,215,000
Received 1% - 25%	87,500	140,000	225,000	-	-	750,000	2,500,000	3,702,500
Received 26% - 50%	75,000	70,000	-	175,000	375,000	-	-	695,000
Received 51% - 75%	25,000	-	225,000	175,000	750,000	-	1,250,000	2,425,000
Received 76% - 100%	37,500	-	150,000	-	-	-	-	187,500
Received 100%	262,500	175,000	450,000	175,000	375,000	-	-	1,437,500
Total Amount Requested by Tranche and Percentage Received	987,500	700,000	1,575,000	1,400,000	3,000,000	6,000,000	5,000,000	18,662,500

Source: Central Bank of Trinidad and Tobago – Sample Survey on MSME Financing in Trinidad and Tobago 2022 and Author's calculations.

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.

Given the total amount of financing applied for in the survey data, the MSME funding gap can then be estimated by subtracting the total amount of funding received. Considering that the survey asked respondents to select a financing range, the calculations also estimated a financing range, comprising a minimum and maximum amount. To estimate the range of the total amount received, the total amount of financing requested (A) was multiplied by the minimum (B) and maximum (C) per cent received (**Table 4**), resulting in a total received between $3.0 million and $4.7 million. Subtracting these values from the total requested resulted in a funding gap range for the sample, which was determined to be between $13.9 million and $15.6 million, representing 74.7 per cent to 83.7 per cent of financing requested. Subsequently, by dividing by the number of surveyed firms (148), a per application funding gap range was determined to be between $94,000 and $106,000. Considering that the majority of responding firms were micro in size, the estimated weighted average range may underestimate the actual aggregate funding needs of MSMEs in Trinidad and Tobago. However, for the purpose of this analysis, the values would be used to estimate a funding gap which may be aligned more towards smaller enterprises.

Table 4: Estimated 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
Total (TT$)		**18,662,500**	**3,034,475**		**4,715,000**		**13,947,500**	**15,628,025**
						Gap (per cent)	**74.7**	**83.7**
						Gap (per application, TT$)	**94,239.86**	**105,594.76**

Source: Central Bank of Trinidad and Tobago – Sample Survey on MSME Financing in Trinidad and Tobago 2022 and Author's calculations.

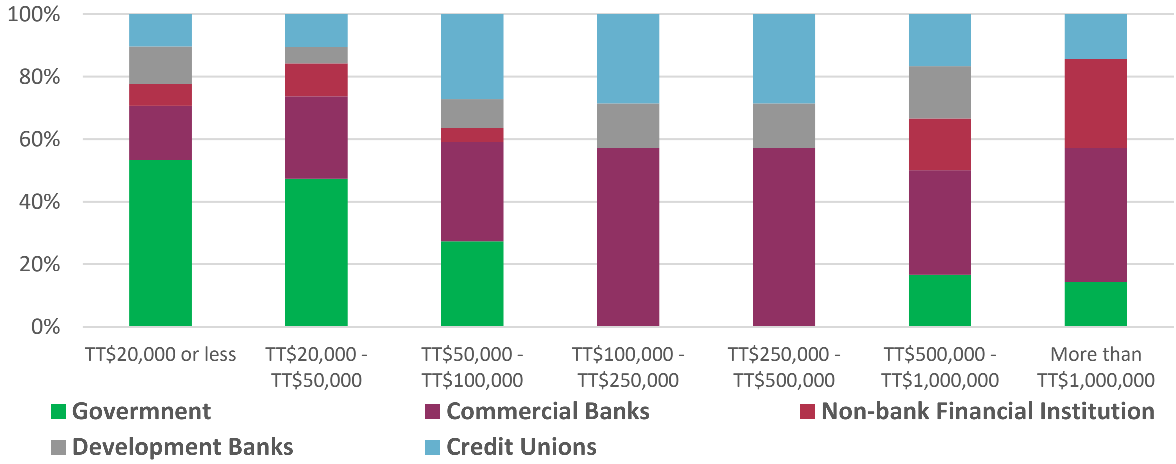
This large financing gap, relative to the percentage of financing requested versus received, could be due to several reasons related to the financial system and economic conditions. As such, the survey asked MSMEs to indicate reasons why their financing application was rejected or why they did not receive their full allocation. In most cases, firms were rejected based on insufficient or no collateral, while the company age and credit history were also critical financing determinants. Considering that the majority surveyed were micro, these firms would be susceptible to application challenges resulting in them being excluded to some extent, from certain products and services within the financial system.

It should be noted, however, that the estimated funding gap excludes the proportion of MSMEs surveyed who did not apply for financing. Although the respondents indicated reasons for not applying for finance, such as requirement challenges, complicated processes, funding costs, collateral requirements and others, many of these firms may have financing needs that were not met over the period. Consequentially, these firms could be considered partially excluded from the financial sector, either voluntarily or involuntarily. As a result, the actual funding gap for MSMEs could be underestimated in this analysis.

5.1.2. MSME Survey – Financing Requested vs. Received from Primary Sources

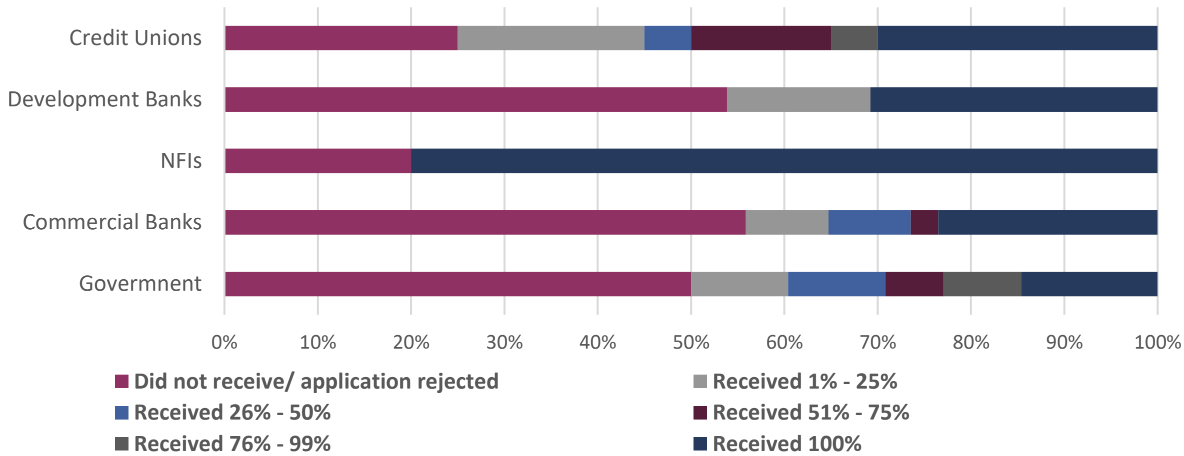
Apart from family and friends and alternative[19] suppliers of finance, the primary sources of funding include government programmes, commercial banks, non-bank financial institutions, development banks, and credit unions. In assessing the amount of funding requested from the primary sources (**Figure 21**), the survey indicated that financing requests to the government were primarily for smaller amounts, less than $100,000. Additionally, commercial banks were often the second main source of financing for less than $100,000. However, in a few instances, firms would request over $500,000 in financing from the government, while over this amount, commercial banks were generally the main source. This confirms that micro firms initially depend on the government to support smaller financing needs, while the traditional banking sector is considered the source for larger funding needs.

Figure 21: Amount of Financing Requested from Primary Sources



Source: Central Bank of Trinidad and Tobago – Sample Survey on MSME Financing in Trinidad and Tobago 2022.

Figure 22: Amount of Financing Received from Primary Sources



Source: Central Bank of Trinidad and Tobago – Sample Survey on MSME Financing in Trinidad and Tobago 2022.

In light of the financing requested, it is worthwhile to examine the amount of funding received from these major sources of finance (**Figure 22**). Notably, in more than 50.0 per cent of the cases, firms did not receive any of the requested funding from the government, commercial banks or development

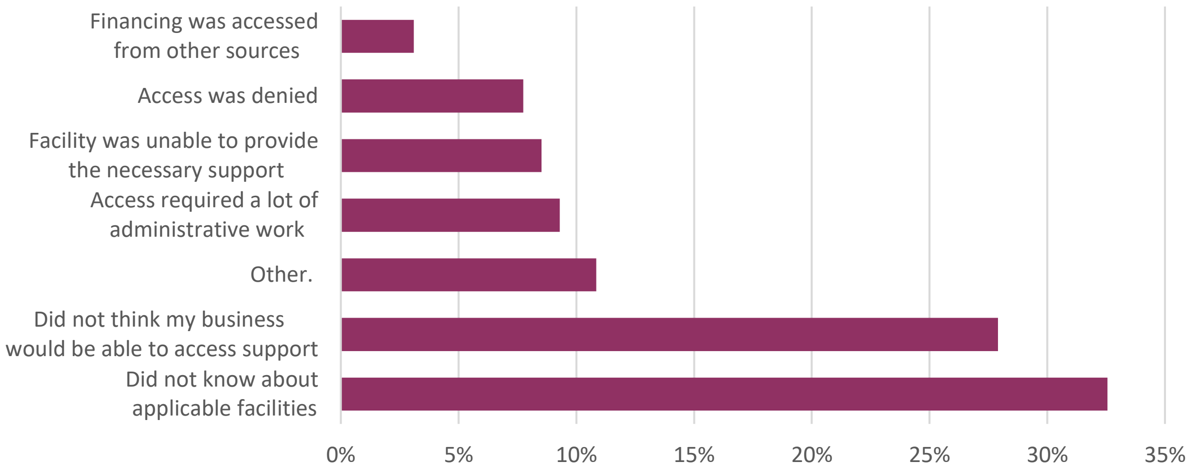
[19] Alternative sources of finance include: informal providers and moneylenders, supplier credit, venture capitalists and angel investors, crowdfunders, peer-to-peer marketplace lenders, balance sheet lenders, and factor lenders.

banks. On the other hand, credit unions and non-bank financial institutions were less likely to completely reject financing requests. While micro-firms may be dependent on either the government or traditional sources of finance, the survey results suggest that these firms are more likely to be denied financing requests. Furthermore, the two major sources, commercial banks and government, are only likely to approve full financing in 24.0 per cent and 15.0 per cent of the cases, respectively.

5.1.3. MSME Survey – Government Supported Financing

Considering that the government is considered the primary source of financial support to micro and small firms, the survey asked if respondents successfully accessed government facilities such as loans, loan guarantees, or grants. The results showed that 57.0 per cent of responses were not successful, while 43.0 per cent of applicants successfully received support. For the firms that were not successful in accessing government support, the results (**Figure 23**) showed that for 60.0 per cent of the responses, firms did not know about the applicable facilities or believed that government support was inaccessible to the business. Other reasons include lengthy periods between application and receiving notice, not receiving any updates on the application, ineligible business ventures, and stringent requirements.

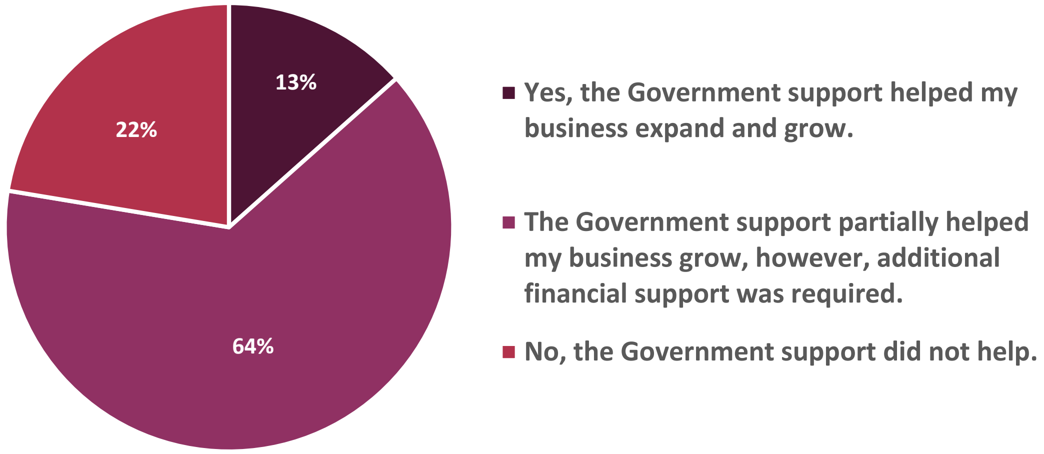
Figure 23: Reasons why Government Financing was not accessed



Source: Central Bank of Trinidad and Tobago – Sample Survey on MSME Financing in Trinidad and Tobago 2022.

For firms that accessed government support facilities (**Figure 24**), only 13.0 per cent indicated that the support helped grow and expand the business, while 22.0 per cent indicated that the support did not help. However, 64.0 per cent indicated that the government support partially assisted. The results therefore suggest that government support may not be the only source of financial support to micro and small businesses, and in most cases, firms should seek out other primary and alternative sources of finance. In this regard, a key policy consideration may be to veer away from options that seek to position government facilities to provide MSMEs' full funding requirements. Further querying why the government support did not help, 41.0 per cent of the survey responses indicated that the support was insufficient, while 24.0 per cent indicated that the full allocation was not approved. Additionally, 24.0 per cent mentioned that receipt of support took very long and was ultimately insufficient. Other responses given included the need for collateral, stringent requirements and tax compliance, in addition to COVID-19 lockdown measures.

Figure 24: Did the Government Financing Assist the Business



Source: Central Bank of Trinidad and Tobago – Sample Survey on MSME Financing in Trinidad and Tobago 2022.

6. Conclusion and Policy Recommendations

6.1. Conclusion

MSMEs have played a vital role in the Trinidad and Tobago Economy, contributing significantly to growth and job creation. It is estimated that roughly 95.0 per cent of domestic businesses are MSMEs, with a vast majority being micro and small. This study examines the financial development and financial inclusion challenges in Trinidad and Tobago, from the perspective of MSMEs, to determine the policy interventions required for these entities to contribute significantly to economic growth and job creation. Understanding the different approaches to financial development and inclusion undertaken by various governments was key to determining the appropriate policy measures that can be implemented to bolster the domestic financial ecosystem.

Financial development refers to the growth and expansion of financial institutions and markets, encompassing a wide-ranging collection of financial products and services, as well as the increased use and access to financial activities by households and businesses. On the other hand, financial inclusion refers to the ability of individuals and businesses to access this comprehensive selection of financial products and services that are appropriate and affordable to their needs, enabling them to fully participate in the economy and promote economic well-being. The concepts of financial development and financial inclusion are both closely linked and considered mutually reinforcing.

Financial development is considered important as it can promote economic growth, reduce poverty and inequality, and improve the overall efficiency of the economy. Fundamentally, financial development can help to promote financial inclusion by increasing access to financial services and products, reducing costs, and improving the overall quality of financial services. However, without a well-developed and efficient financial system, financial inclusion can encounter hurdles. Often in developing economies, and without a well-developed financial system, MSMEs are frequently unserved or underserved due to business informality, lack of collateral, or limited credit history. Furthermore, while some economic agents are voluntarily excluded from the system, many are involuntarily excluded due to barriers to entry such as stringent documentation requirements, inadequate information, deficient market infrastructure, restrictive policies and regulatory environments, distance, and costs. Essentially, involuntary financial exclusion is a sign of financial market failure, and policies aimed at reducing the barriers to entry and limiting market failures, can be effective in promoting inclusion.

Despite a sufficiently liquid and developed traditional banking sector, in addition to several government financing programmes and policy initiatives offered, there still seem to be large gaps in financial development and inclusion in Trinidad and Tobago. For micro and small businesses, barriers to access are often due to the requirements and conditions that these firms must satisfy. While this may not be an issue for large and many medium-sized businesses, it can be a deterrent for numerous MSMEs that are unregistered or unincorporated and even for those that are formally established. Furthermore, credit data from the domestic banking sector suggests that incorporated businesses, which are more likely to be medium to large enterprises, obtain a large proportion of credit from the banking sector, while unincorporated or micro and small businesses, account for a very small share of commercial bank and NFI credit. Considering that the domestic financial sector is known to be bank-centric, micro and small enterprises appear to have limited financing options through the banking sector, and may depend heavily on non-financial sector options such as personal savings or capital from family and friends, which can limit the growth of an MSE.

The numerous hurdles to accessing financial products and services often result in a significant financing gap, especially for micro and small firms. Often these firms experience financial exclusion and a financing gap through the unavailability of credit, especially from traditional sources of finance. The financing gap refers to the difference between the amount of funding that an MSME needs in order to meet its financial objectives and the amount of funding that it is able to obtain through traditional sources.

In an effort to estimate the funding gap for MSMEs, a survey was conducted by the Central Bank of Trinidad and Tobago in November 2022 to collect information on the access to finance. The survey was used to determine MSMEs' unmet credit demand, firms' awareness and perception of different credit sources, and to provide information on the sources and uses of funding. The survey was dominated by responses from micro-firms (95.3 per cent), with a vast majority (67.0 per cent) indicating that access to finance was a major challenge in the firm's growth and expansion objectives. Via a weighted average calculation, it was estimated that MSMEs applied for $102,000 to $190,000 in financing over the last five-years. However, these firms received roughly 34.0 per cent to 40.0 per cent of their requested financing, resulting in an estimated financing gap of approximately $68,000 to $113,000. The survey determined that this large financing gap, was due to a number of factors such as insufficient or no collateral, company age, and credit history. Considering that the majority of firms surveyed were micro, these firms would be susceptible to application challenges resulting in them being excluded, to some extent, from the financial system.

While it is important for MSMEs to be aware of their funding gap, it is also crucial for policymakers to be mindful of the funding gap and to understand the deficits in the financial system which are creating an environment of financial exclusion. Accordingly, efforts to promote financial inclusion and reduce the financing gap can help to promote financial development by increasing the demand for financial services and products, which in turn can encourage the growth and expansion of financial markets and institutions.

6.2. Policy Recommendations

Financial inclusion requires the attainment of three dimensions of financial systems, namely access, awareness, and use (Chen and Yuan 2021). Access, refers to the supply and accessibility of financial services, and is generally dependent on fiscal and monetary stability, institutional soundness, and supportive regulatory policies. Providing these infrastructural and regulatory conditions are met, voluntary access to financial services would be encouraged while involuntary access would be minimised. The dimension of awareness refers to financial literacy, the ability to make sound financial decisions, and pro-market intervention where financial institutions promote their products and services. The final dimension, usage, refers to the amount of financial services accessed by the population.

In light of these components, the government's role should centre on improving the availability and opportunities to access a range of appropriate financial services, through optimal monetary, fiscal and regulatory policies. Sound economic and governance policies supporting economic activities could lead to increased availability, accessibility, and usage of formal financial services. Additionally, areas where government policies can facilitate inclusion include the promotion of financial education, simplifying documentation requirements, flexible collateral policies, and even promoting the use of technology.

Authorities in emerging and developing economies have experimented and adopted numerous approaches to improving financial inclusion. In many cases, economies undertook developmental policies in support of fiscal, monetary, and institutional stability. These often included economic and regulatory reforms, adjustments to fiscal and tax policies, supportive monetary policy, the simplification of registration into the formal financial sector, and other regulatory innovations to diversify financial services and improve access towards underserved sectors. Additionally, some economies engaged in state-led financial inclusion programmes, including the provision of banking type services, while other economies established successful development banks to drive economic and financial developments from large scale investments to the provision of financial services to MSMEs.

In light of the success of many economies in improving financial development and financial inclusion, the domestic economy can adopt, implement, or upgrade different policy measures to ensure that MSMEs have sufficient access to the financial products and services necessary to grow and expand. Firstly, in order to create a supportive financial infrastructure, the authorities should ensure that overall economic, financial and political stability is maintained. This can be achieved through consistency and credibility with economic objectives and developmental policies.

Secondly, given that MSMEs may encounter hurdles when applying for credit in the domestic banking system, authorities should further develop the domestic financial information infrastructure and establish an effective MSME credit registry. Mian (2014) describes four basic steps in the design of a credit registry which include data collection, validation, dissemination, and usage. Data collection includes borrower and lender information, and relevant credit information. Data validation is the process of confirming the accuracy of the data and conducting necessary data audits. Data dissemination refers to determining who has access to the data and how the data will be shared, while data usage covers prudential and risk-management purposes by regulators. Via this design, a credit registry can assist in banking supervision while improving the quality and reliability of data (World Bank 2011).

Although credit registries are typically owned and operated by financial supervisors, within the domestic environment, the Caribbean Information and Credit Rating Services (CariCRIS), in collaboration with the banking sector and regulators, can establish an affordable and comprehensive credit rating platform which MSMEs can use to obtain a credit rating, or access guidance to eventually obtain a credit score. MSME credit scores can then be used by firms to access credit facilities throughout the financial system, or even develop operational efficiencies to improve their credit score. While this undertaking can require additional cost considerations related to technical infrastructure, implementation, data validation, and operational costs, the government can support this initiative by providing the necessary subsidies to ensure that MSMEs are allowed to obtain a credit rating.

Additionally, authorities should continue to engage in promoting financial literacy and education through collaboration with the Central Bank's NFLP, enabling individuals and MSMEs to better understand financial services and make informed financial decisions. According to the NFLP, consumers are faced with increasingly complex financial decisions, and there are concerns surrounding the increase in private consumption and consumer debt, while personal savings have declined. Given these apprehensions, the government has emphasised the importance of financial education in ensuring prudent financial decisions and the fostering of economic and financial stability. Furthermore, in light of the loss of employment, reduced working hours, and lower disposable income created by conditions surrounding the COVID-19 pandemic, the NFLP has increased its offering of SME training and workshops. This strategy would assist individuals in gaining the required proficiencies to launch and operate a small business, particularly with the ability to undertake record keeping which will be beneficial when applying for finance. Furthermore, through collaboration with other members of the National Financial Education Committee[20] and partnership with state funded SME programs, the NFLP plans to target a minimum of 3,500 for SME training, technical assistance, and mentor programmes. While the NFLP strategy sets a clear course for enhancing financial education, the government can provide further auxiliary support by promoting and funding education and training programs, while the Ministry of Education and the University of the West Indies can ensure that students are given a solid foundation in understanding financial and economic dynamics.

The survey indicated that MSMEs often refrain from applying for finance because of extensive requirements and complicated application processes. Authorities could support underserved firms by establishing a single government service (or expanding the mandate of existing agencies such as NEDCO), dedicated to MSME business registration and access to other needed government services. Apart from the establishment of an affordable credit rating platform, government sponsored development agencies could provide services such as guarantee systems, flexible collateral databases, reverse factoring services, or even investment lines through co-financing and crowd-in risk-sharing.

[20] The National Financial Education Committee is charged with the responsibility for developing a Financial Education Strategy for Trinidad and Tobago (CBTT 2019). Its members include CBTT, Association of Trinidad and Tobago Insurance Companies (ATTIC), the Bankers Association of Trinidad and Tobago (BATT), the Co-Operative Credit Union League, the Tobago House of Assembly (THA) - Financial Literacy Secretariat, the Trinidad and Tobago Insurance Institute, the Trinidad and Tobago Securities and Exchange Commission (TTSEC), the Trinidad and Tobago Stock Exchange (TTSE) and the Mutual Fund Association of Trinidad and Tobago (MFATT).

These services can assist MSMEs in their financial and operational objectives. While these may encounter some legislative hurdles, support and collaboration from financial sector stakeholders could go a long way in supporting these initiatives.

Furthermore, technical assistance and training can be used to instruct MSMEs on preparing financial documents which would be required for funding applications. These benefits could support MSMEs in accessing finance from traditional sources, including commercial banks, development banks, merchant banks, and established non-bank financial institutions. Additionally, authorities can provide tax incentives to the formal banking sector for MSME lending which would encourage banks and other financial institutions to expand loan portfolios to underserved firms.

For MSMEs that cannot access financing from traditional sources due to insufficient collateral, limited credit history, company age, and other limiting conditions, the authorities can support these firms through alternative lending sources, subsidies or grants, or even tax incentives. The survey results indicated that a vast majority of respondents (79.0 per cent) accessed or applied for financing support from NEDCO. The government should continue to support and promote the use of development banks and other non-traditional lending sources. This could be achieved by supporting these institutions in serving underserved business sectors, export oriented businesses, and import substitution businesses. Through these services, the government can offer subsidies or grants for MSMEs to improve operations and access new markets, in addition to low-cost capital benefits through loan guarantee programmes. Alternatively, joint partnerships between the government, private sector, and state development agencies can establish an MSME fund to support MSMEs in strategic sectors that can boost domestic productivity and competitive advantages.

Lastly, authorities should engage in increasing access and usage of digital technology for financial products and services. This should be reinforced in the National Digital Transformation Strategy currently under development. Similar to the advancements made in China, policies aimed at promoting digital technology can help to reduce the cost of financial services, while the promotion of technology and innovation can promote financial inclusion. Digital technology within the financial sphere can include online lending and fundraising platforms, mobile payment systems, and even the issuance of digital invoices that can be used as collateral by firms. To support financial inclusion, Trinidad and Tobago should develop strong Fintech ecosystems which help to make financial services more accessible – not necessarily led by traditional financial institutions. Authorities can initiate a Fintech revolution by providing a base for companies to pilot and test their technologies, within a regulatory environment. While the Central Bank of Trinidad and Tobago has already developed a Fintech Policy and a joint regulatory innovation hub, the authorities should amplify efforts to encourage firms to engage this regulatory sandbox to determine how Fintech products can be introduced safely into the domestic financial system.

Appendix

Appendix 1: Description of Financing Programmes and Policy Initiatives

Ministry of Social Development and Family Services (MSDFS)

1. Micro-Enterprise and Training Grant

This facility is offered to entrepreneurs who are interested in undertaking a small business venture or skills training (TTconnect n.d.). MSMEs have access to a maximum grant amount of TT$5000, which is paid directly to the supplier, and the MSME must provide valid identification, supplier invoice, and any other relevant documents requested by the social welfare officer.

2. Sowing Empowerment through Entrepreneurial Development (SEED)

The facility is designed to support poor and vulnerable citizens who are interested in starting a business or improving their current business (Ali 2020). The facility funds up to TT$15,000 for goods, equipment, or micro-business expansion, and up to TT$7,500 for skills training at accredited institutions. Eligibility is dependent on a standard means test, in addition to valid identification, proof of income, business plan, training certificates, and supplier quotations.

Ministry of Trade and Industry (MIT)

1. Grant Fund Facility (GFF)

The Grant Fund Facility provides opportunities for SMEs involved in the production of high value-added products and services that can compete in export markets, produce an import substitute, or support economic diversification. The facility is administered by ExporTT Limited, and provides support for capacity building and technological advancements across various non-energy sectors of the economy, including manufacturing, agriculture, financial services, maritime services, creative industries, software design, and aviation services.

SMEs can access a maximum of TT$250,000 per beneficiary to finance 50 per cent of the cost of the acquisition. However, the Grant does not cover working capital, land and building costs, and installation costs. Additionally, the facility is only available to registered businesses, in operation for a minimum of two years, small firms' annual turnover should not exceed TT$8 million, while medium firms' annual turnover should be between TT$8 million and TT$15 million. Eligibility depends on the submission of audited financial statements, business registration, tax statements, Tax/VAT clearance, evidence of cost of capital, and evidence of the financial ability to cover the remaining 50 per cent of the acquisition cost. According to a newspaper report, as at March 2022, 23 SMEs have been approved for funding under the fund and approximately TT$4.3 million has been awarded for various activities across eligible sectors (Loutoo 2022).

2. Steelpan Manufacturing Grant Fund Facility (SMGFF)

The SMGFF supports manufacturers and tuners in the acquisition of new machinery, equipment, software, tools, raw material and training by local steelpan manufacturers. Local applicants can access individual grants up to a maximum of TT$250,000 per tranche, not exceeding $1,000,000.00 per entity.

Steelpan businesses must be in operations for a minimum of two years, provide a business plan, management accounts, evidence of acquisition costs, business registration, and Tax/VAT clearance.

3. International Certificate Fund

This fund provides financial assistance to the manufacturing sector, for a range of applicable international standards to boost production of non-energy exports and contribute to import substitution. The programme will provide grant funding to assist eligible firms with building capacity in the conduct of standards audits, inspections and/or implementation of the process of certification; the acquisition and operation of specialised equipment required for the adoption of standards; infrastructural modifications to comply with standards implementation; and auditing and certification costs.

The facility, which is supported by ExporTT, is limited to one grant per beneficiary SME, and will partly cover the cost associated with meeting international standards. Eligible locally registered firms must be established for a minimum of one year and engaged in the production of non-energy exports with export sales less than US$4 million, or with import substitution sales less than TT$25 million.

4. SME Yachting Industry Grant

In March 2022, the Government, through the MIT, approved a TT$10 million grant for small businesses within the yachting industry, to help attract yachting enthusiasts back into the country (Doodnath 2022). This one-off grant is available to all SMEs offering services to the yachting industry, including technical and hospitality services, storage facilities, dock spaces, retail shops, travel agencies, and yacht brokerage. According to the article, micro-businesses with an annual turnover of $250,000 or less will be eligible for a grant up to $20,000 to cover 100 per cent of business costs, while those with an annual turnover over $250,000 but less than $8 million will be eligible for up to $50,000 to cover 75 to 100 per cent of expenses.

5. Exporter Booster Initiative

See ExporTT - Exporter Booster Initiative (EBI).

Ministry of Sport and Community Development (MSCD)

1. Community Education Programme

The MSCD offers a non-formal education programme to complement the formal education system. The programme consists of four main components. The first provides domestic support skills training to economically disadvantaged citizens to compensate for deficiencies in reliable household income. The second includes entrepreneurial development projects to promote skills and business training as a pre-requisite for establishing micro-businesses. The third component comprises leadership development, aimed at improving the organisational skills of existing community leaders and ensuring the availability of trained human resource repositories. The final component promotes community awareness focusing on social issues which confronts citizens.

Overall, the skills training programme provides training in a variety of marketable skills, and skills that can aid in the creation of home-based production of goods and services. Some of the skills and courses offered include cooking, garment and fabric design, electrical installation, events planning, computer literacy, computer repairs home improvement and minor repairs, beauty skills, landscaping, small entrepreneur and management, and small scale agriculture.

2. Craft Development Programme

The MSCD also offers a craft development programme which promotes craft production as a viable contributor to the national goals of economic diversification and job creation. This includes skills training, post-secondary entrance assessment (SEA) training, and special training for disadvantaged individuals.

Ministry of Youth Development and National Service (MYDNS)

1. Youth Agricultural Homestead Programme (YAHP)

YAHP is an agricultural training programme intended to provide young individuals with the skills needed to become successful agribusiness entrepreneurs. The programme offers comprehensive training in crop production, and livestock raising and breeding. After the first-year completion, successful trainees will gain access to land, technical and financial support. The second-year offers practical training on the land assigned to each trainee, following which successful trainees would move to become land lease holders and graduate as a new 21st century farmer.

ExporTT - The National Export Facilitation Organization of Trinidad and Tobago

1. Exporter Booster Initiative (EBI)

In collaboration with the Ministry of Trade and Industry and the Trinidad and Tobago Manufacturers' Association (TTMA), the EBI was developed to counteract the impact of the COVID-19 pandemic on the manufacturing sector and develop and promote exports into overseas markets. The primary objective of the EBI is to increase the value of non-energy exports of goods to TT$3.2 billion or by 10% by the end of the fiscal year 2020/2021 and to TT$6 billion by 2024. To achieve this target, the EBI will pursue a number of initiatives under three broad strategic areas namely, Export Promotion, Capacity Building and Institutional Strengthening.

The first strategic area is Export Promotion to support exporters and accelerate internationalisation, initially with a total investment of TT$12.9 million. This is intended to improve the rate at which local manufacturing firms are able to penetrate and establish a presence in international markets. Under this initiative, the following areas will be developed and established: trade facilitation offices; trade representatives; market research and intelligence support; translating services; in-market promotions; virtual expo platforms; and sector profiles to promote domestic exports.

The second strategic area is Capacity Building to increase the productivity and competitiveness of local manufacturers through the provision of equipment, skills training, innovation and digitalisation, overcoming supply-side constraints and ensuring compliance with international standards. Approximately TT$32 million will be allocated to different initiatives under this strategic area during fiscal 2020/2021. The Government has also allocated TT$20 million to implement a certification programme that will assist exporters in achieving certification in food/beverage and other products compliant in international markets. Eligibility depends on annual export sales figures from US$1 million, US$2 million, and US$2 to $4 million, where certification funding provided up to a maximum of TT$500,000, ranging from 100 per cent, 75 per cent, and 50 per cent respectively. For import substitution firms earning less than TT$25 million, 100 per cent of the certification funding will be provided, up to a maximum of TT$500,000.

Other initiatives under the second strategic area include: (i) Innovation vouchers up to TT$200,000 to encourage product development for existing or new exporters. (ii) Labelling and product testing support totalling TT$2 million allocated to assist local exporters meet the statutory and legal requirements for goods entering targeted markets. (iii) Tobago capacity building programme to support Tobago-based businesses address logistical challenges, access financing, and market in target countries. (iv) Export accelerator programme, with a total allocation of TT$2.2 million, to transform potential local SMEs into first-time exporters. (v) Green packaging and manufacturing support, with a total allocation of TT$2.5 million, to assist local exporting firms in adopting new and green packaging.

The third strategic area is Institutional Strengthening where TT$2.9 million was allocated for the transformation and modernisation of ExporTT into a leading export promotion agency, in addition to the allocation of TT$1.5 million to strengthening the capacity of the TTMA. This initiative is intended to improve the capabilities of ExporTT and the TTMA in supporting local firms in manufacturing and export oriented industries.

2. Export Accelerator

This programme was introduced under the Export Booster Initiative to support firms that have minimal export experience, but significant export potential, and assist them in maximising export capabilities. Firms benefit from export training and consultancy; export coaching; company profile development; developing export plans; business matchmaking and meeting; and in-market research.

3. Co-Financing Facility

This facility is intended to assist firms with specific export market-entry activities, such as first-time website development and e-commerce platform integration (for exporters); shipping of samples; product testing; label designs; tradeshow participant; intellectual property registration; translation and interpretation of export related documents; product/company overseas registration. Domestic firms are eligible providing they are in operation for at least one-year, and can provide registration documents and financial statements. Financial support is given up to 50 per cent of the cost, with maximum amounts per financial year for small firms up to TT$60,000, medium firms up to TT$55,000, and large firms up to TT$50,000.

4. Standards Implementation Grant Facility

This reimbursement facility is meant to minimise business constraints related to accessing exports markets. The standards implementation project must be fully financed by the applicant using their own resources and the grant will reimburse funds upon completion of the project. The grant allows companies to be reimbursed up to 50 per cent of the total cost up to a maximum of TT$70,000 once every two years. Eligible export firms are required to provide registration documentation, two years of financial statements, business plan, export plan, Tax/VAT, NIS and BIR certificates, and projects are subject to approval by an evaluation and approval committee.

5. International Certificate Fund

See Ministry of Trade and Industry (MTI)- International Certificate Fund.

6. Labelling and Product Testing Fund

This fund is aimed at firms that have potential export orders and require testing of samples to ensure target market standards are met, are seeking to enter new markets where packaging changes are required, require nutritional content and regulated substance testing, require product modifications based on buyer needs, or require product modifications to meet target market requirements. The fund will cover 75 per cent of the cost up to a ceiling of TT$80,000.

Eligible domestic and registered companies must be in operations for a minimum of two-years, provide evidence of interest from an external buyer and product modification requirements, provide evidence of the firm's financial capabilities for the remaining 25 per cent obligation, and submit an export plan with target market, invoices and implementation schedule.

7. Research and Development Facility (RDF)

The RDF is a grant fund to provide financial support to the non-energy manufacturing and services sector, with the aim of enhancing the competitiveness of domestic firms via investments into new and advanced technology and innovation. This facility is available for local, registered firms within the non-energy sector. Eligible firms must provide company registration information, financial statements, and information on the value of export sales, project risk analysis and potential impact of the project, project invoices, and evidence of the ability to cover the required client contribution percentage of the project cost.

8. SheTrades (ITC)

In collaboration with the Ministry of Trade and Industry (MTI) and the International Trade Centre (ITC), the ITC SheTrades is designed to support female owned SMEs. Jointly, the initiative aims to unlock markets and create an enabling business environment for women entrepreneurs. The ITC SheTrades has generated a pipeline of over 30 impact investors, committing over US$75 million to gender-lens investment. However, the direct impact and operational structure locally is currently unknown.

EXIMBANK – The Export-Import Bank of Trinidad and Tobago

1. Local Factoring and Discounting Facility

The local factoring and discounting facility provide short-term financing to local manufacturers, distributors and service providers. The facility aims to bridge the gap between the settlement of production costs and local sales receipts, allowing a business to accelerate cash flow and shorten operating cycles. Eligible firms receive financing in the form of a loan for 90 per cent of the invoice value of local sales, which must be repaid from the proceeds of payments from buyers. The facility is offered to firms of all sizes in the manufacturing, distribution, and service sectors. Although the facility is not specified for SMEs, the arrangement can be beneficial for local SMEs that require this type of gap financing.

Application for the facility is similar to a loan application from commercial banks. Firms are required to submit company registration documentation, director profiles, audited financial statements for the previous three years, and projected cashflow statements for newer enterprises.

2. Foreign Exchange (Forex) Facilities

Considering the EXIMBANK is an authorised forex dealer, in collaboration with the TTMA and Government, US$100 million was allocated to 100 export-focused SMEs in 2020. According to the TTMA (2021) the allocation was provided to 97 manufacturers, 82% of which are micro, small, and medium size companies. In light of the growth of these manufacturing exporters, the Government committed an additional US$100 million through the facility. This facility is able to assist local qualified exporters with foreign currency needs ranging from the purchase of raw materials, payment of shipping costs, purchase of essential items, and trade financing repayment options.

3. Other Business Financing Services

The EXIMBANK also provides additional financial services to local businesses such as: (i) Asset Financing for equipment upgrades for local manufacturers, with financing tenors from 1-year to 5-years, based on exporter needs. (ii) Raw material financing – the provision of short-term financing to assist in acquiring raw materials. (iii) Advisory services to businesses seeking to enter the export market, including advisory assistance in export planning, identifying and entering target markets, identifying financing requirements, managing risk and sustaining growth. (iv) X-Loan Facility to support export companies' finance required equipment. (v) Export Credit Insurance to exporters – this facility is available to all size enterprises currently operating or seeking to operate in the export industry. The insurance offers risk protection against payment default by foreign buyers of goods and services which are exported on credit terms. (vi) Essential items facility – the EXIMBANK offers foreign exchange facilities to local firms importing essential items such as specific food items, pharmaceuticals, personal protective equipment (PPE), cleaning supplies, agricultural supplies, and hygiene products.

The National Entrepreneurial Development Company (NEDCO)

NEDCO carries a mandate to develop domestic MSEs whose needs cannot be met by traditional lending agencies. The following are some of the services and facilities offered by NEDCO.

1. Entrepreneurial Funding and Training

NEDCO offers entrepreneurial development services to help MSEs move from business concept to successful commercialisation: small business financing; entrepreneurial training; business assessment; mentorship; business advisory; and client-focused services.

2. Business Accelerator Programme

In collaboration with the Youth Training and Employment Partnership (YTEP), MIC Institute of Technology; Caribbean Yard Campus, National Energy Skills Canter (NESC), and the Youth Business Trinidad and Tobago (YBTT), this programme offers assistance to individuals who wish to gain additional skills and improve their business model, via training workshops and entrepreneurial webinars (Ministry of Youth Development and National Service 2022).

3. Entrepreneurial Relief Grant

As part of the Government's COVID-19 relief programme, the Ministry of Finance, in collaboration with NEDCO, implemented an Entrepreneurial Relief Grant to provide financial assistance to MSEs that have been negatively impacted by the pandemic. The grant is intended to provide capital, up to TT$20,000, to help cover business-related expenses such as salaries, rent, stock and other working capital. Eligible MSEs that earn less than TT$1 million in annual revenues, must submit identification information, business registration documents, proof of business operations, and Board of Inland Revenue (BIR) documentation.

4. ECO-DRIVER Loan

This loan facility is intended for micro and small business owners who wish to convert their vehicle to the more fuel efficient CNG and benefit from reduced fuel costs.

5. Additional Services

NEDCO also provides business advisory services; client-focused services; mentorship; Small Business financing; and Entrepreneurial training.

Development Finance Limited (DFL)

DFL was established in the 1970s as a state enterprise known as the Trinidad and Tobago Development Finance Company with a mandate to provide financing for business development to the SME sector. However, since 2011, the company has gone through major restructuring to widen its product offering. DFLs current structure is as a merchant bank, focused on business financing, investment services, and deposit and savings products. DFL currently offers fixed and savings deposits, with the standard deposit insurance, in addition to business loan facilities and foreign exchange services.

In line with the Caribbean Development Bank (CDB) 2017-2021 country strategy for Trinidad and Tobago (CDB 2019), the CDB indicated that US$10 million was allocated as an industrial credit line to assist DFL in increasing viable investments in the productive SME sector; providing improved and inclusive service delivery to SMEs; and improving its capacity to manage environmental and social risks in the project cycle. The funding was designed to assist SMEs in the agriculture, industrial, and tourism sectors. This loan facility follows two previously issued loans of US$5 million each to DFL in 1998 and 2000, which were fully disbursed to 20 sub-borrowers.

The Caribbean Industrial Research Institute (CARIRI)

CARIRI was established in 1970 as an initiative of the Government of Trinidad and Tobago with financial and technical support from the United Nations Development Programme (UNDP) and United Nations Industrial Development Organization (UNIDO). The institute is designed to assist in developing the nation’s technological base via the provision of technical and technology-based support services to the public and private sectors, encompassing both manufacturing and services.

1. The Centre for Enterprise Development (CED)

CARIRI’s flagship, the CED, focuses on building capacity and capability for enterprise creation by providing Research, Entrepreneurship, Innovation, Development (REID) and ICT Consultancy Services. The goals of the CED are consistent with the Government’s strategic priorities on economic growth, job creation, competitiveness and innovation.

The CED comprises of a number of support facilities including an Innovation Incubator where small business pioneering ideas are assessed and guided through a development process. The CED also offers a Business Incubator where micro and small businesses are provided with a full range of support services, and benefit from economies of scale as it relates to facility, administrative and support services costs. Additionally, a Technology Incubator service caters to the incubation and commercialisation of local and foreign technologies.

2. Business Hatchery Programme

CARIRI’s Business Hatchery programme works with early stage entrepreneurs, start-ups and small businesses over a three-month period to validate their business plan, provide marketability support and refining of business models. Subsequent to the Business Hatchery programme, entrepreneurs can proceed to launch their business, or advance to the CARIRI’s Business Incubator for further assistance.

3. Innovation Gap Analysis Programme (iGap)

The Innovation Gap Analysis Programme is aimed at supporting innovation in SME’s and private sector enterprises to maintain their competitive advantage in the marketplace. The programme benefits small businesses through prototype development, business idea testing, cost and time savings benefits, and access to local, regional, and international resources. However, iGap customers must be in business for a minimum 3-years.

The Agricultural Development Bank of Trinidad and Tobago (ADB)

The ADB specialises in development financing for the domestic agricultural sector, which is predominantly MSEs. The following are some of the facilities offered by ADB.

1. Investment and Savings

Agricultural sector individuals and MSEs are able to access deposit and saving account facilities, in addition to a certificate of security. The fixed deposit account can be opened with a minimum balance of TT$5,000 and is offered at competitive interest rates. The certificate of security is a higher yielding investment based on loan funds to borrowers who need to acquire collateral or who desire to use an investment facility as loan collateral.

2. New Reality Loan

This facility is directed to agricultural-projects in any sub-sector such as primary production, agri-support activities, forestry, agricultural cooperative societies, agro-tourism, marketing, and horticulture. Borrowers may finance up to 80 per cent for any viable agricultural project, with effective interest rates from 3-5 per cent, flexible payment options designed to fit the revenue cycle, and negotiable moratoriums. Financing can be used for business start-up, expansion or project rehabilitation; working capital; debt consolidation; purchase of equipment, machinery, vehicles, technology, construction of buildings, and infrastructure development. Applicants are required to submit farmer registration documents, project cost estimates, proof of land tenure and collateral requirements.

3. ADB Secure Loan

This facility is offered to agri-entrepreneurs with financing for personal and agri-business security and protection against praedial larceny (theft of agriculture produce), which is one of the major constraints to domestic food production. The facility supports the purchase, installation, and maintenance of appropriate security and surveillance technologies, in addition to the installation of utilities and physical infrastructure needed to protect the agri-business. The loan is offered on soft credit terms, with low interest rates and management fees, reduced collateral requirements, negotiable moratorium, farmers group discounts, and flexible payment options.

4. ADB Vehicle Package Loan

This loan package is offered to agri-businesses for the purchase of vehicles, or tractors. Negotiable medium-term funding is available up to 100 per cent, with affordable interest rates.

5. ADB Revolving Loan Account

This loan product is similar to an overdraft facility available to individuals and companies that requires specific access to working capital for their operations or everyday running of their project. The facility is available to existing ADB clients with good credit ratings for a loan period 18-24 moths. Repayments can be structured based on the business operating cycle.

Tourism Development Incentives

A major development initiative undertaken by the Government was the Tourism Development Act (Chapter 87:22), which was introduced to support the development of tourism in Trinidad and Tobago. The Act provides for Tourism Development Incentives to be granted to owners and operators of various types of tourism projects, providing these projects have the potential to contribute to the development and expansion of the industry.

Government grant incentives are available for tourism accommodation projects such as resort developments, hotels, campsites, eco-lodges, and guest houses. Additionally, incentives are also provided for tourism ancillary projects such as marinas and boatyards, water sports, charter boats and cruise activities, tour operations, recreational parks, cultural centres, golf courses, film making and special events, and transportation services. Lastly, support can be provided to tourism infrastructural projects such as recompression / hyperbaric chambers, heliports, seaports, airports, public utilities, roads, irrigation, communication, ecological and environmental maintenance, and land clearing and cleaning.

Applications for a tourism development incentives grant must be submitted and evaluated by the Ministry of Tourism. Furthermore, once the project is classified as an approved tourism project, the tourism-business will be granted additional tax benefits.

References

Adams, Nicole, David Jacobs, Stephen Kenny, Serena Russell, and Maxwell Sutton. (2021). "China's Evolving Financial System and Its Global Importance." Reserve Bank of Australia, Bulletin. September 2021.

Aggarwal, Shilpa, and Leora Klapper. (2013). "Designing Government Policies to Expand Financial Inclusion: Evidence from Around the World." University of California, Working Paper.

Agricultural Development Bank (ADB). (n.d.). Available from: http://www.adbtt.com/

Alhassan, Abidin, Leon Li, Krishna Reddy, and Geeta Duppati. (2021). "The Relationship between Political Instability and Financial Inclusion: Evidence from Middle East and North Africa." International Journal of Finance & Economics. Volume 26, Issue 1 p. 353-374.

Ali, Fariah. (2020). "Sowing Empowerment through Entrepreneurial Development (SEED)." Ministry of Social Development and Family Services (MSDFS).

Allen, Franklin, Jun Qian, and Meijun Qian. (2008). "China's Financial System: Past, Present, and Future". In L. Brandt & T. Rawski (Eds.), China's Great Economic Transformation (pp. 506-568). Cambridge: Cambridge University Press.

Atkinson, Adele, and Flore-Anne Messy. (2013). "Promoting Financial Inclusion through Financial Education: OECD/INFE Evidence, Policies and Practice". OECD Working Papers on Finance, Insurance and Private Pensions No. 34. (2013).

Bai, Dangwei, Rundong Jiang, Tiandu Wang, Jennifer Chen, and Douglas Randall. (2018). "Towards Universal Financial Inclusion in China: Models, Challenges, and Global Lessons." International Bank for Reconstruction and Development / The World Bank and the People's Bank of China.

Bank of Guyana. (2018). "National Payments System Development – Vision and Implementation Plan". The Bank of Guyana, March 2018.

Barajas, Adolfo, Thorsten Beck, Era Dabla-Norris, and Seyed Reza Yousefi. (2013). "Too Cold, Too Hot, Of Just Right? Assessing Financial Sector Development Across the Globe". IMF Working Paper WP/13/81.

Barboza, Ricardo, Samuel Pessoa, Eduardo Pontual, and Fábio Roitman. (2020). "What Have We Learned About the Brazilian Development Bank?" Getulio Vargas Foundation (FGV), Brazilian Institute of Economics (IBRE).

Beck, Thorsten, and Augusto De La Torre. (2007). "The Basic Analytics of Access to Financial Services." Financial Markets, Institutions and Instruments. Volume. 16, Issue 2, pp.79-117.

Beck, Thorsten, Asli Demirgüç-Kunt, and Maria Soledad Martinez Peria. (2007). "Reaching out: Access to and use of Banking Services Across Countries." Journal of Financial Economics 85 (2007) 234–266.

Beck, Thorsten, Lemma Senbet, and Witness Simbanegavi. (2014). "Financial Inclusion and Innovation in Africa: An Overview". Journal of African Economies, 24(suppl1), i3-i11.

Bennett, Karl. (1993). "Liberalization of the Exchange Rate Regime: Lessons from the Jamaican Experience." Social and Economic Studies. Vol. 42, No. 4, pp.73-93. Regional Programme of Monetary Studies.

BNDES. (2021). "BNDES will accept new round of payment suspension from micro- and small-sized enterprises." The Brazilian Development Bank (BNDES).

Boot, Arnoud W. A., and Anjan V. Thakor. (2000). "Can Relationship Banking Survive Competition?" The Journal of Finance. Volume 55, Issue 2, pp.679-713.

Burgess, Robin, and Rohini Pande. (2005). "Do Rural Banks Matter? Evidence from the Indian Social Banking Experiment." American Economic Review, Vol. 95, No. 3, pp. 780-795.

Cardim de Carvalho, Fernando J. (2013). "Relative Insulation." Development and Corporation (D+C), No. 2 2013, pp.66.

Caribbean Development Bank (CDB). (2016). "Micro-Small-Medium Enterprise Development in the Caribbean: Towards a New Frontier." Barbados: Caribbean Development Bank.

Caribbean Development Bank (CDB). (2019). "CDB Improving Access to Financing for SMEs in Trinidad and Tobago." Accessed from: https://www.caribank.org/newsroom/news-and-events/cdb-improving-access-financing-smes-trinidad-and-tobago

Caribbean Industrial Research Institute (CARIRI). (n.d.). Available from: https://www.cariri.com/

Central Bank of Trinidad and Tobago (CBTT). (2019). "The Future of Financial Literacy in Trinidad and Tobago."

Chada, Sakshi. (2016). "PMJDY: Commendable Growth, Yet Low-Hanging Barriers Persist." Consultative Group to Assist the Poor (CGAM). Blog: August 2016.

Chen, Rong, and Raian Divanbeigi. (2019). "Can Regulation Promote Financial Inclusion?" World Bank Group, Policy Research Working Paper 8711, January 2019.

Chen, Weidong, and Xiaohui Yuan. (2021). "Financial Inclusion in China: An Overview". Frontiers of Business Research in China 15:4.

Chen, Zibei, and Minchao Jin. (2017). "Financial Inclusion in China: Use of Credit." Journal of Family and Economic Issues. Vol. 38, pp. 528-540.

Chinoda, Tough, and Tafirei Mashamba. (2021). "Financial Inclusion, Bank Competition, and Economic Growth in Africa." Journal of Economic and Financial Sciences. 14(1), a649.

Chironga, Mutsa, Hilary De Grandis, and Yassir Zouaoui. (2017). "Mobile Financial Services in Africa: Winning the Battle for the Customer." McKinsey & Company, Insights.

Cumming, Douglas, Oliver Rui, and Yiping Wu. (2016). "Political Instability, Access to Private Debt, and Innovation Investment in China." Emerging Markets Review, Volume 29, pp.68-81

De la Torre, Augusto, Juan Carlos Gozzi, and Sergio L. Schmukler. (2017). "Innovative Experiences in Access to Finance – Market-Friendly Roles for the Visible Hand?". Latin American Development Forum Series. World Bank Group.

Demirgüç-Kunt, Asli. (2012a). "Finance and Economic Development: The Role of Government." The Oxford Handbook of Banking (1 ed.).

Demirgüç-Kunt, Asli, Leora Klapper, and Maria Soledad Martinez Peria. (2012b). "The Foundations of Financial Inclusion – Understanding Ownership and Use of Formal Accounts". The World Bank, Development Research Group, Policy Research Working Paper 6290.

Demirgüç-Kunt, Asli, Leora Klapper, Dorothe Singer, Saniya Ansar, and Jake Hess. (2018). "The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution." World Bank: Washington, DC.

Development Finance Limited (DFL). (n.d.). Available from: https://dflbusiness.com/

Doodnath, Alina. (2022). "Gov't Approves $10 million Grant for Small Businesses in Yachting Industry." Loop Business, March 2, 2022.

Duflos, Eric. (2015). "3 Trends on Financial Inclusion in China." World Economic Forum.

Ehrbeck Tilman, Mark Pickens, and Michael Tarazi. (2012). "Financially Inclusive Ecosystems: The Roles of Government Today. Consultative Group to Assist the Poor (CGAP) Focus Note, No. 76.

Export-Import Bank of Trinidad and Tobago (EXIMBANK) (n.d.): Available from: https://eximbanktt.com/ EXIMBANK "Business Solutions". Available from: https://eximbanktt.com/our-solutions/

ExporTT. (n.d.). Available from: https://exportt.co.tt/
"Export Booster Initiative." Available from: https://exportt.co.tt/export-booster-initiative/
"Co-Financing Facility." Available from: https://exportt.co.tt/co-financing/
"Standards Implementation Grant Facility." Available from: https://exportt.co.tt/standards-implementation/
"Export Accelerator." Available from: https://exportt.co.tt/export_accelerator/
"Labelling and Product Testing Fund." Available from: https://exportt.co.tt/lptmf/
"Research and Development Facility." Available from: https://exportt.co.tt/research-development-facility/
"SheTrades." Available from: https://exportt.co.tt/export-resources/shetrades-tt/

FinTech Egypt. (2021). "Egypt FinTech Landscape Report 2021." Central Bank of Egypt. Gauto, Victor, and Henry Mooney. (2020). "Review of Financial Development and Inclusion for Guyana: Assessment and Options for Reform." Inter-American Development Bank, Policy Brief 336 – IDB-PB-00336, June 2020.

Garcia-Singh, Chantal. (2022). "The Implications of New Financial Regulations on Small Business Financing in Trinidad and Tobago." Central Bank of Trinidad and Tobago, Working Papers WP01/2022.

Geraldes, Helena S.A., Ana P.M. Gama, and Mario Augusto. (2022). "Reaching Financial Inclusion: Necessary and Sufficient Conditions." Social Indicators Research (2022).

Gershenson, Dmitry, Luis Herrera, Frederic Lambert, Grey Ramos, Marina Rousset, and Jose Torres. (2021). "Fintech and Financial Inclusion in Latin America and the Caribbean". IMF Working Paper WP/21/221.

Ghosh, Jayati. (2013). "Microfinance and the Challenge of Financial Inclusion for Development". Cambridge Journal of Economics, issue 37, pp. 1203-1219.

Global Green Growth Institute (GGGI). (2021). "Mexican development bank Nacional Financiera (NAFIN) allocates MXN $7.8 billion of sustainable debt in the local market." Global Green

Growth Institute, News, November 30, 2021. Available from: https://gggi.org/mexican-development-bank-nacional-financiera-nafin-allocates-mxn-7-8-billion-of-sustainable-debt-in-the-local-market/

Global Infrastructure Hub (GIH). (2019). "Guidance Note on National Infrastructure Banks and Similar Financing Facilities". Global Infrastructure Hub and Cambridge Economic Policy Associates Limited (CEPA).

Government of Guyana - GOG (2019). Green State Development Strategy: Vision 2040, Diversified, Resilient, Low -carbon, People- centred.

Gupta, Sapna, and K.S. Thakur. (2020). "Performance Evaluation of Financial Inclusion in India: With Special Reference to Pradhan Mantri Jan-Dhan Yojana (PMJDY)." Conference: Innovation and Emerging Trends in Business Management and Information Technology, Jiwaji University, Gwalior. May 2020.

Gyeke-Dako, Agyapomaa, Vera Fiador, Elikplimi Komla Agbloyor, and Joshua Yindenaba Abor. (2021). "Bank Competition and Financial Inclusion: Evidence from Ghana." African Economic Research Consortium. Research Paper 474.

Honohan, Patrick. (2005). "Measuring Microfinance Access: Building on Existing Cross-Country Data." World Bank Policy Research Working Paper 3606 (May 2005).

International Monetary Fund (IMF). (2017). "Jamaica: History of Lending Commitments as of July 31, 2017." International Monetary Fund.

Jin, Yuhuan, and Sheng Zhang. (2019). "Credit Rationing in Small and Micro Enterprises: A Theoretical Analysis." Sustainability 11 (5): 1330.

Jones, Simone B. and Kerri-Anne Mayne. (2018). "Capitalising on the Latest Investment Trend: The Junior Market and Your Business." Jamaica Observer.

Kairi Consultants Limited (2009) "Developing Viable Small and Medium-Sized Enterprises in Trinidad and Tobago: Challenges and Priorities."

Kim, Sang W., and Brian R. Langrin. (1996). "Stock Return Volatility Spillovers Under Foreign Exchange Market Liberalisation: Case of Jamaica, Trinidad and Tobago, and the United States." Caribbean Centre for Monetary Studies – XXVIII Annual Conference of Monetary Studies.

La Porta, Rafael, Florencio Lopez-de-Silanes, and Andrei Shleifer. (2000). "Government Ownership of Banks." NBER Working Paper Series, Working Paper 7620.

Lagarde, Christine. (2019). "Mexico: An Opportunity for Financial Inclusion". IMF Managing Director Speech, Mexico City.

Loutoo, Jada. (2022). "Local Manufacturers Receive Grant Funding." Newsday TT. 7th March 2022.

Maity, Sudarshan, and Tarak Nath Sahu. (2020). "Role of Public Sector Banks Towards Financial Inclusion During Pre and Post Introduction of PMJDY: a Study on Efficiency Review". Rajagiri Management Journal – Volume 14, Issue 2, pp.95-105, December 2020.

Malligar, Shiddaramappa I., and Bangarappa Bankapur. (2016). "Performance of Pradhan Mantri Jan-Dhan Yojana." Indian Journal of Applied Research, Vol. 6, Issue 1. January 2016.

Marín, Georgina A., and Rainer Schwabe. (2019). "Bank Competition and Financial Inclusion: Evidence from Mexico." Review of Industrial Organization. 55(2) pp.257-285.

McLean, Sheldon, and Don Charles. (2020). A Preliminary Review of Policy Responses to Enhance SME Access to Trade Financing in the Caribbean". Studies and Perspectives series - ECLAC Subregional Headquarters for the Caribbean, No. 88

Mian, Atif. (2014). "The Case for a Credit Registry". National Bureau of Economic Research. Published in "Risk Topography: Systemic Risk and Macro Modeling", pp.163-172.

Ministry of Labour and Small and Medium Enterprise Development. (2014). "Micro and Small Enterprise (MSE) Development Policy for Trinidad and Tobago 2014 – 2016." Driving Entrepreneurship. Enterprise Development Division. September 2014.

Ministry of Social Development and Family Services (MSDFS). (n.d.). Available from: http://social.gov.tt/
"Sowing Empowerment through Entrepreneurial Development (SEED)." Available from: http://social.gov.tt/national-social-development-programme/
"Micro-Enterprise and Training Grant" Available from: https://www.ttconnect.gov.tt/

Ministry of Sport and Community Development (MSCD). (n.d.) Available from: https://mscd.gov.tt/
"Community Education Programme (CEP)." Available from: https://mscd.gov.tt/community-development/community-education-programme/

Ministry of Trade and Industry (MIT) (n.d.). Available from: https://tradeind.gov.tt/
"Grant Fund Facility." Available from: https://tradeind.gov.tt/grant-fund-facility/
"Steelpan Manufacturing Grant Fund Facility." Available from: https://tradeind.gov.tt/smgrant-fund-facility/
"International Certificate Fund." Available from: https://tradeind.gov.tt/cpfspc/
"Yachting Grant Fund Facility." Available from: https://tradeind.gov.tt/yachting-grant-fund-facility/
"Export Booster Initiative." Available from: https://tradeind.gov.tt/export-booster-initiative/

Ministry of Youth Development and National Service (MYDNS). (2022).
"NEDCO Launches Cohort Two of its Business Accelerator Programme." Available from: https://mydns.gov.tt/media/releases/nedco-launches-cohort-two-of-its-business-accelerator-programme/
"Youth Agricultural Homestead Programme (YAHP)." Available from: https://www.mydns.gov.tt/yahp/

Moretto, Louise and Barbara Scola. (2017). "Development Finance Institutions and Financial Inclusion: From Institution-Building to Market Development." Consultative Group to Assist the Poor (CGAP) Focus Note, No. 105, March 2017.

Multilateral Investment Fund (MIF). (2014). "Using Credit Ratings to Facilitate Financing for Caribbean SMEs." Project Abstract; The Multilateral Investment Fund (MIF), a member of the Inter-American Development Bank (IDB) Group, and the Caribbean Information & Credit Rating Services (CariCRIS).

National Entrepreneurial Development Company (NEDCO). (n.d.). Available from: https://nedcottfunding.com/
"Entrepreneurial Funding and Training". Available from: http://www.ttconnect.gov.tt/
"Entrepreneurial Relief Grant." Available from: https://nedcottfunding.com/
"ECO-DRIVER Loan." Available from: https://cng.co.tt/eco-driver-loan/

National Financial Literacy Programme (NFLP). (2022). “National Financial Literacy Survey (2022).” Central Bank of Trinidad and Tobago. Prepared by: Market Facts and Opinions.

OECD (2005). “Improving Financial Literacy: Analysis of Issues and Policies: The Organization for Economic Co-operation and Development (OECD).

Owen, Ann L., and Javier M. Pereira. (2018). “Bank Concentration, Competition, and Financial Inclusion.” Review of Development Finance. Vol.8, pp.1-17.

Pradhan Mantri Jan Dhan Yojana (PMJDY). (n.d.). “Scheme Details.” Department of Financial Services, Government of India.

Ramos, Luma, and Rogério Studart. (2018). “The Future of Development Banks: The Case of Brazil’s BNDES”. Global Development Policy Center.

Randall, Douglas, and Jennifer Chien. (2017). “8 Key Approaches to Accelerate Financial Inclusion.” World Bank Blogs.

Reserve Bank of India (RBI). (2021). “National Strategy for Financial Inclusion: 2020-2025”. Reserve Bank of India. Reports.

Robinson, John W. (2002). “Commercial Bank Interest Rate Spreads in Jamaica – Measurement, Trends and Prospects.” Bank of Jamaica Discussion Paper.

Roopnarine, Karen A. and Shanta Dhoray-Baig. (2010). “Evaluating the contribution of the SME Sector to Economic Growth and Employment in Trinidad and Tobago.” Draft Working Paper, Central Bank of Trinidad and Tobago, 2010 Research Review Seminar.

Rowe, Lisa. (2021). “Central Bank Digital Currency to Facilitate Financial Inclusion.” Jamaica Information Service. November 30 2021.

Sapienza, Paola. (2004). “The Effects of Government Ownership on Bank Lending.” Journal of Financial Economics. Vol. 72(2), pp.357-384.

Shaheen, Yehia. (2020). “What is Financial Inclusion and How it is Developing Egypt?” Fekr Magazine. Accessed from: https://www.fekr-magazine.com/articles/financial-inclusion-egypt

Sudhakar, A., and Sudha Singh, (2017). “Financial Inclusion: The Role of RBI and Government.” International Conference on “Paradigm Shift in Taxation, Accounting, Finance and Insurance” - IOSR Journal of Business and Management (IOSR-JBM), pp.70-75 – 2017.

Sy, Amadou N.R. (2019). “How Mobile Money Can Lead a Fintech Revolution in Africa.” World Economic Forum.

TTConnect. (n.d.). “Tourism Development Incentives.” Available from: https://www.ttconnect.gov.tt/

Trinidad and Tobago Manufacturing Association (TTMA). (2021). “Annual Report 2020.” Available from: https://ttma.com/assets/Uploads/TTMA-AR-2020-for-web.pdf

Villalobos, Gabriela, and Amelia Janssen. (2021). “BancoEstado highlights the "sufficiently flexible" interest rate of Fogape Reactiva.” Pauta FM, Chilean Chamber of Construction.

Villarroel, Ricardo. (2021). “Fogape awards first lines of credit with Reactiva state guarantee.” Fondo de Garantía para Pequeños Empresarios (FOGAPE), Participation Fogape Program 2.0 Reactivation.

Von See, Arne. (2022). “Mobile Money in Africa – Statistics and Facts.” Statista.

Wenner, Mark D., and Geoffrey Chalmers. (2001). “Microfinance Issues and Challenges in the Anglophone Caribbean”. Inter-American Development Bank, Working paper, Washington, D.C.

Williams, Ewart S. (2006). “Supporting the Growth of Small and Medium Enterprises”. Central Bank of Trinidad and Tobago. Address to the Nova Committee of the Trinidad and Tobago Chamber of Industry and Commerce, March 2006.

Williams, Ewart S. (2008). “Small and Medium-Sized Enterprises in Trinidad and Tobago – Challenges and Priorities”. Opening Remarks - Small and Medium-Sized Enterprises Seminar, November 2008.

Williams, Ewart S. (2009). “The MSME Evolution.” Address at the Micro, Small and Medium-sized Enterprises Conference, Port of Spain, Trinidad and Tobago.

World Bank. (2011). “General Principles for Credit Reporting.” The World Bank, Financial Infrastructure Series – Credit Reporting Policy and Research.

World Bank. (n.d.). “World Development Indicators.” The World Bank Group. DataBank. Available from: https://databank.worldbank.org/source/world-development-indicators