

FORMAL LAUNCH OF SME MARKETPLACE
HYATT REGENCY HOTEL, PORT OF SPAIN, TRINIDAD

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Remarks

by

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The Importance of the SME Sector

Globally, SMEs account for about 60% of employment and between 50% and 60% of value added and are the main drivers of productivity.

Therefore, many government and development agencies have targeted strengthening the business capacity and performance of SMEs and start-ups in order to increase productivity and job creations, reduce social inequalities and poverty, and build a more resilient and sustainable growth. Trinidad and Tobago is no exception to the norm.

Let's focus on the SME Sector and ecosystem in Trinidad and Tobago

CSO's Survey of Business Establishment Register 2018

- Total registered businesses: 26,043.
- Total SMEs (less than 250 persons): 17,044 (65%).
- SME (employing less than 25 persons): 15,629 (60% of registered businesses).
- SME (less than 5 employees): 11,548 or 44% of registered businesses.
- Contribution to GDP (the Bank's conservative estimates) roughly 30% and employment contribution is estimated at over 200,000 jobs.

Key SME performance factors: The Organisation of Economic Co-operation and Development (OECD), SME and Entrepreneurship Outlook (2019)

1. **institutional and regulatory framework:** that is fair, transparent and most importantly, allocate economic resources efficiently;
2. **market conditions:** stable and consistency of markets and institutions; stable input prices (capital; labour; goods; and services);
3. **business environment:** supportive, collaborative; good network of business support services (the active and supportive of business chambers, business accelerator and incubator programmes and innovation hubs are important);
4. **access to finance:** (a good mix of financing options that are durable, affordable and appropriate for the different developmental stages SMEs and start-ups – CEO of TTSE, Ms Eva Mitchell, will talk to us about the TTSE SME Market for equity financing as a cheaper alternative to bank credits);
5. **access to skills and knowledge** (SME Mentorship Programme will address this gap in the SME ecosystem – Ms. Mitchell will expand on the importance of this programme to SMEs); and
6. **access to innovation assets** (data; data analytics and technology for digital transformation).

SMEs in Trinidad and Tobago have low levels of technology adoption and innovation, which became quite evident during the COVID-19 pandemic. This problem needs urgent attention and can be addressed by, perhaps, the provision of grants or tax incentives for digital transitioning of business models and processes. (Fiscal Budget for 2023 covers some element of this; hopefully, the Minister can expand in his remarks).

SMEs also have low levels of internationalisation and participation in global value chains. This poor SME performance indicator can be adequately addressed by the

provision of suitable funding for market research and access, negotiating SME market access into trade policy and incorporating net spend on SMEs into private and public sector procurement. I'm sure the Ministry of Trade and Industry has these policy solutions in focus.

Where does the Central Bank fits into the SME ecosystem? How have we contributed to SME ecosystem?

The Bank has always provided and will continue to provide stable market conditions for firms. Our monetary and financial stability activities are carefully calibrated to: (1) ensure stable input prices for goods and services; and (2) maintain the stability and continuity of financial markets and institutions to provide credit to firms.

We have also created important financial system entities:

1. 1981: The Trinidad and Tobago Stock Exchange. From 1981 to 1996, the Bank provided most of the resources (key staff and financing) for the full operations of the TTSE. Last week the TTSE, celebrated its 40th year; 40 years of success. The Bank is pleased that the Exchange has grown to become an important strategic partner of the Bank. The partnership has been strengthened by our collaboration, with the Ministry of Finance, on SME Mentorship Programme and TTSE SME Market for equity listings.
2. 1983: The Trinidad and Tobago Unit Trust Corporation. Created to mobilise household savings in order to support the financing of economic growth and development. Today, the UTC has joined forces with the Ministry of Trade and Industry on a ScaleUP programme, utilising its vast wealth management knowledge and experts to provide business advisory services to SMEs in order to boost their growth and development

3. 1993: First Citizens Bank Limited, which plays an important role in the SME ecosystem in providing credits and administering the Government's COVID-19 Relief Programmes to SMEs.

Capital market development continues to be a strategic priority for the Bank alongside monetary and financial stability. With respect to SMEs, the Bank fully understands the importance of the sector to sustainable growth and employment creation. Those recognitions have led the Bank to partner with the Ministry of Finance and TTSE on the initiatives we are about to launch today, as well as with the IDB, in 2022, on a project to map and better understand the SME sector, which we hope will lead to the development of an appropriate SME strategy and policy for Trinidad and Tobago.

What are we including to the SME ecosystem?

1. We are expanding the access to financing to SMEs with **TTSE SME Market**, which will provide more durable and cheaper financing for SMEs, especially if the tax incentive for listing on the SME Market is factored into the financing decision of firms. A form of financing that is better suited for their long term growth and performance.
2. We are expanding the business development services available to SMEs with the **SME Mentorship Programme**. Existing supports focus on business advice, consultancy, coaching and management training (NEDCO; St. Augustine Centre for Innovation and Entrepreneurship; ScaleUp, TTUTC & MTI; SEED; The U.S. Embassy and the Trinidad and Tobago Entrepreneurship Hub (E-hub) on Monday launched the Academy for Women Entrepreneurs (AWE) program).

OECD (2021) notes that firms that decide to avail themselves of business advice tend to perform better than the average both before and after intervention. In addition, policies for business advice improve firms' output and productivity. These results highlight the importance of the SME Mentorship Programme and other business development services.

I seriously hope that experienced entrepreneurs, captains of industry, business bodies and business development experts agree to become Mentors to SMEs and start-ups.

3. Finally, the **SME MarketPlace**. We have taken the role in organising an electronic platform, which list the business development services and financial supports available to SMEs and startups. The MarketPlace brings all services available to SMEs in a single place, an e-portal that is available 24/7. The SME MarketPlace gives visibility to listing service providers and facilitating connections to them for SMEs. Further, the Marketplace reduces the information cost for SMEs, giving them free and readily available access to information to support growth and business performance.

I will conclude with the following remarks:

I think a comprehensive SME policy/strategy is needed, one that:

1. provides the best opportunities for sustainable growth;
2. more explicit in the targeting of future growth areas;
3. targets and promotes innovative business rather than replicative ideas; and
4. treat adequately with gender, recognising that women, especially single women, are increasingly becoming the head of households and the breadwinner. I applaud the U.S. Embassy and the Trinidad and Tobago Entrepreneurship Hub (E-hub) on their launch of the Academy for Women Entrepreneurs (AWE) programme in 2021. It somewhat addresses the gender gap in the SME ecosystem but a lot more has to be done.

Thank you for your attention.