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Finance for Small and Medium-sized Enterprises in the Caribbean (review)

Bill Maurer

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in a way that one would not find in a political history, rather than the cultural history which this essentially is. Nonetheless, these are minor quibbles, since the overall impact of the study is such that one must conclude that it provides us with a valuable service, with a commendable and rigorous piece of scholarship, which admirably sets the practice of *lectura* in Cuban political and social history, and which always entertains with its readable prose, its detail and its sympathy for the topic.

Erwin E. Brewster. 2006. *Finance for Small and Medium-sized Enterprises in the Caribbean*. London: Commonwealth Secretariat. ISBN: 0850928435.

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This slim volume presents the results of a survey conducted in ten CARICOM countries on small and medium-sized enterprises' (SMEs) access to finance. Recognizing that SMEs are vital contributors to economic growth in the region, the author and his team of researchers set out to understand the difficulties that SMEs find in securing access to long-term finance (defined according to a 10-year time horizon) and to provide policy makers and lenders with some guidance on how to address those difficulties. As with all cross-national surveys, the results are mixed, and the researchers faced some problems in getting both SMEs and financial institutions to comply with their requests for information. Yet some interesting patterns emerge and the results, presented in tabular and graphical form in a series of comprehensive appendices, make for worthwhile perusal for anyone interested in small business development, enterprise financing, business and tax policy, and related issues in the Commonwealth Caribbean and perhaps other regions where SMEs are an important but struggling part of the economy.

The author chose not to define SME in advance, and because there are no databases on Caribbean enterprises and because few of the countries surveyed maintain such databases, the survey respondents are not a random sample and possibly not even a representative sample: the response rate among SMEs was 63% and the response rate among financial institutions was 53%. Given that those SMEs and institutions

contacted which had good records already and were willing to share them were probably more likely to respond to the survey (although, tellingly, many larger businesses refused to participate, too), there is probably a degree of sampling bias. The author also includes information on the reasons given by several non-respondents for not complying with the researchers' request, and this information in itself provides some insight into the barriers to finance and development for SMEs in this region, as discussed below.

The SME sector is revealed to be comprised of businesses with a wide range in terms of numbers of employees, with the majority (56%) falling in the range of six to twenty-five. Around a third had revenue and assets of under US\$100,000, though 17% had revenue and assets of over US\$1 million. Most of the respondents to the survey were in the services sector (29.6%), with distribution, food processing, and hospitality also relatively well represented. Building and construction, machinery and manufacturing together made up 8% of the respondents. Many of the enterprises had been in business for 10 years or more, with almost a quarter in business for more than 20 years. Another quarter had been in business less than 5 years, leading the author to conclude that new businesses are not growing very rapidly. Another factor in this regard is the age and level of education of the owners: Over 70% were aged 40-64, and fully half had university level education. These relatively experienced owners expressed a high level of confidence in their own ability to manage their business, but, again, the overall picture is that there is considerable room for growth in this sector especially among younger potential owners and newer businesses, where access to financing becomes critical. Interestingly, the great majority of the businesses surveyed were formed as private corporations (61%) rather than sole proprietorships (26%). This perhaps reflects the age and education profile of the owners, but also the ease of incorporation in the Commonwealth Caribbean compared to other regions.

Older businesses were more likely to have sought finance at one time or another, and 62.9% of the survey respondents overall had sought finance at some point in the past. Bigger businesses were more likely to seek financing than smaller ones. Short-term loans were most frequently requested, though this depended on the assets of the enterprise, with the wealthier enterprises tending to see longer-term loans and even lines of credit. The mid-sized businesses, in terms of employees and assets, were more successful in securing credit, and businesses in the larger economies surveyed (Guyana, Belize, Trinidad and Tobago) were more likely to be successful than their counterparts in places like Antigua, Dominica, or Grenada. Certain (small) sectors were proportionately more successful in securing finance: printing and publishing, shipping

and storage, and wood and metal manufacturing (one presumes because of their ability to provide collateral in the form of capital equipment), although survey respondents who felt comfortable providing information on collateral often said that it was their own personal assets that were put forward as collateral for their loans. The overall picture that emerges is that SMEs do request finance at a relatively healthy level, yet only 44% are successful. The book also gives a page each on equity finance and government grants, both relatively minor in their overall contribution to SME financing in the Caribbean.

The main use to which SMEs wanted to put finance was purchasing of equipment, followed by product and service development. Their main difficulties in securing financing stemmed from lack of collateral, insufficient revenue and cash flow, followed by a host of other issues. When surveyed on their perceptions about lack of access to finance, the owners responded that the chief barriers were the high cost of finance, difficulty in accessing credit, and high levels of taxation. There are clear policy recommendations that could follow from these self-reported assessments. Yet it is also very interesting that many responded that they perceived access to finance as being tied to politics and patronage, and that “government” was often seen as a barrier, especially at the local level. It is also not surprising that the larger CARICOM countries had better response rates and seemed to have deeper histories of receiving financing. Their longer history of institutional development at larger scale compared to the smaller countries, however, is double-edged, as it also means a longer and more complicated history of the kinds of political divisions that some respondents reported as barriers to seeking finance.

This brings us back to the issue of the survey response rate, and the reasons people gave for refusing to participate. Many of the owners thought that doing so might put them at risk and that access to finance was a matter of political patronage or party affiliation, anyway, and not creditworthiness. This speaks to the long history of political and social fragmentation in the Caribbean that Gordon K. Lewis first identified. At the same time, it may point to a region-wide political-cultural complex. One would be making a stretch to hear in the responses of the non-responders what Peter Wilson long ago termed “crab antics,” yet the refusal to supply financial or other information about their businesses and the concern with secrecy and privacy the researchers continually encountered—as well as some of the features of entrepreneurship revealed in this study, such as the low level of participation among the young and less educated, and the seeming lack of interest in expanding one’s enterprise once it is established—may speak to longstanding Caribbean concerns with avoiding the appearance of getting ahead at the expense of others.

One of the take-home messages of this important volume is that there is still a dire need for training in both how to apply for financing, learning what financing is available, and also in managerial skills for growing a business. The author makes a case for providing more tax incentives, too. This is interesting in that the region has long been characterized by “ring fencing” where foreign corporations have been taxed at lower rather rates than local ones. Still, the region is also home to “pioneer industry” tax incentives, and so any tax incentives will have to be carefully targeted to reach the unique segment of the local entrepreneurial population that is likely to form SMEs.

In sum, while the survey on which this study was based is limited—and the author acknowledges as much—the results make for very interesting reading on the problem of access to finance for small and medium-sized enterprises in the Caribbean.

Joyce Moore Turner. 2005. *Caribbean Crusaders and the Harlem Renaissance*. Introduction by Franklin W. Knight. Urbana: University of Illinois Press. xxii + 291 pp. ISBN: 978-0-252-07241-3.

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Joyce Moore Turner’s book explores the role of Caribbean radicals in socialist and communist movements during the era of the 1920s and 30s. Turner, who is the daughter of Richard B. Moore and was the editor of the important book, *Richard B. Moore: Caribbean Militant in Harlem*, continues the work she began with that volume by documenting the Caribbean presence in radical organizations in Harlem. Turner anchors her narrative in the lives of the well-known, but still understudied Otto Huiswoud and his wife, Hermina “Hermie” Dumont Huiswoud. Drawing from archival material in Russia and the United States, as well as documents from the personal archive of Hermina Huiswoud, Turner highlights their long careers as dedicated political activists in a wide range of socialist and communist organizations. Turner’s attention to the details of their participation in promoting the “Negro Question” in left political circles sheds more light on the role of Caribbean activists in the movement. While some readers will learn new information