

BIIPAC PROJECT WORKSHOP

MSME Challenges – Regional
January 29, 2015

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AGENDA

- ▶ How we got here
- ▶ Context
- ▶ Role of Government in Healthy MSME Sector
- ▶ Role of Entrepreneurs in Healthy MSME Sector
- ▶ Challenges
- ▶ Specific ICT challenges
- ▶ Discussion



BACKSTORY

- ▶ How we got here
- ▶ “BIIPAC's Component 3, entitled "**ICT Awareness and Capacity Building Programmes**" is most important in that it represents the actualization of the value and investment that Component 1 (Infrastructure) and Component 2 (legal/ policy/regulatory environment) represent. Indeed it is building the capacity of sector stakeholders to leverage available **infrastructure** and **the enabling environment** to create opportunities and deliver/capture value that the return on broadband investment can achieve within the Region.”



CONTEXT

- ▶ Correlation between healthy MSME sector and economic growth
 - ▶ Responsible for 50% GDP in developed economies
 - ▶ Responsible for over 60% of total employment
 - ▶ Seedbed for entrepreneurship
 - ▶ Lower income distribution inequality
 - ▶ Vehicles for transitioning from agriculture-oriented to service-oriented economy
 - ▶ Tend to be labour-intensive and attract more low-skilled workers
 - ▶ Important part of the supply chain for MNCs



HEALTHY MSME SECTOR - ROLE OF GOVERNMENT

- ▶ Determining the Business climate (Doing Business Rating)
 - ▶ Creating [and regulating] the enabling environment
 - ▶ Macroeconomic stability
 - ▶ Predictable and Transparent Regulatory Frameworks and Practices
 - ▶ Healthy & Sustainable Public Finances
 - ▶ Manageable Sovereign Debt
 - ▶ Inflation in line with largest trading partners
 - ▶ Competitive FX and Interest Rates
 - ▶ Stable Financial Sector
 - ▶ National education & training system that produce skillsets required for economic production



HEALTHY MSME SECTOR – ROLE OF ENTREPRENEURS

- ▶ Meet customer needs by providing great products with excellent service
 - ▶ Effective management operations
 - ▶ Right operating support tools
 - ▶ Needed human resources
 - ▶ Efficient processes
 - ▶ Effective marketing
 - ▶ Forging partnerships for market exploitation
 - ▶ Remain agile and flexible



CHALLENGES (CDB 2013-2014)

- ▶ Inadequate legal and regulatory frameworks
 - Property legislation
 - Bankruptcy legislation
 - Intellectual property legislation
- Poorly developed capital markets
- Access to credit
- Inadequate training and mentoring
- Business support services
- Deficient & costly transportation systems
- Limited R&D Investments



CHALLENGES (MSME POLICY JA June 2012)

- ▶ Un-competitiveness
- ▶ Lack of access to credit
- ▶ High unit costs of production
- ▶ Poor quality products
- ▶ Inconsistency in the supply of products
- ▶ Low levels of technology and technical skills
- ▶ Weak business and management skills
- ▶ Financial markets' perceived risk of MSEs and lack of appropriate collateral



CHALLENGES (MSME JA June 2011)

- ▶ Development of MSME sector policy
- ▶ Reserve market for MSME products and services for public sector purchase
- Democratize decision-making by inclusion of MSMEs in policy development
- Access to financing
- Training and capacity building
- Business support services



CHALLENGES (CARICOM 2008)

- Participatory decision-making in policy development
- Access to financing and credit
- Lack of managerial capacity
- Training and capacity building
- Technological capacity
- Cost of business support services
- Market access



PERSISTENT & CHRONIC CHALLENGES

- ▶ **Financing and credit**
- ▶ **Training and capacity building**
- ▶ **Business support services**
- ▶ **Technology Skills**



WHAT TO DO?

Specific to ICTs and commerce

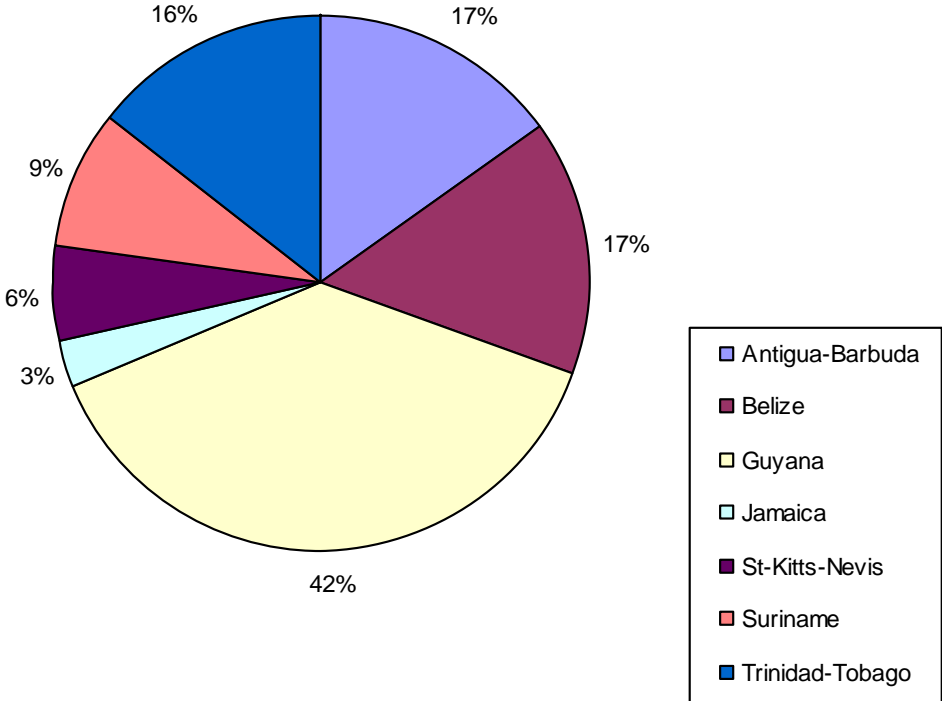
.....select results from.....

2010 Caribbean Export e-Commerce
Survey



■ ■ ■

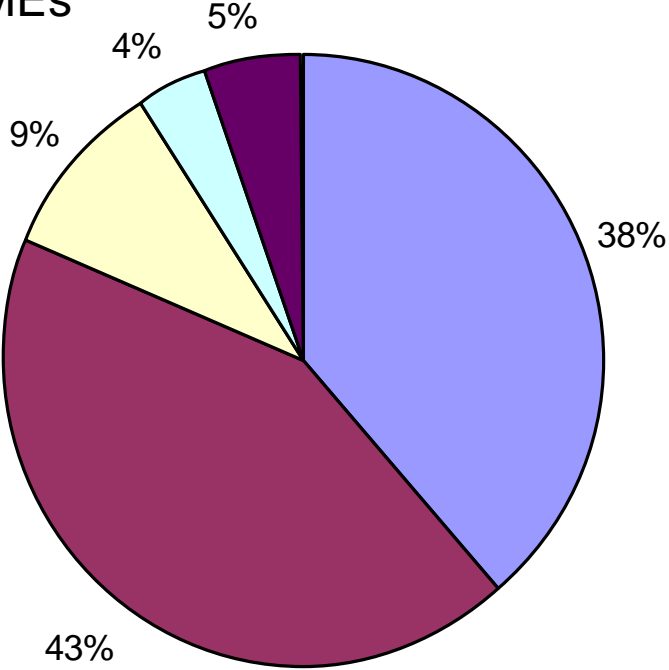
Percentage of SMEs still using dial-up in selected Territories



On Average
15% of SMEs
are still using
dial-up.

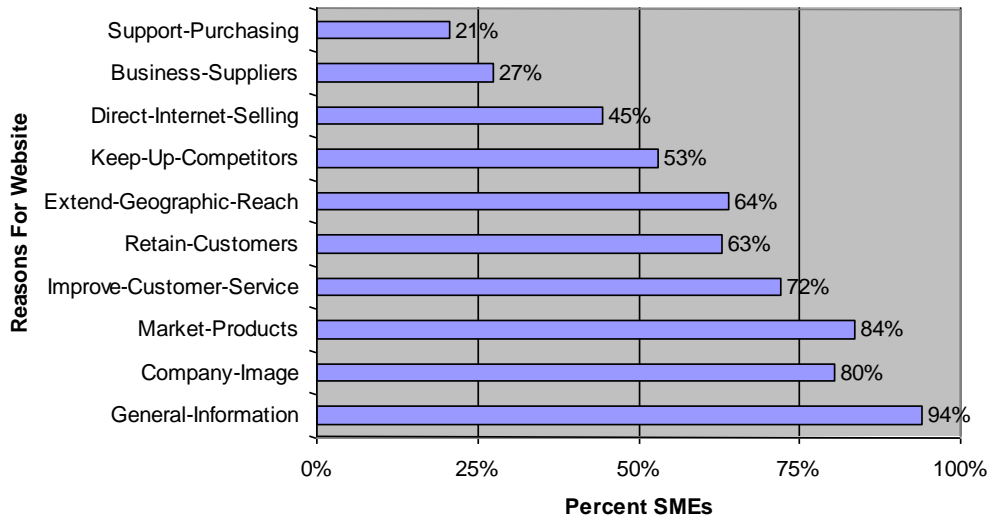
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Number of Websites among SMEs



61% of businesses had their own website

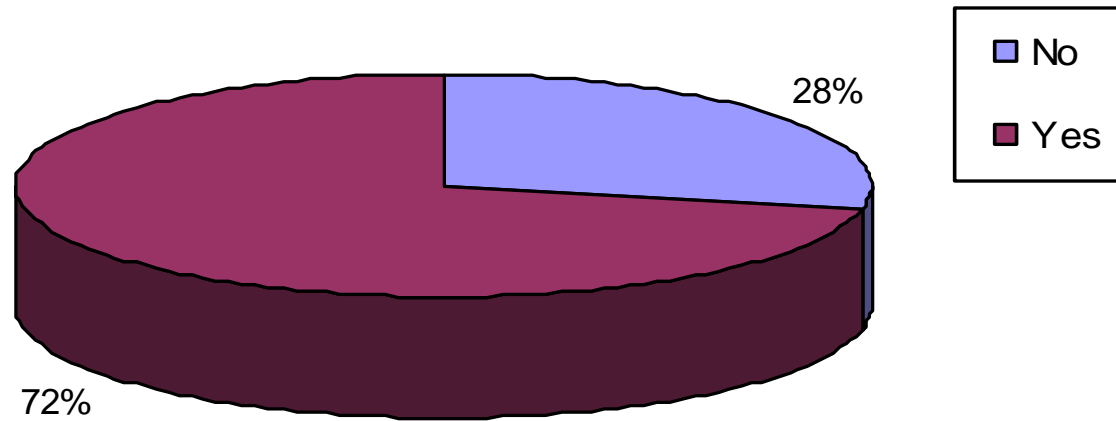
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72 % use their websites to improve customer service.

84% use their website to Market their product.

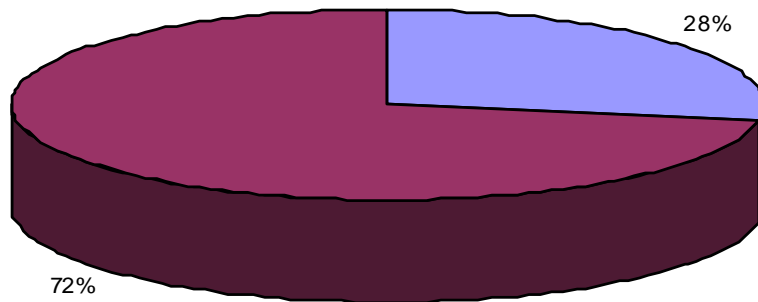
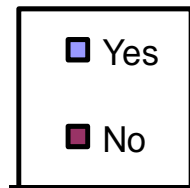
SME revenues increase from websites



72% of business have increased their revenues by 10-50% by having a web presence.

...

SMEs using local domain names

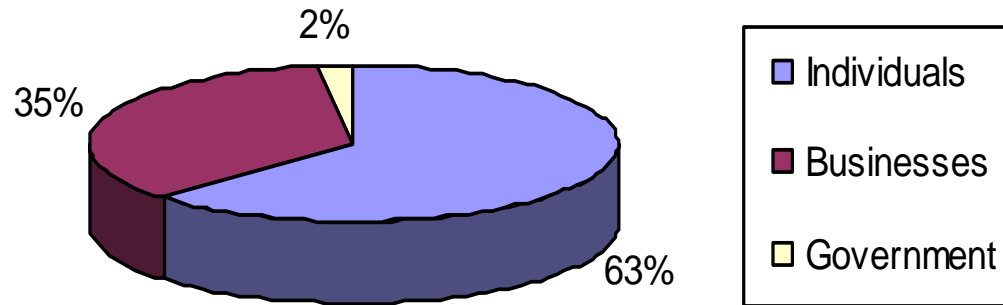


Only 28% the websites use local domain names.

(e.g .AG, .LC, .DM, .DO, .GD, .JM, .KN, .TT, .VC)?

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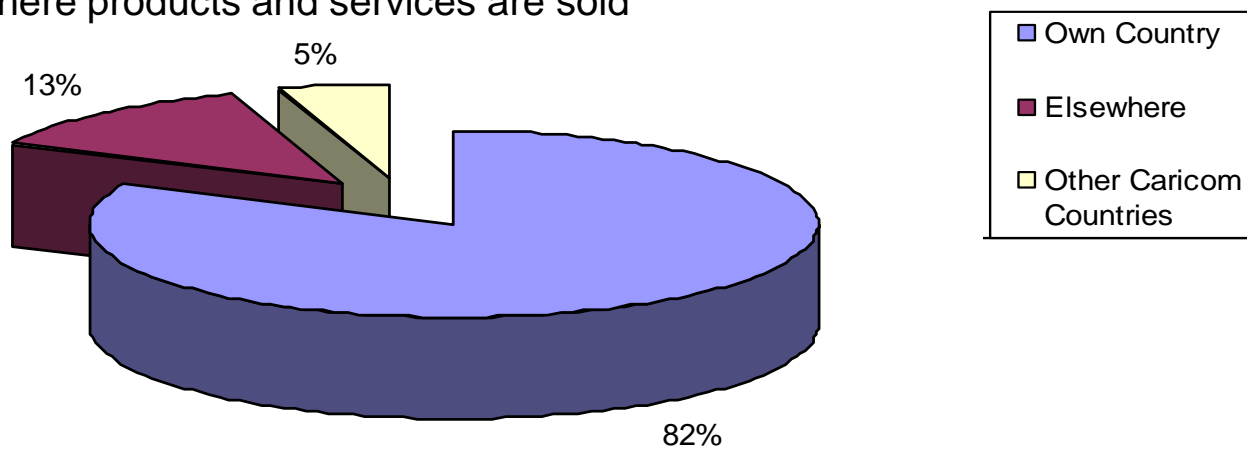
Types of customers of Regional Businesses



Only 2% of business transactions were with Regional governments

Inter-Regional Trade (Business) by SMEs is Low

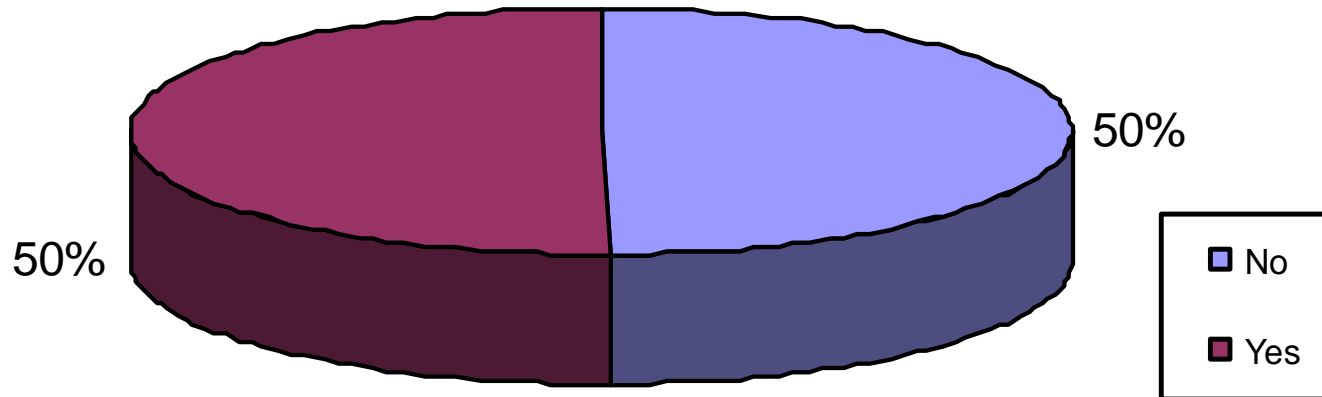
Where products and services are sold



Only 5% of business activity was with other CARIFORUM states (why may this be the case?)

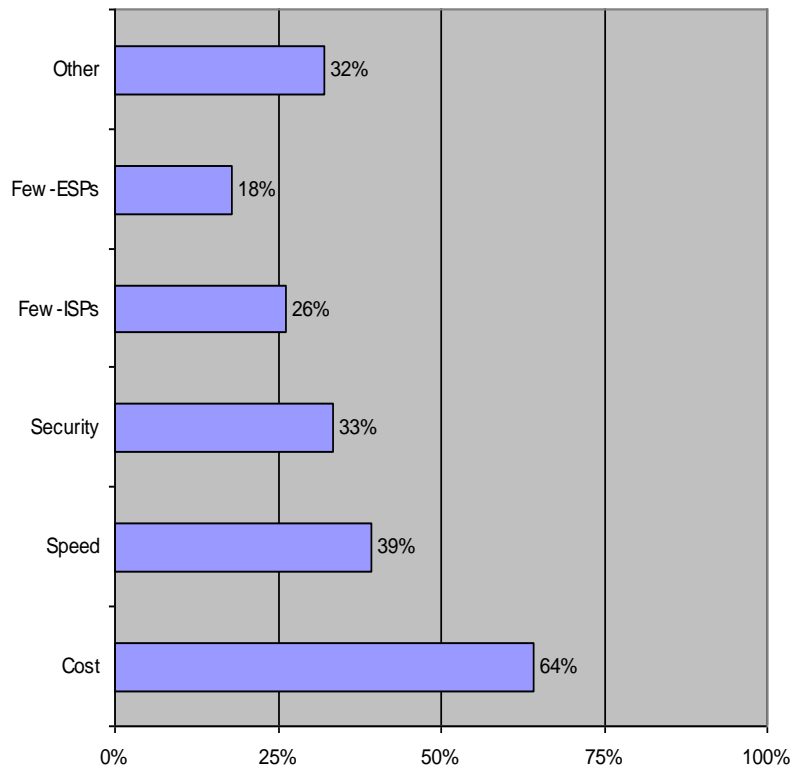
50% of SMEs host their websites outside their own country

SMEs with websites hosted in country



However, many businesses that hosted with local providers don't know that these providers, themselves were hosting outside of the country.

Reasons for hosting abroad

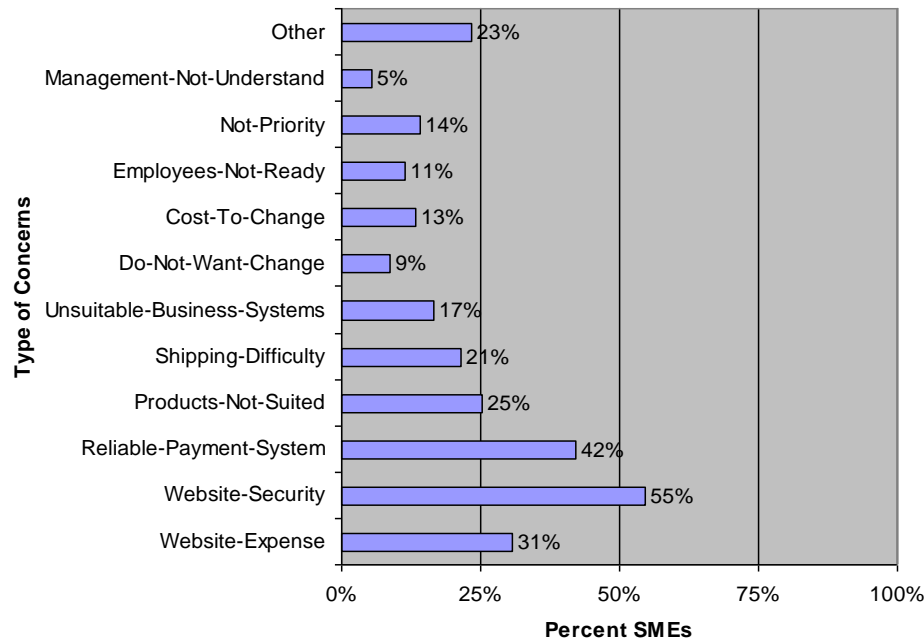


Cost: 64%

Speed: 39%

Security: 33%

Concerns about Conducting Business on the Internet



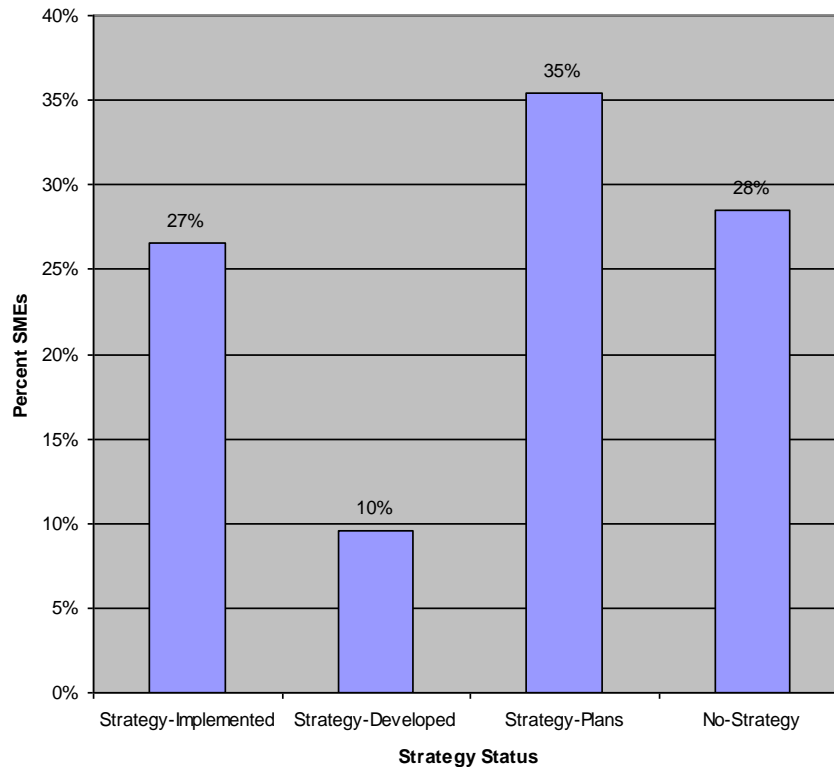
Website-Security:
55%

Reliable Payment
System: 42%

Website-Expense:
31%

Perhaps an intervention could be made here by support institutions?.....

63% of SMEs do not have an e-Commerce Strategy



28% Have no strategy and don't plan on having one in the near future.

35% Have no strategy, but plan to have one soon.

Only 27% have implemented and e-Commerce strategy.

WRAP-UP

WHERE DO WE GO FROM HERE?

DISCUSSION

