

IMPROVING ACCESS TO CAPITAL BY MSMEs: MANAGING RISKS

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TOPICS

- **MSME Figures & Stylized Facts**
- **Obstacles to MSMEs Accessing Capital**
- **The Life-Cycle of Business: Risks and Financing Options**

MSME Figures & Stylized Facts

Table 1			
No. of MSEs According to GCT Returns, 2014			
Industries		Micro	Small
Agriculture, Fishing & Forestry		65	26
Mining & Quarry		38	9
Manufacturing		492	237
Electricity, Gas and Water		10	2
Construction		323	78
Wholesale and retail		2,694	1,702
Hotel and Restaurants		332	143
Transport, Storage & Communications		363	138
Financial Intermediation		158	86
Real Estate		1,857	586
Other		382	150
Total		6,714	3,157

Source: Social and Economic Survey, Jamaica, 2014, PIOJ.

MSME Figures & Stylized Facts

Table 2					
Loan Disbursements by Selected MSE Retail Lending Institutions					
(in Millions of Dollars)					
	2011	2012	2013	2014	Total
Jamaica National	2,098	2,361	2,600	2901	9,959
EX-IM Bank	540	947	3,953	n/a	5,440
Access Financial Services	341	422	622	681.7	2,066
NCB SME	16	17	26	25.1	84
Cope Foundation	45	40	-	-	85
Credit Union	649	353	300	1,100	2,402
Total	3,689	4,140	7,500	4,707	15,327
Source: Economic and Social Survey Jamaica, 2012 and 2013, PIOJ					

MSME Figures & Stylized Facts

Table 3

MICROFINANCE APPROVALS AND DISBURSEMENTS SUMMARY

(For March 1st 2009 to June 30, 2014)

Sector	No. of Loans	Approved	Disbursed	% per sector	
				App.	Dsrb.
Manufacturing	1,580	102,413,451	101,853,451	4%	4%
Service	9,043	713,601,122	712,501,122	29%	29%
Agriculture	4,237	290,214,069	289,594,069	12%	12%
Distribution/Trade	20,558	1,192,759,959	1,191,839,959	49%	49%
Transportation	400	32,735,000	32,735,000	1%	1%
Other	827	119,146,843	119,146,843	5%	5%
Total	36,645	2,450,870,443	2,447,670,444	100%	100%
Source: DBJ Reports					

How Much Capital MSMEs Need?

- Consider the 10,000 SMEs
- What if 15% or 1,500 SMEs need loans?
- If the average loan amount is J\$3 Million
- Total MSME loan demand = J\$4.5 Billion



How Much Capital MSMEs Need?

- What if 20% or 2,000 SMEs need loans?
- If the average loan amount is J\$3 Million
- Total MSME loan demand = J\$6 Billion

- These figures are conservative ..we need the data and a more refined methodology



Obstacles To MSMEs Accessing Capital

Demand-side Issues:

- Insufficient business development
- Unviable business plans/ventures
- Poor articulated business plans
- Poor management practices
- Lack of trust in financial institutions
- Limited knowledge of financing options

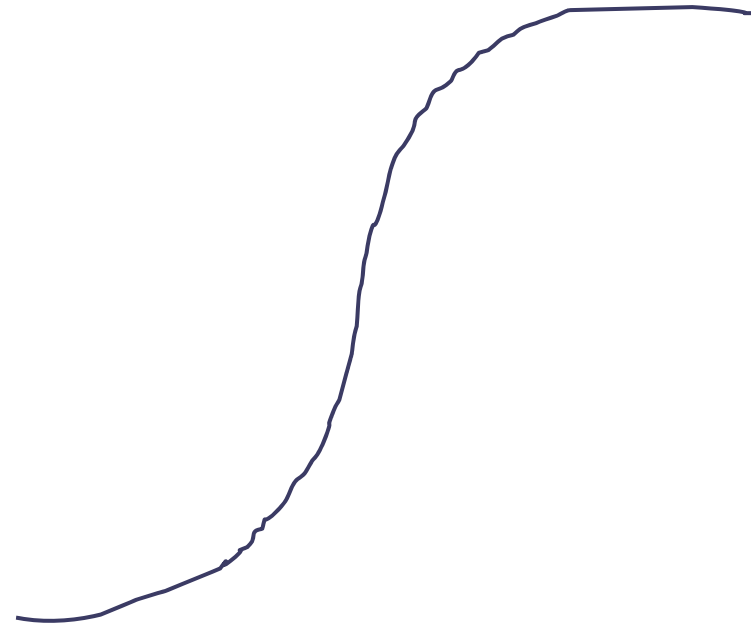


Obstacles To MSMEs Accessing Capital

- **Supply-side Issues:**
 - Information asymmetry
 - Risk profile of micro/small enterprises
 - Limited financing options
 - Strict collateral requirements
 - High transactions costs

The Life- Cycle of Business: Risks and Financing Options

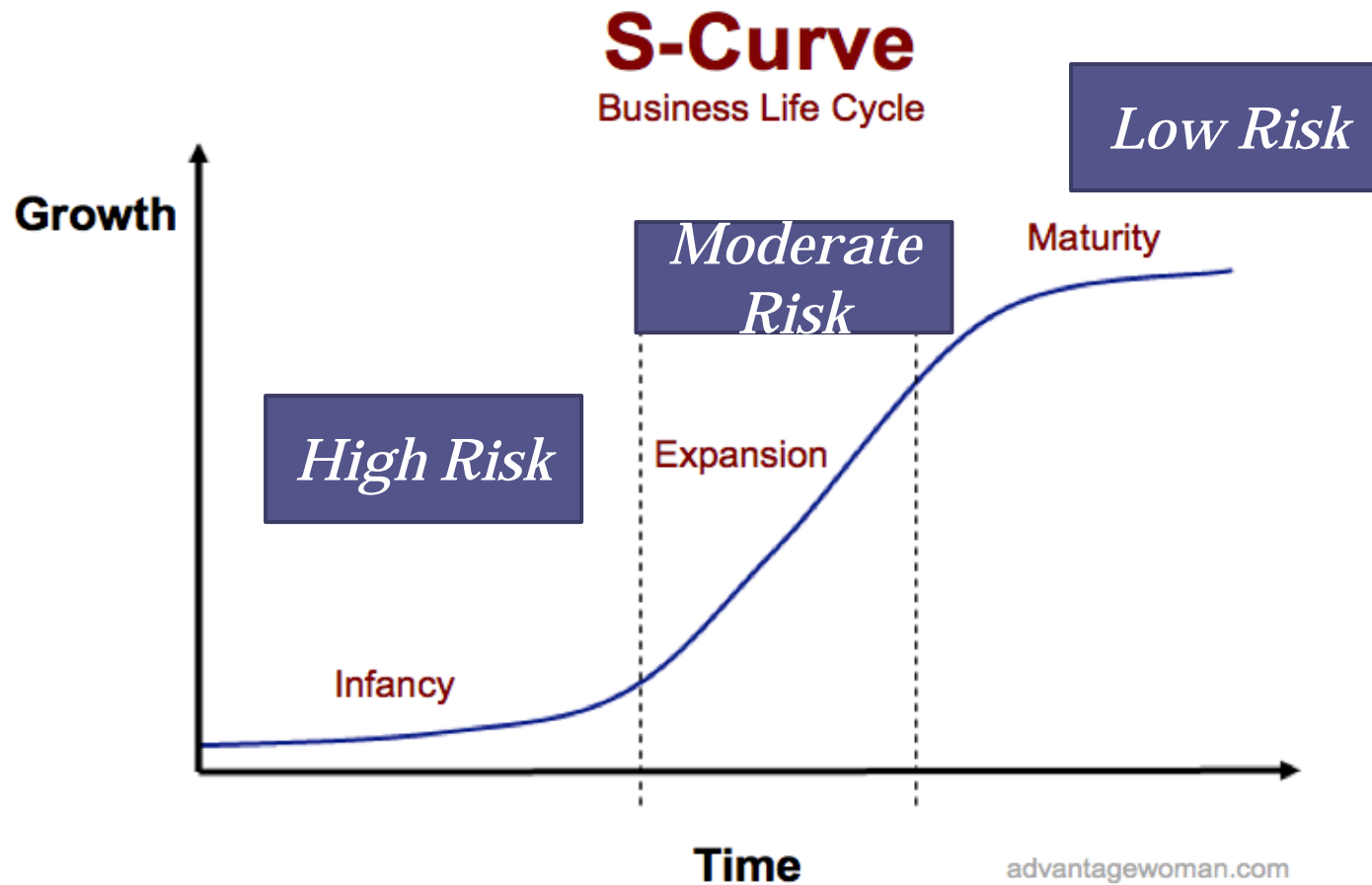
- 1. Idea Stage/Development Stage**
- 2. Start-up**
- 3. Early-Stage**
- 4. Growth Stage**
- 5. Maturity Stage**
- 6. Exit**



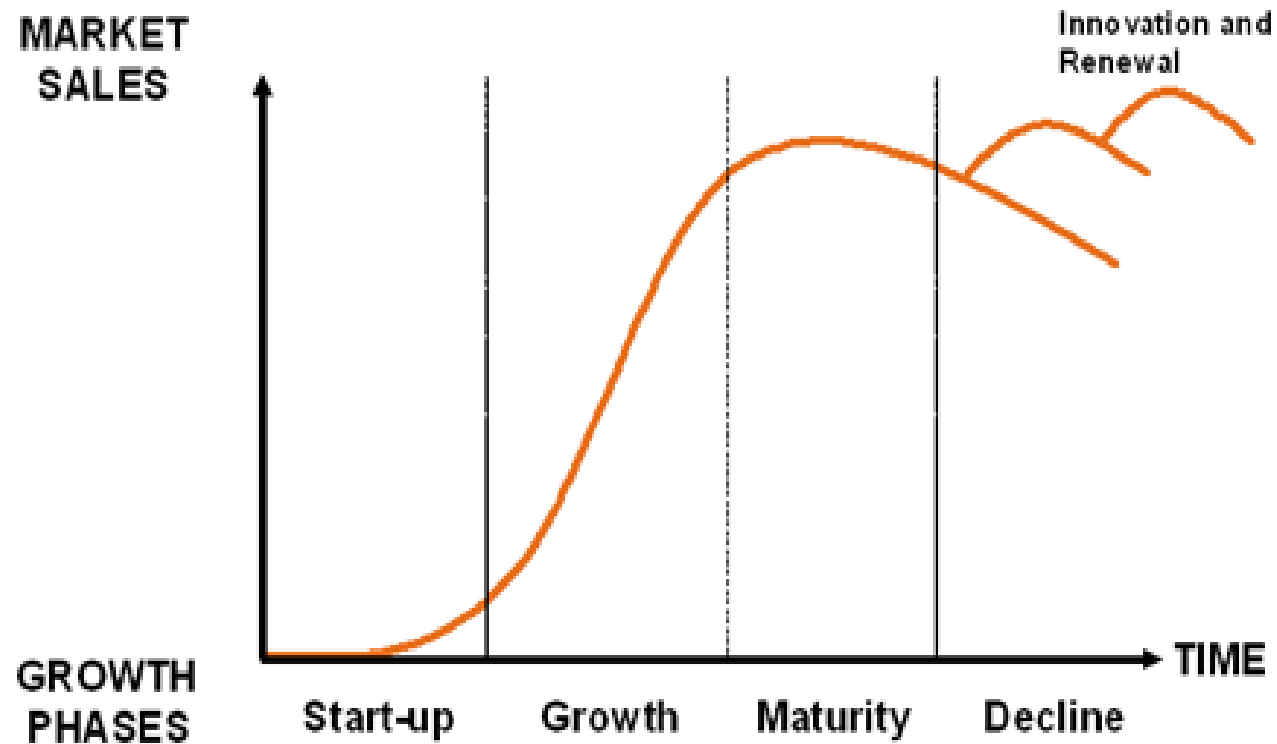
The Business Startup-Cycle

- The Idea
- Validating the Market Opportunity
- Research & Development
- Developing the Business Model and Operating Plans
- Prepare Business Plan
- Financial Forecasts and Capitalization Strategy

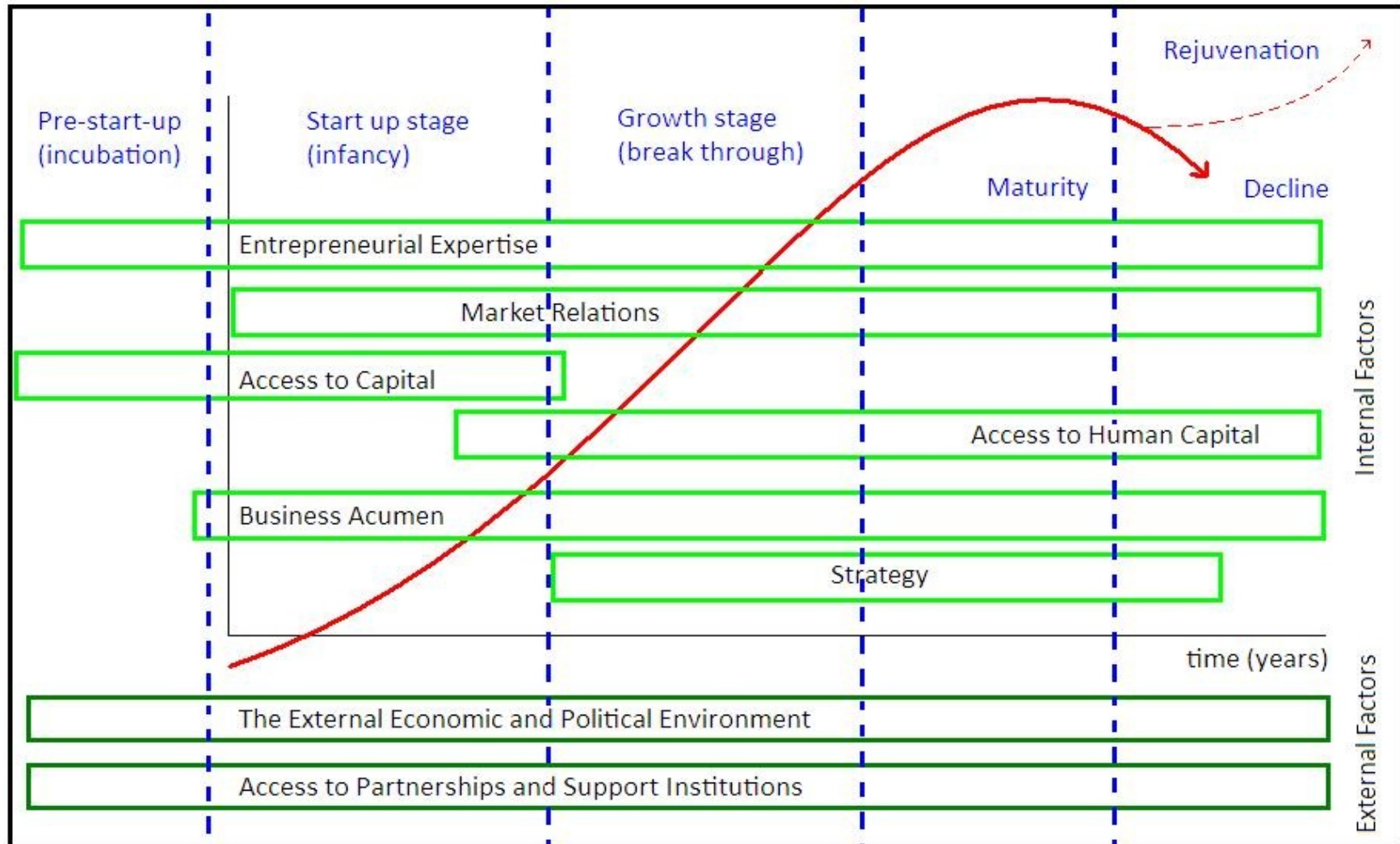
The Life Cycle of Business and Risks



The Life Cycle of Business and Risks



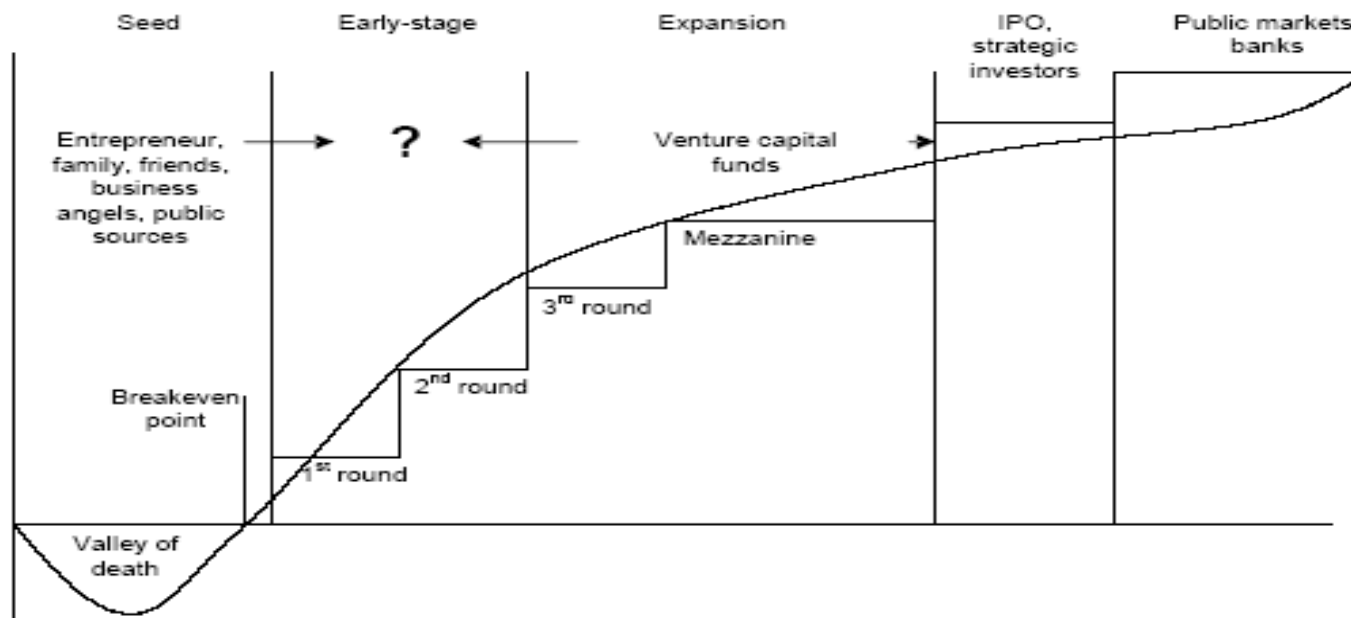
Business Life-Cycle Risks



Equity Financing

2.2 Equity financing lifecycle

Figure 1. Stages of equity financing



*Graph adapted from Cardullo: Technological entrepreneurship.
Note that definitions for most of the concepts used in SME finance are not universal.*



The End

Thanks for your attention!