

# Policies, Programmes and Initiatives for Promoting Financial Inclusion in the MSME Sector

*The Jamaican Context*

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# Overview of the Jamaican MSME Sector

*Similarly, to most developed and developing countries the MSME sector places a vital role to the economic development of Jamaica*



Accounts for approximately 80% of jobs in Jamaica



2017 Tax data shows where of the total classified Tax paying businesses 97% are MSMEs



2017 GCT returns showed where the number of MSMEs involved in business activities stood at 9,751

# Jamaica's Approach to Financial Inclusion for the MSME Sector

## Policy Framework

- MSME & Entrepreneurship Policy, updated 2018
- Vision 2030

## Legislative Framework

- Security Interest and Personal Property (SIPP) Act, 2013
- Micro Credit Bill
- Bankruptcy and Insolvency Act, 2014
- Credit Report Act, 2010

# POLICY FRAMEWORK

# MSME and Entrepreneurship Policy

- First approved in 2013 as the one cohesive document guiding the Government's policy approach to supporting the MSME sector.
- Policy was updated approved in July 2018 with a comprehensive 5 year implementation plan that incorporates all stakeholders from the public and private sector and academia
- Has a total of six(6) Policy Goals. Two being:
  - *Creating an Enabling Business Environment*
  - *Affordable and Appropriate Financing*

# MSME and Entrepreneurship Policy: *Creating an Enabling Business Environment*

Policy Elements include:

- Informality
- Tax and Incentive Structure
- Legal, Regulatory and Administrative Framework
- Energy Costs
- Government Procurement
- Internationalization of MSMEs

# MSME and Entrepreneurship Policy: Affordable and Appropriate Financing

## Policy Elements Include:

### Financing to MSMEs – Demand Issues

- Provision of Credit
- Equity Financing
- Using Non-Traditional Collateral to Access Credit (Secured Transaction Regime)

### Financing to MSMEs – Supply Issues

- Interest Rates for MSME Loans
- Capacity Development

# Vision 2030

Is Jamaica's first long-term National Development Plan which aims to put Jamaica in a position to achieve developed country status by 2030  
– based on a comprehensive vision:

“Jamaica, the place of choice to live, work, raise families, and do business”

- Vision 2030 is built of 4 Strategic Goals
  - ✓ Goal 1: Jamaicans are empowered to achieve their fullest potential
  - ✓ Goal 2: The Jamaican society is safe, cohesive and just
  - ✓ Goal 3: Jamaica's Economy is Prosperous
  - ✓ Goal 4: Jamaica has a Healthy natural environment



# Vision 2030

## **Goal 3 is aligned to National Outcomes:**

#7 – A stable macro economy

#8 – An Enabling Business Environment

#9 – Strong Economic Infrastructure

#10 – Energy Security and Efficiency

#11 – A Technology-Enabled Society

#12 – Internationally Competitive Industry structure

# LEGISLATIVE FRAMEWORK

## **Security Interest in Personal Property Act (SIPPA), 2013**

An Act that facilitates the creation of security interests in personal property, to provide for a simple registration process for the recognition of such interests, and to stipulate the rules which will govern the priority in which such interests are enforceable.

## **Micro Credit Bill**

An Act intended to register and regulate microcredit companies that provide financing to micro, small and medium-sized businesses. This is to discourage microcredit companies from lending money at excessive interest rates and from engaging in predatory lending practices.

# LEGISLATIVE FRAMEWORK

## **Credit Reporting Act**

This was passed in 2010 and its Regulations in 2011. Under this Act, companies may apply to become licensed credit bureaus and are able to disclose "credit information" about a consumer in return for monetary reward.

## **Bankruptcy and insolvency Act**

An act intended for the rehabilitation of the insolvent debtor under court protection, and will help to remove the stigma and constraints associated with bankruptcy in Jamaica. The ultimate goal is that entrepreneurs will not be stigmatized for taking risks, nor left without remedies when normal business failure occur.

# PROJECTS, PROGRAMMES & INITIATIVES

# Jamaica's Approach to Financial Inclusion of the MSME Sector

## Projects, Programmes & Initiatives

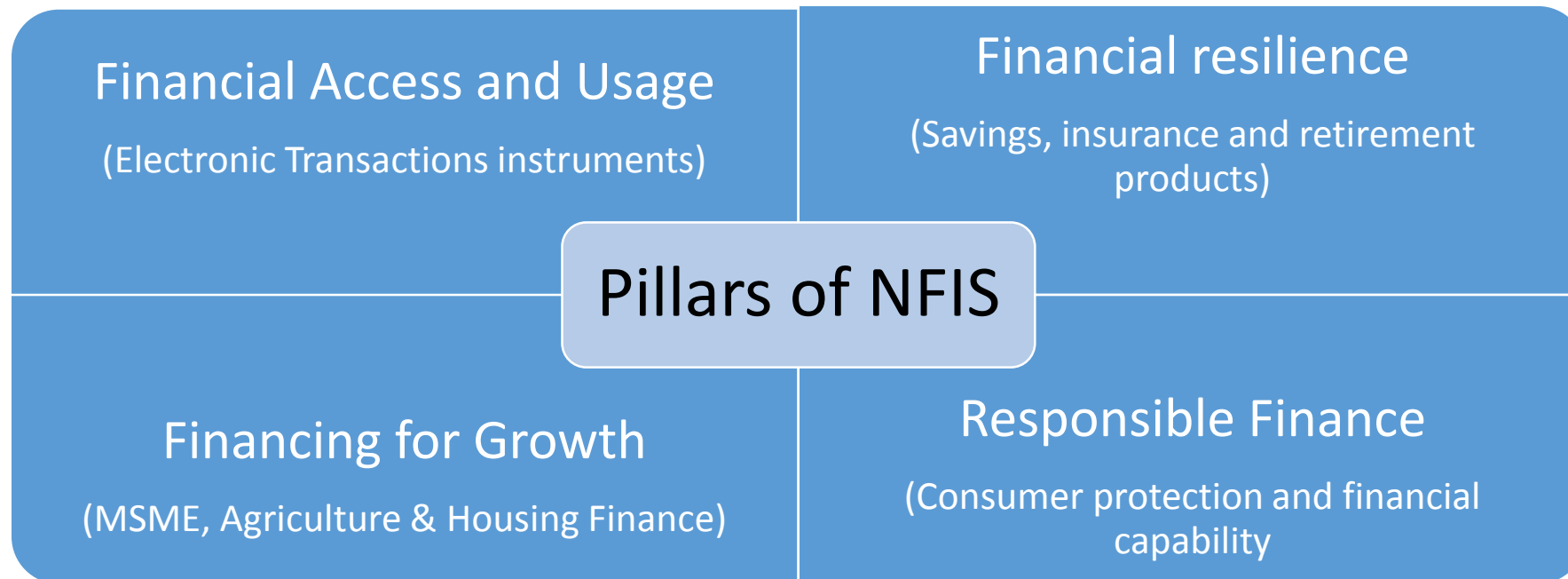
- National Financial Inclusion Strategy
- Mobile money
- Jamaica Access to Finance Programme for MSMEs
- Twinning Affordable Financing with Business Development Support for the Sustainable Growth and Development of MSMEs through a J\$600 million Pilot Project
- Feasibility Study for Unclaimed Funds for MSME Development
- Venture Capital Eco-system
- Micro Stock Market
- IDB Gender Disaggregated Data: For Financial Inclusion Study

# Jamaica's National Financial Inclusion Strategy

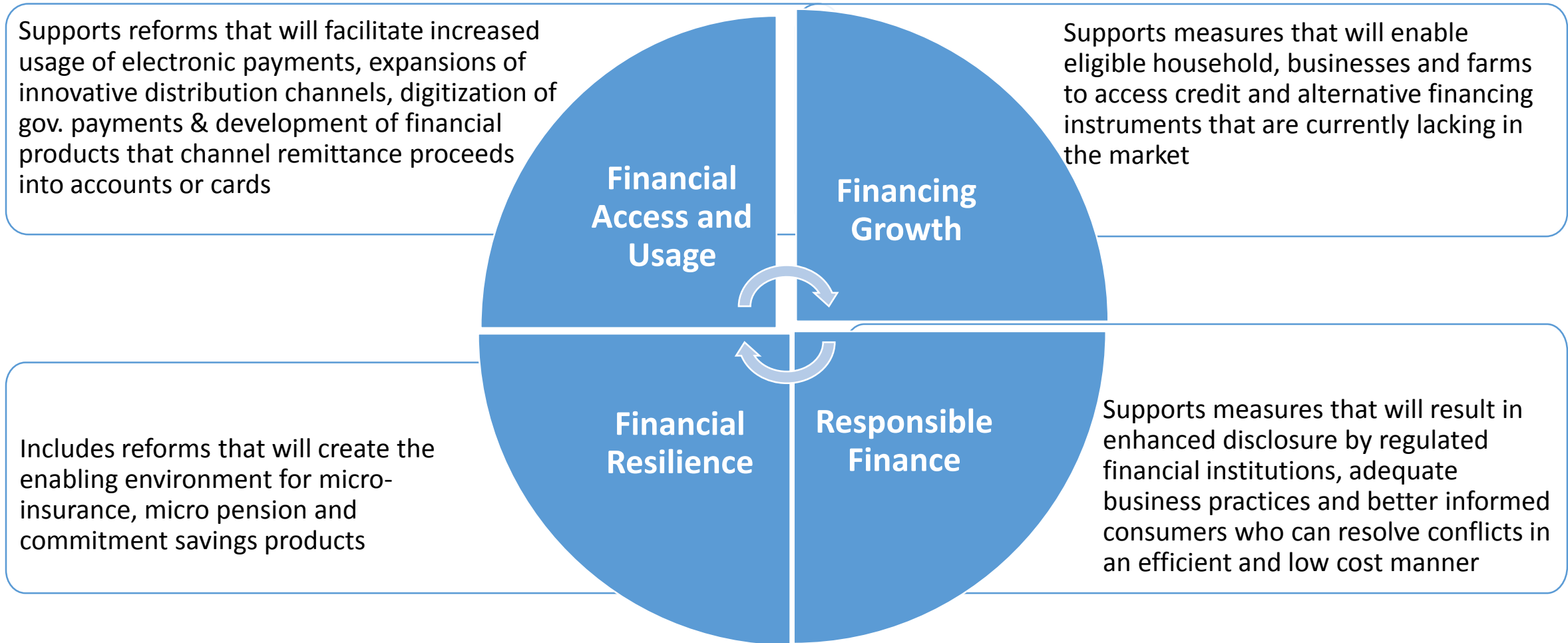
- Launched in 2017 in support of the Vision 2030 National Development Plan
- The Goal is to create conditions in which Jamaicans, particularly those who were previously underserved by the domestic financial system are able to safely build up financial shocks and firms are able to invest, grow and generate greater levels of wealth.
- Multi-pillared plan – To implement reforms for an inclusive financial system that would provide greater access to Jamaicans seeking to do legitimate business with regulated financial institutions
- Issued the Guidelines for Electronic Retail Payment Services in 2013, allowing banks and non-bank payment service providers to provide retail electronic payments

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# Jamaica's NFIS Pillars Explained





# Mobile Money

The first step towards financial inclusion is providing access to safe and efficient payment systems.

- First mobile money product launched in 2013
- Jamaica currently has three mobile money providers as follows:
  1. GraceKennedy's GK MPay;
  2. NCB's Quisk
  3. Digicel's MyCash entered the market in partnership with Sagicor Bank Jamaica and Mastercard

# Jamaica Access to Finance Programme for MSMEs

Two projects focusing on improving access to finance by MSMEs were approved for implementation as follows:

1. International Bank of Reconstruction and Development (World Bank) Access to Finance (A2F) Project – US\$15 million
  - ✓ Geared towards improving MSMEs through the provision of suitable financial products and services
2. The Inter-American Development Bank (IDB) Credit Enhancement Programme for MSMEs – US\$20 million
  - ✓ Geared towards improving access to loans by MSME through the private banking industry

# Dedicated Loan for Productive Sector: \$J600M

The Ministry of Industry, Commerce, Agriculture and Fisheries is developing a pilot project that will see the twinning of Affordable Financing with Business Development Support for the Sustainable Growth and Development of MSMEs. The project will feature:

- A concessionary loan facility of approximately J\$600M to be extended to MSMEs

The loan facility can be utilized for the following purposes:

- Working capital (raw materials acquisition, market access, receivables financing, operating expenses etc.)

# Unclaimed Funds: To Create a MSME Fund

- Consultant to be engaged to conduct Feasibility Study for Unclaimed Funds for MSME Development.
- The Consultancy will seek to assess the efficacy and feasibility of establishing a MSME Fund to be financed from unclaimed funds resident in financial institutions for the development and growth of MSMEs in Jamaica.

# Venture Capital Eco-system/ Angel Financing

The Development Bank of Jamaica (DBJ) offers:

- **Venture Capital Initiatives:** aimed at ecosystem development, coordination and mapping. The ecosystem development initiatives include; education, training and knowledge sharing through workshops, executive training, business model competitions, seminars and conferences.
- **Private Equity Funding:** to increase access to finance to SMEs by DBJ being an anchor investor in Venture Capital/Private Equity funds. This then creates a pool of funds that offers non-traditional financing options for long term investment in businesses.

## **Features:**

- Fund managers raise capital from local, international and institutional investors, as well as pension funds to provide equity financing.

# Micro Stock Exchange

- The Ministry of Finance and the Public Service is considering the introduction of a Micro Stock Market on the Jamaica Stock Exchange (JSE) with the associated tax incentives.
- This could potentially allow MSME business access equity funding by going public which would have a spill over effect on economic growth, job creation and most importantly greater formalization of the sector.

# IDB Gender Disaggregated Data: For Financial Inclusion Study

- The study aims to offer a state-of-the-art and easily applicable financial inclusion monitoring framework that allows Jamaica to assess gender differences of access, usage, and quality of financial and non-financial services. The framework focuses on the supply side and the demand side of FI, both for individuals and for micro-small-and-medium enterprises (MSMEs).
- Jamaica is the first country in the English speaking Caribbean where the study was commissioned and executed. Mexico is first in the LAC countries leads Latin America