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COMMERCIAL BANKING AND THE MORTALITY OF BLACK BUSINESS IN TRINIDAD AND TOBAGO

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I

Nineteen seventy (1970) represented a major watershed in the political and economic life of Trinidad and Tobago. Between February and April of that year, thousands of blacks marched up and down the streets of the country raising clenched fists and shouting "black power". These individuals were profoundly disappointed that political independence, which was achieved in 1962, did not bring the economic benefits which anti-colonial rhetoric had led them to believe would have been forthcoming. Dr. Eric Williams, quoting Kwame Nkrumah (who borrowed the phrase from someone else) had told them: "Seek ye the political kingdom and all else would be added unto you". Much was left to be added in 1970. Unemployment was high and the "commanding heights" of the economy were still in the hands of foreign companies, the descendants of the ~~white~~ planter and merchant class (generally referred to as the "French Creoles" regardless of their national origin) and to a limited degree the Indians, the Chinese and the Syrians, who had by then begun to challenge the whites for economic supremacy.

Blacks who took to the streets and their sympathisers were of the view that the time had come to smash the existing economic system which had relegated them to the pedestrian levels of the society. Some believed that black empowerment could only be achieved if the "commanding heights" of the economy were nationalised and state resources used to obtain a more proportionate share of the means of production and distribution for non-whites using the state owned institutions for this purpose.

The radical National Joint Action Committee (NJAC) which spearheaded the "Black Power" movement took the view that it would not accept any policy which merely emphasised the promotion of blacks to managerial positions in firms owned by whites. Neither was it interested in joint venture arrangements between the state and foreign firms or between these firms and local investors. To quote NJAC's *From Slavery to Slavery:*

> The Government, under pressure from the people, is engaging in tokenism. They took a piece of Tate & Lyle [the multinational sugar company] on hire purchase; they bought a token bank and a token share of oil, they say. Nothing meaningful. And we can't even claim these things for Black People.... When the Government invests in oil and sugar, they are going in to joint ventures with the foreigners; they are wasting our money to finance the pillars of a system which is anti-black. These companies operate as parts of large multi-national corporations. They base decisions on what is in the best interest of a whole international complex. So all this foolishness about setting up boards with local chairmen is game-playing, expensive game-playing, because we know none of the important decisions are made here anyway. What we want is ownership and control, not ownership in name. We are too much in need to be overpaying these people for company shares as political gimmicks.[1]

Offers of share-holding in foreign companies were also viewed as disguises that did nothing about the problem of control.

> There is no point in putting ready cash in the hands of people who will just use it to exploit us more effectively. Important decisions are not made by the local branches of foreign firms. The 'game' of promoting 'black-faced management... as buffers between the white controlling class and the black dispossessed workers' is further evidence of the contemptuousness of the white power structure. They like to put black people as public relations officers and in other positions where they have to confront the workers and the public with decisions taken by their white bosses. This policy is for us to curse the black stooge instead of the white exploiter. Even when a black man is made some manager or assistant manager, they empty the post of what little substance it had so the black man carries the title without the responsibilities. This is the process we observe whenever an office formerly filled by a white expatriate is given over to a black man.

NJAC also rejected the PNM's attempts to promote black business.

> Black capitalism disguises white control just as Black government disguises colonialism. It is insulting to black people to tell us that we should be contented with a little co-operative here and a shop or store there on the fringes of the economy when we know that this country is ours. Black business will have to operate within the rules of the system which means all our basic problems remain.

NJAC was opposed to any "minimum" programme of black economic empowerment. It wanted the "whole bread for the historically dispossessed".

> We need to destroy... the system from its very foundations... to get out of our economic mess (and) build a new society. In this new society, the people, educated by their revolutionary experience, would decide what would be produced and what technologies would be utilized. They would also understand that they would have to make sacrifices and give up acquired (imposed) habits. If we want the white man's goods, we have to use his technology and his capital... and have his technicians running things for us. We remain slaves, unemployed, suffering.

Many blacks recoiled from the revolutionary puritanism of NJAC~~'s bl~~ack jacobins. Some felt that blacks could break into the system by creating producer and retail cooperatives. A few endorsed Fanon's view that "nationalising part or all of the middleman's trading sector and organising it within the framework of wholesale and retail cooperatives was vitally important in any serious development programme", an option that was later pursued in modified form in Jamaica, Guyana and Grenada where retail outlets for essential food and pharmaceutical items were established by the state.[2]

Another group felt that blacks in the Caribbean had no other meaningful option but to become capitalist entrepreneurs since socialism was not likely to work - even assuming it was desirable - for reasons which had to do with geopolitics and the skewed resource base of the island states in the region. They felt that instead of merely working on behalf of the state, black professionals should convert their professional know how into real monetary wealth. The group included economists, architects, quantity surveyors, engineers and other individuals with skills relating to the building industry. Also included were persons returning from universities and other educational establishments and places of employment in Britain, the United States and Canada. Among them too were lawyers, junior managers and technicians who had begun their careers as employees of firms in the foreign private and national private sector. Many were bored with salaried public sector employment and anxious to shape their own destines by becoming involved in their own business. They wanted to be sellers or producers of commodities rather than mere buyers as was their wont in the past.

These individuals were fired with the dream of building establishments which would give fuller meaning to the quest for "black power". As one put it: "black people should forget their obsession with political power since this is meaningless. Power is the thing that matters... real power... and power is economic. There is no other kind of power." Another said his aim was to become a "black Kirpalani". The allusion was to Ram Kirpalani, an Indian businessman who, starting with little, employed innovative marketing techniques and went on to build a business empire in Trinidad and the Caribbean the success of which led many to describe him as a "magician", a man with the "midas touch".[3]

This shift of focus from salaried state or private sector employment to ownership of business was encouraged by the then ruling party, the People's National Movement, which declared itself ready to support a people's sector and a national private sector. The people's sector was the PNM's 'revolutionary' answer to the demand of black radicals that the dispossessed sons of African slaves and Indian bonded-servants should be encouraged and helped to own a piece of their patrimony. To quote Dr. Williams:

> In the light of the historical and sociological factors influencing the attitudes of the people of African descent, and in light of the many economic and social liabilities affecting the numerous underprivileged people of Indian descent (particularly in the rural areas), it seems necessary for us in Trinidad and Tobago to evolve and implement a "People's Sector" consisting of small scale agricultural activities as well as distribution and transport; small hotels and guest houses; credit unions, and trade union enterprises. The co-operative will be promoted as a basis for organising these activities; but the People's Sector will include activities organised on an individual, family or small partnership basis.[4]

The people's sector, as opposed to the national private sector, was the PNM's way of "affirming its commitment to the small man in the society". This sector was to differ from the national private sector in that its operations were to be labour-intensive, involve low capitalization, and emphasize self-reliance. According to Dr. Eric Williams, "through the people's sector we are giving the people ... a possible role in their economic development as Tanzania did in 1967 with its Arusha declaration of self-reliance."[5] Williams said that it was his belief that the government had to take appropriate steps within the constitutional and legal framework to counter the influence of the conglomerates over key aspects of national life. "Unless the Government started some definite programme of incentives for small business development in a relatively short period of time, business activity would be completely dominated by local conglomerates and the foreign transnational corporations". Williams expressed fears that if the state did not act, "local sharks would eat most of the local sardines and foreign whales would continue to maraud unchecked in the waters around Trinidad's shores".[6]

While the concept of the people's sector was not defined in terms that were ethnically specific, there was an informal understanding that the state, controlled as it was by a party with an Afro-Trinidadian political base, would give special attention to blacks who wished to get involved in business. It was also assumed that the two new national commercial banks which had been established by the state and other local investors in the wake of the 1970 crisis - the Worker's Bank and the National Commercial Bank - would help to provide venture capital to this burgeoning black business elite. It was likewise assumed that existing agencies such as the Industrial Development Corporation, the Development Finance Corporation, the Management Development Centre and the Agricultural Development Bank would help by providing financial, managerial and other services which would compensate to some extent for the lack of inherited capital, knowledge of the market and business know how that characterized the black community.

To concretise its commitment to the small man, 1970 was declared "Small Business Year" by the Government. A Small Business Unit (SBU) was established in May 1970 as a department of the Industrial Development Corporation in accordance with a Cabinet directive and given $2.5m as seed money. Its main goal and function was that of promoting growth among the nation's small business enterprises. With the formation came a formal definition of a small business, viz units whose current capital investment was $50,000 and under, represented by land, building, leasehold property, machinery, plant and equipment, stock-in-trade, work in progress, and furniture (in special cases). Enterprises with current capital investment of over $50,000 up to $100,000 were also to be included.

It should be noted that the policy initiatives of 1970 were foreshadowed by the Third Five-Year Plan (1969-1973). Talking about the plan in Parliament as it related to the small man, Williams had the following to say:

> The Government will actively encourage business enterprise of the small [variety] mainly by providing a

> package of financial, technical and managerial assistance. The Government will encourage some small enterprises through an expanded drive in the promotion of co-operatives, through the community development programmes which will increasingly emphasize self-help, self-reliance, self-employment and doing things for one self.... For the people of this country, including the farmers and the local business groups must feel that their economic future is in their own hands... Without exaggeration, Mr. Speaker I can say that this is the central point of the Plan.[7]

What were the results of this effort on the part of blacks to break into the business sector? The evidence indicates that quite a few blacks rode the boom and achieved a measure of success in the seventies. Significant breakthroughs were recorded in the construction industry, in the merchandise retail sector (appliances and other household furnishings, clothing, etc.), in the service sector (taxis, car rentals, bars, clubs, restaurants), in the professions (law, architecture, insurance and accounting firms), janitorial services, valuation, and small supermarkets, to name a few of the niches in which they were to be found. Black businessmen were able to open stores on Frederick Street, the main commercial street in Port of Spain and on Henry Street, an equally important business street.[8]

Many also achieved success in the "suitcase trade". They flew to Panama, Curacao, and New York and returned with "suitcases" full of merchandise which they sold in boutiques, in the "People's Mall" on Queen Street, Port of Spain or on sidewalks in commercial centres in competition with merchants belonging to other ethnic minority groups, the Syrian-Lebanese in particular, who complained of unfair competition. Many blacks complained that the Syrians, who had themselves started as suitcase traders, were now seeking to deny them use of the route which they had taken to become established. Vendors in the People's Mall claim that the Police often raided the Mall looking for drugs. The real agenda, in their view, was the ongoing economic war between Syrians and black entrepreneurs. As Mall president Matthew Alexis Snr. put it:

> There are elements of a certain ethnic group in Trinidad and Tobago who are trying to discredit and eventually destroy the Mall. These people want black people to put thermos flasks in their backpockets and return to the days of being porters and cleaners of their stores. But we have become conscious and as a working people, we demand a piece of the economic pie. We have a right to exist and do business no matter how much it angers others. No special group is going to deny us this right. The People's Mall has come to stay and God is with us![9]

Some Syrian businessmen however chose to cooperate with the new black entrepreneurs rather than seek to destroy them. They either bought goods imported by the suitcase traders or hired blacks as sales agents to whom they provided goods on consignment as their own patrons had done in the past. In some cases, Syrians and blacks worked together as partners. The one had the cash while the other had the licenses needed to import the goods. Some blacks simply sold the licences which they were able to obtain through political connections.

Many blacks also imported food, furniture and other items which were in high demand during the petroleum driven boom years of the mid-seventies and early eighties. Very few significant successes were however achieved in manufacturing or in the food production sector in spite of efforts by the state to promote this type of activity. The manufacturing sector was considered too "volatile", involved too much risk and too much capital. The time span for earning returns was also deemed to be too long.

In the area of agricultural food production, many blacks who had been allocated lands under the Crown Lands Development Programme during the mid-sixties, the ostensible aim of which was to reduce the country's dependence on imported food and slow down migration to the urban centres which were becoming crowded with job seekers, chose to move into other areas of activity such as driving taxis or working for wages on public or private sector projects. Some also sold the properties which they had obtained cheaply from the state to Indian entrepreneurs who were looking for land on which to grow food or rear livestock. Many of the farms also failed because they could not get credit, technical help, supervision, marketing advice or facilities to store their products. The farmers were also unable to compete with imported food products all because processors and middle men, most of whom were Indians, sought to squeeze them out of the market. One third of the total acreage had less than a 20 percent level of cultivation. A mere 17 percent had a 75 percent or higher level of cultivation.[10]

Only a few of the companies belonging to the new black entrepreneurial group survived the drastic downturn in economic activity that characterised the mid-nineteen eighties, a downturn which was triggered by the drop in production levels and the price of crude petroleum from US$26 to US$9 in 1986. Most of those who survived are now a shadow of their former selves. Many are either in receivership or have disappeared completely. Only 119 of the 335 co-operatives which existed in 1984 now exist. The "Drag Brothers", a group of young blacks who went into craft activity, still operate. Few have however grown beyond mere survival.

It should be emphasised that black businessmen were not the only ones to fail in the eighties. During the boom years, several new firms emerged in response to the new opportunities, while many established ones expanded their activities. Many of these firms assumed a continued rise in the price of petroleum and failed to heed the warning signals that had became evident as early as 1981. Many had committed themselves to expenditure which they believed to be irreversible. The dramatic drop in the price of petroleum in the mid-eighties caught many firms unawares and several collapsed. Shortages of foreign exchange, structural changes in the production environment and marketing failures led many firms to default involuntarily due to errors in the estimation of potential commodity demands, unanticipated price depressions, fluctuations in domestic purchasing power, and competition.

Firms belonging to all ethnic groups and in all sectors were affected. These included big firms such as the Indian owned Kirpalani group, the foreign owned Metal Box Company, Stephens and Ross and Woolworth, two of the oldest white owned general stores in the country, Grell Taurel Ltd., H.E. Robinson Ltd., Gatcliffe and Co. Ltd., Quinn Jewellers, O'Connor Construction, Ernst Vierra and Co. Ltd., and Mc Enearney Motors. Several Insurance Companies and non-bank financial institutions such as South Western Atlantic Investment Trust Ltd. (SWAIT), MATT Securities Ltd., International Trust, Trade Confirmers and Summit Finance also went under. Several of these institutions were owned by Indians. The white owned Mc Enearney Alstons Group of Companies was also on the brink of collapse and may well have done so if a controlling interest in it had not been purchased by Anthony Sabga, a Syrian businessman. Other major companies such as Dansteel and Gulf City Mall, both Indian owned, and those in the white controlled Neal and Massy Group also experienced major difficulties and had to have their obligations to the banks restructured. All of the established commercial banks were also in difficulty and some came close to becoming casualties of the crisis.

Well over 250 firms went into receiverships or closed down. Those which survived did so by slimming down and retrenching workers. Between 1986 and 1990, over 8,000 persons were retrenched by the private sector. In 1987, 3,136 were retrenched by 131 firms. In 1988, 1,241 were sent home by 74 firms while in 1989, 966 were retrenched from 55 firms. From January to September 1990, 168 workers were sent home from 18 firms. In the public sector, some 3,529 employees were sent home over a similar period. If one were to add to these official figures persons who were not covered by the official statistics, probably the majority, the dimensions of the crisis would have become more apparent. Our focus on the failures of black business must therefore not be taken to mean that only those businesses and financial institutions failed. It might well be, however, that being newer, smaller and less well entrenched, more of them failed proportionally than was the case with respect to businesses owned by others.

II

What were the reasons for the failure of the new black business group to sustain their initial successes? Interviews with some of these businessmen reveal common experiences with black workers, state agencies, other black businessmen, consumers and businessmen from other ethnic communities, as well as with the commercial banks and development institutions. In this paper, our concern will be with their experiences with the banks and the development institutions.

Experiences with the Banking System

With few exceptions, black businessmen complained that their experiences with the banking system were not such as to encourage them and that they got less help than they expected even though the crisis of 1970 had put pressure on the foreign owned banks to employ black managers and to open credit windows to black entrepreneurs.[11] Many black businessmen complained that the old "inherent prejudices" continued to face them since it was assumed that they could not do business. Credit officers and senior bank officials, most of whom were white and foreign, reportedly regarded them as "poor risks" and treated them as such, often demanding more collateral than was required of businessmen belonging to other ethnic communities, especially those who were white. They thus experienced great difficulties obtaining start up capital or overdraft facilities from the established foreign controlled banks. Much of what was loaned was short and for fixed investments rather than for working capital. The impact of interest payments on businesses was therefore severe. Money needed for operations or expansion also had to be used to keep loans performing.

Many of those interviewed complained that bank officers made it clear in one way or another that they "were not lending blacks any blasted money" since they had no experience or track record managing businesses, whatever other professional skills they might have. Some complained that the banks often refused them loans or overdraft facilities even though they had long standing arrangements with them and had savings accounts which exceeded the overdrafts sought. Allegedly, the no loans policy to blacks was in part designed to protect minority-owned firms with which they were seeking to compete. This attitude on the part of the commercial gate keepers angered many and fed demands for the ownership of these institutions. Radicals argued that what was needed was full ownership of the foreign banks rather than the appointment of local managers to foreign branch offices.

Experiences with the commercial banks were however not uniform. Some businessmen reported that refusals from one bank prompted them to go to other banks and that they were often successful with one after the others had turned them down. Some credit managers (not all of whom were black) either seemed to have been more sensitive than others to the spirit of the times or assessed the risk differently. Some who failed to get help from the commercial banks turned to one of the many non-bank financial institutions that flourished in the seventies and which made loans at rates which were much higher.[12] Reflecting on his relationship with one of the old banks, one businessman had the following to say:

> The relationship tended to go up and down. When things were good, you had credit in the bank. They were nice. When you were in trouble, like most of us were during the lean years of the eighties, then they were harsh.

> There were lots of times when I thought they were bastards.

Another put it this way:

> The average black man who wants to get into business on his own has a major hurdle in raising capital. While the situation had improved from what it was prior to 1970, the fact remains that the banks, by and large, are not controlled by blacks. Most of the credit officers are Indian, white or Chinese. Black entrepreneurs therefore have difficulty in finding a sympathetic ear within the banking community whereas Indians, Syrians and French creoles get access to capital far easier, sometimes with no more than a telephone call.

In this businessman's view, Trinidad was now "owned" by Indians while the city of Port of Spain was "owned" by the Syrians. He also believed that given his own flair for business, he would have succeeded had he been either Indian or Syrian. Somewhat embittered, he concluded that to be a successful businessman in Trinidad and Tobago, one had to be either Indian or Syrian. Other blacks were also convinced that they would have achieved more had they been of another colour and that the pivotal variable which limited their success was race rather than class, culture or business capability. Blacks starting from scratch "ain't going one blasted place", bemoaned one businessman ~~who~~ saw black business as a "~~continuous~~ uphill struggle".

Experiences with the "national banks", Workers Bank and National Commercial Bank were also said to have been uneven.[13] Some businessmen reported a more "accommodating attitude" from these banks while others reported that NCB shared the prejudices of the older banks and was no more disposed to lend to blacks than were the older commercial banks. One businessman complained that when the downturn came, NCB became nervous and held black businessmen by the "scruff of their necks" just as the other banks did. One businessman, who banked with NCB and had a good relationship with that institution, admitted that it got "jittery" with its customers when the downturn came with respect to the other banks he had the following to say:

> You know what has happened in this country. Many companies, many people over borrowed, borrowed too much money and when the downturn came, all banks got very, very edgy, and what those banks did to Black people... somebody must write about it... Of all the casualties since the downturn, I'm positive 90 percent are black people. They propped up the Indians and French Creoles. Jack Ramoutarsingh at Dansteel. He owes Peter July at Royal Bank $26m. He owing a hundred and something for Centrin. You-know what Royal Bank did? Royal Bank said "no interest. I suspend the interest, don't pay me interest and don't pay the capital either, because you have no money now. We will work with you and when you can, we will do it". But yet, John Brown down the road, they sold his house, they sold his $m. house for $200,000 and closed down somebody else's business. You know ... I can't understand why they do this wickedness, and is all black people. Is all black people they did that to. We have on this estate, for example, a number of companies; we probably had on this estate maybe about 100 companies. Only a few operate today..."

Black businessmen were however not uniformly critical of the established commercial banks. Some, who were able to see the problem from the banks' perspective, noted that banks operate on the basis of confidence and that many black businessmen had no track record since the firms they owned were all first generation institutions. The banks ~~were~~ therefore seen by this element ~~to be~~ justified in refusing to extend large loans to them, especially to those who failed to meet their commitments regularly or who were known to flaunt their success conspicuously before there was enough to sustain the firm. As one admitted:

> The behaviour pattern [of the Indians and the Chinese] is different. They have a history of behaving a little more responsibly. A financier sits with a black man, and agrees with a line of credit. Next thing you see, the blackman is driving a Mercedes and he owes the bank and he's driving the Mercedes to the bank too...parks it outside.... We have to be a little more responsible. I think the late Dr. Williams did everything in his power after 1970... to put the black man on his feet and for time there, we thought... [he would make it].

Critics of the behaviour of some black businessmen observed that banks have an obligation to their depositors and shareholders and should not be expected to subsidize or fund profligacy. Bankers likewise had to be concerned about their professional reputations and the viability of the organisations they represent.

The collapse of Workers Bank in 1988 was cited by some blacks as evidence as to what could have happened to the other banks had they been less cautious. The Workers Bank was said to have been very irresponsible in the way in which it made unsecured loans to blacks, whether for consumption or investment. One black businessman in fact opined that the Workers Bank and the Development Finance Corporation were "dismal failures" and in fact aided the demise of black business since they loaned money to these businesses without ensuring that the projects were viable or that the moneys were repaid. The same was said to apply to other banks as well, the lending officers of which were said to have relied more on collateral to cover up faulty assessment and as an excuse not to counsel the newly established entrepreneur and monitor his progress. In the case of the DFC, it was said to be an error to have put its staff on the boards of companies to which it loaned money since their presence overpowered other board members. The notion of granting concessionary loans was also seen in retrospect to have been a major policy error. The loans were treated as grants.

Most respondents nevertheless felt certain that different criteria were used by the commercial banks to evaluate requests for start up capital from black applicants and that racial ascription was used to inform judgement. They also note that blacks were not the only ones who made bad business decisions during the boom. However, when the recession came, the established banks helped businessmen from other communities to ride out the rough tide, even going so far as to write off loans or reduce interest rates drastically to keep the loans performing. They however tightened the screws mercilessly on the black business community. As one complained, "when the crunch came, they took *our* wicket first".

The Bankers View

Bank spokesmen categorically denied the assertions made by black businessmen that the banks failed to deal creatively and sympathetically with the problems which they faced as new businessmen. In doing so, they articulated many of the views expressed by those black businessmen who were critical of their colleagues. Bankers claim that some black businessmen behaved in ways that did not do them and the black community credit, though they emphasised that there were outstanding exceptions to the rule. Many of them failed to appreciate the dictum that in business one's word and one's commitment were bonds that should not be lightly dishonoured, especially where banking was concerned since one's credit worthiness was judged in terms of how faithfully undertakings were kept. Honouring commitments was the way businessmen established a track record and earned the confidence of lending institutions.

Bankers complained that many black businessmen lacked debt morality and failed to meet their commitments to the banks generally and in particular to the Workers Bank and the National Commercial Bank. In their view, their behaviour with respect to the latter two seemed to be informed by the belief that the "black" banks would not sell out black people or embarrass them as readily as would the older banks since there might be political costs to doing so. Their sense of obligation to pay was thus less keen than was the case with other groups or with respect to loans sourced from other banks. Some also claimed that their non-payment would not "buss the bank", failing to recognise that when everyone assumed thus, the banks would in fact run into difficulty.

Some black businessmen were also said to believe that the banks had an historically derived obligation to take the risk of making venture capital available to them. Bankers however noted that they had no money of their own to lend and could only invest other people's money, of which they were trustees, when certain criteria for lending were met. The new black investors however seemed to believe that they should not themselves assume any risk and that the banks should underwrite the full cost of the project. The result was that their loans were too highly geared or the business under-capitalised. Bankers argued that profit should be related to the risks taken and as such they generally insisted that borrowers should assume some proportion of the risk as evidence of their seriousness. Some bankers also claimed that the new investors were generally less capable of doing forecasting and forward planning than were other groups. As a result, they were inclined to be too optimistic about prospects for the success of the business. Many also branched out into other areas of activity too early in the life of the firm in the belief that by doing so they would maximise profit. Many became over-extended in the process and the business suffered as a result.

One standard complaint made by all was that black businessmen were less cost conscious than businessmen of other ethnicities. Style and environment seemed to be important to them as signals of success, and they were therefore more prone to spend borrowed money on activities outside the immediate needs of the firm than were others. It was also asserted that cash in hand seemed to fool many who were unused to the vagaries of business. Moneys withdrawn to fund personal and family needs, demands, or fantasies inevitably reduced the firms ability to replenish its stock. One banker complained that black businessmen continued to prosper even when their businesses were doing poorly. The allegation was that money was being skimmed off and expatriated. There were also complaints that they kept two sets of books and that money from the proceeds of transactions did not serve to reduce the overdraft account which hardly ever moved downwards. Inevitably, the high overdrafts killed the firms.

Black businessmen were also said to be less inclined to bother with such things as audited accounts and were thus unaware of how the firm was performing. Many often failed to protect their assets by insurance. The profitability of the business was thus often wiped out through negligence. Under-capitalisation and inexperience were given as the reason for this tendency. Another complaint heard was that too many of the professionals turned businessmen believed that they could do business on a part-time basis. Business activity needed focussed attention, especially when the business was new.

Bankers shared the view, held by others, that one of the most critical weaknesses of black businesses was the fact that few black businessmen had families who were willing to pool human and material resources to support risks taken by the firm. The family, they note, is an important resource when new firms (especially small ones), branches of firms, or new product lines were being established. It is also a valuable resource when banks or other institutions are being accessed for funds or when businesses run into difficulties. One banker felt very strongly that pound for pound, black businessman was the equal of any other. His nemesis, however, was the black family generally and the black female in particular (whether legal wife or paramour) who either put pressure on her male counterpart to engage in the "culture of ostentation" or failed to restrain him when he wished to spend more than he could afford. Moneys needed for reinvestment in the firm were thus squandered in real estate, flashy new cars, new homes, clothes, vacation trips etc. all to the detriment of the firm. Several cases were identified in support of this assertion.

Given the absence of social collateral derived from family or kin networks, the black businessman either operated as an individual or sought to compensate by entering partnerships of convenience with friends or colleagues. Most of these partnerships and contractual arrangements proved to be fragile, in part because there was little mutual trust among the partners who were fearful of what their associates would do. This was said to be a function of inexperience about how these arrangements work. It was also a by product of the weakness of non-existence of kin relationships among the partners involved. Whites and other groups, it was observed, seem to be better able to find ways to make partnerships work. As Janet Landa observed in reference to middle man trading groups in other developing countries, "ethnic groups with efficient social structures for the enforcement of cultural norms of behaviour that facilitate mutual aid and co-operation among members ... have a differential group advantage over other ethnic groups to create personalistic exchange networks based on mutual trust... The existence of an ethnic-specific asset in the form of cultural norms of mutual aid among members of an ethnically homogeneous middle man's group are thus an efficient form of economic organisation as an alternative to formal contract law...[14]

It was observed that while partnerships in which professional skills were blended could provide valuable business advantages, this was not sufficient to guarantee success since the culture of the professional was not always the culture of business. The former tended to be more bureaucratic and governed by the genteel etiquette of the professional world. The latter required quick decision making and unconventional and even corrupt behaviour which many professionals ~~found~~ uncongenial. Black professionals, it was also said, were more squeamish than businessmen of other ethniciti- es when it came to offering public officials or bankers kickbacks as incentives to do what was required to make the firm prosper, whether this involved the granting of a loan, approving requests for foreign exchange or a license to import, build or whatever else was needed. Here religion and professional ethics seemed to coincide to the detriment of the black owned firm.

No bank manager believed that the problems which blacks faced as businessmen had anything to do with race or colour. They felt that the critical variable was culture, their inexperience as businessmen and the fact that there was no significant black company with a history that went back much further than 20 years.

Black businessmen thus did things which people more experienced in the ways of business would not have attempted without serious forethought. Business activity, they note, always involved addressing unanticipated difficulties of one kind or another since one always had to be sensitive to the demands and vagaries of the market. Experience was often a more useful guide than anything learnt in books. It helped one to anticipate difficulties or to cope with them when they arose, though it was agreed that many an experienced businessman failed to survive challenges. The cultural style of the black community was also seen to be key cause of the difficulties experienced and not native business intelligence.

The banks in general and Workers Bank, the Co-operative Bank and the National Commercial Bank in particular denied that they did not help blacks in the 1970s or in the eighties when things became difficult. They note that if traditional lending criteria were used in the seventies, many blacks businessmen would not have been given any credit at all. The banks were also said to have been much too lenient and indulgent with debtors, some of whom were carried along in the eighties for longer than was commercially justified because they were black. Everybody got a fair shake, they insist. All banks had to provide for substantial loan losses as a result of their indulgence . One bank, the NCB, had to set aside as much as $80m to cover losses. The bank had bought into the argument that blacks had to be given an opportunity to gain experience even if they made mistakes in doing so. Strong criticisms were in fact later levelled at NCB and the Workers Bank by external auditors and the Inspector of Banks for their indulgence towards certain businessmen who had substantial non-performing loans which had not been called.

The evidence as derived from the interviews seems to sustain the claim of the older commercial banks that after an initial period of hesitation when they seemed unable to decide what criteria to use for loans, they did their best to meet the challenges posed by the appearance of the black business group.

Indeed, the expansion of business activity and competition from the newer banks and non-bank financial institutions forced them to be more entrepreneurial and go out in search of new business from all groups. There were however cases where old hands could not bring themselves to respond to the new times.

Bankers also deny that when the downturn came, they dealt cavalierly with black businesses as alleged or that they were more solicitous of white or Indian owned firms. Many of the latter were however more "nurseable" or "restructurable" since their owners had more fat on which to draw in the form of real estate, other businesses, or family or kin support. Where the bank had a long non-performance file on businesses as they did with many of the new black elite, there was little choice but to pull the plug. Some non-black firms were also nursed back to health because they were too big to be allowed to fail or because the bank itself was too exposed and could have collapsed if the firms were put in receivership. Bankers note that many big firms owned by Indians (e.g. Kirpalani) or whites (e.g. Stephens and Ross and Woolworth) were allowed to pass into business history when it was felt that there was no point throwing good money after bad. They however admit that they themselves were all overlent and that the cumulative effect of failure had affected them as well. They were thus forced to take corrective action to ensure their own survival, including borrowing from the Central Bank.

The dominant view emerging from the interviews with bankers was that while there were indeed many genuine external constraints which frustrated the emergence and sustainability of black business, in the final analysis, black entrepreneurs were not hapless victims of the system as they are wont to believe, but co-creators of their predicament and that some of the real problems they faced in the past and continue to face had little to do with the fact of their being black. Failure of black businesses however served to confirm and reinforce the myth of the incompetence of black businessmen. A closer examination of the experiences of the Workers Bank and the Cooperative Bank seem to bear out these assertions.

III

The Workers Bank

The Workers Bank was described by one banker as a "classic case of "blacks screwing up other blacks". The Bank, which catered mainly, but not exclusively to blacks,[15] in fact collapsed in 1988 and had to close its doors to prevent a run on its holdings. In its effort to grow quickly and carve out a niche for itself, the new Bank had loaned heavily to blacks for mortgages and property development. The emphasis on mortgages using funds from the National Insurance Board was part of a deliberate management strategy designed to make home ownership possible for low and middle income blacks in the public sector who would otherwise not have been able to achieve this goal. Some commercial loans were also made to black businessmen who lacked the collateral to obtain loans from the established banks. The loans were made on the basis of the projective earnings and regular income of the borrower which it was assumed would grow. The strategy of the bank was altered in the mid-seventies when it began to depart from its mission to cater to the need of blacks to gain access to credit. Loans were made to rich businessmen of all ethnicities in the interest of profitability, many of which were not properly secured. Many directors also authorised unsecured loans to themselves and their friends for housing and other projects that lacked transparency. Often, this was done in conjunction with trade union officials who were members of the board or politicians who had formal or informal links to the directorate of the bank. It was also noted that the directors of the Bank declared dividends when the institution was not in a position to do so and also did little to expand its customer base, particularly among middle income persons of all ethnicities. People borrowed from the Bank but did not bank with it.

One of the problems of the Workers Bank was that it was never managed by professional bankers. Being new, it also had no time-tested credit control or record keeping systems in place, no institutionalised ways of doing things such as that enjoyed by the older banks or even the National Commercial Bank which was created out of an established banking institution, the Bank of London and Montreal (BOLABAR). The old banks could also call on their foreign head offices when non-routine decisions had to be made. Being new, the Workers Bank also attracted some of the less attractive business prospects. Many of these seemed disinclined to take their obligations to the Bank seriously and many of its mortgages, especially those of the balloon type Varinstall plan which assumed continuous increases in income, were not being serviced. The bank also did not take its obligation to collect debts outstanding seriously.

The problems facing the Bank became worse after 1985 when the bottom began to fall out of the petroleum driven boom economy. Many citizens lost their jobs and simply ceased repaying the Bank. For many, the choice to be made was harsh. As one put it, "its either we pay the mortgage and starve or we eat and educate our children and don't pay the mortgage". Inability to pay was only part of the problem, however. Some borrowers refused to pay, believing (perhaps) that the Workers Bank (as opposed to other banks) could not and would not sell houses or businesses belonging to blacks. Repayment of mortgages or loans was thus seen as the last and not the first obligation which had to be met, especially when no reminders were forthcoming as was often the case. Ironically, the banks' leniency was taken as confirmation that it did not need the money. Refloating the bank in 1989 - "Operation Life Boat" - was said to have cost the national community - the Government, the commercial banks, the Central Bank, the credit unions and the insurance companies well over TT$100m.[16]

It should be remarked here that some of the problems which bedeviled the Workers Bank in Trinidad were not unique to it. Similar problems were experienced by workers banks in Germany, Israel and Jamaica. The experiences of BCCI and the Savings and Loans in the United States also make it clear that the problem was one of poor regulation rather than race.

The Trinidad Co-operative Bank

No account of the black business experience in Trinidad and Tobago would be complete without reference to the Co-operative Bank, the first indigenous bank to be established in Trinidad and Tobago. The Bank was established by a group of "coloured" merchants and professional men-doctors, lawyers and journalists who were involved in middle class protest politics towards the end of the nineteenth century and during the early years of the twentieth century. That element, like others, had always been critical of the restrictive lending practices of the Colonial Bank and the Royal Bank of Canada.

Criticisms of the operation of the Colonial Bank were made by several witnesses who testified before the West Indian Royal Commission which visited the Caribbean in 1897. One witness, Alfred Tracey, told the Commissioners that "the want of banking facilities was a serious impediment to the progress of the Colonies". He also complained that the Colonial Bank was "exclusively the Bank of the upper classes, namely first class merchants, planters and Government officials. Middle-class and peasant proprietors have no chance of its assistance". Tracey recommended the creation of an agricultural bank with two branches comprising altogether a capital of £750,000. This, he said "would meet the peasant desideratum".[17]

Peasants were not the only aggrieved group to testify. One planter, Rene De Verteuil, told the Commission that "the ruin of the small agriculturalist has been in large measure the extravagant rate at which money was being lent". Like Tracey, De Verteuil recommended the creation of an agricultural bank which would make loans at low rates of interest on growing crops. He was "perfectly certain" that such a bank would succeed "so well there would be no necessity to give mortgages". The embryonic working class was also unhappy about the lending policies of the Colonial Bank. Walter Mills, a spokesman of the Trinidad Working Men's Association, made a plea for the establishment of a Government Savings Bank.

The Colonial Bank admitted to the Commission that it was excessively restrictive in its lending policies. One of the directors, H. Dobree, told the Commission during its hearing in London that "it would be very difficult to get advances for carrying on any industry, very difficult indeed". He noted that there were no large financial establishments in the West Indies.

> "The Colonial Bank is the principal, (but) the Colonial Bank is really only a small concern, though for its size it is very strong concern. Our deposits are about £1,750,000 and of that £500,000 are the deposits of the different colonial governments, their working capital; then about £250,000 are the deposits of merchants, simply the credit and current accounts and the other million is made up of an enormous number of deposits of small people all over the West Indies varying from £10 to perhaps £500".

Dobree told the Commission that interest was paid at the rate of 3 percent, but one had to give 6 months notice before withdrawal. The deposits were fixed. Depositors could however obtain a temporary loan if they had adequate deposits to cover the loan. No money was loaned on the security of crops. Nor were mortgages taken since this was limited by the Bank's charter.

Another director, Neville Lubbock, who was also Managing Director of the Colonial Company, told the Commission that:

> "the Colonial Bank is at present very shy of advances on sugar in any form or shape ... The Bank does not advance on the crop of the season. It would only discount notes. Although there are plenty of banking facilities, they

> are not obtainable by the sugar estates. The credit of the sugar estates is so bad at the present moment that I do not think they would get advances from anybody".

Lubbock admitted that the Bank did have money to invest and that it would welcome opportunities to do so. He however felt that there was no safe way to do so in the Caribbean at the given time. The Commissioners themselves alluded to the problem of scarce capital:

> During our stay in the West Indies, the want of what was called 'cheap money' was frequently and strongly brought to our notice, and it was urged that private persons engaged in agriculture should be enabled, by the assistance of the state, to obtain loans of money at a low rate of interest. Owing to the small size and the isolation of the colonies, banking facilities are no doubt limited; but the main cause of the inability of agriculture to obtain credit as well as the high rates of interest which are sometimes charged, appears to us to be the risk of loss which is inseparable from business of this class, especially in the present distressed state of the sugar industry. We do not doubt that in some cases, and under very careful management, advances of money by the State or on a state guarantee would be beneficial to agriculture, but any system of state loans or a state guarantee is so liable to be mismanaged and so likely to end in the loss of the money advanced, that we hesitate to see its general introduction.

Given the credit policies of the Colonial Bank, many planters, white, brown and black, were forced to sell their properties to the larger sugar companies or other firms such as Tenant and Co., and Gregor Turnbull and Co. Some moved into cocoa and coffee cultivation while others went into other kinds of commercial activity.

In the absence of credit from the established banks, many were forced to turn to the money lender whose rates were usurious. The effective interest rates charged by the latter ranged from 60 to 240 percent per annum. It was in this context that a group of responsible citizens were persuaded by E.M. Petioni, a journalist with *The Mirror* Newspaper to come together to form a bank. Their hope was that blacks and "coloured" folk, whether they were small agriculturalists, shopkeepers or artisans would escape the clutches of the money lender and in time become independent and in a position to acquire property.

The Bank was incorporated on May 20, 1914 and registered under the Companies Ordinance 1913. The share capital was £5,000 divided into 5,000 shared of £1 each. Unlike the Colonial Bank and the Royal Bank which accepted no less than 1 shilling, (24 cents) to open an account, members were permitted to pay 1 shilling on each share upon application and the balance by weekly installments. Depositors were encouraged to open accounts with as little as one penny, and it is in this way that the Bank became known as the Penny Bank. The Bank's assets grew slowly and in 1917, when it granted its first mortgage, its total assets were only $4,346,094.

The Bank's first president was Arnold Waterman, a coloured merchant. Waterman resigned in 1919, giving way to Dr. A.H. McShine, an ophthalmic surgeon, who remained at the helm of the Bank until his death in 1948. Other members of the "coloured elite" who served on the Bank's Board of Directors were A.H. McShine, the surgeon's son, Cyril Monsanto, James Headie, Dr. Cyril Joseph, C. Lastique, Cyril Duprey, James Waterman, Ray Dieffenthaller, Henry Hudson Phillips, Sidney Branche, Leopold Procope, George Legall and Selby Wooding. The Bank had as one of its aims the nurturing of the habit of thrift among the working classes, something that was also the aim of the Government Savings Bank. Between 1914 and 1968 the Bank's reach was however limited to the one Branch in Port of Spain.

The Bank however had a few things to its credit. It pioneered the provision of low-cost housing in Trinidad. In 1929, it acquired an area in Belmont known as "Stanley Place" and rented 30 low-cost houses or "Workers' Homes". The houses and land were eventually sold to the occupants on a rental-mortgage basis. The area is today known as "McShine Terrace" in memory of the late Dr. A.H. McShine. The success achieved in this sphere brought about demands for similar projects, and in 1934, the Bank acquired other lands at St. Francois Valley Road, Belmont, developed them into building lots and rented them out to tenants assisting them to own their own houses by mortgages and/or Bills of Sale. There are 55 houses in this area known as "Bank Hill", and one of the roads is called "Waterman road" after the first President of the Bank. Yet another housing project was launched in 1939 when the Bank acquired the Wallenvale Estate in Sangre Grande, which comprised 214 acres. The acquisition of these lands and the erection of houses by tenants followed a similar pattern to that used at the St. Francois Valley Road project. The Bank clientele spread throughout Trinidad and its premises became inadequate. In 1921, it move to 84 Charlotte Street, Port of Spain. These premises soon proved too small and in 1922, the Bank acquired the adjoining premises at 80-82 Charlotte Street and 58 Duke Street. In 1925, the Bank expanded further by purchase of the premises at 56 Duke Street. The premises were again extended in 1950 and 1976. In 1968, an Agency was established at the Central Market. In 1970, a Branch was opened in Barataria, and another at Point Fortin on April 24, 1978. In November, 1978, a wholly-owned subsidiary, the Trinidad Co-operative Bank Trust Company was incorporated.[18]

In 1976, the Bank, which hitherto operated as a savings and loan institution offering advances to its members at a small rate of interest, obtained a license to operate under the Banking Act (1964) and from then onwards began operating as a regular commercial bank providing a full range of services. The Bank however experienced significant teething problems as it sought to shift from a thrift organisation which took deposits from its members and made secured loans to borrowers to a full fledged bank offering the full range of services - consumer loans, letters of credit, foreign exchange transactions, cashing cheques etc. The staff were not trained to deal with retail banking and a number of imprudent loans and investments were made which led to significant losses.

Difficulties also arose when the Bank which had always been undercapitalised sought to expand its assets base to meet the challenges of commercial banking. An attempt was made by Boland Amar, founder of Amar Auto Supplies to buy the 3m shares which were offered for sale. The Directors however felt that this would not be appropriate since the Bank had its roots in the black middle class. They opted instead for selling the shares to Matt Securities Ltd, a firm in which Colonial Life had equity. Colonial Life had itself been linked to the Bank through Cyril Duprey and Cyril Monsanto, both directors of the Co-operative Bank. Unfortunately for the Bank, Matt got into difficulties. The high flying management made loans to themselves and others without proper security, failed to apply prudential criteria and due diligence in their operations and had to be taken over by the Deposit Insurance Corporation. Matt had negotiated substantial unsecured loans from the Bank in an attempt to avert collapse - some would say that Matt's management raided the inexperienced Bank which found itself on the verge of collapse. It was however rescued by the Central Bank which intervened to avert such a development. The Central Bank sent in a new General Manager (an Indian) and other staff to help save the historic institution. The intervention worked. By 1992 the Co-operative Bank, had become a very well run organisation with a total asset base well in excess of $600m. In mid 1992, it reported an after tax profit of $2.75m, roughly $1m less than it had earned in 1991.

The Imperative of Survival

The combined effect of the economic downturn and the need to provide for accumulated losses derived from the profligacy that characterised the seventies prompted the Central Bank to recommend the merger of the three indigenous banks as a condition of their very survival. The Central bank argued that the country had become "overbanked" and that NCB and the Workers' Bank, both of which had become only marginally viable, and the Cooperative Bank were competing among themselves to their collective disadvantage and possibly ruin. It was felt that a merger would cut operating costs and lead to greater resilience and competitiveness. As the Managing Director of NCB opined, the merger is a "good offensive position in that bigger is better for obvious benefits to be derived from economies of scale and to be better able to handle the costs of technology.[19] It should be noted that NCB's *consolidated profits in 1990 before tax* was a *mere $6,938,000,* which meant that its retail services incurred a net Loss. In 1992, NCBs three subsidiaries, the International Merchant Bank, NCB Trust and TrinFinance Ltd. together made a pre-tax profit of $21.9m. No figures were given for the retail bank. The Bank however declared that pre-tax consolidated profits for the year was $7.9m. The Loan loss provision, gross of reserves, was $14.7m, the largest ever provided for in the history of the bank.

The Development Finance Corporation and the Industrial Development Corporation

As indicated above, the People's National Movement established a number of mechanisms to assist small businessmen to become established. These institutions were not only expected to help with the provision of venture capital at concessionary rates, but also to provide technical help where necessary, before and after businesses were established. The available evidence indicates that while there were a few firms which owed their success to one or other of these state-owned development institutions, they failed on the whole to make much of an impact on the development process and on job creation.

One official of the Development Finance Corporation estimates that the development institutions, taken together, contributed no more than 2 percent of the capital used to fund business ventures over the 1970-1990 period. The failure rate of firms funded by these institutions was also estimated to have been of the order of 60 percent, 20 percent higher than the international norm. In terms of firms assisted by the established commercial banks, the failure rate was estimated to be 10 percent. This was no doubt due to the more conservative lending policies employed by these banks. The DFC estimated that it disbursed some $120m to approximately 120 companies between 1970 and 1990 and that its non-performing portfolio in 1987 was 45 percent of its total portfolio. Ninety of the companies which it helped to become established failed. Most of these were small companies. Indeed, it appears that *all* the small companies failed. Some large ones must also have failed since 45 percent of the dollar losses were accounted for by 15 companies.

In an Impact on Development Assessment report prepared in 1992, the DFC estimated that companies which it financed had created some 4,300 jobs during the first 20 years of its operation. The DFC's external lenders were however of the view that the DFC had only a limited impact on development and that its financial position had weakened to the point where it could not fully meet its commitments. The company, which had completely lost its share capital and reserves was restructured in 1988 with a view to having it operate as a modern development bank which would be able to react flexibly to the increasingly specialised needs and demands of the changing business world.[20]

In a commentary on the role of development finance corporations in the Caribbean, Compton Bourne indicated that the experiences of the Trinidad DFC was not different from that faced by other DFCs and financial houses in the region. Bourne notes that there was an "underlying fragility to much of the unsecured lending resulting from the lack of transparency in lender-client relationships and the close corporate inter-relationship between some financial institutions and their credit customers". Bourne also had the following to say to the question of debt immorality and some of the factors that might have induced it.

> The prospects for loan repayment are not unrelated to the strength of incentives to repay. One important

> incentive is the sanctions which lenders can impose in order to enforce compliance with repayment obligations. Enforcement is partly a legal matter; it is also a matter of social mores and political attitudes. Recent work on credit markets identifies expectations of future credit flows as an important incentive to repayment. If expected flows exceed repayment flows, loan delinquency and default is less likely. For rational debtors, these expectations would reflect not only their judgment about the willingness of lenders to terminate a line of credit and the existence or lack of debt morality among the collective of debtors, but would also reflect their assessment of future funding prospects of the lender. A vicious circle may well ensue: financial fragility causing loan default which then further intensifies fragility. Matters are further complicated for DFCs by their emergent tradition of fixed capital as opposed to working capital lending. If there is no working capital relationship, credit flows to any borrower cease with the final disbursement of the investment project. Expectations of future flows are then zero, unless new investment projects are contemplated in the immediate future, which is hardly likely.[21]

The performances of the IDC was not much better. Some businesses were helped by the IDC, while others complained that it was dilatory in its response to requests for concessionary financial help through its small business window, technical advice, factory shells or the facilitations required to obtain tax concessions. There were also complaints, perhaps exaggerated, that some IDC officials stole ideas which were brought to it by individuals and made them available to others for a consideration.

Incidentally, an analysis of the roster of persons receiving loans from the IDC indicate that of the 1,161 persons receiving loans in the period 1970-1987, 381 had Indian surnames and 781 had "Christian" names. Those with Indian names received approximately $23.9m while the others received approximately $62.9m.

The Agricultural Development Bank

The ADB, fared no better than the Workers Bank in collecting moneys owed to it. Its monitoring of loans and projects was poor. Farmers also perceived a general lack of interest on the part of loan officers with respect to projects which had been funded by the

Bank. Field visits by loan officers were perceived as sporadic and cursory. As with the DFC and the Workers Bank, political intervention was responsible for many loans which the Bank found it difficult to compel borrowers to repay.

The Bank acknowledged that its performance in relation to supervision and collections was indifferent. As it declared in its 1988-1990 consolidated Annual Report:

> The performance of the Bank's portfolio was not only influenced by particular sub-sectoral difficulties affecting loan repayment capacity of clients but was also to a large extent influenced by the indifferent attitudes of many of our clients to their indebtedness to the ADB as an agency of government. The Bank itself contributed to its loan default problem through its relaxed collection and loan supervision policy during the greater part of the period under consideration (1980-90)... The Banks' arrears ratio has been high over the period increasing from 20 percent in 1981 to 30 percent in 1988. The Bank recorded operating losses for 7 of the 9 years under review resulting in an increase in the accumulated deficit from $6.285m in 1980 to $59.456m in 1988... (The accumulated deficit in 1990 was $75.1m). ...Over the years 1980 to 1988, the Board of Directors found it necessary to increase the provisions for bad debt by $44.4m which accounted for some 35 percent of accumulated expenses incurred by the Bank over the period...

Bank data do not allow for easy classification of disbursement on repayment performance on the basis of ethnicity. The data are classified on the basis of branches. Between 1980 and 1988, Caroni applicants received 20 percent of all loans disbursed, North East 12 percent, North West 34 percent, South West 21 percent, South East 7 percent and Tobago 6 percent. In 1990 Tobago's share increased to 12 percent, Caroni retained its 20 percent share while the North West dropped to 31 percent. It should be noted that the North West Area from which most Afro Trinidadian applicants come also includes many areas heavily cultivated by Indian farmers.

The bulk of the ADB's loans, both in terms of number of loans made and the size of the loans, however went to Indians. One estimate is that 14 out of every 15 loans went to Indians. In part this is due to the fact that agriculture and agro-processing are occupations in which Indians are heavily involved. But there is more to it than that. Most of the senior officials in Bank and the Ministry of Agriculture are Indians. This is due to the fact that more Indians than Africans take degrees in Agriculture. These officers are more inclined to approve loan applications coming from Indian applicants either because of kinship, friendship or ethnic links or because they use traditional perspectives to evaluate the likely success or failure of projects brought forward. There is an entrenched belief that Indians are the only persons who are prepared to be serious about agriculture and agro processing, a belief that informs decision making. It is further believed that the Indian family unit becomes integrally involved in both the production and marketing of agricultural produce to a greater degree than Africans and that this is the only way that small or medium scale commercial agriculture can succeed in the conditions of Trinidad and Tobago.

Black farmers complain that the ADB discriminates against them not only in making loans, but also in handling their repayment problems. Some say that they do not even bother to apply since they "know" that they will either be given a bureaucratic run-around or be unsuccessful in their efforts to secure loans. They also claim that among the many reasons why their projects fail is that Indians see them as unwelcome competitors in their "space" and do their utmost to squeeze them out by means both fair and foul. There are complaints, for example, that Indian poultry processors do not buy their products thus inducing failure and the forced sale of their farms. The same is said to apply to producers of other crops and livestock. The claim is that the strategies to undermine black farmers are orchestrated.

It is likewise claimed that those blacks who are moving into agriculture in response to the current economic downturn find that whereas Indians now occupy most of the best land, some of which they obtained through their connections inside government agencies. They therefore have to bring into cultivation lands which are not serviced by access roads and other infrastructural facilities. This increases the costs of production and the likelihood of failure.

Another reason given for failure is the fact that certain sectors in which blacks are more likely to become involved - poultry, dairy and pirogue fishing have been experiencing problems related to reduction of demand, falling prices and the elimination of official subsidies and that this has affected their ability to service debts. Black farmers are also said to be more disposed to go into the cultivation of newer products as opposed to traditional crops such as rice or agro-processing where the failure rate is said to he higher .

The ADB is now attempting to become more serious about collecting outstanding debts and to become more professional and pro-active in its extension activities. In terms of its debt collection activities, it has ~~incurred~~ the hostility of some farmers who blame it for allowing their debts to accumulate and become burdensome. The bank has had to put farms on the auction bloc to convince farmers that it is serious about its new toughness or to prevent delinquent farmers from stripping their farms rather than repay loans. It has however offered to restructure the loans of farmers who are willing to have their loans perform. The ADB is also retraining and resensitizing its loan and extension officers to their mission and has begun switching its loan portfolio to newer and more profitable activities such as rice farming, horticulture and deep sea multi-vessel fishing. The Bank is likewise sensitive to the need to ensure that its loan policy does not continue to favour one ethnic group as it currently does. This however involves a fundamental shift of policy which is difficult to achieve overnight given the entrenched attitudes of some of its management cadres at the branch and central levels.

IV

The experience of Trinidad and Tobago and other countries in the Caribbean and elsewhere suggest that the strategy of "granting" concessionary loans to small business by state agencies generally hurts rather than helps small businesses. Businesses helped by the state and development agencies have generally had a poor repayment performance and the strategy of lending at concessionary rates is now frowned upon by international and national lending agencies. The National Alliance for Reconstruction Government (1986-1991) however recognised that there was still need to make soft loans available to would be entrepreneurs especially given the downsizing of the state sector and the growing unemployment problem. The regime thus created a Small Business Development Company (SBDC) in 1989, the role of which was to source venture capital for embryonic entrepreneurs and to provide assistance to those who needed help in developing their projects.

The SBDC, which was established with an initial capital of $5m does not lend any money. Unlike the IDC, the DFC and the ADB, it merely guarantees loans ($150,000) through a Loan Guarantee Development Fund which was sourced from 13 institutions which include the State, the commercial banks, finance houses, the Agricultural Development Bank, the Association For Caribbean Transformation and the Inter American Bank For Development. The SBDC provides guarantees to these lending institutions for small loans to investors who lack collateral and are unable to raise finance from normal lending institutions. The lending institutions do not however make loans available to individuals referred to them by the SBDC automatically. As the head of one commercial bank explained,

> "the SBDC looks at each application on its own merit, but it is the bank that takes the risk of lending. Each application is therefore first evaluated as a normal loan application using strict lending criteria. Things taken into account include the character of the applicant, his capacity to repay the loan from the business, the condition under which the business operates and the collateral and capital possessed by the applicant. If there are deficiencies in the loan application such as insufficient capital or collateral, in the final analysis it is the responsibility of the bank to ensure that the granting of the loan is a sound decision. SBDC has given a window through which we could look at and deal with shortcomings in capital and collateral. So if a loan application is turned down for other reasons, the SBDC could not change that. The final decision will be ours. The risk is still ours and as far as banking is concerned, we will not grant a loan to a business that will fail.[22]

Unlike the SBDA in the United States, the SBDC guarantees only 50 to 85 percent of the loan with each case being negotiated on a case by case basis.

The SBDC in conjunction with ACT also operates a Business Advisory Service to assist business with the preparation of their projects, advice on operational problems, technical support, marketing information, packing house and marketing facilities. The SBDC claimed that it had guaranteed 396 loans to the value of $5.5m by August 1991. Forty of these were in Tobago, the value of which was $823,355. One hundred and five (105) loans valued at $1m were approved for lending to individuals involved in the Young Entrepreneurs Support System (YESS). The SBDC claims that one-third of the persons who were members of YESS had proved to be successful entrepreneurs. At time of writing no information was available as to how well the programme was working.

It is however clear that the high interest rates being charged established small business by the commercial banks in response to the current monetary policies of the Central Bank are hurting all businesses generally and small business in particular and that there is need to establish special windows for small productive businesses that do not qualify for assistance from the SBDC.

SUMMARY AND CONCLUSION

Our study indicates that while there are several thousand black businessmen and women in the country, very few can be described as big. Most are in survival ventures, micro enterprises and professional operations. Our own search located about a dozen who might be deemed significant. Only about three of the latter would be included in a top 100 list of successful businessmen in Trinidad and Tobago. In the post-1970 era, a significant number of blacks abandoned salaried employment in the private and public sector and ventured out into a variety of businesses, especially consultancies and construction. The petroleum driven boom years 1974-82 saw many of them prospering and it appeared that some might make significant breakthroughs and become established in the world of trade and commerce and give economic meaning to the concept of black power. The windfall gains were not sustained and blacks remain on the periphery of the business world.[23] The downturn of the economy in the 1985-1992 period resulted in the dramatic collapse of many of these firms. Several have been put into receivership. Most of those which remain in business are struggling to survive and show little sign of real growth. The downward spiral might prove difficult to reverse.

The reasons for the weakness of the black business group are varied. Some of the weakness are internal to the community while others are external. They themselves argue that the principal reason for their inability to thrive is their inability to source capital and the absence of a constituency or community which would sustain them such as obtains with business elites belonging to other ethnic groups. In particular, they blame their employees, black consumers, black civil servants, other black businessmen, the banks and development institutions and lack of support from businessmen belonging to other ethnic communities as being among the chief reasons for their failure. Yet others locate the problems in the nature and role of the black family and the cultural milieu in which it nests, on the weakness and inefficiency of black social structures, on black unwillingness to bond, on the traumas of slavery, Christianity, the nature of the colonial educational system, unfair competition from Syrians, whites, Indians and Chinese and the general inexperience of the black businessman who had no authoctonous business tradition on which to build.

Some likewise argue that unlike whites and Indians, blacks had no historical windfall in the form of land which they could transform into other forms of property or use as collateral for borrowing, a claim which is however not supported by the evidence, since, as we have seen, some blacks did own land.

One black economist who functions as a consultant to black entrepreneurs Dr. ralph Henry, expressed the view that "in business, it is expensive being black". This was so for historical, sociological and structural factors. The historical and sociological factors relate to the communal nature of the societies from which Africans came with its emphasis on sharing rather than accumulation. He speculated that enslavement interrupted but did not erase the memory of the type of society from which Africans came. The structural factors relate to the fact that private sector plays are always hostile to new entrants and do their utmost to exclude or squeeze them out of the market by refusing to give them the kind of facilities which they would need if they are to survive by producing or selling at competitive prices. This is particularly so if the economy is segmented and the area into which the would be entrant seeks access is controlled by well entrenched elites. Financial intermediaries also regard them as constituting a greater risk than those who already have an established track record. Moreover, black bank officers are likely to treat them with more rather than less caution since failure might serve to put in question their own judgement about evaluating borrowers. Failure thus becomes a self-fulfilling prophecy. The anticipation of probable failure leads to failure and the cycle continues often with cumulative effect.

Henry also believes that one of the problems which face black businessmen more than businessmen belonging to other ethnic communities (to whom much is ascribed) is that when they fail for whatever reason, it is very difficult for them to re-establish themselves in business. Banks and other business houses become very reluctant to deal with them, even when the failure was the result of market failure rather than debt immorality. If the cost of entry was considered high, the cost of re-entry is often prohibitive. Whereas other businessmen often experience many failures before they ultimately succeed, the system does not allow black businessmen to benefit from failure.

Some blacks claim that the white "parasitic oligarchy" consciously and cleverly co-opts and corrupts the black educated class which it maintains as a managerial elite as part of its strategy of competing with other ethnic groups as well as a device to keep blacks themselves out of the business arena in the interest of their own viability. While there is no question that educated blacks can be found in management in the corporate world, and that individual civil servants did perform favours for businessmen for considerations, the conspiracy theory is not easily proved. Big business needed skilled manpower and recruited it from whence it was most readily available. They also used whatever stratagems were at their disposal to cut through red tape or to secure concessions which they deemed vital to business survival and profitability. Cases can however be found where white owned business or conglomerates took decisions which blocked the progress of black firms. The question however is whether the actions were taken because the firms were black owned or because the white owned firms saw the black firms as business competitors. All that one can say is that the same evidence can be used to sustain both interpretations and that it is difficult to prove empirically that race rather than the market was the governing factor in the transaction.

Ironically, both Indian and white businessmen and their organizational or political spokesman complain that they are victims of discrimination by black bureaucrats and politicians. Indian spokesmen infact make claims that are identical to those made by black businessmen in respect of the banks. During the 1991 election, for example the political Leader of the United National Congress, Mr. Basdeo Panday, blamed the conglomerates for the collapse of Indian owned firms in the agri-business sector. Noting that only 3 percent of the 1990 Budget of TT$6.7b was spent on agriculture, Panday charged that "big businesses in this country has monopolised the importation of food at the expense of it being grown by small farmers". Panday claimed that from 1988 to June 1991, 248 small businesses had collapsed. "These businesses, many of them agriculture based, went down the chute because the conglomerates had monopolised large sectors of the economy by a series of interlocking directorates".[24] Panday has continued to declaim against the machinations of "French Creole parasitic oligarchy.

UNC member of Parliament Trevor Sudama amplified Panday's claim in a series of articles in which he sought to expose the myth of Indian economic dominance. Sudama in fact made allegations that were identical to those made by blacks:

> In the last few years, Indians and particularly those in business, have come to the view that the financial oligarchy which controls the banks have applied extra-ordinary pressure on them and subjected them to unequal treatment. The banks they are convinced have been unduly zealous in putting Indian businesses into receivership and disposing of their assets at well below market value.... Indian businessmen see themselves as the target of a well orchestrated plan to enlarge control of the large (non-Indian) companies to minimize competition in certain areas.[25]

Sudama argued further that it is the white owned conglomerates and the state owned companies which dominate the economy and not the Indians, as alleged. The claim that Indians dominate the economy is a myth "deliberately nurtured and consciously purveyed by the ruling class of this country in order to cloud and obfuscate the fundamental economic and political issues which confront the vast majority of our citizens who comprise the two major races of this land". The purpose of the myth is to discourage the allocation of economic resources to regions where Indians may be better positioned to make use of them - especially in the are of agriculture - as well as to restrict the influence of Indians in the political sphere "allegedly in order to pre-empt Indian domination in all spheres of the society especially those previously controlled by blacks and whites".[26]

The claims made by Sudama have validity insofar as it relates to the financial and the state sectors. Research conducted at the Institute of Social and economic Research by Dave Ramsaran however contradicts his claim that Indians have been discriminated against by the banking system or that they are not well represented in the private sector. As Ramsaran concludes:

> To say that Indo-Trinidadians do not dominate the private sector may be true but that tends to obfuscate the fact that they have made significant strides in the business world and self-employment. A survey conducted by ISER in 1990 on businesses that employed 5 or more people showed that 43 percent of these businesses were owned/operated by Indo-Trinidadians.[27]

Whites also voiced complaints about the problems which they experience at the hands of the bureaucracy, especially in the period between 1970 and 1986. Indeed, they argued that many white family firms were also "sardines' whose survival was threatened by the "Jaws" of the state. Fearing the state shark, they surrendered voluntarily to the white variety in their quest for organisational shelter. The dramatic growth of the white owned conglomerates was in fact seen as a survival mechanism for many white family owned firms which had begun to experience serious cash flow and other problems. Were it not for this option, they too would have gone the way of the black owned firms referred to in this study. As Percy Dyer remarked in reply to Dr. Williams' jibe about the sharks and the sardines:

> Perhaps it has escaped the attention of the appropriate person in the Ministry of Finance, but there is evidence to believe that it is becoming hard for the small businessman to survive despite the much trumpeted calls by officialdom for an increase in the number of small businesses. The most obvious indication that all is not well is a growing tendency for successful small businesses, particularly owner-operated organisations, to sell out whenever given the chance. Why? Investigations revealed that there are several factors nudging successful small businesses towards selling and getting out of small business. One factor is price restrictions. So many items are price controlled that there is little room for reasonable profits. If everything stood still, it may still be possible to survive and do well off something as nefarious as price control. Another factor is galloping bureaucracy, the negative list. There are the endless forms, many of them wasteful duplications, cleverly though up by the Customs Department which seems to subscribe to the view that anything simple must be suspect.
>
> Put yourself in the position of the small trader or the small manufacturer having to encounter endless delays, higher prices and enough paper from insensitive officialdom almost literally to choke the arteries of any tiny concern, and you can understand why many of them feel discouraged. Assume that all of these handicaps can be overcome, how are you rewarded? You are penalised. The levels of personal income tax are murderous. The tiny business itself is subject to 45 percent Corporation Tax and an Unemployment Levy of 5 percent, so that if you have had the misfortune of improving the lot of your business by converting it into a company, then immediately half of everything you earn is swiped from under you. The useful system of depreciation allowance further complicates matters. It turns out that the sardines are so terrified by the complex government denizen known as Jaws, that they swim willingly to the bigger fish, many begging to be taken over rather than face the endless headaches involved in keeping ahead of Jaws.[28]

It was also observed that competition in the contemporary international environment requires firms to grow beyond a minimum size.

The weakness of many white family firms when they grew beyond a certain size also had something to do with their surrender. Many collapsed or became weak when the line of succession either dried up or when family members opted for other professional vocations or chose to migrate to Canada, the United States or the United Kingdom in the seventies and eighties. The adage "first generation build, second generation improve, third generation mash up" applies to several businesses in Trinidad and Tobago). Many families thus affected preferred to sell their equity outright and invest their funds in real estate or other business ventures, or to exchange it for shares in one of the two principal white owned conglomerates.

What all of this suggests is that there is and has been for some time intense intergroup competition in Trinidad and Tobago for whatever scarce resources remain after the bulk is extracted by the international capitalist system. In this struggle, ethnicity is used as one of the principal weapons to mobilise resources and build block support. What this study has revealed is that in this contest, blacks have fewer ethnic and class resources and less human capital that relates to business activity than other groups and therefore are the weakest of them all. Such political resources as they have by reason of their dominance in the state apparatus have not been sufficient to compensate for their other collective deficiencies in other areas. The local sharks will therefore continue to devour the local sardines.

The removal of import licences and the opening up of the economy to investment from abroad has also reattracted the foreign whales i.e. the transnationals (assisted by global advertising of brand name products) which Dr. Williams feared would "maraud" in our waters unchecked to devour the local sharks and the local sardines. Businesses have either collapsed or are on the verge of so doing. One cannot help but conclude that the PNM's 1970 vision of creating a black capitalist class has now been officially abandoned in favour of a policy wherein indigenous businesses belonging to persons of all ethnic groups would have to compete openly with foreign business houses regardless of the fact that the playing field is not level. The official policy is that only the fit will survive. Survival will depend on competitiveness rather than on the protective arm of the state. The Deputy Governor of the Central Bank well articulated what he assumed to be the new official policy when he said as follows:

> There is a cost to protection ... when we talk about the loss of jobs ... one of the things we must understand is that those jobs have been supported all the years by taxpayers. They were not jobs that would have existed, had there not been these structures of protection. Manufacturers have to now get up and work. They can no longer hide behind protective barriers and make a lot of money at the expense of the consumers in the country ....Some of them will swim and some of them will inevitably sink. Those who sink are those who do not have the capacity and what it takes to manage a modern manufacturing operation. And arguably those people don't need to continue in production anyway.[29]

Farrell further expressed the view that "the genuine entrepreneurs in this country one can count on the fingers of one hand". After some 25 years of state sponsored encouragement of small business this comment, even if not entirely true, was a sad one for any official to have to make.

FOOTNOTES

[1]For a fuller discussion of this debate, cf. my *Race and Nationalism in Trinidad and Tobago,* University of Toronto Press, p. 420.

[2]*The Wretched of the Earth,* Grove Press, 1968.

[3]Kirpalani was deemed to be such a success as an entrepreneur that many persons gave him money to invest for them. He in fact served as a sort of one man investment bank. The PNM was also advised by calypsonian Mighty Chalkdust that "if they could not run the state companies, they should call in Kirpalani".

[4]*Race and Nationalism, op. cit.,* p. 420.

[5]*Ibid.*

[6]Cf. *Trinidad Express,* July 2nd, 1979.

[7]*Hansard,* Vol. 11, 1969, pp. 195-6.

[8]When the owner of the stores on Frederick and Henry Streets died unexpectedly, his family found it difficult to source funds to give him a proper burial.

[9]Cited in Ryan, *The Muslimeen Grab for Power: Race, Religion and Revolution in Trinidad and Tobago,* Inprint, 1991.

[10]Cf. my "Race and Occupational Stratification in Trinidad and Tobago", *op. cit.,* p. 185.

[11]For the role of the foreign owned banks in the economic development of Trinidad and Tobago, cf. *From Colonial to Republic: One Hundred and Fifty Years of Business and Banking in Trinidad and Tobago, 1827-1987,* Paria Publications, 1988. The foundation document on which this book was based was written by this author. Cf. especially Ch. 6 "The Rise of Black Nationalism in Trinidad and Tobago", Ch. 7 "Barclays Goes Local"; and Ch. 8 "The Bank in National Dress", (pp. 149-181).

A 1970 Survey revealed that of the 127 managerial positions in the banking system, 57 were held by non-nationals, 40 of which were non-West Indian. In response to criticism that it did not employ blacks, Barclays Bank denied that this was in fact the Bank's policy.

[12]Cf. my *Public Opinion and the Crisis of Near Bank Institutions,* St. Augustine Research Associates, 1983.

[13]The idea of establishing a Workers Bank and an indigenous National Commercial Bank was conceived before the "Black Power" crisis of 1970, but that crisis accelerated their creation. The crisis infact provided the opportunity that the then Prime Minister, Dr. Williams, was waiting for. NCB was created out of the acquired assets of the financially troubled Bank of London and Montreal and Barclays DCO in defiance of the wishes of the established banking community which felt that the state should stay out of the business of owning banks and seek instead to achieve its aims by regulation, and taxation policy. Dr. Williams however felt that ownership and control was important. "We must move towards greater national decision making in respect of the banking and financial system which locates resources of capital and credit for the whole economy and therefore acts on its central nervous system". *Colonial to Republic, Ibid.*, p. 155. It should be noted that a number of Indian businessmen were promoting the establishment of a branch of the Bank of Baroda in Trinidad and Tobago. The plan was blocked by the PNM which considered it to be contrary to the national interest and contrary to its policy of indigenising the banking system.

[14]Landa, *Op. cit.*, p. 71. Cf. also Sowell, p. 177. Sowell notes that Hasidic Jews in Jew York's jewel industry made transactions among themselves in precious gems without any contracts because of their complete reliance on each other's word.

[15]It should be noted that the management of the Workers Bank was not exclusively black. Of the three deputy managers one was Indian and the other Chinese, a strategy which was opposed by some trade union directors.

[16]Under the Restructuring Plan, the non-performing assets of the Bank were transferred to a collection company called *Taurus*. A new company, Workers Bank 1989, was also established under new management and with new directors. The existing commercial banks, the credit unions, trade unions, insurance companies and the Central Bank all contributed seed capital to underwrite the new organisation. The new bank sustained an operating loss of $5.4m. in its first year but made an operating profit of $488,568 in 1991.

The old Workers Bank, it should be noted, was started with seed capital of $365,400 in December 1971. In 1986 fifteen years later, it had assets of $716,565,267 and shareholders equity of $42,674,726. In 1985, the Bank made loss provisions amounting to $4,870,000. In 1986, the provision was $9,125,874. In 1988, the provision was $5,560,916. Other indications of failure were as follows:

(1) Reserve deposits with the Central Bank decreased by $18,872,649 in 1986 in comparison to a decrease of $1,884,782 in 1985;

(2) Balances due to other banks increased by $32,682,650 in 1986 in comparison to an increase of $1,900,807 in 1985;

(3) Customers' deposits decreased by $11,903,728 in comparison to a decrease of $4,034,997 in 1985.

(4) A decrease in reserve deposits with Central Bank of $48,885,865 as against an increase in reserve deposits with the Central Bank of $44,082,640 in 1987;

(5) An increase in balances due to other banks of $108,535,-669 up from $19,036,652 in 1987;

(6) An increase in accrued interest received and other assets of $26,830,992 (1987 - $27,506,577).

Cited in Ainsley Mark, *Ethical Dilemmas for Professional Accountants practicing in Trinidad and Tobago: An Exploratory Analysis*, U.W.I., St. Augustine, 1992, pp. 19-20.

[17]Report of the West India Royal Commission, 1987, p. 25.

[18]This account was extracted from the Bank's *Golden Jubilee Souvenir Brochure*, (1964).

[19] Phillip Rochford, the person who managed NCB after its foundation, denied that NCB failed. As he noted, "NCB was originally 100 percent Government owned and it was said that it will be a sure failure. But that did not happen. NCB started off with one branch and 35 workers. Today there are 18 branches with over 900 employees. We are not making super profits, but we have shown that we are capable of managing our affairs as a people". *Trinidad Guardian*, October 4th, 1992.

[20]*Trinidad and Tobago Development Finance Corporation Impact on Development*, Mimeo, February 28th, 1992.

[21]Cf. Bourne. "The Role of Development Finance Corporations in the Commonwealth Caribbean" in DeLisle Worrel, Compton Bourne and Dinesh Dodhia, *Financing Development in the Commonwealth Caribbean*, Warwick University Caribbean Series, McMillan, 1991, p. 170.

[22]"Where are The Entrepreneurs", *Sunday Guardian*, August 18th, 1991.

[23]Thomas Sowell has argued that groups which are presented with "windfall gains" may or may not be able to take full advantage of those gains. In some cases the gains are cumulative while in others they are wasted. *Op. cit.*, p. 255.

[24]*Trinidad Express*, December 6th, 1991.

[25]*Trinidad Express,* July 24th, 1990.

[26]*Ibid.,* April 4th, 1991.

[27]*Private Enterprise: A Study of the Indo-Trinidadian Business Sector.* Mimeo.

[28]"Sardines Get Tired of Jaws". *Trinidad Guardian,* August 22nd, 1975.

[29]*Trinidad Express,* July 27th, 1992.

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