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*The Advantage of Innovative Thinking*

GRAVITAS Capital Advisors, Inc.



# University of the West Indies Lecture Series:

## Caribbean Private Sector Financing

Presenter:  
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# What are current financing options for Caribbean SMEs?

- ◆ Family capital
- ◆ Bank loans (collateralized)
- ◆ Self financing (retained earnings)
  
- ◆ Bond issuance?
- ◆ Structured financing? (CIT?)
- ◆ Venture capital?
- ◆ IPO?
  
- ◆ Why?



# What role do Caribbean securities markets play?

# The issue of Capital Formation?

- ◆ Lack of instruments providing access?
- ◆ Lack of legislative framework?
  - SBA equivalent?
- ◆ Lack of bankable ideas?
- ◆ Local vs. Regional?

# Micro-finance lending: Story of Success or Limited Failure?

- ◆ What has been the experience in TT?
- ◆ What has been experience in region?  
(MFG)
- ◆ Why has/hasn't it worked?
- ◆ What are drivers of success in this model?
  - For profits (vested interest) vs. developmental
- ◆ What needs to be done differently?

# Mobilizing Local Capital

- ◆ Significant household liquidity parked in low yielding instruments
  - Mutual funds, CDs...
- ◆ What are impediments to mobilization?
- ◆ Role of Regulators (SEC)?
- ◆ Role of independent broker/dealers?
- ◆ New product development?

# Mobilizing Regional Capital

- ◆ Current situation – TT flows? (lead?)
- ◆ TT capital markets depth (relative)
- ◆ Role of Institutional Investors?
- ◆ Role of Legislators?
- ◆ Role of Industry Associations?
- ◆ Role of Regulators?
  
- ◆ Role of TT IFC?



# SEAF: Caribbean Growth Fund

- ◆ Mix of debt and equity (ownership threat)
- ◆ Heavy business development (processes)
- ◆ Global market access network
- ◆ Exit strategy negotiated with SME
  - No IPO

# Takeaways

- ◆ Household liquidity abounds in region
- ◆ Mobilizing instruments provide little variety
- ◆ Impediments exist on regional scale
- ◆ Structure of industry leaves little room for independent operators (B/D ex-Banks)
- ◆ SME path to growth is still owner financing
- ◆ Role of Industry Associations is key.