18 Assistance for small businesses

This chapter covers Unit 2, Module 3, Sections 5 and 6. On completion of this chapter you should be able to:

➢ identify the agencies that offer support to small businesses
➢ identify the types of assistance offered to small businesses such as financial, technical and training

Introduction
The Government of Trinidad and Tobago is committed to the development of the small business sector and the encouragement of new enterprises. It offers assistance through a number of agencies and these supplement the help offered to small businesses by non-governmental organisations. This chapter deals with these sources of assistance and explains the types of help offered to entrepreneurs in particular and small business in general.

Agencies that assist small businesses

Governmental agencies and programmes

Venture Capital Incentive Programme (VCIP)
The VCIP was introduced by the government to address the lack of equity capital available for small business financing in Trinidad and Tobago. The prime objective of the VCIP is to increase the supply of share capital (risk) capital to the entrepreneurial small business sector. In this way it is hoped that it will lead to the setting up and expansion of small businesses as well as the creation of new jobs. The programme operates by offering tax credits to investors in qualifying companies.

National Enterprise Development Company (NEDCO)
This was established in 2002 as a limited liability state-owned organisation. It has the responsibility for implementing the government’s policy in small and micro-enterprise (SME) development. NEDCO encourages entrepreneurs to start small businesses that make the most of the country’s indigenous resources and native talents. Many of these businesses have the potential to contribute to value added activities in the SME sector and often have high export potential too. Its slogan is, ‘We support, you succeed.’

NEDCO offers financial support for SMEs. The loan programme is part of the comprehensive government strategy to facilitate sustainable and competitive micro- and small businesses. The NEDCO funding programme is open to anyone who falls into any one of the following categories:

➢ A person who is not sure what they want to do, but know they want to own a business.
➢ Anyone who has an idea for a new business but is not sure how to proceed.
➢ Anyone who wants to proceed but needs funding.
➢ Anyone who may want to expand a business they have already started.

The basic requirements for funding are:

➢ must be over 18 and a citizen of Trinidad and Tobago,
➢ must show proof of business registration,
➢ a completed business plan,
➢ cash flow forecast for each month over the first 12 months of the loan,
➢ a profit and loss statement if it is an existing business.
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In addition NEDCO provides advice to entrepreneurs and this can often be as useful as actual cash! The organisation has Business Development Officers in 14 locations in the country who offer relevant information and advice on critical issues such as marketing, financial management, business planning and supply chain management.

**Activity**

*Read the case study below and then tackle the exercises that follow.*

**Case study – Eulalie D Vogue Beauty Gallery**

When asked where she would have been had she not come into NEDCO she responded, ‘Nowhere - I probably would not have been in business. I was simply a nursing student’.

As you enter the doors of Eulalie D Vogue Beauty Gallery, the quality of the décor lets you know that this is not your average ‘hairdresser’. Scented candles and throw pillows are all part of the scene and help clients relax before they are pampered by Alicia Burtley and her friendly staff.

It was while she was training as a nurse that Alicia bought herself a hairdryer and washed and styled hair from her hostel room. ‘I have always loved seeing women look their best.’ The professionally manicured businesswoman believes that looking good helps the self-esteem and self-confidence of an individual and this is what feeds her passion for running her own beauty business.

As one of NEDCO’s first clients, Alicia benefited from both financial support and training in all matters concerned with running her business. She had no previous experience of managing a business so the advice and training provided by NEDCO was a crucial factor in the success of her business.

‘I would not be running a business with four hairdressing stations, three nail stations, a massage room and a Jacuzzi and spa room if it had not been for the support and encouragement offered by NEDCO,’ she said.

(22 marks, 30 minutes)

1 Make a list of the costs that Alicia has to pay for in running her business. Divide these up into fixed costs (those that do not vary with the number of customers) and variable costs (those that vary with each customer). (8)

2 Explain why it is often important for entrepreneurs such as Alicia to receive financial support when setting up a new business. (6)

3 Why is it important for an organisation such as NEDCO to offer advice and encouragement as well as financial support to new entrepreneurs? (8)

**The Ministry of Community Development**

Amongst the many aims of this ministry are the objectives of:

- Provide training courses for women that will enable them to gain new skills that could be used to develop small businesses.
- Establish and develop community-based industrial cottages where new businesses can be established.
- Encourage and promote the development of micro-enterprise business initiatives at the community level.

**Micro enterprise loan facility**

This scheme is managed by the Ministry of Social Development. It offers assistance to under-privileged persons who wish to establish a micro-business but are unable to do so due to limited financial resources. This service is administered by community-based organisations in a professional, personalised and supportive environment. People applying for this facility are offered assistance in business plan development as well as training in entrepreneurial skills. A maximum loan of TTD$10,000 is available.
Micro-enterprise and training grant
The micro-enterprise and training grant is offered to needy persons who are interested in undertaking a small business venture or skills training. This grant is intended to assist in empowering and transforming the lives of citizens of Trinidad and Tobago, allowing a greater level of self-sufficiency and financial independence. An officer of the Ministry of Social Development works closely with the people who receive the grants to help ensure the success of the business. The maximum grant allowed is TT$5000.

The Small Business Development Company (SBDC)
This is one of the main agencies used by the government to stimulate the micro- and small business sector. The SBDC does not provide finance directly. It acts as a guarantor for loans granted to entrepreneurs by participating financial institutions such as FundAid and the Agricultural Development Bank (see below). Under this plan the entrepreneur has to prepare a detailed business plan and submit this to one of the participating lenders. If the plan is accepted by the lender, it approves the loan and sends the relevant documents to SBDC requesting a guarantee as part of the collateral for the loan.

SBDC also gives business advice and training and technical assistance. It operates a mentoring programme whereby new entrepreneurs can keep in contact with experienced professionals and business persons. It also houses the National Business Information Centre.

Agricultural Development Bank of Trinidad and Tobago
This bank is controlled by the government. It was established to encourage and foster the development of the agriculture, forestry and fishing industries. It provides loans and credit to farmer entrepreneurs for investment in cropping, livestock and agro-processing. Individuals in these related industries can receive business advice, business management training, technical skills programmes and assistance with drawing up business plans. There is a special loan programme for young people hoping to set up an enterprise in agriculture.

Non-governmental agencies and programmes
Venture capital companies
These are specialist private sector organisations that seek to make investments in small businesses. They are prepared to accept considerable risk in exchange for a share of the new business. They can provide specialist and experienced management support to an entrepreneur whose business they decide to invest in.

The question that a new business owner has to answer is: 'Am I prepared to give up a share of my business in exchange for this venture capital?'

Business Development Company (BDC)
Although established by the Government of Trinidad and Tobago in 2002, this is now a limited company. Its vision is to be internationally recognised as the premier agency for business development in the Caribbean. The BDC conducts consultancies and training initiatives throughout the Caribbean region. It offers a Loan Guarantee programme to assist small enterprises in securing loans from lending agencies by providing part collateral. All types of businesses are eligible for the Loan Guarantee Programme including franchises, cooperatives and limited liability companies.

The BDC also operates and administers the Approved Small Company Status scheme jointly with the Ministry of Trade and Industry. The benefit to a business of being registered as a small company would be the substantial reductions in Corporation Tax on profits that this would give. To qualify for this status certain criteria must be met. The most important ones being:
- The business must be locally owned and controlled.
- It has at least five permanent employees.
- It has the potential to create other jobs.
- It makes maximum use of locally produced raw materials.

Youth Business Trinidad Tobago
Youth Business Trinidad and Tobago (YBTT) commenced operating in 2000. Its main purpose is to provide micro-credit (small loans) to young entrepreneurs.

Quotation: Ann Marie Padilla, Entrepreneur, Regal Touch: 'Without YBTT I would not own a business today. YBTT's support has been much more than funding. The advice through their mentoring, guidance,
and training has revolutionised my approach to doing business’. (YBTT).

**FundAid – Trinidad and Tobago Development Foundation Ltd.**

This helps micro-enterprises graduate into small and medium sized businesses. It assists clients in applying for loans and credit arrangements. It provides loans, training and technical assistance to low-income groups building their own businesses. It tries to ensure that the projects in which it invests develop into successful enterprises.

Its main activities are:

- Providing loans ranging from TT$500 to TT$30000 to enable grass roots entrepreneurs to start up or expand their businesses. Instead of asking for assets as collateral for these loans, an often impossible request for the poorest groups in society, FundAid requires three guarantors from the entrepreneur. These are people with confidence in the project and who are prepared to guarantee the loan.
- Conducting training courses and workshops in marketing, cash management, business planning and record keeping.
- Making site visits to provide for technical assistance to ensure the success of a micro-enterprise.
- Providing affordable accounting services to micro-entrepreneurs.

**Cooperative Credit Union League of Trinidad and Tobago**

This League provides small business management training to credit union members to enhance their ability to provide appropriate credit facilities for small and micro-entrepreneurs.

**Credit Unions**

Trinidad and Tobago has many credit unions. Historically, most loans were for consumption purposes but this is changing. For example, the Eastern Credit Union, one of the largest in the country, started lending for productive purposes in around 1995. A growing proportion of its loans are now for micro- and small businesses. The loans are only available to members of the credit union and on an individual basis. This means that partnerships and limited companies cannot access loans.

This Eastern Credit Union has concluded an agreement with the SBDC. The credit union acts as a provider of business training courses organised by SBDC and it organises craft markets for micro- and small businesses.

**Womens World Banking of Trinidad and Tobago (WWB-TT)**

This is an affiliate of Womens World banking, a global non-profit making organisation. It both guarantees loans to women entrepreneurs from other institutions as well as providing loans up to TT$ 5000 itself. It offers training and advisory services to women who wish to set up their own business.

Its overall mission is to: ‘Promote entrepreneurship amongst women by providing timely and relevant financial and other professional services through the operation of loans, technical and other assistance programmes.’

**Financial Institutions**

Most of these have been identified and their missions explained in the section above. The other main source of finance to micro- and small business in Trinidad and Tobago is from the commercial banking sector. There are many of these in the republic and they are competing with each other for new business. However, in general, an entrepreneur may have problems accessing loans and other financial support from commercial banks, which are profit-oriented businesses. With the failure rate of new businesses being so high, the risk of losing shareholders’ money by investing in new start-up ventures makes it very difficult for entrepreneurs to convince bank managers to lend capital.

Most commercial banks are reluctant to finance new business start-ups unless there are very clear signs of potential business success. A bank manager will want clear evidence of the following factors before agreeing to finance a business start-up:

- relevant business or management experience of the entrepreneur(s),
- well produced and supported business plan,
• an original idea for a product or service that has clear market potential,
• entrepreneur's own capital to be invested in the business — the bank will not be prepared to finance 100% of the operation.

**Types of assistance offered to small businesses**

**Financial**
The sources of finance offered to small businesses in Trinidad and Tobago have been explained in the previous section. This financial assistance can be in the form of:

• **Venture capital** — risk capital invested by private investors, usually in exchange for a share in the business venture.
• **Start-up loans for long-term investment** — for example, to purchase essential equipment for the new business.
• **Working capital finance** — to finance day-to-day financial needs such as stock holding.
• **Debtor factoring** — to buy the debtor invoices of a small business so that short-term cash flow is improved.
• **Loan guarantees** — especially important for entrepreneurs with little capital or few assets of their own.

• Stock-handling techniques.
This technical assistance can be provided by the agencies referred to above, management consultants specialising in certain areas and vocational courses offered by colleges such as San Fernando Technical Institute and the John Donaldson Technical Institute. In addition, assistance might be available from the Small Business Association of Tobago and specialist business related organisations such as:

• Pharmacy Society.
• Hairdressers Association.
• Association of Craft Entrepreneurs.
• Mango Processors Association.

There are many others in the republic.

**Technical**
Entrepreneurs often need technical support to run their business successfully. This can be defined as any advice that is given to improve the operational efficiency of the business. So, the areas of legal issues, taxation affairs and accounting methods are covered by education and training.

Examples of the kind of technical assistance needed include:

• Operating technical equipment such as computer-controlled machines or specialist agricultural equipment.
• Setting up a computer system.
• Energy usage and conservation.
• Complying with pollution and other environmental controls.

**Education and training**
The agencies that offer training courses for entrepreneurs and small business owners were explained in the previous section. These include training in developing and presenting a business plan, marketing and promoting a small business, legal issues such as Employment Law for small firms and how to keep accurate accounting records. Education in Business Management to diploma and degree level is provided by the Universities and Higher Education Institutes of the Caribbean region.

NEDCO has established its Entrepreneurial Training Institute and Incubation Centres (ETIC) to provide specialised knowledge and advisory services in all areas of entrepreneurship and SME development such as legal, tax and financial affairs.