



Ministry of Industry, Commerce, Agriculture and Fisheries

Hon Audley Shaw, CD, MP

Minister of Industry, Commerce, Agriculture and Fisheries

Caribbean MicroFinance Alliance

Forum 2018

Hyatt Ziva, Montego Bay

Thursday, October 11, 2018

9:30 a.m.

Salutations:

- ✓ Cletus Joseph, Chairman of the Board - Caribbean MicroFinance Alliance
- ✓ Lisa Harding, Coordinator - Micro, Small and Medium Enterprise Development, Caribbean Development Bank
- ✓ Other Specially invited Guests
- ✓ Members of the Media
- ✓ Ladies and gentlemen

Good morning.

It is a pleasure to share with you today at such an important event: the ***Caribbean MicroFinance Alliance Forum*** under the theme: ***'Taking Microfinance to the Next Level.'***

The importance of viable and accessible sources of financing to promote the financial growth of our Micro, Small and Medium Sized (MSMEs) players is not lacking in debate nor is this importance toward enabling independence and financial inclusion lost on us, as government.

Several studies indicate that access to finance is a major contributing factor to the success of start-ups, their growth and expansion, indeed their entire lifecycle. Increased access to financing is crucial for MSMEs especially toward supporting their technological enhancement and innovation that will see their integration into value chains.

A vibrant, responsive, safe and accessible micro-financing sector is key to alleviating this problem, putting the wherewithal in the hands of our people to be able to lift their social and economic circumstances.

The micro credit sector has, therefore, played and continues to play a vital role in the delivery of financial services to many Jamaican

entrepreneurs as well as the average Jamaican who has difficulty obtaining credit through conventional services

Microcredit, ladies and gentlemen, allows borrowers who typically lack collateral, stable employment and verifiable credit history to access very small loans to drive their entrepreneurial pursuits, alleviate poverty, and ***serves as a special purpose financing vehicle for those at the bottom of the economic pyramid.***

Microfinancing is a key strategy in helping persons plagued by poverty to become financially independent allowing them to better provide for their families. The value of this very important funding source, therefore, cannot be overstated, especially in developing countries like Jamaica.

The Local Landscape:

For Jamaica, our microfinancing landscape is powered by wholesale lenders such as the: Development Bank of Jamaica (DBJ), the Micro Investment Development Agency (MIDA), and other funding institutions. At the retail level, it is estimated that some 200 entities exist.

In-house data, through my ministry, the Ministry of Industry, Commerce, Agriculture and Fisheries (MICAF), suggest that the DBJ has exponentially increased lending to the microfinancing portfolio, with over \$2 billion disbursed during the fiscal year 2017/2018.

MIDA, with a smaller pool of funds, has been able to impact the micro financing sector with over \$3.61 billion in loans issued since its inception in 1992.

The Microcredit Bill:

As government, we recognize that regulation is important in promoting a responsible and sustainable microfinancing industry that will provide market demand products and services. To this end, the Government of Jamaica has been working on the Micro Credit Bill to regulate micro financiers and protect their customers. This Bill will repeal the Moneylending Act. The Microcredit Bill is being promulgated and is undergoing the final stages of preparation at the Chief Parliamentary Counsel, prior to submission to Parliament.

The new legislation is intended to make registration mandatory, establish qualifying criteria for registration, and create a Regulatory Authority to govern business standards and practices for the sector.

The Bill will also incorporate new provisions to promote full disclosure of all rates, fees and charges on principal debt, recognizing that transparency is the hallmark of all financial business activity.

Client Protection Practices in the Microfinance Sector:

We also recognize that within the microfinancing space, some of the most critical thematic areas include Client Protection, Financial Inclusion and Capacity Building. ***It is therefore essential that the sector adopts proper client protection practices, ethical standards and transparency in its institutional culture and its operation.***

I, therefore, want to use this opportunity to encourage *our micro lenders to ensure your products are not exploitative with ridiculous interest rates that, instead of lifting our entrepreneurs, pushes them into an abyss of unproductivity and perpetual borrowing.*

The end goal of microfinance should be to have its users outgrow these smaller loans, graduate and become ready for better and cheaper avenues of financing!

Culture of Informality:

Ladies and gentlemen, it is interesting to note that an estimated 2 billion working-age adults – more than half of the world’s total adult population – do not have an account at a formal financial institution.

While data in this regard for Jamaica is not available, our culture of informality and the compliance efforts of Tax Administration of Jamaica, make it clear that many entrepreneurs and individuals do all they can to remain below the radar.

What these people fail to understand is that by virtue of this informality, they not only lock themselves out of the market for proper financial services but also open themselves up to be taken advantage of!

With the microfinancing sector providing greater inclusion for the vulnerable, it is important for clients to be properly empowered to take advantage of and utilize the financial products available to them effectively, ***especially to limit the cycle of perpetual borrowing.***

Our 200 local microfinance entities must, therefore, craft products that can be utilized by individuals and our entrepreneurs to lift their standard of living while advancing the goals of financial inclusion, bringing them into the formal economy.

Synergies:

As government, we also recognize the importance of building the capacity of the operators in the space through training to ensure quality service delivery and an environment conducive to excellent customer service.

I am therefore pleased to report that the synergy between government and the two associations that represent the interests of the operators in the sector, JAMFA and JAMFIN, remains a key focus and one that we intend to build on. My ministry consults regularly with both entities in relation to policy formulation and development and is looking to deepen this synergy toward bolstering the sector.

Close:

Ladies and gentlemen, in closing, I want to once again commend the Caribbean MicroFinancing Alliance for organizing the space and time for deliberations toward the regional growth of the sector. There is no doubt that in recent years, the global money lending landscape has grown exponentially, with microcredit institutions offering services that have allowed for the financial empowerment of many and a multiplier effect that has no doubt redounded to global growth.

Once again, I thank the organizers for the cordial invitation and wish for you all, fruitful deliberations.

Thank you!