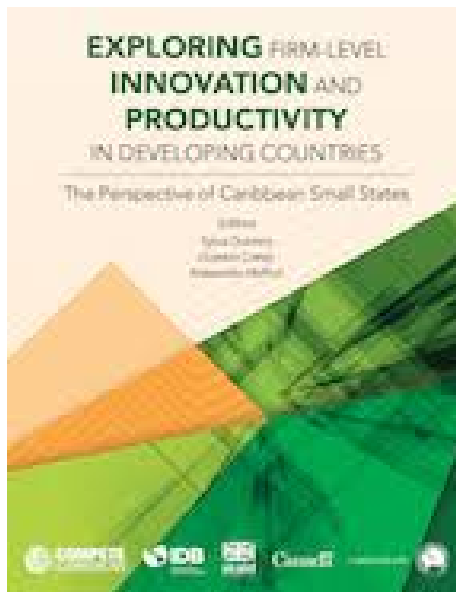


# Innovation and Access to Finance in the Caribbean: A Special Look at Suriname

Diego Morris

Round-table on Productivity, Suriname

August 30, 2017



- A large literature exists that suggests that **innovation drives productivity growth and development** (Aghion et al, 2013; Griffith et al., 2006; Bloom et al., 2010; Dabla-Norris et al., 2012; Hall, 2011).
- Similarly, there is a large literature in the developed world that **constrained access to finance limits innovation** (Stockdale, 2002; Savignac, 2006; Mohnen et al., 2008).
- What about the developing world? To the best of our knowledge, in this regard only two published studies exist (Ayyagari et al. 2012 & Alvarez and Crespi, 2015).

# Enterprise Survey 2010 & PROTEqIN 2014

	2010	2014	Total
Jamaica	376	242	618
Antigua and Barbuda	151	131	282
Bahamas	150	127	277
Belize	150	122	272
Barbados	150	123	273
Dominica	150	126	276
Grenada	153	129	282
Guyana	165	120	285
St Kitts and Nevis	150	125	275
St Lucia	150	128	278
St Vincent and the Grenadines	154	133	287
<b>Suriname</b>	<b>152</b>	<b>120</b>	<b>272</b>
Trinidad and Tobago	370	340	710
Total	2,421	1,966	4,387

## **Innovation**

- 1,539 firms responded on process and product innovation activity.
- 26% undertook a product innovation and 18% undertook process innovation.
- 150 (10%) firms undertook both types of innovation in the same period.

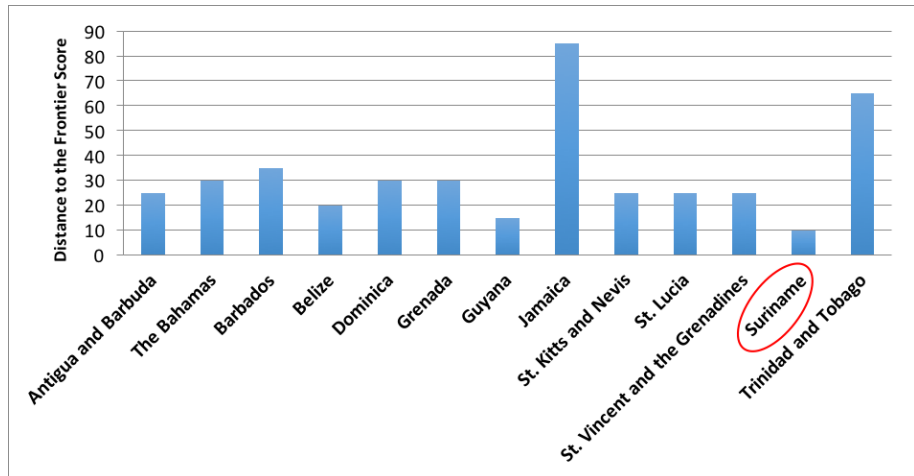
## **Access to Finance**

- 57% of the sample were credit constrained.
- 42% changed status (constrained in 2010 but not constrained in 2014 or vice versa).

- Financial constraints retard product innovation propensity by at least 10% and process innovation propensity by at least 17%.
- Increasing the proportion of skilled workers in a firm increases innovation propensity.
- Increased competition from informal firms reduces innovation propensity and intensity.
- Firms that use basic information communication technology (website, email) are more likely to innovate compared to other firms.

# Looking at Suriname

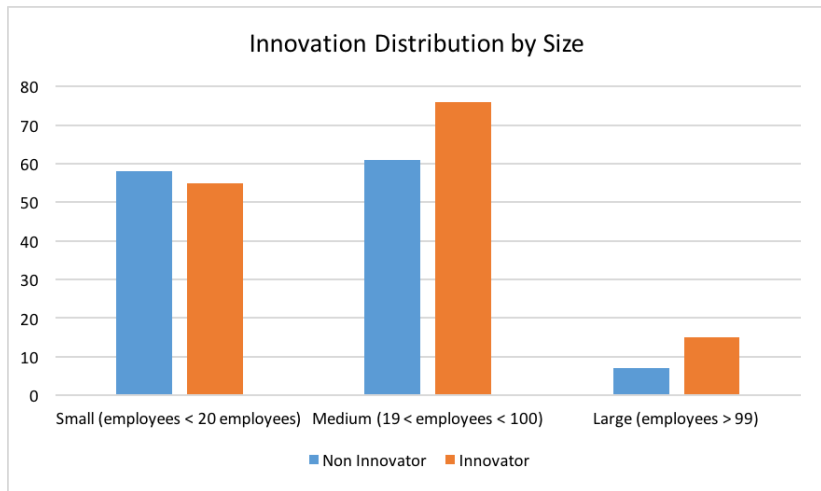
Distance to the Frontier Score for Getting Credit in Caribbean Economies



Source: 2017 Doing Business Report

# Looking at Suriname Cont'd

Which types of firms are innovating?



Source: Enterprise Survey 2010 & PROTEqIN 2014



## Which firms apply and get external funding?

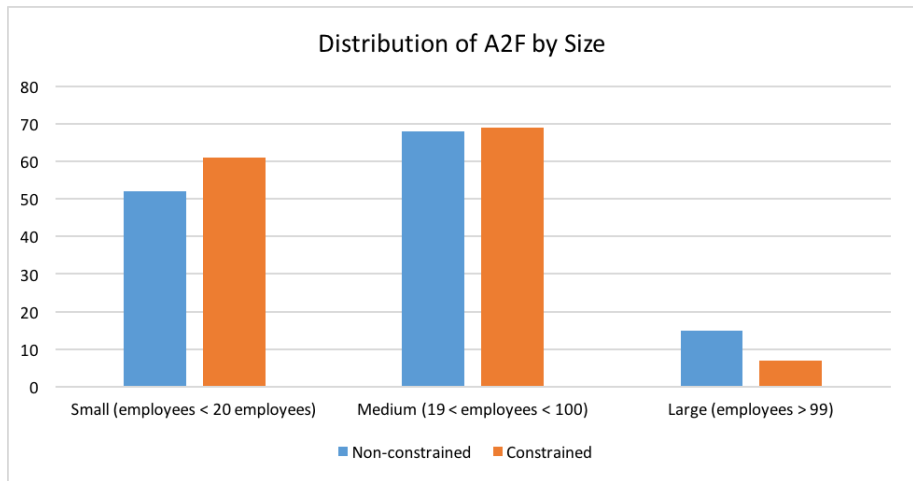
- Large, older LLCs with audit records and above median management experience apply and get more external financing than other categories.
- Young medium sized firms apply but have a lower success rate compared to other firms.
- Capital intensive sectors such as manufacturing, transport, construction apply more than other sectors (success rate about 50%).

## Which firms are discouraged?

- Micro and small young firms.
- Sole proprietorships with under the median management experience.
- Female led firms.
- Firms with no fixed assets (collateral requirement above 150%).

# Looking at Suriname Cont'd

Which types of firms are credit constrained?



Source: Enterprise Survey 2010 & PROTEqIN 2014

- Advance secure transaction reforms.
- Strengthen accounting and auditing rules and standards.
- Consider supporting alternative financing mechanisms such as FinTech alternatives: Mobile payments; peer-to-peer lending;

Reconsider the overall framework to support SME access to finance. For instance:

- can more be done regarding the provision of Government loan guarantees and direct credit by state-owned banks?
- are tax incentives to provide capital to SMEs available/adequate/appropriate?
- are there initiatives to facilitate direct underwriting of alternative lenders (e.g. insurance companies, asset managers)?

Reconsider providing targeted BDS support for SMEs (key areas: financial management, business plan preparation, loan proposals).

**Thank you!**