

The Impact of Small Business Enterprises on the Economy of Trinidad & Tobago

AUTHORS **THERESE BAPTISTE-CORNELIS**

Lecturer- Department of Management Studies (DMS), FSS, UWI; St. Augustine

Therese.Baptiste-Cornelis@sta.uwi.edu

WENDELL LONG

Graduate Student- Faculty of Social Sciences, UWI; St. Augustine

wendell.long@dec.uwi.edu

KEYWORDS *Entrepreneurship, Macroeconomic variables, Economic diversification, Trinidad & Tobago*

ABSTRACT

There appears to be growing consensus that Small Business Enterprises (*SBEs*) exert a major influence on the economy of Trinidad and Tobago. This study investigated how and to what extent small businesses influenced macroeconomic variables such as employment, growth and productivity in the important sectors of manufacturing and services. The paper used a methodology that traverses the reader through a combination of various literatures, and theories coupled with relevant statistics on small business. This process is aimed at accessing *SBEs'* impact on the Trinidad & Tobago's non-petroleum economy, especially as it relates to economic diversification. Although, there exists significant room for both improvement and expansion of these entities - especially in light of the country's dependence on hydro-carbons – *this study provides collaborating evidence that small business enterprises perform an essential role in the future of Trinidad and Tobago's economy.*

1. INTRODUCTION

1.1 Definition

Generally, a small business is one that is independently owned and operated and not dominant in its field of operation. Criteria such as sales volume and the number of employees in the firm are also used in assessing the size of businesses. In Trinidad and Tobago the size of the business' asset base is a major determinant. Thus the value of a firm's non-property assets such as: machinery, equipment and working capital (excluding land and building) must fall between \$100 000 and \$1.5 million to be considered small. However, due to difficulties in gathering data with respect to the non-property assets of small businesses, attributable in part to (a) a lack of standardised accounting methods, (b) inconsistencies in valuation/costing as well as (c) the unavailability of data from the Central Statistical Office (CSO); non-property assets was not used to classify small business for this paper. Instead, the number of employees will be used to define small business herein though it is acknowledged that this is not the best determinant. Nevertheless, attempts will be made to minimise the unreliability associated with this determinant of business size by reducing the focus on industries and sectors that are very capital intensive and by nature have very high asset bases and sale revenues. Table 1.1.1 below, gives CSO's definitions of micro, small and medium enterprises (MSME) under different categories.

Table 1.1.1: Parameters & Conditions for Defining Micro, Small & Medium Sized Enterprises

Type	Conditions	Employees	Assets	sales
Micro-Enterprises	Owner-managed	1-5	<\$250 000	<\$250 000
Small-Enterprises	Owner-managed	6-25	\$250 000-\$1 500 000 (excluding real estate)	\$250 000-\$5 000 000
Medium-enterprises		26-50	\$1 500 000-\$5 000 000	\$5 000 000 -\$10 000000

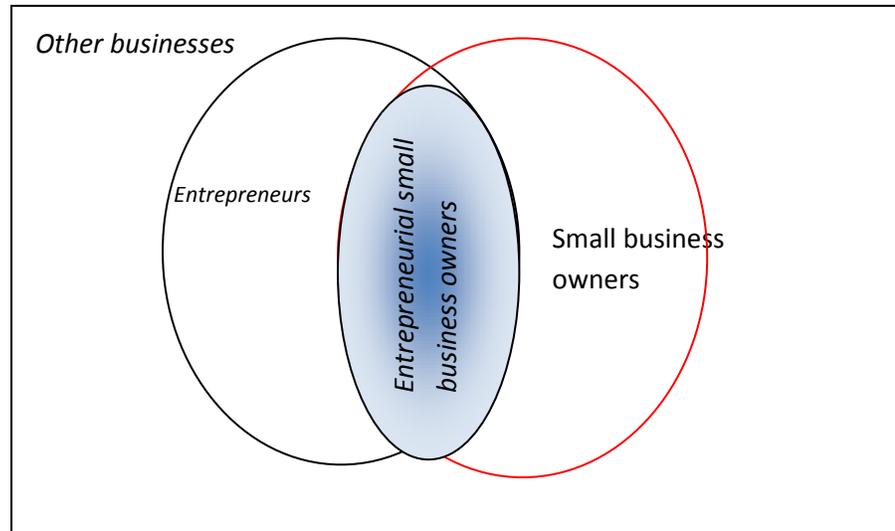
Source: CSO MSME Classification

1.2 A Distinction Between Small Business Owners And Entrepreneurs

Small business owners are not dominant in their field, and usually do not engage in many new or innovative practices. They may never grow large, and the owner may prefer a more stable and less aggressive approach to running the business. Since small firms include those purchased as ongoing business as well as franchises, small business owners can be viewed as managers of small businesses. *Figure 1.2.1 shows that a small business owner by definition can be different from entrepreneur.*

On the other hand entrepreneurial ventures, according to Hodgets & Kuratko (2002), are those for which the entrepreneur's principal objectives are profitability and growth. Entrepreneurs and their financial backers are usually seeking rapid growth and immediate profits. They even may seek a sell-out of their business with large capital gains.

FIGURE 1.2.1 : An Entrepreneur can be in union with a Small Business Owner; however not all small business owners are entrepreneurs and vice versa.



Thus, entrepreneurs may be viewed as having a different perspective from small business owners in the actual development of their firm. Therefore, Richard Daft (2000) and many other authors defines entrepreneurship, in the traditional way, as the process of initiating a business venture, organising the necessary resources, and assuming the associated risk and reward. Venkataraman (1997) argued that entrepreneurship involves two phenomena: 1) the presence of profitable opportunities and 2) the presence of enterprising individuals.

Traditional trait analysis (see Appendix A) has only focused on the individual characteristics and neglects analysis of the opportunity. A more comprehensive approach is that he or she recognises a viable idea for a business product or service and has the personality to carry it out. This means finding and assembling necessary resources - money, people, machinery, location etc. to undertake the business venture. They assume the financial and legal risk of ownership and receive the business' profits.

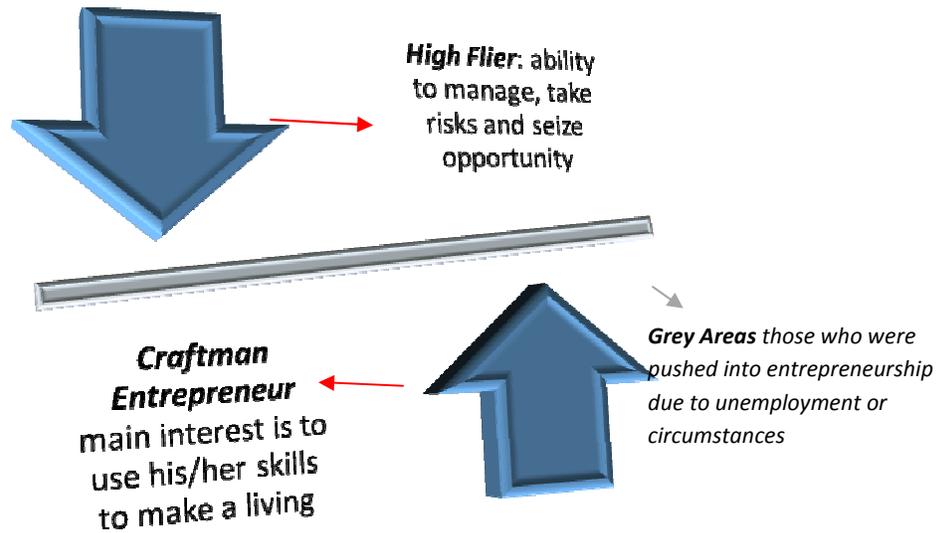
1.3 The Special Role Of Entrepreneurial Small Businesses

When conservative, risk adverse small business owners who defend and have a personal interest in his/her business are mixed with the risk loving highly creative and innovative entrepreneur, the resultant value added that will be unleashed by this combination is ideal for economic growth. Thus, the consequent birth of this entrepreneurial small business owner will continue to establish new businesses and ideas but with a personal, reinforced passion of wanting these ventures to be successful and persistent as opposed to just looking for an opportunity to sell them for an accelerated and large rate of return.

According to Nabarro et al. (2000) “evidence about the motivation of small firm entrepreneurs is mostly based on the recollection of those who have already been in business for a period and has all the dangers of post-hoc rationalisation.”

Figure 1.3.1 Characteristics of Entrepreneurial Small Firms

Adapted from Nabarro et al (2000). Local Enterprise and the Unemployed, p. 6

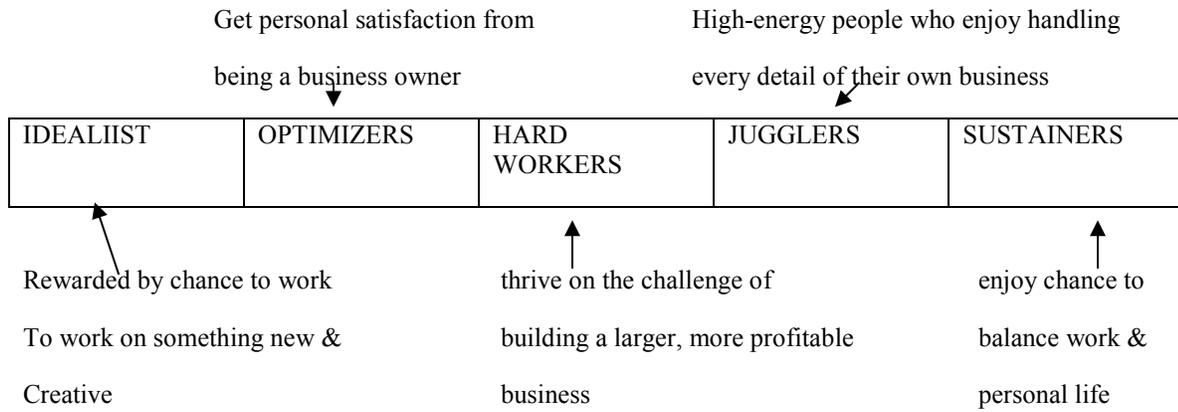


Thus Figure 1.3.1 above reveals the nature of entrepreneurial small business owners. Nabarro et.al. (2000) noted a distinction between high flier and craftsman, whereby the high flier can be the graduate entrepreneur who creates the growth firm – “the typical ‘seed bed’ of future medium/large size industry” (Nabarro et.al., 2000, p.6). The high flier is less dependant on “hands on” or technical ability than on managerial skills and risk taking. The craftsman entrepreneur normally has trade school/apprentice training. In between the two lies a grey area, which best describe most new firms. These firms began because of little alternative/low opportunity cost available to these entrepreneurs. Thus Chandra (2007) described the traditional and social business incubator models as providing start-up assistance for these ‘necessity’ type entrepreneurs.

1.4 Classification Of Five Types Of Small Business Owners

Successful small business owners have many different motivations as seen in Figure 1.4.1, and they measure rewards in different ways. For an illustration of small business owners and entrepreneurs successes and failure refer to Appendix: B.

Figure 1.4.1



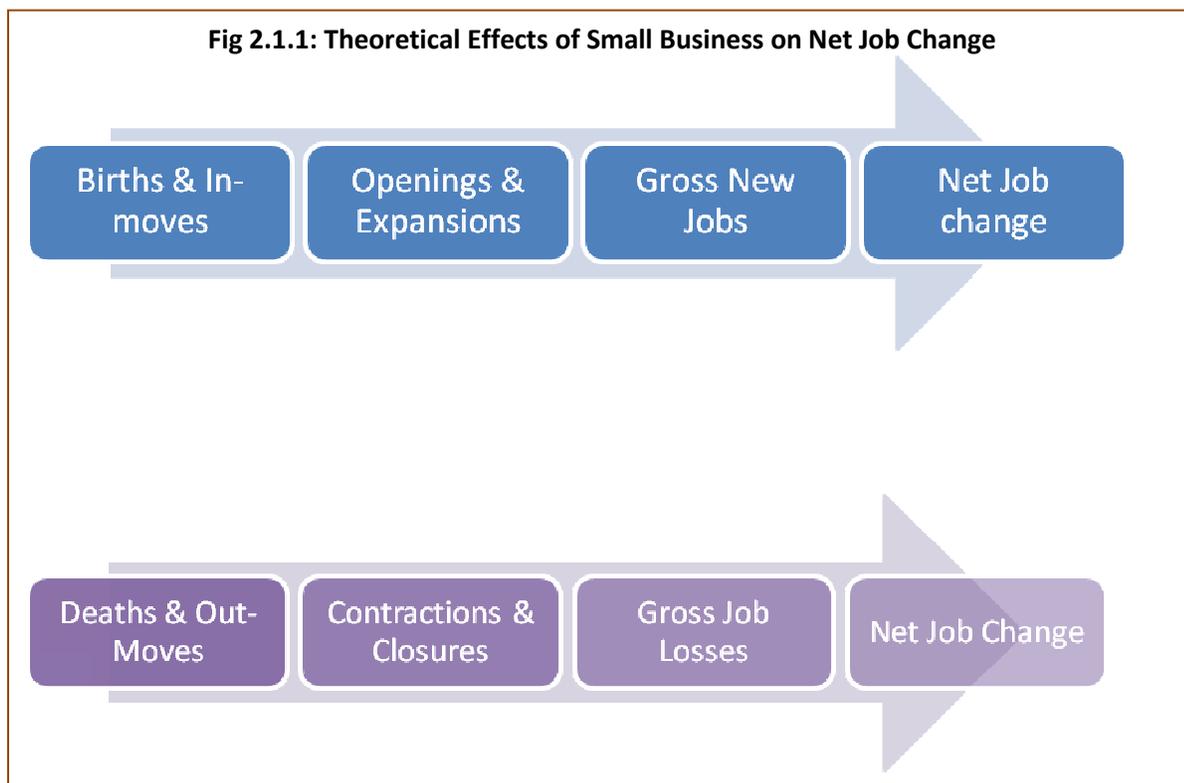
Adapted from Hodgets & Kuratko (2002)

2. IMPACT OF SMALL BUSINESSES ENTERPRISES (SBE) ON THE ECONOMY

2.1 Job Creation

It is important to realize that small businesses play a major role in Trinidad and Tobago's economy by providing both employment and goods and services. They also complement large businesses by doing what large firms either cannot or will not do.

Research in numerous literatures has found that small businesses create a large percentage of new jobs. Small firms tend to be more labour intensive rather than capital intensive. Jobs created by small businesses give Trinidad & Tobago an economic advantage over some other Caribbean countries especially, in the manufacturing and retail sector. In any economy jobs are being created via births and expansion of small businesses; conversely jobs are being lost through downsizing and closures of these small businesses. The net effect of these births and deaths can be somewhat volatile on the labour market. These changes can be illustrated in Figure 2.1.1 as follows:



Adapted from Hallberg (2000)

Thus, as can be ascertained in Figure 2.1.1 above, the net job change occasioned by small firms may not be so great. According to Hallberg (2000) although job creation rates are significantly higher than larger firms, so is its gross job destruction rates. Thus small firms experience high birth rates and death rates and may even fail to grow. Thus, these firms may offer less job security than their medium-large counterparts. However, it appears that *job destruction during recession is lower for small firms than in large enterprise, an example here is the withdrawal of Royal Bank of Canada Ltd.(RBC) from a country during recessionary times and its re-entry during booming times.* Small business owners, when compared to larger firms, are more ready to accept reduced remunerations and returns during a recession in order to prevent closure. **Thus, they appear to have greater wage flexibility.**

2.1.1 Employment practises

Small firms are more likely to employ less-skilled workers and individuals with no prior work experience. This employment practice benefits the economy in two ways.

Firstly, small firms employ workers who may have otherwise have difficulty securing jobs, thereby reducing the duration of transitional (frictional) unemployment among these individuals.

Secondly, the employment of these workers raises their productivity by giving them on-the-job training and work experience.

2.1.2 High worker productivity

A small firm typically has less-diffused ownership, a less complex organisational structure and the owner is more likely to be directly involved in management. As a result owners and managers can more easily (and at less expense) observe and ensure the productivity of employees. Conversely, it can be argued that small firms have lower productivity than larger ones as reflected in the comparatively lower wages and fringe benefits offered by small business owners to their employees as compared to the larger firms. Also these firms are less likely to experience the cost savings associated with producing on a large scale vis-a-vis economies of scale.

2.1.3 Unemployment Reduction

Small business plays and has the potential to play an even greater role in unemployment reduction in Trinidad and Tobago. Short-term temporary job creation schemes such as Community Enhancement Partnership Employment Programme (CEPEP) and Unemployment Relief Programme (URP) are *woefully inadequate* in dealing with deep seeded and long term problems faced by the majority of the unemployed. Thus small business growth in the country is better suited to deal with both sustainable employment generation and long term growth initiatives than these temporary government job creation programmes.

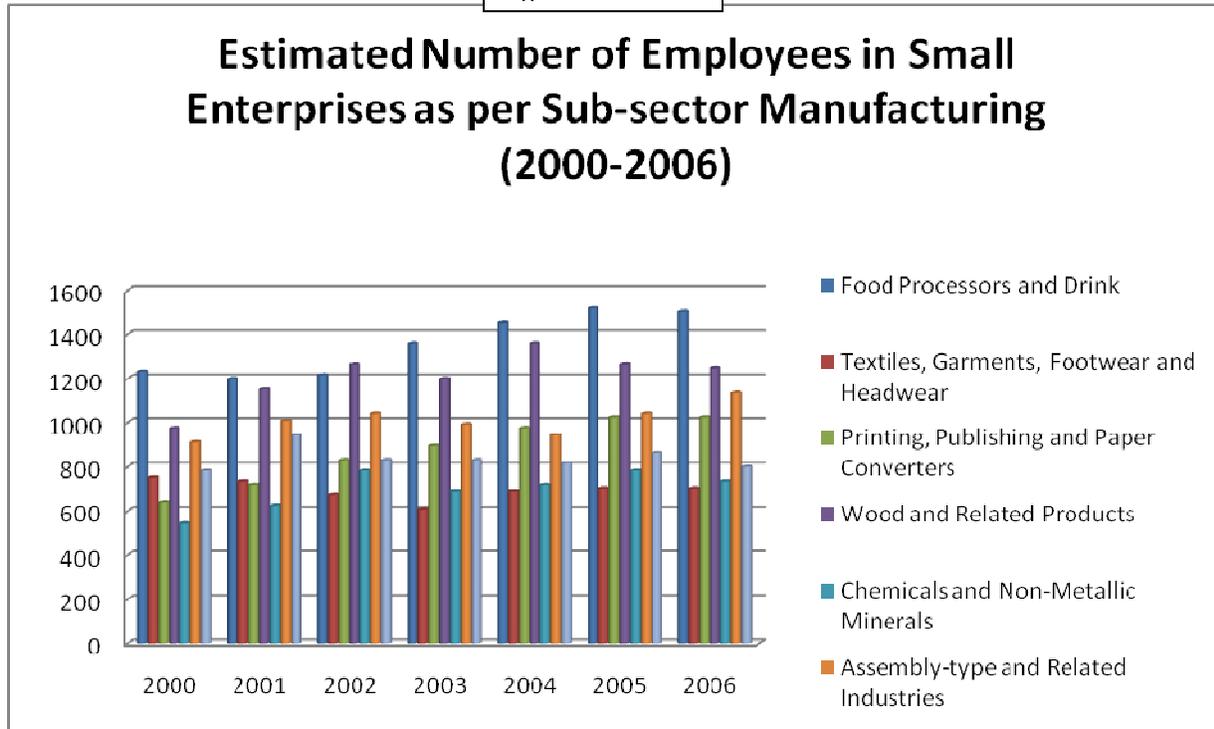
However, Nabarro et.al. (2000) cited two possible shortcomings of small firm policies as an instrument of unemployment management. “Firstly, the time span for any job creation is relatively long. Public works programmes, for example, would provide a quick boost to employment. Secondly small firm policies will do least to help the most depressed regions where demand is weakest, and where there is a historic dependence on large employers and less of a tradition of small scale entrepreneurship than in more prosperous regions” (Nabarro et. al.,2000, p. 20).

Additionally, government policies focused on subsidising small business development, such as, low interest loans and grants, may cause the deadweight effect and the displacement effect. The former refers to the cost to society of giving public funds to firms that would, in any case, undertake that activity. The displacement effect occurs whereby the subsidised new small business competes with and displaces unsubsidised existing entities.

Although it operates outside of the formal legal frame work and formal economic institutions, the small business in the informal sector – according to Tewartie (1998) – is a vital part of Caribbean economies, especially due to its mopping up of a large percentage of the unemployed.

2.1.4. Presentation & Analysis Of SBE Contribution To Employment In T&T

Figure 2.1.4.1



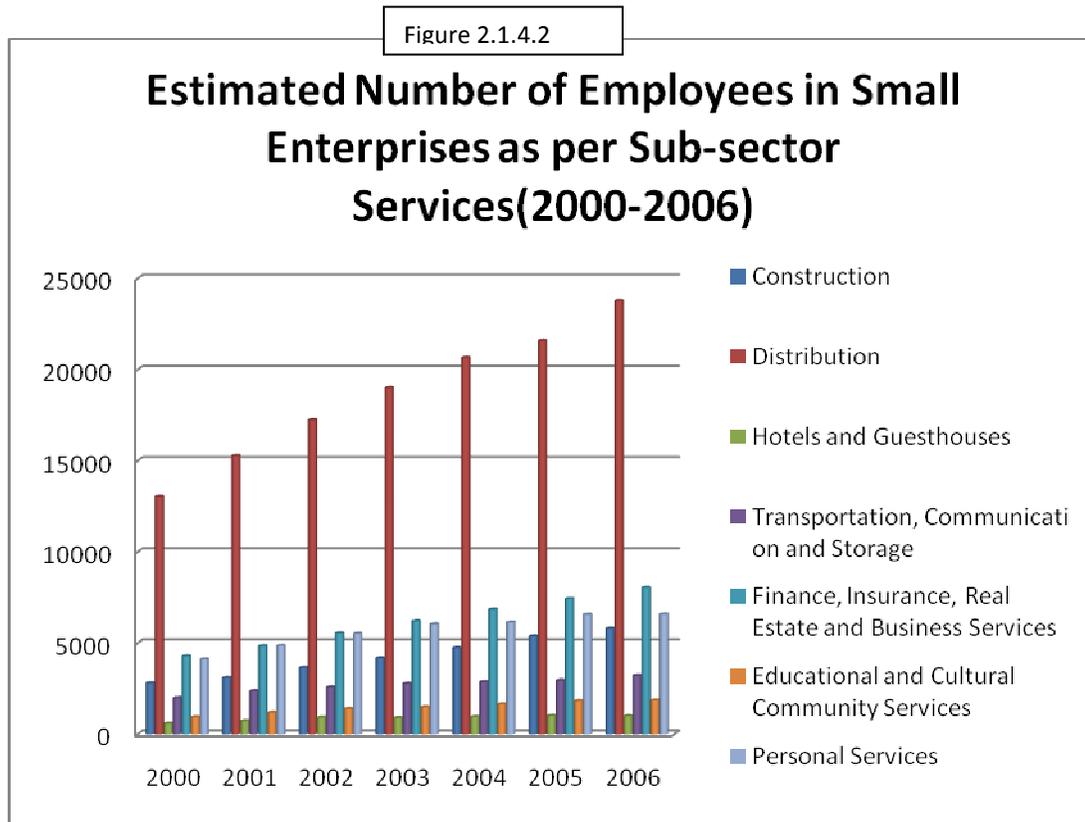
*Adapted from CSO's Business Surveys Establishment Register (27th March, 2008)*¹

The food processors and drink sub-sector (with approx. 1504 employees in 2006) followed by wood and related products are the leading small business contributors to manufacturing sector employment in Trinidad and Tobago for the period 2000-2006. This expected result can be explained by both the large number of SBEs in this sector and the great demand these industries exhibit for labour. Contributing least to employment generation in manufacturing, was the tech-heavy chemicals and non-metallic minerals industries as well as the declining textiles, garments, footwear and headwear subsectors.

The contribution to total employment by SBEs to the manufacturing sector increased from 5840 in 2000 to 7152 in 2006, representing an 18% increase over the period (see Figure 2.1.4.1 above). This increase occurred contrary to the decline in total number of employees in manufacturing (see other manufacturing in Appendix H & I) from 54 800 in 2002 to 58 400 in 2006. Thus this result emphasises the positive impact SBEs are having on the manufacturing sector of the economy in terms of employment generation whereas other larger firms in the sector appear to be demanding less workers. However, job cutting does not necessarily imply a decline or reduced efficiency/productivity of these larger firms because they may be substituting more capital for labour, especially in light of globalisation pressures expedited by trade liberalisation demands of maximum efficiency in order to be competitive. In terms of the services sector it is interesting to note the dominance of the distribution sector as a leading contributor to employment generation amongst both larger business (see Appendix H & I) as well as small

¹ The estimation methodology used was to apply the arithmetic mean to the CSO definition of small business i.e. those entities having between 6-25 employees. The resultant mean of 16 ($\bar{x} = (6 + 25)/2$) was multiplied by each sub-sector's total business to give the estimated employees figure for that sub sector. The tallying of each sub-sector give the total number of workers per manufacturing and services sectors

business - whereby from the period 2000-2006 the estimated number of jobs generated has consistently been over 13,000. Indeed the year 2006 saw an estimated 23 760 employees in sub-sector distribution, refer to Figure 2.1.4.2 below:



From Figure 2.1.4.2 above, it was revealed that traditionally labour intensive industries such as hotels and guesthouses as well as education and cultural community services appeared to be the lowest contributor to employment in the services sector over the period 2000-2006. This result may be due to the fact that these sub-sectors normally have employees in excess of the CSO's limit of 26.

2.2 GDP/Revenue/Value Added

Gross Domestic Product can be defined as the summation of value added of each sector of the local economy over a given period of time (refer to Appendix E & F for T&T's GDP values for the period 2000-2006). The concept of value added is very important in calculating GDP via the output method because of its avoidance of double counting. This method does not just look at absolute production but tallies the change in output occasioned by inputs of capital, labour and land at each stage of production.

SBEs are expected to make a significant contribution to GDP mainly because of their large numbers and income generation effects in the form of wages and salaries paid to workers as well as profits directed to entrepreneurs. Thus SBEs play a vital role in servicing localised markets.

Further, with reference to intermediate goods/value added, many small firms exist to serve particular demands as in the case of consumer goods for which considerable diversity of taste exists. Also, small firms are important suppliers of specialised intermediate goods, that is, goods used in the production of other goods. Thus of great importance is the SBE effects on the manufacturing sector as it relates to GDP contributions. Thus figure 2.2.1 and 2.2.2 represents the contribution of SMEs to sub-sector manufacturing GDP.

Fig.2.2.1

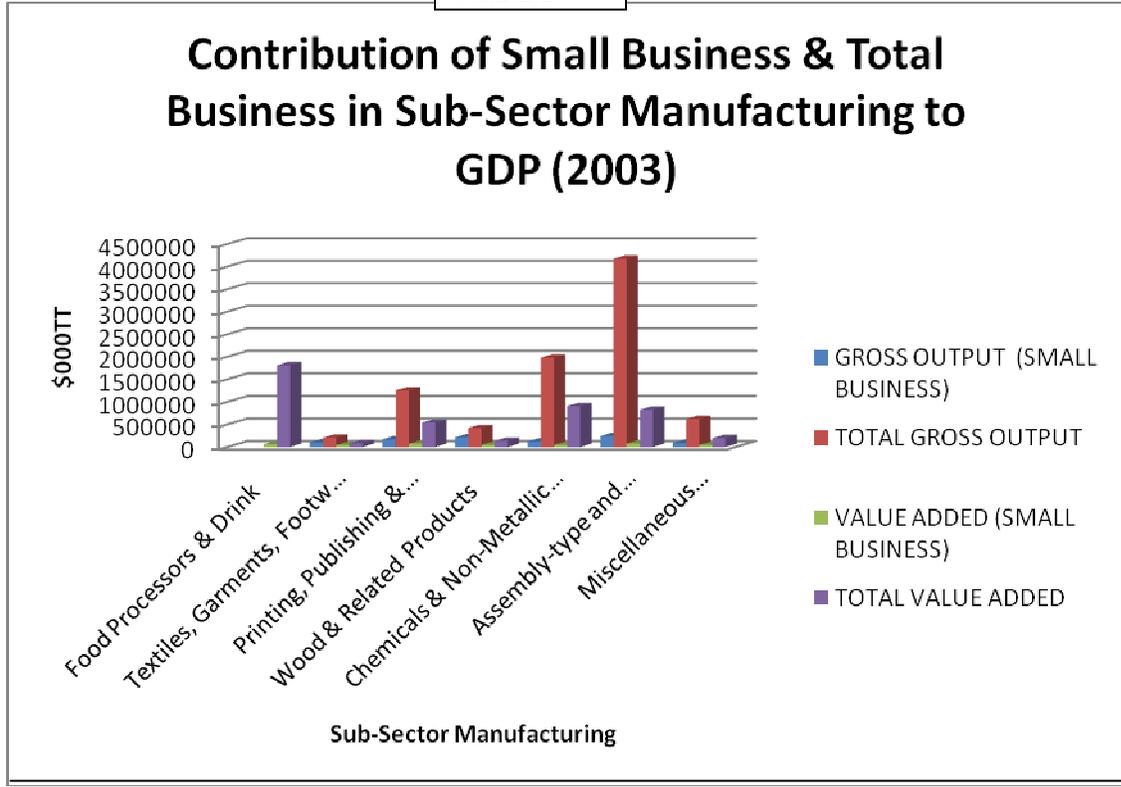
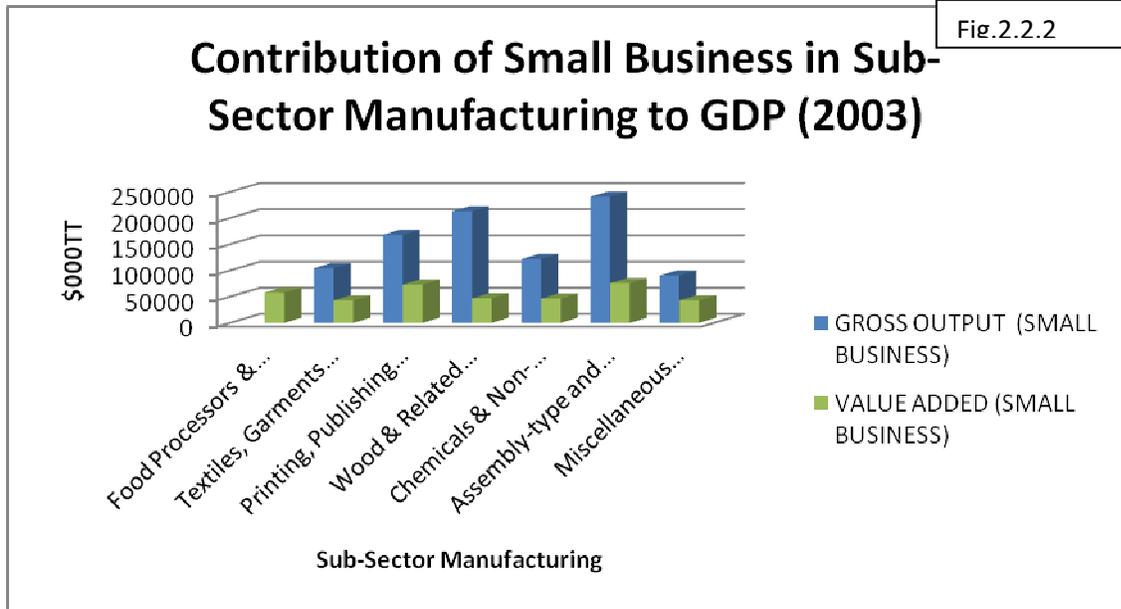


Fig.2.2.2

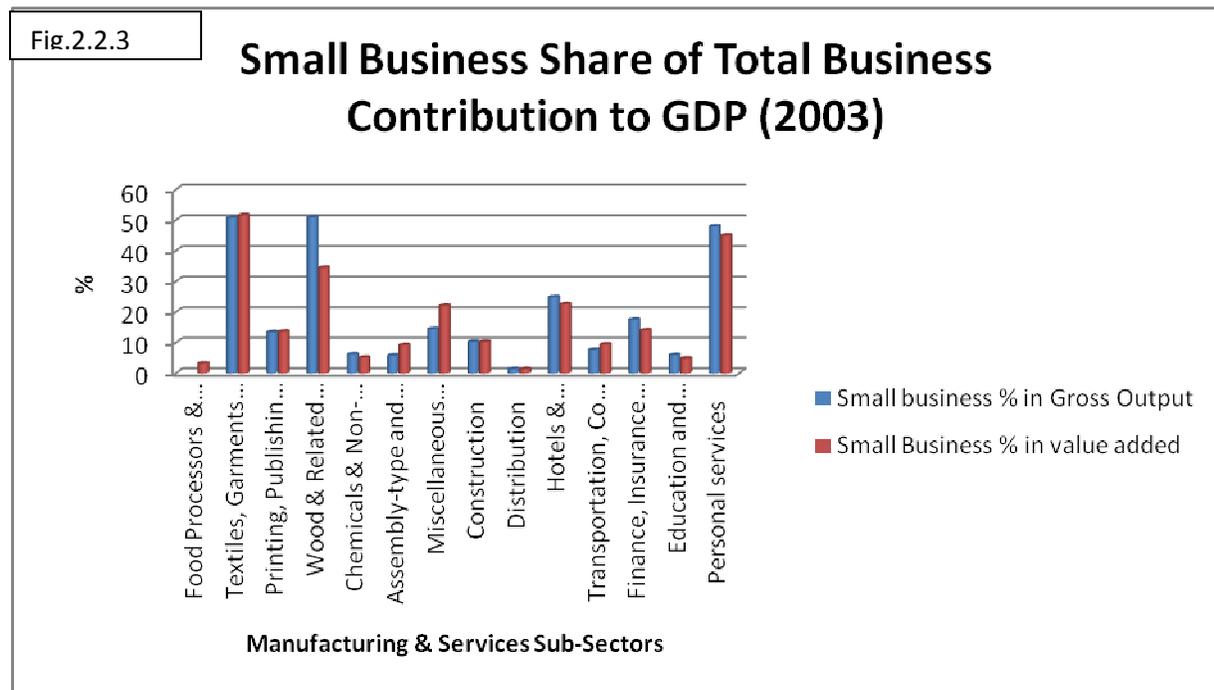


As can be seen in Figure 2.2.1 and 2.2.2 above, the leading contributor to gross output - that is aggregate sales /revenue made - and value added for the year 2003 was the assembly-type and related industries sub-sector, with about TT\$241 million in combined sales and a value added of \$TT 76 million . However, care must be taken in interpreting these figures, especially as it relates to economic impact, due to a possible error of overestimation. This error is realised because of the capital intensive or tech-heavy nature of this sub sector, whereby firms that qualify as SBE under CSO’s data used (6-25 employees) may not qualify under the assets size and sales categories.

Additionally, we may include in this assembly type and related industries sub-sector highly innovative products such as the steelpan and all of its recent variants manufactured by entrepreneurial small businesses. Although its impact on value added will be currently low and seasonal at best; great potential exists in this field with regards to exports, but the risk-taking drive of small business steelpan producers appears low although their innovative skills are high.

However, in terms of SBE share of total business contribution to manufacturing GDP in 2003, assembly type and related industries sub-sector was replaced by the labour oriented textiles, garments, footwear and headwear sub-sector with both total gross output and value added of about 50%. Approaching the 50 percentile mark, as seen in figure 2.2.3 below, was also the labour intensive industry of wood and related products. Thus government should consider providing greater incentives and assistance to businesses in these sub-sectors not only because of its high value added but also because of its possibilities for generating sustainable employment and diversification out of the hydrocarbons dependency. For example, the creation of innovative carnival costumes and accessories under the textiles, garments, footwear and headwear sub-sector has the potential for greater development and value added especially in the realm of exports as the Trinidad and Tobago model of carnival (parade of costumed bands, steelpan, calypso/soca...) has become global.

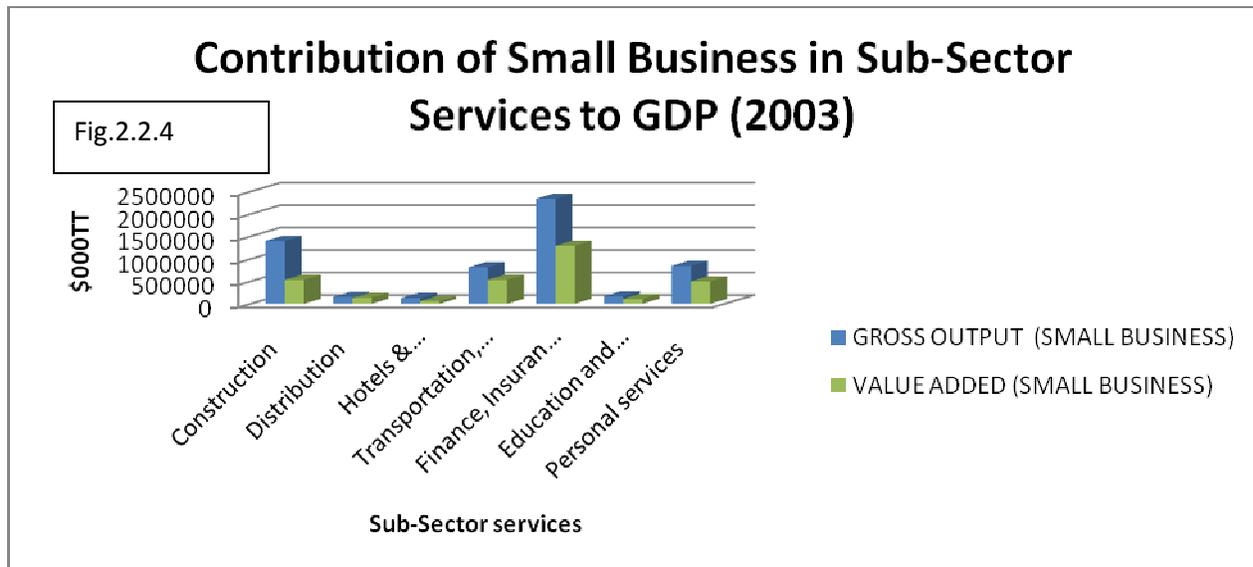
In terms of those entrepreneurial small business owners in the manufacturing sector, their full impact on GDP may be constrained by a lack of innovation. Indeed Lochan (2004) noted that *“technology, for the local manufacturing class is assumed to be a foreign good, exogenous to the society. Innovation in technology as an applied science to production is not part of the local culture. Standard practice for manufacturers is to choose some product for which the demand is significant and then proceed to access the technology through purchase, or by partnering with some foreign agent.”* Thus the full/potential value added of the manufacturing sector is not being realised by both small business and larger ones.



In respect to services, figure 2.2.3 above reveals that labour oriented sub-sector of personal services is leading in SBE share of total business contribution to GDP, by approaching 50% in both value added and total gross output. Coming in a distant second were hotels and guesthouses approaching 25%.

In relation to actual monetary contribution the finance, insurance, real estate and business sub- sector is leading in both total gross output (TT\$2.3billion) and value added categories (TT\$1.3 billion). However these figures may be

overstated. The nature of this type of service leads to high asset base and sales value especially in the sectors of real estate and insurance, which means that those firms that employ less than 26 people and pass off as a small business will fail under the specification of the other categories. In second place was the cyclical patterned construction sector with total gross output and value added of \$1.4 billion and \$534 million respectively for the year 2003. Activity in this sub-sector accelerated in times of economic recovery and boom (upswings in the business cycle) as was the case in T&T from 2002 to present. Thus, small business may be a very small player in the sector of construction when compared with larger establishments in percentage terms however in absolute terms they may be considered as making a valuable contribution to overall GDP. All the rankings are revealed below in figure 2.2.4:



Even though hotels and guesthouses sub-sector appears small, in figure 2.2.4 above, great opportunities exist for SBE to expand here especially in the field of bread and breakfast accommodations or guesthouses with potential to become larger businesses. The entrepreneurs in this sub-sector may create innovation packages fuelled by high visitor arrivals for carnival, Easter, and North Atlantic winter creating niches not easily filled by larger hotels. For example, as evident by the increasing demand for accommodation near to nature trails and sites in remote areas to cater for eco-tourist arrivals in Trinidad and Tobago. Thus, the expansion of this sub-sector is important for the expansion of the overall tourism industry and by implication non-petroleum GDP. Further, the festival of carnival creates further intangible value added and positively impacts on the educational and cultural community services sub-sectors via membership in community steelbands, involvement in costume creation (mass camps), all-inclusive carnival events.

2.3 Diversification, Linkages and foreign trade

Entrepreneurship offers opportunities for individuals who may feel blocked in established corporations. Therefore, small businesses play an important role in the introduction of new goods and services.

Figure 2.3.1 reveals that most small businesses are concentrated in the food, processing and drink sub-sectors as well as assembly type and related industries sub-sectors. This result is similar to the leading role these same sub-sectors played in their contribution to employment.

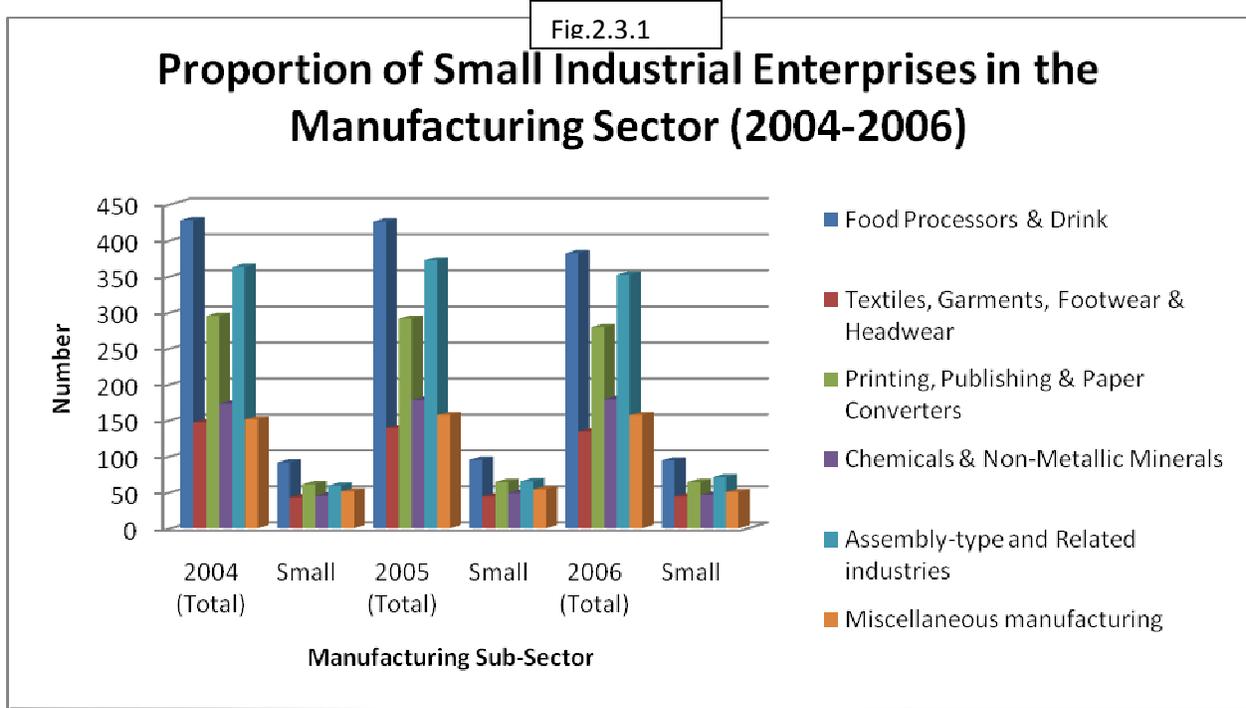
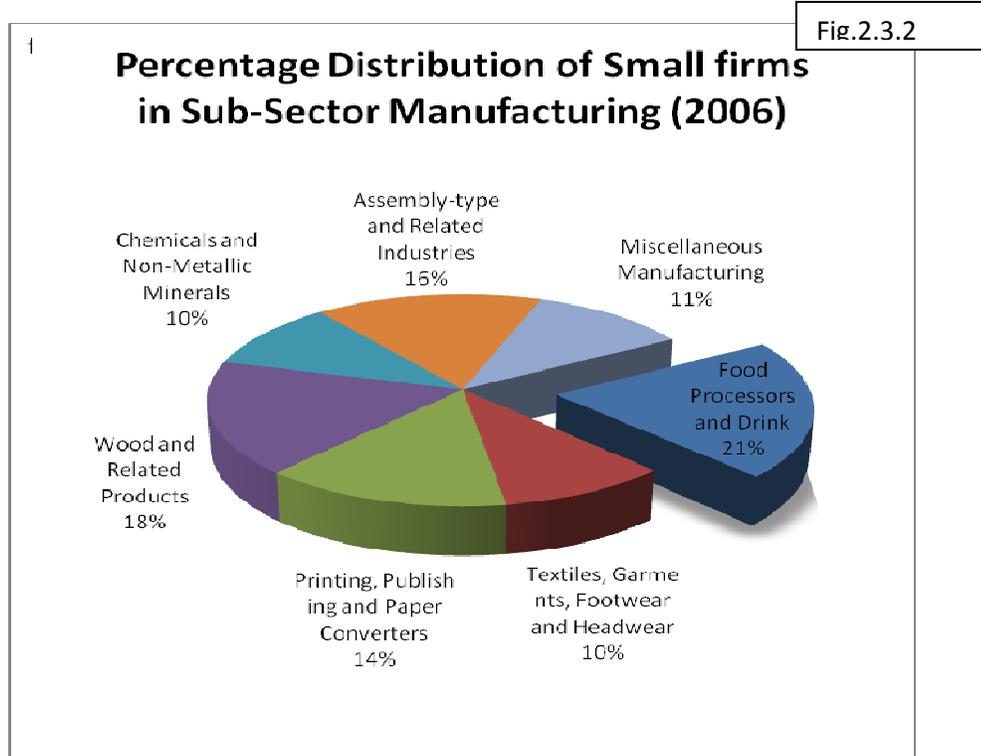
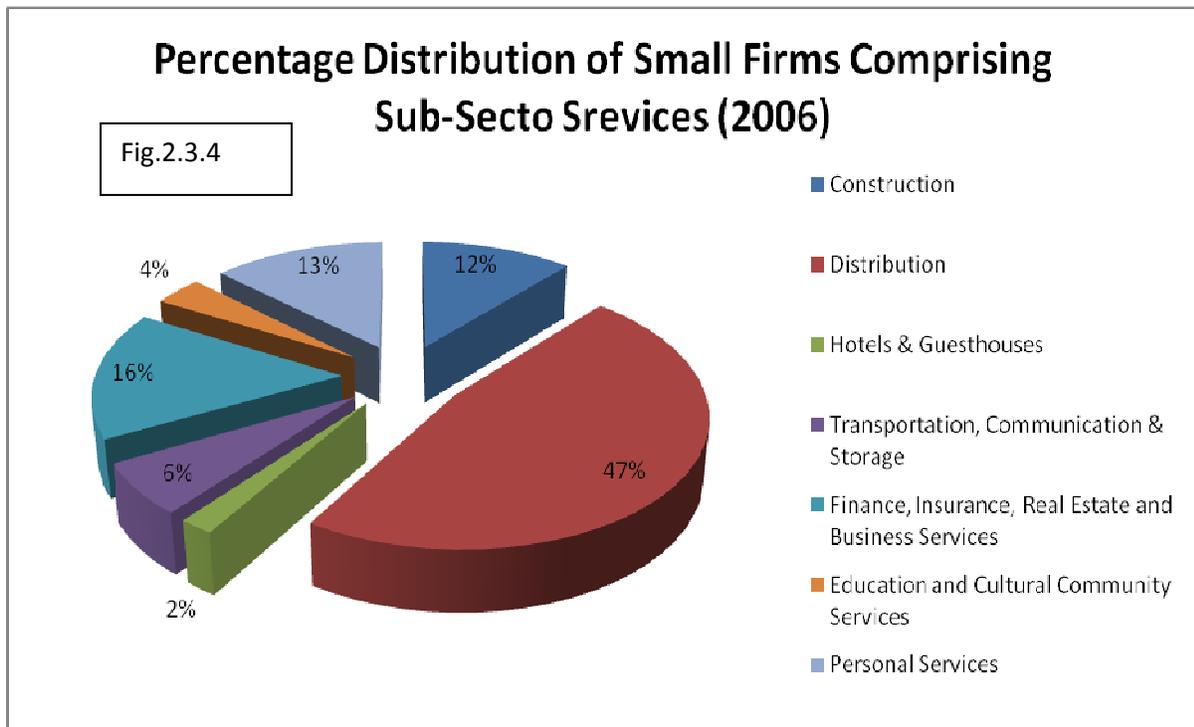
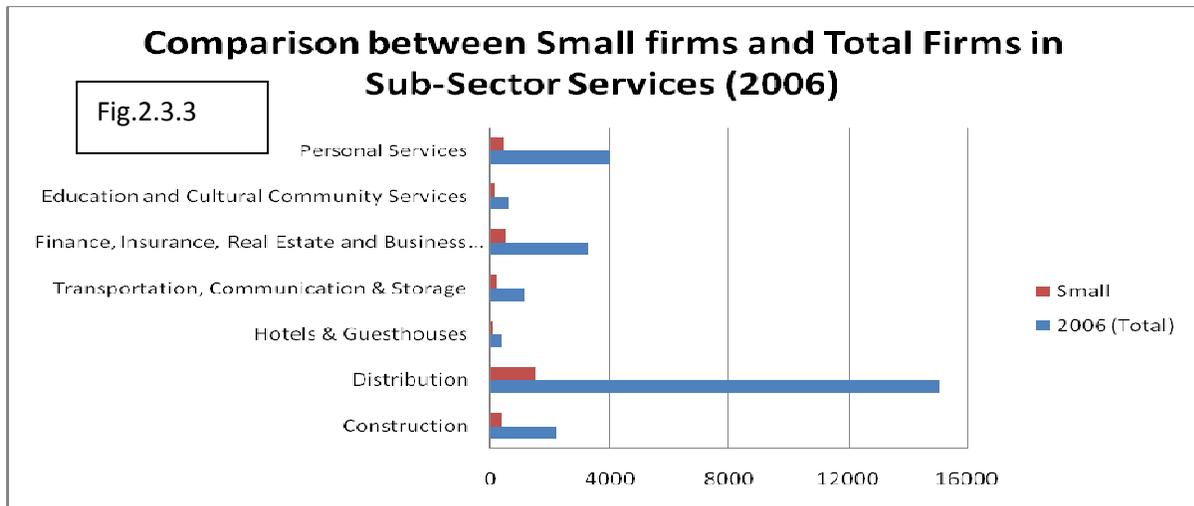


Figure 2.3.2 highlights the point that SBE greatly contributes to the diversification of the economy as can be seen via its almost even spread in manufacturing sub-sectors with food...having marginally more concentration of SBEs as revealed via the exploded slice in figure 2.3.2 (refer to Appendix C for the period 2000-2006).



In contrast to the manufacturing sector, figure 2.3.3 and 2.3.4 reveals an almost 50% concentration of SBEs in the import heavy distribution sub-sector. Thus it appears that SBEs do not contribute significantly to diversification within the services sector. Indeed the focus on distribution may imply that the full economic force of linkages and local value added may be dissipated by outflows of foreign currencies and income towards foreign suppliers and franchisors.

However, construction and personal services appears to have potential for further diversification with the proportion of SBE being 12% and 13% in these sub-sectors respectively, as seen in figure 2.3.4.



Opportunities for linkages can be implied from figure 2.3.4. Hence the large concentration of SBEs in the distribution sub sector may be, in part, in response to larger firms' unwillingness or insufficiency in importing or supplying certain demanded inputs. Thus the resultant pockets of gaps/niches are being plugged by entrepreneurial SBEs in this sub-sector in Trinidad & Tobago.

In surveying the manufacturing and service sub-sectors there appears to be great opportunities for linkages. According to Harris (2000) during the period 1970 to 1994 the local market was heavily protected. This encouraged increased competition among small businesses to maintain or increase their market share, thus resulting in little or no linkages between them. However, from the onset of the late 1980s we witnessed the opening up of the market to foreign competition as a result of structural adjustment. As a result, small firms found it necessary to form greater linkages. They reformulated themselves to focus on the now liberalised Caribbean export market. Some of the resultant linkages that added value to the economy were according to Harris (2000):

- ❖ *Joint purchasing of raw materials, especially in the food, drink and tobacco sub sector, where small firms are coming together to procure processing and packaging materials from external sources in bulk to realise cost savings.*
- ❖ *Joint promotion and marketing, particularly in the export markets, are being undertaken by small-scale enterprises mainly in food drink and tobacco as well as garments, footwear and headwear subsectors. The cooperation is being encouraged by the TTMA and TIDCO.*
- ❖ *Sharing of production facilities to produce competitive brands – is now becoming an accepted business practice in the cosmetics, metal working and wood working industries. “Spare capacities are now being utilized to produce competitor’s products thus increasing revenues and improving operating efficiency in the particular enterprise.” (Harris, 2000, p. 22)*

The general openness of Trinidad and Tobago foreign trade market can provide opportunities and threats for local SBE. Thus in the existing globalised and liberalised environment these SBEs have to be able to compete with foreign competitors at home (multi-nationals) and abroad. According to Lochan (2004): *“The implications for entrepreneurship are clear. In a fast paced environment [loaded] by foreign competition, local businessmen have to become dynamic and innovative in order to survive, be it at the level of micro-enterprises, small or large business.”*

Thus, the reality of heated competition should have the potential to awaken the entrepreneurial small business owners to increase their levels of creativity and risks. Such efforts are important in adding greater opportunities for linkages and diversification of the economy via new or new-old products.

The full economic impact can be dissipated as many large multi-national enterprises have close links with their parent company and little or no trade with local manufactures. Indeed the proliferation of foreign fast food franchises usually bind managers of these establishments to purchase foreign inputs and accessories that could have been supplied by small businesses. However, according to Harris (2000), there are linkages between small chemical manufactures and the larger petroleum and petrochemical enterprises.

2.4 Inflation

Small firms have greater flexibility than large firms in adjusting their production levels and thus are better able to accommodate random, short term fluctuations in demand. By acting as buffers to demand shocks, small firms help satisfy temporary demand increases without causing sharp price increases. Thus SBEs provide greater competition and flexibility across sectors aiding in keeping inflationary pressures down.

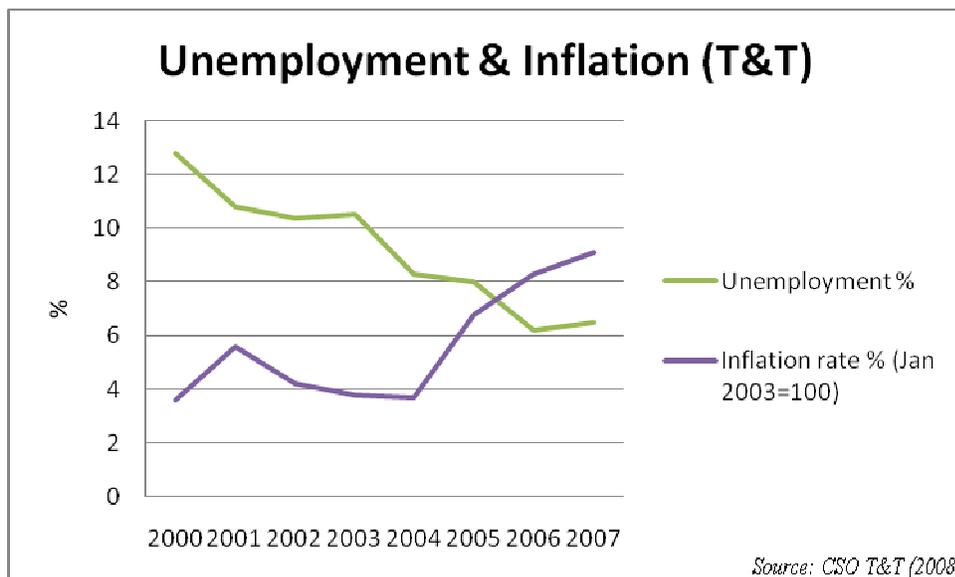
However, SBEs cannot compete with the large marketing strategies of larger firms which may cause many consumers to purchase higher price goods and services when the SBEs prices for substitutes are lower. Such asymmetric information or consumers making purchasing decisions with incomplete information may be overcome by SBEs in similar sub-sectors pooling resources and engaging in shared marketing strategies such as cooperative advertising.

Thus SBEs have an important role in inflation reduction given the fact that sustained inflationary pressures can neutralise economic gains achieved via employment generation (see figure 2.4.1 for downward trend in unemployment and upward trend in prices) and economic growth.

Thus in Trinidad and Tobago where headline inflation is close to 10% SBE sub-sectors such as Food Processing and drinks, distribution and construction may be critical in assisting in curbing the upward trend in prices. The latest data released by the Central Statistical Office show that “**headline inflation**, which had been trending downward for most of 2007, picked up momentum, rising to 10 per cent on a year-on-year basis to January 2008 from 7.6 per cent in December 2007. On a monthly basis, headline inflation measured 2.1 per cent in January 2008, the highest monthly increase since 2003. The current inflation spike was spurred mainly by increases in food prices but core inflation [which excludes food prices] has also risen appreciably” (CBTT Media Release, Feb. 2008).

Appendix G reinforces the potential positive impact SBEs may have in reducing harmful price rises within sub-sectors. The statistics reveal that the greatest price increases for the January 2007-January 2008 period, occurred in: food and non-alcoholic beverages (22%); recreation and culture (14%); education (14%) and hotels, cafes and restaurants (13%). Thus SBEs expansion in these sectors can be one strategy used to absorb demand and supply shocks and other causes of rapid price increases.

Fig. 2.4.1



3. CONCLUSION

Therefore, we have seen that SBEs do have a major impact on the economy of Trinidad & Tobago (T&T). Indeed their positive effects on sub-sector employment generation, economic growth, establishing linkages, diversifying the economy and inflationary controls cannot be understated.

SBEs provided in 2006 an estimated 59 952 jobs (Appendix K) in the manufacturing and services sectors alone (out of a total labour force of 628 400 – Appendix: I) and contributed about 9.3 percent to the GDP approximate i.e. total-value added (Appendix: L).

Further, SBEs expansion acts as an engine for the growth of medium sized and large business enterprises. It was revealed that the people-centred nature of SBEs and entrepreneurship can be a vehicle for welfare advancement by providing paths towards sustainable poverty reduction, unemployment relief, community enhancement and general empowerment of disadvantage groups.

Additionally, those entrepreneurial small business owners especially in the field of culture and light manufacturing in T&T has the potential to transform the economy by innovatively improving upon what is available and by filling niches as well as providing linkages so as to propel the non-petroleum sector into a position of leadership.

4. LIMITATIONS OF RESEARCH

The data available for the classification of small business were only available from the Central Statistical Office (CSO) on the basis of number of employees – between 6 and 25. Thus an error of overstatement may have occurred as medium sized and large firms that are heavily capital intensive or investment oriented may have been wrongly classified as small even though their asset base and sales revenue exceeded that of a small. To mitigate this problem, focus was not placed on capital intensive businesses in the petroleum sector and manufacturing sub-sectors such as Chemicals & Non-Metallic Minerals or businesses where rates of return and assets base are characteristically high in the services sub-sector of Finance, Insurance, Real Estate and Business Services.

Conversely, the real economic impact of small firms may have been understated due to the growth of small firms into medium and large firms. Of relevance here is the significant disparity between the BDC/Ministry of Labour/CSO and the Manufacturer's association definition of small businesses with the former being more conservative. Thus some businesses that may have considered themselves small under the manufacturer's association definition (e.g. less than 50 employees) may not so qualify under the established definition.

The numbers, employment contribution and general economic impact of SBEs in the informal sector were unable to be measured in this paper due to the unavailability of reliable data. This sector operates outside the formal legal framework and formal economic institutions. Thus the real impact of SBEs on the economy may have been understated due to the distortive effect of the informal sector. Thus the findings of this research, which undertook an investigation of the formal sector, should be supplemented by an appreciation of the significant role the informal sector plays especially, according to Tewarie (1998), in the *“absorption of large numbers of the unemployed and because of the goods and services it provides”*

5. RECOMMENDATIONS

1. That growth of SBEs be encouraged via providing business incubator type initiatives, after the Brazilian model, involving shared equity by government, universities and private sector. Such incubators should focus on high value added sectors such as tourism by developing cultural incubators so as to unleash the great innovative and dynamic entrepreneurial small business involved in carnival, steelpan and indigenous music and arts.
2. That SBEs and medium sized firms be the focus in attempts to diversify the economy away from oil and gas dependence. Thus, certain initiatives has to be encouraged such as access to ready and guaranteed loan facilities; pro-SBEs legislation and regulation that will make start-up and operation easy and attractive and an interdisciplinary entrepreneurial oriented curriculum be – inclusive of Applied Business Studies – be implemented at all schools from primary level to tertiary level. The government needs to take the lead in transforming the educational system to generate more entrepreneurial small business owners in order for students to develop a passion, not only to get a job, but also to create a job.
3. SBEs focus development must be pursued because of its potential to reach those most affected by poverty and low incomes and awake their entrepreneurial spirits. Further the people-focused nature of SBEs has the potential to enhance community life.
4. Given the globalisation, liberalisation and free market nature of the world today, a new type of entrepreneurial small business owner must develop. Local SBEs need to be more efficient and open to the possibility of growth as emerging enterprises so as to insulate themselves against the shock of expanding foreign competition. Thus local SBEs need to be more outward oriented via increased exports and finding ways to penetrate the production chains or outsourcing opportunities created by large manufactures abroad.
5. Both government and NGOs have encouraged the unemployed to ‘start-up’ SBEs, *despite the fact* that many do not have the traditional entrepreneurial characteristics as illustrated in Appendix A. The government has numerous programmes and institutions to assist SBEs. However, greater marketing of these initiatives is needed. Examples of the government sometimes poorly promoted pro-SBEs policies are: amendment of the Corporation Tax Act in 1998 to provide tax relief for investors in approved SBEs; according to Tewarie (1997) the Finance Act of 1994 allows for a reduction of 15% of promotional expenses incurred in promoting expansion into non- CARICOM markets for exports of goods produced locally and shipped in commercial quantities; 50% of the interest earned by financial institutions on transactions to approved SBEs is exempted from corporation tax.

6. Bibliography

- Hallberg, K. (2000) *A Market-Oriented Strategy for Small and Medium Scale Enterprises*. International Finance Corporation, Discussion Paper # 40: The World Bank, Washington, D.C.
- Harris, M. (2000). *The Current Situation of Small and Medium-sized Industrial Enterprises in Trinidad & Tobago, Barbados & St. Lucia*. Dessarrollo Productivo, 69, United Nations, ECLAC: Santiago, Chile.
- Hodgetts, R.M., & Kuratko D.F. (2002). *Effective Small Business Management*. Dryden Press.
- Samuel Nicholas Lochan (2004). *Entrepreneurship: A challenge Facing the Education System of Trinidad & Tobago*. PhD Thesis (UWI)
- Nabarro, N., Davies, R., & Cobbold, N.G. (1986). *Local Entrepreneurs and the Unemployed*. Caloutste Gulbenkian Foundation.
- Reinecke, R., & White, S. (2004). *Policies for Small Enterprises: Creating the Right Environment for Jobs*. International labour Organisations.
- Richard Daft (2000). *Management*. Australia: South-Western Publications.
- Tewarie, B. (1998, June). *The Informal Sector, Micro, Small and Medium-Sized Enterprises and Job Creation in the Caribbean*. Paper Presented at the XIII Meeting of Directors of Informal Technical Cooperation, Bridgetown, Barbados.
- Tewarie, B., Khan, A., & Guyadeen, V.G. (1997). *Small & medium Sized Enterprises in the Caribbean. Trinidad & Tobago*: The University of the West Indies, Institute of Business.
- Venkataraman(1997). *Advances in Entrepreneurship, Firm emergence and Growth*. JAI Press.

