



SMEs—Vital to Our Economy!

Like many small developing societies, small and medium-sized enterprises or SMEs, are the foundation of the Saint Lucian economy. According to the Ministry of Commerce and Industry, over 80 % of businesses on the island are SMEs, a statistical testament to the critical role that these businesses play in the economy.

SMEs are a major source of employment and job creation for a large percentage of Saint Lucians thereby reducing poverty and promoting social and economic stability. SMEs also promote the personal and professional development of those who run these enterprises due to the expertise and personal commitment required to keep them afloat. The main SME sectors are retail, construction, service, hospitality, tourism and agriculture. In Saint Lucia, SMEs also comprise street vendors, seamstresses and tailors, pre-school operators and business consultants.

Challenges

Despite their critical role in the local economy, they have significant challenges to their survival. The Small Enterprise Development Unit (SEDU), in the Ministry of Commerce and Industry, has identified some of these challenges which include among others:

- **Lack of market research and information:** Most SME owners open businesses without the relevant market research. There is a tendency to start businesses based on speculation about possible success rather than on an objective analysis of the market.
- **Human Resource Constraints:** Because of the nature of SMEs, they usually cannot afford to employ the type of employees they need. Most times, these businesses start out with the owners as the sole employee and he/she has to function in all capacities regardless of competence.

- **Poor Financial Management:** Many SME owners do not have the necessary skills to manage and report on cash flows and prepare financial statements which are vital to keeping a business afloat.
- **Limited Access to Finance.** Because of how they operate, many SMEs do not qualify for loans from financial institutions. Quite a number of them are not registered companies. Additionally, there is little separation between the finances of the owner and those of the business. These issues combined with increased competition from external products and services create a difficult economic environment for SMEs.

Despite the above challenges, there are solutions that SMEs can access. They can receive technical assistance and knowledge from various entities. For example, SEDU is a governmental body where business owners can receive training in a wide range of areas. The Saint Lucia Industrial & Small Business Association (SLISBA) is another body association set up specifically to assist small businesses. Bank of Saint Lucia has recently established an SME Unit to provide loans and technical support to these businesses to ensure that they not only survive but succeed.

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