Government-owned micro-bank and financial exclusion: a case study of small business people in east Port of Spain, Trinidad and Tobago

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Microfinance is commonly known as banking upside down because micro-lending institutions make very small loans available to businesspeople excluded from conventional banks. Microfinance has piqued the interest of political elites in many Global South countries because of its support by the poor masses. The case of the Trinidadian microfinance sector shows that the state dominates the micro-lending sector through its agency, the National Entrepreneurship Development Company (NEDCO). The main argument for this paper is that government-owned microfinance is in fact “political microfinance” because of its exclusionary tendency of the small businesspeople in the slums of east Port of Spain. On the ground, the current party politics have fuelled the perception that persons of African descent are the most excluded from accessing a small loan. However, this paper finds that no matter which party is in power, the state has co-opted NEDCO to make loans available to its own party supporters, and this practice goes against the microfinance sector’s goal of inclusive finance.

La microfinance est souvent vue comme un système bancaire inversé où de petites institutions bancaires font de très petits prêts aux commerçants ordinairement exclus du système bancaire traditionnel. Les élites politiques se sont piquées d’intérêt pour la microfinance dans de nombreux pays du Sud mondialisé car elle apporte un soutien aux masses pauvres. Le cas de la microfinance à La Trinidad montre que l’Etat domine le marché des micro-prêts à travers sa Compagnie de Développement de l’Entreprise Nationale (NEDCO). L’argument principal de cet article est que la microfinance issue de l’Etat est en fait une « microfinance politique » puisqu’elle tend à exclure les petits commerçants des bidonvilles de l’est de Port-d’Espagne. Sur le terrain, le parti politique actuel a renforcé l’idée que les individus d’origine africaine sont les plus exclus de ce système de petits prêts. Cependant, cet article démontre que, indépendamment du parti au pouvoir, l’Etat a coopté le NEDCO afin de prêter à ceux qui soutiennent le parti, pratique qui va à l’encontre de la visée de finance inclusive prônée par la microfinance.

Keywords: microfinance; financial exclusion; persons of African descent; elites; class bias; Trinidad and Tobago; states; party politics; state lending; NEDCO; slums

Introduction

For the past four decades, the US$70 billion microfinance industry has been viewed as a prominent poverty-fighting tool in many countries; a tool through which significant community improvement can be realized (Khan 2009; Yunus 2007). In 2006, the Nobel Peace Prize was awarded to the Grameen Bank and its founder, Mohammed Yunus, because of the impact micro-banking has had on the world’s poorest businesspeople. The Microcredit Campaign Summit declared in 1997 that the future of microfinance

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would reach 100 million poor families (Midgley 2008; Dichter and Harper 2007). By 2011, the microfinance sector had surpassed its goal and reached 205 million people with micro loans (Roodman 2012).

History shows that government-owned microfinance programs are problematic and have been unsustainable, with the exception of Bank Rakyat Indonesia (Robinson 2001; Morduch 2000; CGAP 1997). Around the globe, and particularly in Global South countries, state leaders are impressed with the power microfinance has to attract large numbers of people. A number of Caribbean state leaders have made economic and microfinance programs a priority in terms of addressing joblessness and poverty alleviation (Bowen 2007). In 2008, Mohammed Yunus, then-director of Grameen Bank and Nobel Peace Prize winner, was invited to Jamaica by the Bank of Nova Scotia Jamaica to meet with big business at the Pegasus Hotel. Yunus engaged with political and business elites of the country, and this underscores the importance the microfinance movement has had on political and business elites. Partisan links within microfinance have complicated the mission of microfinance to be inclusive when micro-lenders are co-opted as a tool for political elites (Hossein 2012). The view that microfinance can affect the morale of the masses has piqued the interest of political elites and this is worrisome (Morduch 2000; CGAP 1997). In the Caribbean, as well as elsewhere, business and political elites are entranced with the power microfinance has on mobilizing support among the poor masses.

This paper is organized in five sections to discuss how a state-managed microfinance program can interfere with the perception of inclusive microfinance. First, it is necessary to present the state of Caribbean microfinance and its relationship to “political” microfinance. Then there is a discussion of Sen’s (1999) ideas of creating opportunities for poor people through interventions, such as microfinance. This idea of “choice and opportunity” is relevant in analyzing government-owned microfinance because the access to finance is limited when it is managed under a political apparatus. Third, the methods in this project are outlined to display the experiences of 43 entrepreneurs in three slum communities. In the following section, the issue of partisan politics and its effect on micro-banking is analyzed. In the final and fifth section, an analysis of the perspectives from the entrepreneurs, particularly those of African descent in east Port of Spain, gives insight into exclusionary and political microfinance. Each of these sections aim to show that political microfinance privileges party supporters of the current regime and does not trickle down and help credible businesspeople. The state-run microfinance agency National Entrepreneurship Development Company (NEDCO) in Trinidad goes against best practice, creating access to finance to more businesspeople, because its partisan influences alienate eligible entrepreneurs who do not conform to its party politics.

Main argument

At the 2009 Fifth Summit of the Americas in Port of Spain, Trinidad and Tobago, US President Barack Obama launched “Securing our citizens”, which was a US$100 million Microfinance Growth Fund for Caribbean countries. It is interesting that the United States would launch the microfinance fund in a country in which the microfinance sector has been dominated by the state-owned agency, NEDCO. This study, which looks at NEDCO, builds on the earlier work carried out by Storey (2004), who found that racism against Afro-Trinidadian businesspersons was deeply embedded into small business programs. A class bias on the part of the political elites in the state-run microfinance programs is there regardless of the party in power; however, under the current regime, the perception of residents in the slums that persons of
African descent are the most excluded group from accessing financial services exists. This study has found that the social empowerment goal of Trinidad’s microfinance is elusive.

Politicians of various administrations, with either Afro-Trinidadian or Indo-Trinidadian base support, have turned the microfinance sector into what can be termed locally as “bacchanal microfinance”. Trinidadians often use the term “bacchanal” to refer to chaos around an event. The term “bacchanal” is a patois term and its reference to microfinance suggests that there is well-orchestrated confusion to make it appear that those in need of small loans can access it, but in fact funds are diverted away from the very people who need it. Small businesspeople are routinely screened out from microfinance programs if they are not a supporter of the current party in power. In other words, financial resources are managed by political elites who prioritize party politics over assisting excluded group to access microfinance. This paper discusses the ways in which microfinance in Trinidad is politicized and rooted in class (as well as race) bias. The case study of Trinidad has implications for microfinance across the Latin American and Caribbean region, where subsets of the poor who belong to distinct cultural groups encounter political microfinance. It is time that the professionals working within the microfinance industry as a whole acknowledge the political risks taking place within the industry, and develop policies that protect businesspeople from harmful political microfinance.

Various state agencies use microfinance as a tool of appeasement. The government-run NEDCO (microfinance bank) is exclusionary because in the past (and this perception continues in 2014) businesspeople who are not politically connected to the current regime have limited to no access to financial services. In fact, employees at NEDCO are well aware that government subsidies and its political ties interfere with the viability of the institution (Interview, senior manager at NEDCO, 18 June 2013). In Trinidad, a local concept of “pan tap” (meaning that the one person who is in charge is what really matters) is relevant in this context because NEDCO’s microfinance programs also seem to operate in this fashion. Bissessar and LaGuerre (2013) argue that “pan tap” is a way for political leaders to assert their control over opposition strongholds. Microfinance in Trinidad functions along the lines of “pan tap” because the politicians misuse microfinance to reward party supporters and contain opposition in Laventille, a slum area in east Port of Spain.

In the Caribbean region, there are a number of exclusionary microfinance programs in Jamaica and Guyana, in which political elites complicate the process of lending allocations by capitalizing lenders and making partisan referrals of clients (Hossein 2014, 2012). This case study in Trinidad should be useful to policy makers and practitioners engaged in microfinance, as it demonstrates the negative effect of partisan politics in making financial services inclusive. The main argument of this study holds that the Trinidadian microfinance sector is in a state of “bacchanal” because the government-run NEDCO is not helping poor entrepreneurs and its political agenda has alienated eligible businesspeople in the shanties of east Port of Spain. Much of the local viewpoints are rooted in the perception that economic resources follow the “pan tap” (patois for who is on top) concept, and this means that funds are to be directed to party objectives over microfinance’s social and economic empowerment goals. NEDCO fails to carry out its mission and to reach the entrepreneurs in the shanty towns of east Port of Spain because potential borrowers are viewed as the opposition (Interviews of business people, Beetham Gardens, phases 1 to 4, June 2013; Government of Trinidad and Tobago 2002).
Political microfinance targets borrowers who are party followers and support the dominant party’s agenda. These borrowers targeted for microfinance change depending on the party in power. NEDCO managers have ignored best practice microfinance for at least two decades, and this in turn has undermined its ability to become a professionalized microfinance institution. In 2013, the *New Microfinance Handbook* (Ledgerwood 2013) detailed the sector’s best practice, which is to provide inclusive microfinance that is financially viable over the long term. One important best practice would be the concept of neutrality, offering fair products to eligible businesspeople, and moving away from subsidies. It can be assumed that the consulting assignments carried out to assist NEDCO reform are also interested in moving the institution away from being a political agency because of the risks associated with being a political institution. It is unlikely that NEDCO can change in terms of its perception of it being politicized because of its affiliation to the state. The Paris Appeal, advocated for by a coalition called Convergence 2015, lobbies for the protection of micro and small entrepreneurs from the unscrupulous behavior of political elites. The Trinidad case is in defiance of this appeal.

Profile of microfinance in the region

Micro-lending has had a long history in the Caribbean region, and the definition of what constitutes a “micro-enterprise” varies among countries. In this study, I define the urban-based micro-enterprises as an owner-operated business that has less than five employees (Whyte 2001, 13). In Jamaica, Haiti, and Guyana, African slaves and their descendants carried out market activities and engaged in informal micro-banking (Hossein 2013; St. Pierre 1999; N’Zengou-Tayo 1998; Wong 1996; Witter 1989; Mintz 1955). Penny Bank in Dominica, a formal microfinance bank, opened in 1949 (Lashley 2006). In many parts of the Caribbean region — specifically where poverty is concentrated in the shanty towns of east Port of Spain, Trinidad and Tobago — micro-credit is viewed as an important poverty-reduction tool for political leaders (CDB 2010; CMN 2007; Lashley 2004a, 2004b).

Investments into microfinance to the English-speaking Caribbean region have been mostly unsuccessful (Economist Intelligence Unit, 2008, 10; Westley 2005; Chalmers and Wenner 2001; Lashley 2004a, 2004b). In 2007, evaluators found that the top-rated microfinance institutions in the region were in South America and the Dominican Republic (MIX website 2007, 2006). Microfinance access in the Caribbean, particularly in Trinidad, Guyana, and Jamaica, is low. In Navajas and Tejerina’s IDB report (2006) examining 23 countries in the Latin American and Caribbean region, only Haiti emerges as a top performer. Trinidadian microfinance experts versed in best practice microfinance have failed in their outreach to the shanty towns.

Chalmers and Wenner (2001) argue that limited outreach is also due to the fact that Caribbean countries have a relatively high standard of living: less poverty, access to remittances, and an educated labor force create an aversion to self-employment. In other words, the richer a nation, relatively speaking, the less likely microfinance will be useful. However, Bowen (2007) refutes this assumption; he finds that the average poverty rate in the Caribbean is significant at 30 per cent and growing. In a multi-country study of the Anglophone Caribbean countries, Glenn Westley (2005, 2) also points to weak internal management, but he does not interrogate the fact that political elites are in charge of the allocation of funds for the poor. The critiques tend to focus on government subsidies that interfere with performance because institutions that receive grants are less efficient with resources (Morduch 2000).
While each of these perspectives in the region on microfinance indicates weaknesses in the capacities of its providers, there is no mention of states or political party bias that can interfere with the operations of microfinance. This research gap is the one addressed in this case study of Trinidad and Tobago. Storey's (2004) work in Trinidad uncovered a deep-seated racial bias against Afro-Trinidadian businesspeople when they applied for micro-loans. It should be noted that financial exclusion also occurred during the PNC government (a party supported by many residents in east Port of Spain), who did not assist many Afro-Trinidadian businesspeople who were not politically active. The exclusion within microfinance is deeply embedded in party and class politics.

Best practice microfinance finds that state-run banks fail because of their patronage aspect, under which educated and privileged elites use money to make disadvantaged groups conform to a party line. Most microfinance practitioners understand that state-owned micro-banks do not last long because politicians misuse these funds to woo voters and supporters (Morduch 2000, 620). Jamaican academic Sean Ffrench (2008) found that the political legacy of the state-owned micro-bank Micro Investment Development Agency (MIDA) under Michael Manley's People's National Party had created a public perception of partisanship. State-run banks focused on the entrepreneurial poor have mostly failed (with the exception of Bank Rakyat Indonesia) because they are generally political, inefficient, and corrupt (Robinson 2001; Morduch 1999, 1570–6). At the creation of NEDCO, business, banking, and political leaders debated its status as a government entity (Interview, SEBA, El Dorado office 17 June 2013). The members of the Small Enterprise Business Association (SEBA) were skeptical of NEDCO, a government-owned bank, because it would open the door for corruption and partisanship (Interview, SEBA, El Dorado office 17 June 2013). Private-sector leaders, as well as civil society activists, have argued that NEDCO is an agency that allows politicians to carry out patronage to its followers.

Understanding the theory of opportunities and choices as a form of freedom

Microfinance promises to provide opportunities and a way out for those economically active individuals living in poverty. In Development as Freedom (1999), A.K. Sen makes a compelling argument that poverty is not to be measured by income alone but that poverty (or people’s low incomes) should be examined in terms of people’s access to opportunities and choice. Sen’s comparative work of poor in two different cultural contexts, the United States and Kerala, India, in which he analyzes people’s freedoms in terms of the access to opportunity, is a useful one. African-Americans are more stifled from opportunities in their milieu than Indians in the state of Kerala. In community development, and in particular microfinance practitioners, Sen’s ideas of capability and access to opportunities are a fit for financial development programs. According to Sen (1999), the lack of choices for improvement in one’s life limits the change needed for a person to make use of their capabilities. It is this understanding of the capability approach that has been embraced by advocates within the microfinance industry, as “access to finance” is viewed as a way to assist impoverished people, giving them support so that they can help themselves.

Best practice microfinance is an economic development tool and its main purpose is to create access or opportunity to financial services for excluded people engaged in economic activities. The microfinance tagline is “inclusive banking”, and it is this tagline that has garnered the industry much support. However, microfinance can be limited in its
ability to create opportunities because of the delivery mechanism or vehicle used to distribute these resources. In the Trinidadian case, businesspeople’s access to this financial resource is infringed upon by the very fact that the main provider of micro-loans in the country is a state-owned agency. NEDCO has had strong partisan influences since its inception. Trinidadian political elites dominate the microfinance sector as the largest microfinance lender, and they have interfered with the premise of inclusive financial services, as many poor businesspeople who are of African descent, feel alienated by the infiltration of party politics in NEDCO.

Micro-banking may provide access to finance for those low-income individuals who do not meet the conventional commercial banks’ requirements. Yet, political interference and control by state leaders who belong to a certain political party can curb the sort of access to finance available to ordinary people (or people of a lower class status). Sen’s capability theory in relation to micro-lending is limited when a person’s ability to improve their standard of living is contingent upon politicized microfinance programs, such as state-owned microfinance. In analyzing the “inclusive banking” aspect of microfinance, the Trinidad case study shows that politicized microfinance limits the capabilities of entrepreneurs, particularly those of African descent living in the shanty towns of Laventille in south-east Port of Spain, Trinidad.

Methods
Findings for this case are based on a sample size of 75 interviews, of which 61 were people based in Port of Spain in May, June, and July 2013. Interviews were carried out of businesspeople in hard-to-reach slum communities in Beetham Gardens, phases 1–4, Laventille, San Juan, and Sea Lots. In the field visit, these areas in east Port of Spain are predominantly made up of Afro-Trinidadian people; however, there are significant Indo-Trinidadians and Dougla (mixed-race) populations. In Trinidad and Guyana the term Dougla refers to mixed-race persons of East Indian and African ethnicities (St. Pierre 1999).

In Sea Lots (a shanty town outside of the commercial center, facing the prestigious Hyatt hotel), it was required for me to meet with the gang leader for the area (also known as an “area leader”). This was not only to ensure my safe passage in and out of the alleys but also to ensure that there would be no repercussions to the businesspersons interviewed (Interview in Sea Lots with the area leader, 25 June 2013). These slum communities in east Port of Spain are described by interviewees (in and out of the slums) as “dangerous” and places full of “banditry”. Transport was complex, as some taxi drivers would not go into certain areas and therefore a network of drivers was needed. As noted in Table 1, the micro-entrepreneurs in this study accounted for 57 per cent (43 of the 75 interviewees) and women interviewed were half (52 per cent, 39 subjects) of the total sample.

Fourteen stakeholders from government, business, and civil society who have helped to think through the party politics and its implication in micro-banking were interviewed. In addition, microfinance experts in the country and regionally based experts, and at least one staff member in the main microfinance lending institutions, including NEDCO, operating in the Port of Spain area, as well as 10 regional experts, were interviewed to triangulate the material uncovered.
Trinidad case study of political microfinance

Trinidad and Tobago, with a population of 1.3 million, is an economic powerhouse in the English-speaking Caribbean, with skyscrapers and booming oil and gas industries (World Bank data, 17 June 2013). This urban-based study focused on microfinance on the island of Trinidad and within the confines of the capital city, Port of Spain. Despite the wealth generated by oil, the country remains racially divided. After slavery ended, Africans moved to the towns and city in search of paid labor (Williams 2004). The Indian indentured servants (sent by the British) on the plantations stayed in the rural areas and peripheral towns such as Princes Town, Chaguanaas, Couva, and Talparo after their contracts expired (Bissessar and LaGuerre 2013). South and central Trinidad are often-times viewed as Indo-Trinidadian strongholds.

Microfinance is an important development tool for Caribbean states because it is viewed as an intervention to assist marginalized people concentrated in slum communities. National poverty figures can be political in Trinidad and Tobago. In Trinidad and Tobago, 283,000 people are living in poverty — that is, 21.8 per cent of the total population — and most of those people are of African descent (Trinidad and Tobago Guardian Online, 23 May 2012). The Ministry of People and Social Development’s latest poverty data (2005) finds that 16.5 per cent of Trinidadians live in poverty (Interview with senior policy experts, 20 June 2013). Again, the persons living in poverty are Afro-Trinidadians (Interview with senior policy experts, 20 June 2013). A significant number of those in abject poverty and are of African descent live in the shanty towns of Laventille in the eastern part of the nation’s capital of Port of Spain (Ryan 2013a; Baldeosingh 2008). East Port of Spain is a hard place to miss, as it sits atop the hills and is alongside the Beetham highway, a road that is well-traveled as it connects people to Piarco airport, and it is where many poor people live (Ryan 2013b).

Non-profits were the first organizations to pilot microfinance programs to needy people in the country. In the 1990s, a Catholic non-profit, Servol, had a microfinance project called Fundaid to reach the entrepreneurial poor. Trinidad’s government-run microfinance is where party politics have infiltrated it. This article builds on the knowledge within the microfinance arena that government-run micro-banking runs counter to best practice of no state control because it is likely that microfinance is a tool for patronage and corruption. In 1995, political power shifted to the United National Congress (UNC) (1995–2002), leaving many Afro-Trinidadians without access to

Table 1. Interviews with persons engaged in microfinance, Port of Spain, Trinidad.

<table>
<thead>
<tr>
<th>Method</th>
<th>Trinidad</th>
<th>International and regional experts</th>
<th>Total</th>
<th>Per cent</th>
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<tr>
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<td>43</td>
<td>0</td>
<td>43</td>
<td>53</td>
</tr>
<tr>
<td>average 45 minutes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female businesspeople interviewed</td>
<td>23</td>
<td>0</td>
<td>23</td>
<td>53</td>
</tr>
<tr>
<td>Total entrepreneurs</td>
<td>43</td>
<td>0</td>
<td>43</td>
<td>53</td>
</tr>
<tr>
<td>Individual interviews with stakeholders</td>
<td>14</td>
<td>10</td>
<td>24</td>
<td>57</td>
</tr>
<tr>
<td>Individual interviews with bankers and</td>
<td>4</td>
<td>4</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>microfinance experts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Females interviewed</td>
<td>35</td>
<td>4</td>
<td>39</td>
<td>52</td>
</tr>
<tr>
<td>Total sample</td>
<td>61</td>
<td>14</td>
<td>75</td>
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</tr>
</tbody>
</table>

Source: Taken from the author's interviews in May–July 2013.
economic resources. Then, the power shift to the People’s National Movement (PNM) under Manning (2001–2011) offered Afro-Trinidadians a chance to access micro-loans.

The largest funded program for microfinance is NEDCO, and this institution is accountable to the government, led by Indo-Trinidadian Prime Minister Kamla Persad-Bissessar (2010–present). The need for micro-banking is high in the slums, where there are high levels of social exclusion, unemployment, and crime. The settlement patterns of the races can explain why microfinance allocations under the current party are not distributed in east Port of Spain by an Indo-Trinidadian-led government. Indo-Trinidadian political elites are viewed as redirecting financial resources away from east Port of Spain; much in the same way the PNM did in Indo-Trinidadian communities. Microfinance, regardless of the political party, has been claimed by the educated elites who use it to reward and punish certain groups. This is a far cry from what microfinance intends to do: to help excluded people access financial services.

In 1956, Dr Eric Williams, an Afro-Trinidadian, was the country’s first Prime Minister (Ferguson 1997). Williams’ class text, *Capitalism and Slavery* (first printed in 1944), documents the negative effects of forced African labor and extraction politics by the white colonizers on the Trinidadian people. Williams was the founder of the PNM, which dominated the political arena for 30 years and catered to Afro-Trinidadians. In Woodford Square, Williams brought political debates to the ordinary citizen (*Inward Hunger* 2011). Many supporters of the PNM were poor Afro-Trinidadians who were enlightened by Williams’ fiery rhetoric, which drew on the politics of slavery (*Inward Hunger* 2011). In 1956 and 1961, the elections were violent and the *marabuntas* (gangs from east Port of Spain) had links to the PNM and would terrorize opposition areas (Bissessar and LaGuerre 2013). To this day, the PNM, for most part, remain a stronghold in the east Port of Spain shanty towns.

In Trinidad and Tobago, party politics is pervasive and this seeps into the economic development programing, including microfinance. According to Fugieria (2010), race- and class-based hegemony and the idea of a “superior race” over the other is how Trinidadian parties win. The PNM government secured power for 30 years (1956–1986) and was viewed as the nationalist black party. In the 1970s, black power consciousness and the leadership of Williams molded a positive black image in the country (*Inward Hunger* 2011). Bissessar and La Guerre (2013, 59) argue that at this time “coolitude” was rising as a response to black nationalism. The first Indo-Trinidadian, Basdeo Panday, a trade unionist, and his party, United National Congress (UNC) (1995–2002), was elected. The Indo-Trinidadian political party, UNC, and now the coalition of parties referred to as the People’s Partnership have claimed power. In 2010, the first female Prime Minister, Kamla Persad-Bissessar, a Hindu and Indo-Trinidadian from Siperia (rural area) assumed the leadership of the UNC (Bissessar and LaGuerre 2013; Sookraj 2010) and was elected to power, and she has learned from the errors of her predecessor, Basdeo Panday, that making hand-outs to Sea Lots in east Port of Spain stirs backlash from the Indo-Trinidadian business community. UNC supporters felt Panday was appeasing the “other” side (Bissessar and LaGuerre 2013, 190). If political elites wanted to stay in power, they were to conform to the alienation of resources to opposition areas. It can be inferred that NEDCO (irrespective of the party in power) is influenced by state politics and is constrained in how it functions, given its location as a state agency.

Party politics in Trinidad and Tobago is class-based and groups are also allied along racial lines. Caribbean academics Bissessar and LaGuerre (2013) make a compelling argument that local politics is also class-based, as it is the “knife and fork” Indo-Trinidadians (refers to educated middle-class Indo-Trinidadians) who
control the economic resources. Under the People’s Partnership and Prime Minister Kamla Persad-Bissessar, the state is able to organize policies in such a way that fits the needs of its party supporters. Persad-Bissessar has also learned from the mistakes of Panday, and she ensures that resources first go to the party supporters. The same was true under the various PNM administrations, starting with Williams (1956–1981) and Manning (1991–1995, 2001–2010), during which middle-class black people benefited (more than poor black people) (Bissessar and La Guerre 2013, 45–48). Indo-Trinidadian elites have contributed to the social exclusion of businesspeople, mainly those of African heritage in the opposition strongholds, to access financial services since 2010.

The political elites in both major parties have a mandate that economic resources go to the racial groups that support the party in power (Figueroa 2010). According to Figueroa (2010, vii): “Trinidad's entire social order is at the preserve of the political agenda and rooted in a quest for racist hegemony”. NEDCO cannot be viewed as a UNC project because, in fact, this institution was founded in 2002 under Prime Minister Patrick Manning, an Afro-Trinidadian and leader of the PNM, in his second term in office to assist Afro-Trinidadians in Laventille, a PNM stronghold. NEDCO has a historical legacy of patronage that goes against the original intention of microfinance, which was to create financial access to excluded business people.

Findings of businesspeople in east Port of Spain

Trinidad’s micro-lending sector is underdeveloped and reaches far less than 10 per cent of the demand. It is speculated that the demand for microfinance is 80,000–100,000 persons. Experts at the Ministry of Labor and Micro-Enterprise Development, Microfin, and NEDCO estimated this level of demand. Yet, NEDCO, the largest microfinance organization, had reached only 5961 clients as of May 2013 (of which 52 per cent are female) (Interview, NEDCO Senior manager, 18 June 2013). NEDCO reaches, at most, 7 per cent of the demand; this is quite low considering that microfinance aims to reach closer to 30 per cent of those in need of micro and small loans.

In Trinidad’s slums of Laventille and Sea Lots, where interviews were conducted, as well as in low-income vibrant urban areas like San Juan and Barataria in east Port of Spain, more than 90 per cent (39 out of 43 business people) wanted access to a micro or small loan for their businesses. However, these slums are considered opposition strongholds of the PNM and remain excluded from financial services by the current regime. Best practice microfinance means inclusive finance for those persons who are excluded. Many microfinance organizations around the world work in locations in which conventional banks do not go. Yet, this is not the case in Trinidad. NEDCO is located in the capital city and has no offices in east Port of Spain. There once was a Laventille initiative (for Barataria), but there was no branch office for fear of insecurity (Interview, NEDCO senior manager, 18 June 2013). Other respondents argue that the issue of "security" is not sincere, and that the reason NEDCO has no office in east Port of Spain is because the constituencies located there are not a priority as of 2010.

As highlighted earlier, the PNM created NEDCO to help black entrepreneurs in low-income areas. The current government is also perceived as using NEDCO in a similar way to support its own followers, and under this administration those followers are mainly Indo-Trinidadians. A local microfinance expert at the International Finance Corporation and the World Bank (who cannot be named) pointed to NEDCO’s high level of non-performing loans of more than 75 per cent (Interview, official at the IFC,
25 February 2014). Though I was not able to access a list of its borrowers, the NEDCO staff did concur that its arrears were above 75 per cent (Interview, senior manager NEDCO, 18 June 2013). NEDCO’s poor portfolio is influenced by partisan behavior as well as the perception in the minds of borrowers that these loans are made as entitlements and not expected to be repaid.

The politics at NEDCO have also changed. Its leadership is now Indo-Trinidadian. NEDCO’s CEO is Indo-Trinidadian, Ramlochan Ragoonanan, and this again reinforces public perception that the agency serves its Indo-Trinidadian base first. The lending decisions of a state-run institution is limited in what it can do for segments of the poor who may feel that they cannot access financial services because they do not support the current party in power. Furthermore, the perception among poor borrowers from east Port of Spain is that the politicians’ “pan tap” of micro-lending for the poor are privileging Indo-Trinidadian business people. In interviews with entrepreneurs in east Port of Spain, the public perception was that NEDCO is under the control of the government as a state-owned bank and this makes people, many of them persons of African descent, seeking micro-loans uncomfortable going to NEDCO (Interview, Third World Network, 2 May 2013; Interview, SEBA, 17 June 2013). There may also be the understanding that because NEDCO is a state agency there is no need to repay the loans, and this has a negative result for its long-term viability, and works against best practice microfinance, which strives for institutional financial sustainability.

The perception of NEDCO changes depending on the party in power. For example, in 2002, NEDCO was created under the PNM government to reach “mini-micro” and micro businesses (defined as having revenues of up to USD 38,000 per year), as well as small businesses (up to USD 767,000 per year) (Cabinet minutes 2002). NEDCO has a subsidized interest rate of 8 per cent simple (nominal processing fee of USD 4). This subsidy is against best practice microfinance, which strives to be viable over the long-term. Civil society activists of the Third World Network of non-governmental organizations (NGOs) found that government-owned microfinance programs are intentionally highly subsidized to reach its core supporters (Interview, 2 May 2013). NEDCO needs subsidies to operate. The institution is supposed to be in charge of granting loans to businesspeople. However, for a long time, the institution has been making what is perceived as hand-outs and not loans, as the clients have no intention of repaying the “loans”. This practice defies best practice microfinance, which is interested in securing long-term viable services that recover its loans. In fact, state resources are siphoned off from non-profit agencies that may be able to reach communities in need because the state has decided that all micro-lending will be channeled through its agency, NEDCO. Sen’s (1999) idea of making opportunities available to those who are oppressed has influenced the global microfinance sector, but it is not clear how it is a part of the Trinidadian microfinance sector. NEDCO is a government institution and that relationship to the state does give a strong perception to people that it is politicized. In 2014, Trinidad’s microbanking sector is dominated by the state-owned NEDCO, and this bank adheres to party politics under the coalition government of People’s Partnership.

These slums in east Port of Spain are densely populated, yet there is no microfinance banks located in them. A councilwoman (name withheld) asked: “Who is NEDCO helping? Who are the people running its programs?” (Interview, 18 June 2013). Most people find that the informal banking groups such as sou-sou active in these areas help excluded businesspeople access financial services. All of the businesspeople interviewed (43) were not able to access a loan from NEDCO, but they
participated in community-driven *sou-sous*. "Boss lady", a family-owned business in scrap metal in Beetham Gardens, stated:

Me, I neva went to NEDCO. It's a racial ting and hard to get [a loan], they just bring you down. People der [staff persons are] stigmatizing and [they] let de coolie [Indo-Trinidadians] to get through. Dey only pretending to help us. This government in power is the worse kind [in terms of racial politics]. (Interview, 24 June 2013)

The political status of NEDCO reinforces the notion that it is there to help its voters. The alternative organizations offering microfinance are few in the country. A number of businesspeople in this study cited Eastern Credit Union and Port Authority credit unions as innovative lenders that have focused on eastern Port of Spain (Interview, Small Enterprise Business Association, 17 June 2013). For the most part these findings uncover that micro-entrepreneurs in the shanty towns of east Port of Spain are largely disenfranchised and cannot access micro-loans. Non-profits such as Helping Ourselves Prosper Economically (HOPE) and Youth Business Trust Trinidad and Tobago (Prince of Wales funding) exist, but they do not operate in the shanties of east Port of Spain. The Mayaro Initiative for Enterprise Development (MIPED), with profits from BP oil, has worked within the extractive communities.

Long-standing organization Micro Enterprise Loan facility (MEL) has operated with assistance through the Ministry of the People and Social Development (MPSD) and the United Nations Development Program has not been sustainable due to the state subsidies it has received (Interview, policy officials at the Ministry of the People and Social Development, 20 June 2013). The Small Business Enterprise Association (SEBA, based in El Dorado), with a national scope and composed of businessmen, has been sidelined because it does not have party ties to the current regime (Interview, 17 June 2013). A specialized microfinance retailer, Microfin (subsidiary of DFL Ltd.), has limited experience in St James, downtown Port of Spain, but moved activities soon after inception to San Fernando and Chaguana (Interviews with former executive managers of Microfin, 20 June 2013; Microfin Annual Report 2002). As of July 2013, the main private microfinance bank, Microfin, was trying to sell its portfolio to NEDCO (Microfin was sold to Maritime Insurance, who are not interested in microfinance). As of 2013, micro-lenders (other than credit unions) were active in rural and peripheral areas but not in the slums of east Port of Spain.

The “pan tap” concept reveals the strong class bias embedded in state-owned microfinance programs. The state-run microfinance makes it nearly impossible for civil society organizations to create alternative lending programs (though credit unions may prove to be a strong alternative in the future). It is "pan tap" politics that dominates Trinidad and Tobago’s style of governance. Microfinance programs are not an exception to this rule. NEDCO uses its power to influence the kind of staffing and target areas for lending. Black entrepreneurs in the shanties in east Port of Spain who were interviewed felt that the political elites only wanted to assist party supporters.

Similar to Storey’s (2004) earlier work, which found that persons of African descent in Trinidad are overlooked in business programs, Hebe Verrest’s (2013) work in Trinidad found that business programs do not reach entrepreneurs in need because the educated elites are too detached from this segment of the market. This important finding supports the argument that class bias of the elites working in business and financial development affects their decision-making. An activist from the Southeast Port of Spain Achievement Organization (located on Yoruba drive in the Bessom area) stated that the educated elites
under the PNM and UNC “leave you hungry, not starving” (suggesting they want people dependent on them) and that they do not want to emancipate the urban poor; rather, they want to control them (Interview, 21 June 2013).

“Rastaman Curtis” of Laventille put it more succinctly: “Government control money fi wi. As a blackmon I can’t wait of dis or dat crab connection so I use sou-sou to meet my needs” (Translation from Trinidadian English: As a black person I cannot depend on personal connections so I participate in sou-sou, an informal bank, to meet my needs) (Interview, 18 June 2013). The business people I interviewed were conscious of the privileges set aside for any but (poor) Afro-Trinidadians. Of the 43 business people, 93 per cent (40 subjects) stated that the government is not permitting microfinance allocations to come to their communities. A pervasive cultural narrative belittles and denigrates the business acumen of Afro-Trinidadians. H.P. Singh’s “The Indian Enigma” claims that black people are inferior and evil in comparison to Indo-Trinidadians (cited in Figueria 2010). “Prakash”, owner of a parlour (small shop) in Barataria, felt that:

Indians [refers to Indo-Trinidadians] bonded for more than 20 years. It’s wi [our] time now. I grew up watching black heroes like Williams [Afro-Trinidian heroes such as Trinidad’s former Prime Minister Dr Eric Williams] but none [were] Indian. It was my Hindu religion that helped me grow me business […] For long time dogs betta [were better] den Indians. (Interview, 21 June 2013)

A similar narrative is witnessed in Guyana (a country with a similar racial make-up to Trinidad and Tobago), where, for the past two decades, political elites of Indo-Guyanese background also disparage Afro-Guyanese (Hossein 2014; Gibson 2006; Mansru 2005). A booklet titled Rebirth of the Blackman by Accabre Nkofi (2007) is in circulation in Georgetown and reinforces class-based racism against Afro-Guyanese (Hossein 2012). Within the marginalized communities, Indo-Trinidadians, who may be excluded from financial resources, admitted in the interviews that there is a classed and racialized party politics that interferes with micro-lending. Even though there are Indo-Trinidadians in these communities, the current government will not come into the area because it is perceived as black; again, demonstrating that party politics and the class privilege is what denies many entrepreneurs in the slums access to financial services. A businessman called “Wineman” of Beetham Gardens, with 32 years of experience, explained: “What hambugs [annoys or bothers] people is not the government because dem come and go. But dey say they help wi and they don’t. They also give the whole place a bad name and cast us all the same. This time they a say dat Indian [Indo-Trinidian] man time a come” (Interview, 24 June 2013). Entrepreneurs are aware that middle-class and educated politicians and employees that staff these organizations are biased towards them.

SEBA, a national network for small business which was against NEDCO being created as a state program, could foresee microfinance being used as a partisan tool. NEDCO’s inception in August 2002 under the PNM government distributed funds to Afro-Trinidadian supporters and not to the business people. Afro-Trinidadian business people in east Port of Spain felt that access to loans required borrowers to be active in party politics. Though it cannot be confirmed, it is quite possible that the same expectation is levied on potential borrowers under the current regime. The PNM created an entitlement on the part of certain party activists and the micro-loans were never repaid (Interview, senior official at the Ministry of Labour and Micro enterprise Development, 20 June 2013). This made NEDCO dependent on government subsidies.
Black micro-entrepreneurs interviewed in this study argued that patronage at NEDCO is taking place, except it is under a different party mandate. Francis, a furniture maker of Febeau village (San Juan), reasoned that:

Business is a way to uplift a community when nobody else is doin’ it. We black people can only blame ourselves because no one can fete like a blackman. Dem don’t tink we know business. All [political] parties help dem own and moving [where they are] because blackman [Africans] in east and coolie [Indo-Trinidadian] dem in south and central. (Interview, June 18 2013)

Businesspersons interviewed in the slums made the point that the state wants them to be in a position of need so as to control them (Interview, June 18 2013). Since welfare projects from the state do not reach poor black businesspersons, they must turn to the informal sector to survive, usually selling imported items. It is envisioned that the microfinance resources can help businesspeople in the margins access small loans for their activities. However, this is not happening. Sen’s concept of freedom through the ability to have choices and opportunities cannot be had through the state’s control of microfinance. Trinidad’s microfinance sector, managed by political elites, replicates a culture of dependency (Interview with two non-profit leaders, Third World Network of NGOs, 1 May 2013). Political microfinance through a government agency is not free and independent to entrepreneurs; rather, it can be assumed to be about containing dissent.

Conclusion
Microfinance programs have much appeal to government leaders, but the management of microfinance through political agencies limits the access to finance for eligible businesspeople, due to the reasonable perception of borrowers who find these projects too politicized. In the case of Trinidad, NEDCO is a state agency and its activities are governed by political elites. NEDCO’s microfinance potential to assist people is limited. The employees at NEDCO have middle-class backgrounds and are removed from the experience of the poor person from east Port of Spain (visit to the NEDCO office, 2013). Ordinary people are aware of NEDCO’s ties to the party politics and this is what makes microfinance exclusionary. NEDCO’s political past has affected its capacity to function as a viable institution because there is a widespread perception that it is a politicized institution giving funds to party supporters. As a result, NEDCO has a default rate of 75 per cent, suggesting that its “loans” continue to be handouts or that people view it as a government organization and that the funds do not need to be repaid. NEDCO as a government agency has little chance of being sustainable. Borrowers hold a strong view that NEDCO is political and it is unapproachable for residents in east Port of Spain, who do not fit with the current party politics.

Given the politicized context of microfinance in Trinidad and Tobago, it is unlikely that state-owned microfinance can be carried out in a professionalized, neutral, and non-partisan manner. This has an important lesson for the Latin American and Caribbean region, where there is much interest in the government running microfinance programs. Political elites in Trinidad remain “pan tap” and can use economic resources as a way to punish opposition strongholds and to reward its supporters. A government uses the subsidies through the pretext of micro-banking and is perceived as a way to manage poor communities as well as to undercut and take the lion's share of the budget from alternative lenders.
It seems that increasing people's capabilities in the shanty towns through micro-loans is dubious at best when the provider is under a state mandate, as is the case in Trinidad. Trinidadian businesspeople and civil society activists concerned about the marginalization of east Port of Spain can be an effective group to join forces to critique the state's micro-banking projects and to ensure that microfinance organizations are free from state control and operate in a way that they are able to reach viable entrepreneurs, regardless of race and location but so long as they are able to repay the loans. The quest for financial viability will not only ensure that microfinance becomes professionalized but also that its services are recovered through operating the institution in a business-like manner and at the same time being able to provide finance to deserving entrepreneurs, and possibly creating meaningful opportunities so that they can be free to engage in business and society with the support they need.

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Notes
1. The term "microfinance" includes a suite of financial services from savings, credit, and remittances to insurance. In this article, the terms "microfinance" and "micro-banking" focus on the lending aspect of the sector which dominates in the Trinidad context.
2. It should be noted that mixed-race and Indo-Trinidadians who also live in these communities are also excluded from accessing loans.
4. I use the first part of the country's official name, Trinidad, because this study was exclusively carried out on the island of Trinidad, in the capital city of Port of Spain (and not in Tobago).
5. This case is part of a large regional study in Jamaica, Guyana, and Haiti examining access to microfinance in the Caribbean region, and extensive data has been collected between 2008 and 2012 (Hossein 2012).
6. The term "coolitude" was first coined by a Mauritian poet, Khal Torabully, to speak about the Indian diaspora. Bissessar and La Guerre (2013) use the term "coolitude" to refer to the rising influence of Indo-Trinidadians in the country.
7. Sou-sou is rotating credit and saving associations or an informal community-driven bank organized by residents in the locality.

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Interview, "Boss lady", small business owner, Beetham, 24 June 2013.
Interview, Area leader (no name), Seal Lots, 25 June 2013.
Interview, official at the International Finance Corporation (IFC), 25 February 2014.


