Supply Side Obstacles to Financing the Private Sector: Empirical Evidence from a Small Island Developing State

Parmendra Sharma and Neelish Gounder

Abstract

In light of the positive growing finance–private sector–economic growth findings, this article examines, from a supply side perspective, obstacles to private sector financing in Fiji, a growth deprived, small island developing state in the Pacific region. A survey of 80 percent of formal financial institutions reveals that, contrary to popular belief, financing the private sector may not be a major problem. However, the prevalent relationship – lending practices, good profits and well-managed risks, together with moderate growth in private sector credit – also suggests that suppliers may be concentrating on a systematically selected small group of connected borrowers, resulting in the wider private sector, including many SMEs, being left out. Growth and development implications extend to developing economies across the Pacific.

Keyword Fiji, PICs, banks, financing obstacles, small island states.