

JULY 2011

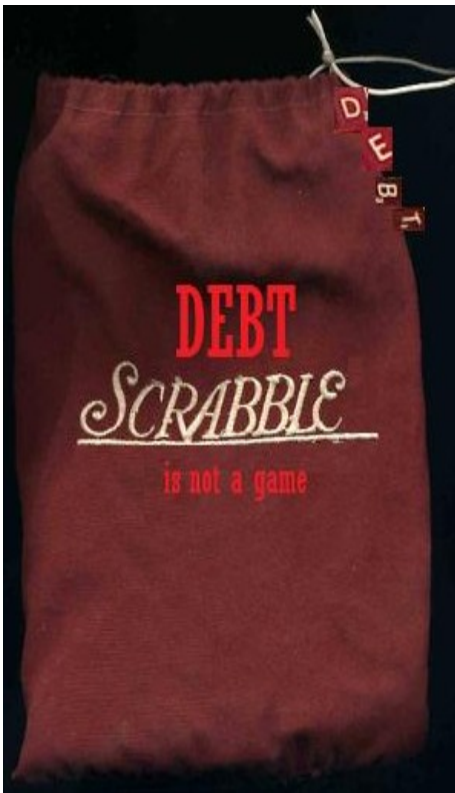
Staying Connected

For the Alumni of the ECCB's Savings and Investments Course

YOUR FINANCESYOUR FUTURE

YOUR FINANCIAL NEWS

D ₂	E ₁	B ₃	T ₁	S ₁
E ₁	debt relief Debt Position DEBT RULES Debt Reduction DEBT BURDEN Debt Default Debt Impasse Debt Deficit Debt Ceiling Debt Overhang Debt Rescheduling			
B ₃	Debt Crisis Debt Contagion DEBT ADJUSTMENTS Debt Consolidation Debt Profiles			
T ₁	debt ratio DEBT TRAP Debt Position			
O ₁	Debt Stabilisation			
R ₁	DEBT TALKS Indebtedness DEBT REVIEW Debt Austerity Measures			



Debt Scrabble

This is not to give the impression that debt is a bad thing; far from it. Most of us, could not get very far without some form of credit. The conversation is not therefore that debt sucks, but rather that **unmanageable debt will suck away our freedom of choice** leaving us with a bitter **debt pill** to swallow as we deal with **debt austerity measures** designed to bring us back into **manageable debt positions**.

*Seems like this year is the year to play **DEBT SCRABBLE**. Debt issues and more debt issues continue to consume the media headlines fuelled by talks about **Debt Adjustments Programmes** in the Caribbean, **Debt Crises** in Europe and the **Debt Ceiling** in the USA.*

*If all this debt talk leaves us a little unscrambled and forces us to place a personal **debt review** at the forefront of our agenda, then these **debt talks** are not in vain. Keep the debt talks going.*

Debt
Rules
Everything
Around
Me

So, are our lives within budget or over-budget? If our answer begins with **“Debt Rules Everything Around Me”** then our dream of a secure future is likely to be a nightmare when that future comes, unless we change course. It is therefore time to draft some **debt rules** that will force us on a debt reduction path to financial security. As for me, I am busy penning my debt rules. *slw*



Debt Rules

- I will save to buy consumables rather than use credit. It may take a little longer to acquire the things I want, but the savings on interest payments and quality of life, knowing that I don't have that debt hanging over my head, will more than make up for the wait.
- I will not shop listless and if it is not on my list it will not end up in my shopping cart.
- I will not blow my money on the wrong things. I will focus on my needs not my wants.
- I will only use my credit card if I can pay the balance off in full at the end of each month.

ENTREPRENEURS' beat

After a successful pilot of the ECCB Entrepreneurship Course in St. Kitts, the Eastern Caribbean Central Bank is preparing to launch this course in several of its other member countries including Antigua and Barbuda, Grenada, Anguilla, St. Vincent and the Grenadines and Dominica.

As part of a series of business talks dubbed Entrepreneurs' Beat, Your Financial News (YFN) sat down with Daniel Arthurton, Deputy Director, Financial Enterprise Development Department, ECCB. In this article, the conversation centers around the mindset changes required of Caribbean entrepreneurs to meet the demands of a global market.

YFN - In this era where everything seems to have gone global, is there a mindset change that Caribbean entrepreneurs have to consider in order to forge ahead successfully?

Arthurton: When it comes to trade, the average business owner looks at trade very narrowly. He looks at trade as offering the product or service that he has, just as it is. However, given that we are working in a global environment, this mindset, out of necessity, must change. This mindset of acting local must change because the entrepreneur must understand that even though his product may be destined for the local market, it can end up in an international market if the buyer takes it overseas. Therefore the entrepreneur must take into consideration the issue of international standards related to production, presentation, quality, etc.

YFN - How do we go about changing that mindset to bring about a focus on global standards?

Arthurton: The issue at hand is the issue of economic competitiveness.

Let's say for example a visitor goes to a local restaurant and samples a local pepper sauce or marmalade and wants to take the product back to the USA. That product needs to meet all of the border checks and international specifications applicable to exporting that product to the USA. The market in this instance is no longer local, but global. The entrepreneur must therefore think beyond just selling his product to the local restaurant. He needs to think about the potential reach of that product. The entrepreneur must have the understanding that whatever he produces has the potential to go international. This applies to the good and bad, and for this reason there must be the understanding that it is important to get it right from the beginning. Local entrepreneurs need to understand for example, that it is not acceptable to write their product information with a pen on a label.

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YFN - What sort of education is required to foster the thinking that we can no longer do things 'any old way', that we have to adopt international standards?

Arthurton: This has to be a national issue; a national effort; and a priority in the respective Caribbean countries.

Tourism which connects and integrates us to the global market is the leading contributor to our economies. Our leaders, therefore, have to ensure that there is a high degree of sensitivity and knowledge in the country about how much we are connected to and dependent on the global market and the importance of meeting international standards in the production, delivery and quality of our products and services.

There needs to be a stronger effort in our schools to build awareness about the importance of international standards since (a) the contribution of our tourism industry to our economy is so

significant and (b) there exist significant opportunities for backward and forward linkages to tourism in agro-processing and other areas that have yet to be exploited or fully exploited.

Entrepreneurs have to understand that even if they are just preparing a product or service for the local market, it is to their advantage to deliver in accordance with international standards.

Let us imagine for example, that a tour bus packed with visitors stops while passing a street vendor cooking on a coal pot alongside the road. That street vendor must be cleanly dressed and the cooking environment must be at a certain sanitation level in order to encourage the visitors to want to sample the cooking.

Take another simple example like the menu displayed in a restaurant or bar. The menu is written on a board - the writing is not legible, the letters are not well formed, and are written in purple chalk on a blackboard which makes it difficult to read. All of this would frustrate and deter many would-be patrons.

It is fundamental therefore that the entrepreneur understands that these simple but important standards of presentation benefits him by attracting more customers and ultimately more sales.

Developing this international mindset however requires advocates in this discipline and support systems to guide entrepreneurs along a certain competitive path.

YFN - What would you say accounts for the fact that our people have international standards as buyers but at times, some seem comfortable with mediocre standards as producers? What accounts for this mismatch?

As buyers what dominates is the law of utility maximisation. We want the best quality; *name-brand products, the best service.* In the cases where some producers and service providers appear to be satisfied with mediocre output, what dominates is the law of least effort and hence those persons will always try to cut corners.

However, in the global market the issue of best practices and standards dominate. In economics, one talks about perfect contestable markets where there is ease of entry and ease of exit. Entrepreneurs with mediocre standards are forced to exit the market so quickly that they do not even understand what has hit them. Many of our entrepreneurs may understand buyers' wants but not buyers' satisfaction and other market forces such as cleanliness, quality, consistency, cost effectiveness, etc. In the global market what entrepreneurs do not understand will hurt them.

The entrepreneur's survival depends on his understanding of market forces. It is for this reason why education about international standards in the production and delivery of goods and services is so important.

Once entrepreneurs understand that mediocre output may allow them to get by in the short-term but not in the medium or long-term, then that mindset will begin to change and we will see more competitive products and services in the Caribbean.

ARE YOU PLANNING FOR YOUR LIVING?



Making
l i f e
decisions
without a
financial
plan is like moving
around blindly in the
dark without the aid of
a lamp. You will find
yourself bumping into
things very often and
getting hurt...OUCH!

HOW STURDY IS YOUR FINANCIAL PLAN?



Private
Insurance

Savings

Social
Security

Investments

Private
Pension

The Five Pillars of Successful Financial Planning