MINISTRY OF ECONOMIC GROWTH AND INFRASTRUCTURE DEVELOPMENT

Thought Leadership

Receivables Factoring: Unlocking Faster Growth for Jamaican Businesses

Written by: Fay Samuels
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Access to capital remains one of the most persistent challenges for businesses of all sizes. For Jamaica's small and medium-sized enterprises (SMEs), the issue is even more acute. Many struggle to finance their production cycles, not because their products lack demand, but because they often must wait weeks or even months to be paid after delivering goods or services.

This financing gap restricts how quickly firms can grow and, in some cases, puts them at risk of stalling altogether.

A Structural Challenge for Small Businesses

Jamaica's large informal sector, estimated by the Inter-American Development Bank (IDB) at roughly 43% of GDP in 2001 and appearing to have remained relatively stable over the last two decades, creates unique economic dynamics. While informality has played a major role in reducing poverty, now at a historic low of 7.8% (2024, PIOJ), it has also curtailed the growth potential of many micro and small enterprises operating outside the formal financial system. Without proper documentation or structured accounting, these firms often find themselves excluded from traditional financing channels.

Yet, even registered, fully compliant businesses face significant hurdles. The typical 30–90-day delay between delivery and payment creates cash-flow pressures that can disrupt operations. Large firms may have buffers to weather the wait. For SMEs, however, these delays can be crippling.

Government Contracts: Sure Payments, Slow Payments

Under the Financial Administration and Audit (FAA) Act, government entities are required to pay suppliers within the terms of their contracts, often up to 90 days after goods or services are delivered. In practice, the process does not always unfold as expected. Documentation requirements, multilayered approval systems, and strict accountability measures, while necessary for safeguarding public funds, often create bottlenecks that can delay payments.

Contractors working on public-sector projects know this challenge well. While payments are generally reliable, they can sometimes be delayed, slowing project timelines and constraining contractors' ability to mobilise new work, even where all performance requirements have been fully met.

Traditional Financing Leaves a Gap

The public sector currently lacks a formal policy framework to guide the use of financing tools that leverage accounts receivable for businesses that have already delivered goods or services and are simply awaiting payment. In the absence of such mechanisms, commercial loans, overdrafts, and other working-capital facilities are often positioned as the default solutions to cash-flow shortages. As a result, accounts receivable remain effectively illiquid until payment is made, forcing many businesses to rely on short-term financing to bridge the gap and absorb interest costs that can substantially erode profit margins. For SMEs especially, these additional financing costs can significantly strain operations and slow growth.

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Enter Receivables Factoring

Factoring is widely used across both developed and developing economies as a crucial source of working-capital financing; however, its uptake in Jamaica remains limited. Receivables factoring provides a practical, market-ready solution to address the cash-flow challenges arising from payment delays. In this arrangement, a business sells its accounts receivable, assuming the buyer is creditworthy, to a financial institution at a discount in exchange for immediate cash. When the invoice is paid, the financial institution deducts its fees and interest, then returns the remaining balance to the supplier.

For example, a contractor with a **J$1,000** invoice for completed work could receive up to 80 per cent, or **J$800**, upfront from a financial institution. This immediate cash injection enables the contractor to pay workers, purchase materials, and sustain operations while the buyer processes payment. Once the invoice is settled, by the Government in this case, the remaining 20 per cent, less applicable fees, is remitted to the contractor.

Importantly, factoring is not a loan and does not add to the supplier's balance-sheet debt, making it an attractive alternative to traditional commercial financing.

Policy Momentum and Market Interest

At the 2026 Jamaica Stock Exchange (JSE) Regional Investments and Capital Markets Conference, Minister of Finance and the Public Sector, the Honourable Fayval Williams, announced that the Government of Jamaica is exploring a formal policy framework to support the factoring of government receivables. In my view, this stands out as one of the most significant developments to emerge from the conference, alongside the forthcoming introduction of the JSE Micro Market.

While the Minister acknowledged that factoring may not appear as "sexy" as other capital-market instruments, the strong enthusiasm from financial institutions indicates solid momentum for the policy's future. Several institutions have already signalled their readiness to offer factoring solutions for government contracts, an encouraging sign for both adoption and successful implementation.

The Development Bank of Jamaica (DBJ) has also announced plans to introduce a factoring programme, targeted at Micro, Small, and Medium Enterprises (MSMEs), which are widely recognised as the backbone of the Jamaican economy. This initiative has the potential to be particularly impactful, as it would expand access to this form of financing beyond enterprises that supply goods and services directly to the Government. The programme is expected to focus on MSMEs, particularly those in the agricultural and tourism sectors, which frequently experience extended payment cycles after delivering their products and services, thereby constraining cash flow and growth.

Critically, the DBJ's backing and institutional support is expected to enhance credibility, reduce risk for participating financiers, and underpin the overall success of this programme.

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Why Factoring Works for Jamaica

Jamaica's sovereign credit ratings, (BB from Standard & Poor's, Ba3 from Moody's, and BB- from Fitch), reflect improved fiscal stability and increased global confidence. Locally, government receivables are viewed as even more secure because of their guaranteed-payment nature, despite the timing delays.

This makes invoices submitted to the government, as well as government-backed invoices, particularly well-suited to factoring. Given how factoring is structured, SMEs with lower credit scores could gain access to more affordable financing based on the government's strong credit profile rather than their own. Compared to traditional loans, whose rates and conditions are based on the supplier's risk profile, factoring should provide a more cost-effective alternative, with pricing aligned to the government's creditworthiness.

Additionally, Jamaica's progress in strengthening governance, contract enforcement, tax systems and regulatory institutions further reduces the barriers to implementing a national factoring ecosystem. The widespread use of credit ratings and credit information for individuals and businesses further supports the environment needed for successful implementation.

A Big Win for Growth and Efficiency

A well-designed public-sector factoring policy with effective implementation, could reshape Jamaica's business environment, especially for local contractors and other SMEs. Faster access to cash flow would enable:

- Quicker mobilisation of resources
- Faster project execution
- Greater confidence and capacity among contractors
- More efficient use of the government's capital budget
- Improved infrastructure project completion rates
- Stronger overall economic growth

When businesses have the liquidity they need, they can produce more, hire more, and contribute more to national development.

Looking Ahead

The successful deployment of receivables factoring will depend on meaningful collaboration between government, private enterprises and private-sector financial stakeholders. Encouragingly, all parties appear aligned and motivated.

If implemented thoughtfully, factoring has the potential to unlock growth across the MSME sector, strengthen Jamaica's infrastructure delivery, and support a more dynamic and resilient economy, without imposing any additional strain on the country's fiscal space. It would also help the government more efficiently execute its capital budget, thereby amplifying economic impact.

I look forward to seeing these discussions evolve into practical, impactful policy solutions that strengthen the capacity of Jamaican businesses to grow and thrive.

