

Financial Inclusion in the Caribbean Region with Specific Emphasis on Guyana

¹sohrab karami, ²Hengamehsadat Naghibi

¹University college of commerce and business management, Osmania University, India

Email: sohrab.k2012@yahoo.com

Tell: 0091-9700798272

²Nizam College, Osmania University, India

ABSTRACT:

The Caribbean takes its name from the Carib an indigenous tribe of the Region. The region consists of the Caribbean Sea and its islands, some of which are surrounded by the Caribbean Sea and North Atlantic Ocean, and the surrounding coasts. The Caribbean Region lies southeast of the Gulf of Mexico and the North American mainland, east of Central America, and north of South America

Financial Inclusion may be defined as the process of ensuring access to an appropriate range of safe, convenient and affordable financial services to the disadvantaged and other vulnerable groups including persons who fall within the low income group, rural and undocumented persons who have been underserved or excluded from the formal financial sector. Such services should be provided responsibly and sustainably in a fair and well regulated manner.

The objectives of this study are to assess the level of financial inclusivity in the Caribbean Region, and Suggest the way forward for financial inclusion in Guyana.

Guyana is situated on the northern coast of South America, east of Venezuela, west of Suriname, and north of Brazil. It has a 430 km Atlantic coastline on the north east and is situated between 1 and 9 north latitude between 56 and 62 west longitude. Its tropical rain forest covers more than 80% of the country. The size of Guyana is 83,000 sq miles (214,970 sq km). According to the population census conducted during 2012, the population was estimated at 751,223, with a life expectancy approximating 69.39 years. Georgetown which is the

capital city is Guyana's largest city and has an approximate population of 132,000.

The research involved gathering secondary data, organizing and performing individual and comparative analysis on numeric and quantitative data gathered from various websites and the BOG in relation to financial inclusivity strategies and frameworks of mostly developing countries.

Conclusion of this study in summery says banks need to redesign their business strategies to incorporate specific plans to promote financial inclusion of low income group treating it both a business opportunity as well as a corporate social responsibility. They should make use of all available resources including technology and expertise available to them as well as the Micro Finance Institutions and Non-Governmental Organizations. Even though it may appear in the first instance that taking banking to the sections constituting "the bottom of the pyramid", may not be profitable, it should always be remembered that relatively low margins on high volumes can turn out to be a very profitable proposition.

KEYWORD: Financial Inclusion, THE CARIBBEAN, GUYANA, barriers to financial inclusion,

1. INTRODUCTION

1.1. FINANCIAL INCLUSION

MAY BE DEFINED AS THE PROCESS OF ENSURING ACCESS TO AN APPROPRIATE RANGE OF SAFE, CONVENIENT AND AFFORDABLE FINANCIAL SERVICES TO THE DISADVANTAGED AND OTHER VULNERABLE GROUPS INCLUDING PERSONS WHO FALL WITHIN THE LOW INCOME GROUP, RURAL AND UNDOCUMENTED PERSONS WHO HAVE BEEN UNDERSERVED OR EXCLUDED FROM THE FORMAL FINANCIAL SECTOR. SUCH SERVICES SHOULD BE PROVIDED RESPONSIBLY AND SUSTAINABLY IN A FAIR AND WELL REGULATED MANNER. THE GOAL OF FINANCIAL INCLUSION IS TO PROVIDE:

- ACCESS AT A REASONABLE COST TO A FULL RANGE OF FINANCIAL SERVICES, INCLUDING SAVINGS OR DEPOSIT SERVICES, PAYMENT AND TRANSFER SERVICES, CREDIT AND INSURANCE TO ALL HOUSEHOLDS;
- SAFE AND SOUND FINANCIAL INSTITUTIONS GOVERNED BY CLEAR REGULATION AND INDUSTRY PERFORMANCE STANDARDS;
- FINANCIAL AND INSTITUTIONAL SUSTAINABILITY, TO ENSURE CONTINUITY AND CERTAINTY OF INVESTMENT; AND
- COMPETITION TO ENSURE CHOICE AND AFFORDABILITY FOR CLIENTS.

IN ORDER TO PROMOTE AND FOSTER A HIGHER LEVEL OF FINANCIAL INCLUSION THE ALLIANCE FOR FINANCIAL INCLUSION (AFI) WHICH IS A NETWORK OF FINANCIAL INCLUSION POLICY MAKERS, WAS FOUNDED IN 2008 AS A BILL AND MELINDA GATES FUNDED PROJECT. IT MISSION IS TO ENCOURAGE THE ADAPTATION OF FINANCIAL INCLUSIVITY POLICIES IN DEVELOPING COUNTRIES TO

ELEVATE 2.5 BILLION CITIZENS OUT OF POVERTY. THE AFIS NETWORK WHICH COMPRISE MORE THAN 100 CENTRAL BANKS, SUPERVISORS AND OTHER FINANCIAL REGULATORY AUTHORITIES FROM MORE THAN EIGHTY-NINE MEMBER COUNTRIES ESTABLISHED THE "MAYA DECLARATION" WHICH IS A STATEMENT OF COMMON PRINCIPLES REGARDING THE DEVELOPMENT OF FINANCIAL INCLUSION POLICIES WHICH IS BROAD BASED IN NATURE AND FOCUSES ON:

-ESTABLISHING FINANCIAL INCLUSION POLICY THAT CREATES AN ENABLING ENVIRONMENT FOR EFFECTIVE ACCESS TO FINANCIAL SERVICES THAT MAKES FULL USE OF APPROPRIATE INNOVATIVE TECHNOLOGY AND SUBSTANTIALLY LOWERING THE COST OF FINANCIAL SERVICES,

-IMPLEMENTING SOUND AND PROPORTIONAL REGULATORY FRAMEWORK THAT ACHIEVES THE COMPLEMENTARY GOALS OF FINANCIAL INCLUSION, FINANCIAL STABILITY, AND FINANCIAL INTEGRITY,

-RECOGNIZING CONSUMER PROTECTION AND EMPOWERMENT AS KEY PILLARS OF FINANCIAL INCLUSION EFFORTS TO ENSURE THAT ALL PEOPLE ARE INCLUDED IN THEIR COUNTRY'S FINANCIAL SECTOR, AND;

-MAKING EVIDENCE BASE FINANCIAL INCLUSION POLICY A PRIORITY BY COLLECTING AND ANALYZING COMPREHENSIVE DATA, TRACKING THE CHANGING PROFILE OF FINANCIAL INCLUSION, AND PRODUCING COMPARABLE INDICATORS IN THE NETWORK.

THE MAYA DECLARATION IS THE FIRST GLOBAL AND MEASURABLE SET OF FINANCIAL INCLUSION COMMITMENTS BY DEVELOPING AND EMERGING COUNTRY GOVERNMENTS.

1.2. THE CARIBBEAN:

THE CARIBBEAN TAKES ITS NAME FROM THE CARIB AN INDIGENOUS TRIBE OF THE REGION. THE REGION CONSISTS OF THE CARIBBEAN SEA AND ITS ISLANDS, SOME OF WHICH ARE SURROUNDED BY THE CARIBBEAN SEA AND NORTH ATLANTIC OCEAN, AND THE SURROUNDING COASTS. THE CARIBBEAN REGION LIES SOUTHEAST OF THE GULF OF MEXICO AND THE NORTH AMERICAN MAINLAND, EAST OF CENTRAL AMERICA, AND NORTH OF SOUTH AMERICA.

THE REGION COMPRISES MORE THAN 700 ISLANDS, ISLETS, REEFS AND CAYS. THESE ISLANDS GENERALLY FORM ISLAND ARCS THAT DEMARK THE EASTERN AND NORTHERN EDGES OF THE CARIBBEAN SEA. THE CARIBBEAN ISLANDS, CONSISTING OF THE GREATER ANTILLES ON THE NORTH AND LESSER ANTILLES ON THE SOUTH AND EAST INCLUDING THE LEEWARD ANTILLES, ARE ALL PART OF THE LARGER WEST INDIES GROUPING, WHICH ALSO INCLUDES THE LUCAYAN ARCHIPELAGO (COMPRISES THE BAHAMAS AND TURKS

AND CAICOS ISLANDS) NORTH OF THE GREATER ANTILLES AND CARIBBEAN SEA. THE MAINLAND COUNTRIES OF BELIZE AND GUYANA WHICH HISTORICALLY AND CULTURALLY ARE PART OF THE BRITISH WEST INDIES ARE ALSO INCLUDED.

GEOPOLITICALLY, THE CARIBBEAN ISLANDS ARE USUALLY REFERRED TO AS A SUB-REGION OF NORTH AMERICA AND ARE ORGANIZED INTO THIRTY (30) TERRITORIES INCLUDING SOVEREIGN STATES, OVERSEAS DEPARTMENTS, AND DEPENDENCIES.

THE NAMES OF THE CARIBBEAN COUNTRIES ARE; ANGUILLA, ANTIGUA & BARBUDA, ARUBA, BAHAMAS, BERMUDA, BARBADOS, BRITISH VIRGIN ISLANDS, CAYMAN ISLANDS, CUBA, DOMINICA, DOMINICAN REPUBLIC, GRENADA, GUADELOUPE, HISPANIOLA, JAMAICA, MARTINIQUE, MONTSERRAT, NETHERLAND ANTILLES, PUERTO RICO, ST BARTHELEMY, ST KITTS & NEVIS, ST LUCIA, ST MARTIN, ST VINCENT & GRENADINES, TRINIDAD AND TOBAGO, TURKS AND CAICOS, THE VIRGIN ISLANDS, BELIZE AND GUYANA.

THE REGION COVERS AN AREA OF 1,063,000 SQUARE MILES (2,754,000 SQ KM) AND HAS A POPULATION OF 36.3 MILLION (BASED ON ESTIMATE AT 2012). THE ECONOMIES OF THE CARIBBEAN ARE DIVERSE. THE GROSS DOMESTIC PRODUCT (GDP) OF SEVERAL OF THE SMALLER ISLANDS (DOMINICA, GRENADA, ST KITTS & NEVIS AND ST VINCENT & THE GRENADINES) IS IN THE RANGE OF US\$ 400-US\$900 MILLION (2012). THE LARGEST CARIBBEAN ECONOMY, THE DOMINICAN REPUBLIC, HAS A POPULATION OF 10 MILLION AND A GDP OF AROUND US\$ 60 BILLION (2012). TRINIDAD AND TOBAGO, WITH A POPULATION OF 1.3 MILLION, IS THE LEADING PRODUCER OF OIL AND NATURAL GAS IN THE REGION AND IT HAS AD GDP OF APPROXIMATELY US\$23 BILLION (2012). IN CONTRAST HAITI, WHICH IS RANKED 158TH IN THE WORLD ACCORDING TO THE HUMAN DEVELOPMENT INDEX (UNITED NATIONS DEVELOPMENT PROGRAM, 2012) HAS A POPULATION OF 10 MILLION AND A GDP OF AROUND US\$ 8 BILLION (2012).

1.3. GUYANA:

GUYANA IS SITUATED ON THE NORTHERN COAST OF SOUTH AMERICA, EAST OF VENEZUELA, WEST OF SURINAME, AND NORTH OF BRAZIL. IT HAS A 430 KM ATLANTIC COASTLINE ON THE NORTH EAST AND IS SITUATED BETWEEN 1 AND 9 NORTH LATITUDE BETWEEN 56 AND 62 WEST LONGITUDE. ITS TROPICAL RAIN FOREST COVERS MORE THAN 80% OF THE COUNTRY. THE SIZE OF GUYANA IS 83,000 SQ MILES (214,970 SQ KM).

ACCORDING TO THE POPULATION CENSUS CONDUCTED DURING 2012, THE POPULATION WAS ESTIMATED AT 751,223, WITH A

LIFE EXPECTANCY APPROXIMATING 69.39 YEARS. GEORGETOWN WHICH IS THE CAPITAL CITY IS GUYANA'S LARGEST CITY AND HAS AN APPROXIMATE POPULATION OF 132,000..

DESPITE THE IMPACT OF THE FINANCIAL CRISIS ON THE WORLD ECONOMY THE GUYANESE ECONOMY CONTINUED TO EXHIBIT MODERATE ECONOMIC GROWTH RANGING BETWEEN 2-4.8% DURING 2008-2012. THIS CAN BE LARGELY DUE TO THE FACT THAT THE ECONOMY IS COMMODITY BASED. THE COUNTRY IS HEAVILY DEPENDENT THE EXPORT OF SIX (6) COMMODITIES – SUGAR, GOLD, BAUXITE, SHRIMP AND FISH, TIMBER AND RICE WHICH ACCOUNTS FOR 60% OF ITS' GDP, THESE COMMODITIES ARE HIGHLY SUSCEPTIBLE TO ADVERSE WEATHER CONDITIONS AND FLUCTUATIONS IN COMMODITY PRICES ON THE WORLD MARKET. IN ADDITION TO THESE COMMODITIES IT ALSO EXPORTS RUM, MOLASSES AND ALUMINA ON A LARGE SCALE. IT IMPORTS PETROLEUM, MANUFACTURED GOODS, MACHINERY AND FOOD. THE COUNTRY'S MAJOR TRADING PARTNERS ARE UNITED STATES OF AMERICA, UNITED KINGDOM, TRINIDAD AND TOBAGO, JAMAICA AND CHINA.

THE GDP/PURCHASING POWER PARITY FOR 2012 STOOD AT US\$ 6,164 MILLION WHILE GDP/PER CAPITAL INCOME WAS UD\$8,000. AQUACULTURE ACCOUNTED FOR 20.5% OF GDP, INDUSTRY FOR 34% AND SERVICES FOR 44.9%. REAL GDP RATE WAS 3.5% AND INFLATION STOOD AT 3.5% AT THE END OF 2012. UNEMPLOYMENT RATE WAS 11% (2007) AND THE LABOR FORCE WAS 313,100.

1.4. OBJECTIVES OF THE PROJECT

THE OBJECTIVES OF THIS STUDY ARE TO:

ASSESS THE LEVEL OF FINANCIAL INCLUSIVITY IN THE CARIBBEAN REGION, AND

SUGGEST THE WAY FORWARD FOR FINANCIAL INCLUSION IN GUYANA.

1.5. SCOPE

THIS SCOPE OF THIS STUDY COVERS THE GLOBAL, CARIBBEAN/REGIONAL AND GUYANESE PERSPECTIVES OF FINANCIAL INCLUSION. IT ANALYSES THE CURRENT FINANCIAL INCLUSION INITIATIVES AND STRATEGIES IMPLEMENTED FROM THESE THREE PERSPECTIVES AND EXAMINES THE BARRIERS TO FINANCIAL INCLUSION WITH A VIEW OF SUGGESTING A WAY FORWARD FOR FINANCIAL INCLUSION IN GUYANA.

2. METHODOLOGY

METHODOLOGY IS A SYSTEM OF BROAD PRINCIPLES AND RULES LAID DOWN FROM WHICH SPECIFIC PROCEDURES AND METHODS WERE DERIVED FOR REACHING THE OBJECTIVES OF THE PROJECT.

BOTH QUANTITATIVE AND QUALITATIVE ANALYTICAL METHODS WERE USED TO CONDUCT THIS STUDY. THE RESEARCH INVOLVED GATHERING SECONDARY DATA, ORGANIZING AND PERFORMING INDIVIDUAL AND COMPARATIVE ANALYSIS ON

NUMERIC AND QUANTITATIVE DATA GATHERED FROM VARIOUS WEBSITES AND THE BOG IN RELATION TO FINANCIAL INCLUSIVITY STRATEGIES AND FRAMEWORKS OF MOSTLY DEVELOPING COUNTRIES. IN ADDITION, ANALYSIS WAS ALSO DONE OF THE AFI "MAYAN DECLARATION PRINCIPLES", THE WORLD BANK FINANCE FOR ALL REPORT, AND THE G20 BASIC SET OF FINANCIAL INCLUSION INDICATORS, AMONG OTHERS. VARIOUS PAPERS PRESENTED BY THE CGBS MEMBERS ON "REGIONAL EXPERIENCES ON FINANCIAL INCLUSION WERE ALSO REVIEWED. THE PROJECT IS AIMED AT ASSESSING THE LEVEL AND REACH OF FINANCIAL INCLUSIVITY EFFORTS IN THE CARIBBEAN AND MORE SPECIFICALLY THOSE OF GUYANA AND SUGGESTING A WAY FORWARD IN ORDER TO ENSURING A HIGHER LEVEL OF FINANCIAL INCLUSIVITY FOR THE GUYANESE SOCIETY.

DATA COLLECTION

THE DATA GATHERED FOR THIS STUDY WAS MAINLY FROM SECONDARY SOURCES WHICH WERE PREVIOUSLY COLLECTED BY OTHER INDIVIDUALS AND AGENCIES FOR PURPOSES OTHER THAN THOSE OF THIS PARTICULAR STUDY. VARIOUS PIECES OF LITERATURE ON FINANCIAL INCLUSION WERE REVIEWED WHILST COLLECTING DATA FOR THIS STUDY. NUMEROUS WEBSITES, E-JOURNALS, E-PRESENTATIONS, AND E-REPORTS, SCHOLARLY ARTICLES, COUNTRY REPORTS, EXPERT OPINIONS AND PRESENTATIONS, AND STATISTICAL DATA COMPILATION ON THE SUBJECT MATTER WERE ALL ACCESSED IN ORDER TO COLLECT THE RELEVANT DATA.

LIMITATIONS OF THE STUDY:

THE FOLLOWING DIFFICULTIES WERE ENCOUNTERED DURING THE PROCESS OF CONDUCTING THIS STUDY:

THE DATA FOR THIS STUDY WAS OBTAINED FROM SECONDARY SOURCES WHICH ARE SUBJECT TO CERTAIN LIMITATIONS SUCH AS TIMING, SIZE, ECONOMIC, GEOGRAPHIC AND UNIT DIFFERENCES ALL OF WHICH MADE IT DIFFICULT FOR COMPARATIVE ANALYSIS PURPOSES.

DIFFICULTIES WERE ENCOUNTERED IN DATA GATHERING PROCESS SINCE IN MANY INSTANCES NO CURRENT DATA AND IN OTHER INSTANCES NO DATA AT ALL WAS AVAILABLE ON MANY ASPECTS OF THE STUDY.

3. DISCUSSION:

3.1 BARRIERS TO FINANCIAL INCLUSION

BARRIERS TO FINANCIAL INCLUSION ARE MAINLY OF TWO TYPES, SUPPLY SIDE BARRIERS SUCH AS TRANSACTION COSTS AND POOR REGULATORY FRAMEWORKS WHICH HINDER THE QUALITY AND QUANTITY OF FINANCIAL PRODUCTS AND SERVICES AND DEMAND SIDE BARRIERS WHICH RESTRAIN THE CAPACITY OF INDIVIDUALS TO ACCESS AVAILABLE SERVICES AND PRODUCTS.

3.1.1. SUPPLY SIDE BARRIERS

SUPPLY-SIDE BARRIERS WHICH HINDER THE QUALITY AND QUANTITY OF FINANCIAL PRODUCTS INCLUDE:

LEGAL IDENTITY
GEOGRAPHICAL/PHYSICAL ACCESS
SOCIAL SECURITY PAYMENTS
BANK CHARGES
TERMS AND CONDITIONS
GENDER ISSUES:
AGE FACTOR
OUTREACH
CAPABILITY TO EVALUATE APPLICATIONS
COST ASSOCIATED WITH IMPLEMENTING AND ADHERING TO REGULATIONS INCLUDING ANTI-MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM (AML/CFT) COSTS
BUSINESS MODELS
PROVIDERS:
ATTRACTIVENESS OF PRODUCT/SERVICE
DOCUMENTATION
ABSENCE OF APPROPRIATE CONSUMER PROTECTION LEGISLATION

3.1.2. DEMAND SIDE BARRIERS

DEMAND SIDE BARRIERS WHICH RESTRAIN CAPACITY OF INDIVIDUALS TO ACCESS FINANCIAL PRODUCTS AND SERVICES, THESE INCLUDE:
LEVEL AND REGULARITY OF INCOME
FREQUENT SMALL TRANSACTIONS WHICH PROVES TO BE MORE COSTLY
LACK OF TRUST IN FORMAL BANKING INSTITUTIONS
LIMITED LITERACY
PSYCHOLOGICAL AND CULTURAL BARRIERS
APPLICATION OF FINANCIAL INTEGRITY AND RELATED REQUIREMENTS IN AN INAPPROPRIATE WAY

3.2. THE WAY FORWARD

A. SURVEY

THE MOST CRUCIAL ISSUE IN OVERCOMING THE BARRIERS OF FINANCIAL INCLUSION IS TO KNOW THE EXTENT TO WHICH LOW INCOME HOUSEHOLDS ARE EXCLUDED FROM THE FORMAL FINANCIAL SYSTEM. MOST OF THE MAJOR INDICATORS SUCH AS BANK BRANCH DENSITY OR BANK ACCOUNTS ARE ONLY PROXIES FOR FINANCIAL INCLUSION/EXCLUSION. IN ORDER TO HAVE A MORE ACCURATE ASSESSMENT OF FINANCIAL INCLUSION/EXCLUSION, THERE IS A NEED TO HAVE CENSUS DATA ON THE NUMBER AND CHARACTERISTICS OF HOUSEHOLDS THAT HAVE A BANK ACCOUNT OR AN ACCOUNT WITH AN INSTITUTION LIKE BANK. EVEN IN THE CASE OF CENSUS DATA ON THE USAGE OF BANKING SERVICES, THERE IS A NEED TO DISTINGUISH BETWEEN INDIVIDUALS WHO HAVE VOLUNTARILY CHOSEN NOT TO MAKE USE OF FINANCIAL SERVICES, BECAUSE OF LITTLE OR NO

MONEY/INCOME, OR LOW LEVEL OF SAVINGS, AND THOSE WHO NEED BANKING SERVICES BUT HAVE BEEN EXCLUDED FROM FINANCIAL SERVICES DUE TO SEVERAL BARRIERS SUCH AS LACK OF ACCESS TO FINANCIAL SERVICES, LOW LEVEL OF LITERACY, HIGH PRICES OF FINANCIAL SERVICES AND COMPLEX PROCEDURE OF DOCUMENTATION, AMONG OTHERS. SUCH AN EXERCISE WOULD INVOLVE UNDERTAKING SPECIALIZED AND DETAILED HOUSEHOLD SURVEYS.

B. COST OF PROVIDING FINANCIAL SERVICES

ONE OF THE MOST CHALLENGING ISSUES IN THE CASE OF FINANCIAL INCLUSION IS THE OPERATIONAL VIABILITY AND SUSTAINABILITY OF THE PROCESS OF PROVIDING FINANCIAL SERVICES. SOME COUNTRIES HAVE ATTEMPTED TO EXPAND FINANCIAL SERVICES COVERAGE THROUGH CONTROL OVER FINANCIAL INSTITUTIONS AND BY PROVIDING SUBSIDIES. HOWEVER, ACCORDING TO THE WORLD BANK SURVEY OF 2008, THIS HAS RESULTED IN MOUNTING FISCAL COSTS MAKING IT FISCALLY UNSUSTAINABLE. ANOTHER APPROACH IS TO ASSIGN THE RESPONSIBILITY OF FINANCIAL INCLUSION TO FINANCIAL INSTITUTIONS. THOUGH FINANCIAL INCLUSION PROVIDES AN OPPORTUNITY TO FINANCIAL INSTITUTIONS TO EXPAND THEIR BUSINESS BY ENLARGING THEIR CUSTOMER BASE, THE OPERATING COST OF EXPANDING THE COVERAGE OF FINANCIAL SERVICES COULD BE A MAJOR FACTOR INHIBITING BANKS AND OTHER FINANCIAL INSTITUTIONS FROM EXTENDING VARIOUS SERVICES TO THE PUBLIC AT LARGE, PARTICULARLY TO LOW INCOME GROUPS LIVING IN RURAL AND REMOTE AREAS. CREDIT DELIVERY IN RURAL AREAS IS OFTEN BELIEVED TO BE EXPENSIVE FOR BANKS ON ACCOUNT OF A LARGE NUMBER OF SMALL LOAN ACCOUNTS TO BE SERVICED.

C. TECHNOLOGY

EXPERIENCE OF MANY BANKS AROUND THE WORLD SUGGESTS THAT THE APPROPRIATE USE OF INFORMATION TECHNOLOGY CAN HELP IN REDUCING THE COST OF PROVIDING FINANCIAL SERVICES AND MAKE IT OPERATIONALLY VIABLE TO EXPAND THE COVERAGE OF FINANCIAL SERVICES. THE APPROPRIATE TECHNOLOGY COMBINED WITH AN EFFECTIVE USE OF BANKING CORRESPONDENTS CAN HELP TO CREATE ATMs IN MOST RURAL DISTRICTS. SEVERAL INSTANCES HAVE ALSO BEEN OBSERVED INTERNATIONALLY, WHERE IT HAS BEEN OBSERVED THAT TECHNOLOGY HAS BEEN USED TO OVERCOME THE PROBLEM OF HIGH OPERATING COST. TECHNOLOGY SHOULD THEREFORE BE USED TO EXPAND THE OUTREACH IN UNTAPPED AREAS. HOWEVER, WHILE SELECTING A TECHNOLOGY, BANKS NEED TO ENSURE THAT THE SOLUTIONS ARE HIGHLY SECURE, AMENABLE TO AUDIT, AND FOLLOW WIDELY ACCEPTED OPEN STANDARDS TO ENSURE EVENTUAL INTER-OPERABILITY AMONG THE DIFFERENT SYSTEMS.

D. FINANCIAL LITERACY

LACK OF LITERACY IN GENERAL AND FINANCIAL LITERACY IN PARTICULAR, IS CONSIDERED AS THE MAIN HURDLES IN EXPANDING THE COVERAGE OF FINANCIAL SERVICES TO THE POORER SEGMENTS OF SOCIETY. NOTWITHSTANDING THE INITIATIVES TAKEN SO FAR, BY THE CENTRAL BANK MORE CONCERTED EFFORTS NEED TO BE MADE IN THIS DIRECTION. IT IS, THEREFORE, SUGGESTED THAT COMMERCIAL BANKS SHOULD COME FORWARD TO SET UP COUNSELING CENTERS AND GUIDE THEIR CLIENTS ABOUT THE FEATURES, BENEFITS AND RISK OF VARIOUS FINANCIAL PRODUCTS. FINANCIAL LITERACY AND AWARENESS ABOUT FINANCIAL PRODUCTS IN RURAL AREAS ALSO NEED TO BE TAKEN UP IN A MAJOR WAY. IT CAN BE EFFECTIVELY PROMOTED BY UTILIZING THE SERVICES OF POSTMEN AND SCHOOL TEACHERS. THE RELEVANT INFORMATION IN THE FORM OF BROCHURES/PAMPHLETS COULD ALSO BE DISSEMINATED TO PEOPLE IN THE RURAL AREAS IN AN ORGANIZED MANNER. THERE IS ALSO A NEED TO WIDELY DISSEMINATE THE INFORMATION RELATING TO VARIOUS CUSTOMER PROTECTION MECHANISMS, WHICH HAVE WERE IMPLEMENTED.

IN ORDER TO PROMOTE FINANCIAL INCLUSION, IT IS ALSO NECESSARY TO MONITOR THE PERFORMANCE OF BANKS IN RELATION TO THEIR EFFORTS TO PROMOTE FINANCIAL INCLUSIVITY OF BANKS AS IS DONE IN THE CASE OF SOME COUNTRIES SUCH AS US, THERE IS A SYSTEM OF EVALUATION OF BANKS' PERFORMANCE. A SYSTEM OF EVALUATION BE PUT IN PLACE WHERE THE BANKS MAY BE RATED, SAY EVERY TWO TO THREE YEARS, ON THEIR PERFORMANCE RELATING TO FINANCIAL INCLUSION AND SUCH ASSESSMENT COULD ALSO BE PUT IN THE PUBLIC DOMAIN. THE AIM OF ANY FINANCIAL INCLUSION STRATEGY SHOULD BE TO BRING TOGETHER INITIATIVES FROM THE PUBLIC SECTOR, FINANCIAL AND NON-FINANCIAL INSTITUTIONS, AND OTHER STAKEHOLDERS TO EXPAND AND IMPROVE FINANCIAL INCLUSION AND AT THE SAME TIME MAINTAINING SUFFICIENT FOCUS ON FINANCIAL STABILITY.

3.3. FINANCIAL INCLUSION STRATEGY

Apart from the above mentioned initiatives to remove the barriers of financial inclusion each country should develop its own financial inclusion strategy which should be tailored to suit the specific its demographics, economic conditions and geographic landscape.

HOWEVER, THE SCOPE OF FINANCIAL INCLUSION STRATEGIES CAN BE BROAD IN NATURE AND COVER PUBLIC AND PRIVATE SECTOR INITIATIVES, THEY CAN STAND ALONE OR CAN BE A COMPONENT OF BROADER FINANCIAL SECTOR DEVELOPMENT STRATEGIES. STRATEGIES MUST ALSO FOCUS

ON CERTAIN AREAS WHERE THE NEED FOR ACTIONS HAS BEEN HIGHLIGHTED SUCH AS SME'S FINANCE OR FINANCIAL EDUCATION ACTION PLANS AND THEY MUST ALSO COVER ACTIONS TO ADDRESS THE BARRIERS TO FINANCIAL INCLUSION NATIONAL FINANCIAL INCLUSION STRATEGIES SHOULD ALSO TAKE INTO ACCOUNT THE COUNTRY CONTEXT INCLUDING MACRO-ECONOMIC AS WELL AS SOCIO-POLITICAL SITUATION, THEY SHOULD ALSO BE CONSISTENT WITH NATIONAL MACROECONOMIC AND DEVELOPMENTAL GOALS AND SHOULD BE ALIGNED WITH OTHER NATIONAL STRATEGIES OF THE COUNTRY SUCH AS POVERTY REDUCTION STRATEGIES. FINANCIAL INCLUSION STRATEGIES MUST ALSO TAKE INTO ACCOUNT THE REGULATORY AND SUPERVISORY FRAMEWORK. THE STRATEGIES MUST ADDRESS BOTH DEMAND AND SUPPLY SIDE BARRIERS AND MUST BE REALISTIC ABOUT THE LEVEL OF SUPPORT, BOTH TECHNICAL AND FINANCIAL REQUIRED TO IMPLEMENT THE PLAN. GENERALLY, A FINANCIAL INCLUSION STRATEGY MUST BE CHARACTERIZED BY THE FOLLOWING COMPONENTS WHICH WILL VARY FROM COUNTRY TO COUNTRY IN TERMS OF ITS' CONTEXT, COMPLEXITY AND DEVELOPMENT:

STOCK-TAKING: DATA AND DIAGNOSTICS

TARGET AND OBJECTIVES

STRATEGY BUILDING AND REVISION

- PUBLIC SECTOR ACTIONS: POLICIES, REGULATIONS AND FINANCIAL INFRASTRUCTURE
- PRIVATE SECTOR INVOLVEMENT
- PROGRESS MONITORING

3.4. FINANCIAL LITERACY AND TECHNOLOGY

IN SOME PARTS OF THE COUNTRY, THE USE OF RURAL INFORMATION E-KIOSKS AND MOBILE VANS HAS SHOWN IMMENSE POTENTIAL IN PROVIDING INFORMATION ON VARIOUS PRODUCTS AND SERVICES IN RURAL AREAS. THE NEED IS TO INCREASE THE USE OF INFORMATION KIOSKS TO DISSEMINATE INFORMATION NOT ONLY ABOUT BANKING PRODUCTS, BUT ALSO ABOUT INPUT/OUTPUT PRICES, INSURANCE PRODUCTS AND HEALTH SERVICES. BANKS SHOULD COME FORWARD TO SET UP SUCH KIOSKS JOINTLY AND SHARE THE RUNNING COSTS AMONGST THEM. IT MAY BE MENTIONED THAT SIMILAR MODEL (*E-CHOUPAL*) HAS ALREADY BEEN IMPLEMENTED BY THE PRIVATE SECTOR FOR PROVIDING READY INFORMATION IN LOCAL LANGUAGE ON WEATHER, MARKET PRICES, SCIENTIFIC FARM PRACTICES AND RISK MANAGEMENT. THIS MODEL PRESENTLY COVERS MORE THAN 31,000 VILLAGES AND COULD BE UTILISED FOR PROMOTING FINANCIAL LITERACY IN ASSOCIATION WITH PRIVATE AGENCIES.

FINANCIAL LITERACY CAN BE EFFECTIVELY PROMOTED BY UTILISING THE SERVICES OF POSTMEN AND SCHOOL

TEACHERS. THE RELEVANT INFORMATION IN THE FORM OF BROCHURES/PAMPHLETS COULD ALSO BE DISSEMINATED TO PEOPLE IN THE RURAL AREAS IN AN ORGANISED MANNER. THERE IS ALSO A NEED TO WIDELY DISSEMINATE THE INFORMATION RELATING TO VARIOUS CUSTOMER PROTECTION MECHANISMS, WHICH HAVE BEEN PUT IN PLACE.

3.5. TOWARDS ENHANCED DATA COLLECTION

IT SHOULD BE NOTED THAT THE WORLD BANK AND GALLUP WITH THE SUPPORT OF THE BILL AND MELINDA GATES FOUNDATION HAVE EMBARKED ON SUBSTANTIAL NEW EFFORTS TO COLLECT GLOBAL DATA ON FINANCIAL INCLUSION. THIS IS THE FIRST SOURCE OF DATA ON FINANCIAL INCLUSION TO OFFER NEW PUBLIC DATABASE THAT CAN BE USED TO TRACK GLOBAL POLICY AND PROGRESS TO IMPROVE ACCESS TO FINANCIAL SERVICES. ITS MAJOR AIM IS TO RELIABLY MEASURE FINANCIAL INCLUSION IN A CONSISTENT MANNER OVER A BROAD RANGE OF COUNTRIES AND OVER TIME ALLOW FOR CROSS COUNTRY COMPARISON. THE NEW PUBLIC DATA DOCUMENTS FINANCIAL ACCESS ACROSS GENDERS, AGES, GEOGRAPHIC REGIONS, NATIONAL INCOME LEVELS AND OTHER SIMILAR INDICATORS. THIS DATA ALLOWS RESEARCHERS AND POLICY MAKERS TO MEASURE AND COMPARE HOW INDIVIDUALS USE BANK ACCOUNTS AND OTHER FINANCIAL PRODUCTS, AND TO MAKE EVIDENCE-BASED FINANCIAL POLICIES. INDICATORS FROM THIS DATA BASE MAY COMPLEMENT OTHER SOURCES INCLUDING INDIVIDUAL COUNTRY LEAD EFFORTS. TO DATE ONLY TWO COUNTRIES FROM THE CARIBBEAN REGION HAVE INFORMATION ON THIS DATA BASE.

3.6. ANTI MONEY LAUNDERING COUNTERING THE FINANCING OF TERRORISM IMPLICATIONS

FINANCIAL EXCLUSION WORKS AGAINST EFFECTIVE AML/CFT PROGRAMS. THE PREVALENCE OF A LARGE INFORMAL, UNREGULATED AND UNDOCUMENTED ECONOMY NEGATIVELY AFFECTS AML/CFT EFFORTS AND THE INTEGRITY OF THE FINANCIAL SYSTEM. INFORMAL, UNREGULATED AND UNDOCUMENTED FINANCIAL SERVICES AND A PERVASIVE CASH ECONOMY CAN GENERATE SIGNIFICANT MONEY LAUNDERING AND TERRORIST FINANCING RISKS AND NEGATIVELY AFFECT AML/CFT PREVENTATIVE, DETECTION AND INVESTIGATIVE/PROSECUTION EFFORTS.

DEPENDENCE ON MAINLY INFORMAL FINANCIAL SERVICES ALSO LIMITS ACCESS TO REASONABLY PRICED CREDIT AND SLOWS A COUNTRY'S DEVELOPMENT. IF THE FUNDS ARE KEPT OUTSIDE THE FORMAL SYSTEM, THERE IS LIMITED MULTIPLIER EFFECT IN THE ECONOMY. PROMOTING FORMAL FINANCIAL SYSTEM

AND SERVICES IS THEREFORE CENTRAL TO ANY EFFECTIVE AND COMPREHENSIVE AML/CFT REGIME. FINANCIAL INCLUSION AND AN EFFECTIVE AML/CFT REGIME SHOULD BE COMPLEMENTARY NATIONAL POLICY OBJECTIVES WITH MUTUALLY SUPPORTIVE POLICY GOALS.

4. CONCLUSION:

WHILE EACH COUNTRY MAY FOLLOW ITS OWN PATH FOR ACHIEVING FINANCIAL INCLUSIVITY, MOST SOLUTIONS WILL REQUIRE PARTNERSHIPS BETWEEN GOVERNMENT AND THE PRIVATE SECTOR. THE PRIVATE SECTOR MUST CONTINUE TO INNOVATE AND DEVELOP BUSINESS MODELS THAT DELIVER QUALITY AND VALUE TO CUSTOMERS AND GOVERNMENT MUST PROVIDE APPROPRIATE SUPERVISORY AND REGULATORY OVERSIGHT TO PROTECT THE CONSUMER WHILE AT THE SAME TIME PROVIDING AN ENABLING ENVIRONMENT FOR FINANCIAL PROVIDERS TO DELIVER SERVICES AND NEW PRODUCTS AT SUSTAINABLE COST TO THE MOST VULNERABLE AND FINANCIALLY EXCLUDED.

THE SOCIAL SECTOR INSTITUTIONS MUST CONTINUE TO CONTRIBUTE IDEAS, FUNDING AND USE THEIR CONVENING POWER TO CREATE NEW STRATEGIES AND EFFECTIVE PARTNERSHIPS IN ORDER TO PROVIDE SERVICES TO CUSTOMERS WHO ARE THE HARDEST TO REACH.

FROM THE PERSPECTIVE OF THE CENTRAL BANK, GREATER PARTICIPATION IN THE FINANCIAL SYSTEM WILL MAKE MONETARY POLICY MORE EFFECTIVE, THEREBY HELPING TO ENHANCE PROSPECTS FOR NON-INFLATIONARY GROWTH. IT WILL ALSO REDUCE RELIANCE ON THE INFORMAL SECTOR WHICH TENDS TO WEAKEN THE IMPACT OF MONETARY DECISIONS. RELIABLE DATA IS KEY TO FORMULATION OF A NATIONAL FINANCIAL STRATEGY.

ACHIEVING THE IDEAL OF FULL FINANCIAL INCLUSION IN THE CARIBBEAN WILL REQUIRE SUSTAINED, ACTIVE AND FULL PARTICIPATION FROM GOVERNMENTS ACROSS THE REGION AT A THROUGH A UNIFIED BODY SUCH AS THE CARIBBEAN GROUP FOR BANK SUPERVISORS'.

THE GROWING IMPORTANCE PLACED ON UNLOCKING THE ECONOMIC AND SOCIAL POTENTIAL OF THE "UNBANKED" IS DEMONSTRATED IN THE FACT THAT MORE THAN 60 COUNTRIES HAVE IMPLEMENTED FINANCIAL INCLUSION REFORMS IN RECENT YEARS. IN ADDITION, FINANCIAL REGULATORS FROM OVER 25 DEVELOPING AND EMERGING MARKET COUNTRIES HAVE ENDORSED THE 2011 MAYA DECLARATION ON FINANCIAL INCLUSION, WHICH IS THE FIRST GLOBAL AND MEASURABLE SET OF COMMITMENTS TO FOSTER GREATER FINANCIAL INCLUSION. HOWEVER, IT SHOULD BE NOTED THAT ONLY TWO COUNTRIES OF THE

REGION HAVE SIGNED ON TO THE DECLARATION AND HAVE IMPLEMENTED A FRAMEWORK TO ENSURE GREATER FINANCIAL INCLUSIVITY IN A MORE STRUCTURED WAY.

THEREFORE IF THE REGION HAS RECOGNIZED THE CRITICAL IMPORTANCE OF FINANCIAL INCLUSION TO EMPOWER THE PEOPLE ALL COUNTRIES SHOULD SUBSCRIBE TO THE MEMBERSHIP OF THE ALLIANCE FOR FINANCIAL INCLUSION AND SERIOUSLY EMBRACE AND IMPLEMENT THE PRINCIPLES OF THE MAYA DECLARATION AND ENSURE THAT AN APPROPRIATE FRAME WORK INCLUDING THE REQUISITE LAW, POLICIES, PROCEDURES AND SYSTEMS ARE DESIGNED AND PUT IN PLACE FOR THE IMPLEMENTATION OF THE PRINCIPLES OF THE DECLARATION IN A STRUCTURED WAY.

IN ADDITION, THE COMMERCIAL BANKS SHOULD BE REQUIRED TO DEVELOP SPECIFIC STRATEGIES TO EXPAND THE OUTREACH OF THEIR SERVICES IN ORDER TO PROMOTE FINANCIAL INCLUSION. ONE OF THE WAYS IN WHICH THIS MAY BE ACHIEVED IN A COST-EFFECTIVE MANNER IS THROUGH FORGING LINKAGES WITH MICROFINANCE INSTITUTIONS AND LOCAL COMMUNITIES. BANKS SHOULD GIVE WIDE PUBLICITY TO THE FACILITY OF NO FRILLS ACCOUNT. TECHNOLOGY CAN ALSO BE A VERY VALUABLE TOOL IN PROVIDING ACCESS TO BANKING PRODUCTS IN REMOTE AREAS. ATMs CASH DISPENSING MACHINES CAN BE MODIFIED SUITABLY TO MAKE THEM USER FRIENDLY FOR PEOPLE WHO ARE ILLITERATE, LESS EDUCATED.

IF THE BANKERS FAIL TO GIVE THE DESIRED ATTENTION TO CERTAIN AREAS, THE REGULATORS SHOULD STEP IN IMMEDIATELY TO REMEDY THE SITUATION.

IN SUMMARY BANKS NEED TO REDESIGN THEIR BUSINESS STRATEGIES TO INCORPORATE SPECIFIC PLANS TO PROMOTE FINANCIAL INCLUSION OF LOW INCOME GROUP TREATING IT BOTH A BUSINESS OPPORTUNITY AS WELL AS A CORPORATE SOCIAL RESPONSIBILITY. THEY SHOULD MAKE USE OF ALL AVAILABLE RESOURCES INCLUDING TECHNOLOGY AND EXPERTISE AVAILABLE TO THEM AS WELL AS THE MICRO FINANCE INSTITUTIONS AND NON-GOVERNMENTAL ORGANIZATIONS. EVEN THOUGH IT MAY APPEAR IN THE FIRST INSTANCE THAT TAKING BANKING TO THE SECTIONS CONSTITUTING "THE BOTTOM OF THE PYRAMID", MAY NOT BE PROFITABLE, IT SHOULD ALWAYS BE REMEMBERED THAT RELATIVELY LOW MARGINS ON HIGH VOLUMES CAN TURN OUT TO BE A VERY PROFITABLE PROPOSITION.

BIBLIOGRAPHY

AFI; THE ALLIANCE FOR FINANCIAL INCLUSION SURVEY ON FINANCIAL INCLUSION POLICY IN DEVELOPING COUNTRIES- 2010. ACCESSED FROM: [HTTP://WWW.AFI-GLOBAL.ORG](http://www.afi-global.org).

ALFRED HANNING & STEFAN JANEN; ADB INSTITUTE

WORKING PAPER SERIES- FINANCIAL INCLUSION AND FINANCIAL STABILITY: CURRENT POLICY ISSUES (DECEMBER 2010). ACCESSED

FROM: [HTTP://WWW.ABDI.ORG-WORKING](http://www.abdi.org-working) PAPER/2010

BASHKAR,P VIJAYA, (DECEMBER 2013); SPEECH - FINANCIAL INCLUSION IN INDIA AN ASSESSMENT. ACCESSED FROM: [HTTP://WWW.RBI.ORG.IN/SCRIPTS/BS_SPEECHESVIEW.ASPX](http://www.rbi.org.in/scripts/BS_SpeechesView.aspx)

BEBCZUK, RN (2008); FINANCIAL INCLUSION IN LATIN AMERICA AND THE CARIBBEAN. ACCESSED FROM: [HTTP://WWW.BIS.ORG/REVIEW/R120911A.PDF](http://www.bis.org/review/r120911a.pdf)

DEMIRGUNC - KUNT, KLAPPER (2012); FINANCIAL INCLUSION DATA- FINDEX DATABASE- THE WORLD BANK 2011. ACCESSED FROM: [HTTP://WWW.DATATOPICS.WORLDBANK.ORG/FINANCIALINCLUSION](http://www.datatopics.worldbank.org/financialinclusion)

DR. MD. EZAZUL ISLAM, 2011; FINANCIAL INCLUSION: THE ROLE OF BANGLADESH BANK. ACCESSED FROM: [HTTP://WWW.BB.ORG.BD/PUB/RESEARCH/WORKINGPA PER/WP1101.PDF](http://www.bb.org.bd/pub/research/workingpaper/wp1101.pdf)

GLOBAL PARTNERSHIP FOR FINANCIAL INCLUSION, G20 PRINCIPLES FOR INNOVATIVE FINANCIAL INCLUSION. ACCESSED FROM: [HTTP://WWW.GLOBAL.ORG/SITES/DEFAULT/FILES/PUB;I CATIONS/AFIC20PRINCIPLE.PDF](http://www.global.org/sites/default/files/publications/afic20principle.pdf)

GUYANA INFORMATION AGENCY; "GOVERNMENT WELCOMES LAUNCH OF COUNTRY'S FIRST CREDIT BUREAU, SEPTEMBER 27, 2013." ACCESSED FROM: [HTTP://WWW.GINA.GOV.GY//WP](http://www.gina.gov.gy/wp)

G20 FINANCIAL INCLUSION INDICATORS, APRIL 2012, ACCESSED FROM: [HTTP://WWW.WORLDBANK.ORG/G20FIDATA/COU NTRY/ANTIGUA AND BARBUDA](http://www.worldbank.org/g20fidata/country/antiguaandbarbuda) [HTTP://WWW.WORLDBANK.ORG/G 20FIDATA/COUNTRY/BAHAMAS](http://www.worldbank.org/g20fidata/country/bahamas) [HTTP://WWW.WORLDBA NK.ORG/G20FIDATA/COUNTRY/GRENADA](http://www.worldbank.org/g20fidata/country/barbados) [HTTP://WWW. H TTP://WWW.WORLDBANK.ORG/G20FIDATA/COUNTRY/HAITI](http://www.worldbank.org/g20fidata/country/guyana) [HTTP://WWW.WORLDBANK.ORG/G20FIDATA/COUNTRY/T RINIDAD](http://www.worldbank.org/g20fidata/country/trinidad)

JWALA RAMBARRAN; FINANCIAL INCLUSION IN THE CARIBBEAN. 28 AUGUST 2012. ACCESSED FROM: [HTTP://WWW.BIS.ORG/REVIEW/R120911A.PDF](http://www.bis.org/review/r120911a.pdf)

THE MAYAN DECLARATION PROGRESS REPORT 2013; PUTTING FINANCIAL INCLUSION ON THE `GLOBAL MAP. ACCESSED FROM: [HTTP://WWW.AFI-GLOBAL.ORG](http://www.afi-global.org)

WIKIPEDIA ENCYCLOPEDIA: FINANCIAL INCLUSION. ACCESSED FROM: [HTTP://WWW.EN.WIKIPEDIA.ORG.WIKIPEDIA.ORG/WIK I/FINANCIALINCLUSION](http://www.en.wikipedia.org/wiki/financialinclusion)

CARBO S., GARDENER E.P., AND MOLYNEUX P. (2005) FINANCIAL EXCLUSION.PALGRAVE MACMILLAN

DESAI, M. (1991) HUMAN DEVELOPMENT: CONCEPTS AND MEASUREMENT. EUROPEAN ECONOMIC REVIEW 35: 350-357.

LEVINE R. (1997) FINANCIAL DEVELOPMENT AND ECONOMIC GROWTH: VIEWS AND AGENDA. JOURNAL OF ECONOMIC LITERATURE 35(2): 688-726

IJSER