

John A Rolle: The importance of financial inclusion in mending social and economic disparities

Welcome remarks by Mr John A Rolle, Governor of the Central Bank of The Bahamas, at the Alliance for Financial Inclusion (AFI) Convergent Meetings of the Digital Financial Services Working Group and the Consumer Empowerment and Market Conduct Working Group, Nassau, 26 March 2019.

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Welcome to The Bahamas.

We are pleased to host both the Digital Financial Services Working Group and the Consumer Empowerment and Market Conduct Working Group meeting in The Bahamas this week. The Central Bank of The Bahamas joined AFI less than one year ago, in order to benefit from a structured approach to promoting financial inclusion goals, and to learn first-hand from countries that are actively pursuing such ideals.

The range of countries that make up this alliance illustrate aptly that financial inclusion is intended to mend social and economic disparities that are often obscured in average measures of economic wellbeing and income.

The Bahamian experience draws this out.

On a per capita basis, The Bahamas has the third highest GDP in the Western Hemisphere. Our financial sector is highly developed, when considered in terms of the size of the deposit base and outstanding credit of the domestic banking system, relative to GDP; and in terms of the share of the population that has access to basic banking services.

Moreover, relative to the size of the population we enjoy the 35th highest density of bank branches in the world and the 15th highest density of automated banking machines in the world.¹ From an identity perspective, members of the population do not have extreme difficulties acquiring birth certificates or primary documentation needed to apply for identity documents.

But financial access is very uneven.

On many of our rural island communities basic banking services are not available, or only available in very constrained conditions. The rising costs of providing banking through traditional physical channels have further scaled-back this access. Also, high concentrations

See the IMF's 2018 Financial Access Survey Database: data.imf.org/?sk=388DFA60-1D26-4ADE-B505-A05A558D9A42. of undocumented immigrants are excluded from access to financial services, even when these services are available in the same spaces for documented persons.

Equally problematic for countries like The Bahamas, there has been a dilution of access from the disproportionate application of global anti-money laundering and counter financing of terrorism standards, on low-risk, retail segments of our financial community. We are now attempting to reverse this through more proportionate risk-based systems.

Beyond banking, affordability of access is more constrained in property insurance markets, where financial vulnerability is heightened because of the increasing frequency and intensity of hurricanes, which can in a single season push households into ruin.

Finally, relevant to the themes of consumer empowerment, we recognise the scope for improved literacy and conduct regulations to improve financial welfare.

As it should be, political pressures to address financial inclusion deficits are mounting in The Bahamas, and there has to be comprehensive constructive responses. In the strategies that the Bahamian Central Bank is formulating, we understand that the private sector will not optimally achieve all of the outcomes that we desire. We recognise that an enabling environment that embraces the aspirations of the Maya Declaration, with a focus on Fintech, to promote digital inclusion is critical.

This is defining very critical elements of our approach.

However, we also have to identify those elements of both the policy space and technology infrastructure that ought to be supplied by the public sector. For example, the Central Bank of The Bahamas is engaged in the creation and promotion of a digital version of the national currency which is expected to close vital payments system gaps for The Bahamas that many countries are able to leave up to the private sector to resolve. At the same time, the Bank has volunteered to coordinate development of a national financial inclusion strategy that would enlist all relevant stakeholders, and focus on more than just payments and banking.

We are already seeing the benefits of our membership in the AFI, in bringing sharper focus to our financial inclusion initiatives. In that spirit, we look forward to a continued build out of this network of peers, capturing all of the accessible knowledge and experiences that you have to offer.

Coming into these working group meetings I expect that we have broadly similar goals, and expectations; and that there will be mutual gains from our exchanges over the next four days.

Indeed, we have two very stimulating agendas.

As we have received you as our guests, we hope too that you will find time to experience a sampling of our culture and the beauty of our people and country.

Welcome again and my best wishes for a productive week!