

Keynote Address by the Minister of Finance, Honourable Colm Imbert, MP

Event: A Technical Workshop Event Brought by the EU-UNCDF-OACP Partnership for Digital Financial Inclusion

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Theme: Advancing the Digital Payment & Financial Inclusion Agenda Across the Eastern Caribbean

[Salutations List]

Good morning, ladies and gentlemen.

I am very pleased to be given this opportunity to contribute to today's important discussion on Advancing Financial Inclusion in the Caribbean, especially when the digital financial services landscape is so rapidly changing.

In Trinidad and Tobago, the Government, through the Ministry of Finance, is deeply invested in efforts to improve the level of financial inclusion meaningfully and quickly for all our citizens and today's event is an excellent opportunity to share the progress being made in Trinidad and Tobago.

Rationale for Financial Inclusion

So what is financial inclusion?

In 2015, the World Bank Group and its partners made a commitment to achieve Universal Financial Access by the year 2020. The goal of that initiative was that by 2020, persons who are not part of the formal financial system would "*have access to a transaction account to store money, send and receive payments as the basic building block to manage their financial lives*"

It goes without saying that being able to access a transaction account is a prerequisite for broader financial inclusion, since a transaction account is the gateway to other financial services and facilitates day-to-day living, and helps families and businesses plan for everything from long-term goals to unexpected emergencies. The World Bank found that as accountholders, people are more likely to use other financial services, such as credit and insurance, to start and expand businesses, invest in education or health, manage risk, and weather financial shocks, which can improve the overall quality of their lives.

Going one step further, digital financial inclusion is designed to reach financially excluded and underserved populations with a range of tailored financial services suited to their needs that are safely and securely delivered at an affordable cost, that is also sustainable for service providers.

Digital financial services, including the use of mobile phones, have now been launched in many countries. As a result, millions of formerly excluded and underserved poor customers are moving from exclusively cash-based transactions to formal financial services using a mobile phone or other digital technology to access these services.

While the World Bank Group's UFA 2020 project did not achieve universal financial access for every adult on the planet, it made a lot of progress.

Financial inclusion thus calls for universal access to and usage of affordable, user-friendly and high-quality financial products and services such as bank accounts, payment services, credit, and insurance.

Today, it is an integral part of the global development agenda, and is recognised as an enabler of many things, such as economic growth and economic health to agricultural development, educational advancement,

development of robust and sustainable businesses, increased savings, consumption, investment opportunities, and specially designed financial instruments and solutions to support and empower vulnerable groups.

The Global Landscape

The most recent Global Findex findings (2021) indicate that 76% of adults in developing economies own a formal financial account – whether with a bank, a non-bank institution such as a credit union, microfinance lender, or a mobile money service provider – compared to 51% as reported over a decade ago in 2011.

In developing countries, account ownership among adults increased from 63% in 2017 to 71% in 2021, with notable growth observed in China, India, and Sub-Saharan Africa largely due to the adoption of digital financial services and mobile money. This is further supported by data published by Kenya's Central Bank, which shows that transactions made through its M-Pesa platform account for 31% of the country's GDP for 2021.

Similar innovations are being pioneered here at home in the Caribbean as more of our neighbours advance the use of digital financial services within their respective jurisdictions.

For example, the Bahamas introduced the Sand Dollar in October 2020 in response to the physical restrictions introduced by the Covid-19 pandemic

The Sand Dollar is a digital version of the Bahamian dollar, and the Bahamas Government's objective for this digital currency is the promotion of wide access to regulated payments and other financial services by the nation's underbanked and unbanked populations. The Sand Dollar, which can be accessed through a digital wallet via a mobile application or a physical payment card, has the same legal status as the standard

currency, and is issued by authorized financial institutions, and can be used for a variety of transactions.

And, unlike cryptocurrency, which is causing so many problems nowadays, the digital Sand Dollar is backed by the foreign exchange reserves of the Central Bank of Bahamas.

Uptake has been a bit sluggish, but the number of Sand Dollars in circulation at the end of 2021 was reported at US\$300,000, up from US\$80,000 in 2020.

Again in the Caribbean, Haiti's Mon Cash, a mobile application launched by Digicel and Sogebank, offers financial services to its customers via mobile banking. As of 2018, it was recorded that there were 540,000 active users on a 30-day activity basis. This large uptake has been attributed to the app's fast, reliable, safe method of making financial transactions.

Financial inclusion is not limited to individuals though and the World Bank's Enterprise Survey tells us that the proportion of small and medium enterprises that identify access to credit as a major constraint is much higher in the Caribbean than in Latin America.

In a 2017 IMF publication by Joyce Wong on "*Financial Development and Inclusion in the Caribbean*" we are told that even in larger Caribbean countries such as Jamaica and Barbados, nearly 40 percent of SMEs cite credit access as a major issue. In addition, that study found that the difference in the proportion of firms with credit access between these two countries is striking—only 26 percent in Jamaica versus over 55 percent in Barbados . Constraints are especially severe in Jamaica, which has the highest intermediation cost and collateral requirements and the lowest proportion of firms with access to credit

The much better situation in Barbados is as a result a history of support for SMEs in that country.

The IMF has also found that some Caribbean countries have made significant progress on easing constraints. For example, the central bank in Suriname has classes for the proprietors of SMEs to educate them on basic accounting and knowledge transfer. The country has also been quite innovative in using television series to promote financial inclusion. In Trinidad and Tobago, where SMEs have relatively good access to finance, the central bank offers booklets on money management, home ownership, budgeting, insurance, and consumer protection services, all of which are available to the wider public.

The constraints to financial inclusion for SMEs essentially involve participation costs, high documentation requirements, which impede access to finance (for example, for opening, maintaining, and closing accounts, and for loan applications), collateral requirements and the need for guarantors..

When compared with advanced economies most countries in the Caribbean lag behind. For example, only 48 percent of firms, on average, have access to credit in the Caribbean.

On the other hand, it is found that Trinidad and Tobago and the Dominican Republic have the lowest collateral requirements in the region and the most firms with access to credit. However interest rate spreads are high in both countries, and while firms can more easily access credit in these two countries, they must pay dearly for it.

So we in the Caribbean still have a lot of work to do to achieve financial inclusion for everyone.

In recognition of these issues, we have seen the German Savings Banks Foundation for international Cooperation assist with a project to strengthen of the financial sector and improvement of access to financial services in the Eastern Caribbean Currency Union (ECCU) by Small and Medium Enterprises (SME).

Further, again in recognition of the need for a data-driven solution, the Eastern Caribbean Central Bank (ECCB) recently commissioned in September 2022 a Financial Literacy and Financial Inclusion survey for its 8 member countries.

The ECCB survey of Financial Literacy and Financial Inclusion seeks to gather information about the public's awareness of financial products and services as well as usage and access to these offerings. The data will support the ECCB's efforts aimed at increasing the availability of and access to financial services for the residents and citizens of the Eastern Caribbean Currency Union.

Financial inclusion is thus at the heart of financial sector transformation and economic recovery. It is a prevailing objective of many international financial organizations and national governments and is increasingly regarded as a vehicle for attaining policy objectives outside of the financial sector. The United Nations Sustainable Development Goals (UNSDGs) specifically address some of the most pressing global problems, including poverty, employment opportunities, and economic growth. To drive the strong development of the digital economy, increased focus on financial inclusion and the move to a cashless economy would certainly achieve some of these objectives.

Providing access to credit by encouraging participation in the formal financial system can allow for improved earning potential, enhanced

empowerment of women by encouraging entrepreneurship, reduction in the costs of transactions, faster accumulation of funds to facilitate achievement of individual goals, and the increased use of digital platforms which in turn drives digital literacy of the population as a whole. The list is by no means exhaustive, but it is instructive that according to the World Bank, financial inclusion has been identified as an enabler for 7 out of the 17 Sustainable Development Goals and, therefore, has been given high priority on the Government's agenda

The Local Landscape

In Trinidad and Tobago, despite the economic challenges of the last 3 years, our financial services sector remains quite strong, and our financial inclusion statistics are quite favourable, with a fairly high percentage of account ownership among adults, last measured at 81%.

Further, the Central Bank's National Financial literacy survey reported in 2022 that the percentage of unbanked individuals in Trinidad and Tobago was down to 19%, compared to 29% in 2013.

While these statistics are favourable, our target over the next few years is to get that unbanked statistic down below 10% with a corresponding increase in bank accounts to above 90% in the adult population.

We believe that no member of our society should be excluded from our banking system.

Accordingly, to ensure that every person can contribute positively to their own economic well-being and the progress of our society, we see it as our responsibility to understand the variables influencing the rates of both voluntary and involuntary exclusion in our economy. Therefore, the government's objective is to create and support mechanisms for

increasing financial literacy so that people would feel empowered to evaluate and choose the financial services that best meet their needs.

Some of the ways we are pursuing this include:-

- **The Central Bank of Trinidad and Tobago National Financial Literacy Programme** has implemented numerous initiatives to educate the public on making sound financial decisions and achieving individual financial well-being. The NFPL offers our citizens the opportunity to learn about the advantages of using the official financial system, as well as debt management, budgeting, and financial fraud. As a result of consistent media campaigns that educate the public about the dangers of the cyber world, people are less likely to fall victim to fraud, robberies, or acquire counterfeit currency. The CBTT has also been measuring its progress over time by administering data collection studies on Financial Literacy. Through trending, it was realised that the financial literacy percentage in Trinidad and Tobago has increased from 23% in 2013 to 35% in 2022. Additionally, in terms of SMEs, their use of financial products and services has also increased, as revealed by the 2022 Financial Literacy survey:
 - 7 in 10 SMEs have increased their digital banking services usage
 - 57% use online banking
 - 71% have business bank accounts

- Further, through the CAF Development Bank of Latin America, the Ministry of Finance embarked on a consultancy to determine the

functional and institutional needs of the Customs and Excise Division regarding implementing an online payment system. In addition, the consultancy covered the digitalization of tax collection processes while providing recommendations for the implementation of such systems and the necessary cyber security infrastructure required for systems of this nature. The overall goal of the consultancy was to provide recommendations for implementing the digital infrastructure and online tax ecosystem and improving how citizens conduct business with Government.

- Another key initiative of the financial sector is the pursuit of strategies to expand the reach and increase the uptake of financial services, such as introducing low-tier bank accounts and implementing the reduced know-your-customer (KYC) requirements. Recently, in collaboration with the Central Bank, the Ministry of Finance was successful in getting our commercial banks to agree to relax KYC requirements for small account holders, which is assisting our drive to include everyone in the formal financial system. Banks have also digitally transformed some of their services in the form of mobile apps and online banking facilities to afford citizens easier and safer ways to complete transactions without the need to visit a branch.
- There continues to be a focus on developing the legal framework and adapting existing legislation to promote the cashless agenda. Of great focus is our e-Money Issuer Order of 2020, which allows businesses in the financial sector to gain approval to provide more access to financial services across the country.

- Arising from this Order, the Central Bank, in September 2022, registered PayWise Limited as Trinidad and Tobago's first e-money issuer. This new e-money issuer will provide more access to financial services to unbanked and underbanked citizens across the country, and additional e-money issuer approvals are expected in the future. Trinidad and Tobago is an attractive jurisdiction for this category of provider due to our robust ICT infrastructure, an abundance of skillsets across technology, finance, and the digital world, and proximity to the Americas.

As you can see, ladies and gentlemen, the government has made some significant strides in the creation of a digital economy with emphasis on bringing the unbanked into the system. Some measures include the development and implementation of a national data governance policy and framework, the update of the government's cloud policy, assisting local technology entrepreneurs in getting international accreditation and information technology, bridging the digital divide by developing and implementing policies to address affordability, and equity of digital access for every segment of the population. This ongoing digital transformation of the sector will positively impact the levels of financial inclusion as the Government continues to roll out and support inclusive finance initiatives.

Advancing Financial Inclusion in T&T

Trinidad and Tobago is positioning itself to be a regional leader in digital finance and financial sector transformation as we pioneer a model that could be adopted across the Region. We have designated an agency under the Ministry of Finance – the Trinidad and Tobago International Financial Centre or TTIFC – to lead the Government's digital finance

agenda and to develop a coalition of policymakers, regulators, government institutions, and the private sector to promote strategic change across the financial services sector and implement digital payment services across the Government. As you may hear echoed by our partners at the United Nations Capital Development Fund or UNCDF, this approach is not commonly seen worldwide.

The Ministry of Finance, through the TTIFC, is driving change in three key areas:

1. the advancement of financial inclusion;
2. the acceleration of the digitalization of payments in the public sector, and;
3. the development of a FinTech-enablement Ecosystem.

In all of this, accurate, up to date and easily accessible data is essential. Gaps in the availability of data needed to drive effective strategic efforts, like boosting financial inclusion must be filled. We need to understand what the factual issues are so that we can design appropriate solutions.

In our case, the most recent data we have on financial inclusion is several years old and we have therefore taken a decision to launch our first National Financial Inclusion Study.

Our TTIFC will facilitate this study, the findings of which will enable a thorough understanding and provide deeper insights across key stakeholder segments, enabling:

- An assessment of the current levels of financial inclusion for citizens;

- The development and collection of data on financial inclusion to inform the National Financial Inclusion Strategy;
- The identification of existing gaps and barriers that hinder financial inclusion;

This study will be based on the OECD survey administration methodology and comprise indicators from the OECD and World Bank Financial Inclusion studies-Findex.

Further, as the government continues its efforts to increase Financial Inclusion, the Ministry of Finance has drafted and approved the instructions for using the registered Payment Service Providers Retail Payment Network (PSPRN).

This would allow revenue collection through a network of agents across the country and aid in providing easier access to government services. These convenient payment locations would touch those persons within the vulnerable groups of society, particularly the unbanked and underbanked. This initiative is on the heels of the government's drive to promote its Cashless agenda while ensuring that citizens may have convenient, simple, and secure methods of paying for essential public services.

Digital financial inclusion is also a prioritised subset for Trinidad and Tobago, as allocating financing to build digital infrastructure and promoting FinTech will assist financially excluded individuals. FinTech enables financial inclusion as it expands on financial technology channel adoption utilising mobile money accounts and transaction accounts. These can sometimes be great alternatives where financial service providers are insufficient. They also allow easier access to credit as less

onerous paperwork is not required compared to traditional financial institutions.

The Ministry of Finance, through the TTIFC is thus working to ensure that all requisite criteria for the establishment of an active FinTech Innovation Hub are identified and enhanced. The Hub, which will be a collaborative environment with an onsite ecosystem, is envisioned to be the showroom for FinTech within T&T and the region, focusing on the pillars of education, innovation, and acceleration within digital financial services. In addition, the goal of the Hub will be to facilitate investment opportunities with a focus on developing local capabilities for export potential.

Partnership/Relationship with the UNCDF

The nurturing of valuable, strategic partnerships remains a key focus of the GoRTT to develop the nation's financial services sector. The goals being undertaken by the Ministry of Finance have effectively advanced due to its working relationship with the United Nations Capital Development Fund Programme. The UNCDF is considered one of the top experts in the world in the financial inclusion sector and has established a reputation for itself in the field. Through the program 'leveraging digital finance to increase the resilience of African, Caribbean and Pacific Countries', the Government has been benefitting from the following:

- Technical assistance;
- Capacity building; and
- Training and peer-to-peer exchange on various financial inclusion issues.

I can also report that in furtherance of our effort to include everyone in the formal financial system, we have made significant progress in the introduction of cashless transactions in the public sector, for example at the Office of the Attorney General and Ministry of Legal Affairs, in the Civil Registry, Companies Registry, and Intellectual Property Office; at the Immigration Division; at the Trinidad and Tobago Bureau of Standards; at the Judiciary; at our Inland Revenue Division, and many others, using bank transfers, credit and debit cards, Automated Clearing House (ACH) and Real-time Gross Settlement (RTGS).

But as we all know, these sophisticated mechanisms don't really serve the unbanked. We are thus pursuing the use of top-up vouchers, mobile wallets and other more user-friendly and simpler forms of cashless transactions, especially for vulnerable groups and people in rural areas.

I cannot close without recognizing the important need addressed by this technical workshop on 'Advancing the Digital Payment & Financial Inclusion Agenda across the Eastern Caribbean.' The timing could not have been better. I would like to thank the UNCDF for hosting such an event and for their willingness to participate and share knowledge in technical areas such as:

- Key elements for a Financial Inclusion Blueprint
- Licensing Approaches for New E-Money and Emerging Models
- Supervisory Approaches, Technologies & Tools for Digital Finance
- Applications of Innovation on Existing Legal / Regulatory Frameworks
- Innovation Facilitators: Offices, Hubs & Sandboxes and

- Security Risks for Digital Finance

We are honoured to have experts who, in my opinion, will generate a lively conversation regarding exciting developments in the emerging financial services sector and possible collaborations underpinned by leveraging technology. We have many participants in this room. Some of you are policymakers, some regulators, and some technocrats. This creates an excellent opportunity for all of us to share collective experiences and aspirations in discussions over the coming three days.

I do wish everyone a fruitful event.