

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

Event: The Official Launch of the National Financial Inclusion Survey Report (2023)

Date: Tuesday 20th August, 2024

Theme: Insights to Impact: Building a Financially Inclusive Nation

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Ladies and gentlemen, good morning

It's my pleasure to further the cause of making financial inclusion a national priority.

Over the last few years, through in-depth surveys, we have been able to gather significant information on the state of financial inclusion in Trinidad and Tobago.

Financial inclusion means that individuals and businesses have easy access to affordable and useful financial products and services that meet their needs for transactions, banking, payments, savings, credit and insurance.

The research tells us that 75 % of our population save to some extent, which means that in the world context, Trinidad and Tobago is a high savings economy. However, an astonishing 82% of this group choose to save their money at home, which is neither safe nor productive.

We aim to engage with this group and encourage them to utilise financial products and services that offer better value, income generation and security for their savings.

Cross Border trade

The globalisation of finance and trade, coupled with migration patterns, has resulted in a notable increase in cross-border payments over the past few decades. The amount of money transferred globally is expected to increase by over 50% from US\$190 trillion in 2023 to US\$290 trillion by 2030¹ as FinTech operators continue introducing low-cost solutions for international payments.

Fintech can be broadly described as the use of technology to improve and automate the delivery and use of financial services.

With improved customer service, global reach, various payment alternatives, lower rates, and faster transaction times, FinTech has completely changed the cross-border payment environment. We are all familiar with the growth of global Fintechs such as Moneygram, Paypal and Western Union that enable ordinary persons to make payments and move money in almost every country in the world

Formal financial sector

Transformation within the commercial banking sector is also accelerating globally, as the research indicates that 73% of banking transactions now occur digitally, and banks now actively encourage cashless transactions or the use of ATMs. The growth of mobile accounts worldwide also drives the increasing demand for FinTech solutions in developing economies. For example, Africa has seen a significant increase, with approximately 800 million mobile accounts in 2022². These developments provide

¹ Source- FXC Intelligence, Cross-border payments market sizing data.

² The state of the Industry Report- Mobile Money – GSM Association April 2023 < [The future of fintech growth | McKinsey](#)>

countries with advanced technology-based financial solutions and robust digital payment systems for international settlements.

I recently learned of a Fintech in India, which processes 2 billion transactions per day and is geared specifically towards facilitating the unbanked.

However, not having access to Fintech presents a significant problem for individuals and businesses, widening the exclusion gap and hindering their ability to buy goods, pay for services, or invest in opportunities.

Regulations, Policies and Strategies facilitating financial inclusion

The emergence of new FinTech-based financial services has created issues for Regulators, who face greater demands to adapt to the changing landscape of digital banking and electronic transactions to accommodate new and evolving products and services.

As a result, governments worldwide are now tasked with updating and modifying their regulatory frameworks. In Australia, for example, a new regulatory framework mandates payment service providers to obtain a license to operate, as is the case in Trinidad and Tobago. In Europe, regulatory sandboxes and innovation hubs are crucial for driving innovation for FinTechs. The UK introduced new regulations in January 2024 for a Financial Market Infrastructure sandbox and a Digital Securities Sandbox.

A regulatory sandbox is a framework set up by a financial sector regulator to allow small-scale, live testing of innovations by private firms in a controlled environment under the regulator's supervision.

These examples underscore the importance of the Government's pursuit of financial inclusion as an essential measure to mitigate the risk of our

economy being left behind in global commerce. Research tells us that countries that adopt a strategic approach and create national financial inclusion strategies - involving the cooperation of financial regulators, telecommunications operators, and education ministries - can accelerate the speed and impact of reforms. Since 2010, over 55 countries have committed to financial inclusion and have launched or are developing a national strategy.

e- Commerce Strategy

Locally, the Ministry of Trade and Industry (MTI) is modernising its national e-commerce strategy to create an environment that facilitates and promotes e-commerce for local businesses to serve domestic and international markets. With these goals in mind, the Ministry of Finance, through our agency, the Trinidad and Tobago International Financial Centre or TTIFC, has been working closely with the MTI to support the development and promotion of e-payment channels within the state, emphasising the facilitation of e-money and cashless transactions adoption.

Financial Technology

Trinidad and Tobago is quickly becoming a FinTech innovation hub of the region. The establishment of a FinTech innovation centre, One Fintech Avenue , where we are right now, managed by the TTIFC, is playing a pivotal role in strengthening the FinTech ecosystem. Over sixty (60) firms have already been engaged through this facility. The TTIFC has also launched various initiatives, such as capacity-building programmes, investor matching initiatives, and the Caribbean's first FinTech Sprint for Financial Inclusion, the latter of which has initiated the development of

new FinTech solutions for smallholding farmers and mobile wallet products for selected credit unions. These efforts are designed to promote the transition to a cashless society and develop FinTech solutions for financially excluded citizens.

In its Country Report published in June, the IMF acknowledged the advancements made by Trinidad and Tobago in utilising new technologies to enhance the provision of financial services, increase financial inclusion, and modernise the payment system. The IMF also commended the Government's initiatives to improve the regulation and supervision of e-money issuers, promote e-money, and raise awareness through the implementation of specific policies, including the Draft E-Money Policy, the FinTech Policy, the E-Money Issuer Order, the draft guidelines for Non-Bank Non-Financial Institutions in Retail Payments, and the Simplified Due Diligence Requirements.

The E-Money Issuer Order of 2020 is a significant focus as it allows financial sector companies to obtain authorisation to expand the availability of digital financial services nationwide. Similar to Australia's regulations, the E-Money Issuer Order regulations of Trinidad and Tobago enable granting licenses to qualified firms to operate FinTech services. Four approved FinTech firms are in the ecosystem with new applications in the pipeline. This is part of a larger initiative from the Central Bank's Joint Regulatory Hub, which serves as a two-way dialogue between FinTechs and regulators on financial innovation and the applicable supervision regime.

Over the past three years, the Government has improved the infrastructure for processing government payments through the TTIFC

and in collaboration with the Treasury Division. This includes traditional and electronic methods, making digital payments for government services easier. The TTIFC's e-Cashbook Suite Solution has processed over 18,000 digital payment transactions, supporting various government institutions, including the Ministry of Trade and Industry, the Environmental Management Authority, the Ministry of Works and Transport, the Ministry of National Security, the Judiciary of Trinidad and Tobago and the Housing Development Corporation or HDC.

The World Bank Findex Report 2017 provided an overview of our country's financial inclusion landscape. It found an increase in individuals above the age of 15, with overall bank account ownership going from 76% in 2011 to 81% in 2017, placing Trinidad and Tobago 47th out of 144 countries worldwide. However, the World Bank did not update this data, making comparisons and trend analysis difficult. This was the impetus for launching the first National Financial Inclusion Survey, carried out in conjunction with the European Union and the United Nations Capital Development Fund. To that end, we sought to find the answers to three questions:

- 1. To what extent are financial services available to various groups within our society?**
- 2. What obstacles must people overcome to use more traditional and digital formal financial products and services?**
- 3. What programmes and policies should be implemented to assist the underserved population better?**

Our Survey is complete and today, we present **The National Financial Inclusion Survey Report 2023**. This report provides a rich repository of data and findings to understand better the current state and local barriers to financial inclusion. The Survey will allow us to substantially change the

financial landscape for the underserved and unbanked in Trinidad and Tobago, who are at the centre of our focus for this initiative.

Rationale for Financial Inclusion

Considerable effort was put into developing this survey instrument, which combined existing questions from the Organization for Economic Cooperation and Development/International Network for Financial Education (OECD/NFE) Toolkit and the World Bank's Global Findex Survey with questions tailored explicitly for Trinidad and Tobago. A carefully designed sample frame was created to ensure fair representation across Trinidad and Tobago, prioritising age, gender, ethnicity, and demographic diversity among municipalities. In line with the OECD/NFE frameworks, a demographic distribution of 2,000 nationals over 15 years of age participated in the exercise. Using random stratified sampling, the data was collected to ensure comprehensive geographic coverage and diversity in income levels and financial backgrounds.

Delving deeper into the numbers, we know now from the survey findings that the state of financial inclusion in Trinidad and Tobago is complex and constantly changing. Financial exclusion is rising, with 25% of households lacking access to formal financial accounts due to barriers such as documentation and high costs. Within this 25%, nearly 41% do not have sufficient funds to open and maintain an account, with 13% citing a lack of necessary documentation as the reason for not having a financial account. In addition, 33% believe they do not require an account.

Within the 75% of financially included households, the vast majority have traditional bank accounts, while just a few only have accounts with credit unions, microfinanciers, and other formal financial institutions.

These factors drive the prevailing preference for cash as the primary method for transacting and saving. Despite 88% of individuals having debit card facilities, 63% of all transactions are conducted in cash, exposing individuals to theft, loss, and mishandling risks. To address this, we must promote adopting digital payment solutions that offer greater convenience, security, and efficiency. Mobile wallets, contactless payments, and online banking services can significantly reduce our reliance on cash and facilitate greater financial inclusion.

Our findings reveal a strong preference for cash savings among our citizens, with an overwhelming 82% opting to keep their money at home, as mentioned earlier. This behaviour is primarily driven by high fees associated with bank accounts, as shared by many survey participants. Encouraging the transition from informal to formal saving practices will be crucial in promoting financial security and economic growth.

Furthermore, 85% of citizens do not own a credit card. This is attributed to factors such as 22% of individuals being concerned with the high costs, 12% referencing complex application processes, and 34% having limited awareness of the benefits. These challenges highlight the need for innovative solutions to promote financial inclusion, such as digital financial education programmes tailored to different demographic groups and delivered through various channels, such as schools, community centres, and online platforms, on the value of formal financial services.

Micro, Small, and Medium Enterprises (MSMEs) are vital to our economy, yet they face significant challenges accessing traditional and digital financial services. The Survey reveals that many MSMEs struggle with high borrowing costs, limited access to credit, and a lack of digital payment solutions. A surprising 77% of these businesses lack a business bank account. To make matters worse, 86% of these MSMEs exclusively

rely on cash transactions, indicating a significant gap in the digital payment ecosystem.

According to the data, MSMEs' decisions to accept payments depend on their clientele's preferences and the need for reliable and secure financial solutions for individuals and businesses. Confidence in financial services is also of great importance, and supporting MSMEs is thus crucial for job creation, economic diversification, and overall economic resilience.

Certain areas in T&T are excluded

Although most people live within 15 minutes of a bank branch or an ATM, the distribution of this proximity varies, impacting financial inclusion rates, with some regions having greater rates of financial exclusion than other areas, particular in the south of Trinidad.

Low awareness of financial products and services features

It was found that there is insufficient knowledge and ability to understand the terms and conditions, fees, and customer redress processes of formal bank accounts. The Survey found that after individuals opened a formal bank account, 16% were surprised by the associated conditions and fees and 25% of account owners did not know how to file complaints or handle account-related issues.

I am sure you will agree that these statistics are cause for concern. Despite Trinidad and Tobago's robust financial sector, these findings reveal that a significant portion of the population remains underserved and unbanked.

The insights from the National Financial Inclusion Survey have prompted the Government of Trinidad and Tobago to develop a comprehensive National Financial Inclusion Strategy, to create the conditions for equitable access to financial services for all citizens, regardless of their socioeconomic status.

The National Financial Inclusion Strategy will focus on several key areas:

- 1. Enhancing Access to Financial Services:** We will work with financial institutions to develop innovative and affordable products that cater to the needs of underserved populations. This includes low-cost savings accounts, microloans, and insurance products. We will also explore the potential and promote the use of digital financial services, such as mobile banking and digital wallets, to reach remote and underserved communities.
- 2. Promoting Digital Financial Education and Literacy:** It is proposed that financial education programs be integrated into the national curriculum to ensure that individuals are equipped with the knowledge and skills to make informed financial decisions. We will also collaborate with financial institutions and FinTech companies to provide digital literacy training, enabling citizens to leverage digital financial services effectively.
- 3. Strengthening Consumer Protection:** Ensuring consumer protection is critical in promoting trust and confidence in the financial system. We will enhance regulatory frameworks to safeguard consumers' rights and interests, including measures to address fraud, misinformation, and unfair practices such as a robust

grievance mechanism, to resolve consumer complaints promptly and efficiently.

4. **Encouraging Innovation and Collaboration:** Innovation is key to advancing financial inclusion. We will foster an environment that encourages collaboration between financial institutions, FinTech companies, and regulators to develop and scale innovative financial solutions. Public-private partnerships will be promoted to leverage expertise, resources, and technology in driving financial inclusion initiatives.

Governance Arrangements and International Partnerships

The TTIFC will take the lead in promoting, creating and managing the environment for Financial Inclusion in collaboration with the Ministry of Finance, Financial Institutions and the Central Bank, and with the help of our international partners, such as the United Nations Capital Development Fund, the European Union and CAF.

I look forward to a detailed proposal from the TTIFC on establishing a task force and practical administrative arrangements, comprising representatives of all stakeholders, including non-government organisations, to drive this essential process.

The journey towards financial inclusion is long and challenging, but every step brings us closer to our goal of an inclusive and prosperous society. Every one of us has a role to play in this transformative process. By fostering cooperation, embracing innovation, and remaining committed to

our shared vision, we can overcome the barriers to financial inclusion and create a brighter future for all citizens.

To give further perspective, while in Copenhagen in Denmark a few weeks ago, I was surprised to discover that virtually no one uses cash anymore in that country. All transactions are done online, or physically with credit and debit cards or mobile wallets. In fact, believe it or not, very few shops had any significant cash in their cash registers, so it is rare for customers to pay for goods in cash in Copenhagen.

After that experience in Copenhagen, I travelled to London, England, where I saw the active promotion of the use of credit and debit cards in their rail and bus network, where you simply tap your card on a monitor as you enter the station or bus, to pay for your travel. In supermarkets and department stores, self-check-out systems were preferred, with almost every check-out machine being cashless.

The use of mobile phones to make transactions is also becoming increasingly popular worldwide.

Further, in recent years, countries like India, which previously had a large financially underserved population, have become major players in the digital payment space, outpacing its allies and rivals. In 2022, 46% of real-time global digital transactions took place in India, and the nation has become the second-largest digital market in the world, closing in on China in first place. Indeed, as the world continues to become cashless, Indian software could dominate the financial world.

So, we in Trinidad and Tobago are way behind the rest of the world in terms of financial inclusion and the use of Fintech.

Let us continue to work together, therefore, leveraging our collective strengths and resources to drive financial inclusion in Trinidad and Tobago. By empowering individuals and businesses with the tools and opportunities to participate in the formal financial system, we can unlock their full potential and build a more inclusive financial future for all.

Ladies and gentlemen, thank you.