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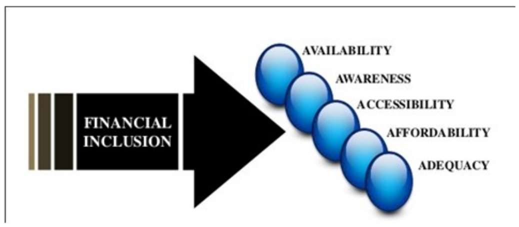
Financial Services Regulatory Commission

NewsLetter

January 2017
Issue No. 33

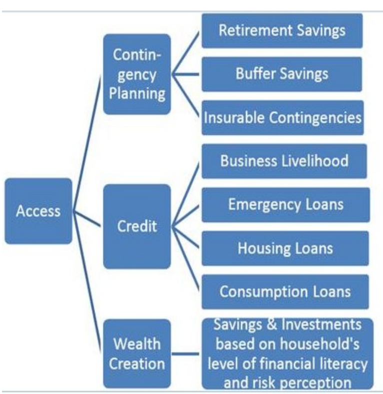
FINANCIAL INCLUSION TO BENEFIT WHOM?

World Bank-sourced information reveals that "around two billion [of the world population] does not use formal financial services…" The source further stated that "Financial inclusion is a key enabler to reducing poverty and boosting prosperity."



What is Financial Inclusion?

Financial Inclusion means that both businesses and individuals have access to useful and affordable financial products and services to satisfy their financial needs in a responsible and sustainable way. Financial Institutions (FIs) are an important part of the Financial Services Sector and they provide these products and services based on the demand of consumers' financial wants and needs. For some businesses and individuals, financial inclusion is compulsory: to facilitate business transactions; to provide protection against particular risks; to provide a secure means of saving money; and to provide access to loans and a line of credit to fund large projects.



Merits of Financial Inclusion

* Consumers have a wide range of financial products and services available in the financial market to select from.
* Consumers have the ability to determine which FI provides the most affordable financial products and services which adequately suit their financial needs.
* Financial Inclusion stimulates financial activity within the financial services sector.
* Financial Inclusion creates a viable market for FIs to thrive.
* Financial Inclusion boosts economic growth and development.

However, the convenience of these products and services attract a cost – a cost that is sometimes hidden in fees, service charges, government tax charges, and transaction charges which is passed on to the consumers.

It's Just Business…Right?

FIs and the costs associated with the provision of their products and services thrive on consumer choice and behavior (demand). The law of supply and demand demonstrates that the high demand of a product influences the quantity of supply and helps to determine market prices.

In the purview of the consumer, FIs need to focus on their core competencies and provide financial security that consumers cannot for themselves. Hopefully, these products and services do not burn holes into the consumers' pockets.

On the other hand, FIs are concerned about how to facilitate the needs of their customers. Within the parameters of the relevant legislation that govern their operations and facing competition in a saturated market, FIs must carefully strategize how to provide access to their financial products and services. The products and services must be suitably designed to satisfy the consumer and encourage their patronage. The pricing of these products and services must be done in a manner to attract consumers and secure the going concern of the business as well. Therefore, the products and services must be appropriate, affordable and fair.

The underlying fact is that, although our economy is financially inclusive, not every segment of the population takes advantage of this inclusion. Why?

Barriers to Financial Inclusion

1. Low income individuals cannot afford the mainstream financial products and services.

2. The design of the products and services is not appropriate for the uninformed.

3. The products and services available at the FIs do not cater specifically to low income individuals. Most of the products and services are too expensive for their low income level.

4. FIs are not willing to extend credit or provide access to loans for low income individuals.

5. Low income individuals do not have trust in the financial system as it is structured in a manner to exhaust what little income that they do have so they decide not utilize the financial products and services offered.

The importance of financial inclusion cannot be understated. However, using a 'one size fit all' approach to financial inclusion, especially in developing countries, will not work. To reach the low income class does not require reinventing the wheel, but rather paying close attention to the needs of these individuals and determine what prices are affordable and what design of products and services can be created to best tailor their specific needs.

Factors to consider….

1. **Is our financial system inclusive enough?**
2. **Is financial inclusion effective if the financial services available are not affordable to all segments of the population?**
3. **Is it accurate to suggest that financial inclusion enables the reduction of poverty?**
4. **How can we ensure that our financial services will reach the low income class?**
5. **Is there a need for a microfinance industry?**

Looking Forward…

During this year, the FSRC commits to working with Regulated Entities to enhance compliance with AML/CFT Regulations. The FSRC intends to increase public awareness on AML/CFT matters through the 'Know Your Regulator' (KYR) initiative. The organization also intends on providing assistance to its regulated entities in building the capacity of their employees through conducting quarterly training sessions. These sessions will focus on AML/CFT requirements and their importance at a cost of $150.00 per person. Additionally, as the ultimate body responsible for AML/CFT matters, the FSRC will continue to conduct on-site and off-site examinations to ensure compliance with the Laws and Regulations of the Federation.

Reference:

- http://www.worldbank.org/en/topic/financialinclusion

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