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Q The Jamaica unit of First Caribbean International Bank earlier this month said cost containment and an emphasis on areas including deposit growth helped the bank achieve 6 percent growth last year despite the economic downturn. How are banks across the Caribbean faring as the region emerges from the global economic crisis? How are the most successful Caribbean banks achieving growth and what do their experiences foretell about the future of banking in the region?

A Ronald Sanders, business consultant and former Caribbean ambassador: "The global financial crisis, which has had a deleterious effect on tourism and the price of commodities, has negatively impacted all banks. They have witnessed a reduction in earnings consequent upon a decline in earnings by their business customers. However, Canadian owned multi-national banks, such as First Caribbean International Bank (FCIB), which have operations in many Caribbean countries, have performed comparatively better than others for three reasons: the high prudential standards demanded by their Canadian regulators resulted in little high-risk exposure including to the subprime market in the U.S.; businesses and depositors shifted their business to them following a crisis of confidence in locally owned financial institutions after two regional companies, CLICO and British-American International Group, collapsed leaving depositors and policy holders with virtually worthless paper; and they gain from the economies of scale derived from sharing many 'back-office' costs among all their local units across the region. The rise in deposits in Canadian-owned banks have made them liquid enough to lower their interest rates for CDs to about the same level as saving accounts at 3.00 percent per annum in many countries. Given that their lending rate is usually 8 percent and higher, they are enjoying a lucrative spread. By comparison, local banks have been forced to raise rates for CDs in order to attract new money and to maintain deposits. This experience suggests that Canadian owned multinational banks in the region will continue to prosper as the global economy improves, but local banks will suffer unless they merge into larger and stronger units with greater capitalization. It also points to an industry dominated, more than it now is, by Canadian owned companies."

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