EMERGING ISSUES ON THE HORIZON: FINANCIAL SERVICE INDUSTRY IN TRINIDAD AND NIGERIA BEYOND 2020

By

SUNDAY I. ISONG, Ph.D
Department of Economics,
Akwa Ibom State College of Education, Afaha Nsit,
Akwa Ibom.

And

F. U. OKPOSIN
Department of Economics,
Akwa Ibom State College of Education, Afaha Nsit,
Akwa Ibom.

Abstract

The paper is examined to acknowledge the fact that the force winds of Global financial pressure today complicate the emerging issues on the horizon for the financial service sector and to provide an understanding of the major changes affecting service sector especially as it pertains to banking industry as well as to reshape the financial services sector, increase effective competition, empower consumers, encourage more flexibility and urge measures to improve the regulatory system. It discussed the forces of changes in globalization technology, demography and changes consumers preference and their implication. It also considers global development today and its impact and changes forth local financial service industries. Suggestions for the way forward are also made. The paper concludes that by challenging the industries stakeholders to manage the relentless myriad of existing and forthcoming changes, in a way that will serve the collective interest of Trinidad and Nigeria beyond 2020.

Keyword: Financial Services Sector; Globalization; Financial crisis; Liberalization; Demography; Challenges and Opportunities.

Within this sector are the financial services, which have experienced major transformation and now accounts for 11.5% of GDP earned. This twin island has set its sights on becoming the financial and services hub of the Americas at least, in first instance. The country's services sector has taken on growing importance in the development of the economy (TTSE, 2011 Report).

The country can now boast that it has eight well-established commercial banks (six of which are foreign-owned), a unit trust and several mutual funds, mortgage finance companies, trust and pension fund managers, life and general insurance companies, development finance institutions, credit unions, venture capital companies and other non-bank financial institutions. The three largest banks account for 70% of total bank assets and the three largest one, Colonial Life Insurance Company (CLICO) accounting for almost 55% of total insurance assets (Ewart Williams). These institutions apart from competing in the development of new and improved products and services tailored to the needs of the customers in the financial market, supply liquidity that makes the industry an important engine of the country's economic growth (Alleyne, 2000, Alfaro et al, 2004).

Lately, there are radical changes that are driving and affecting the financial services industry in Trinidad and Nigeria, especially in the area of banking. According to Boylan (2000, cited by Fanning) conventional retail banks will not be able to fend off the threat from Internet banking, particularly from what he calls "the cyberbanks". Today's customers are more informed and demand more than ever before, as they look for the best value and for increased choice, control and convenience in how they access financial services (Majumder, 2005). This trend will continues as tomorrow's consumers obtain even more sophisticated networking tools that will offer more options for exercising their growing power in the marketplace. The challenges and opportunities presented by the rapid changing financial service sector are forcing institutions to closely examine their electronic offerings and to continually evaluate and invest in new applications and infrastructure in an effort to offer highly reliable and value-added services that customers demand. At the same time while being customer-centric, banks and non-banking institutions must also devise strategies that comply with local and international regulations to avoid being scrutinized by regulatory bodies (Ramnawaz, 2001, Pasiouras, 2008).

The current global financial crisis and the incumbent regulatory and monetary changes further complicate the challenges and opportunities for the local financial services industry. The fact is that global undercurrents within the financial services sector can potentially devastate the finance sector and world economies. Such potential impacts are already visibly taking place in countries around the world. In Europe, the current Euro situation is challenged by the Creek debt crisis and it may become worse when Venezuela decides to move the $11 billion gold reserves from the US and UK. In fact, "the 17 countries that use the Euro need to build a US$1.3 trillion firewall to help the struggling currency union return to growth". The onus is therefore on the stakeholders within the industry to manage the changes and challenges that are underway and that are yet to come. (Economic Times News 2012; Angel Gurria, Head of the Organization for Economic Cooperation and Development. March 28, 2012 Express Newspaper p.48).

Conceptual Framework

Money and banking over the last twenty years have become more and more a virtual experience. In addition to cash, banking has evolved to credit cards, automatic banking machines, debit cards, telebanking, smart card (electronic purse) and more recently, internet banking (fresh new e-possibilities). Many financial transactions can be undertaken by digital means without the need for actual cash to change hands.

In today's world, it is difficult to manage financial transactions without the use of plastic (Burke, 2002). Changes are taking place as institutions market their services over the Internet. Failure to meet customers' need leads to the demise of that institution as dissatisfied customers immediately switch to the competitor. Web sites that offer one-stop resource centres providing convenient, anytime access to continually updated information on products, interest rates and online applications, as well as a range of interactive tools can help customers make better financial decisions. Modern customers demand speed, convenience, off-site cash access, lower fees or no fees at all and a wide variety of banking operations (Manjoon and Cai, 2001).

Local Banks have become more aggressive and have embarked on a regional and international marketing strategy. Over the last ten years, Trinidad and Nigeria banks have floated bonds not only for the domestic setting but also to assist regional governments in raising much needed capital for investment purposes. Many are forging alliances and are developing a strong presence with subsidiaries in Grenade, the Cayman Island, Guyana, St. Maarten, Jamaica, Suriname, Curacao and St. Vincent among others. It must be noted that Republic Finance and Merchant Bank Limited (Fincor) Financed projects in Grenada, St. Lucia, and St. Kitts. Currently there is a proposed financial arrangement to fund an Easter Caribbean Gas Pipeline project from Trinidad to Barbados, and an ethanol plant in Guyana (Caribbean 360 News 2012).

Another recent development within the regional banking sector is that of consolidation for survival of the fittest. This signals the direction in which the Caribbean's business sector should be focusing. Smaller indigenous banks have been acquired by and/or merged with larger banks to create meaningful and stronger financial institutions which is intended to build/fortify the financial pillars of a new economic era in which the Caricom Single Market and Economy and the Free Trade Area of the Americas will be in operations. Such mergers and acquisitions Include First Caribbean International Bank and Barclays PLC, The Mutual Bank of the Caribbean and the Bank of Butterfield of Bermuda and the Caribbean Commercial Bank and the more recently, RBC Holding Limited and RBTT Limited. Whilst such a development may create vacuum for smaller, more personable savings and loans operations, the credit union movement is well poised to benefit (Hoyos, 2004).

On another front the market is heating up with increased trading in equity and mutual funds investments as well as an increase in foreign investments by local businessmen. All these changes have been fostered and nurtured by a number of forces namely globalization, advancement in technology, demography and changing consumer preferences moving the industry in challenging new directions.

1. **Globalization**: Globalization affects the way we live and interact. It influences government policies, the environment, economies and international relations. Itis a powerful force for market Integration, where distances are shortened and valuable information travels across the globe like never before and where commerce, technology and trade act as the forces that gradually shrink our world into one global village. E-commerce and the Internet are undoubtedly the, backbone of globalization and businesses going forward. This increase in technology and trade purported by the Internet has challenged leaders of developing countries to liberalize their economies to foster trade and overall productivity (Wymbs, 2000).

The Unit Trust Corporation (UTC) is a progressive and an active investment centre that has established operations in the United State of America to access the best deals available by selling its products at a price comparable to its foreign counterparts. This has encouraged participants in the local industry to improve the delivery of financial products in order to be more competitive with the rest of the world. According to Gorbet (1999) there has truly been much financial and economic integration over the past decade. Capital markets are becoming global and have transformed the way financial services are provided. Today, large companies can search the world to get the best deals (BIS Review, 2008).

Globalization will not abate. Indeed, the push is for development of global enterprises to supply retail financial services. Citibank and American Express have global brands. Niche players like MBNA are building retail businesses and is growing by 28T per year in an Industry that is growing by 6% a year. It offers more than 4,500 affinity credit cards and is active in several countries. These players are extremely successful in their market places. How much more successful they will be globally, and in what time frame are still unanswered questions. But there is no question about where they are moving, knowing thatthe movement is being facilitated by the increasing use of the Internet and electronic commerce (Gorbet, 1999, Wymbs, 2000, Berger et al, 2003).

2. **Technology**: The revolution in technology, information, and communications has affected people's way of life. Without exception, the world's leading businesses are using technologies to find ways to create and deliver value in more efficient ways to grow their operations. The financial services industry is among the best places to exploit the advances in technology. This is because its products are services, which are

essentially intangible and do not need to be physically delivered to customers (Adriaenssens, 2000). Apart from the maximization function, technology-driven gains in productivity and cost efficiency have begun to transform a hierarchical, regulated and labor-intensive industry. To appreciate the Impact of technology on the financial services sector, consider this: the computer revolution Is truly and radically changing the ability to access, filter, understand and respond to real time information. So much information has never been so widely and immediately available now that technology is making it easier for new financial service players, both domestic and foreign, to target customers. The Y2K fiasco has had a tremendous impact on computer technology globally. It has revolutionized the financial institutions as billions of dollars were spent to install state-of-the-art systems, with the purpose of enhancing future compliance (Kolodinskey et al 2004, Wymbs, 2000).

To keep abreast with the developments in technology and changing consumer needs, banks are ensuring that online transactions conducted in a safe and secure manner. For example the gateway system uses 128-bit Secure Socket Layer (SSL) channel encryption to prevent message tampering while users are transmitting information over the Internet. In laymen’s term, this ensures that all credit card transactions/information are relayed in the most secure manner to prevent any possible “reading of credit card information (SCOTIA eNEWS, 2001, Scotia Bank Website, 2012). However, the sophistication of the perpetrators supported by reasonably priced cutting-edge technology creates new challenges daily.Therefore, initiatives must continuously be designed so as to control or reduce the amount of fraud in the system.

Finally, security audits are an essential part of any financial system.Although the task requires the maintenance of an internal audit department, theaudits are a good way to keep the Information Technology department abreast of security concerns. Internal audits are very beneficial in that they provide necessary checks and balances but they also require the use of an annual independent third party. These their parties can be quite expensive and often have narrow consulting skills. Finding a party that can meet the firm’s needs at an affordable price can be a challenging task. Indeed such parties will have access to key confidential company information and thus new laws have to be developed locally to protect companies from abuse of sensitive information (Colman, 2002). For electronic banking to be attractive to consumers and businesses, it should not only save money, but also provide trust and confidence to Its users (Kolodinsky et al, 2004). This can only be ensured over time (Heeralal, 2001). Banking, undoubtedly, will continue to undergo radical changes. While technology and globalization are leading to new ways of doing things, demography is changing the focus of what is being done in retail financial services.

3. **Demography**: Research reveals that wealth management type products are gaining acceptance on the local market. According to Gorbet (1999) money market mutual funds and life insurance companies are preparing to offer the convenience of

cheques and debit cards in order to capture some of the transactions market that has to date been the preserve of deposit-taking institutions. Customers are no longer accepting the guaranteed rate that savings accounts offer but are seeking to maximize their return by investing in risky and higher yielding alternatives such as equities.

It is believed that banks will exit many product lines as value migrates orthey may be forced to develop hybrid products, which may allow customers to diversified investment portfolio, and this may also include an insurance element, for which the customer will pay a premium (Young, 1999). An increasing evolution of banks from brands to become trusted distributors of best of breed products, including, but not limited to, their own. Banks will increasingly integrate their operations and emphasis will be placed on wealth management in years ahead as this is the prize financial institutions are focused on. It Is an Important factor in the convergence of institutional function that has taken place and is continuing.

4. **Changing consumer preferences**: Institutions are reacting to changing consumer preferences by establishing anti maintaining long-term relationshipswith customers. Banks in particular are in a race to become increasingly moreconsumer-centric and with the advent of technology, the vision is to deliver low-cost high quality, hassle-free-products through customer friendly and feature- rich channels that are consistent across delivery methods.

Consumers today are much different from those of a decade ago. They are more involve, more knowledgeable, more aware of financial product characteristics and provider choice as consumers have been empowered through information and technology. Consumers are comfortable with new technologies such as Internet investment sites, online trading and online message boards devoted to investment information, have using them and are making continuous demands on service providers.

As reported, the total funds under management in the mutual fund industry in Trinidad and Nigeria showed remarkable growth between 2001 and 2006. In 2001, the funds stood at TT$9,095.9 million, compared to TT$841.3 in 2004, representing an average annual growth rate of 122.5% over the period. The entrance of new and different type of mutual funds together withrelatively high rates of returns in the sector contributed to this strong growthrecord (Ministry of Finance Green Paper, 2003).In a more recent report, according to the Central Bank of Trinidad and Nigeria Report (July, 2016) following subdued performance in 2014, there has been some pick-up in growth in mutual funds under management. Mutual funds under management rose by1.8% to $36.3 billion at the end of June 2016 from $35.6 billion at the end of December 2010. Investor appetite for mutual funds seems to be returning, as the industry recorded net sales of $146.9 million during the first half of the year 2016.

The shifting of risk from institutions to consumers now has important implications for Industry structure as articulated in the following two examples:

Over the past two decades, mutual funds held by Trinidadian households have been experiencing explosive growth. Today Trinidadian households hold more money in mutual funds than they do in bank deposits, which have been declining since the mid-1990's. According to Singh (2011) money market mutual funds increased by 218% over the period 2004 to 2006 and for the first half of 2000 increased by 75% over thecorresponding period in 2006. In a recent Central Bank Report (2016 money market mutual funds increased to $36.3 billion at the end of June 2016. The attractiveness of mutual funds over deposits could be attributed to yields, expertise, diversification and convenience,notwithstanding that Deposit Insurance Fund insures deposits up to $125,000. (Deposit Insurance Corporation Trinidad and Nigeria).

Challenges and Opportunities

Financial institutions will increasingly come under pressure as competition continues to intensify by trade liberalization, external currency crisis (Euro) and as countries move their reserves from democratic countries to socialist countries (Express Newspaper March 28th 2012) improvements in information technology will contribute to increase competition, and already some foreign-service providers are - selling financial services to Trinidad and Nigeria via the internet. However, liberalization of financial markets will create opportunities for Local providers who already have a competitive advantage regionally, especially in the areas of banking, insurance and mutual funds to export service to other CARICOM states.

More open markets in the domestic environment are also expected to benefitthe consumer through access to a broader range of products at more economical rates (Ministry of Financial Green Paper, 2003). Retail financial services will be the battleground for which a lot of institutional positioning will be played out and banks will have to shape up because that is where the money will be. The margins on international business will continue to shrink and Return on Equity (ROE) that has replaced growthin premiums or assets as a performance measure in wholesale financial service have been trending down for a decade now as globalization has further intensifiedcompetition.

Business Ethics, Corporate Social Responsibility and Compliance

Local financial service companies need to elevate their participation in the global ethics and corporate social responsibility (CSR) movements. At present, the websites of many local and regional do little beyond describing various community outreaches in their CSR reporting. By contrast, some of the financial companies in the world such as JP Morgan Chase, Santander and Mitsubishi UFJ financial Group Inc., provide extensive CSR reporting, detailing topics such as sustaining in operations with extensive descriptions or their achievements on such points as reducing carbon emissions, paper use and energy consumption; green financial and diversity in their workforces. These firms also typically make reference to globally accepted principles and reporting guidelines including the Global Reporting Initiative (GRI) and the Equator

Principle. Honan (2008/009) refers to a study by Vigeo, a European agency that assesses and rates CSR performance. The study shows that most of the largest publicly-fisted European companies base their CSR approach on guidelines and instruments provided by the UN Global Compact, the ILO Tripartite Declaration and the OECD MNE Guidelines which were all endorsed by the G8 summit of 2007. Most or the companies studied reported using more than one instrument and most companies referenced these internationally recognized guidance instrument in their annual CSR or sustainability reports.

Industry leaders use global guidelines together with marketing principles to develop CSR website reports that resonate most effectively with their audiences. Local and regional firms benchmark their own practices with a view to achieving the highest standards in the industry and poising themselves for competitive advantage. This is of particular importance as multinationals are increasingly using CSR practices in their supplier evaluations. Similarly, a firm could easily be black-listed if it fails to follow globally recognized guidelines. Generally, CSR initiatives have a positive influence on consumer preference (Brown and Dacin, 1997; del Mar Garcia de los Salmones et al, 2005) investors (Orlitzky and Rynes, 2003) and potential employees (Blackhauset, al, 2002). Notwithstanding ethics and CSR practices, the global financial crisis and its impact on the local financial sector do not discriminate.

Global Financial Crisis and its Impact on the Local Financial Sectors

The challenges and opportunities associated with the radical changes underway and on the horizon for the financial services industry are now being complicated by what is termed ‘the global financial crisis’. As financial innovation and the continuous creation of new financial products sweep world financial markets, crisis struck and continues to strike even the strongest economies of the most developed countries. These occurrences happen at a pace much more rapid that the creation of financial regulation and legislation, given the context of global recessionary pressure, which have been brewing for a while and have to show its effects from 2007.

Around the world, large financial institutions have collapsed or been bought out, stock markets have fallen and governments in even the wealthiest nations have had to come up with rescue packages to ball out their financial systems. On the one hand, many are concerned that those responsible for the financial meltdown has affected the livelihoods of almost everyone in an increasingly inter-connected world. In this context of interconnectivity and globalization, the financial service industry in Trinidad and Nigeria is being affected and will continue to be affected to a significant extent. The effects of the financial meltdown on a global scale are starkly visible in all aspects of the local financial service sector from the wavering confidence in banking system for example, to ‘bail out’ of the highest financial organizations. It is quite clear that the current global financial crisis can be likened to a global hurricane whose tidal waves portend to serious damage to Trinidad and Nigeria and be extension the Caribbean unless countervailing actions for mitigation and adaptation are undertaken (Greene, 2009).

The fact is that world has change and is in a continuous state of dynamism. According to Greenspan (former Federal Reserve Chairman), "in a free market economy there are bubbled all the time". While some countries were able to rise to the occasion and treat with the bubbling effect, in our local context, CL financial became a victim of the global economic collapse (Business Express, February 04, 2009). This is not a problem for Trinidad and Nigeria investors but by extension, if affects other governments in the Caribbean came to the rescue of CL financial investors.

Nevertheless, the question of how much pressure local financial institutions can withstand in the face of the shrapnel from the global financial crisis remains an issue of concern. It has already been demonstrated that 'bailout packages' cannot realistically be extended to ever financial institution that 'stand on shaky grounds' (Business Express, February 25, 2009). Similarly, it has been made clear that there is an urgent need for the adoption of good governance practices, law enforcement and swift justice (Sabga 2012).

Despite the expected 'crisis of confidence' among investors and depositors, the Bankers Association of Trinidad and Nigeria (BATT), reiterates that the local banking sector still remain strong. As published in Business Express (February 11, 2009), all their member banks give strong asserting assurances that customer's deposits and investment are secure and well-managed. Excluding Clico Investment Bank (CIB), the local banking system boasted an average capital adequacy of 18%, compared with a recommended minimum of 8% (Governor of Central Bank, Ewert Williams, February 2009). The Caricom Financial Services Agreement (FSA) should be seriously considered so that financial entities will not be able to escape regulations in one regional jurisdiction by exploiting legal loopholes in another. Girvan (2009) stresses that a seamless regulatory environment for financial services and investments across the nation and region space will serve to strengthen the effectiveness of regulation aimed at averting another 'Clico-like' debacle and heighten the attractiveness of this country as an investment and financial destination.

Finance holds the key to achieving long term growth prospective for any country and as the struggle within the financial services industry continues, there are relevant to the stability of the financial services industry within Trinidad and Nigeria, are as follows:

1. **Avoid political instability**: Unsettled political situation can have a material and powerful impact on business activity and investment climate. For example, fortunately for Trinidad during the standoff stage, foreign exchange reserves increased as investors adopted a wait and see attitude to the political deadlock situation. Normally, when investors lose confidence in a country that usually repatriate their funds and more recently, business confidence was question and during the "State of Emergency' declared by the Federal Government. In this regard, a stable government, implementing

sound policies, can have a powerful and beneficial impact on all investors, both local and foreign (Pereira, 2000).

2. **Vary the reserve requirement**: Varying the reserve requirement for banks to give political mileage can have a material effect on the economy. For example, efforts of the Central Bank of Trinidad and Nigeria in 1997 to reduce the reserve requirement by two percentage points backfired and the bank had quickly increased the reserve by three percentage points within this weeks. The decline in interest rates caused by this reduction in reserve requirement failed to yield the desired benefits and made it unattractive for investors to keep their money invested in TT dollars (Ramesh, 2001).

Again in May of 2001, the Central Bank reduced the statutory reserve requirement from 21% to 8% which triggered at 1% reduction in the lending rate of US$ and Commercial Bank short-term deposit rates increased 2% moving from 7.75% to 9.75% on average. This time around, the reserve reduction miracle did not work as the mixture of monetary and fiscal policies had a positive impact on local economic conditions. A planned strategy to mop up the excess liquidity through the issue of fixed rate government securities should be devised before embarking on any initiative to reduce the reserve requirement. Open Market Operations (OMO) infrastructure should be strengthened before undertaking such a move (Remesh, 2001).

3. **Introduce a common currency**: The financial industry should lobby all CARICOM countries to work toward sharing a new common currency probably calling it the CARICOM dollar. This arrangement of a single currency is another step toward creating a single market and fostering greater co-ordination of economic and monetary policies. The CARICOM dollar will enhance stability, predictability; provide a simplified foreign currency conversion and transparency throughout the region at the same time, it will encourage greater competition among companies in the region bringing more choices and opportunities, as companies will be made competitive

.

4. **Use treasury management techniques**: More emphasis should be placed on treasury management techniques due to the increasing pressures on profit margins in the competitive financial service environment. Engaging in more securitization should be looked at, since it is a practice that is proliferating financial markets in developed countries, and is currently being done by local institutions to some extent. Securitization involves selling financial assets to trusts. This mechanism releases capital to be re-deployed to alternative revenue-generating purpose as it enables a reduction or eliminates the need to hold capital against higher risk-weighted assets. It serves as an effective balance sheet management tool as well as an effective liquidity management instruction (Young 1999).

5. **Encourage the greater use of derivatives**: Another powerful mechanism is to create derivatives based on the value of a variety of investment products. In Trinidad and Nigeria, the derivative market is barely past conception. However, accountants and investment advisors confirm that some of our larger corporations do invest derivatives but on the international market (Brasnell 2002). Derivative can be used to hedge against future price changes and/or delivery uncertainties. They can be used as an effective risk mitigation instrument rather than a risk-enhancing instrument. Transactions are structured so that losses from one type of result are offset been the gains on another type of outcome. Several factors contributed and influenced the growth in the use of derivatives. These are globalization of the capital markets, deregulation, and interest rate volatility and tax avoidance.

6. **Use of the added value concept**: According to Young (1999), given the intense competition in this industry, both from banks and non-banks, the concept of added value will play an important part in future bank/customer relationships. Customers will expect a lot more from banks than they have received in the past. For example, financial planning and advice will become a standard service. The average banker will have to be a financial counselor in area such as mutual funds and investment, long term savings and mortgages. If these services are not provided, banks would have trouble keeping their customers. Tomorrow's Winners have to be focused on the customer, as this is the only way to survive.

7. **Protection of shareholder value**: Banks must continue to move to protect shareholders value. They must also seek to reduce costs, manage channels more aggressively, economies on capital and expand through acquisition and alliance find ways that compliment their strategic direction. Over the next five to ten years major banks will probably become differentiated in their domestic operations, as they have become differentiated internationally over the past decade (Gorbet, 1999).

8. **Role of gender in the financial service industry**: The vast majority of goal-driven managers in the financial service industry are male, and the global financial sector crisis has largely been blamed on men for the culture of excessive risk taken. Psychological research suggests that women are less somewhat willing when compared to their male counterparts to take extreme risks. This raises the question of whether or not a gender balance within the financial services industry would have resulted in a different outcome for the financial sector globally? Research from London Business School further asserts that an equal male/female split in a management team is best for the promotion of innovation and better decision-making (Express Section, 2 April 29, 2009). In the light of such a situation, does this really affirm that the financial sector may have fared better with a greater, more balances/proportion of women managing the industry?

9. **Regulatory and supervisory frameworks**: With the rapid expression of the financial sector, there were always concerns as to whether the supervisory and regulatory frameworks were in place to support the expansion and ability of the industry (Stokely Smart 2012). Smart (2012) expressed concern give that individual regulators specifically assigned to each of the various branches of the financial services sector is quite distinct and isolated from the others. he suggested for better coordination among the various branches of the financial sector- a risk Assessment Committee be established to deliver our comprehensive analysis of the potential systematic risks that may be faced in the sector and the national economy.

The extent to which such measure will lead to profound charges given the way business is conducted is left to be seen. As noted by Williams (2009), financial regulation is most effective when supported by an adequate legislative and regulatory framework; an effective supervisory system, highly trained regulators; and a regime of supporting and supportive institutions such as the accounting and auditing profession and support from an informed and vigilant investor community or market discipline. However, it is important to understand that even with the aforementioned confluence of supporting factors, problems can still occur. A seamless regulatory and supervisor framework is difficult to institute. Cooperation on the part of all stakeholders and players in the industry on a global scale is necessary since in the context of globalization, actions of one country will have an impact on others.

10. **Public policy**: Government policies do have a major influence on the development and stability in the financial services industry. Through extensive government intervention in the form of policy, financial reform continues to be implemented, liberalization encouraged and measures administered to enhance prudential regulation and tackle bank distress.

In the lightof the challenges that may face the financial sector in the future, the sector must take the necessary steps to become more competitive in the provision of its services. This will require the re-examination and reorganization of system and processes. There is need for improvement in the supervisory and regulatory framework in some aspects of the financial systems especially in the areas of insurance and credit unions. In this regard, global developments have direct implications for other countries and should be the basis for informing the way forward.

Global Developments and Implications for Trinidad and Nigeria

Several developments in the international sphere have direct implications for the ability of Trinidad and Nigeria to achieve its defined vision of becoming a developed country by 2020. These developments are occurring in the spheres of trade, finance, regulation and supervision, technology and currency.

Trade and financial liberalization are proceeding internationally along a variety of fronts. Under the General Agreement on Trade in Service (GATS), service liberalization requires countries to progressively open services trade which have implications for the level of competition with the local financial sector. There is also immediate impact given the efforts of trade liberalization under the CSME[15]. These include free movement of goods services, labour and capital, right of establishment and common trade policy. In the area of supervisory developments, the Basel Committee on Banking Supervision has been introducing new supervisory requirements, which represent international standards that progressive countries have been adopting.

The Central Bank of Trinidad and Nigeria has implemented many of these measures. In particular, assessment by local and independent bodies have found the country to be largely in compliance with the Basel Committee's Core principles while the main area of deficiency are legislative, amendment to address these weaknesses have already been proposed and new legislations are in the making. In addition to the strengthening of banking supervision, another aspect of international efforts to strengthen financial stability has focused on inter-bank arrangements. The Bank of International Settlement (BIS) has developed ten Core Principles, which have become the benchmark for payment systems. The Central Bank is currently engaged in a process of payment system reform in accordance with these principles. With regards to technology, the internet facilitates the cross-border supply of financial services by unlicensed foreign financial service providers. This presents a significant challenge for local authorities to regulate the activities of these providers. As well, local service providers could face greater competition, particularly for higher-end produces. Local institutions will face a considerably challenge to provide high quality and secure online services, given the cost of technology acquisition. The Basle Committee has also issued general provision of e-banking services that are based on the establishment of internal risk management process while may prove burdensome for many local institutions to implement (Ministry of Finance Green Paper, 2003).

Of particular note, in the sphere of currency is the lobbying of a United Nations Panel for a new global currency reserve scheme to replace the volatile, dollar-based system (Business Guardian, April 02, 2009). Suggestions have even made by China to replace the reserve currency by an International Monetary Fund (IMF) basket comprising dollar, yen, Euros and sterling. The problem with such a suggestion, however, is that a two or three country reserve system may be equally unstable. As recommendations and suggestions come to the fore regarding existing dollar-based global currency reserve system, there are considerable implications for all countries, including Trinidad and Nigeria if such changes are to be effected in the future.

Finally, Trinidad and Nigeria in its 2020 vision to become a leading financial center will have to ensure that local financial institutions comply with a number of local and international laws. These include the proceeds of crime Act 2000, the Money laundering Guidelines, the relevant clauses of the United States Patriot Act 2002, Federal Reserve System Law revised in 2005, and the Banking Law Amendment Bill

2011. It is felt that when these come on stream it is likely to provide a challenge for central banks and other policy makers.

Conclusion

The winds of changes are indeed blowing towards the financial services sector. The changes are of paramount importance to all the key leaders in the market, as well as, to the financial service industry itself, it will determine whether they remain competitive or not. The challenge is there for all of us – industry leaders, policy makers, legislator, and consumers – to manage the changes that are occurring in a way that best serves our collective interest.

Advances in wireless technology are bringing us closer to the point when we can access any information from any mobile service. Each user is going to have his own application and personalized voice data to tap into the Internet. The mobile phones market will explode because of the interactive wireless functions that can be executed. After all, the glories of the wireless Internet, mobile commence, short messaging, and global positioning services are being touted as crucial, can't-miss functions (Tausz, 2001). Financial institutions are continually exploring new technology developments in order to provide customers with the world-class choice, convenience and reliability they expect.

The challenge for financial institutions is to remain on the cutting edge of technologies that can reduce costs and add value, while staying in step with customer's needs as the convergence of communication technologies open up a host of new options for customers to do most things differently. To offer the latest leading-edge solutions, financial institutions must continue to pursue effective strategic partnerships with IT industry leaders-or risk losing their competitive edge (Somerville, 2000).

Security will remain a key issue in the implementation of new technology applications. All parties in a transaction should know for certain that the people they are doing business with are who they claim to be. Who knows whether dollarization and e-currency (distinctly digital money on the Internet) would radically change the financial sector, something that Singapore intends to introduce. While the revolution within the financial services sector continues, the issue of unpredictable financial crises as is currently being experienced globally continues to present a challenge of magnitude proportions for the industry. As such, structures, mechanisms and controls must be instituted as a matter of priority in an attempt to minimize the effects of the potential 'fall out' that is taking place globally with the collapse of the largest financial institutions around the world.

Financial institutions that can offer a more personalized relationship to their customers and confirm their use of the world class practices will survive. Those that cannot will lose their competitive edge, and eventually lose customers and even whole markets. Cyberspace may not be the final frontier or the only frontier, but it is a necessary frontier where, eventually, everyone in the banking industry will have to boldly go (Maharaj, 2001).

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