COMMERCIAL BANKING BEHAVIOUR IN ST. KITTS-NEVIS.

THE IMPLICATIONS FOR CENTRAL BANKING POLICY.

by

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INTRODUCTION

Commercial banks are the most highly developed institution of the monetary and financial system of the State of St. Kitts-Nevis. In this paper we look at the monetary policy implications of the behaviour of commercial banks. Attention is directed especially to their two most fundamental rules in the economy:

(a) to borrow loanable funds from spending units with excess funds issuing indirect securities in exchange;

(b) transmitting these borrowed funds to spending units with deficits;

and examine the implications for central banking policy.

The paper is divided into three sections. In section I we examine the economic and financial structure of the economy since central banking policy must bear relevance to these. Section II deals with an appraisal of the operations of commercial banks deposit and credit facilities, to seek to establish whether their interests conflict with the planned economic development of the economy, and to show how Central Bank would be able to resolve some of the resulting problems which the East Caribbean Currency Authority has not the legal power to solve. Section III deals with some of the more important instruments used to affect central banking objectives.

SECTION I:

Economic and Financial Structure of St. Kitts-Nevis

Central banking policy, must of necessity, be based upon a thorough understanding of the economic and financial of the country, since the Central Bank, to perform efficiently and effectively has to be relevant to the economic and financial structure of the territory.

The combined islands of St. Kitts-Nevis have a total land area of about 104 square miles and a population of 47,000 persons (1974 census). The State is basically a sugar producing mono-crop economy but over the last two years the tourist trade has gathered momentum. Consumption patterns are such that almost the entire basket of goods consumed has to be imported. In 1974, imports constituted 69.9% of GDP while exports accounted for only 28%. The main export crop is sugar which is sold on a preferential basis to Great Britain. Foreign exchange earnings from exports are insufficient to finance the level of imports and are supported by capital inflows. This reveals that the economy of St. Kitts-Nevis is not only too small to be of any significance in influencing the terms of trade, but is extremely open and vulnerable. (Easily comparable to the other Less Developed countries of the region).

In this economy the government plays a leading role in promoting economic and social development especially in the area of agriculture. Invariably, there is a question of financing government activities. Fiscal policy often prove burdensome to the majority of tax payers. There are political and economic constraints to rapid increase in tax revenues. This avenue as a source of funds is therefore extremely limited.

The finance of economic development has depended on capital inflows such as grants-in-aid, foreign investment by firms, development grants and loans and remittances from abroad. Financial institutions and more emphatically, commercial banks, despite being such an important sector in the economy perform a very limited role in providing essentially needed capital for progressive economic development given, the highly monetised nature of the economy (almost the complete absence of barter), the stage of economic development and the highly sophisticated nature of commercial banking.

The existing Central Monetary Authority, a modified Currency Board System, by virtue of the limited powers with which it is endowed, lacks the necessary discretionary authority to regulate and control commercial banking activities.

SECTION II:

Appraisal of Commercial Banks Operations

The period of commercial banking behaviour covered in this section would be 1972-1977. Prior to 1972, the banking sector consisted of branches of three multi-national firms, i.e. Barclays Bank International, Royal Bank of Canada, and the Bank of America which succeeded National Mid-Atlantic in 1968. These were introduced for specific purposes such as to finance the foreign trade of the country and to accommodate its tourist industry. Their performance and contribution (or lack of it) to economic and social development, must be viewed against this background. In September 1971, the first indigenous bank of the State was established with 40% of its shares held by the public and the remainder by government. It is the behaviour of these four banks that we will be concerned about.

The importance of loans and advances in the Asset Portfolio of commercial banks is represented in Table I. In 1976 loans and advances were 35.8% of total assets. The statistical data in Table II shows short and long term loans to various sectors of the economy. Overall, commercial banks have been specialising in short term self-liquidating loans rather than long term loans. Of the total loans in 1974, only 33.4% were of long term duration. This ratio has been increasing and by December 1976 had risen to 42.2%. Bank funds to "high-priority" sectors, such as Agriculture, Land Development and Construction, and to a limited extent Industry, have tended to be neglected in favour of "low-priority" areas an example of which is loans to the Distributive Trade. Commercial Banks have thus been adhering to tradition and allocating a large share of their funds to the distributive and domestic commercial sectors.

Interviews with the commercial banksrelating to their loan portfolio allocation to "low priority" sectors revealed that these banks were profit motivated institutions which avoided highly risky investments. They identified certain criteria in their lending policies,and projects meeting the specified requirements are often granted loans sometimes irrespective of the liquidity position of the banks. The kinds of criteria include the repayment record, the feasibility of projects and the assets of the would-be borrower. Collateral requested by the commercial banks usually take the form of property and land titles and insurance policies. Well known persons to the bank also act as guarantors. On the basis of these criteria, it is found that certain sectors of the economy would benefit more than others because it would be less difficult for them to satisfy the requirements by the banks. Potential borrowers with prospects might lack the necessary collateral.

As a result of these practices by the banks, many persons are deprived of credit facilities which lead to retardation of income. Even as important is that investments in critical sectors of the economy are most essential for the rapid development of the country. The banking system can best contribute by attaching greater importance to lending in these sectors. This does not mean, however, that loans to "dependent sectors" should cease.

As borne out by the statistical data in Table II, there are three basic sectors which satisfy the "credit worthy" position of the banks. The most important sector is the Distributive Trades, where most firms are engaged in export production and financing of import trade, wholesaling and retailing. These firms are usually able to provide the security requested by the banks and the loans required by them are of a short term nature to finance imports until sale of goods. The second area is Real Estate Loans. Although real estate expenditures require long term financing, real estate loans are of low risk because the collateral provided is easily realised. The third main area is Loans to the Government Sector. These loans are all of short duration and in this respect the government is considered "credit worthy".

The data in Table II further reveals that there has been an expansion of Personal Loans (mainly in the form of overdrafts) to such an extent that they are now double what they were in 1972. At the same time Loans for Land Development and Construction has shown a marked decrease.

There are no legal restrictions on the total volume of loans by commercial banks. In the case of foreign commercial banks, their Head Office set general guidelines with respect to the volume of total loans and limitations on the category of loans. The maximum laon lending period of these banks is usually five years. The introduction of indigenous bank has improved the distribution of credit. It is interesting to note that loans to the Government Sector increase from EC$649,000 in 1972 to EC$4.76 million in 1977. The reason for this is the establishment of the first indigenous bank of the State. Looking at the data in Table III, we find that the indigenous provided loans to government to the tune of EC$4.4 million or 92.4% of the total loans supplied to that sector.

The indigenous bank has also been instrumental in providing loans to the Agricultural Sector. Agricultural loans are generally seen as being more risky and of longer maturities. Small farmers have found it difficult to meet the criteria demanded by foreign commercial banks with respect to these loans. It has been relatively easier for them to secure such loans from the local bank. Bank credit by this bank is therefore playing a positive role in the development of the agricultural industry. The reasons given by the current commercial banks for their limited involvement in the agricultural sector is the undeveloped nature of that sector, and the losses they have experienced in the Fishing Industry.Where they do involve themselves they lend primarily to well established business operations. The banks further stated that the Agricultural Sector is controlled by government and the indigenous bank has a monopoly on credit to the government.

Whatever the reasons offered by the current commercial banks for poor participation in the agricultural sector, the establishment of the indigenous bank has helped tremendously in mobilising resources and allocating these funds to productive areas in keeping with the governmental policies of planned economic development patterns. Arising from this a case can be established for the nationalisation of banks before they can play a fundamental role in the growth process.

The availability and level of credit is an extremely important determinant of the development of the country. This is being controlled soley by the commercial banks and remains outside the realms of government (except in the case of the government bank) and the East Caribbean Currency Authority. Some legislation is needed to enable the Monetary Authorities to exercise some lever on the volume of credit. This could enable the government to expand its projects leading ultimately to increase production and employment.

The commercial banks have participtted to a limited extent in the Treasury Bill market. The main institutional holders of these goods are the indigenous bank, Social Security and the National Bank Trust Company. Non -participation of the foreign commercial banks is due to traditional aversion on the part of these banks to hold government securities. Government Treasury Bills are not marketable and this can be one factor why commercial banks limit their holding of such securities, not necessarily because of interest rate barriers. To ensure their acquisition of short term government debt, the banks have been required by the St. Kitts-Nevis government to deposit with the Accountant General, 5% of monthly deposit liabilities. This was introduced in 1970 at 2½% , and was increased to 5% in 1976. These deposits are non-interest bearing.

E.C.C.A. laws allow it to hold in the form of Treasury Bills a maximum of 10% of estimated current revenue of the government. It is felt that this is too small. The provision of credit to the public sector can be augmented by the establishment of a Central Bank and its subsequent holding of government securities. We must be aware however, of the high import content in government expenditures. If the increase in this expenditure is not accommodated by a fall in private expenditure, it puts pressure on the foreign exchange reserves of the country. The Central Bank must not be too generous with its lending to the public sector. Under Central Banking supervision, Treasury Bills become liquid. The Bank can offer to discount securities at any date prior to the maturity of these securities, thereby enabling the commercial banks to encash them when their need for funds arise.

A Central Bank can operate directly on commercial banks. Appropriate allocation of credit can also be achieved through the use of portfolio-ceiling devices. That is ceilings placed on percentages of loans to specific sectors earmarked "low-priority", and/or approval required from the Central Bank for loans to be extended above a certain level

Interest Rate on Loans

The data in Table IV show the current prime loan rate of interest for the four commercial banks operating in St. Kitts-Nevis. The loan rate varies between different banks by a half to one per cent. It was brought out that loan rates also differ by a half to one per cent between different classes of borrowers. The consumer loan rate is often higher than business loan rates, and is charged on a non-reducing basis. This basis of charging for consumer credit makes the price of consumer loans even higher than revealed by the quoted rate of interest. Commercial banks claim that consumer credit is less sensitive to interest rates and business loans generate additional income for the bank. There are no legal restrictions or ceilings on interest rates. Commercial Banks no longer adjust their rates in response to changes in the United Kingdom Bank Rate. (See Table V for the trends in the UNited Kingdom Bank Rate and the commercial banks prime loan rate).. According to one Bank Manager interviewed, these interest rates are determined on the basis of the existing rates on deposits, the competitive rates of other banks, the risk and length of time involved, collateral and consulting with Head Office (where appropriate).

Table VI shows the rates of interest on loans and time and saving deposits. The spread between deposit and loan rates of interest appear to be determined by profit maximising motives rather than social and economic considerations. The author is currently investigating the spread between these two rates in order to determine whether it is justified or if commercial banks levels of efficiency and profitability will be jeopardised by lowering the loan rates. Even if the spread is justified, the objective of reducing loan rates can be achieved by lowering the deposit rate. This involves the question of deposit sensitivity to interest rate changes which is dealt with later in the paper. An independent increase in the loan rate by a commercial bank could either lead to loss of market share or to induce the other commercial banks to use defence action and increase their rates.

The price of credit is an important determination of the feasibility of a project. The consumer also needs to be aware of the true cost of borrowing. Neither the government nor E.C.C.A. has any autonomy over the interest rates structure of commercial banks. A Central Bank could lead to significant improvements in this area.

Interest Rates on and the Growth of Deposits

Table VII shows that deposits are the vital components in the Liability Portfolio of commercial banks accounting for as much as 88.4% of total liabilities in 1972 and has never fallen below 73.4%. The second important category is "balances due to banks abroad". These, the commercial banks have indicated, are mere working balances. Our impressions are that some are investment balances. This is further corroborated by the reluctance of commercial banks to hold large balances at E.C.C.A. These balances are voluntary, but an interest rate of 5 3/4% offered by E.C.C.A. is discouraging. This low rate has been attributed to information lags, limited income generated activities undertaken by E.C.C.A. and a low volume of trade.

The two aspects of deposits dealt with here are the relationship between deposits and interest rates, and the growth of deposits. The commercial banks, in cooperation with their Head Office are responsible for fixing the rates on deposits. The level of the rates are influenced by the degree of competition among banks, the cost and earnings of tho banks which invariably affocts thoir profit margin and the anticipatod roactions of the consumers to the increase in the rates.

An example of how the first factor influences rate movements is the case of the indigenous bank of St. Kitts-Nevis. Immediately after its inception in 1971, the bank charged the highest rates on deposits in an effort to attract potential customers and to lure away those of other banks. This was done to increase its deposits and secure a steady rate of growth. It succeeded in doing both. (See Table VIII for the various rates or deposits of different banks). Without the necessary statistical data, it is not possible to analyse how the cost and earnings would affect the interest rate. It would be low enough for them to maximise their profits. As far as the interest sensitivity of deposits is concerned, commercial banks have found that if the rates are increased, funds, especially those of the wealthy also increase. But in the case of saving accounts interest rate differentials has little impact even on those who have built up small balances over the years. This is the rationale behind the low rate offered on saving deposits. The low deposit rates are also explained in terms of low demand for loans even at low loan rates of interest, and low real rates of return on investments.

The rate of growth or fixed deposits of 23% over the last three years have been accompanied by a growth rate of 22% for loans and advances. This implies that there has been some attempt on the part of the banks to increase the flexibility of the use of this liability. The high growth rate is the result of the indigenous bank's rapid growth rate of fixed deposits (37.9%) over the period. More recently this bank has found it more economical to pursue the same policies as other commercial banks operating in the territory, adjusting its interest rates in line with these banks.

It is necessary for the Central Authority to have direct control of fixed deposits increases of the country and play an active role in interest rate policy. The differential between the deposit and loan rates should be adjusted.

Deposits and The Supply of Money and Credit

The issues dealt with here are firstly, the possibility of a Central Bank influencing the volume of credit via policy towards bank deposits and secondly, the relationship between demand deposit and the money supply.

Theoretically there are three avenues to the Bank in respect of the first issue. In the first instance, the Central Bank may attempt to control the growth of deposits by manipulating interest rates. The second avenue available to the Central Bank is that of maintaining a stable price policy. Savings depend on real income and can be undermined by persistent increases in prices. Inflation reduces the real rate of return on financial assets and hence is inversely related to the demand for deposits. Finally, in a dynamic sense income growth depends on the allocation of credit. If a Central Bank can influence the composition of credit it could expand income as a basis for savings.

The effectiveness of the first two policies depends to a large extent on the sensitivity of deposits to price increases and interest rate movement. The demand for deposit functions for St. Kitts-Nevis were estimated by the author employing data for the years 1966–1976. The rate of interest, the price level and income were identified as important variables influencing deposits. The empirical results obtained from analysing interest rates indicated that there was no statistically significant relationship between the rate of interest on commercial bank deposits and the demand for these deposits. This means that deposits might not be greatly augmented by conscious interest rate policy. With regards to the second avenue, it was found that the hypothesis of a negative relationship between price increases and changes in saving balances does not hold true for St. Kitts-Nevis. Price inflation estimates were found to be statistically insignificant. Given the motives which exist for saving in the country, many individuals will increase their savings regardless of inflation. Finally, a positive income elasticity of the demand for all levels of deposits was established. The value however, is near to zero. A possible explanation for this is that non-residents deposits is a substantial minority of total deposits being as high as 16.5% in 1973. (See Table IX). This weakens the relationship between total deposits and domestic income, and underestimates the influence of the income variable. Income appears to be the most influential factor determining the demand for deposits.*

Of the three possibilities available to the Central Bank, that of the credit allocation policy would be the most effective for enhancing growth.

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* The results of the empirical study are tentative.

It has generally been accepted by economists that the rate of growth of the money supply affects the level of prices, the pace and pattern of development and the balance of payments . The money supply is traditionally defined as consisting of demand deposits and currency in the hands of the public. Table X shows demand deposits as a percentage of the money supply. It indicates that these deposits constitute the bulk of the money supply reaching as high as 97.4% in 1975, thereby emphasising the importance of commercial banks in the monetary and financial system of the economy. The statistical data reveals also that demand deposits have been relatively stable throughout the period except for a drastic increase in 1974 and a decrease in 1976.

Currently, the balance of payments problems appear to be disguised. The expansion of credit by commercial banks have been countered by capital inflows in the form of capital grants, foreign loans and remittances, or increases in the liabilities to the private sector. Under the present monetary arrangements commercial banks find themselves in a unique position. They are free to draw on exchange reserves of the Monetary Authority, maintaining at the same time their foreign exchange holdings.

The contraction or expansion of the money supply is almost totally controlled by the commercial banks whose policies do not always coincide with the social and development aspirations of government. The Monetary Authority has limited influence in the growth of the money supply. A concomittant part of the development process is for the control of the money supply to be in the hands of some effective and efficient central authority. An ideal institution for performing this type of function is a Central Bank.

SECTION III:

Instruments Involved in Central Banking

The discussion so far has identified the areas and issues to which Central Banking policy should be directed, and has outlined empirical and theoretical bases for credit policy. In the remainder of the paper, we comment briefly on the kinds of instruments that might be utilised.

The pursuance of certain policy objectives by the banking system depends ultimately on the authoritative leadership of the Bank. There are normally seven basic techniques of monetary control used or incorporated in Central Banking laws. These are :-

(a) open market operations

(b) changes in central bank reserves holdings

(c) changes in the liquid assets ratio

(d) changes in the discount rate

(e) selective controls

(f) moral suasion

(g) lender of last resort

These instruments should enable a Cantral Bank to bring about the desired volume of credit.

However, the structure and characteristics of the economy do not encourage the use of some of these traditional tools of monetary policy. In the first instance, the use of Open Market Operation and Bank Rate changes as instruments of monetary control would appear futile. The absence of a broad and active market for securities (these are confined to Treasury Bills in this type of economy)makes it impossible for the limited sale of these securities to have the desired effect on the money supply, or to fulfil the required needs of the government. The Bank Rate,or Discount Rate, might also prove to be of limited means. Investment depends to a great extent on foreign capital. Foreign investors are not sensitive to interest rate changes since their funds are brought in. The local businessman usually re-invests his business savings, and he too might not be sensitive to the price of capital. This tends to impose limitations on the use of the Bank Rate.

In the cae of 'changes in the liquid assets ratio' of commercial banks, the behaviour of these banks has shown that they have access to overseas balances and do not need to keep a fixed ratio of cash to deposits. The existence of branches of Multi-national Banks further entrenched this position. They do not need to borrow from the Central Bank. and hold Treasury Bills when there exists more lucrative fields of investment outside the country. The only deterrent factor involves the cost of moving the funds. For this to be effective, it would require the Central Bank to adjust its interest rate structure.

The Central Bank function of lender of last resort can only be effective depending in the way in which the commercial banks view their holdings at the Central Banks. These consist of minimum holdings required by law. The experience of Central Banks in the area has revealed that commercial banks borrowing from the Central Bank is very limited, and where it does exist it consists of managing the daily cash positions as stated in the laws.

In using its instrument of 'changes in its reserve holdings', the Central Bank has the responsibility of providing the necessary foreign exchange for making overseas payments. Here, there arises problems as to what the minimum holding should be. Once this is established, the Central Bank should have the necessary powers to maintain them at that level. This is indeed vital to the prevention of loss of confidence in the currency. The experience of other Central Banks in the area reveals that credit expansion act as a *deterrent on the growth in foreign* assets (*the reverse is* also true).

For Central Banking to have the desired effect in St. Kitts, it would have to adopt instruments related to the existing economic situation. The non-marketable type of controls would probably be more effective than the market type. These are primarily 'selective credit controls' and 'moral suasion'.

Using credit controls as instruments of control, the Central Bank should not confine itself to restraint on lending but should ensure that the funds lent are channelled into growth oriented projects. The rationale behind using credit controls will be for them to be used as instruments of development policy influencing the long term lending policies of the commercial banks. The resulting effects should produce a change in the term structure of loans and increased lending opportunities to non-traditional sectors. These would include loans to professionals, businessmen and small farmers for the purchase of durable goods, equipment and the financing of productive enterprises. Positive feedbacks experienced through increased local production and employment should result. The effects should also reveal the increased renewal of loans for the provision of working capital and maintenance of the minimum foreign reserves.

Moral suasion can be a useful instrument of Central Bank control. In fact, the existing Monetary Authority (E.C.C.A.) has used this technique effectively to persuade commercial banks to regulate and reduce some of their charges to the public. The efficiency of this method of control is based on the relationship between the two sectors.

In providing instruments of control, the Central Bank should take into consideration the existing economic situation and use those monetary tools which is felt to be most effective. Experience of other Central Banks in the English speaking Caribbean in using certain traditional instruments, would give the policy makers an insight into the Bank's ability to successfully certain methods of control.

Despite all the benefits and advantages to be gained from the establishment of a Central Bank, it is felt that the establishment of a Central Bank specifically for St. Kitts-Nevis would prove a financial liability on the economy of the country. The size, the financial and economic structure could not accommodate such a super structure. However, a Central Bank of the seven territories sharing E.C.C.A.* would prove more fruitful if managed and operated efficiently. Some of the functions would obviously have to change to facilitate the different territories.

* For an exposition on the feasibility of a Central Bank for the E.C.C.A. countries, see George Theophilus' work cited in the Bibliography.

TABLE II

COMMERCIAL BANKS SHORT AND LONG TERM DISTRIBUTION OF LOANS TO VARIOUS SECTORS OF THE ECONOMY - 1972-1977

EC$'000

	1972	1973	1974	1975	1976	1977
Real Estate						
(a) S.T.L.	629	659	1,376	1,181	1,301	1,489
(b) L.T.L.	1,811	3,469	5,049	5,130	7,838	9,188
Distributive Trades						
(a) S.T.L.	2,549	3,129	4,263	4,583	5,601	7,091
(b) L.T.L.	899	892	686	999	668	1,083
Government and Other Statutory Bodies						
(a) S.T.L.	649	1,103	1,231	3,817	2,617	4,756
(b) L.T.L.			-	-	-	-
Agricultural Loans						
(a) S.T.L.	614	1,187	884	636	344	1,790
(b) L.T.L.	934	1,466	1,242	880	548	337
Personal Loans						
(a) S.T.L.	994	1,030	[illegible]	1,425	2,001	1,834
(b) L.T.L.	451	337	370	797	474	1,122
Land Construction and Development						
(a) S.T.L.	[illegible]	1,749	2,453	224	396	466
(b) L.T.L.	676	154	100	38	70	651
Total Loans and Advances	17,161	22,485	26,277	26,238	30,634	41,283

SOURCE: E.C.C.A.

(a) S.T.L. - Short Term Loans
(b) L.T.L. - Long Term Loans

TABLE III

SHORT AND LONG TERM DISTRIBUTION OF LOANS TO VARIOUS SECTORS OF THE ECONOMY BY THE INDIGENOUS BANK 1972-1977

EC$'000

	1972	1973	1974	1975	1976	1977
Real Estate						
(a) L.T.L.	587	1,883	2,832	2,259	3,172	3,623
(b) S.T.L.	58	65	157	26	52	47
Distributive Trades						
(a) L.T.L.	54	116	112	174	133	213
(b) S.T.L.	256	416	596	587	384	1,044
Government and Other Statutory Bodies						
(a) L.T.L.	-	-	-	-	-	-
(b) S.T.L.	-	-	-	2,815	3,467	4,391
Agricultural Loans						
(a) L.T.L.	185	283	271	264	297	311
(b) S.T.L.	1	1	2	3	14	1,546
Personal Loans						
(a) L.T.L.	386	209	158	111	365	288
(b) S.T.L.	194	186	73	152	180	160
Land Construction and Development						
(a) L.T.L.	645	127	31	38	35	181
(b) S.T.L.	-	-	101	36	-	-

SOURCE: E.C.C.A.

TABLE IV

CURRENT PRIME LOAN RATE OF INTEREST OF EACH COMMERCIAL BANK 1972-1977

YEAR	Bank A	Bank B	Bank C	Bank D
1972	8½	8	8½	8
1973	9½	9½	10½	8½
1974	9½	9½	11	8½
1975	9½	9½	10	8½
1976	8½	8½	10	8½
March 1977	8½	8½	9	8½

SOURCE: E.C.C.A.

TABLE V

THE U.K. BANK RATE AND THE INTEREST RATE PAID ON SAVINGS(a) AND TIME DEPOSITS(b) 1972-1976.

Period Ended December	Rate of Interest Paid on (a)	Rate of Interest Paid on (b)	U.K. Bank Rate
1972	3.00	4.07	9.0
1973	4.00	7.50	13.0
1974	4.00	7.50	11.5
1975	3.50	6.75	11.25
1976	2.75	3.25	14.25

SOURCE: E.C.C.A.

TABLE VI

RATES OF INTEREST ON LOANS, TIME AND SAVING DEPOSITS OF THE COMMERCIAL BANKS 1972-1976

Period Ended December	Rates of Interest on Loans	Rate of Interest on Savings	Rate of Int. on Time Deposits (6 months)	Rate of Int. on Time Deposits (12 months)
1972	8.25	3.00	4.07	3.00
1973	9.50	4.00	$7\frac{1}{2}$	4.00
1974	9.63	4.00	$7\frac{1}{2}$	4.00
1975	9.37	3.50	6.75	3.50
1976	8.88	2.75	3.25	2.75

SOURCE: E.C.C.A.

TABLE VII

DEPOSITS IN THE LIABILITY PORTFOLIO OF COMMERCIAL BANKS 1972-1976

Period Ended December	(1) Total Liabilities	(2) Total Deposits	(2) as a Percentage of (1)
1972	37,654	33,276	88.37
1973	41,631	34,962	83.98
1974	57,128	42,239	73.94
1975	65,830	50,528	76.35
1976	85,562	65,018	78.75

SOURCE: E.C.C.A.

TABLE VIII

6[a] AND 12[b] MONTHS TIME DEPOSIT RATE OF EACH COMMERCIAL BANK 1972-1976

YEAR	BANK A	BANK B	BANK C	BANK D
1972 (a)	4	4 - 4½	4½	5
(b)	4½	5 - 5½	5	6
1973 (a)	7½	7½	7½	7½
(b)	8	8	8	8
1974 (a)	7½	7½	7½	7½
(b)	8	8		8
1975 (a)	6½	7	7	7½
(b)	7	7½	7½	8
1976 (a)	-	3½	-	4½
(b)	-	-	4.5	5

SOURCE: E.C.C.A.

(a) - relate to 6 months Time Deposits

(b) - relate to 12 months " "

TABLE IX

NON-RESIDENTS CONTRIBUTION TO TOTAL DEPOSITS 1972-1977

(EC$'000)

Period Ended December	(1) Total Deposits	(2) Deposits of Non-Residents	Column 2 as Percentage of Column 1
1972	33,276	4,906	12.2
1973	34,962	6,800	16.5
1974	42,239	6,449	15.3
1975	50,258	7,723	15.4
1976	65,018	8,815	13.8
1977	76,193	9,937	13.1

SOURCE: E.C.C.A.

BANK OF JAMAICA.

TABLE X

DEMAND DEPOSITS AS A PERCENTAGE OF THE MONEY SUPPLY 1972-1976

(EC$'000

Period Ended December	(1) M_s	(2) D_d	Column 2 as Percentage of Column 1
1972	6,565	5,031	76.6
1973	6,403	4,962	77.5
1974	8,520	7,098	83.3
1975	6,620	6,450	97.4
1976	9,497	7,481	78.8

SOURCE: E.C.C.A.

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