

# Bank failure in jamaica

[Finance](#), [Banks](#)



Bank Failure in Jamaica The Caribbean region witnessed massive banks failures. These bank failures challenged investor's capabilities to collect and analyze data in the financial sector. Therefore, financial analysts and investors did not have the capabilities to determine next or future investment opportunities. The successions of bank failures vary and range from industry-specific (macro-economic) to bank-specific (micro-economic) factors (Daley 2). The factors that led to the failures of these banks included factors that influenced the failures of these banks and those that influenced the resolution of these banks.

According to Jenifer Daley, the banking industry in Jamaica relied on foreign-owned banks. Foreign heads managed these banks, and the banks depended on the requirements of foreign legislation. The banking industry in Jamaica was crowded with diverse financial institutions including building societies, credit unions, money markets, export-import banks and stock exchanges. Commercial banks dominated the financial sector, in Jamaica. This diversity led to the fragility within the banking environment and structure (Daley 4). The changes in the banking sector in 1990s showed these fragilities in the arrangement of the banking industry. This placed immense pressure on the institutional structure and financial resources.

The banking environment in Jamaica resulted from immense deregulation of activities, in the financial sector. This increased competitive challenges for the financial firms and banks. This mandated a strong Central Bank with roles such as the formation of monetary policies and directing an orderly development and growth of the system. Additionally, the experienced growth in the industry provided a springboard for the establishment and

proliferation of financial firms and groups with different structures. These structures contributed to the breakdown of operational safeguards because of their fashion of operations (Daley 3). The structures also pressurized the cadre of managers. The instability experienced in 1980-1990s led to the unfavorable macroeconomic climates because of no-growth on the real sector and high inflation. This led to the beginning of government guidelines in the industry.

Later politics took a central role in the management of the financial sector. The Finance Minister controlled the Central National Bank and closed it because of insolvency. The bank was illiquid and insolvent than the financial statement of 1997 had indicated. The bank tried to hide this state by ignoring the provision of doubtful loans. The closure of the bank led to a highly charged political atmosphere characterized with innuendos and personal vendettas (Daley 3).

The Workers Savings And Loan Bank and the Century National Bank failed because of the degeneration of the financial conditions, in Jamaica. These banks expanded their lending. This eventually weakened the superiority of assets. The banks experienced negative growth in loans after substantial write-offs. The managers of these banks indicated that the banks did not follow operational procedures required for supporting prudent banking (Daley 5).

The banks lack desirable corporate governance as witnessed in their disclosure practices, accounting and response to governing statutes. The accounting records at CNB displayed negligence, deception and incompetence. A review of the state of WSLB indicates ignorance of

accounting functions (Daley 5). An analysis of the record showed incomplete and fragmented accounts, which challenged the establishment of audit trails.

Before one invests in any sector, it is essential to get a clear picture and comprehension of both micro and macro-environmental factors. The macro-economic aspects include government policies, regulations, inflation rates and growth rates of the industry. Micro-economic elements include requirements for accountability, responsibility, management and organization (Daley 7).

#### Work Cited

Daley, Jenifer. Bank Failure in Jamaica. Richard Ivey School of Business. The University Of Western Ontario. 2006. Page 1-10.