Texila International Journal of Management
ISSN: 2520-310X
DOI: 10.21522/TIJMG.2015.11.02.Art026

Enhancing Credit Monitoring Systems for Banks in Guyana: Analyzing Adequacy of Provisions and Reserves and Recommendations for Efficient Implementation

Imran Saccoor[1], Sreekala[2*]
[1]*College of Business Management, Texila American University, Lot 2442, Plantation Providence, East Bank Demerara (EBD), Guyana, South America*
[2]*KPR College of Arts Science and Research, Coimbatore, India*

Abstract

This study critically analyzes the existing credit monitoring systems and the adequacy of provisions and reserves in banks within Guyana, offering recommendations for efficient implementation. Effective credit risk management is vital in contemporary economies due to the significant volume of problematic debt held by financial institutions globally. The Basel Committee on Banking Supervision (BCBS) emphasizes the need for banks to monitor individual credits and determine the adequacy of provisions and reserves. This mixed-methods study uses substantial literature evaluation and primary data from interviews, questionnaires, and field observations. It examines how the Bank of Guyana, which regulates six commercial banks, applies its principles. The paper compares debt monitoring methods to Bank of Guyana risk structure directives and international norms. It also compares Guyana's financial industry growth and risk appetite. Key findings indicate a significant reduction in non-performing loans (NPLs) from 13.98% in 2016 to 3.57% in 2023, coinciding with substantial growth in performing loans, attributed to the oil and gas industry's impact on Guyana's economy. While banks in Guyana utilize models such as CAMPARI, 4M Risk Analysis, Score Card, and SWOT Analysis for lending assessments, challenges persist in regulatory enforcement, technological limitations, and maintaining adequate provisions. The study proposes best practices including advanced credit scoring models, strengthened regulatory frameworks, automation, capacity building, and enhanced watch-listing of debts. The conclusion emphasizes the need for a diverse approach to improve the efficiency and stability of Guyana's banking sector, addressing regulatory gaps, integrating financial technology, ensuring adequate provisions, and enhancing capacity-building initiatives.

Keywords: *Automation, Capacity Building, Credit Risk Management, Financial Sectors, Regulatory Gaps, Reserves, Risk Analysis, Risk Appetite.*

Introduction

With a solid credit risk management system, financial institutions can make more informed lending decisions. Sophisticated algorithms and models can predict the likelihood of default, helping institutions to price loans more accurately and reduce exposure to high-risk borrowers.

The Basel III Committee on Banking Supervision (BCBS) is the primary global standard setter for the prudential regulation of banks. The BCBS strongly encourages that Banks must have in place a system for monitoring the condition of individual credits, including determining the adequacy of provisions and reserves. Credit risk officers and financial experts have taken a number of measures to control and manage the credit risk of financial institutions.

Received: 04.08.2025 ***Accepted: 18.08.2025*** ***Published on: 29.08.2025***
****Corresponding Author: prof.sreekala@gmail.com***

Stakeholders, including regulators, must take interest in the quality of credit portfolios granted by commercial banks. The better the quality of lending in a financial institution translates to a better financial outcome and ultimately contributes to a more resilient and stronger financial economy. This creates job possibilities and piques the interest of policymakers in the financial system's functioning. On the other hand, higher risk and poorer risk management can lead to financial issues including declining financial performance, reputational risk being questioned and on the worst spectrum financial collapse of institutions [20].

For the Banks, creation of loans contributes to the largest and the most obvious source of credit risk. Banks need to manage the inherent risk that is associated with their entire portfolio. Managing credit risk is a critical activity to ensure financial organizations long term success and viability. Banks need to be aware of changing economic conditions, political environments, changes in the markets and industries and take initiative-taking measures where necessary to address emerging risks. “Poor credit administration reduces bank’s profitability and leads to bank distress and or failure” [1]. “Risk monitoring is inherent in the banking business. The integration among the financial markets, increased globalization, emergence of new private sector banks and the rapid developments in financial technologies (Fintech) have contributed to the volatility of the interest rates, foreign currency exchange rates, and commodity prices. Banks must assess banking risks such as credit risk, market risk (interest rate risk, foreign exchange risk, and liquidity risk) and operational risk properly, evaluate effectively, measure correctly, monitored perfectly and managed as per banks’ desired policies” [4].

The study analyzes significant variables affecting the relationship between credit risk monitoring and administration of commercial bank debts. It examines how Banks make provisioning and reserves for losses for accounts in the non-performing category. Further, recommendations are offered for enhancement and effective implementation.

Literature Review

The growth of the banking sector in developing countries like Guyana brings about the need for effective monitoring systems to manage credit risk. Credit risk, the possibility that a borrower may default on a loan, poses significant challenges to banks, necessitating robust frameworks to assess and manage individual credits. This literature review examines various credit risk management techniques, the importance of adequate provisions and reserves, and recommendations for improving monitoring systems in banks.

According to [22], credit risk management involves processes and strategies used by banks to mitigate potential losses from borrowers who fail to repay loans. The primary goal is to safeguard the bank’s financial health by adequately assessing the creditworthiness of borrowers and by maintaining an appropriate level of reserves. In Guyana, as banks continue to develop, the necessity for a systematized approach to credit risk management grows increasingly critical.

An efficient credit monitoring system is vital to managing credit risk. According to [13], the process includes continuous tracking of borrowers' financial health and performance. Banks should implement early warning systems to identify potential defaults quickly. This initiative-taking monitoring can enhance overall credit quality and reduce losses. Guyana’s banks must adopt such systems to respond effectively to changing economic conditions and borrower situations. [13] “Risk management is no longer confined solely to risk management specialists. Stakeholders ranging from employees to investors must understand how to quantify the tradeoffs of risk against the potential return. The failure to understand the essential nature of risk can have devastating consequences."

Provisioning and reserves are foundational components of credit risk management. The International Financial Reporting Standards (IFRS 9) emphasize the importance of expected credit loss (ECL) models, which require banks to maintain provisions based on the probability of default [14]. In the context of Guyana, where the economy may face volatility, it is crucial for banks to determine adequate levels of provisions and reserves. Failure to do so could lead to undercapitalization, putting the bank at risk during economic downturns.[16] undertook a study on the credit risk management of Spanish banks and found that the growth rate of economy, banks credit history, branch expansion of banks, managerial performance and efficiency, nature of credit portfolio, size and composition of portfolio, size of corporate, net interest margin, capital adequacy ratios were having bearing on risk on management and monitoring of credit at banks.

Guyana's is taking steps to invite the presence of offices of foreign banks to bring international experience and technology that can complement and enhance the domestic banking system. This Act will pave the way to strengthen the financial sector. [18] added that the work done to build a robust legal architecture was already being done over the years by the Government and he noted that there is similar legislation in other authorities such as Trinidad and Tobago. He also said given the rate of economic growth occurring today and the rate at which investor interest is growing, the amendment to the legislation is necessary as Guyana has already received indications of interest from foreign financial institutions and some of the largest in the world who have expressed this interest in establishing representative offices in Guyana [18].The banking and financial sector is critical as Government pushes to empower citizens to benefit from the massive economic transformation taking place across this country. Access to financing is a main pillar for the establishment of growth and success of both small- and large-scale businesses, as well as the economic empowerment of individuals and households. There is a need to review and examine the risk tolerance at Commercial Banks to support transformation and confidence with growth of the various sectors. Banks in Guyana can be generally deemed conservative on granting credit and this by itself can be a hindrance to economic upscaling. Reviewing the risk is necessary in some sectors including and not limited to; mining and quarrying, marine/sea transportation, manufacturing, agricultural, entertainment and tourism amongst others. These sectors pay the highest rate of borrowing; a review is necessary by the regulators to ensure these industries are not stifled by the prohibitive cost of accessing capital. Syndicated funding model is also an option to risk sharing and provides greater bargaining options relevant to the cost of financing.

The new market for Oil and Gas activities is an area that has shown the highest growth and has placed the Guyana as the world's fastest growing economy. The industry will require capital injection directly or indirectly or through local content participation. This is an area that Guyana financial sectors must focus on to develop legislations and measures since the country is new to this level of risk and monitoring exposure. Guyana's emerging upstream petroleum industry is set to receive technical assistance and practical learnings from Ghana as part of efforts to spur on the development of its industry [12].

[11], law was enacted to simplifying the use of movable assets, such as equipment, inventory, crops, intellectual property, and receivables, as collateral thereby increasing credit access for SMEs, women entrepreneurs, and individuals without immovable property, fostering financial inclusion and economic empowerment. The lack of a centralized, efficient system for securing transactions

involving movable assets has contributed to delays, inefficiencies, and exclusion from formal credit markets. Examples from countries like Ghana and Jamaica demonstrate the transformative impact of similar frameworks, which have significantly boosted access to credit for underserved populations. There are plans to establish an electronic Collateral Registry. "The lack of immovable property to secure credit will no longer be an insurmountable barrier to the dreams and aspirations of ordinary Guyanese people,[11].

Most of the commercial banks incurred losses due to credit risk [19, 3] examined the efficiencies of the regional banks in the USA and found that the profit was dependent upon management of credit risk.

Current Practices /Frameworks - Research Findings

The growth of the banking sector in developing countries like Guyana brings about the need for effective monitoring systems to manage credit risk. Credit risk, the possibility that a borrower may default on a loan, poses significant challenges to banks, necessitating robust frameworks to assess and manage individual credits. This literature review examines various credit risk management techniques, the importance of adequate provisions and reserves, and recommendations for improving monitoring systems in banks.

Provisioning and reserves are foundational components of credit risk management. The International Financial Reporting Standards (IFRS 9) emphasize the importance of expected credit loss (ECL) models, which require banks to maintain provisions based on the probability of default [5]. In the context of Guyana, where the economy may face volatility, it is crucial for banks to determine adequate levels of provisions and reserves. Failure to do so could lead to undercapitalization, putting the bank at risk during economic downturns.

A review of the practices, taking into consideration with statutes and regulations outlines below how credit monitoring, risk assessment and provisioning requirements are being assessed in Guyana.

Research Methodology

The methodology for this study applied a mixed-methods approach, integrating both quantitative and qualitative research methods. Data collection emanated from both primary and secondary sources. The primary collection occurred through direct interviews, questionnaires and secondary sources including annual reports, circulars, reports, media articles and review of journals.

Through a mixed-methods approach, integrating both quantitative surveys and research and qualitative interviews, this thesis undertakes a comprehensive investigation into the credit risk tolerance and monitoring landscape in Guyana. It aimed to identify patterns, strengths, weaknesses, and areas for improvement while assessing the perceived effectiveness of current methodology for assessing risk from the various banking stakeholders and administrators. Furthermore, the study inquired into the role of effective management in optimizing programme success, exploring best practices, and potential challenges. It fused findings to develop actionable recommendations for policymakers and financial institutions with the aim of enhancing credit and risk qualities and initiatives to strengthen the country's profile in credit risk management and portfolio monitoring within the banking sectors. It also examines the rate of growth versus the risk appetite amongst the financial sectors.

Bank of Guyana (Central Bank) Financial Institution Framework Statues in Guyana

The research contained herein this paper focuses on how Banks in Guyana, South America conduct credit risk management. There are six Commercial Banks with 47 commercial banking offices. Several models of credit risk technique and assessment principles are used by Institutions in assessing credit. In Guyana, banks perform lending assessments using different models; the CAMPARI Model, 4M Risk Analysis which is (Money, Management, Material, Market), Score Card and SWOT Analysis. There is also lending from the non- banking sector that is done by Co-operative Societies and Unions which are assessed on "membership basis" and is not subjective to any formal lending model.

The oversight and regulatory body of Guyana's banking sector falls under the purview of Bank of Guyana which is the Central Bank. It is constituted under the Financials Institutions Act of 1995. The Act outlines guiding principles and for specificity to the subject in discussion it is necessary to cite these two excerpt " a)Every licensed financial institution which takes deposits shall maintain a reserve fund and shall, out of its net profits of each year and before any dividend is declared, credited or paid, or before profits are remitted to the Head Office, transfer to the fund a sum equal to not less than fifteen percent of such profits whenever the amount of the reserve fund is less than the paid-up capital or assigned capital of the licensed financial" [6], impaired provisioning classification and reporting of overdrafts, loans, investments and other assets and contingencies which are past due, on which interest is not accruing, where the collection of principal or interest due is questionable or, doubtful, or which otherwise exhibit significant risks of collection; the writing off in whole or in part of loans, investments or other assets which are not collectible" [6].

Financial risks are inherent to the operations of the Bank and management of these risks is critical to the Bank's continuing profitability. The objective of the Bank's risk management policies and efforts is to minimize the effects of risks inherent to its operations. Risk management operates within a framework which involves the identification, assessment, and monitoring of risks through the application of various approaches which are guided by the Bank's policies. These risks are continuously monitored at directorate levels [7]. The Bank has exposure to the following risks from its use of financial instruments:

1. Market Risk
2. Credit Risk
3. Liquidity Risk.

Assets Grading / Loan Provisioning Requirements

The Central Bank monitors the quality of its financial assets through use of an internal grading system representing management's best estimate of the credit risk for the counterparty based on available information. The grades used as follows: Grade Description (1) **Superior** – These institutions have been accorded the highest rating, indicating that the institution's capacity to meet its financial commitment on the obligation is extremely strong. (2) **Desirable** – These institutions have been accorded the second highest rating, indicating that the institution's capacity to meet its financial commitment on the obligation is extraordinarily strong. (3) **Acceptable -**These institutions have been accorded the third highest rating, indicating that the institution's capacity to meet its financial commitment is adequate. (4) **Special monitoring** – concern over counterparty's ability to make payments when due" [2]. The regulations stipulate that performing accounts are generally classified as either **superior, desirable or acceptable** with an overall rating band falling within pass or special mention or in borrower risk rating (BRR) rating level 1 and level 2.

Any unpaid debt after ninety (90) days is default must be classified as non-performing loans and monitoring with the appropriate provisioning being made. Loans are generally classified in the non- performing category as i) substandard (rating 3), ii) doubtful (rating 4) or iii) loss (rating 5) as depicted in **Table** 1.

The guidelines for loans which becomes due and unpaid after 90 days attract provisioning as per the schedule below [6]. The provision levels are reviewed twice per year to ensure that the aggregate number of provisions is consistent with current information about the collectability of the portfolio.

Table 1. Loan Provisioning requirements in Guyana's Banking Sector

Pass	0%
Special Mention	0%
Substandard (90-180 Days Delinquency)	
-Portion secured by cash, cash substitutes, government securities or government guarantees	0%
-Others	20% of Loan Value
Doubtful (180-365 days)	
-Secured Portion of Loans	20% of Loan Value
-Unsecured Portion of Loans	50% of Loan Value
Loss (over 365 days)	100% Full Write-off Loan Value
Secured Portion	
-Year 1	20%
-Year 2	40%
-Year 3	100%
-Unsecured Loans	100%
-Unreviewed Debts	1%

Sourced From Gazette, Government of Guyana,2010.

In 2010 assented into Law the Credit Reporting Act which paves the way for information sharing amongst financial institutions with the intention that Banks would be able to screen borrowers more effectively and improve the mechanism and means of making good credit. The Act's purpose was "To be establish a credit reporting industry with the aim of enabling more dependable, competitive, and responsible credit lending while protecting borrowers' rights." [8] with the credit reporting regime aimed at increasing consumer access to credit, by way of the reduction of information asymmetry thereby reliable competitive and responsible credit lending, the credit bureau [9] continued its efforts to collect credit information from financial institutions and designated credit information providers. [10]. The Credit Reporting Act was amended in January of 2016 with the objective of improving the efficiency of the system. The Act was amended by the Credit Reporting (Amendment) Act No.2 of 2016 to, inter alia mandate.

1. That a credit information provider, as a component of its evaluation of the consumer's credit risk, pull a credit report from the credit bureau prior to the grant or renewal of credit facilities to the consumer.
2. That credit information providers share credit information with the credit bureau on all people to whom credit facilities have been extended and it removes the

requirement for the consumer's prior consent.

3. That the credit information providers obtain the prior written consent of a consumer which must be produced when a request is submitted to the credit bureau for information on the consumer.
4. Those entities considered to be public sources, including utility companies share credit data or credit information which is publicly available.

The table below depicts the movement of non-performing facilities (NPL’s) as a percentage over performance facilities (PL’s)for the last 8 years in the Country’s banking sector.

Table 2. Active Loans vs Non-Performing Loan as % in Guyana’s Banking Sector

$G (BILLIONS)								
Year Ending	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Active/ Performing Loans	216,662	222,280	212,250	204,810	230,920	286,875	328,868	376,119
Non-Performing Loans	30,286	28,970	29,737	30,114	32,905	27,459	20,116	13,445
As Percentage (%)	13.98	13.03	14.01	14.70	14.25	9.75	6.13	3.57

Source*: Central Bank of Guyana Reports 2016 to 2023*

Table 2 examines the growth of the nonperforming loans (NPL) to performing advances portfolios it has noted that in 2016 to 2020 that the NPL rate was 13.87% to 14.25% and represented marginal increase over the period and during 2021 to 2023 there was a significant decrease to 9.57% in 2021 to 3.57% in 2023 being the lowest in the eight (8) year period. During this period there was also the highest reported growth in loans and advances moving from $230.9 B in 2020 to $376.1B as at the end of 2023. It is also reflective that as the active portfolio grows there has been a reduction in NPL’s rate. From 2016 to 2023 there was growth in active lending by 57.44% moving from $216.6B to $376.1B. [7], Risk Assessment as of December 31, 2023, the overall assessment of the banks’ credit risk was ‘moderate and decreasing’. One non-bank credit risk was rated as ‘moderate and decreasing’ while the others were rated as ‘low and stable.’ The LDFIs’ concentration risk was assessed as ‘moderate and stable.’ The industry’s top twenty borrowers to total loans ratio was 24.2% percent at end December 2023.

Though there is no single factor that may be responsible for the year-on-year growth of bad debts during 2016 to 2019 it could be assumed that the change of economic policies in Guyana that were introduced by the change of Government and policy makers in 2015 may have caused investors to be cautious and at the same time those changes brought about economic distress for some sectors and individuals. In 2020 there was also a further change in Government, and we have seen from the report that growth in the performing loans and a reduction in the non-performing loans. The Oil and Gas industries have significantly been responsible for the improved financial position declared over the period 2020 to 2023.

It can be drawn from the abstract that while Bank’s are growing their assets with higher level of prudency in risk management controls and analysis; this has been positively contributing to the declining rate of non-performing loans. The survey also reveals that some of the LDFI’s have restructured non-performing loans to re-book as active loans since borrower’s ability to repay has regained financial worthiness; hence banks have facilitated restructuring. One Bank reported zero rate NPL's, further insight into this LDFI will be done as it is an unusual activity within banking/ financial sector in Guyana.

Maintaining Liquidity

Table 3. Actual Liquidity vs Required Liquidity in Guyana's Banking Sector

000's Millions – Liquidity of all Commercial Banks in Guyana								
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Actual Liquidity	160,320	157,939	157,939	171,937	198,552	266,948	288,356	332,629
Required Liquidity	84,842	83,983	83,983	90,040	103,501	103,554	152,804	183,739
Percentage (%)	30.6	29.8	29.8	30.3	31.7	36.1	32.2	31.8

Source: Central Bank of Guyana Reports 2016 to 2023.

[7], at end-December 2023, the financial sector remained highly liquid, with average liquid assets exceeding the statutory liquid assets requirement by 81% or G$148.8 Billion. LDFIs held excess liquid assets ranging between 3 percent and 313 percent at the end of December 2023. The average level of liquid assets held by LDFIs at end-December 2023, amounted to G$332.6 Billion, 15.4 percent or G$44.2 Billion above the average level recorded for December 2022 as highlighted in **Table 3** Reserve requirements are required at 15% by LDFI's.

Now that we highlighted the models used by the Banks for guidelines of deposit management reserves and provisioning schedules for impaired loans and the categorization perimeters, we can now take a further look as to the analyzing the risk management techniques adopted by Banks in Guyana.

Analyzing Techniques for Credit Risk Management / Monitoring

Loan appraisal is considered a process. It begins from the point of contact with a potential borrower who comes to the Bank to seek fulfillment of a financial need. "The aspects to be focused on in an appraisal includes purpose of the client's needs, genuineness, repayment capacity of the borrower, quantum of loan and security. Loan appraisal plays key role to keep the loan losses to minimum level, hence if those officers appointed for loan appraisal are competent then there would be high chances of lending money to non-deserving customers." [15]. [2] found that the credit risk management tools used by the banks were setting credit standards, using the credit scores, evaluation of credit worthiness, applying risk rating and adequate collateral management.

It is said by "learned bankers" that care must always be extended by bankers at every path of the lending process. The work of a loan trouble only begins after you have already granted that credit. At the beginning of the application a potential borrower will tell you all the positive you need to hear and provide you with all the documentation you require at the quickest possible time. There -after the need is satisfied and the loan is created is when a real banker's work commences on credit management. It is called monitoring and controlling. Not to stereotype however, not all borrowers are the same.

In target-driven economies lenders must be able to balance the risk of growing prudently and managing poor credit at the same time. Below are **analytical tools** lenders can use to arrive at prudent lending decisions.

The Cash Flow, Balance Sheets, and Income Statements

In analyzing risk and credit cash flow statements are critical tools to assessing borrower's eligibility and affordability to service a desired loan. While lenders generally examine the balance sheet and income statement to determine assets accumulation, sales growth and changes in equity position it is key to pay attention to the notes on financial statement since this speaks and provides depth of information beyond the numbers you are reading in the statements.

"Cash flow statements enable a lender to determine whether the borrower may be able to satisfy the obligations of credit in the short to medium term" [14] Sanjeev and it also outline the cycle of how the company generates revenues which aids to determine suitable time cycles for repayment of a loan. It is important to read along with this cash flow are the notes and assumptions which enable the lender to determine the level of financial prudency the company has taken into consideration in presenting their cash flows cycle coherently with the industry standards. An example in this case; a rice farmer requesting a motor car retail loan, which the loan is to be paid monthly; from the standards of the income earning industry, we know that rice cultivation earnings are cyclical every six (6) months from the harvest of the crop. Knowing this, it may be unwise to offer the farmer a loan when the installment is monthly as opposed to recommending that the loan payments be made semi-annually to coincide with his receipt of income.

Understanding the Industry: External and Internal Environments

Lenders must also assess the industry standards, the external and the internal environments when creating credit. There must be forecast and future outlook once assessing credits to ensure that risk is mitigated. For example, in the Covid 19 Environment it is well known that the Entertainment, Travel, Hotel and Tourism Industries have taken the largest decline whereas the Pharmaceutical, Detergents, Medical and Food Industries has showed the highest growth. In this area, assuming that client wishes to apply for credit to establish a Diner, Hotel or a Pub, it would be high risk to consider lending during these prevailing pandemic conditions, and this could be explained and justified because the banker understands the environment and the going concerns even though the request may be good investment for the post pandemic era. [17] found that the presence of internal and external factors of a risk matters more than its nature. His results suggest that external factors affecting bad loans are more significant than the internal factors. Another case to note is that Guyana's oil economy has shown significant growth from 2021where the percentage growth of GDP was 19.9% as compared to growth of 63.4% in 2022, 33.0% in 2023 and 44% in 2024. This growth was as a result of both the traditional oil and non-oil sectors. In recent announcement by President of the United States of America Donald Trump where orders were made that USA Waters will be opened to Drilling this can have significant impact on the cost of fuel on the world market and hence impact GDP growth rate in Guyana for the future. "We have something that no other manufacturing nation will ever have, the largest amount of oil and gas of any country on Earth, and we are going to use it – let me use it," Trump said in his inaugural address" [21] Therefore; investments and investors that depends heavily on the Oil and Gas Sector need to take these external global shift of practices into considerations; likewise lending institutions.

Analysis of Models and Modules

There are many ways in assessing credit risk management and signs of good and poor credit can be captured at a snapshot. Some useful tools that bankers should use if they are not already using are (1) SWOT -Strengths, Weakness, Opportunities and Threats Analysis, (2) PESTEL – Political, Economic, Social , Technological, Environmental and Legal Analysis to understanding the market, (3) CAMPARI -Character, Ability, Margin, Purpose, Amount and Repayment Analysis to determine the overall borrower eligibility including character, collateral, affordability etc. amongst the immensely popular "the gut feelings" about the request presented for review.

Ratio Analysis, Servicing Ability and History

Ratios are important since they depict a company's position of positive and negative indicators. These indicators will inform the lender to be watchful for red signals and may prompt probing by the lender on the borrower's financial position. It is also critical that lenders pay attention to the borrowers past history, credit reports and what level of serviceability is required on a loan request versus the strength of revenue in the Income Statement. Where possible especially if a borrower is new and there is no banking activity to support the business, sales turnover asks for evidence to support same rather than taking the declaration at "face value." A banker should not book credit business all of borrower's income, it should leave provision for a business downtime and earning reductions as the client must a free flexibility space in their *finances to meet incidentals cost or unexpected expenses.*

Credit Report

In 2010; a credit reporting industry with the aim of enabling more reliable, competitive, and responsible credit lending while protecting borrowers' rights".[8] with the credit reporting regime aimed at increasing consumer access to credit, by way of the reduction of information asymmetry thereby enabling more reliable, competitive and responsible credit lending, the credit bureau (Credit Info Guyana Inc.,) continued its efforts to collect credit information from financial institutions and designated credit information providers. [10].

Gaps and in Credit Monitoring and Bank Development in Guyana

1. **Regulatory and Institutional Challenges** -The banking sector in Guyana operates under the supervision of the Bank of Guyana, which establishes regulations and monitoring frameworks. However, challenges persist in enforcing credit assessment and risk management policies. Studies by [20] highlight those developing economies, including Guyana, often face regulatory gaps that lead to inefficiencies in credit monitoring as compared with international practices.
2. **Credit Risk and Non-Performing Loans (NPLs)** -A major issue in Guyana's banking sector is the rising number of non-performing loans during 2016 to 2019. [23] suggests that inadequate credit assessment frameworks and changes in economic conditions contribute to high default rates. Many banks lack robust credit risk assessment tools, leading to insufficient provisions for potential losses. From a review of the reports by the Bank of Guyana for the years 2021 to 2023 the non-performing loan have shown a significant reduction due to the implementation of improved monitoring, enhanced risk management and adoption of new standards.
3. **Adequacy of Provisions and Reserves-** Provisions and reserves are essential for financial stability. According to [22] III guidelines, banks must maintain adequate capital reserves to absorb unexpected losses. Research by [4] indicates that banks in emerging economies, including Guyana, often struggle to maintain adequate provisions due to inconsistent regulatory enforcement and underdeveloped risk management frameworks.

4. **Technological and Data Limitations**- Financial technology plays a vital role in monitoring individual credits. Studies by [2] emphasize the importance of digital credit monitoring systems. However, many banks in Guyana rely on outdated manual processes, which hinder efficiency and increase the risk of errors and fraud.
5. **Economic and Political Factors**- Macroeconomic instability and political influence can impact credit allocation and monitoring. Research by [8] on banking systems in developing countries highlights that government intervention in lending policies can lead to misallocation of credit and increased default risks.

Best Practices for Credit Monitoring

1. **Implementation of Advanced Credit Scoring Models** - Adopting machine learning and AI-driven credit scoring systems can improve risk assessment. Studies [6] suggest that predictive analytics enhance the accuracy of creditworthiness assessments, reducing default rates.
2. **Strengthening Regulatory Frameworks** -Developed countries have successfully implemented stringent Basel III compliance measures. Research by [13] indicates that enforcing higher capital adequacy ratios and stress testing can improve banking resilience.
3. **Automation and Digitalization** - Integrating blockchain and digital ledger technologies can enhance transparency and efficiency in credit monitoring. [9] reports that digital banking solutions have reduced fraud and improved credit monitoring in European financial institutions.
4. **Capacity Building and Training** - Ongoing training for bank staff in credit risk management, monitoring and financial technology is crucial. Studies by [14] suggest that skill development programs contribute to better credit monitoring and financial decision-making.
5. **Watch-listing of the Debts**- The need to enhance watch-listing of accounts and to apply early monitoring and diagnostics of debts that show signs of consistency in late or past due payments. A clinical financial approach to those debts should be forecasted earlier to not allow the delinquency to reach 90 days of defaults which will render those loans non-performing. All credit exposures which are between 30 to 180 days in arrears must be placed on a "watchlist" and monitored by senior management on a monthly basis [6].

Analysis of Findings

The significant reduction in non-performing loans from 13.98% in 2016 to 3.57% in 2023 indicates an improvement in credit quality within Guyana's banking sector. This improvement aligns with a period of substantial growth in performing loans, driven largely by the burgeoning oil and gas industry and its positive impact on the Guyanese economy. The "moderate and decreasing" overall assessment of the banks' credit risk as of December 31, 2023, further supports this positive trend.

Despite these positive developments, several challenges and gaps in credit monitoring and bank development in Guyana were identified. Regulatory and institutional challenges persist, with studies highlighting regulatory gaps in developing economies like Guyana, which can lead to inefficiencies in credit monitoring compared to international practices. Although NPLs have significantly decreased, the historical data (2016-2019) indicated challenges stemming from inadequate credit assessment frameworks and economic policy changes.

The adequacy of provisions and reserves remains a crucial area. While [6] outlines requirements for reserve funds and impaired provisioning, research suggests that banks in emerging economies often struggle to maintain adequate provisions due to inconsistent regulatory enforcement and underdeveloped risk management frameworks. The current provisioning schedule for non-performing loans varies based on delinquency duration and collateralization, ranging from 0% for secured substandard loans to 100% for unsecured loss loans.

Technological and data limitations are also notable. Many Guyanese banks still rely on outdated manual processes, which hinder efficiency and increase the risk of errors and fraud, despite the importance of digital credit monitoring systems. The implementation of the Credit Reporting Act in 2010 and its amendment in 2016 aimed to improve information sharing and enable more reliable lending by mandating credit report pulls and data sharing. However, the study points to a need for all credit suppliers to subscribe to the Credit Bureau and ensure up-to-date information.

Economic and political factors also influence credit allocation and monitoring. Government intervention in lending policies, as observed in some developing countries, can lead to misallocation of credit and increased default risks. The shift in economic policies and government in Guyana from 2015 to 2020 may have contributed to caution among investors and economic distress in some sectors, influencing NPL rates. The high liquidity in the banking sector also suggests a potential for new lending products and models to capitalize on available funds and potentially reduce interest rates for consumers.

Discussion

The substantial decline in Guyana's non-performing loans (NPLs) from 13.98% in 2016 to 3.57% in 2023 signifies a considerable enhancement in the credit quality of the banking industry. This favourable change aligns with significant expansion in performing loans, primarily propelled by the developing oil and gas sector and its influence on the national economy. The comprehensive evaluation of the banks' credit risk as "moderate and diminishing" further substantiates this favourable trend. Nonetheless, despite these promising advancements, the study highlights some enduring obstacles and deficiencies in credit monitoring and banking development.

Regulatory deficiencies persist as a significant concern, resulting in inefficiencies in credit monitoring relative to international benchmarks. The Bank of Guyana requires enhancement of its responsibility in the enforcement of credit assessment and risk management rules. For example, although the Financial Institutions Act of 1995 delineates rules for reserve funds and provisions, banks in emerging economies frequently encounter difficulties in sustaining sufficient provisions due to irregular regulatory enforcement. This underscores the necessity for a more stringent implementation of international regulations such as the Basel III recommendations, which prioritise uniform capital adequacy levels and stress testing. Furthermore, numerous banks in Guyana persist in utilising antiquated manual procedures, so impeding productivity and elevating the chance of errors and fraud. The Credit Reporting Act, enacted in 2010 and revised in 2016 to enhance information sharing, indicates that more measures are necessary to guarantee that all credit providers participate in the credit bureau and that the information is consistently current. The implementation of sophisticated technology, including AI-based credit scoring models and automated notification systems, is essential for the modernisation of credit monitoring and the mitigation of information asymmetry.

The study's findings about the existing provisioning schedule for non-performing loans, which fluctuates according to delinquency and collateral, demonstrate a systematic approach. Nonetheless, the overarching concern of ensuring sufficient protections persists, since research indicates that inadequate risk management frameworks in emerging economies may be a barrier. The banking sector's elevated liquidity, with average liquid assets above the statutory threshold by 81% as of December 2023, offers a growth potential. This excess cash could be utilised through the implementation of innovative loan products and models, potentially resulting in reduced interest rates for consumers and invigorating economic activity. The investigation indicates a correlation between economic and political issues and the performance of the banking industry. From 2016 to 2019, there was a slight rise in non-performing loans (NPLs), likely due to alterations in governmental and economic policies that induced investor apprehension and economic turmoil in certain industries. Conversely, the considerable growth in performing loans and the reduction in NPLs from 2020 to 2023 appear to be a result of the stability and growth spurred by the oil and gas industry. The study emphasises the significance of comprehending industry-specific hazards, since sectors such as mining, agriculture, and tourism may encounter distinct issues necessitating a reassessment of risk tolerance by regulators to avert being hindered by elevated capital costs.

Conclusion

The Guyanese banking sector has made commendable progress in reducing non-performing loans and managing credit risk, particularly evident in the significant decline of NPLs from 2021 to 2023, alongside robust loan growth. This positive trend is intricately linked to the transformative impact of the oil and gas industry on the national economy. While banks utilize established models for lending assessments, and the Bank of Guyana provides regulatory oversight for provisioning and liquidity, there remain critical areas for improvement to further enhance the efficiency and stability of the financial system.

Key challenges include persistent regulatory gaps in enforcement and monitoring compared to international standards, technological limitations due to reliance on manual processes, and the ongoing need to ensure the full subscription and real-time updating of information within the credit reporting system. While the banking sector demonstrates high liquidity, there is an opportunity to leverage this through new lending products to further stimulate economic activity. Achieving a more robust and resilient financial economy requires addressing these systemic issues, moving beyond traditional methods, and embracing more dynamic and technologically advanced approaches to credit risk management.

Recommendations

Based on the findings and analysis, the following recommendations are proposed to enhance credit monitoring systems, provisioning, and overall financial stability in Guyana's banking sector:

1. **Enhance Regulatory Oversight:** The Bank of Guyana should strengthen its role in enforcing compliance with international credit risk management standards, particularly Basel III guidelines. This includes ensuring consistent application of capital adequacy ratios and stress testing to improve banking resilience.
2. **Adopt Digital Credit Monitoring Systems:** Banks should prioritize investment in financial technology (Fintech) solutions, including AI-driven credit scoring models and blockchain-based loan tracking systems. Automated texting and email systems should be implemented to alert customers about transactions and due payments. This will improve efficiency, reduce errors, and mitigate fraud risks.

3. **Strengthen Credit Information Sharing Systems:** While a credit bureau exists, efforts are needed to ensure all credit suppliers subscribe to the Bureau and that information is consistently up-to-date and recent. This will reduce information asymmetry and facilitate more reliable and responsible credit lending.
4. **Monitor and Optimize Capital Reserve Requirements:** Banks should align their provisions and reserves more rigorously with Basel III guidelines to absorb unexpected losses and improve financial stability. Given the current excess liquidity, the banking industry should explore introducing new lending products and models to capitalize on available funds, potentially leading to reduced interest rates for consumers and fostering economic growth.
5. **Implement Advanced Watch-listing and Early Warning Systems:** Banks must enhance their watch-listing of accounts showing early signs of consistent late or past due payments. A clinical financial approach with early monitoring and diagnostics is crucial to prevent delinquencies from reaching the 90-day non-performing threshold. All credit exposures between 30 to 180 days in arrears should be placed on a "watchlist" and subjected to monthly senior management review.
6. **Capacity Building Initiatives:** Regular training and workshops for bank staff in credit risk management, monitoring, and financial technology are essential. Introducing mandatory certified courses with examinations for lending and risk assessment personnel at financial institutions will further develop capacity and enhance decision-making.
7. **Review Risk Tolerance in Key Sectors:** Regulators should review the risk tolerance at commercial banks, particularly for sectors like mining, marine/sea transportation, manufacturing, agriculture, entertainment, and tourism. This review is necessary to ensure these industries are not stifled by high capital costs, and to facilitate economic upscaling. Exploring syndicated funding models can also aid in risk sharing and offer better bargaining options for financing costs.

Conflict of Interest Statement

The author(s) declare no competing interests.

Acknowledgement

Profound appreciation is expressed to Dr. Sreekala of the Management Studies department at Texila American University. I value the substantial information and advise derived from her experience. The study's quality and depth markedly enhanced under her supervision and insightful guidance. Dr. Sreekala's steadfast encouragement and support were essential, and I am profoundly grateful for her insightful contributions.

References

[1]. Agwu, E., 2018, Implications on Bank Performance and Lending Growth. *Credit Risk Management*.

[2]. Al-Tamimi, H., 2002, Risk management practices*: Finance India*, 16(3) & 1045-1057.

[3]. Bo, H. P. Q., 2005, Research on Credit Risk.

[4]. Brahmaiah, B., 2021, Credit Risk Management Practices of Indian Banking. Hyderabad, India: ICFAI Business School, (IBS) *IFHE*.

[5]. Fan, L., 2004, Efficiency versus Risk in large Domestic US Banks. *Managerial Finance*, 30(9), 1-19.

[6]. FIA, L., o.-A., 1995, March 20. Retrieved from Bank of Guyana: https://bankofguyana.org.gy/bog/images/Legislatio

n/BOG%20Act/Financial%20Institutions%20Act%201995.pdf
[7]. Ganga, G., 2023, Bank of Guyana Report. Governance. Georgetown: Bank of Guyana.
[8]. Gazette, Governement of Guyana. Georgetown, 2010. https://officialgazette.gov.gy/
[9]. Guyana, Bank of. 2016-2023, BOG Annual Report. Georgetown: Dr. Gobin Ganga as Central Bank Governor.
[10]. Guyana, C. O., 2016, Laws of Guyana. Gerorgetown: State of Guyana.
[11]. Hon. Oneidge Walrond. 2024, December 19. Security Interest in Movable Property Bill 2024. Guyana, Georgetown, Demerara.
[12]. Jagdeo, H. B., 2022, July 29, Ghana to assist Guyana spur their oil and gas industry. Petroleum Commission of Ghana, Demerara.
[13]. Michel Crouhy, Dan Galai, Robert Mark. 2006, The Essentials of Risk Management. The Essentials of Risk Management.
[14]. Morgan. 2021, Classroom Lecture. Materials-Cash Flow. Jamaica.
[15]. Qaisar Ali Malik, S. F., 2015, International Journal of Economics and Financial Issue. International Journal of Economics and Financial IssuesISSN: 2146-4138available at http: www.econjournals.comInternational *Journal of Economics and Financial Issues*, 2015, 5(2), 574-579.International *Journal of Economics and Financial Issues* | Vol 5 • Iss, 575.
[16]. Salas, V., and Saurina, J., 2002, Credit risk in two institutional regimes: *The Journal of Financial*, Services Research, 2(3), 203-224.
[17]. Sanjeev, G., 2007, Bankers' perceptions on causes of bad loans in Banks. *Journal of Management Research*, 7(1), 40-46.
[18]. Singh, Dr., Ashni Kumar. 2025, February 17, Steps taken overtime by Government to lay the foundation through various financial sector legislation to allow for a stable, sound and strong financial system. Georgetown, Guyana, Guyana.
[19]. Yun-Quan, H. B.-P., 2005, Research on credit risk of state owned commercial banks. Proceedings of the Fiuyrth International Conference on Machine Learning and Cybermetrics, pl-6.
[20]. International Monetary Fund, 2023.
[21]. Trump, D., 2025, President of the United States of America.
[22]. Bank for International Settlements, Basel Committee on Banking Supervision Core Principles.
[23]. World Bank, 2023, 'Global Economic Prospects'.