Banking

A diversified and dynamic Dominican financial system began to develop in the post Trujillo era, when the private sector gained greater access to credit and new domestic institutions were created to meet growing credit demands. It was then that formally regulated financial institutions rose from 7 in 1960 to 78 in 1985. A poor macroeconomic climate plunged the financial sector into a crisis early in the 1980's, however, increased government regulation -as part of a 1985 stabilization program- eased some of the system's problems. And despite high inflation and unusually high interest rates, by the second half of the 1980's there were more than 400 financial enterprises representing seven percent of the GDP in 1988.

The system, made up of 17 different types of institutions, included the Dominican Central Bank (BCRD, its acronym in Spanish); commercial banks, savings and loan institutions, private development financing companies, mortgage banks, state banks, and others. These institutions totaled 263 branch offices. Much of this growth involved consumer finance companies and larger financiers (the term in Spanish for these financial institutions), which underwrote medium-term and long-term loans for priority economic sectors.

Twenty-four commercial banks made up the core of the private financial system in 1989. Commercial banks controlled about 64 percent of the financial system's total assets, and over 40 percent of commercial bank funds were deposited in one bank, the Reserve Bank (Banco de Reservas de la República Dominicana). Although it served as the main government fiscal agent, the Reserve Bank also operated as a commercial bank. Banks were largely Dominican-owned, especially after several foreign banks sold most of their portfolios to local banks in 1984 and 1985 because of the unfavorable economic climate. Nonetheless, Chase Manhattan and Citibank, from the United States, and the Bank of Nova Scotia, from Canada, maintained local operations in the late 1980s. All of the banks provided a full range of services, and offered checking accounts. The Superintendence of Banks, under the Secretariat of State for Finance, regulated the banks in conjunction with the Central Bank.

34 percent of the loans to the productive sectors favored manufacturing in 1987; followed by agriculture, 19 percent; services, 8 percent; and construction, 6 percent. The remaining loans were oriented to finance exports, imports, and consumer purchases.

Increases in the private-sector share of total domestic credit from 1984 were due to the growth of investments in the priority areas of assembly manufacturing and tourism despite tight credit conditions. The access to bank credit was generally dominated by large corporations, often irrespective of their credit worthiness or need for credit, mainly because of their superior "connections." In addition to their assets in the domestic banking system, Dominicans held an estimated US$1 billion in accounts overseas, mainly in the United States.

The main sources of household finance in 1989 were 17 savings and loan associations and mortgage banks. Established since 1962, they represented 19 percent of the system's financial assets and catered mostly to middle-income homebuyers, although they offered passbook savings, certificates of deposit, and collateralized loans as well. The National Housing Bank (Banco Nacional de la Vivienda--BNV) regulated the savings and loan institutions by imposing per-family lending ceilings. Fourteen mortgage banks, holding about ten percent of the system's assets, served mostly upper income homeowners. The most prominent of these institutions was Banco Hipotecario Dominicano - BHD). Unlike the savings and loans associations, mortgage banks also financed the short-term needs of builders and medium-term and long-term commercial construction. Mortgage banks are regulated by both the Central Bank and BNV, but regulations imposed are less stringent than those applied to the savings and loan associations. Lower-income homebuyers obtain credit through Instituto Nacional de la Vivienda (National Housing Institute) and real estate finance companies (sociedades inmobiliarias).

The equivalents of private development finance companies -the financiers- controlled six percent of the national assets, and were instrumental in the financing of medium-term and long-term investment in priority sectors. Established in 1966, the number of financiers had grown from eight in 1970 to twenty-five by 1989. They issued stocks and funded bonds, guaranteed by government financial institutions, to mobilize capital in major development projects in agribusiness, industry, transportation, and tourism. In addition, they provided technical assistance to borrowers, and guaranteed the liabilities of others. Increased government regulation of the small financieras, especially in the area of currency speculation, forced many to close in the late 1980s.

The following played a relatively minor role in the financial system: BNV, providing some housing-related finance; Corporación Financiera Industrial, playing a smaller role than its name suggested, and Banco Agrícola (Agricultural Bank of the Dominican Republic or Bagricola by its acronym), which was an important creditor. Through its thirty branch offices, Bagricola covered small countryside farmers. The bank's importance, however, declined early in the 1980s due to high unsettled debts, but it rebounded in the late 1980s through greater autonomy, and by mobilizing capital for the first time through savings accounts.

Other financial services were offered in the country through organizations that served the large informal sector. To of these were the Dominican Development Foundation and the Association for Microenterprise Development that provided loans to microbusinesses and unincorporated businesses. Rural borrowers and savers were also served by longstanding And there were many money lenders. When the monetary authorities initiated its foreign exchange reform in 1988, however, some seventy exchange banks were forced to close. Fifty insurance companies, half of which were locally owned, underwrote policies in the late 1980s, under the supervision of the Superintendency of Insurance.

Dominican Money & Currency

The Official Currency of the Dominican Republic is the Peso, which fluctuates freely against the US Dollar and other foreign currencies. Paper currency is printed in denominations of 5, 10, 20, 50, 100, 500, 1000 and 2000 Peso notes. Coins are circulated in 1 and 5 Peso denominations (currently both coins and paper are circulated to represent 5 pesos). Coins of lesser denominations are currently minted and in circulation, but are generally not welcomed by businesses or informal vendors due to their low value. Most supermarkets and other business establishments either price their goods at an even number or round off the bill at the cash register.

Although some tourist establishments or street vendors accept US Dollars or other currencies, these are not legal tender in the country. Shops, supermarkets and other types of retail establishments do not accept any other currency than the Peso.

Most banks or private exchange houses offer currency exchange services. Though exchange posts or banks are accessible for purposes of foreign currency exchange, keep in mind that the exchange rate may often be higher with some of the private concerns, such as Vimenca.

The following foreign currencies are commonly to or from the Dominican Peso: Canadian Dollars, Dutch Gilders, English Pounds, French Francs, German Marks, Spanish Pesetas, Swiss Francs and US Dollars. Most other currencies will be difficult to convert and may require a visit to the Banco de Reservas or Central Bank.

The US Dollar exchange rate current since early 2001 has been approximately in the order of 16.70 to 16.90 pesos per US $1 range.

The Central Bank is responsible for printing and issuing currency, as well as regulating the nation's banking and monetary system.

The country's monetary board, supervised by the Governor of the Central Bank, directly determines monetary and foreign exchange policies. Nonetheless, there is a dual system of foreign exchange consisting of both private exchange and the Central Bank's official exchange.