

PREFACE

Development of a well integrated financial system to effectively mobilise and efficiently allocate resources is essential to promote economic growth. In recent years considerable attention has been focused on the process of financial intermediation, providing a link between savings and investment activities, and its impact on economic development. However, much of the work has been in the context of larger developing countries and the working of the financial system in small economies has hardly received any attention.

The enclosed study, undertaken at the request of the Secretariat, by Professor Maxwell Fry of the University of California at Irvine, is an attempt to examine the problems of and policies for financial intermediation in small economies. The study contains an examination of the role of financial institutions in small economies, measures for their efficient working and an appropriate policy frame, along with an analysis of financial structure in eleven countries. It is hoped that the study will be useful to researchers and policy makers and will lead to further analytical work in this important area. The views expressed in this study are those of the author and do not necessarily reflect those of the Commonwealth Secretariat.

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