


Chapter 5

Analysis of CBDCs in South America, the Caribbean, and Their Impact on Financial Inclusion

Juan-Francisco Albert

 <https://orcid.org/0000-0002-2014-6387>

Universidad de Valencia, Spain

Nerea Gómez-Fernández

Universidad de Valencia, Spain

Sergio Luis Nández Alonso

 <https://orcid.org/0000-0001-5353-2017>

Catholic University of Ávila, Spain

ABSTRACT

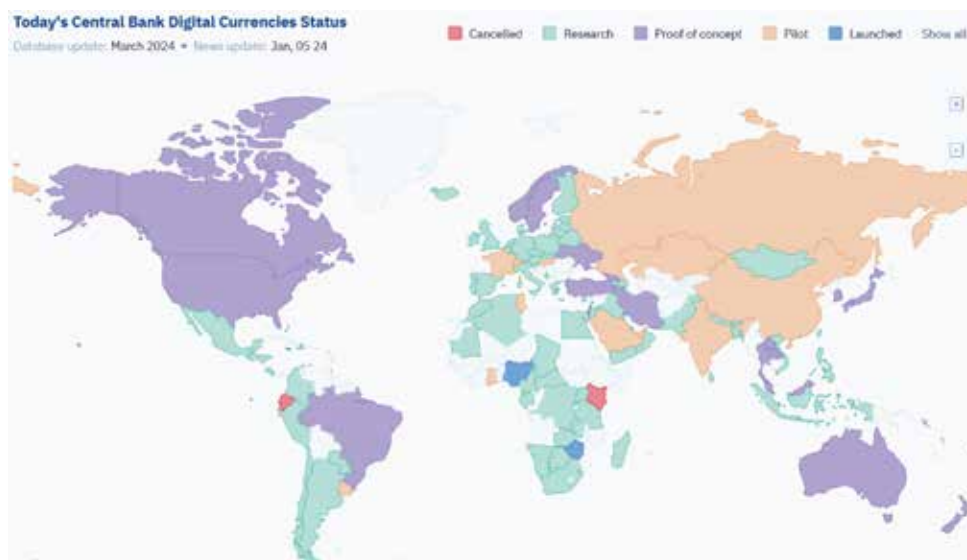
This research analyzes the potential of a CBDC to address challenges such as financial inclusion in South America and the Caribbean. To this end, data from Global Findex on gender, age, educational level, income, and employment status have been used. Subsequently, through multilevel binomial logit models, three dependent variables were analyzed: account ownership, internet or cell phone use for financial transactions, and cell phone use for in-store payments. The results suggest that addressing gender, educational, economic, and labor disparities is crucial to promote more equitable financial inclusion through CBDCs. Actions such as educational programs on digital finance, ensuring equitable access to technology and connectivity, designing intuitive and accessible interfaces, and conducting awareness and advocacy campaigns to encourage the adoption of CBDCs are proposed. These measures could contribute to greater financial and digital inclusion in the region.

INTRODUCTION

Central Bank Digital Currencies (hereinafter CBDC), represent a significant advance in the evolution of the global financial system. These digital currencies issued by central banks offer an alternative to traditional fiat money, leveraging blockchain technology to facilitate fast, secure and transparent transactions. In a context where the digitization of finance is unstoppable, CBDCs emerge as a key response to modernize payment and settlement systems, as well as to address challenges such as financial inclusion and anti-money laundering (Náñez Alonso et al., 2020; Ngo et al., 2023). However, their implementation poses regulatory, technical and privacy challenges that need to be carefully addressed.

In South and Central America, interest in CBDCs has been increasing in recent years. In fact, 2 countries (Bahamas and Jamaica) and one currency area in the region (countries in the Eastern Caribbean Central Bank currency area) have officially launched their own CBDC. In addition, several have actively explored its feasibility and potential benefits. Countries such as Brazil have conducted studies and pilot tests to assess the impact of a CBDC on their economies (Náñez Alonso et al., 2023; Pinho de Mello & Kanczuk, 2021). Uruguay, for example, has advanced in the creation of its “e-peso” as a way to promote financial inclusion and modernize its payment system through a pilot test (Sarmiento, 2022). In other countries, such as Argentina, Chile or Colombia, the discussion on CBDCs has been present in the midst of broader economic and financial challenges (Vargas, 2022). Figure 1 shows the current degree of implementation of CBDCs worldwide and in South America and the Caribbean.

Figure 1. Current degree of implementation of CBDCs in the world



(CBDC Tracker, 2024)

Kiff (2024) study covers 102 countries. In seventeen countries, central banks have launched or tested a CBDC. South and Central American countries account for 29%. This indicates a significant level of CBDC implementation or pilot testing in the region with countries such as Jamaica, Bahamas, and

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