Plenary 5: Financial Inclusion in the Solomon Islands

Session Synopsis
The Solomon Islands has a population of around 580,000, with 80% of its population based in rural areas and operating within the informal economy. Seventy per cent of the population is excluded from formal financial services including 30% of which are completely excluded from any form of financial service. The Solomon Islands’ financial sector comprises 3 commercial banks, 1 superannuation fund, 1 credit institution, 4 insurance institutions, 1 microfinance institution and over 300 (NGO led) savings clubs. The country’s telecommunications coverage reaches an estimated 80% of the population. The rapid expansion of telecommunication coverage has seen financial access points (mobile banking agents, bank agents, EFTPOS, ATMs, etc.) almost treble from 200 in 2010, to almost 600 in 2015. The majority of accounts are held by men, with approximately one third of accounts are held by women.
The current priority areas for financial inclusion in the Solomon Islands area: innovative distribution channels for products and services, integrating financial education in the formal school curriculum, building financial competence of adults, building data sets and measurement of progress and growth, consumer education and protection, insurance services to informal and low income people and the participation of women and youth in the financial sector.

The revised financial inclusion target for 2017, overseen by the National Financial Inclusion Taskforce, is to extend access through a variety of appropriate and affordable financial services to an additional 160,000 Solomon Islanders through safe and sound institutions, with at least 50% of additional accounts being held by women, and 50% from rural areas.

Savings Clubs in Solomon Islands – Their role and importance in Financial Inclusion

Women’s groups and associations in the Solomon Islands have existed for a very long time as many women were already accustomed to gathering together in informal community and church groups. There was a recognition that millions of dollars are injected in the Solomon Islands to support various aid initiatives; however, very little of this aid reaches women in rural areas. The genesis of savings clubs arose from the potential to integrate the well-established women’s networks in rural areas with microfinance. The absence of these community based networks amongst men see very few men’s savings clubs in the Solomon Islands.

Savings clubs can act as a bridge between the hard to reach rural sector and the formal financial sector. Finance training is provided for women and girls, who then go back to their communities and share their knowledge. Savings clubs have been empowering for women, as they can join the club with as little as one dollar, and watch their savings grow. Many savings clubs provide business training and business opportunities, however, the very low literacy rate and language barriers limit widespread delivery. Mobile networks and technology have the potential to bridge some of the geographic and educational challenges.
Mobile and Branchless Banking – A bridge to formal financial inclusion in Solomon Islands

The rapid expansion of the mobile phone network across the Solomon Islands has been a game-changer. For example, in the Solomon Islands, the number of people with a bank account doubled between 2011 and 2014 with the emergence of branchless banking solutions largely on the back of mobile services. Apart from bringing many people into the banking system, the accounts offer security over traditional places cash was stored, and convenience and significant savings in time to access funds and make transactions. Mobile and branchless banking has and continues to enable innovative solutions to make banking easier for clients.

Financial inclusion is being approached holistically by creating an ecosystem of supporting merchants and providers. The mobile network is gender neutral and bank neutral. In addition to providing access to banking services, it provides a platform for delivery of complementary and critical information (for example on health, natural disasters, climate and financial inclusion programs).

Key challenges in extending the reach of mobile and branchless banking into rural and remote areas include: electricity for technology-based infrastructure and equipment; adapting education materials for different cultural and language groups; liquidity within the agent network; building the trust of people in financial institutions, the financial system, and financial institution; and reaching critical mass to underpin the sustainability of financial services providers.

The key is developing the financial ecosystem of partners who collaborate to meet these challenges – commercial banks, mobile network operators, the Central Bank, development partners, agents, microfinance institutions and other financial services providers and technology partners.

Key Points:

- While substantial progress has been made in recent years, the majority of Solomon Islanders currently do not have access to formal financial services. Telecommunication coverage of up to 80% of the population highlights the opportunity for providers and stakeholders to leap-frog conventional delivery channels and use this technology to increase access to financial products and services.
Women’s savings clubs in the Solomon Islands continue as an important and successful method for bridging the gap between rural women and the formal financial sector. Education is key, and there may be lessons that can be applied to form men’s savings groups, to achieve greater financial inclusion.

There is scope for mobile and branchless banking to contribute to greater financial inclusion in the Solomon Islands, the challenge to financial services providers being the development of viable client-based solutions, effective management of agent networks, raising awareness of the benefits of formal financial services, extending financial education about the value and use of financial products and services, and building the trust of people in the financial system.

The challenges are best met by further developing the financial ecosystem and collaboration of partners – commercial banks, mobile network operators, the Central Bank, development partners, agents, microfinance institutions and other financial services providers, and technology partners.
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