Remarks of

Judith Karl, UNCDF Executive Secretary
on the occasion of the

Launch of the Solomon Islands
Financial Services Demand Side Survey Report

Honiara, Solomon Islands, 22 September 2015

CHECK AGAINST DELIVERY
Thank you for inviting me to join in the launch of the Solomon Islands financial services Demand Side Survey report.

Congratulations to the Central Bank of Solomon Islands, the Alliance for Financial Inclusion and the Pacific Financial Inclusion Programme for their joint efforts in preparing this publication, and to the important funding and assistance provided by the Government of Australia through its Department of Foreign Affairs and Trade Solomon Islands bilateral programme.

Understanding the market dynamics and client needs is essential for financial inclusion. People won’t use digital services if they are too expensive. Women and young people have different financial needs to men and retired people, so will require different financial products. Those living here in Honiara will have different needs in turn to those living on smaller islands. The needs of the Solomon Islands, with small and dispersed populations over about 300 islands, are in turn different to those of landlocked countries.

The point is this: financial service products need to be tailored to respond to the very specific contexts and cultures of different clients and countries.

Without a nuanced understanding of the demand for financial services, it’s enormously difficult to create the right savings, credit, insurance or payment products that meet people’s needs and help them improve their lives or grow their businesses.

That is why one of the four outcome areas for the Pacific Financial Inclusion Programme is related to generating a better understanding of the financial inclusion market place through preparing evidence-based research, conducting relevant studies, and sharing the results through knowledge events and publications.

Examples of such projects to which PFIP has contributed in the Solomon Islands include the financial competency survey completed in 2012, the savings club study in 2013/14, the government-to-person study in 2014, and now the financial services Demand Side Survey.

The main purpose of this survey is to help the government and other stakeholders gain a better understanding of the needs of Solomon Islanders in regard to financial services and products. The baseline data that has been developed will provide useful information on access, usage and quality of the financial services and products currently available.
from the viewpoint of the customer.

Reading the Demand Side Study, I was struck by a number of important facts that can now be used by stakeholders to plan their future actions in accelerating financial inclusion in the country.

While Solomon Islander adults are saving and borrowing extensively using informal financial methods, formal financial inclusion remains fairly low. About 26 percent of adults have accounts with commercial banks, and another 8 percent use other formal financial services, such as credit unions or microfinance. These adults are overwhelmingly salaried employees. This clearly shows the potential for expanding access and reach out to the unbanked and under-banked segments with appropriate products and services.

The distance and cost of reaching financial access points is considerable in many cases, and likely contributes to the low level of inclusion at present. The spread of bank merchants seems to be one solution to this challenge which could be expanded. The survey shows that banked adults are making use of merchants to withdraw and deposit cash, suggesting that merchants provide a convenient alternative to conducting services in physical bank branches, of which there are few in the country.

For its part, PFIP has provided performance-based grant funding to two major commercial banks in the country - BSP and Westpac- for deploying their branchless and mobile banking services. This has seen expansion of the banking footprint in the country.

The study shows that more efforts need to focus on getting women and young people into the formal financial sector. Only 10 percent of those aged 15-20 are formally banked. 20 percent of female Solomon Islander adults have a commercial bank account, compared with around 32 percent of males. But women share similar savings behaviours to me, meaning they have unmet needs for formal products.

I am therefore pleased that PFIP has also recently approved grants to SPBD Microfinance to roll out their operations in rural provinces. For the first time ever in the country access to micro credit will now be available to rural women.

Another important finding is the lack of customer awareness about several products, services, and eligibility criteria to access financial services. Out of all adults, roughly a
third could not identify the location of the closest bank branch. This points to a need for service providers to step up their financial literacy programmes and focus on customer education, making it an integral part of their outreach strategies.

Through PFIP’s principal partnership with the Central Bank of the Solomon Islands, UNCDF is proud to have supported the development of the medium term national financial inclusion and financial literacy strategy as well as the formation and functioning of the National Financial Inclusion Task Force.

Looking ahead, PFIP will be working with Central Bank of Solomon Islands and the National Financial Inclusion Task Force to use this new study’s results to develop the national 2016 to 2020 financial inclusion strategy, which I am told will look at issues such as improving quality of services, developing consumer protection guidelines, expanding access for women and young people, and strengthening data collection.

Ultimately, the promotion of financial inclusion is a collective responsibility. Government plays an important role in regard to creating a favourable enabling environment; the private sector plays an important role through technological innovation and tailored business models; development partners have a role in emphasising the importance of access to finance through their engagements; and civil society plays a role by providing support, knowledge and oversight.

I hope this study can help bring together these various stakeholders in accelerating access to financial services in the Solomon Islands.

UNCDF stands ready to work with the Government and Central Bank of the Solomon Islands, and indeed all partners, as they seek to do just that and respond to the study’s findings.

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