

IFC IN THE SOUTH PACIFIC BUILDING DIGITAL FINANCE INFRASTRUCTURE

BEGINNING IN 2014, IFC has been working with ANZ and BSP to increase access to financial services and strengthen financial literacy areas among existing and potential clients, beyond main urban centers in the Solomon Islands. IFC's assistance involved:

- **Business model:** developed and tested the business model, and recommended adjustments to ensure learnings were incorporated as project expanded;
- **Agent network:** improve agent network deployment and management;
- **Cash management:** recommended strategies to mitigate agent cash management issues;
- **Incentives and training:** created adequate pricing structures to incentivize merchants, and encouraged agent training to handle multiple responsibilities including customer acquisition, education, as well as cash-in and cash-out tasks;
- **Targeting women:** fostered efforts to bank women;
- **Educating customers:** designed and developed training materials for merchants, agents, and bank staff to deliver effective financial education.

Key Results To Date



Icon credits (clockwise): Gan Khoon Lay, Shashank Singh, Tyler Glaude, Delwar Hossain from thenounproject.com.

IFC Brief

The IFC has developed a comprehensive mobile banking program which aims to catalyze transformational impact across the Pacific region by scaling up support to three leading regional banks including BSP and ANZ.

ANZ's goMoney™ and BSP Mobile Banking™ are mobile banking accounts that are accessible to customers via a mobile handset. Both leverage USSD technology allowing cost-effective access regardless of the type of handset a customer might possess. Each mobile banking product provides the same core functionalities: deposit or withdraw cash through agents, transfers, mobile phone top-ups, electricity bill payments, merchant payments, balance enquiries and mini statements.

There are also some key differences between the two models. Notably, the BSP model is a card based model linked to a mobile phone, and its merchants accept payments through a POS device. ANZ merchants conduct all transactions using the USSD platform. Moreover, ANZ offers a card only to customers who wish to complete more in-depth KYC to request it.

IN JULY 2016, a survey was conducted of ANZ and BSP customers to gauge their levels of usage and satisfaction with the new mobile banking services. In partnership with the banks, IFC interviewed a sample of bank customers in Honoria, the capital city, in rural areas of the main island of Guadalcanal, as well as the more remote locations of Akui (Malatia Island), and Taro (Choiseul Island). All respondents were existing customers of the bank, who owned a mobile phone, were aware of the mobile banking product, and had used it at least once. By design, approximately half of the respondents were women, and a quarter were inactive users, that is customers that had not used the product in the three months prior to the interview. When compared with national data, survey respondents were better educated than the national average and significantly more connected via mobile internet and comfortable with mobile phones generally.

FINANCIAL INCLUSION IN THE SOLOMON ISLANDS

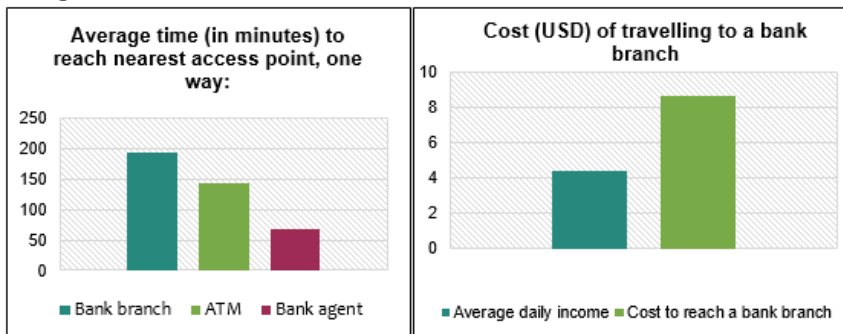
The Solomon Islands is an archipelago of about 1,000 islands and atolls that span 1500 kilometers at its widest point. As of June 2016, the population stood at about 635,000 with 55% under the age of 25. About 75% of the population depends on agriculture, which contributes about 50% of the GDP.



In 2015, a nationally representative survey on financial inclusion was carried out jointly by the Central Bank of Solomon Islands and the Solomon Islands National Statistics Office and was supported by the Pacific Financial Inclusion Programme. The Solomon Islands has one of the lowest financial inclusion numbers in the Pacific Islands.

- Only 26% have an account at a formal financial institution.
- Number of ATMs per 10,000 adults: 1.27
- Number of bank branches per 10,000 adults: 0.46
- 14% of adults reported that travelling to a bank could take a day or longer

Due to the geographic spread of all the islands, and the low number of access points per adults, the average time to get to a bank easily exceeds one hour of travel time and can cost nearly USD9 which is twice the average daily income. This distance is one of the main reasons almost half of unbanked Solomon Islanders cite for not having a bank account.



Source: Benchmarking financial inclusion in Fiji, Samoa, and Solomon Islands /Pacific Financial Inclusion Programme, 2016

Importantly, a general trust in banks is a positive for mobile banking products, such as ANZ Go Money and BSP's Mobile Banking. The exception, as expected, are for casual and agricultural income earners who are more likely to rely informal financial services and do not see banks as particularly welcoming.

Key takeaways:

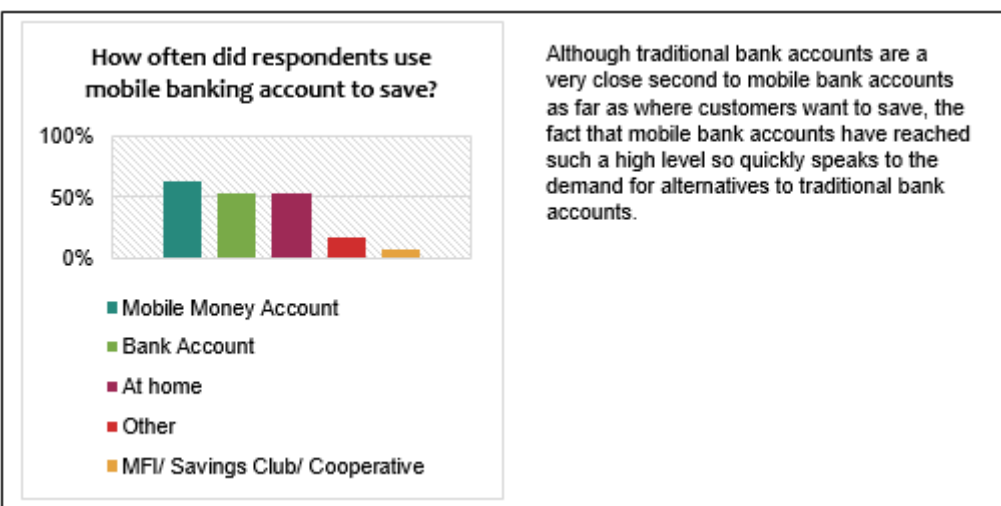
- The mobile banking accounts have made it easier to access a bank agent.
- Even though all respondents are currently bank account holders, they have been leveraging the mobile bank accounts for sending, spending, and saving at sometimes greater frequency than bank accounts.
- As is the norm in other mobile wallet or mobile banking markets, sending funds to friends and family is one of the top uses by a factor of at least five over sending via traditional bank accounts.
- In order to promote digital payments for household expenses such as groceries or school fees, providers will have to acquire more merchants and other vendors.
- Perhaps most importantly, the overwhelming majority of respondents would still recommend this product to others and plan to continue using this product themselves:
 - 95% said they plan to continue using mobile money in the future.
 - 93% said they would recommend mobile money to others

KEY FINDINGS:

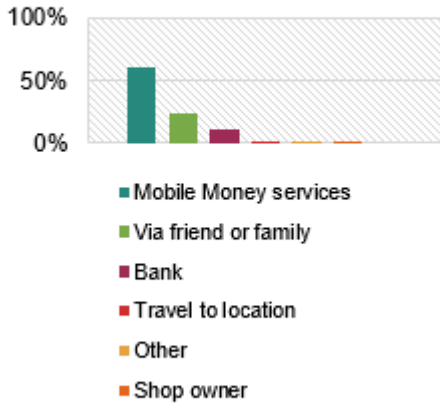
Given the difficulty faced by the general population in reaching a bank branch or other access point, the fact that over half of respondents said it was easy to find an agent and nearly 90% said they could at least get to an agent in less than an hour is noteworthy.



HOW ARE THE MOBILE BANKING ACCOUNTS USED?

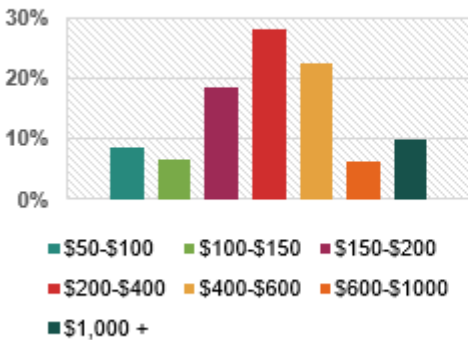


How often did respondents use mobile banking account to send funds...



Mobile bank accounts are the most popular method for sending funds overtaking the "friends and family" method by a large margin. Sending via a traditional bank account is even further behind which is interesting considering all respondents had traditional bank accounts before they opened mobile bank accounts. This may speak to the greater convenience lent by mobile banking over traditional banking.

....and how much do they send?



The most popular remittance band for all respondents was USD200 to USD400.