The Solomon Islands was considered one of the most unbanked countries in the world, with an estimated 80% of the population not accessing financial services. In recent years however, there has been significant development in the area of financial inclusion.

New data indicates an increase of more than 100% in the number of new bank accounts opened during 2013 and an estimated 42% of the adult population now banked\(^1\). Much of this change is the result of technological innovation in the financial services landscape as well as concerted action by policy makers. 2013 was a landmark year for the Solomon Islands, with the country's three commercial banks all launching mobile and branchless banking services for consumers. There are still emerging opportunities for development of other financial services in the wake of these new deployments, paving the way for both broadening and deepening of the services.

Since 2010, Solomon Islanders’ access to financial services has been extended through the expansion of the EFTPOS and branchless banking networks, and the launch of a microfinance institution.

**QUICK FACTS**

- 106% growth in new bank accounts during 2013.
- Four out of ten adult Solomon Islanders now have a bank account.
- 89% of the medium term (2011-2015) National Financial Inclusion targets of banking 70,000 Solomon Islanders has been achieved by 2013.
- All commercial banks provide mobile and branchless banking services – a first in the Pacific.

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*1 Central Bank of Solomon Islands data*
## Financial Services - Then and Now

<table>
<thead>
<tr>
<th>2010</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Three international commercial banks, 13 branches, nine bank agencies, 34 ATMs and approximately 129 EFTPOS terminals</td>
<td>• Three international commercial banks, 12 branches, 52 mobile banking agents/merchants, 38 ATMs, 316 EFTPOS terminals and 21 branchless banking outlets (cash in/out).</td>
</tr>
<tr>
<td>• One Non-Banking Financial Institution (NBFI), Credit Corporation</td>
<td>• One new bank, Pan Oceanic Bank, set to commence operations soon</td>
</tr>
<tr>
<td>• No Microfinance Institution (MFI)</td>
<td>• One NBFI, Credit Corporation</td>
</tr>
<tr>
<td>• Solomon Islands National Provident Fund (SINPF) is the only superannuation fund- mandatory for salaried employees and voluntary for others</td>
<td>• South Pacific Business Development (SPBD) registered as MFI and operating since early 2013</td>
</tr>
<tr>
<td>• 175 Credit Unions historically registered, nine report up to 4000 active members</td>
<td>• SINPF is still the only superannuation fund with its Act currently under review</td>
</tr>
<tr>
<td>• 292 historically registered savings clubs, 18 reporting with up to 359 members</td>
<td>• Many credit unions are either defunct or dormant. 17 are active and ten report to Central Bank of Solomon Islands (CBSI)</td>
</tr>
<tr>
<td>• Three insurance companies (two general insurers, one life insurer (defunct), three brokers and three corporate agents</td>
<td>• Nearly 200 savings clubs, about 75 of them active with 6000 members</td>
</tr>
<tr>
<td>• One licensed money transfer agency (Western Union)</td>
<td>• Three insurance companies (two general, one life insurer (defunct), three brokers. Two new insurance companies- one for Life and the other General-licensed recently</td>
</tr>
<tr>
<td>• Eight currency exchange bureaus</td>
<td>• Two licensed money transfer companies (Western Union and MoneyGram)</td>
</tr>
<tr>
<td></td>
<td>• Solomon Post Office has in operation a domestic remittance/money transfer service in May 2013.</td>
</tr>
<tr>
<td></td>
<td>• Seven currency exchange bureaus</td>
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</tbody>
</table>

### Backdrop to Financial Inclusion in the Solomon Islands:

The Solomon Islands is classified as a least developed country (LDC) with the Human Development Index rank of 143 and has several challenges like remote outer islands, low population density, poor infrastructure, low institutional capacity, low literacy and numeracy and the high cost of doing business. Although abject poverty leading to hunger and starvation is not prevalent in the Solomon Islands, basic need poverty is relatively high (around 22% of population in 2006) particularly in Honiara. Unemployment exists along with other development challenges of health, literacy, gender inequality and access to clean water and sanitation.

An abundance of certain natural resources, and a strong community safety net have allowed Solomon Islanders to escape the abject poverty that plagues other LDCs. The transition to a formal, cash-based economy is also comparatively recent and may, in some cases, be incomplete.
The PFIP is a joint Programme of the United Nations Capital Development Fund (UNCDF) and the United Nations Development Programme (UNDP) with additional funding from the Australian Government and the European Union/Africa, Caribbean and Pacific Microfinance Framework Programme (EU/ACP).

Framework for Facilitating Financial Inclusion:

CBSI spearheaded a national conference on “Revitalizing Rural Finance” in 2005 and brought together a variety of key stakeholders. Although the meeting resulted in several recommendations, implementation of these recommendations has been poor because of weak institutional resources and lack of commitment on the part of both the private sector and the government.

In November 2010, the Pacific Financial Inclusion Programme (PFIP) and CBSI partnered to organize a National Conference for a medium term strategy for Financial Inclusion in the Solomon Islands. As an immediate outcome of this conference, the National Financial Inclusion Task force (NFIT) was set up under the Chairmanship of the CBSI. The NFIT consists of members drawn from the commercial banks, other financial institutions, Mobile Network operators (MNOs), civil society organizations (CSOs), government, PFIP and occasional special invitees.

The National Strategy for Financial Inclusion was drawn up by the NFIT after intensive stakeholder consultations and technical advice by PFIP. The activities, outputs and outcomes under the National Strategy have been documented as Key Performance Areas by the NFIT, and have been revised and updated in November 2013, to reflect recent developments.

The NFIT meets quarterly to assess and review the status of financial services and financial inclusion in the country. The functioning of the NFIT is guided by its vision, “Where all of Solomon Island’s men, women and youth throughout the country have the opportunity to be financially competent and have access to a full range of financial services that help them achieve greater financial security and financial opportunity,” and aims, “to achieve the medium term (2011-2015) goal of extending access to a variety of appropriate and affordable financial services to an additional 70,000 Solomon Islanders through sound and safe institutions”.

The NFIT is supported by two working groups, the Financial Literacy Working Group and Financial Services Working Group. These two groups share the responsibility of achieving the Key Result Areas.

In 2012, the CBSI Act was amended to include “promotion of financial inclusion” as one of its important mandates. This resulted in bringing about a renewed focus and energy within the CBSI to promote, facilitate and enable introduction of new financial products and services that will broaden and deepen financial inclusion in the Solomon Islands. The CBSI in consultation with the Financial Intelligence Unit (FIU), proactively worked towards reducing barriers in opening bank accounts by releasing revised Anti Money Laundering/Know Your Customer (KYC) norms. The new norms on a risk based approach, reduced the documentation required to open basic bank accounts, thereby opening up a new window for several Solomon Islanders to have bank accounts.

In late 2012, CBSI and PFIP conducted a financial competency survey of low income households in the Solomon Islands followed by a National Workshop on Financial Inclusion and Financial Competency. These activities eventually resulted in the development of a National Financial Literacy Strategy in June 2013.

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2 The PFIP is a joint Programme of the United Nations Capital Development Fund (UNCDF) and the United Nations Development Programme (UNDP) with additional funding from the Australian Government and the European Union/Africa, Caribbean and Pacific Microfinance Framework Programme (EU/ACP)
Mobile and Branchless Banking Forum Early Insights:
The CBSI convened a mobile and branchless banking forum made up of the three commercial banks and the MNOs to reflect on the roll out of new financial services, deliberate on the early lessons, understand the challenges faced and explore potential opportunities. Taking stock of the current state of Financial Inclusion, participants agreed that:

- Mobile banking initiatives have resulted in a high uptake, illustrating a positive customer response. In the rural areas, this is the first time some families have had access to a bank account;
- A large proportion of transactions have been person to person (P2P) domestic remittances;
- Mobile top up, a recently introduced service is now becoming increasingly popular especially in Honiara. Other mobile payment functionalities will be introduced soon; and
- Some agents have been very active recording a large number of transactions whereas others have been inactive and inconsistent.

While the Financial Inclusion landscape is characterized by these achievements, there continue to be challenges. Participants also noted that:

- There is a need to develop financial literacy and mobile money literacy to increase awareness and improve usage, frequency and quality of transactions;
- Agent liquidity remains a challenge;
- Poor or absent telecommunication connectivity in some areas is posing challenges to banks as they are unable to appoint agents to provide services despite consumer demand; and
- At present only one of the two MNOs is able to support mobile banking roll out as the Unstructured Supplementary Service Data (USSD) platform is not available through the other service provider. Therefore customers of one MNO have been unable to access mobile banking.

Given the recent achievements in the Solomon Islands, against the backdrop of the various challenges, participants also noted that significant opportunities exist. These include:

- Mobile Banking/Branchless Banking network around the country can link the informal financial services to the formal sector and reach out to the unbanked segments;
- Organizations such as SPBD can explore the use of mobile banking channels for making their loan disbursements to customers and receive customer repayments;
- Working with the SINPF there is an opportunity to expand operations and increase membership, fund size and improve services to members by dispensing payments using mobile banking;
- Civil servants operating in remote areas can tap into branchless banking to access their pay at locations near to them;
- With no inclusive insurance products and services currently on the market, mobile banking provides the potential to explore new sustainable channels for the delivery of these products; and
- Mobile and branchless banking provides a new avenue for utility payments such as electricity, water, mobile top up. Many of these services are already under discussion.