

Case Study: ANZ – Banking the “un-banked” in the Solomon Islands

Background

According to United Nations Development Programme (UNDP) research, an inclusive financial sector has both indirect and direct impacts on poverty alleviation, especially for rural communities and women.

Secure and reliable savings mechanisms and credit services help poor communities build income and assets, manage risk, and work their way out of poverty. Having access to financial services increases productivity as well as offering a cushion in times of crisis.



Mobile banks deliver specially tailored financial products to rural communities.

“Banking the un-banked” is a rural banking business model that delivers basic, affordable and reliable banking services to remote Pacific island communities. It also conducts financial literacy education in partnership with UNDP.

“Banking the un-banked” was launched in Fiji in 2004 and in its first 14 months reached around 52,000 customers from an estimated 300,000 Fijians who previously had no access to a bank account. In November 2005, the program was extended to the Solomon Islands. To date, more than 8,000 previously un-banked people in the Malaita and Guadalcanal provinces of the Solomon Islands have opened accounts.

Business contribution

Research revealed that traditional banks and facilities such as ATMs were not appropriate for many rural communities in the Pacific, so to serve their needs ANZ developed a mobile banking alternative.

In the program known locally in the Solomons as “Bank Blo Evriwan”, (Banking for everyone) modified, armoured trucks travel into remote areas to bring banking services right into the villages.

As part of the program, two special financial products were developed:

- A passbook-operated savings account that earns interest on every dollar and incurs fees only on withdrawal.
- An everyday account, suitable for salary earners, micro-business owners and those who want to make regular deposits and withdrawals; it has a small monthly fee and is operated with a passbook or debit card.

Innovation

Special arrangements were made to suit the realities of rural customers. Potential customers who do not have formal identity documents can have their identity established by their local community before a photo and signature are attached to their account.

When people have saved regularly for six months, they become eligible for a micro loan to purchase household items such as solar kits, stoves, pay for school fees and fund village business ventures. No security is required for the loan, as long as the applicant is supported by their local community.

Benefit to community and the business

Tait Jenkin, General Manager ANZ Solomon Islands, says the areas being served by the program have suffered greatly from ethnic conflict and that they lack basic infrastructure such as telephone services.

“People love it because we are bringing the bank to them, on their land, in their villages. This in turn enables them to save, invest, grow and make informed choices about their money,” he said.

Solomon Islands Minister of Finance, Peter Boyers, said the popularity of the initiative proves that the rural economy offers huge untapped potential. “It’s great to see that enterprise and commitment, like that of ANZ, is paying off for the bank, its customers and the country,” he said.

One customer, Soni Cheke, said the service was enabling parents to save money for their children’s school fees. “Micro finance can assist us in sending our children to a better school,” he added.

Overcoming obstacles

Providing banking to communities not previously exposed to financial services created an educational challenge. The UNDP designed and helped support a village-based financial literacy training program that covers topics including setting financial goals and priorities, planning a household budget and why and how to save. The training is being delivered via the internet to rural internet stations.

The way forward

While there are no official statistics on the number of “un-banked” people in the Pacific, it is estimated that close to 6.5 million people (around 70% of total population) have no regular access to financial services.

According to the UNDP, the ANZ model is showing that it is possible to provide rural people with an inclusive and commercial banking service. The challenge is how to accelerate the deepening of banking and other financial services in the other countries of the region.