



NEW ZEALAND
FOREIGN AFFAIRS & TRADE
Manatū Aorere



Kapronasia

The UNCDF Pacific Islands FinTech Innovation Challenge Questions for Implementing Partners – National Bank of Samoa

Questions:

1. What is the current market scenario in the country with respect to addressing a particular problem statement (e.g. What is the current market scenario in terms of digitizing customer service in Samoa)?

In relation to creditworthiness, there isn't a common credit assessment tool used by the banks, especially one that uses mobile payments, top-ups etc as a data source. The Bank uses information collected from the applicant which can range from NPF balances, Payslips, Bank statements, etc. When it comes to loans for business or development purposes, other information will be required. A lot of the information is collected manually and adopts the traditional methods of gathering that information to make assessments.

The current rejection rate has been skewed because of the lack of credit appetite from the banks, but pre-covid rejection/decline rate averaged around 30%. It is also difficult provide a firm rate as some applications were rejected before any formal application was made. i.e., discussion with bankers.

The appetite of the banks was also affected by the increase in the NPL's across the sector. NPL's ranged from 1% to 5% of total loan book and spiked to 3% to 7% across the 4 banks during covid, so the banks appetite retrenched across the sector.

The overseas owned bank has centralised all the decisioning and the process of decisioning. It makes it cumbersome due to this change. We suspect that the market was forced to look to finance companies (second tier lenders) to gain access to capital. Unfortunately, there is no legislation governing finance companies, so it is difficult to gain any credible data to confirm this.

In relation to e-commerce and POS, three of the banks have their own EFTPOS network, where two of the overseas banks allow for open card schemes, and their local cards, whereas one of the banks has a closed system. There is one company that has their own consolidated payment. It offers smaller businesses an easy way to getting their products online and allows both card schemes and Mobile Money payment options. The ability to pay via local bank cards or via your bank account is not possible.

The common issue that e-commerce providers face is the lengthy process to establish a relationship with payment processors, or payment gateways. Several

local businesses with e-commerce sites have established overseas entities to be able to use solutions like Stripe and others. Some payment solutions like, Shopify, accepts overseas addresses, not Samoan, creating further barrier to use cloud-based solutions.

Due to these issues, local customers are unclear what laws are applicable when purchasing goods in Samoa, local or overseas. Local customers also pay a higher price to purchase goods and services due to the transactional costs of using card systems, or because the purchase prices are quoted not in Samoan tala, but overseas currencies.

2. Who are the target audience in the specific market (e.g.: SMEs, women)? What is the proportion of this population that is expected to be served through the implemented solution?

SME businesswomen tend to be the most credit worthy and underserved market. The dynamic in the island is that a large proportion of male capable workers are leaving for overseas work opportunities. This has the effect resulting in the majority of the working force left behind being female. This trend will continue in the short to medium term, whilst the new government is putting in measures to address this trend.

We expect that over 60% of all new approvals to be for women in business. The product will be marketed specifically to Women in business to encourage applications.

Within the last five years, a few e-commerce websites have launched, the majority used by major wholesale and retailers. Increasing, smaller businesses are moving online.

3. What percent of the population already uses/has access to mobile phones, internet, etc. (if the solutions involve these infrastructure)?

Samoa has a high mobile penetration rate estimated at around 95% of the addressable population (50% of total population above 16 years). Most of the country has reasonable 3G and 4G coverage.

Fixed broadband penetration is relatively low compared to mobile, estimated at 10% of households (est 25k).

Vodafone has a significant fibre optic network whereas Digicel utilises a significant number of terrestrial microwave networks. Vodafone has increasingly rolled out Fibre to Business and to Homes (GPON).

Source:

[Measuring the Information Society Report Volume 2. ICT Country Profiles \(itu.int\)](#)

4. Is there necessary supporting digital infrastructure that is already available to implement the solution (e.g.: necessary supporting infrastructure for automation of customer services)?

Samoa has several underseas fibre cable systems: Tui Samoa, SAS Cable, and Manatua Cable. Vodafone and Digicel provide commercial data centre space and services.

All the Banks have ATM networks, with three of the banks have EFTPOS network. Three of the banks are licensed to a card scheme, ANZ and BSP use Visa, and NBS uses Mastercard.

NBS run its own datacentre and uses cloud services for email and web hosting.

5. Are there similar products in the market already? If yes, what are they?

For creditworthiness, there isn't any product so far.

For payment solutions, ANZ bank has a Mastercard Gateway and provides e-commerce gateway services, but is not extensively used. Maua Pay is the other e-commerce payment provider. The two mobile providers have digital wallet products that can be used by merchants using a short code, or a QR code.

6. Are there other key players in the market for the particular product (to understand competition)? If yes, who are they?

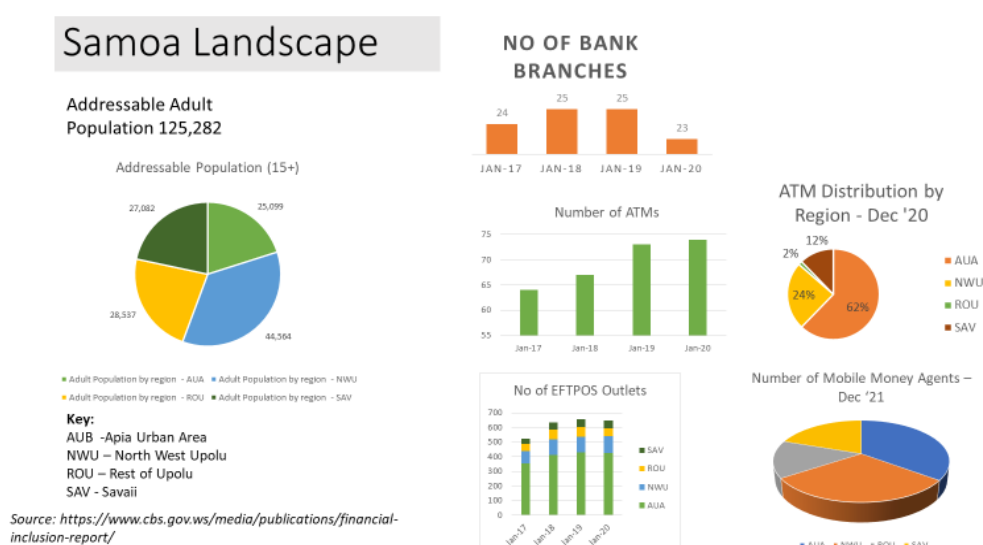
For POS, ANZ, BSP and Samoa Commercial Bank have a traditional POS solution. The telcos have digital wallets.

Some of e-commerce sites use Stripe, FasterPay, Maua and Shopify.

7. Have there already been any solutions that have been adopted and deployed to solve this issue? If yes, how successful were they and what are the lessons that could be learnt for the new entrants?

It is difficult to provide a true picture how payment solutions used by businesses using e-commerce.

The figure below shows the landscape over time of EFTPOS, ATM, and other banking services.



Digicel Samoa launched the first Digital Wallet around early 2000 with mixed success. It was relaunched in 2019 after Vodafone (Bluesky at the time) launched its M-Tala product. Both products are focused on remittances and have connections with NBS and other utility providers. The digital wallet total value and transactional volumes occurring between C2B, and B2B are unclear.

8. Would you be able to give an idea of the projected volume of transactions in the identified markets?

There is no public information available in terms of ecommerce volumes of transactions, but anecdotally volumes have increased. Quite popular for families overseas purchases goods, instead of sending money to families which end up being misused.

9. What are some of the market rules and regulations/government policies that should be kept in mind while designing a platform/app as a solution to the particular problem statement?

Any digital wallets may need review by Central Bank. The solution for e-commerce will need to confirm to Card scheme, AML, CTF rules, and National Payment System requirements.

10. What are the operational challenges in development and implementing the solutions that has to be kept in mind? (Legal, institutional, operational, technological)

- Limited IT resources and skills
- Limited expertise around ISO200022, and other banking related standards
- Cost of Internet
- Cost of software licences and maintenance costs
- Limited IT budgets
- Integration challenges with utility providers
- Integration challenges with overseas based payment solution providers
- KnowYourCustomer and AntiMoneyLaundering
- Cybersecurity Threats
- Corresponding Banking Risks

11. Are there any possible collaborators in the market?

- Another local bank – Samoa Commercial Bank
- Government Ministries
- Utility Providers – Water, Electricity and Water
- Education Institutions – USP and NUS
- Skyeye Pacific - Maua Pay