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## The UNCDF Pacific Islands FinTech Innovation Challenge

### Questions for Implementing Partners – Solomon Islands National Provident Fund

#### Questions:

1. What is the current market scenario in the country with respect to addressing a particular problem statement?

The Solomon Islands National Provident Fund (SINPF) is the largest financial institution in the Solomon Islands, established in 1976 under the SINPF Act of 1973. It is the only superannuation fund that is mandated by law to collect compulsory contributions from employees and employers, towards the retirement savings of all workers in the Solomon Islands. Only 25.6% of the population have a formal bank account, and another 8.2% use other formal financial services, such as insurance, superannuation funds (including SINPF), credit unions or microfinance services. The remaining **two-thirds of the population relies exclusively on informal financial services** only (34.8%), **or altogether excluded from financial services** (31.4%). This is mainly attributed to lack of both financial and digital literacy, together with the dispersed geographical terrain.

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

Alongside its formal pension scheme, SINPF has launched the YouSave savings product in 2017, targeting self-employed individuals for whom no retirement contributions are made by an employer. SINPF has a total of 32,000 registered savers. The target audience will both be the existing registered base and the newly signed-up customers i.e. unbanked and underbanked.

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

|                                                                                                |                            |
|------------------------------------------------------------------------------------------------|----------------------------|
| <a href="#">Population of Solomon Islands (as of 2022)</a>                                     | <a href="#">719,623</a>    |
| <a href="#">Working age population</a>                                                         | <a href="#">49%</a>        |
| <a href="#">Population residing in rural areas</a>                                             | <a href="#">74%</a>        |
| <a href="#">GDP per capita</a>                                                                 | <a href="#">\$2,258.40</a> |
| <a href="#">Mobile subscriber penetration rate<br/>(Telecommunications annual report 2018)</a> | <a href="#">73%</a>        |
| <a href="#">Smartphone adoption</a>                                                            | <a href="#">24%</a>        |
| <a href="#">Internet penetration</a>                                                           | <a href="#">19%</a>        |

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

The current digital infrastructure will have to be enhanced to create interoperability that will support implementation of the solution. The current scenario is:

- SINPF has a USSD code (\*673#) that savers use to push money (in the form of top-up credit) into their SINPF wallets.
- SINPF's newly launched finance company that does the lending lacks any consumer-interfacing digital infrastructure.
- SINPF also owns shares in the biggest MNO (Our Telekom) who are slated to launch a mobile money product in Q4 2022. This digital wallet can be considered for the disbursements of these nano loans.

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

None exist in Solomon Islands.

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

No provision of nano loans currently exists in Solomon Islands

- 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?**

The Development Bank of Solomon Island (DBSI) offers a loan facility that targets government employees opting to get capital to invest in their ventures, whereby their SINPF savings are considered as collateral. Other than that, no digital or nano loan product that takes the savers' saving pattern/behaviour for credit scoring has been developed. Furthermore, there is no lending formal lending facility available for the rural or informal sector.

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

If well-crafted, the product will not only target the 32,000 SINPF registered customers but has the potential of reaching the 340,000 registered mobile subscribers of "Our Telekom" who are being targeted for the mobile money launch in Q4 2022.

- 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?**

The two relevant regulators in Solomon Islands are the Central Bank of Solomon Islands (CBSI) and The Telecommunication Commission of the Solomon Islands (TCSI), who recently signed an MOU that gives CBSI the mandate to regulate all financial service providers (including Fintechs/digital financial service providers). So, this product will be under the jurisdiction of CBSI.

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

Since the three main stakeholders that will be involved are the Finance Company, SINPF and Our Telekom, which are all sister companies, the main challenge anticipated is more technological: creating interoperability where all systems talk to each other in real time to enable timely credit scoring and loan disbursement through digital rails. Another anticipated challenge would be operational: embedding an intuitive financial literacy aspect aimed at motivating individuals to have more to build their credit scores, which will eventually give them access to credit/nano loan.

**11. Are there any possible collaborators in the market?**

- Bmobile (one of the other MNOs in the market)
- Other Financial Institutions
- lumiCash / EziPei (Other digital wallets in the country)

**12. What are the possibilities of market expansion?**

- The product can easily be extended to financial institutions targeting micro digital lending / cash advance solutions on micro loans
- Product will easily extend to mobile money customers, leveraging their mobile money transactions for credit scoring.