

Pacific Financial Competence Studies —

Methodology

PFIP has been instrumental in supporting governments, Central Banks and key development actors in several Pacific Islands countries to enhance understanding of the ability of low income households to manage money and use financial services. A series of studies have been undertaken in Samoa, Fiji, the Solomon Islands and Papua New Guinea.

Defining Financial Competence

Financial competence is a person's ability to manage money and use financial services.

This encompasses all aspects of using money and the institutions and systems within which money exists including, for example, paying and receiving money, managing expenses, managing income, saving and borrowing money, planning the use of money and seeking advice or help when required.

The financial competence studies have sought to define the set of financial activities low income households must be able to do effectively to manage the household's finances, and to measure how well the adults who make most financial decisions on behalf of their household are able to perform those activities. Financial competence requires both financial literacy (financial knowledge and skill) and access to appropriate financial services.

Phase 1: Research Method—Qualitative

The first phase of the studies sought to define the minimum set of financial activities low income households in Pacific Island countries needed to be able to enact.

A series of focus groups were held 2010-11 with members of rural and urban low income households to ask respondents what financial activities they needed to perform. Whilst there are differences in emphasis in the activities between communities, the set of activities people stated they needed to be able to engage in was relatively consistent.

The set of activities were codified as a set of financial competencies. The process involved drafting a set of financial competencies that were then workshopped with subject matter experts in each country.

The final set of competencies were published: Minimum Adult Financial Competency Framework for Low Income Households in Pacific Island Countries (Sibley & Liew, 2011).

Phase 2: Research Method—Quantitative

The second phase of the project sought to measure how well the adults who make most financial decisions on behalf of their household were able to perform the activities.

A set of questions were developed to measure how well respondents could undertake each the financial competencies in the Framework. The draft survey was workshopped with subject matter experts in each country and translated into local languages.

The Central Bank in each country managed the survey, with sampling undertaken in conjunction with the National Statistics office. Surveys were administered during 2011 – 2012. The interviews conducted were gendered (women interviewed women and men interviewed men).

A total of 1765 valid interviews were conducted (with a minimum of 400 per country). 65% were rural respondents and 35% urban. An even gender mix was achieved.

For more information on the financial competency and to access the reports visit www.pfip.org or email PFIP's Regional Financial capacity Advisor, Jeff Liew on jeff.liew@uncdf.org