

PLEASE ADDRESS CORRESPONDENCE
TO THE GOVERNOR



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**ADDRESS BY THE GOVERNOR, MS MAIAVA ATALINA AINUU-ENARI, AT THE SAWG
FUNDRAISING LUNCHEON**

Orator Hotel, 26 October 2011

Distinguished Guests
Ladies and Gentlemen

First of all, I wish to thank SAWG for the invitation to lunch and for the opportunity to be your guest speaker this afternoon. I guess there is no such thing as a free lunch!

Lunch- hour speeches are always tough for any Speaker, because the audience are either falling asleep from the heavy lunch or are in a hurry to get back to the office. I will therefore try and keep my talk to the allocated time.

As many of you may know, my job requires me to do a fair amount of public speaking, but 99 percent of the time, my remarks are in the realm of the dismal and boring arena of economics. Not many people would have taken the chance to invite me to provide inspiration and uplift.

I was therefore flattered when SAWG invited me to be your guest speaker this afternoon. I am honoured to be here today with such an impressive group of people. Looking across this room, I see that there is certainly no shortage of women who are great achievers in this country.

There has been a positive step towards gender equality in the last few years, with a number of women now holding top posts in government as well as in the private sector. The fact that these leadership roles are now held by women clearly matters. It highlights just how long it has taken for Samoan women to be appointed on merit to roles which they can clearly perform.

However, I think that we need to pause and make sure that when we talk about women's achievements, we don't just focus on the number of women in politics, or the number of women on CEO level, management roles and on boards.

It is equally important that we support and resource the efforts of the many women who are working at the grassroots across Samoa. These are the women (categorised as the low income section of the community) who are working long and hard to make life easier for their families

and the communities they live in, most of them without fame or fortune in return. Today I want to toast their achievements.

And this leads me to the topic of my talk this afternoon that is, **Financial Inclusion in Samoa.**

What is Financial Inclusion?

Simply put, financial inclusion means building a financial system that serves as many people as possible in a country. It is a central theme in most countries because most of those in poverty do not have access to financial services such as – savings, loans, transfer payment and insurance – at a reasonable cost. The exclusion of the disadvantaged and low income groups from financial services will only perpetuate their poor lives.

Finding solutions to encourage greater financial inclusion has not typically been a core activity of the central bank. In fact, there was little consideration of the impact of monetary policy on the poor or low income group. The mentality is that:

- as long as the macroeconomic environment was correct, everybody else in the community would be fine.
- The safer and stable the financial system, the better.
- The poor or low income group was seen as high risk group
- The need of the poor and low income groups was somebody else's direct responsibility

But the widespread realization that financial inclusion is critical for poverty alleviation, balanced economic growth and economic stability has resulted in growing leadership and ownership of the issue by the central bank. This resulted in an amendment to the Central Bank's principal Act which became effective in December 2010, which incorporated this additional function of promoting financial inclusion and financial literacy in Samoa.

In the absence of statistics, it is widely believed that the proportion of the population served by the informal sector exceeds that served by the banking sector. This is the case in spite of the significant developments in the financial sector in the last decade with the financial sector reforms and technological innovation.

Mainstream banks tend not to serve the low income because of the perceived high risks, high costs involved in small transactions and inability by low income to provide collateral.

This is where MFIs come in. Microfinance institutions have bridged this gap by providing more adapted financial services to this segment of the population. The couple of MFI's in Samoa today have used innovative mechanisms such as group lending and other techniques to overcome the obstacles involved in delivering services to the low income segment of the community. By financing income generating activities among the low income households, MFIs certainly offer a promise to economic growth and poverty alleviation. Thus MFIs is the first entry point in pushing the frontiers of financial inclusion.

While it is imperative to harness the benefits of MFIs in expanding financial access, there are a few challenges we will need to address going forward.

- (i) the sustainability of these institutions. With technological improvements, innovation and an improved enabling environment, the commercial viability of MFIs has improved over time. However, these MFIs remain heavily dependent on foreign grants and subsidies.
- (ii) MFIs traditionally focused almost solely on providing credit to the poor households and small firms. But in addition to credit, I believe that the poor need other services too such as insurance. The challenge here is to help MFIs to venture in to other innovative financial products and services, particularly those targeted to the rural and low income people. For example, micro-insurance can play an important role in reducing the vulnerability of the poor to adverse weather condition or when the breadwinner no longer provide for the family because of disability or untimely death.
- (iii) Regulation of MFIs

Another opportunity to fast track expansion of financial inclusion is technological advancements. The use of mobile phones as a delivery channel helped reduce some of the barriers to access, such as remoteness and cost of providing financial services. Mobile money has definitely proven a cost effective product to get the 'unbanked' participating in the formal financial system. One MNO in the country launched their mobile money services last year and clearly the mobile money platform can be built on and taken to the next level insofar as banking is concerned.

However, the Central Bank is also mindful of the challenges that technological advancements presents. One such challenge relates to the supervision and regulatory capacity. For example, mobile banking cuts across various regulatory domains including banking, telecommunications, payments system etc. The challenge here is to put in place a consolidated regulatory framework that allows the Central Bank to adequately monitor the risk involved in the provision of such services. At the moment, the Central Bank is in the process of compiling regulations for this particularly activity while a new payments system legislation is being drafted.

Perhaps another condition for innovative financial inclusion is related with culture. Not everyone feel convenient to use modern banking services. Many still prefer to put their money under the pillow or under the bed. Developing people's financial literacy is as important as developing financial capability or financial competency.

Just to give a picture of the level of financial competencies in selected low income households in Samoa, I was involved in the piloting of FCS in July this year in collaboration with SBS with assistance from UN agency PFIP. We surveyed 20 households classified as low income according to data from SBS. The members selected from these households are not necessarily income earners but involved in the decision making on how to manage their finances. We separated the women from the men. The questions relate on their understanding of financial concepts such as savings, budgeting, interest rates, remittances etc and whether these concepts have any bearing on financial decision making within the household. The study reveals interesting findings:

- (i) Women are more likely than men to plan spending and to set financial goals for the household. Overall men appear to be more spend-thrift than women, they are more likely to spend money as it is received and are significantly less likely to plan expenditure.
- (ii) Women understand their family financial situation better. Men tend to be more optimistic than women about their household's ability to meet its financial obligations. This is probably because fewer men than women have a realistic understanding of the household's actual situation. Most of the women in the group state that their household sometimes or always struggles to pay bills and repay loans. A revealing difference is that more men than women stated they do not know how well their household is meeting its financial commitments.
- (iii) Women appear to be better at saving money than men.
- (iv) Despite the key role in managing household finances, fewer women own bank accounts than men. This has implications for the management of household cash flows as the ownership and use of a bank account is a key means by which households manage cash flows.

These findings show that women are more competent than men in managing household finances and at saving. Their role is pivotal to improving the well-being of their households. This should be accompanied by financial literacy training that is accessible and convenient to women. Specifically targeting women's training couple with interventions to increase women's access to simple and affordable savings services should be an integral part of any financial inclusion strategy. Hence, empowering women will empower their households and in turn empower the whole nation.

Concluding Remarks

In closing, let me point out that financial inclusion is not an end but the means to an end. The ultimate objective is to help our people, particularly the poor and low income households to attain social and economic development, thereby contributing to poverty reduction. To achieve this, financial inclusion efforts must be complemented with other poverty reduction strategies at national level.

Ladies and gentlemen, I think your deserts are getting cold so I should stop here and let you enjoy the rest of your lunch. And, also allow some time for you to share a good conversation with your colleagues.

Thank you once again for the invitation and I wish you all the best for the rest of the day and the weekend. I hope I have said enough to pay for my lunch!

Thank you for your attention.