



SAMOA'S FINANCIAL INCLUSION REPORT

June 2015

Prepared by Financial System Development Department

Overview

The Central Bank of Samoa (CBS) is mandated to promote financial inclusion and financial literacy in Samoa. With the support of the Pacific Islands Regional Initiative (PIRI) of the Alliance for Financial Inclusion (AFI) and the Pacific Financial Inclusion Programme (PFIP), the CBS works to improve many facets of the financial system so that it is inclusive¹. One area that is of great importance is financial inclusion data so that policy designs are based on evidence, from setting targets, identifying barriers, tracking national progress and assessing the effectiveness of the policy decisions.

The Central Bank of Samoa presents its first semi-annual bulletin on financial inclusion data.

FINANCIAL INCLUSION INDICATORS

The Central Bank of Samoa has adapted the PIRI Financial Inclusion Measurement Framework as the basis for financial inclusion measurement in the country. The measurement framework takes the AFI Core Set² of Indicators as the foundation and builds into it indicators that measure the topics of policy relevance and interest to the region. And importantly the indicators reflect member country's Maya Declaration³ Commitments, so that countries can measure progress against their commitments.

Key dimensions of the Measurement Framework: Access and Usage

The PIRI core set of financial inclusion indicators addresses the three basic dimensions of financial inclusion: access, usage and quality of financial services. "Access" refers to the ability to use the services and products offered by formal financial institutions. "Usage" refers to the depth or extent of financial services and product use. Determining usage requires gathering details about the regularity, frequency and duration of use over time. Data on these dimensions is usually obtained through information provided by local commercial banks and other financial institutions, the supply side. Some elements of usage are gathered from demand side surveys.

The quality dimension, while important, is a more complex topic both conceptually and in terms of measurement, typically requiring demand-side surveys and the use of qualitative indicators. The Central Bank has yet to track and monitor the qualitative use of financial services.

The indicators as of June 2015 are shown in Table 1 below. Note that this is not the complete measurement framework rather the only indicators that can be informed to date from supply and demand side surveys.

¹ The Central Bank of Samoa vision for an inclusive financial system is a sound financial system that best serves all members of society in their pursuit of economic prosperity through a state in which all people who can use them have effective access and satisfactory usage of a full suite of quality financial services from a range of service providers.

² The AFI Core Set of Indicators was compiled by the AFI Financial Inclusion Data Working Group (FIDWG) for AFI member countries to report on. It is a limited set of quantitative indicators that captures the status of financial inclusion in a country. The indicators are meant to measure the most basic and fundamental aspects of financial inclusion in a way that is as standardised as possible while remaining relevant to individual countries.

³ The Maya Declaration was created at the 2011 AFI Global Policy Forum held in Mexico. Under the Maya Declaration platform AFI member countries voluntarily make commitments to promote financial inclusion and these commitments vary by scale and policy solution. They are defined and driven by AFI members themselves, which provides a unique and powerful incentive to meet their targets.

Table 1: Financial Inclusion Indicators, June 2015

Indicator	December 2014	June 2015	Informed by DSS**	Framework Indicator
Adult population*	118,624	119,532		
Land area in square kilometres	2,830	2,830		
Number of bank branches	22	22		AFI
Number of ATMs	48	51		AFI
Number of EFTPOS outlets	554	674		
1.1. Number of cash-in and cash-out access points per 10,000 adults at the national level.	8.77	8.87		AFI
1.2. Number of branches per 10,000 adults nationally	1.85	1.92		AFI
1.3. Number of ATMs per 10,000 adults nationally	3.29	3.51		AFI
1.4. Number of EFTPOS per 10,000 adults nationally	46.70	56.39		AFI
1.5. Number of Agents per 10,000 adults nationally	6.15	6.19		AFI
2.3 Coverage of cash in and cash out access points per 1,000 km ²	36.75	37.46		AFI
• Number of Branches per 1,000 km ²	7.77	8.13		AFI
• Number of ATMs per 1,000 km ²	13.78	14.84		AFI
• Number of EFTPOS per 1,000 km ²	195.76	238.16		AFI
• Number of Agents per 1,000 km ²	25.80	26.15		AFI
3.1 Number of mobile financial services access points per 10,000 adults	3.96	0.84		PIRI
3.3 Number of mobile financial services accounts/mobile wallet accounts per 10,000 adults	3968.51	3938.36		PIRI
3.5 Percentage of banks offering mobile banking, such as checking one's balance from a mobile phone	75%	75%		PIRI
3.6 Percentage of banks offering mobile financial services, including transfer of e-money	75%	75%		PIRI
4.1. Average minimum balance for clients to open a basic deposit account at banks in the country, converted to USD	\$18.00	\$22.00		PIRI
4.3. Average cost of traveling to the nearest access point (public transit fee or gas costs), converted to USD	Bank Branch		\$2.2 USD (WST 5.00)	PIRI
	ATM		\$2.9 USD (WST 6.50)	PIRI

	Bank Agent			\$2.1 USD (WST 4.80)	PIRI
	Mobile Money Agent			\$2.5 USD (WST 5.7)	PIRI
4.4. Average time of traveling to the nearest access point in minutes	Bank Branch			44.8 min	PIRI
	ATM			23.7 min	PIRI
	Bank Agent			14 min	PIRI
	Mobile Money Agent			24.6 min	PIRI
4.5. Average time waiting to be served when opening a deposit account (in hrs.)				2.6 hrs.	PIRI
4.6. Average number of identification documents required to open a basic bank account		2.0	2.0		PIRI
4.7. Percentage of adults reporting that they do not have all identification documents required to open a basic account				5%	PIRI
5.3. Percent of adults with at least one type of regulated deposit account				39%	PIRI
5.4. Percent of adults with at least one type of regulated credit account				13.4%	PIRI
5.5. Percent of adults with at least one regulated financial product				39%	PIRI
5.6. Percent of people with an active deposit account– have had any deposit or withdrawal in the last 90 days				34.9%	PIRI
5.7. Percentage of adults earning below US \$2 per day who have a deposit account				25.6%	PIRI
6.2. Percentage of adults who have sent money through mobile financial services in				0.7%	PIRI
6.3. Percent of adults who have received money (including e-money) through mobile money in the last 12 months				2.71%	PIRI
7.1. Percent of adult women with an active deposit account OR percent of deposit accounts held by women				35.1%	PIRI

**Source: Population and Housing Census Analytical Report, 2011 (total adult population is based on annual growth rate of 0.8 percent)*

***These indicators were informed after conducting the DSS in March 2015 and reports for the previous 12 months, i.e, March 2014 to March 2015*

Additional note: Definitional notes on the measurement framework are included in Annex 1

DEMAND SIDE SURVEY ON FINANCIAL ACCESS AND USAGE

The national demand side survey (DSS) on financial access and usage was a project of the CBS and the Samoa Bureau of Statistics (SBS) which took place in March 2015. The main purpose of this survey was to help the government and other stakeholders gain a better understanding of the needs of Samoans in regard to financial services and products. The survey established baseline data that will provide useful information on access, usage and quality of the financial services and products currently available to all Samoans, from the viewpoint of the customer.

The results of the survey will be used to develop evidence-based policy solutions to address the gaps, as well as to monitor the growth of financial inclusion. The CBS intends to incorporate results into Samoa's national financial inclusion strategy and work plan.

The national DSS was co-funded by AFI and the United Nations Capital Development Fund (UNCDF), PFIP.

The following sections are some of the highlights of the DSS results.

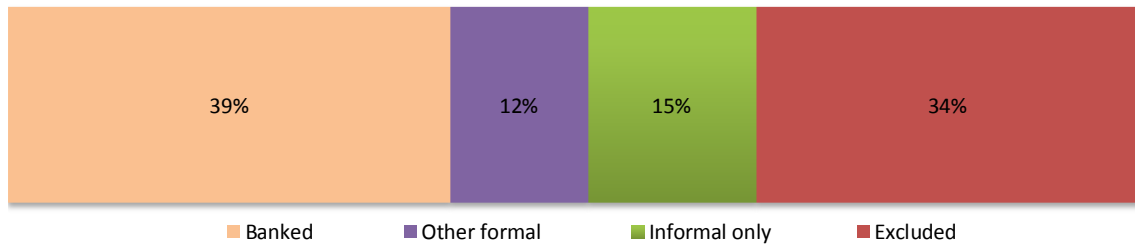
Financial inclusion strands in Samoa

The Samoan financial inclusion strand is defined based on respondents' usage of various financial services over the 12 months prior to their being interviewed.

Financial inclusion strand	
<i>Banked</i>	The respondent currently has a formal bank account.
<i>Other formal</i>	Over the past 12 months, the respondent used the services of a credit union, microfinance institution (MFI), the Samoa National Provident Fund (SNPF), investments (stocks, bonds and others), or insurance.
<i>Informal only</i>	Over the past 12 months, the respondent has used a savings club or other non-regulated financial instrument, such as taking credit from a shop, moneylender, or hire purchase.
<i>Excluded</i>	Over the past 12 months, the respondent has not used any of the services mentioned for the other three categories, but may have borrowed from or lent to friends and family, saved money in the house, pawned goods, borrowed from an employer, saved with a moneyguard, or trusted person, etc.

39 percent of Samoan adults currently have a bank account, while 12 percent use other formal services such as credit unions, microfinance, insurance, or finance companies. However, 34 percent of respondents are excluded from both formal and informal financial services (Figure 1).

Figure 1: Samoa 2015 financial inclusion strand



Foreign remittances

More than half (56 percent) of adults reported receiving money from relatives or acquaintances in Samoa or abroad. Nearly all remittances in Samoa were sent from abroad as Figure 2 below shows. All urban (100 percent) and 97 percent of rural remittance recipients have someone sending them money from abroad.

Figure 2: Source of remittances among those receiving remittances

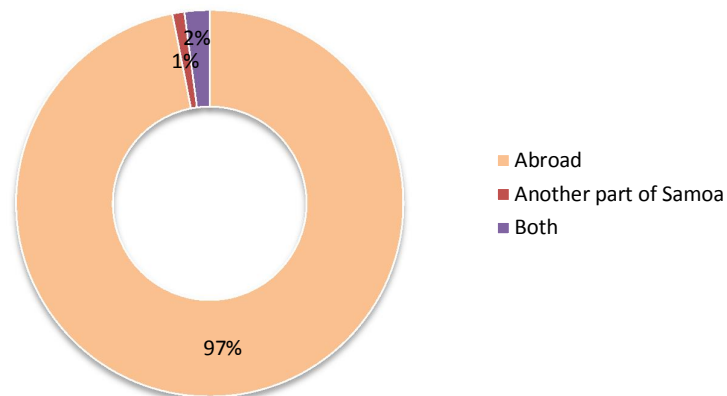
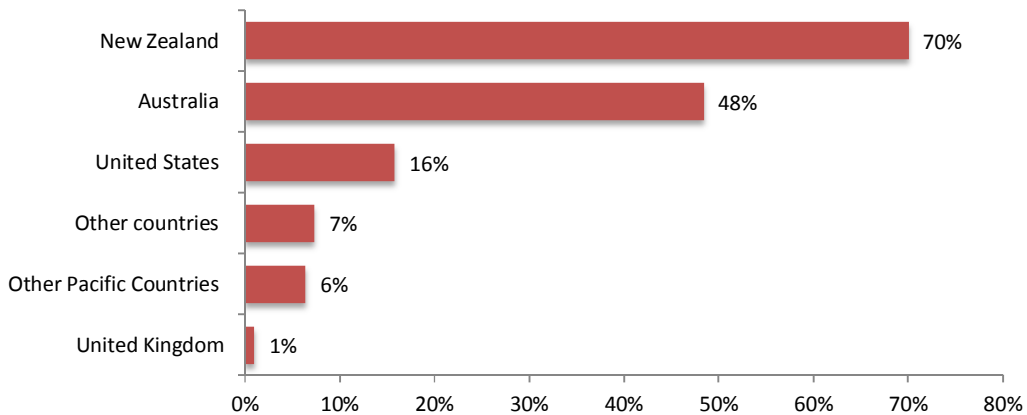


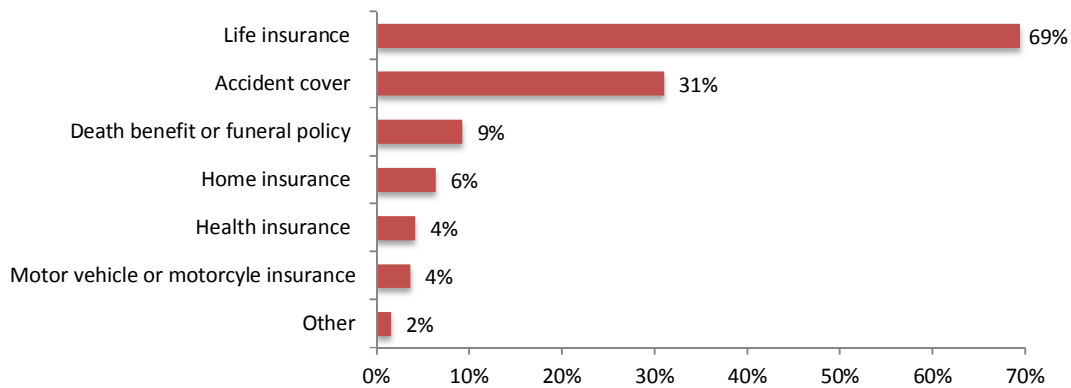
Figure 3: Source of remittances among those receiving foreign remittances



Insurance coverage

Insurance coverage is relatively high in Samoa compared to Fiji and Solomon Islands. Insurance ownership in Samoa is influenced by ownership of life insurance. More than two-thirds (69 percent) of adults with insurance have life insurance, followed by about one-third (31 percent) with accident coverage (Figure 4). The higher proportion of life insurance ownership could be driven by the fact that the main provider of life insurance in Samoa (the Samoa Life Assurance Corporation) is state owned, with the objective of providing affordable insurance to all Samoans.

Figure 4: Types of insurance owned



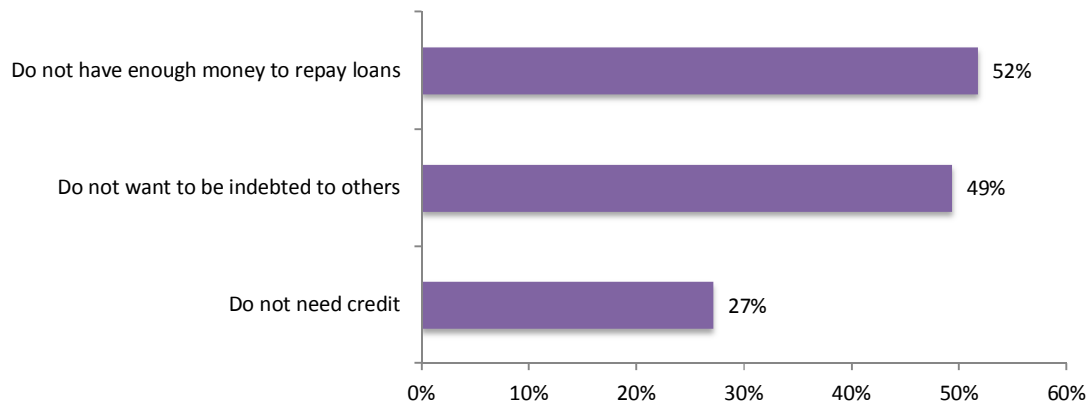
Credit use

Nearly half (47 percent) of adult Samoans had borrowed from formal or informal sources during the previous year, but overall credit usage appears to be fairly low. Across all Samoan adults, the mean number of loans outstanding per adult was 1.2. Samoan adults with credit outstanding at the time of

survey had borrowed to invest in education (15 percent), to build, improve or renovate a house (12 percent) and to pay for weddings or funerals (10 percent), among other reasons.

Among adults with no credit outstanding, the majority reported not having credit because they do not have enough money to repay loans (52 percent), they don't wish to be indebted to others (49 percent), or they don't need credit (27 percent) as shown in Figure 5 below.

Figure 5: Commonly cited reasons for not having credit



Mobile financial services

The Samoa DSS finds low usage of mobile financial service despite the fact that 71 percent of Samoan adults own a mobile phone, and nearly 15 percent of those who do not own a phone regularly use someone else's. Further, awareness of mobile money is relatively low: 37 percent of adults were aware of mobile money services.

Across all adults, 2.6 percent had a mobile wallet, 3 percent had mobile banking services, and 0.5 percent had both at the time of survey. With respect to mobile wallets, nearly 6 percent used to have a mobile money account but no longer had one at the time this survey was conducted. Further, 2 percent of adults reported that they used to have mobile wallets but no longer do. Even among respondents who both have a SIM card and have heard of mobile money, only about 8 percent had a mobile money account.

Annex 1

Definition Notes for the Measurement Framework

Access points are defined as regulated cash-in and cash-out points. This includes traditional bank branches, bank agents and mobile financial service cash-in and cash-out points, and other offices of regulated entities (such as MFIs) that perform cash in and cash out functions. Depending on the type of transactions permitted, this will also include agents of regulated entities and automated teller machines (ATMs) that perform cash-in as well as cash-out transactions.

Active - a financial product is understood to be active if it has been used in the past 90 days.

Adults refer to the population aged 15 years and older.

Agent - any third party acting on behalf of a bank or other financial services provider (including an e-money issuer or distributor) to deal directly with customers. This includes retailers that perform mobile financial services and cash-in and cash-out services.

ATM (Automatic Teller Machine) - An electronic banking outlet that allows customers to complete basic transactions without the aid of a branch representative or teller. There are two primary types of automated teller machines, or ATMs. The basic units allow the customer to only withdraw cash and receive a report of the account's balance. The more complex machines will accept deposits, facilitate credit card payments and report account information.

A **bank branch** is a retail location different than a bank's corporate office where a financial institution offers face-to-face and automated services.

Cash-in is the exchange of cash for electronic value (e-money).

Cash-out is the exchange of electronic value (e-money) for cash.

Document— in this case we refer to the identification documents that are required to open an account, and not the forms that must be filled out. In the Pacific, this often includes a driver's license, passport, or birth certificate, among other documents.

E-money (also called mobile money) — A type of monetary value electronically recorded and generally understood to have the following attributes: (i) issued upon receipt of funds in an amount no lesser in value than the value of the e-money issued; (ii) stored on an electronic device (e.g. a chip, prepaid card, mobile phone, or computer system); (iii) accepted as a means of payment by parties other than the issuer; and (iv) convertible into cash. This does not include the transfer of airtime.

EFTPOS access point is an access point possessing a terminal which captures payment information by electronic means using a card-reading electronic point of sale device. Payments and withdrawals of cash by means of payment cards can be done at these electronic payment terminals in shops, for example.

Mobile banking is the use of a mobile phone to access banking services and execute financial transactions. This covers both transactional and non-transactional services, such as viewing financial information on a bank customer's mobile phone.

Mobile financial services (MFS) is the use of a mobile phone to access financial services and execute financial transactions. This includes both transactional and non-transactional services, such as viewing financial information on a user's mobile phone.

Mobile financial services account is the storage of e-money linked to a mobile account and a bank account. This is the account in a bank-led model of mobile financial services.

Mobile financial services access points— access points that also allow for cash in and cash out of mobile money into and out of mobile wallets or a MFS accounts. This is a subset of all access points.

Mobile payment— a payment with electronic funds transfer that is made with a mobile phone.

Mobile wallet— the storage of e-money that can be loaded or cashed out, but that can be held only in a mobile linked account and not customer bank account. This is the account in a mobile network operator (MNO)-led model of mobile financial services.

A **regulated deposit** or **credit** account is an account held by a regulated entity.