

The critical role of data in taking financial inclusion to the next level in the Pacific

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Samuel Meapo sells conch shells at the fish markets in Honiara, Solomon Islands.
Photo credit: TORSTEN BLACKWOOD/AFP/Getty Images)

Central banks around the Pacific region have been at the forefront of driving financial inclusion related policies and initiatives in their respective jurisdictions. Like any other small open economy, the Pacific Island Countries (PICs) recognize the fact that significant parts of their community are underserved in relation to accessible and affordable financial services and products. In 2009, the Reserve Bank of Fiji (RBF) led the process of formulating its first National Financial Inclusion Strategy which was then followed by a number of other central banks within the region. Since then, these countries have taken the necessary steps to realize the goal of having an inclusive financial system.

Six of the seven members of the [Pacific Island Regional Initiative](#) (PIRI) have made institutional commitments under the Alliance for Financial Inclusion (AFI) Maya Declaration. According to Governor Barry Whiteside of the RBF, “Commitments made under the Maya Declaration made us accountable which motivated us to work harder to ensure we met our national target.” Such strong pledges by the central banks affirm the seriousness of an issue that is affecting the most vulnerable in the region while at the same time, acknowledging financial inclusion as a catalyst for improving the livelihoods of the low income households.

Key priority areas that each of the six central banks have identified as part of their commitments toward the Maya Declaration are primarily in relation to national financial inclusion strategy, financial education, consumer empowerment, payments system, enabling regulatory framework and financial inclusion data. Significant achievements have been made in each of these thematic areas over the last few years; however, one of the integral steps that has been undertaken is a comprehensive data project within the region.



This photo taken in September 2014 shows two men fishing in Fiji. Photo credit: PETER PARKS/AFP/Getty Images.

As part of its first phase of the data project, a set of key financial inclusion indicators had been formulated and collated to monitor the progress of financial inclusion in the region. The indicators were an extension of the AFI Core Set, which provided a quantitative measure of progress of financial inclusion in countries in respect to access, usage and quality of financial services and products. For the PICs, this was one of the tools available to conservatively monitor and evaluate the impact of its policies considering the lack of data. However, due to a number of factors such as double counting, there was uncertainty about whether this data was a true reflection of financial inclusion in the Pacific region.

Thus, it was unanimously agreed that there was an urgent need to substantiate and continuously measure the progress of financial inclusion. After acquiring grant funding from the Alliance for Financial Inclusion and support from development partners, RBF undertook a national demand side survey of financial inclusion in Fiji followed by the Central Bank of Solomon Islands. The Central Bank of Samoa is also expected to pursue this in due course.

This is a defining moment in the financial inclusion journey for these Pacific Islands. The results of the survey will for the first time give some proxy on both regulated and non-regulated status of access, usage and quality of financial services and products. The results of the survey will be the answer to a number of gaps that existed in the financial inclusion data framework. As per the best practices globally, the Pacific Islands will now be in a position to develop policies and strategies that are evidence based. It will be interesting to see how the policymakers and the relevant stakeholders use this result to charter the way forward for financial inclusion in the region.



Young people smile and gesture while walking on a road near the village of Tora, in the jungle of Papua New Guinea, on 9 September 2014. (Photo credit: ARIS MESSINIS/AFP/Getty Images)

It will be crucial that the results are used carefully and an in-depth analysis is done to benchmark the status of financial inclusion in these countries. While supply-side data is available through the central bank's supervision activities, the demand side data needs a specific plan to ensure it is collected on a regular basis. Although, these surveys can be costly and require an extensive investment both technically and institutionally, it will be essential to regularly assess the progress and the impact of the survey.

What's next? With recent developments on having a financial inclusion index to measure the status of financial inclusion in a particular country, it may be time for PIRI to consider developing one using the results of the demand-side survey. Such an index will allow a more systematic and comparative means to measure financial inclusion nationally and beyond one's own borders.

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