



The PACIFIC ISLANDS FinTech Innovation Challenge

Challenge 3: Improve usage of financial products and services

Categories: Credit Scoring, Nano-loan, Savings

Focus Geography: Solomon Islands

Background: Financial inclusion in the Solomon Islands is low. 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 entirely (31.4%). This is mainly attributed to lack of both financial and digital literacy, together with the dispersed geographical terrain.

The principle social security scheme in the Solomon Islands is the Solomon Islands National Provident Fund (SINPF). As part of the Solomon Islands National Provident Fund Act 1973, employers are mandated to contribute to the fund on behalf of their employees every month. Individuals may also contribute to the fund via youSave which is a voluntary saving scheme.

In addition to providing a social safety net to the Solomon Islanders, NPF has incorporated a Finance company with an objective of creating access to credit for individuals who require funds to run MSMEs. Traditional banks have not had appetite for MSMEs because they either lack proper KYC or have insufficient data that can be used for credit scoring.

However, with these mechanisms in place, savings rates remain low i.e current active base averaging at 18%. There is a need for SINPF to innovate whilst leveraging the two companies to develop a digital product that complements both institutions.

Problem Statement: Create a solution that encourages savings using formal financial channels. The solution should cater to all age groups, offer tailored services to people from different demographic backgrounds, and be easily accessible by most of the population.

Solutions / Focus:

- **Savings incentive** – Create a nano-loan product delivered through digital channels/digital platform that is available to individuals who actively deposit savings into their SINPF account. The platform should be intuitive and focused on educating customers whilst creating behavioral change in the current saving culture, perhaps by allowing individuals to take out unsecured loans on the basis of their savings history. The solution should be both App & USSD compatible. Focus on loans between US\$50-1,000.
- **Alternative data / Credit scoring** – Ideally as part of the same platform, the solution should be able to capture data for both deposits and other transactions/behavioral patterns manifested on the platform which can then serve as alternative data points for profiling/credit scoring purposes and improving ability to extend credit to individuals and MSMEs. Thus, the app should also be able to allow individuals to request small loans and make loan repayments.

Implementing partners: Solomon Islands National Provident Fund (SINPF)

For further information, visit: www.uncdf.org/inclusiveinnovation/pacific-islands-fintech-innovation-challenge

Inquiries to this request for applications may be submitted by email to ajay.jagannath@uncdf.org cc uncdf.rfa@uncdf.org. For any email enquiries, please include in your subject line: "The Pacific Islands FinTech Innovation Challenge"