



The PACIFIC ISLANDS FinTech Innovation Challenge

Challenge 1: Improving access to and usage of financial products and services

Category: Credit Scoring, Lending

Focus Geographies: Tonga, Samoa

Background: Financial inclusion remains a huge challenge for the Pacific Island countries. As of 2016, ~30% of the region's population remained completely excluded, while another 10-35% relied only on informal financial services. Access to and usage of financial products and services is a significant contributor to financial exclusion as existing solutions tend to be non-digital and regionally limited. Globally, improving digital payments has shown to be a key enabler to provide better access to financial products and services, and can be a foundation on which other digital financial services can be built and scaled up.

Tongan SMEs struggle to access financing, largely because it is difficult to assess the creditworthiness of SMEs as they often do not have significant assets. Approximately 95% of Tongan SMEs are under-banked (i.e. not able to borrow through traditional financial channels).

Samoa SMEs, especially in the agricultural sector, struggle to access financing, largely because it is difficult to assess the creditworthiness of SMEs as they often do not have significant assets.

Problem Statement: Address challenges around financial product access and usage by designing a digital finance solution that is easy to use and addresses the specific challenges of the Pacific Islands in an economically sustainable manner. The solution should target specific underserved audiences such as SMEs and women and should be able to collect granular data on usage- and impact-related statistics. Solutions could focus on general accessibility or narrow in on credit scoring, especially for SMEs who struggle for financing, or customer service automation where solutions lower costs and improve response times. Ideally solutions would incorporate mechanics that increase use of digital channels and encourage individuals and SMEs to keep their money digitally.

Potential Solutions / Focus:

- **Digital scorecard** – A platform to assess creditworthiness by collecting various datapoints beyond assets. E.g. timeliness of utility or mobile payments.
- **Uncollateralized Loans** – As many Tongan SMEs have few assets, focus on solutions that enable uncollateralized loans and provide a platform for SMEs to gradually build their credit history.

Implementing partner: Tongan Development Bank (TDB), National Bank of Samoa (NBS).

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