



## **Growing Inclusive Markets**

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**CASE STUDY**

Asia & the Pacific • Fiji

# **ANZ Fiji's Rural Banking Project: Banking on Social Capital and Trust**

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Sector • Financial services

Enterprise Class • Northern MNC



## Executive Summary

The financial sector of any country plays an important role in mobilizing savings, creating access to credit and contributing to development. However, in small developing countries, the financial sector often lags behind in terms of its level of development. Fiji has close to 50% of the population (with low or no education level) residing in rural areas beyond the easy reach of formal financial services. Saving the cash income arising out of rent money that is distributed twice a year in rural areas and remittances received from abroad on a regular basis, is a challenge.

Past governments had recognized this problem and challenged the commercial banks to provide and explore their servicing potential beyond urban frontiers. ANZ (referred to afterwards as “the Bank”) took up this challenge to take banking services to the doorsteps of the financially excluded in the rural areas of Fiji. In taking up the challenge, the Bank was careful in ensuring that the particular features of rural demand were taken into consideration.

The Bank first undertook a survey of rural communities and ascertained their views on the type of product they needed and what other support they required for successful adoption of the product. It was noted from the survey that the target population lacked financial knowledge that would impede take-up of banking services. In responding to this call, the Bank joined hands with the United Nations Development Programme (UNDP) to undertake a financial literacy program before the project was launched.

The Bank noted that opening of Bank accounts would virtually be impossible given the existing requirements and thus, was able to convince the Reserve Bank of Fiji to amend the requirement to suit the rural setting. The Bank also noted that the long-term sustainability of any project depends a lot on how stakeholders feel about the ownership of the project. The Bank embarked on an extensive trust building exercise with the rural community leaders. It required long hours of discussion with the local community leaders in their own rural setting, which led to successful building of trust and confidence. As a result, the Bank, over its 4 years operating the rural Banking program, has a deposit portfolio of US\$5 million and a lending portfolio of US\$0.66 million.

The rural banking program is a remarkable innovation that has been undertaken with a small, but significant leverage by UNDP and the government.

## Introduction

Over the last three decades, Fiji’s economy has been experiencing low slow growth rates, despite fundamental reforms such as privatization, liberalization and financial deregulation. For the period 2001-07 alone, the country witnessed an average growth rate of 1.7%. The low and volatile growth rate is contributed by a number of stylized factors, which includes the presence of relatively undeveloped, narrow and shallow financial markets. While increasing



the concentration of formal banking institutions in the urban areas may not be too much of a task, however, due to a significant proportion of the population living in rural areas, it is difficult to include them in the formal financial sector, unless and until efforts are made to reach their door-steps. The inclusion of the rural population is important both from an economic and social point of view.

From an economic point of view, there is a large amount of cash floating in rural areas as a result of two economic features of Fiji's economy. Firstly, The Native Land Trust Board, the trustees of 92% of Fiji's land, which are communally owned by the native Fijians, does a periodic rent distribution. The rent, which runs into millions of dollars (see Annex 1), is distributed to the local chiefs or *mataqali's* twice a year. The *mataqali's*, in turn, share the rental income with their subjects in the rural village, thereby, increasing the amount of cash flowing in the rural communities. Another dimension of rural cash economy is the remittances that are flowing into the country. Remittances are one of the largest foreign exchange earners for Fiji.

Fiji has a large proportion of its population living in rural villages and settlements. According to the last census in 1996, 46% of Fiji's population was rural dwellers. However, given that most of the commercial banks limit their operations to the urban sector, there is apparently a marked disparity between rural and urban accesses to banking services, with the unbanked rural population estimated at between 300,000 to 400,000 (in 2004)<sup>1</sup>. This has been a long standing problematic issue and a 2002 policy paper by the Reserve Bank of Fiji recommended the establishment of a banking infrastructure development fund, supported by major banks and the government, to finance rural development projects; examine options for the design of banking products for rural customers; and install shared ATMs in strategic rural locations<sup>2</sup>.

In response, ANZ took the lead and with UNDP, formed a partnership to design a sustainable and inclusive banking service. Through these meetings both parties agreed that banking services alone would not be sufficient or sustainable. The service would also have to include a financial literacy program to make it complete. Thus, a partnership was formed, where ANZ would provide mobile banking service through a fleet of "bank-on-wheels", while UNDP would conduct financial literacy education.

An important element in this partnership is that the bank committed itself to providing an inclusive, affordable and transparent service. The success of the project was highlighted by the former Prime Minister of Fiji in his address at a Business Council Symposium:

*"I am pleased to report that the introduction of commercial rural banking is receiving a very good response from the indigenous community. It was launched by ANZ after I challenged the banks to extend their services to the countryside. This was consistent with our Government's frequent calls for Fijians to put some of their*

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<sup>1</sup> Blacklock, 2006

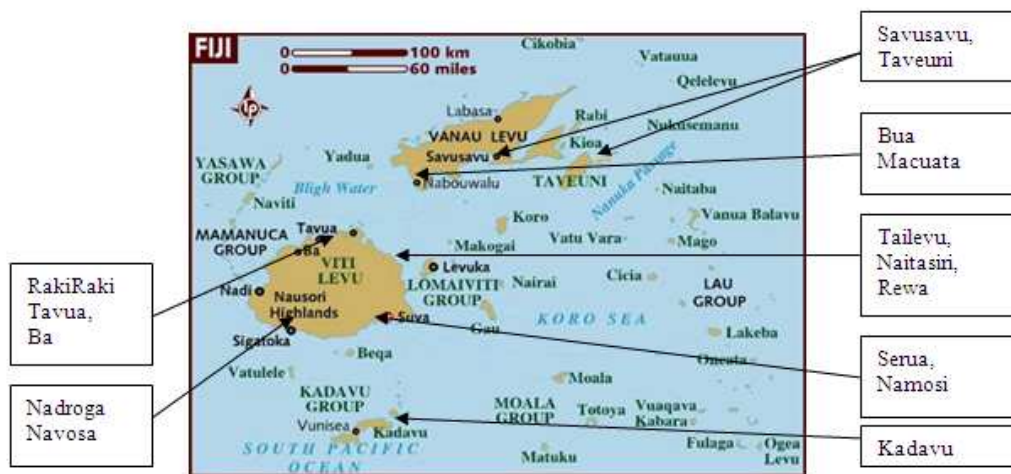
<sup>2</sup> World Bank, 2005



*money aside in savings. It is difficult to do this if you do not have convenient access to a bank. The success of ANZ's service is proof that, given the opportunity, rural Fijians are ready to save from their small earnings. This gives them the capital required for entry into commerce”<sup>3</sup>.*

The initiative also sets the foundation towards the achievement of the Millennium Development Goals. It empowers people, who have been economically sidelined to accumulate little cash, which they have to invest in small business, pay for their children’s education, or meet their medical bills, as and when such need arises in the future.

**Figure 1: Map of Fiji Identifying ANZ’s Rural Banking Areas**



Source: <http://www.lonelyplanet.com/maps/pacific/fiji>

## Development of ANZ Rural Banking Program

### ANZ’S ENTRY INTO THE MARKET

The ANZ Bank’s rural banking journey began in late 2003, when a small team of ANZ bankers from Australia, the Fiji Islands, and Vanuatu carried out a fact-finding mission in the rural areas of Fiji. This mission, launched by the ANZ Country Head in Fiji, was aimed at determining the demand for banking services in the rural community, and conducting preliminary analysis on possible solutions.

The fact-finding team rightly concluded that the need for a banking service was high and its desire even greater. A key recommendation was the appointment of a head of rural banking in Fiji, who would undertake these findings, formulate a solution, and then implement it. The

<sup>3</sup> Qarase, 2006:1



Bank implemented this recommendation and appointed Ms. Carolyn Blacklock as the head of rural banking.



Rural Banking Staff Attending Client during a Banking Run (Source: Mahendra Reddy)

In general, rural residents typically had very low levels of education (financial literacy in particular was extremely low) and the majority were engaged in semi-subsistence farming living far away from the urban centres. Some even have no road link between the urban centre and their village. Ms. Blacklock spent the first three months getting to know her future customers. She knew that the effectiveness of any product depends largely on their ability to take into account the views and aspirations of the rural Fijians in what she coined as “customer centric

value proposition”.

To assist her, ANZ recruited a project officer, Mr. Sitiveni Marovia, who was also a very passionate banker, with an excellent knowledge of Fiji’s culture, customs, vernacular, and geography. This combination worked very well. The two-member team spent time on the village mat, talking with both Fijian and Indo-Fijian communities to ensure that they understood their future clients’ needs. The team started with a series of 10 questions ranging from: “Do you want a bank? If yes, what would you use the bank for? What would you save for? How often would you use the bank?” The results of the survey clearly pointed out a need for a rural banking program with the products tailored to the needs of the rural community (see Annex 2).

Apart from ascertaining their financial needs, the team realized that the community did not have all the basic necessities for commercial banking. In order to enter into a banking relationship, they first had to harness the existing social capital, based on trust, cooperation and unconditional support from the local village elders and chiefs. The team then embarked on this mission. They asked and received an understanding from the village elders and chiefs that they were willing to provide a venue in the local community for the banks operation during their visits, would provide security, help in disseminating information in the local community and would assist in providing other information pertaining to identification of potential clients and their character.

The team then estimated the investment required to purchase the basic assets they needed for the project. The initial value of investment was made possible via a grant of US\$615,000 from ANZ’s head office in Australia. The team identified a fleet of 6 mobile banks, which travels on a regular schedule to 150 designated rural villages and settlements in the main islands of Viti Levu, Vanua Levu and surrounding islands. The total staff in the project consisted of 20 people, with 12 recruited and trained specifically to provide a rural-based service that values person-to-person contact.



An important pre-condition for making rural banking a reality in Fiji was to change the proof of identity required to open a bank account. The requirement for either a driver's license, a passport and/or social security card often accompanied with a letter from an employer effectively excluded the majority of the poor, or those engaged in the informal sector and semi-subsistence living – and school children. The Reserve Bank of Fiji was very receptive to have this changed to suit the realities of the rural population. A letter from the village head or district commissioner validating names and residency accompanied with another form of identity verification (school roll, baptism certificate and birth certificate) was instituted in Fiji as compliance for opening a rural bank account. This has opened up the entire rural sector to other financial institutions, though there is no genuine attempt by any other bank yet. The government also positively responded in its 2005 budget, where it announced and subsequently implemented a 150% tax rebate to all financial institutions that extended services to the rural areas.

## **NATURE OF THE PRODUCT**

Two products were designed to complement the uniqueness of Fiji's rural banking. These were the savings account and the everyday account. The savings account has a nil opening balance; is operated with a passbook; pays interest on every dollar saved; and is charged a \$3 fee when the customer withdraws money from the account. This product has been designed for those individuals, families, groups, *mataqali*'s, co-operatives, etc. who want to save for a specific purpose or for unexpected events. It is ideal for regular deposits, but infrequent withdrawals. There is no monthly account maintenance fee (see Annex 3).

The everyday account is suitable for salary earners, micro business owners, and those who want to carry out regular deposits and withdrawals. It is charged with a small monthly fee; is operated with a passbook; and can be accessed by using a debit card. This product is ideal for individuals, groups, *mataqali*'s, co-operatives, etc, who have a need to make regular deposits and regular withdrawals. To open such an account costs \$3. They can withdraw as often as they like and will still only pay \$1.80 per month as an Account Maintenance Fee (see Annex 3).

ANZ's fully-armored mobile banking units travel into the chosen rural areas to develop a savings ethic by providing basic banking services. The armored vehicle is accompanied by a four-wheel-drive truck. For security reasons, Bank staff travel in this vehicle. For places that



Rural Banking Staff Serving the Clients from the Mobile Unit (Source: Mahendra Reddy)

cannot be reached by roads, such as outlying islands, boats and planes are used. The provision of such a convenient means of banking, savings and credit provision is providing new opportunities for improving social security and raising rural economic activity. The two products of the Bank are served by staff, who are fluent in both the two commonly used vernacular



languages. This is accompanied by newsletters printed in English and the two vernacular languages. In addition to these two products and the foreign exchange service, the bank also provides insurance and home loans. A Micro Loan product was offered from April 2005. The bank's strategy was always to inculcate a savings habit with customers for at least six months before offering credit facilities - and then, rely on the regularity of savings as behavioral collateral to qualify for loans.

## Profiling of Rural Banking Project

Since its launch in October 2004 until March 2008, the program has a total deposit base of US\$5 million and a total lending portfolio of US\$0.65 million (see Table 1). This has been attained with a customer base of 62,257, who were previously unbanked rural Fijians. These groups of people were written off as non-savers and poor. A significant proportion of these are young people under the age of 18, whom the bank staff visit at their schools fortnightly to collect small, yet regular deposits. To open savings accounts for children, parents' consent are taken. Any withdrawals from their account will also require written consent from parents.

**Table 1: Trend in Deposits and Lending of the Rural Banking Program (US\$)**

	2004		2005		2006		2007		2008 (June)	
	Value (\$)	Client No	Value (\$)	Client No	Value (\$)	Client No	Value (\$)	Client No	Value (\$)	Client No
<b>Total</b>									50049	
<b>Deposit</b>	4230.654	72	1084526	17897	2972554.62	45649	4252358	56372	91	62257
<b>Total</b>			17,369	41	367,663	746	534,973	673	655,59	625
<b>Lending</b>									7	

*Source: ANZ Bank 2008*

In 2004, there were 72 clients. This number continued to increase as fortnightly visits to the villages continued based on a strict schedule. The data presented in Table 2 also demonstrates that over a four-year period, the Bank was able to increase its client base from zero to 62,257. This group, previously unbanked, represents approximately 8% of Fiji's population. With their entry into the financial net via the rural banking program, they are now, not only saving, but also borrowing to make small investments. This dimension of investment into small and medium enterprises is an important feature of small island economies.



**Table 2: Composition of the Deposits and Lending:**

Portfolio Description	Jan-08		Jun-08	
	Value (US\$)	No	Value (US\$)	No
Total Deposit	4,286,957	58,134	5,004,991	62,257
Savings deposits-IB	3,667,985	58,023	4,269,322	62,141
Other deposit-IB	184	4	5,451	4
Term deposits-IB	542,830	73	501,926	66
Deposits-NIB	75,958	34	228,291	46
Total Lending	525,372	568	655,597	625
Overdrafts	99	4	320	12
Term Loans-Housing	0	0	91,591	2
Term Loans non Housing	525,272	564	563,687	611
Total Deposit and Lending Portfolio	4,812,329		5,660,588	

*Source: ANZ Bank, 2008*

Of the total deposits portfolio, savings is most popular amongst clients. As at June 31, 2008, 85.3% of all deposit was savings. This reveals that people were in fact searching for a safe and risk free savings alternatives. Amongst lending portfolio, clients mostly borrowed for starting or expanding their small businesses. Most of these businesses were either related to canteen operation, fishing, farming, or transportation investment.

**M**aria Civo is from the province of Serua. She is 35 years of age, married with 3 children. She is a housewife and grows root crops for home consumption and cash sales. Two of her kids are in primary school. She opened a savings account in 2006 with the ANZ's Rural Banking Team. She says she is saving for her children's school needs and also to deal with emergencies like hospitalization. She had problems keeping the money at home before, as friends and relatives always borrowed it. Now she just has to collect the money for two weeks and banks it when the Rural Banking teams make their fortnightly visit.

**B**one Vasio of Serua province is 49 years old, married, with seven children. He says he had great difficulty to save money as the nearest bank was too far. Keeping money at home is unsafe due to the possibility of theft. Because of the money, he could not leave home. Now, he deposits money regularly as the bank comes to his doorsteps. *"My children also have their own account. Before, they use to spend any loose cash on snacks at the village canteen. Now they save it. With the passbook, they can actually see their savings grow."*

There are a number of individuals cases for which this project has made a difference in these remote areas. People working in remote areas now do not have to travel long distance, spend on food and transportation costs to receive payments. It is now directly banked in their accounts. The savings are channeled back to small projects back in the villages. Resort workers can also receive their pay at their place of work through their bank account. Corporate clients such as the resorts also take advantage of these services.





The Bank initially did not envisage corporate clients and formal sector workers participating in their mobile banking runs. This has changed now. In its efforts to diversify its client base given the fixed costs of the banking runs, the project has opened up its services to those salaried civil servants working in the rural areas. This includes teachers, doctors, nurses, and other government workers who previously had to travel long distances to reach the urban areas where the Banks are operating. These groups along with the previously unbanked are also taking advantage of the micro-finance/loan product. For the previously unbanked, loans of up to US\$629 are approved if they have saved regularly over the past 6 months. Most of these loans were used for the purposes of housing and education. Some use it to start up a small scale village canteen or to buy a fishing boat (see Annex 3 for details on the product).

**A**di Kiti Tagi, a 34 years old housewife, married with one child, lives in the interior of Fiji's main island in the village of Nakavika in Namosi. The nearest bank from her residence is 40km and takes an hour to reach via a van at a return fare of \$14. She wanted to take a loan to open a canteen to sell basic groceries in her village, but banks refused to give any money since she did not have any formal employment. She gave up the idea. Until she met ANZ's Rural Banking Team. In early 2007, she opened an account with ANZ's rural banking program. After a short period of saving, she was able to take a loan to open up a canteen. Her canteen now runs well and she is keeping up with the monthly repayments.

## **Challenges and Impediments to Rural Banking: Lessons Learned**

### **LACK OF FINANCIAL LITERACY**

The rural population of Fiji had very little knowledge of financial issues. Both the Bank and UNDP realized from experiences elsewhere that the financial literacy of the rural population must be improved in order to ensure the project is successful and the products are purchased. This view was further reinforced from initial discussions with the rural communities, which the two member team had. Parents wanted their children to be well-informed in order for them to have the best chance of financial success. Village elders wanted their constituents to be better prepared financially.

Following the initial discussions and lessons learnt from other countries, the Bank and UNDP decided to develop a partnership in which UNDP would fund and undertake the financial literacy program following which, the Bank would then take its services out to these rural areas. The partnership that ensued has been very successful for all stakeholders. The financial literacy program was funded by UNDP, facilitated and undertaken by a network of non-government organizations (NGOs), while the Fiji Government's Microfinance Unit and the Local Provincial Councils helped identify the local areas and inform the local communities. The literacy program involved a 4-hour village-based training in local vernacular covering a range of topics. These included: (i) analysis of financial situation; (ii) understanding how money is earned, saved and spent; (iii) setting financial goals and priorities; (iv) planning a



household budget; (v) explaining how microfinance and banks can help; and (vi) preparing a savings plan.

Again, the literacy program's efficient delivery was only possible by first approaching the village traditional hierarchy, asking their permission as well as the use of their facilities and infrastructure. Traditional village structures are quite important in terms of abiding by the orders of their elders. Hence, the use of village elders or the *Turanga-ni-Koro* to organize training programs was the only way to initiate the program. Furthermore, the bank staff moved away from the norm of 8am to 4:30pm work and offered training during evenings, as any training activity is only possible in the evenings, when people return from farm work. These programs were quite costly as the villages are quite remote, some of which can only be reached by using bamboo rafts and on horseback. Partnership arrangement and agreements between the international agency, the private sector and the rural community had made it possible. The agreement as such is not a standard text book solution to deal with financial sector exclusion. Rather, it required thinking out of the box with experiences from other regions. It also requires some degree of willingness to take risk for a broader good.

#### **LACK OF IDENTIFICATION REQUIREMENTS IN RURAL COMMUNITIES**

The opening of bank accounts requires the availability of certain identification to confirm the identity (ID) and location, as stipulated by the Reserve Bank of Fiji Act. These included a passport, driver's license, Social Security number (Fiji National Provident Fund number), electricity bill, etc; all of which made up a total of 100 points. However, most of the rural dwellers do not have this. To overcome this impediment, the Bank approached the regulatory authority, the Reserve Bank of Fiji (RBF) to relax these regulations for this particular project. The RBF then prescribed a new set of ID requirements adding up to 75 points (25 points for identity, 25 points for residential address and 25 points for employment status clarification). This could be obtained either by a recommendation letter from village chief (see Annex 4), school report card, a letter from the church pastor and Baptism certificate. This was a major breakthrough, which had been a stumbling block even for those who wanted to open an account, but could not supply the normal ID requirements. This relaxation, however, can also be quite costly for the country and the Bank. With respect to the country, money laundering activities can become a problem. To deal with this, ANZ Bank in turn provided an assurance to declare any unusual transaction to the RBF. With respect to the Bank, such relaxation in stringent ID requirement can be taken advantage of by some clients who borrow loans and disappear at the time of repayment. In this case, this is an additional risk, which the Bank has to take.

#### **CREATIVE THINKING BY RIGHT PEOPLE: A PARTNERSHIP APPROACH**

It is critical to have the right people to not only forge a partnership, but to sustain it over the long term. The rural banking manager of ANZ Bank, supported by senior management, understood the longer term strategy of stimulating the growth of the rural economy, thus, indirectly stimulating the urban economy and thus, the national economy. The UNDP project manager understood the commercial realities of the private sector and was able to find mutually acceptable solutions to marry hard financial imperatives with that of social capital



formation. The partnership solidified quickly, as both the ANZ Bank and UNDP shared the same objectives and recognized each others strengths. Both partners recognized the importance of continual monitoring and learning to stay ahead of potential glitches, as well as to identify new opportunities.

### **ENSURING PRODUCT OWNERSHIP IS DISTRIBUTED AMONGST KEY STAKEHOLDERS**

The long term sustainability of any project depends a lot on how stakeholders feel about the ownership of the project. It seems both UNDP and ANZ Bank realized at a much early stage that sharing views and perceptions of the targeted clients will not only ensure product delivery, but also provide a greater sense of ownership and belongingness. Prior participatory needs assessment and wide consultation were critical elements in designing both a responsive banking and financial literacy training program. This is exactly what the bank did. It first began with an initial survey on what type of product the community needed, where it needed to be delivered, and what were required along with the core product to increase its acceptability and sustainability.

Following that, the Bank decided that the first and foremost step would be to win the trust and confidence of the local community, as they are the ones who will provide security, venue and local communication assistance in the absence of telephone network within most of these rural areas. The quest to win the trust and confidence required long hours of discussion with the local community leaders. At the end, an overwhelming response and participation by rural communities in the banking service and financial training was achieved. A pure commercial approach would have been a total failure, as basic fundamentals for the commercial model to operate are not available in these remote rural areas. Telecommunication and electricity are not connected and the people do not have more than a few years of formal education, let alone financial literacy skills. On the positive side, there is a strong sense of respect for elders, chiefs and village leaders; there is a great willingness to provide their individual or collective resources to help make the project operational; and finally, a strong desire to uplift their standard of living. The project team utilizes all these to make sense on the importance of delivering the Rural Banking Program to their door steps.

### **STATE SUPPORT TO EASE CAPITAL INVESTMENT**

Governments in the past have continuously challenged the commercial banks to take their operations beyond the urban frontiers. ANZ Bank picked up the challenge posed by the government to stimulate the rural economy. Establishing such an enterprise with its low initial turnover required a significant capital investment. The Bank, in turn then challenged the government to provide some assistance to ease the initial capital costs. The discussions that ensued resulted in the Bank successfully negotiating with the government to provide duty concessions on all vehicles and other capital equipments, which would be directly used for this program. So far into the project, the government continues to honor its part of the deal. This is a small, yet significant cost subsidization coming from the government.

### **ESTABLISHING COMMUNICATION LINES**



The mobile bank runs are quite expensive and time consuming. Bank runs to a particular location with three to four stops at nearby villages takes the whole day. The vehicle leaves the main office at around 9am and returns at around 5pm. Thus, the bank cannot afford to have dry runs. To avoid such uneconomical runs, the Bank has developed specific run schedules, which are provided to the rural communities in advance so that they are available at the designated villages during their visits. However, during bad weather conditions, these schedule runs are affected. In such cases, the communities need to be informed accordingly, so that they make themselves aware of the new scheduled run. However, these villages do not have access to cable telephone connections. To overcome this obstacle, the Bank successfully negotiated with Telecom Fiji to install EasyTel phone connection at the village Chiefs' or any other person's home, which operates based on installed transmitters. Following these installation and connection, the mobile unit can call in advance to inform and remind rural communities about their banking run and any other changes to it.

### **SECURITY DURING PRODUCT DELIVERY**

The Bank trucks did encounter attempted robbery during one of its run to a rural community. This was foiled by quick action by the security escort. To make a complete stop to any further attempts in the future, the team staff took three new initiatives. Firstly, they went on the radio to explain the implications of such activities on the continuity of the project. The core message was that if the community did not do its best to prevent future attacks, then the project would be terminated. For most of the rural communities, radio is the single most important means of communication. Secondly and most importantly, the village chiefs were briefed on this incident. The village chiefs then sent a strong instruction that no one should engage in such unlawful behavior and also to keep an eye on suspicious people or vehicles in the area. Thirdly, the Bank was able to successfully negotiate with the Head of Fiji Police to provide a police escort with their trips. The visibility of the police escort has also done wonders in keeping away potential robbers.

### **RE-INTRODUCTION OF PASSBOOKS**

The Bank realized from its initial survey that the rural community with very low levels of education needs to have continuous assurance that their parting of the hard earned money is safe and it in fact, can grow. To accommodate for this special need, the Bank introduced Passbooks. Passbooks are small bank note books, which records all savings and deposit transactions. These Passbooks are kept by the clients themselves. They can check their deposit whenever they want to and can actually see their savings grow over time. This concept is very important as it allows the rural community to be close to their money via the Passbook, while at the same time, have it safely deposited without fear of being stolen or lost in uncontrolled consumption habits.

## **Opportunities for Expansion and Scaling Up**

There are enormous opportunities for expanding the project. This project has been discussed at every provincial council and approaches have been made to the Bank to expand their reach to other provinces, where large proportions of the population are yet to be banked. At the



moment, there are six teams with four operating on the main island, Viti Levu, while two teams are operating in the second largest island, Vanua Levu.

### **FINANCIAL LITERACY**

Financial literacy still remains a problem. In a recent press statement, Fiji's interim Minister of Finance stated that:

*“Improving financial literacy among our people, especially those in the rural areas and outer islands, is an issue that needs urgent addressing. The National Task Team 2 recognizes the need to extend financial services to those living in rural areas and the outer islands. While commercial banks are already taking banking services out to rural villages, more can be done, especially in expanding the scope and delivering financial services to medium, small and micro businesses. The inclusion of topics like saving, investing and banking procedures in the school curriculum and the promotion of school banking initiatives are issues to be considered”<sup>4</sup>.*

Furthermore, a financial literacy program must also re-visit the existing sites to not only educate new clients, but also to educate the existing ones on how they can use their savings and other portfolio options by the Bank to increase their investments and improve their income streams.

### **CONTINUITY OF GOVERNMENT SUPPORT**

As governments change quite frequently, investors become concerned on the continuity of the policies, which led to their initial attraction and investment. In this case, the Bank has to ensure that government policies, which gave some relief on the cost side via concessions, continued. Specifically, the Bank would like to see continuity of the concession on all capital equipments imported for the rural banking program. This includes the duty free concession given to importation of Bank trucks used for rural banking work. Any withdrawal, while the Bank is still trying to develop the market, will be a bad signal not only to this Bank, but to all other investors.

### **IMPROVEMENT OF RURAL INFRASTRUCTURE**

A major drawback to further expansion is the level and quality of Fiji's infrastructure. The delivery of the Rural Banking service depends a lot on the provisions of roads to reach the remote rural communities. Road conditions have been neglected and certain parts of the rural terrain are not connected by road. Bad weather conditions make it more difficult to reach these locations on time and thus, people waiting with money collected can be easily persuaded to spend it on other rural activities. Therefore, the government needs to be convinced that the rate of expansion of rural banking services to new areas will depend to a large extent on the rate of infrastructure expansion.

### **DIFFERENTIATION OF THE PRODUCT**

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<sup>4</sup> Chaudhry, 2008:2



At the beginning of the project, the bank started with only two products. However, after having first hand experience on the needs of the matured customers, the Bank introduced a third product, that of unsecured loans. This category of loan does not require the borrower to provide any asset for collateral. This has become quite popular given the fact that hardly any person in the rural area has any mortgageable asset. There was some concern with regards to the sustainability of the project, given the low volume of transactions and deposits. The Bank, then allowed transacting those who already have a bank account, but are not able to transact on a regular and frequent basis given the long distance to the Banks outlet in nearest urban outlet. By opening up, the bank now has nurses, teachers, and small businesses located in the rural areas also banking and transacting with the mobile bank run. This will help to cross-subsidize the portfolio of the previously unbanked clients, who have low transactions and thus, low bank revenue.

Furthermore, the presence of regular banking service has made it easier for microfinance institutions to operate in the rural areas, and this is expected to increase; especially to service low-end clients and to promote groups savings schemes. Other services and financial institutions (like the provident fund, stock exchange, native land leasing authority and telecom) are exploring the use of the rural banking network as conduit for extending their services to the rural communities.

## **Conclusion**

The rural banking program is a remarkable innovation. The Bank is able to demonstrate to the wider community that it is socially conscious and is concerned about the needs of the disadvantaged. Thus, the Bank is genuinely interested in improving their living standards by introducing products that may not be picked up under a purely market oriented model. Secondly, the Bank is investing in its own future, as they are now buying the loyalty of this young rural population, particularly the school children. Once they enter the formal employment market, there is a high probability that they will stick to this bank.

In summary, the Bank has successfully used the social network and trust of the rural village community to make banking possible for the previously unbanked. There is absolutely no doubt that the bank needs to manage costs in this area of retail operations as tightly as possible, if not more tightly than other business areas. The Bank is relying on a high take-up because this is a low-margin business. Even more important is creating solutions that the unbanked customers think are of good value, reliable, and safe. The Bank has high hopes that the program will not only be sustainable, but also profitable and able to contribute to both the social and economic objective of the host country; and at the same time, contribute positively to the bottom line of the greater ANZ group.



## References

### INTERVIEWS

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- Mr Saumaki Barro, Head of Rural Banking Program, ANZ Bank (Aug 6, 2008)
- Mr Sitiveni Morovia, Field Team Leader, Rural Banking Program, ANZ Bank (Aug 18, 2008)
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## Annexes

### Annex 1: NLTB Rental Income and Remittance Inflow, 2000-07

Year	NLTB Rental Income (US\$m)	Remittance (US\$m)
2000	11.0	58.5
2001	11.2	118.3
2002	14.0	134.0
2003	13.8	145.9
2004	15.3	186.8
2005	--	195.6
2006	--	202.5
2007	--	161.0

*Source: Rental Income data was obtained from NLTB annual reports, while Remittance data was obtained from Reserve Bank of Fiji.*

### Annex 2: Summary Response from Rural Survey

- (i) That there is a need to establish a rural banking project, which will allow the Bank to reach the un-banked;
- (ii) That regular savings habit, 'money in the bank' builds self esteem and increases community pride;
- (iii) That savings can change people's lives;
- (iv) That traditional banking models are not appropriate;
- (v) That the project must empower customers rather than controlling them;
- (vi) That the success of the project will depend to large extent on ensuring that financial literacy is promoted together with the banking initiative;
- (vii) That existing tradition and culture must be embedded in the project model; and,
- (viii) That people with financial control can plan their future and as well as make choices.

*Source: ANZ Bank 2008*



### Annex 3: Product Descriptions

Rural (Fiji) Product	Product Description	Target Group	Product Feature	Product Benefit
1.Rural Everyday	Passbook account	<ul style="list-style-type: none"> <li>- people living in rural settlements and villages with regular salaries and wages</li> <li>- also recommended for rural clubs, villages, churches, etc</li> </ul>	\$3 opening balance - interest - <\$150 bal – nil - \$150-\$1199.99– 0.10% - >\$1199.99– 0.5%	<ul style="list-style-type: none"> <li>- Free withdrawals</li> <li>- Passbook record to monitor balances</li> <li>- Can be accessed at any ANZ branch</li> </ul>
2.Rural Savings	Passbook account	<ul style="list-style-type: none"> <li>- people living in rural settlements and villages who need to save for purpose/rainy days</li> <li>- recommended for both adults and school children</li> </ul>	\$0.6 Opening Bal. 2% interest	<ul style="list-style-type: none"> <li>- No monthly Fee</li> <li>- Passbook record to monitor balances</li> <li>- Can be accessed at any ANZ branch</li> </ul>
3.Rural Micro Loan	Unsecured loan facility	<ul style="list-style-type: none"> <li>- Rural banking customers with a record of 6 months concrete savings.</li> <li>- With no formal employment or stable source of income</li> <li>- Need financial assistance to start Micro economic activity to improve their standard of living</li> <li>- 21 years and over</li> </ul>	<ul style="list-style-type: none"> <li>- Purpose: any worthwhile purpose</li> <li>- 2 year term</li> <li>- 19% interest</li> <li>- min. \$60 plus LAF</li> <li>- max. \$1200 plus LAF</li> </ul>	<ul style="list-style-type: none"> <li>- Unsecured</li> <li>- Fully financed by the bank</li> </ul>

Source: ANZ Bank, 2008. Note: Figures are in US\$



**Annex 4: The 75 points Letter for Opening of Bank Account**

The Manager  
Rural Banking  
ANZ Bank  
Suva.

**Re: New Account – ANZ Bank**

This serves to confirm that the bearer of this letter is truly

\_\_\_\_\_.

**(25 points)**

He/She resides in the village of \_\_\_\_\_ in the province of

\_\_\_\_\_.

**(25 points)**

He/She is currently employed as \_\_\_\_\_.

He/She is unemployed / Student.

(Tick correct box)

**(25 points)**

(If person sells farm produce only attach municipal market receipt.)

We hope that the information is sufficient to enable the above person

To open an account with your bank.

Yours faithfully,

**Rokotui /PA/Turaga ni Koro**

*Source: ANZ Bank, 2008*



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The information presented in this case study has been reviewed and signed-off by the company to ensure its accuracy. The views expressed in the case study are the ones of the author and do not necessarily reflect those of the UN, UNDP or their Member States.

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