

# **Cowboy Towns and Savings Clubs: Governor's Remarks at the Opening of the National Savings Clubs Workshop 24<sup>th</sup> – 27<sup>th</sup> February 2014, Honiara, Solomon Islands**

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## **Salutations**

Mr Luke Simonds (DFAT),  
Mr Krishnan Narasimhan (Pacific Financial Inclusion Program),  
Mr Brett Mathews (Researcher),  
Participants,  
Ladies and Gentlemen

## **Savings Clubs**

I think we are all familiar with what Savings clubs are. They are small financial enterprises, formed by people with common interest, and pool their resources together. A Savings Club is a unique enterprise where the customer is also the owner (shareholder). This is different from the banks where customers do not own the institution.

## **Cowboy Towns & Savings Clubs**

Every time I think of Savings Clubs and even Credit Unions, it reminds me of when I was growing up in the 1970's. After school we used to go and watch Western or Cowboy movies at the Point Cruz cinema. Famous cowboy actors in those days were people like John Wayne, Gene Autry, Bud Spencer and Terrence Hill. You know those little towns the cowboys rode into, where the law enforcer was the sheriff and disputes were settled on the street by whoever could draw the gun fastest, played a key role in bringing civilization to the "wild west". Those towns were key staging posts for expansion into the unknown frontier.

In fact some of these frontier towns later grew into large and important cities in America. One example is Oklahoma City, the 29<sup>th</sup> largest city in the US with a population of over half a million.

I think our Savings Clubs in Solomon Islands are like those little cowboy towns in America many years ago. You are currently positioned at the frontier of our informal and formal sectors. They play an important role in linking the informal and formal sectors of our economy.

In Solomon Islands Savings Clubs are mostly run by Non-government organizations, with varying models, methods and practices. Although there is limited information on the origins of Savings Clubs in the country, they existed since the early 1970s with early promoters like the late Sir Bishop Dudley Tuti in Isabel province. Up till now, Savings Clubs show mixed results. Some are as growing and sustainable, whilst few may be dormant for quite some time, and others have ceased to exist.

## **Savings Clubs play an important role**

Savings clubs play an important role in the cash economy, in several ways:

- **Financial inclusion of the unbanked:** In some remote villages, Savings Clubs may be the only financial service provider, providing services like saving deposits, withdrawals, and loans to its members. That is why the National Financial Inclusion Taskforce (NFIT) sees Savings Clubs as an important vehicle that would contribute towards achieving its Key Goal of adding 70,000 (of which 30,000 must be women) new bank account holders in the formal sector by 2015. To achieve this target, many formal and informal actors are required. Formal actors are banks and informal ones are community-led groups such as Savings Clubs.
- **Training ground for Financial literacy and financial competency:** When you teach your members to record amounts in their passbooks, count money, check their account balances, encourage them to save, give them loans and encourage them to use the money for income generating projects to earn more money, etc, you are in fact providing your members with basic financial literacy training and thus raising their financial competency levels.
- **A linkage to the formal sector:** As you organize your clubs and grow, you can be seen and heard, and can draw your members closer to the formal sector.

## Study on Savings Clubs

In our efforts to strengthen Savings clubs in the country, Brett Matthews, a Savings Club specialist was engaged to conduct a field study on existing Savings clubs in the country. The study is a kind of “stock take” of what is there on the ground, the methods & practices used by these Savings clubs, their successes and failures. He is also tasked to come up with recommendations to strengthen Savings Clubs going forward.

So I think it is very important that during this workshop, you review and validate the key findings of this research and the recommendations of the study so that you can come up with a “road map” of the way forward and put together an action plan to achieve the road map.

Going forward, I believe that the sustainability of Savings Clubs in the country is critical. To ensure sustainability, it is important that best practices are applied and adhered to. This includes good governance and sound risk management practices. I believe your participation in this workshop especially in sharing your success stories and learning from each others’ failures are important aspects of ensuring the sustainability of Savings clubs in Solomon Islands.

## Key Take Away

It is my hope that you return home after this workshop with new insights and knowledge that can be used to improve your own club activities and operations. For some of you, your savings clubs are already thriving, while for others your clubs may have just started and need more time to develop.

I encourage your Clubs and members to be steadfast and continue to pursue your purpose and dreams. Who knows, maybe one day you will grow into a strong financial institution in this country. Remember Oklahoma City.

### **Concluding remarks**

Finally, let thank DFAT through PFIP for funding this workshop. Also let me thank Mr Brett Mathews for his hard work in the field since last November and also my staff from NFIU and PFIP for organizing this event.

I hope that you will benefit from the workshop so that when you return you can continue your work with renewed vigour and enthusiasm.

It is now my pleasure to declare this National Savings Clubs Workshop open.

Thank you.

*Central Bank of Solomon Islands  
24<sup>th</sup> February 2014*