

**OFFICIAL PRESS RELEASE**

16 August 2017

National Reserve Bank of Tonga Issues the Demand Side Survey Report

The National Reserve Bank of Tonga releases today a report on a Demand Side Survey (DSS) conducted last year in partnership with the Tonga Department of Statistics together with the assistance of the Pacific Financial Inclusion Programme (PFIP) and the Bankable Frontier Associates (BFA). This nationally representative survey covered randomly selected households across Tonga from the urban, rural and remote areas including the outer islands.

The purpose of the survey was to identify the baseline level and condition of access and usage of financial services and products in Tonga. In addition, the survey identified the challenges and barriers that are faced by Tongan people with regards to accessing financial products and services, the type of products and services that are in demand as well as the level of awareness and financial literacy of the people.

The main findings of the survey included the following:

1. Tonga's level of financial inclusion is comparable with the rest of the Pacific region, particularly Samoa.
2. 34% of Tongan adults are completely excluded from financial services, with another 14% only accessing informal financial service instruments such as savings clubs, shop credit, moneylenders, or hire purchases. Only 41% of Tongan adults have a bank account. Those more likely to be financially excluded are low-income earners, casual income-earners and most of the residents of Ha'apai.
3. Unlike other Pacific Island countries, there is no apparent gender gap in bank account ownership, and neither does age appear to be a factor for account ownership.
4. Financial transactions are heavily cash-based, with the majority of Tongan adults (with the exception of the public sector) receiving income in cash. Nearly all Tongans pay utility and school payments with cash instead of using digital channels such as bank transfers, debit cards or mobile money.
5. Tongans rely heavily on informal savings and credit, with 46% of Tongan adults saving at home and 23% using savings clubs.
6. Remittances are an important income source for many Tongan adults, with 70% reported receiving remittances in the last year.
7. 63% reported saving geared towards everyday expenses and social obligations, rather than saving for long term goals such as housing, business, asset accumulation or education.
8. Many Tongans do not feel the need for insurance coverage.

The result of the survey has provided a platform where the Reserve Bank, financial service providers, government and other relevant stakeholders join forces to develop and improve financial inclusion in Tonga. In issuing the report on the Demand Side Survey, the Governor of the Reserve Bank, Sione Ngongo Kioa, hopes that the result of the survey would contribute to improving people's confidence to access the formal financial system and appropriate financial products and services are available to meet the public's demand.

The Reserve Bank's mandate under the National Reserve Bank of Tonga Act was recently extended to include promoting financial inclusion, as it recognizes that this supports its role of ensuring inclusive economic growth and macroeconomic stability, and that financial inclusion is not just about the availability and sustainability of financial services in the remote areas, but also the affordability and relevance of these services to the livelihood of the people of Tonga.

The DSS report can be found on the NRBT website at <http://www.reservebank.to/index.php/publications/dss.html>

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