

Access to Finance

June 2021

	Jun 21	Dec 20	Jun 20
Total Access Points ¹	872	988	969
Number of Branches	65	65	73
Number of Agents [^]	338	345	332
Number of EFTPOS	445	553	537
Number of ATM	24	25	27

Source: Banks & Non-Banks

[^]Agents are any third party acting on behalf of a bank to deal directly with customers. E.g., retail stores, etc.

¹ Including Non-Banks access points

The Reserve Bank continues to carry out its function in promoting financial inclusion in Tonga through the ongoing monitor of the access and usage of financial products by individuals.

Access indicators declined over the year

Over the year ended June 2021, the number of cash in and cash out access point indicators was lower than last year's. This was due to the fall in the number of banks' EFTPOS terminals and agents (refer to **Table 1.** below).

Table 1: Access Point per 10,000 adults – Banks and Non-Banks

Indicators	2021	2020	2019 ²	2015 ¹
1.0 Number of cash-in and cash-out access points per 10,000 adults ⁴	136	151	144	32
1.1 Number of branches per 10,000 adults	10	11	11	2

1.2 Number of ATMs per 10,000 adults	4	4	4	1
1.3 Number of EFTPOS per 10,000 adults	69	84	77	26
1.4 Number of Agents per 10,000 adults	53	52	52	3

Source: Banks & Non-Banks

¹ Tonga's financial inclusion benchmark

² Commencement collecting Non-Banks data

In terms of constituency, Tongatapu 2 and Tongatapu 4 drove the decline in the total number of access points mainly due to the decline in the number of EFTPOS terminals in these two constituencies. According to the banks, the decrease in EFTPOS terminals over the year was mainly due to no activity on these terminals, especially during the pandemic and closed borders. The lower number of branches and ATMs also contributed to the decrease in access points, particularly in the Ongo Niuas 17 and Vava'u 15, respectively (refer to **Annex 1**). The decline in the number of branches in Vava'u 15 reflected the closing down of the ANZ branch in Vava'u in late 2020. This was followed by the removal of their ATM machine in Vava'u.

On the other hand, the number of agents increased, reflecting the continuous effort made by one of the big banks to expand their footprint in the country. The set-up of agents is less expensive than the set-up of a branch in rural and remote areas. The closing down of the Foreign Exchange Dealers agents in the Ongo Niuas 17 was driven by the impact of smaller banks trying to maintain their US dollar accounts with their correspondence banks. The decline in the number of EFTPOS was led by BSP, followed by ANZ (refer to **Annex 2**). On the other hand, the decrease in the number of branches was led by non-banks, particularly the Foreign Exchange Dealers (refer to **Annex 3**). The National Reserve Bank has commenced recording access points for both Pension Fund Non-Banks Institutions since December 2020.

Usage indicators showed a positive outcome

The usage of financial service in banks indicators reflected a higher outcome over the year ending June 2021, with an increase in both the total number of individual deposit accounts and the number of individual loan accounts (refer to **Table 2**). The COVID-19 pandemic has changed financial consumers behaviour, which is reflected in the increase in usage of financial services providing digital services (internet/online banking). These digital services are mainly facilitated by banks. In addition, the increase in the total number of individual loan accounts was due to the continuous banks' loan campaign activities, including the lowering of interest rates and expansion of loans to two additional sectors (Government Funded Loan). The increase in the number of deposit accounts also corresponds to the rise in the number of loan accounts due to the requirement by banks to open a deposit account to facilitate the drawdown of loans.

Table 2: Usage of financial services indicators – Banks

Indicators	2021	2020	2019 ²	2015 ¹
1.1 Number of regulated deposit accounts per 10,000 adults	16,184	15,801	15,024	5,604
1.2 Number of regulated credit accounts per 10,000 adults	2,233	2,205	2,006	521

Source: Banks & non-banks

¹ Tonga's financial inclusion benchmark

² Includes data from Non-Banks Institutions

Usage of financial services increase on deposits owned by women

The increase in the total number of individual deposit accounts was mainly driven by the higher number of individual deposit accounts owned by the female population. On the contrary, the number of individual loan accounts owned by women declined while the number of individual loan accounts held by males increased. This reflects the landownership advantage of males are the key collateral requirements for loans, e.g. housing loans.(refer to **Annex 4**).

Conclusion

Tonga's access to financial services is very much linked to the impact of COVID-19 over the year ended to June 2021, reflecting the increase in remittances and the use of digital financial services which are convenient for those sending remittances to Tonga. Social distancing and lockdowns have strengthened the use of digital financial services and remittances have supported the increase in deposit accounts.

Annex 1 – Summary of Banks & Non-Banks Access Points by Constituency

Constituency	Jun-21					Jun-20				
	Total Access Points	No. of branches	No. of Agents ¹	No. of EFTPOS	No. ATMs	Total Access Points	No. of branches	No. of Agents ¹	No. of EFTPOS	No. ATMs
Tongatapu 1	46	1	19	25	1	59	1	22	34	2
Tongatapu 2	239	24	29	168	18	206	22	24	147	13
Tongatapu 3	50	1	15	34	0	54	1	15	37	1
Tongatapu 4	159	3	22	134	0	214	4	22	184	4
Tongatapu 5	35	1	25	9	0	40	2	24	14	0
Tongatapu 6	41	1	33	6	1	37	1	33	3	0
Tongatapu 7	34	1	22	11	0	36	1	23	12	0
Tongatapu 8	34	0	22	12	0	38	0	24	14	0
Tongatapu 9	40	5	24	10	1	45	6	21	17	1
Tongatapu 10	28	0	28	0	0	34	0	31	3	0
'Eua 11	40	7	27	5	1	37	8	23	5	1
Ha'apai 12	21	8	9	3	1	28	9	7	11	1
Ha'apai 13	17	0	14	3	0	17	0	15	2	0
Vava'u 14	18	0	17	1	0	17	0	17	0	0
Vava'u 15	52	11	16	24	1	85	13	14	54	4
Vava'u 16	15	0	15	0	0	16	0	15	1	0
Ongo Niuas 17	3	2	1	0	0	7	5	2	0	0
TOTAL	872	65	338	445	24	969	73	332	553	27

Source: Banks & Non-Banks

¹ Including SPBD Village Centres

Annex 2 – Summary of Access Points by Banks

Banks	Jun-21	Jun-20
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	Total Access Points	No. of branches	No. of Agents	No. of EFTPOS	No. ATMs	Total Access Points	No. of branches	No. of Agents	No. of EFTPOS	No. ATMs
ANZ	132	2	0	121	9	165	3	0	149	13
BSP	377	4	34	324	15	437	4	31	388	14
MBf	2	2	0	0	0	3	3	0	0	0
TDB	8	8	0	0	0	8	8	0	0	0
TOTAL	519	16	34	445	24	613	18	31	537	27

Source: Banks

Annex 3 – Summary of Access Points by Non-Banks

Non-Banks	Jun-21			Jun-20		
	Total Access Points	No. of branches	No. of Agents ¹	Total Access Points	No. of branches	No. of Agents ¹
Foreign Exchange Dealers (FEDs)	46	35	11	58	47	11
South Pacific Business Development	294	4	290	294	4	290
Insurance Companies	5	5	0	4	4	0
Retirement Fund	8	5	3	-	-	-
TOTAL	353	49	304	356	55	301

Source: Non-Banks

¹ Including SPBD Village Centres

Annex 4 – Summary of Usage of financial services by gender

Banks & Non-Banks	Jun-21			Jun-20			Year ended - June 21	
	Total	Male	Female	Total	Male	Female	Change	% change
No. of Deposit accounts	103,699	69,742	33,957	101,248	59,364	41,884	2,451	2%
No. of Loan accounts	14,305	9,695	4,610	14,127	4,609	9,518	178	1%

Source: Banks & Non-Banks