

Barry Whiteside: Increasing/enabling participation by all Fijians in the financial sector

Address by Mr Barry Whiteside, Deputy Governor of the Reserve Bank of Fiji, at the Fiji Economy Update 2010, Lautoka, 22 July 2010.

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Welcome

Ladies and gentlemen – a very good morning to you all.

Let me, at the outset, thank the organisers for the opportunity to speak at this forum on a very relevant topic – *“Increasing or Enabling Participation of all Fijians in the Financial Sector”*.

I find it refreshing to move away from the Reserve Bank’s traditional monetary policy and economic presentations and just highlight a number of exciting initiatives are being developed to bring more of our citizens into the financial sector fold.

Introduction

My intention is to approach this topic from the context of financial inclusion, which basically means the extension of financial services to all, including those persons commonly referred to as “unbanked” and in the remotest of areas.

We all understand that the advancement of information flows, communications, technology and legislation, will allow us to overcome barriers to the penetration of financial services into most areas. We are witnessing this in Fiji, as I speak, with the recent launch by mobile network operators in Fiji of their mobile money services. One bank has also launched an SMS product for its customers.

Such developments will make redundant the need for the establishment of brick and mortar banks in rural, remote and maritime areas for basic transactions to take place. They will definitely reduce operational costs for banks if they are partners in this exercise.

One of the missions of the RBF is to build a reputable financial system. Part of this exercise is ensuring that the institutional infrastructure of the financial system contributes to reducing information transmission and transaction costs. Enabling this to happen by providing guidance and direction to all players in the financial system, will facilitate economic growth. Financial inclusion and literacy are critical parts of this process.

The Reserve Bank firmly believes that increasing financial inclusion:

- will reduce the financial and economic vulnerability of individuals and households;
- will promote economic growth;
- will alleviate poverty; and
- will ultimately improve the quality of peoples’ lives.

RBF initiatives

Let me share some recent initiatives by the Reserve Bank in this area, and other development work we are doing to complement Government’s efforts to grow the economy and reduce poverty and inequality.

Enabling the participation of our people in the financial sector is a crucial part of development and an exciting challenge for the Reserve Bank. This may mean taking on development roles that may not necessarily be part of RBF's core mandates.

The question of whether such a role should be played by the RBF or someone else is not something that we should debate about. I am of the view that in a small and open island economy like ours, the central bank can play a more influential development role aside from its traditional monetary policy role to influence prices and ensuring we have adequate reserves to pay for our foreign bills. The challenge is in finding the right balance in our interventions that will complement the efforts of others, including Government.

More often than not, the Reserve Bank prefers to play a facilitating and supporting role while encouraging other stakeholders, such as the Banks, to come to the party. However there have been times where a leadership role has been required, at least to start the ball rolling.

1. Microfinance and greater financial inclusion

More recently the Reserve Bank has taken on an active role in formulating policies and strategies aimed at increasing outreach of financial services to the unbanked or the under-served population. A new department, titled the Financial System Development and Compliance (FSDC) Group, was set up in the Bank in April 2009 to drive these initiatives.

I am pleased to announce that through this new Group, the Reserve Bank has been able to make good progress in areas of microfinance and financial inclusion.

National microfinance workshop

In November 2009, the Reserve Bank, in collaboration with the Pacific Financial Inclusion Programme (PFIP), successfully organised a National Microfinance and Financial Inclusion workshop.

Our objective was to harness the strengths and efforts of all the players in the industry towards building a sustainable way forward for microfinance in general and financial inclusion in particular.

The workshop provided a consultative forum for stakeholders to review and develop a medium term strategy on the way forward for greater financial inclusion in Fiji. At the end of the workshop, the strategic focus arrived at a common vision of "...reaching at least 150,000 unbanked citizens through a coordinated national effort by the year 2014."

The Reserve Bank was assigned a lead driving role by all those present, which we readily agreed to take up. We did not want another workshop where lots of brilliant ideas are raised, but quickly fade once everyone went back to the comfort of their respective offices, as so often happens in Fiji. In fact all the stakeholders were excited to move things forward.

i. NFIT

The first major outcome of the workshop was the set up of a National Financial Inclusion Taskforce in February 2010 to drive and monitor microfinance and greater financial inclusion strategies and initiatives first developed at the workshop. The RBF Governor is the Chairperson.

The NFIT, as it is known, has also appointed three Working Groups to support its mandate. These Working Groups are responsible for developing and implementing national strategies in each of the areas of Financial Literacy, Statistics and Microfinance. The Working Groups are chaired by representatives from the Taskforce, with the membership coming from the various stakeholders, including the public and private sectors and donor agencies. They provide quarterly updates on their progress to the NFIT.

A follow-up workshop is scheduled for November this year to take stock of progress made towards the targets set last year.

Given that the RBF was passed the baton by the stakeholders during the first workshop to drive the new direction with respect to microfinance and financial inclusion, it is our intention to see that we achieve what we planned to do. A heavy reliance will, of course, be placed on getting the ongoing collaboration and support of the banks, NGOs, donors, private sector and government.

ii. Electronic money project

Ladies and gentlemen, an exciting means of extending financial and payments services in developing countries to the financially excluded is the use of innovative communication technologies and instruments such as mobile phones. The Reserve Bank has been monitoring such developments for some time and has been preparing the groundwork in terms of the policies and laws to safeguard the users. In June this year, the RBF successfully launched its “e-Money Fiji project” and established an internal committee known as the “e-Money Taskforce” to oversee the development of electronic money initiatives in Fiji and related payment system developments.

iii. Mobile money

The e-Money Fiji Project initiative covers the introduction of mobile money transfer services in Fiji. There is no question that this new service has the capability of expanding the reach and accessibility of financial services to the unbanked and rural areas. There are an estimated 750,000 mobile users in Fiji at this time covering 90 percent of the population.

To date, the RBF has provided commercial licenses to both mobile network operators, Vodafone and Digicel, to launch their mobile money transfer services.

Vodafone took the lead and launched its M-PAiSA brand a month ago and had 50,000 signed-up users as of last Thursday, the 15th July 2010.

Digicel followed suit with its “Digicel Mobile Money” launch last Thursday and had 2000 users sign up after just two days. We are proud to learn that of all the 32 countries that Digicel serves, Fiji had been chosen as its flagship country where their first mobile money service product has been rolled out.

Indeed we are at the forefront in the Pacific for mobile money transfers and hopefully we will prove to be successful “guinea pigs”.

Both Vodafone’s M-PAiSA and the Digicel Mobile Money are making good progress in extending financial services to the remote and under-served communities. The RBF has required that the two systems be inter-operable, meaning that a registered Digicel customer can send cash to a registered Vodafone user, and vice versa.

Whilst the Reserve Bank has taken a more flexible regulatory approach in support of these new development initiatives, we will continue to compare against global best practices by introducing suitable and appropriate policies and laws. We will also continue to share experiences and lessons learned with our regional neighbors, who are in the process of assessing these new services.

While the initial facilities offered are the basic transfer of cash, it is extremely exciting to know that future facilities will include bill payments and another feature which I am most excited about, the transfer of funds from one’s mobile wallet to a bank account. This latter use will enable the rural farmer, fisherman or craft creator to save in a safe place, the money he or she receives by mobile transfer in payment for his or her product. These producers will be able to do this without leaving their place of work, be it on the farm, on their boat or in their village.

A further facility of extreme interest, and which we are also working on with the mobile operators, is the extension of their services to international inward remittances.

In addition to the initiatives of the two large mobile companies, one bank has also recently launched its own version of mobile money transactions with the implementation of SMS banking for its customers. This will definitely provide greater efficiency for rural customers of this bank.

iv. RBF microfinance policy

Ladies and gentlemen, the Reserve Bank believes that the commercial banks have the potential to play a more active role in the development of the country in which they operate, through designing specific banking services and products to suit the needs of customers and the development goals of the country.

With effect from 1 January 2010, the RBF introduced a Microfinance Policy that requested all commercial banks operating in Fiji to set up microfinance centers in each of their branches.

We are delighted to note that all our commercial banks have moved to fulfill the requirement of this policy. Some banks have ventured out and taken banking to rural communities in various parts of Fiji. Another bank is providing microfinance in urban centers (a great example has been the micro-loans to Suva's wheel barrow boys, enabling them to make a start in business).

In addition, banks have conducted microfinance expos to create awareness and extend financial inclusion. We greatly welcome these efforts by banks and encourage them to maintain the momentum.

The RBF has now been able to interface more closely with other development agencies and financial institutions in promoting microfinance schemes around the country.

Last month, we hosted the first ever RBF Microfinance Expo in Ba. The event was well received by the community and we were fully supported by all the banks, NGOs, mobile phone providers, non bank financial institutions, the National Centre for Small and Medium Enterprise Development and other stakeholders. Of course the micro entrepreneurs were also able to display and sell their wares.

The expo provided the opportunity for the financial institutions and others to enlighten the public about their financial and microfinance services. The RBF will continue to take a lead where necessary to encourage micro finance activities and take the providers to the people. We plan to host a similar Expo in Suva during the upcoming Hibiscus carnival in August and later on in the North.

v. Local advisory boards

To help drive our initiatives, Ladies and Gentlemen, the Reserve Bank recently issued a guideline to banks on the establishment of a Local Advisory Board within their Fiji operations. These Boards are aimed at assisting foreign-owned banks to better understand and align their strategies, not only to Fiji's regulatory and supervisory environment, but more importantly to the national development objectives, such as microfinance activities and the like.

The Local Advisory Boards in each bank will comprise local individuals who would bring unique local knowledge and skills to complement that of the expatriate Senior Executive Management, to enable them to gain a heightened awareness of our environment from a Fiji perspective.

The Local Advisory Boards will play an advisory role to the main Board of each Bank and membership must be approved by the RBF. At this point in time the banks have made good progress in putting their respective Boards in place with members of 3 banks having already been assessed and approved.

We are looking forward to their contribution to their banks and to our country's development strategies.

Financial literacy and awareness

Before I close ladies and gentlemen, I would just like to highlight the importance of financial awareness and literacy in our efforts towards extending financial services outreach. The Financial Literacy Working group established through the NFIT is working with stakeholders in developing appropriate strategies in this regard. These include:

- a. Integrating financial education into the school curriculum from primary to secondary levels.
- b. Conducting a baseline study on financial competencies of households, to be undertaken in August this year. This will be used to assess and develop appropriate financial education programs for Fijian households.
- c. Promoting Financial Literacy – through public awareness programs and a Green Ribbon Campaign at the upcoming Hibiscus Festival. I have already mentioned the Reserve Bank is planning to host microfinance entrepreneurs and financial services providers utilizing a “Microfinance village” concept at the Hibiscus Festival.

Conclusion

Ladies and gentlemen, for a number of years the Reserve Bank has been advocating the development of Fiji's financial services sector and key to this is the extension of financial services to the under-served or the unbanked.

We have taken on the challenge of promoting financial inclusion in Fiji and ensuring a financial system geared towards supporting this critical area. Our intention is to see the poor, or those considered unbankable, being provided access to savings and credit facilities that will ultimately help in reducing poverty.

The key areas that I have highlighted may have only provided the platform for financial inclusiveness and prosperity. What the Reserve Bank would like to see is the on-going support of all key stakeholders towards these development initiatives.

As I have mentioned earlier, RBF policies and strategies alone will not be enough – the financial institutions, NGOs, donors, government and all other stakeholders need to play a part. The challenge for us here today is to open ourselves to change.

Thank you.