

## **Inia Naiyaga: The banking industry in Fiji**

Opening speech by Mr Inia Naiyaga, Acting Deputy Governor of the Reserve Bank of Fiji, at the one-day Banking Expo organized by the Association of Banks in Fiji (ABIF), Suva, 7 May 2011.

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### **Introductory remarks**

Chairman of the Association of Banks in Fiji (ABIF), Mr. Norman Wilson;  
Members of the Association of Banks in Fiji (ABIF);  
Distinguished Guests;  
Ladies and Gentlemen:

Ni sa bula vinaka and a very good morning to you all.

I am delighted to be here this morning and would like to congratulate the ABIF for organizing this expo to raise public awareness, on the valuable role that commercial banks play in our economy. I encourage the public to take this opportunity to come and learn of our banking industry here in Fiji. The commercial banks have a very long history in Fiji, the older ones spanning over 100 years.

### **Role of the commercial banks**

#### ***Ladies and gentlemen, let me say a little about the important role played by the commercial banks in Fiji***

Fiji has a well developed financial system that not only is secure and sound; but has remained resilient despite the recent global financial crisis. The strong contribution of the banking industry to the Fiji Financial System has been a major factor in this regard. Over the years the Banks have invested heavily in Fiji and have remained committed to delivering services that have helped shape and develop our country into what it is today.

At the end of 2010 the commercial bank's assets alone was around 42% of the entire financial system and this highlights the importance of this industry in the local economy. The value of total assets of the commercial banks at the end of 2010 was \$4.5b and equates to around 75% of GDP.

#### ***Their role in facilitating trade***

Commercial banks are – financial institutions that primarily intermediate between the savers and the borrowers in an economy. They also buy and sell foreign currencies and facilitate trade and the transfer of payments both domestically and across international borders. It is these very transactions that help to pay for our salaries, the importation of goods and services that we use almost every day, and provide the much needed capital for investment.

At the end of 2010, the total loan book value of all banks stood at \$3.1b and this has grown by 159% over the last 10 years.

***Commercial banks play an important role in the transmission of monetary policy in Fiji.*** Over the last two years, the Reserve Bank has focused its policy on creating an economic environment that is conducive to investment and growth. To this effect, the overnight policy rate has been reduced further to 1.5 percent and a passive approach to liquidity management was adopted. As a result, it is anticipated that commercial banks and other market interest rates will generally further decline. The downward movements in interest rates expected to provide incentives, for investors to borrow and pursue business

opportunities, raise household's disposable income and more importantly boost the economic recovery.

### ***Their role as corporate citizens***

The commercial banks are an integral part of any economy. What is not often appreciated is that Banks are also major employers and also pay substantial tax contributions in Fiji. In Fiji they have also participated actively in charity and social work. They have not taken their corporate social responsibility lightly and have taken the lead in giving back, to the communities that they operate in.

But most importantly they have been partners together with the Reserve Bank and the Government in the development of an internationally recognized sound and robust financial system.

### **Banking innovation**

Banks over the years in Fiji have been involved in financial innovation. We remember the use of old pass books. Banks have been aggressive in introducing new financial products and services. We now have the ATMs, EFTPOS and internet banking.

The Reserve Bank of Fiji in collaboration with the banking sector is focusing on innovative ways of reducing costs of doing business for the commercial banks with the emphasis on lowering costs of financial services to be more accessible and affordable to everyone. The introduction of revolutionary products can contribute to financial deepening which in turn will ensure that more people have access to affordable and appropriate financial services and products. One has been the growing number of ATMs around the main urban centers. The good news is that now the ATM's and EFTPOS machines are interoperable, meaning that a customer from one bank can use the machine of another bank to conduct their banking transactions, except for one bank. We are delighted with the recent introduction and the distribution of wireless operated EFTPOS machines which can be operated without a telephone line. These along with smart card products are some of the new tools of the trade that help to decentralize and make financial services more accessible.

I wish to take this opportunity to express my sincere gratitude for the commitment and collaboration shown by the commercial banks, towards achieving 90 percent interoperability to date. Ladies and Gentleman this ensures any bank card can be used at any EFTPOS machine at any supermarket, service station or any retail outlet in the country. An important component of this initiative is ensuring interchange fees are affordable and properly disclosed by the banks and the Reserve Bank will be monitoring this closely.

### **Developments in the banking industry**

***Let me now touch on other developments involving the banking industry.***

#### ***Local Advisory Boards***

The Reserve Bank has been working closely with the banks, to ensure alignment and greater focus.

In 2009, a Local Advisory Board (LAB) policy was issued by the RBF. The Policy requires Banks' who are foreign branches to establish LAB's that are mandated to provide advice and guidance to the Head of the Fiji Operations on Fiji's regulatory and supervisory environment. Other focus areas for these LAB's include national development objectives, particularly providing financial services to the wider community.

### **Level of fees & charges**

Following the deregulation of the Fijian financial system, bank fees and charges have become part of the Fijian banking landscape.

We note that the Commerce Commission is currently undertaking a study of the financial sector in Fiji to examine whether fees and charges are set in a competitive environment or if banks have a substantive market power. I urge banks to come to the table and take a holistic and collaborative approach to this matter. We are confident that in this spirit a balanced outcome will be achieved for all stakeholders: banks, their customers, the prudential supervisor, the economy and the Government.

The Reserve Bank has been since June last year working closely with banks to enhance the disclosure of their fees and charges. The revised policy will be implemented in August this year and will ensure not only greater disclosure standards particularly in terms of consistency and transparency but equally important, accountability, primarily on the level and justification for fees and charges.

The Reserve Bank also issued the **Banking Supervision Policy Statement Number 17: Interest Spread Disclosure Statement** and this requires commercial banks to publicly disclose any increase in interest rate spreads beyond the previously regulated limit of 4 percent for any given quarter. In addition to disclosing the actual interest rate spread, the bank will also be required to disclose the specific reasons. The objective of the policy guideline is to ensure banks are transparent and accountable for any increase in interest rate spread.

In 2006 following the introduction of the Financial Transactions Reporting Act and the establishment of the Financial Intelligence Unit at the RBF, I am pleased to say that we have received very encouraging support and cooperation from the commercial banks who continue to work closely with the RBF, FIU and law enforcement agencies in combating money laundering and other fraudulent activities in Fiji.

In 2009 a policy on the Complaints Management Framework was issued by the Reserve Bank. We have since been able to monitor the manner in which customer complaints are handled by the banks and are pleased with the way in which they collaborated in resolving or in addressing the complaints.

### **Promoting financial inclusion**

Financial Inclusion is the new buzz word and its significance cannot be undermined. Whilst there has been no detailed study done here in Fiji, there is ample evidence to suggest from other countries that limited access to basic financial services such as savings, loans products, payments and micro-insurance to the poor and the unbanked tends to restrain economic growth and development in any country.

One of the major focal areas that the Reserve Bank is championing is greater financial inclusion in Fiji. A range of new initiatives have been implemented by the Reserve Bank in partnership with relevant stakeholders over the last two years to achieve this goal. The commercial banks have been an integral partner of this process as the banks are well positioned to offer financial services to a broader range of customers due to their extensive branch network, strong resource backing and experience.

### **National Microfinance Workshops**

As most of you are aware, in 2009 a National Microfinance Workshop was organized by the Reserve Bank of Fiji with support from the Pacific Financial Inclusion Programme (PFIP). A key outcome that was agreed upon at this workshop was the commitment by participants to a

common vision of “**reaching at least 150,000 unbanked citizens through a coordinated national effort by the year 2014**”.

A National Financial Inclusion Taskforce was then set up to monitor and drive strategies in achieving the medium term financial inclusion goals. Furthermore three working groups were also established to support the Taskforce in the areas of financial literacy, statistics and microfinance. The banks have been very forthcoming and are represented at all the three working groups and at the National Taskforce level.

The banks have also participated at all the RBF Microfinance expos which have been held in various centers around Fiji.

## **Conclusion**

Let me conclude by thanking everyone today for taking time off from your busy Saturday to visit this banking expo. This is a very good opportunity for everyone to talk to the banks and give them your feedback on how you would like them to serve you better. Not only that, also learn of what they have to offer in terms of financial services and products.

Commercial banks provide a valuable service to the people of Fiji and are strategic partners of economic development and change. We need them as much as they need us. There however is a need to work together in creating more accessible and affordable financial services not only in the urban areas but also in the rural and outer islands that do not have such fundamental services.

I applaud the Association of Banks in Fiji (ABIF) for staging this one day expo.

I wish each one of you an enjoyable and productive day and I declare the Expo officially open.

Vinaka and Dhanyabaad