

Loi M Bakani: Enhancing financial inclusion in Papua New Guinea

Opening address by Mr Loi M Bakani, Governor of the Bank of Papua New Guinea, at the launch of the Centre for Excellence in Financial Inclusion (CEFI), Port Moresby, 24 April 2013.

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Acknowledgement

Hon. Peter O'Neil, Prime Minister

Hon. Don Polye, Minister for Finance

Other Ministers of the State and Members of Parliament

Mr. Marcelo Minc, Director, Asian Development Bank

Mr. Steward Schaefer Director, Australian Agency for International Development

Ms. Madhurantika Moulick, Team Lead, Microfinance Expansion Project

Board members of CEFI

Chairperson and CEOs of financial institutions and development partners

Delegates present at the programme.

Welcome remarks

I wish to thank you Prime Minister, Hon. Peter O'Neil, for making time to officiate at this occasion of the launch of the Centre for Excellence in Financial Inclusion (CEFI). This, I suppose goes a long way to show your Government's recognition and support to the importance of issues such as Financial Inclusion and its benefits to every citizen of this nation and to PNG as a whole.

It gives me great pleasure indeed to welcome you all to the launch of the Centre for Excellence in Financial Inclusion (CEFI). CEFI is a national entity designed to coordinate the financial inclusion initiatives in Papua New Guinea. It envisages creation of a robust financial sector which will reach people across the country and enhance access to high-quality financial products and services with the combined efforts of all stakeholders.

Financial inclusion – Define

For the benefit of others, "Financial inclusion" is a broader term which basically means to make financial and banking services and products accessible to everyone so that they can participate meaningfully to the development of the economy.

Why Financial Inclusion is important today

- 85% of the population lives in a largely non-monetized economy.
 - Subsistence farmers
 - Generally no assets
 - Per capita income is low
 - Lack of knowledge of the kinds of financial and banking products and services available in the banking system which can be accessed by grassroots to improve standards of living,

- Difficulty faced by people in rural areas trying to access these financial and banking products services,
- The amount of paper work and stringent processes which our grassroots people have to go through in order to open up a bank account,
- There is generally negative perception about grassroots people that they are too risky and unbankable to be engaged with in banking business – this perception turns always many from participating in banking activities;
- And many other factors

As a result of these and many other contributing factors; the rural economy of PNG, where the bulk of the population is, is largely a non-monetized economy. There is no formal and continuous access to any form of banking services to the rural areas.

Financial Inclusion – Recognized as remedial tool for development

To address this gap in our national economy, the theme: “Financial Inclusion” has taken the forefront of all our efforts and activities.

In the recent past we have seen a diverse range of players playing their parts in promoting financial inclusion, such as microfinance institutions, commercial banks, savings and loan societies, telecom companies, community based organisations, and faith based organisations.

I now want to briefly mention the establishment of MEP.

Microfinance Expansion Project

MEP is a project launched in April 2012, jointly funded by ADB, Australian Agency for International Development (or AusAid), and GoPNG. The Bank of PNG is the executive agent.

The central theme of MEP is to establish an Institution for Financial Inclusion, which will spear-head all key activities and hopefully bring all the efforts of diverse players together to achieve our objective of total financial inclusion for all. This is basically the reason why we are here today to witness the Launching of CEFI.

CEFI

As the Chairman of this nascent institution, let me take you through the vision and mission with which CEFI has been constituted. CEFI has been formed with the vision to “**Eliminate financial exclusion for poverty eradication in Papua New Guinea and expanding activities in the Pacific region**”. This entity aims to work with the mission to “**Promote excellence in financial services, innovate delivery channels, and facilitate financial education**”.

MEP has an overarching goal of enhancing financial inclusion by extending financial services to the bulk of the rural population in PNG. A key deliverable of MEP is to set up the CEFI. CEFI is the entity that will take forward the project initiatives after the completion of the project. These includes:

- CEFI will partner with strategic stakeholders and will be the implementing agency for the National Strategy for Financial Inclusion. CEFI’s efforts will be a major step in achieving the objectives of Vision 2050, the Medium Term Development Plan 2012–2017 and the government’s policy focus on service delivery to the rural population;

- CEFI is expected to achieve three major outputs. These include strengthening of financial institutions that implement financial inclusion programmes, training on financial literacy and business development services to build the capacities of clients and micro businesses, and by establishing industry standards by working with network. Broadly speaking, CEFI will operate through four major verticals – : financial inclusion, financial service delivery, information exchange and gender.
- Under financial inclusion initiatives, CEFI will aim to promote financial inclusion agenda and innovation, co-ordinate and support financial inclusion activities, introduce best practices in the financial sector, promote product and channel innovations such as mobile and agent-based banking, create a talent pipeline for financial inclusion activities and facilitate financial literacy.
- CEFI will contribute to financial service delivery by working with BPNG to develop industry benchmarks, arranging for technical assistance to FIs, acting as a centre of excellence and nurturing a network of practitioners and service providers.
- CEFI's interventions in the direction of information exchange will largely be focussed on building and maintaining a database of technical assistance for regulated and un-regulated microfinance institutions and act as a repository of knowledge and training material.
- CEFI will also lay special focus on promoting gender equality in the areas of financial services delivery.

Government support

Prime Minister, the National Government support in the establishment and out-scaling of micro-financing, and thereby financial inclusion nationwide into different parts of PNG, is pleasing.

It is also pleasing to see the National Government subsidising education so that formal education can reach the rural masses.

However, what has been lacking is the development of financial education materials, particularly development of Curriculum(s) so that “Financial Education” can be mainstreamed to all levels and forms of education and educational institutions in PNG.

I urge the Department of Education to come forward and work with the Bank of PNG, to actively develop and disseminate important financial education materials to all schools and further financial inclusion.

BPNG initiatives with students accounts

In the meantime, the Bank of PNG has taken some initiatives in working with financial institutions to developing banking products such as student accounts to make available to school-age children. The idea is to enhance savings culture, promote thrift and responsible spending, for children and family settings.

Thank all for a milestone occasion

There is no better time than this present time to see Financial Inclusion taken to the next level.

I want to welcome everyone and thank you all for coming to witness this important milestone occasion.

Prime Minister, I want to thank you very much for taking time out from your very busy Schedule to officiate in this important occasion – the Launching of the Centre for Excellence

in Financial Inclusion – “CEFI”. A dream and hope for all Papua New Guineans to be financially included.

Wishing everyone and CEFI good success. May God bless you all.