

## **Barry Whiteside: Assisting and developing small businesses in Fiji**

Address by Mr Barry Whiteside, Governor of the Reserve Bank of Fiji, at the launch of the ANZ Small and Medium Enterprises Credit Scheme, Suva, 19 April 2012.

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***Acting Chief Executive Officer and Head of Corporate Banking Fiji, Mr Rakesh Ram***

***Excellencies, Members of the Diplomatic Corp***

***Permanent Secretary for Finance, Mr Filimone Waqabaca***

***Staff of ANZ***

***Distinguished Guests***

***Ladies and Gentlemen***

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

### **Introductory comments**

Let me first thank Mr Ram and the ANZ Team for your kind invitation to officiate at this launch of ANZ's Small and Medium Enterprise Credit Scheme. I would also like to congratulate ANZ and commend your efforts in working on a SME-focussed product line and for being the first lending institution to publicly acknowledge the adoption of Government's SME Credit Guarantee Scheme. Today's product launch and announcement are testament to your commitment towards assisting and developing small businesses in Fiji. It also demonstrates ANZ's alignment to the objectives of the Fijian Government.

### **Why we need to support the SME sector**

So why should we place much emphasis on our small and medium sized businesses when it seems so much easier and less risky to support larger entrenched businesses employing many more people and which are likely to be way more profitable as customers of financial institutions? Clearly the Prouds(Motibhais), Tappoos, Jacks(Khatris), Punjas, Niranjans, Manubhais and Vinod Patels of today weren't always the way they are now. Each have their own interesting stories to tell of their history of growth from small-town struggling start-up businesses with just a handful of employees, not unlike our SMEs of today perhaps. I have visited these modern day conglomerates and seen the photos prominently displayed of the single shop, that first vehicle and the family patriarch and matriarch. Each business is proud of that heritage and I am sure you have seen the same and some of you here today could share similar stories.

Ladies and gentlemen, our estimate is that Fiji's SME sector accounts for around 12 percent of economic activity in the country. It is therefore, still largely untapped. Consequently, our potential for growth is large when considering that SMEs in other developing countries can contribute as much as 40–60 percent of GDP. In some of these economies, the SME sector accounts for more than 90 percent of all firms outside the agriculture sector. They add significantly to growth by creating jobs and generating significant domestic and export revenue.

If we are to take these figures to heart, there is obviously a need to recognise and support the contribution of SMEs in Fiji's economy. The launch today of ANZ's SME facility is a step in the right direction.

## **Government support**

In its 2012 National Budget Address, the Fiji Government introduced its SME Credit Guarantee Scheme with the aim of encouraging and supporting local business, particularly by improving private sector lending in their direction. Under the Scheme, Government will provide a guarantee for up to 50 percent of the outstanding principal amount of any defaulted SME business loans, up to a limit of \$50,000 per business. Government has set aside \$3.0 million for the Scheme which will be administered by the Reserve Bank of Fiji. Interest charged on such lending must not be higher than 10 percent per annum.

Effective from 1<sup>st</sup> January this year, lending institutions, such as ANZ, have the option of applying the Government guarantee to all new and renewed SME loans. Eligibility will cover lending to all sectors, except for loans to sugar cane farmers and Government-subsidised businesses.

Government has indicated its total commitment to the Scheme as it is a small price to pay for assisting industry and bringing about growth. Clearly the long term benefits to this Scheme will be increased employment and economic activity which effectively translates to increased tax revenue for Government. I therefore commend the Government for being bold enough to provide this incentive for the SME sector.

## **Public private partnership in supporting SMEs**

Ladies and gentlemen, we all have important roles to play in supporting the growth of SMEs in Fiji. The Fijian Government and the Reserve Bank are tasked with building and maintaining an enabling and supportive environment, conducive to growth and development. The private sector assists in allocating funds and providing advice in an efficient manner. Lending institutions, such as ANZ, play a crucial role in the current set-up as they provide the funds that SMEs require to function, expand operations, generate employment and produce export receipts or goods for our local market. Both outputs benefit our foreign reserves position.

The newly introduced Credit Guarantee Scheme is part of our goal to improve SME access to finance and at the same time enable lending institutions to share part of the risk with Government. Public and private sector partnerships such as these are exactly what our country needs to boost domestic growth and improve our overall economic wellbeing.

An advantage of the above Scheme is that it can be used in conjunction with current loan schemes, including existing flood rehabilitation facilities to alleviate collateral requirements for flood affected SMEs.

## **Fiji economy**

I guess no Governor's speech is complete without coverage of the outlook for the Fiji economy and I do not intend to disappoint. That being said, our current estimates for economic growth sees Fiji expanding by around 2.3 percent in 2012 following growth of 2.1 percent last year. However, as I speak, the economic forecasts are being re-examined in light of the recent floods that have affected infrastructure, crops and businesses. Our domestic growth forecast is broad-based with improvements expected in most economic sectors. The downside risks to this projection are expected to stem largely from the recent floods which greatly affected the livelihoods of those in the Western Division. However, this will be partly offset by necessary replanting, re-construction and other capital infrastructure work. The blessing, if there is a blessing to be had in all the sadness and misery of the natural disasters, is that our tourism industry was little affected and, in addition, it is still early in the year and with a lot of hard work there is time to "catch up". Our foreign reserves remain healthy at around \$1.5 billion (or just under 5 months of imports) and inflation has been

trending downwards. Furthermore, bank credit has picked up and new loans in the first few months of 2012 are higher than in the comparable period last year.

At this point it would be remiss of me not to acknowledge and commend the lending sectors efforts in assisting our local community to recover from the effects of the January and March floods. Our financial institutions, including ANZ, have contributed generously towards flood relief through a number of local charities, including the Fiji Red Cross and the Prime Minister's Flood Relief Appeal. It is also pleasing to note the financial support that they have extended to affected customers, including the temporary suspension on loan repayments, adjustments to lending limits and waiver of selected fees and charges. These acts of generosity and empathy go a long way in maintaining customer loyalty, sustaining business and ultimately contributing to future growth. They also show our hearts lie with our country and fellow citizens.

### **Commercial bank lending to SMEs**

Ladies and gentlemen, commercial bank lending to private sector businesses currently stands at just over \$2.0 billion. Our records show that of this total, the 15 largest business loans from each of Fiji's four commercial banks make up close to 60 percent, while lending to micro businesses and SMEs account for just 8 percent. There is definitely room for this to grow.

I am particularly pleased to highlight that commercial banks have already given around \$10 million in loans under the SME Credit Guarantee Scheme since the Facility was introduced in January this year. With an interest rate pegged at no greater than 10 percent per annum this should greatly assist businesses. We hope that within 5 years, the share of SME loans would double to around 16 percent of total lending.

### **ANZ SME scheme**

Ladies and gentlemen, I understand that ANZ's commitment and work in the SME sector is something that has been honed over the last 5 years, with particular focus on streamlining processes and improving access to affordable finance. The creation of a 20-staff SME Team to serve all parts of Fiji will positively impact SME growth in both credit and numbers.

In addition, ANZ's efforts in working together with local regulators and SME operators is welcome news for sector engagement towards SME development. The Reserve Bank is always grateful to financial institutions that assume additional responsibility and take the initiative in accommodating Government and RBF supported policies, as this portrays an alignment of our goals in taking the economy forward. The Reserve Bank is confident that the combined efforts of ANZ and other financial institutions in taking the new Scheme on board, will act as a platform for SME growth and is a step towards realising his sector's true potential.

In closing, I wish your Team every success in the launch of this new product and thank ANZ Bank for the continued confidence and commitment towards the development of both the SME sector and the Fiji economy.

Vinaka Vakalevu.