

Barry Whiteside: Microfinance in the Pacific – increasing access, enhancing impact

Keynote address by Mr Barry Whiteside, Governor of the Reserve Bank of Fiji, at the 4th Pacific Microfinance Week, Nadi, 22 October 2013.

* * *

Mr Benny Popoitai – Chairman, Microfinance Pasifika Network and Deputy Governor, Bank Papua New Guinea.

Mr Clay O'Brien – Senior Sector Specialists, Financial Inclusion, AusAID

Fellow Governors and Deputy Governors.

Mr Robin Yarrow – Chairman, Fiji National Financial Inclusion Taskforce and Members of the Taskforce

Representatives of our Pacific Microfinance Week sponsors – The Pacific Financial Inclusion Program; International Finance Corporation and Asian Development Bank.

Distinguished Guests and fellow Participants.

Bula Vinaka and a very good morning to you all!

Introductory remarks

Let me say how delighted I am to deliver the keynote address this morning. On behalf of the Reserve Bank and our National Financial Inclusion Taskforce, I wish to extend a special welcome to our Pasifika family and to all our visitors who have travelled from other parts of the world to join us here on Denarau today.

This year marks the fourth Pacific Microfinance Week and I wish to sincerely congratulate the organiser, The Foundation for Development Cooperation and convenor, Microfinance Pasifika Network, as well as all the sponsors, for their foresight and commitment in advocating and promoting financial inclusion in the region.

Our theme, “*Microfinance in the Pacific – increasing access, enhancing impact*” is just further acclamation of the tremendous drive we have seen in our region towards the inclusion of our many underserved and unbanked citizens. The fact that we Pacific Island states have our own Working Group in the global 87 member countries Alliance for Financial Inclusion (in fact we are the only region to do so) and that at least six of our central bank Governors have attended the last two annual meetings, speaks volumes of our combined and individual commitment towards changing the lives of our poorest. I am extremely proud to report that the Pacific is seen to be a leader on the world stage in a number of things we have been working on towards financial inclusion.

Financial inclusion – a global phenomenon

Ladies and Gentlemen, *financial inclusion* is now the buzz word on the agenda of many global fora. In the September 2009 Pittsburgh Summit, the G20 group of countries had financial inclusion as an important agenda item. In the subsequent Mexico Summit of June 2012, the G20 formed a Group Peer Learning Program on Financial Inclusion. The United Nations now has Her Majesty Queen Maxima of the Netherlands as their Special Advocate for Inclusive Finance for Development and she is also Honorary Patron for the G20 Global Partnerships for Financial Inclusion. The Alliance for Financial Inclusion held its latest annual Global Policy Forum in Malaysia in September. Major regional and donor organisations such as the OECD, CGAP, ADB, AUSAID and GIZ have been organising workshops and

discussions on financial inclusion and there have been inter-regional country meetings such as those in Africa and in Asia.

At the highest global levels, there is the clear recognition that deliberate financial inclusion measures and initiatives are essential if we are to reach the 2.5 billion people who do not have access to any form of financial services and products and who remain in poverty.

Regional coverage

In our own Pacific region, we have come to also recognise the importance of embracing financial inclusion.

In 2005, the United Nations Development Programme estimated that around 6.5 million Pacific Islanders and 80 percent of low income people¹ did not have access to formal financial services, making it one of the most neglected regions in the world in terms of banking services.

I am glad that the Microfinance Pasifika Network took on the advocacy role in the Pacific. In its vision statement, it says that “...*the Network shall be committed to improving quality of life through the provision of inclusive and sustainable micro financial services, such as savings, credit, remittances and payment services and insurance, to the economically disadvantaged...*”

However, I am also glad to say that our own central banks and authorities together with other committed stakeholders, have also taken on the baton

Theme of forum – importance of access and impact

Ladies and Gentlemen, our theme, “*Microfinance in the Pacific – increasing access, enhancing impact*”, brings a number of questions to mind. How do we reach the unbanked or those that do not have access to microfinance or any form of financial service and how do we make a difference to their lives?

Technological innovation

Such questions require the capacity to think outside the box. The problems and the difficulties are such that one cannot approach and derive a solvable position in many cases unless one takes a non traditional and non conventional approach to problem solving. This calls for innovative thinking.

Our problems in the Pacific are fairly similar. We are small island countries that are dispersed over a wide area of sea. Our economic growth rates are generally low, we do not have many resources nor do we have the large population mass (Papua New Guinea would be an exception of course). All our problems require us, as Pacific Islanders, to be innovative thinkers and to think beyond the traditional and conventional norms of doing things in order to succeed.

Embracing technological innovation is important for this advancement. In Fiji we have embraced the importance of adopting technological innovation to help us deliver financial services to the unbanked. We have noted an increase around the country in the number of bank agents, ATMs and the EFTPOS machines and whilst not all machine access points allow cash-in functions, the introduction of in-store or agent banking by commercial banks is beginning to see an increase in cash-in and cash-out points.

¹ UNDP www.undp.org/content/undp/en/.../pacific-islands-financial-services.

In 2007 there were an average of 7 ATMs per 1,000km² in Fiji and this had increased to 12 by 2012. Similarly, there were an average of 72 EFTPOS machines per 1,000km² in 2007 and this had increased to 208 in 2012.

The introduction of mobile network operators into the financial services and products space, through e-money transfers and bill payments, have further increased the outreach of financial inclusion. Embracing technology has enabled us to increase delivery channels to reach our people.

Affordability

Given our similar problems in small island economies and the limited resources, the services provided will only be meaningfully utilised, and our efforts successful, if these services are affordable to the unbanked. All accessibility will be useless if our people are not in a position to pay for these services. The use of technology has brought about cost effectiveness in the delivery of these financial services.

What does enhancing impact mean?

Ladies and Gentlemen, let me now turn to the “impact” aspect of our theme. This is very important and I am glad that this is in the theme of this forum because it emphasises the fundamental reasons why we are doing what we are doing in this area. All the financial inclusion interventions we are embarking on must translate into a measureable outcome that impacts and enhances the lives of our people. All our strategies and policies must, in the end, have a measurable impact on our own individual countries and our region. If this is not our ultimate aim, then all we are undertaking is just another program that has no real purpose.

Measurable impact should be realised in the disposable income of the citizens of our respective countries. An increase in disposable income can lead to increased savings, consumption and investments. This should have a positive effect on our economies. When we realise this impact, it would then have a flow on effect in our region.

Microfinance and financial inclusion are really still in their “early” days in our countries. The time from intervention to realising the full impact is yet to materialise on a wide scale, however, it is important to ensure that the benefits filter through. Having indicators linking the various phases to the ultimate benefits of individual disposable income and country income, is important and must be put in place. In Fiji we have only just started to document financial inclusion indicators to cover access and usage, but our goal must be to link the indicators to show the effects or impact on individual income and country income as a result of financial inclusion.

Progress in Fiji

Ladies and Gentlemen, I know there will be a special case study session on Financial Inclusion in Fiji on Thursday, where our recent experiences will be discussed in detail by the Chairpersons of the three National Taskforce working groups. However, it will be remiss of me if I did not at least give you a flavour of some of the important milestones in our journey so far.

In November 2009, following a meeting of all stakeholders when we agreed to establish the National Financial Inclusion Taskforce, we had set ourselves a quantifiable target of reaching 150,000 unbanked Fijians by the year 2014. At the time we felt this represented roughly a half of our underserved population and I am happy to say that we have now reached 93 percent of the initial target.

But this has not been our only focus over the past three and a half years. In collaboration with our stakeholders some of our other achievements and initiatives include:

- Getting the involvement of all stakeholders (ours is a model of team work with all wanting to participate);
- The establishment of a National Financial Inclusion Strategy;
- The completion of National Financial Competency Surveys;
- The development and establishment of a National Financial Literacy Strategy;
- The holding of Financial Inclusion Expositions to create awareness in remote parts of the country (we have completed 10 to date);
- The establishment of a set of Financial Inclusion Indicators to measure access and usage;
- Established policies around Consumer Protection to ensure transparency and fairness;
- The integration of the financial education (FinED) into the existing schools curriculum from Class 1 to Form 6 (year 1 to year 12);
- Establishment of Microfinance Units within each commercial bank branch;
- The development and implementation of micro insurance policies; and,
- The establishment of a policy framework for branchless (agent) banking
- We are also in the final phase of completing our mapping exercise of all financial service access points and coverage across Fiji.

In the first half of 2014, we will be seriously reviewing our goals with the intention of raising the bar a bit higher. We are committed and resolved to achieving bigger results in order to make the impact needed for all Fijians. We will continue to make financial inclusion visible through the varying levels of stakeholders from Government to the very people that are unbanked or underserved.

Ladies and Gentlemen, at the heart of all our enthusiasm for financial inclusion is the passion to bring our people out of poverty and provide them the hand-up to make something better of their lives and the lives of their families. It is not about free hand-outs, rather it is all about the desire to provide the necessary tools and access to enable the underserved to make their own way.

Maya declaration award

Some of you may be aware of the Maya Declaration Award that was recently presented to the Reserve Bank of Fiji at the 5th Alliance for Financial Inclusion (AFI) Global Policy Forum in Kuala Lumpur, Malaysia.

The Maya Declaration is the first global and measurable set of commitments by developing and emerging countries to unlock the economic and social potential of the 2.5 billion unbanked people that I had referred to earlier. More than 80 countries representing over 75 percent of the world's unbanked population have supported the declaration and Fiji is one of them.

This award given to Fiji simply confirms that, though we are small island nations, we can be voted ahead of the bigger nations because of what we believe in and how we set ourselves up to achieving our goals. I would just like to say that this award does not belong to the Reserve Bank, but to all the committed stakeholders, (those individuals, financial institutions, agencies, authorities, NGOs and donors) that we have working with us. We are a model of cooperation and this is why we are successful.

Concluding statement

To conclude Ladies and Gentlemen, financial inclusion is a key step in building the foundation of a prosperous nation. We have all recognised this and that is why we are here today. While we may be at different stages of development in this area, we all share what the ideal goal should be.

I am encouraged and excited about the program the organisers have put together for this Forum. I note the various innovations and initiatives that will be shared to foster financial inclusion in the Pacific. We even have choices in terms of which sessions to attend. In this Forum, we have the perfect platform to share, learn and affirm our commitment in advancing financial inclusion across the region.

I urge you all to ask the questions that will assist you in your drive to build on financial inclusion when you get back home. Make the necessary permanent contacts with your Pacific colleagues and other agencies, so that information sharing is always just a click away, at your fingertips.

But through all this, don't forget that you are in Fiji! Please take some personal time to enjoy what our country has to offer. We are known to be pretty friendly. Spend some money, preferably supporting some of our small and micro entrepreneurs!

Finally, I wish you all a safe and productive stay and a safe journey home when the time comes to say our goodbyes.

Vinaka vakalevu.