

## **Ellison Pidik: A milestone in Papua New Guinea's micro finance industry**

Speech by Mr Ellison Pidik, Assistant Governor for Financial System Stability of the Bank of Papua New Guinea, on behalf of Mr Loi Bakani, Governor of the Bank of Papua New Guinea, at the opening of Women's Micro Bank Limited, Port Moresby, 15 August 2014.

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### **Acknowledgements**

- Board of Directors
- Hon. Richard Maru, MP, Minister for Trade, Commerce and Industry.
- Management & Staff of Women's Micro Bank Ltd (WMBL)
- National Council of Women
- Other Women Groups of PNG
- Distinguish Guests
- Ladies and Gentlemen

### **1.0 Introduction**

Good Morning to you all.

I am representing the Governor of the Bank of PNG, Mr. Loi Bakani, to officiate at this event – the Official Opening Ceremony of the Women's Micro Bank Limited.

I wish to thank the Board and CEO of Women's Micro Bank Ltd (WMBL) for the invitation to officiate in today's event in what promises to be a historic milestone in PNG's micro finance industry, a women's only micro bank. Just recently in June this year I had the pleasure of accompanying the Governor of the Central Bank to officiate in the historic occasion of the presentation of the banking business licence to Women's Micro Bank. There are few important reasons for being here today partly to witness the results of the hard work of the Board, Management and Staff of WMBL, culminating in the opening of the new micro banking premises. This event is remarkable in a sense that WMBL has achieved a milestone of being the fifth (5th) deposit taking microfinance institution to be licensed by the Bank under the *Banks & Financial Institutions Act 2000 (BFIA)* and more importantly the first women's micro bank in PNG and the Pacific region. Women's Micro Bank will finally open its doors to the public especially our women folks for business and we commend you. We look forward to the difference this institution will have on the lives of many families through the financial services that you will make available to the women and mothers of this nation. The PNG Government stresses the need for development of the financial and banking sector to promote inclusive growth to achieve the objectives of Vision 2050. As an institution, you will now contribute towards achieving that vision.

### **2.0 Global movements in financial inclusion**

Everyone is talking about financial inclusion at the international level. It is a major agenda of development right across the globe with financial illiteracy as a serious hindrance to positive development. As far as the Bank is concerned, we have another reason to pursue financial inclusion. This is to address and improve the transmission process of our monetary policy to the real economy. This relates to the process where any change we make to monetary policy through a signalling interest rate or other means, its effects should translate down to the real economy, through business houses, consumers, institutions etc. One of the major reasons

for the transmission not working is because of the lack of financial services, due to fewer financial intermediaries and products.

It is important for PNG as a developing nation to have this transmission mechanism working right down to the rural communities to eradicate financial exclusion. PNG is a member of APEC and Financial Inclusion & Financial Literacy is one of APEC's key priorities, as demonstrated by the launch of the APEC Financial Inclusion Initiative in 2010. At the 2012 APEC Finance Ministerial Meeting, Finance Ministers of the APEC economies recognized financial literacy to be an essential skill for everyone in the 21st century and an important component of any economy's efforts that will effectively support economic and financial stability, inclusive development to improve individual and families wellbeing.

The Bank of PNG is in the forefront of promoting the financial inclusion agenda and is committed to several international initiatives such as the *Maya Declaration* and the *Money Pacific Advisory Group Goals*. The Money Pacific Goals emphasises the importance of financial education where all Central Banks in the Pacific, including PNG signed up to ensure all children receive financial education through the core curriculum by 2020. The Bank also made a commitment under the Maya Declaration in Malaysia in 2013 to achieve several goals by 2015, one of which is to increase financial services access to one (1) million more of the currently unbanked population in PNG, of which 50% of them will be women. I am pleased to announce that PNG is reaching around ½ million clients as I speak.

At this juncture, I would like to reiterate Governor Bakani's comments of WMBL spearheading the goal of reaching the 500,000 unbanked women in PNG before end 2015.

We only have 16 months to be able to achieve that target and we are confident that WMBL will provide further initiatives and services to achieve this goal.

### **3.0 Financial Inclusion and its relevance for PNG**

Ladies and gentlemen, as we know, PNG is characterized by rugged terrains, scattered islands and lacks basic infrastructures making government services including financial services unreachable for most parts of the country. Improving access to financial services remains one of the major developmental challenges in the country and a collaborative effort is needed to extend financial services to the unbanked majority. It is estimated that approximately 85 percent of the adult population is excluded from the formal financial sector and live a subsistence lifestyle well below global poverty line. Hence, financial inclusion initiatives are vital to enable the unbanked population to participate meaningfully in the monetized economy. We are confident that our efforts through financial inclusion will have reduced this unbanked ratio of population below 85 percent.

### **4.0 Challenges & achievements for the microfinance industry**

A major challenge for the microfinance industry and particularly the first four (4) licensed microfinance institutions is to ensure the institution is sustainable in short and long term whilst expanding branch network (outreach) into rural areas to reach the unbanked population. Meanwhile microfinance institutions are succumbed to the pitfalls of reliance on subsidies and other market distortions which should be avoided and self-reliance should be encouraged as a way forward for the growing industry.

On a positive note, let me highlight some achievements of the micro finance industry in PNG in the last few years since its inception which includes:

- The industry is reaching around 500,000 clients as I speak. This is a remarkable achievement,
- The industry continues to develop a range of client centered products and services suitable for the grassroots,

- The use of technology to extend financial services to the very remotest parts of the country through mobile phone banking,
- The introduction of micro insurance as part of its service delivery,
- The establishment of industry standards in line with the international best practices. This was non-existence before.

In your endeavour to grow this entity, there is a need for a result based professional approach for the future. Be forward looking, Women's Micro Bank is not here to only provide financial services but also ensure that the services make a positive impact or change in the lives of its clients. This includes both the change of life style and improving of living standards which is what is defined as the double bottom-line in microfinance, ***Sustainability and Impact***

## **5.0 Financial literacy and education**

I understand the parent entity, Women in Business has been conducting literacy programs for its members in the past. I encourage you to continue with this program and educate the womenfolks in financial matters to enable them to make informed decisions about their finances.

Also, the Bank has seen the need to educating our young generation to be financially competent citizens in PNG. To complement our efforts to instil savings culture of school children at an early age, the Bank went ahead and launched the ***“National Savings Campaign for Young Minds”*** and 13 financial institutions made commitment to design and introduce savings products for young minds. A joint Savings Campaign was launched together with the 13 institutions in NDC and Central Provinces followed by Schools in WNBPN to promote savings culture for young minds and the occasion was a success with a big turnout. In Kokopo, during the Financial Exposition 2014, many students from 14 Schools attended the training programs and visited booths in the Expo Village where financial institutions were displaying and demonstrating financial products. Many also opened bank accounts. Next week the Bank will roll out the National Young Minds Savings Campaign to 10 schools in Manus Province.

Before I conclude, Ladies and Gentlemen, I would like to once again congratulate Women's Micro Bank Limited for its achievement as a licenced Deposit Taking Microfinance Institution. On our part, the Central Bank would like to assure WMBL and the industry and all the stakeholders of its continued support in the development & supervision of the Microfinance Industry and look forward to working collaboratively with the market to increase access to financial services in the country. The Central Bank is out to create a strong stable financial system and encourage prudent behavior in the market. That is the way we can develop and deepen the financial market. We also would like to thank the staff and the management team at Women's Micro Bank Limited who have tirelessly worked hard, hand in hand with the Central Bank team in meeting the vigorous assessment requirements from the time of lodgement to its final approval stages towards a speedy licencing of the institution.

Finally it is my pleasure, On behalf of the Governor of the Central Bank, Mr. Loi M Bakani, to now declare the Women's Micro Bank Limited premises opened for business.

Thank you, Ladies and Gentlemen.