

Barry Whiteside: The importance of credit unions

Closing remarks by Mr Barry Whiteside, Governor of the Reserve Bank of Fiji, at the 7th Pacific Credit Union Technical Congress, Suva, 7 November 2014.

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Salutations

The Chairman of the Oceania Confederation of Credit Union Leagues,
The President of the Fiji Savings and Credit Union League,
Members of the Board of the Oceania Confederation of Credit Union Leagues,
My fellow Governor, Loi Bakani, Bank PNG
Distinguished Guests, Ladies and Gentlemen.
A very good afternoon to you all!

Introductory remarks

At the outset I thank the organizers for inviting me to deliver this closing address to your Congress. I am truly honoured.

I guess after four days of meetings, workshops and intense technical deliberations you must all be more than ready to let your hair down and just relax! Please allow me a little more of your time.

I note from the programme, that you have had an opportunity to delve into some very pertinent and relevant topics. This capacity building forum affirms the important relationship between appropriately resourcing your people and the quality of governance standards. I congratulate the organizers for combining an excellent agenda with distinguished and knowledgeable speakers and I am sure you have much to take away.

While I understand it has been a long week and I am standing between the Graduation and the exciting cultural event, I would like to take just a little of your time to make a few remarks as you chart the way forward for development, and growth.

Reassurance of the Importance of credit unions

Just like Prime Minister Bainimarama stated when he opened this Technical Congress, I echo his sentiments on the critical role that credit unions play.

As intermediaries you serve a broad base of members from all walks of life and income levels. The credit union movement continues to be a catalyst for greater financial inclusion. You encourage a savings culture and provide access to financial services and products for those who may face a number of barriers when dealing with financial institutions.

In Fiji, the large credit union membership accounts for approximately 5 percent of our labour force and this further confirms your importance in the financial system and economy.

The key challenge for credit unions – corporate governance failure and absence of internal controls

While we all agree on the importance of credit unions, tremendous constraints and challenges to your growth persist. These include poor corporate governance practices, ineffective regulatory oversight, archaic legislation, lack of internal controls and inadequate assessment and monitoring of risks. Again the Prime Minister provided you with a hard-

hitting message as to what could happen with poor governance, poor controls, and not the least, ineffective regulatory oversight.

I am sure that you would have deliberated on these subjects in your various technical sessions and fully understand the repercussions for not setting the appropriate platforms.

Ladies and gentlemen, we live in a time where transactions and products are becoming more complex, leaving institutions, both big and small, vulnerable to failure. Therefore, establishing proper safety nets is critical.

I urge participants, as you return to your respective countries, to continuously review and benchmark your operations against international principles and best practices. The World Council of Credit Unions and International Credit Union Principles on Governance, Operations and Safety and Soundness have much guidance to offer in these areas, as do your facilitators.

The importance of innovation

Let me touch a little on innovation, something which is very important if credit unions are to remain relevant and competitive in today's dynamic environment. I encourage participants to put on your innovative thinking caps. Observe the products and services offered by credit unions in other economies and identify those that could be tailored in yours to increase your coverage.

For instance, technology now drives the efficient and economical delivery of financial services and interaction with customers. Credit unions may wish to explore the use of Digital Finance to facilitate transactions with members, particularly those in remote areas.

Also, inward remittances from our families overseas are a significant foreign exchange earner; in Fiji remittances are the number two foreign exchange earner after Tourism and we received in excess of \$339 million last year and are expecting more than \$370 million this year – which will be a new record. You may wish to explore the feasibility of creating remittance-linked products for your members – as currently practiced in Kenya and Latin America, in partnership with the World Council of Credit Unions.

The Reserve Bank of Fiji's experience – support for credit unions

Ladies and gentlemen, I firmly believe that in order for credit unions to compete and grow in a progressive and modern financial system, the support and guidance of the central bank is critical. Therefore, before I conclude, I wish to share a few of our partnership initiatives in a bid to develop this important industry.

In March this year we undertook a survey covering 21 credit unions with assets totalling \$125.1 million. This allowed us to understand the structure and coverage of credit unions and will help us in developing an appropriate regulatory framework. Ministerial approval has been sought for the Reserve Bank to supervise Fiji's credit unions and we envisage that this will develop them into prudentially sound entities.

We have also sought technical assistance from the International Monetary Fund to review the Fiji Credit Union Act. This will establish the requisite governance and policy framework. We are hoping that this engagement will take place soon and we will work closely with all credit union stakeholders in drafting a modern legislation.

Furthermore, a 10-year Financial Sector Development Plan for Fiji is currently being drafted by the Reserve Bank after wide consultation. I am pleased to announce that the Plan contains strategies aimed at removing barriers to development and growing non-bank financial institutions, which includes credit unions. The Plan will be implemented from 2015.

In 2015, the Reserve Bank in partnership with the Government and relevant stakeholders will formulate a new Financial Inclusion Strategy for Fiji. Credit Unions will be consulted and will

play an important role in this agenda given your role in providing access to affordable financial products and services for Fijians.

This is an exciting time for the Pacific as we establish closer economic relations and have seen positive growth for consecutive periods. The Reserve Bank believes that this is a crucial time for our financial sector stakeholders to support the real sector in this journey. Therefore, we are committed to strengthening our collaboration with credit unions and we encourage our regional counterparts to consider the same.

Conclusion

Ladies and gentlemen, I trust that everyone has had an enjoyable and fruitful Congress. I hope that your interaction does not end here and encourage you to forge close domestic and regional collaboration amongst yourselves and with government ministries and regulators, to accelerate growth.

I hope those of you who are visiting Fiji have had a wonderful stay and that our hospitality will always be something to remember. We may be known as the “Flying Fijians” in the rugby arena, but we pride ourselves in being the “Friendly Fijians” as well! In fact our Tourism slogan is “Fiji, Where Happiness Finds You!”

In closing, I wish you all a safe trip back home. I also wish you all the success in your credit union developments and hope to see you all back in Fiji in the near future.

Vinaka Vakalevu.