



BANK OF PAPUA NEW GUINEA

**SPEECH
ON THE OPENING OF NATIONWIDE MICROBANK LIMITED (NMB) NEW
BRANCH AT WAIGANI CENTRAL AND 10 YEARS ANNIVERSARY
CELEBRATION**

9TH DECEMBER 2014

**MR. LOI M BAKANI
GOVERNOR
BANK OF PAPUA NEW GUINEA**

Acknowledgements

- Mr. Ray Clark, Chairman of Nationwide Microbank Limited (NMB)
- Mr. Tony Westaway, Managing Director, NMB
- Board Members of NMB
- Other VIPs
- Staff of NMB; and,
- Ladies and Gentlemen.

Introduction

I'm honored to be here at this occasion of the Opening of Nationwide Microbank's new branch facility here at Waigani Central to coincide with the 10 years Anniversary of NMB in Papua New Guinea.

10 years ago, in the gold rich township of Wau in Morobe Province, Nationwide Microbank, then known as Wau Microbank, began its life in April 2004, when the Bank of PNG gave a Certificate of Exemption to operate as a micro bank institution in accordance with the Microbank Pilot Scheme Project Proposal submitted to the Bank in August 2003. This was the beginning of an extraordinary growth of microfinance activities in Papua New Guinea.

The success of the project, now Nationwide Microbank or MiBank, can be attributed to;

- IBBM, as the implementing agency for the project;
- ADB, AusAid and PNG Government for financial grants;
- Treasury, Finance and Planning Departments which are also part of the current Microfinance Steering Committee team; and,
- the Bank of PNG, which was the executing agency, of which I was the Chairman of Microfinance Steering Committee.

On the 29 of April 2008, the name Wau Microbank was changed to Nationwide Microbank Limited (NMB), and the Bank issued a full banking license to operate as a microbank under the *Banks and Finance Companies Act 2000*. Moving its head office from Lae, Morobe Province to the PNG Institute of Banking and Business Management (IBBM) here in Port Moresby, the micro bank has now 12 branches across the country, providing innovative products and services to suit the rural and grassroots population in the country.

NMB's Vision

NMB's vision is 'to be the most innovative micro bank in PNG and the Pacific region' and 'to enable access to banking services for the unbanked and small businesses'.

Operating by its vision, BPNG has been made aware of and approved some of your innovative products and services under the MiBank label such as MiLoan, MiCash, MiPei, MiLife, Mifx and I wonder what other *Mi-product* is on the horizon.

The unbanked people in the rural communities, SME and middle class communities to whom you operate have in already grasped your product innovations and with some more financial inclusion and financial literacy efforts, more people will come to realize the important of your products and services. These innovations will compete very well with the main stream banks given the fundamental knowledge of banking have been properly embedded within the minds of our people, both in the rural and urban communities.

The Bank is aware of your plans to move from Passbook driven liability products to transaction based mobile/electronic products. This is what we are talking about, providing innovative products to the small people, which you have delivered to rural communities in PNG.

Microfinance Institutions Developments

Ladies and gentlemen, experiences in other countries indicated that microfinance institutions have proven to be the vehicle of change in the lives of millions of rural communities, as it adopts innovative delivery channels and products to provide affordable and accessible banking services to the people.

Over the last 10 years, the Bank has licensed 5 microfinance institutions in the country, three of which were licensed in the last three years as a result of the Government's vision to promote wealth creation in the rural communities where more than 85 percent of our population live with a view to reducing poverty and achieving inclusive economic growth in the long run.

The microfinance institutions have a challenging market to operate in, a market which has been neglected by the main stream banks for a very long time, but a market if provided the right attention and product innovations, can be very rewarding and profitable.

I applaud the Microfinance Steering Committee, who took a bold stand 10 years ago to enter into this riskier market. I, as the Chairman of the Microfinance Steering Committee, then, and who represented BPNG as the Executing Agency when the project started, am pleased with how far NMB has grown to become one of the most innovative and leading Micro banks in Papua New Guinea and the Pacific.

The challenge now is to have as many people in the rural communities, middle class and SMEs to participate in the banking activities at the micro level. For this to be possible, again financial literacy and financial inclusive program is very critical to impart banking knowledge to the majority of the population.

BPNG's role in Financial Inclusion & Financial Literacy

The Government devised its Vision 2050 policy to promote wealth creation with a view to reducing poverty and achieving inclusive economic growth in the long run. This pillar of government policy is consistent with the objective of BPNG as specified under the Central Banking Act (CBA) to promote economic growth in PNG. In this regard, the Central Bank developed its strategic plan for 2012 to 2015 and prioritized financial inclusion as one of its key objectives to pursue.

The Central Bank has a strong focus on financial inclusion, spreading access to financial services and the knowledge of the benefits of savings and obtaining SME and micro loans as capital funds for small business activities to generate income so to reduce poverty and achieve inclusive economic growth.

The Bank acknowledges NMB's efforts in the last 10 years in bringing banking facilities and financial literacy programs to the unbanked population in the country. Through NMB, most of the unbanked population have now been brought to the monetised economy and people's lives, both in rural and urban communities have changed forever through your innovations. This shows that what we started, as a project 10 years ago have lived up to its expectation.

The Bank also acknowledges NMBs support in the financial expositions that are being hosted by BPNG and I am sure that you will continue to be a partner with us in this initiative going forward. More financial literacy awareness and education are needed to be provided to the communities to address the issues of financial incompetence. Various mediums can be utilized including financial exposition, CEFI, radio, TV, and others.

Challenges for Micro banks in PNG

Ladies and gentlemen, in my other role as prudential regulator of our financial system, I have seen a generic challenge being faced by all micro banks operating within the country.

There have not been any form of reliable capital support being provided from the existing shareholders and raising additional capital from potential shareholders has been difficult. This is because micro banks are by majority owned by the government and its institutions and ongoing shareholders capital support commitments is an issue. Further, most potential investors are reluctant to inject their funds in the business because they are of the view that doing business in the micro lending market and in rural communities is a very risky business.

With not much capital to generate adequate profits to meet expenditures and to grow its capital base, the Bank noted that most microfinance institutions are in breach of prudential capital and Provisions requirement of BPNG. The breaches in capital ratios are a result of increases in loans (or risk-weighted-assets) given a stable or declining capital levels. In addition, when loans are not repaid for longer periods of time, micro banks have to make provisions for possible write-offs. This negatively impacts on the profitability of these smaller microfinancial institutions and therefore capital levels.

However, Ladies and gentlemen, micro banks should take this challenge more positively. They should find ways to provide innovative products that can be fully accepted by customers whilst improving earning opportunities at the same time. Microbanks should now enter the growing middle class and SME market to sustain its operations and I am aware that NMB has strategized to enter this market going forward. On this note, I want to strongly emphasize to customers that when you borrow, you are obligated by agreements which you signed to repay those loans.

Relocation of Branch from Garden City to Waigani Central

One of the key issues which the Bank of PNG and Centre for Excellence in Financial Inclusion would like to achieve going forward is the accessibility of the products and services to consumers, the bulk of whom are in the rural areas. We are encouraging financial institutions to design strategies and innovative ways to bring their products and services closer to the consumer.

The relocation and opening of the Waigani Central Branch is testament to the points which I have just elaborated on. In this case, Waigani Central is the centre of Port Moresby City where most of the customer can easily have access to this facility. With the large car park facilities, and accessibility to PMV stops, offices and business houses, I am pretty sure that the relocation of Port Moresby Branch at Garden City to Waigani Central is a strategy one, which will see increases in customers.

Conclusion

In conclusion, I congratulate Nationwide Microbank on the opening of the Waigani Central Branch on the occasion to celebrate the 10 years Anniversary of NMB.

Ladies and gentlemen, thank you for listening.