



**SPEECH  
BY  
MR. LOI BAKANI, GOVERNOR – BANK OF PNG  
AT THE  
LAUNCH OF THE FINANCIAL INCLUSION EXPO 2014  
GAZELLE INTERNATIONAL HOTEL,  
KOKOPO, EAST NEW BRITAIN PROVINCE**

**Introduction/acknowledgements**

- Hon. Mr. Eremas ToBaining Jr, Governor for East New Britain Province,
- Hon. Mr. Painap, Deputy Governor, ENB Provincial Government,
- Mrs Elizabeth Malori, Deputy Provincial Administrator and President, ENB
- Provincial Government Representatives
- Heads of financial institutions in the Province
- Invited Guests

Thank you for accepting our invitation to attend and witness the launch of the Financial Inclusion Expo (The Expo) 2014 here in Kokopo (16<sup>th</sup> July 2014 until Sunday 20<sup>th</sup> July). Let me first of all thank the Warwagira and Mask Festival Show Committee for allowing the Bank to host the 3<sup>rd</sup> Financial Inclusion Expo at the Festival.

It is always very pleasing to have the support of all the heads of the respective institutions, as we are all key players in this movement of getting these financial services to our unfortunate people in PNG.

We all share the same view, the same thinking and the same heart and that should be the main driver behind what we are doing. Thank you for your support in this whole process of reducing the 85% of the unbanked population to a much lower level as we work towards achieving the Vision 2050 medium term objectives and the Informal Economy policy objectives.

We have got all the policies in place and now it is important that somebody sits in the driver's seat and steers us all the way. I certainly hope the Bank of PNG is doing the driving properly since 2010 and you all as passengers' in this PMV we can all ride through all the different terrains of PNG providing access to our people accessing financial services.

Ladies and gentlemen, before I highlight the importance of Financial Access and Financial Competencies, let me touch base on financial inclusion movements at a global level and its relevance in the lives of our people in PNG.

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## **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 a monetary policy in place we call the 'transmission process' where there is a change to policy or signalling rate etc. It should translate down to the real economy of business houses, people selling on street corners, trade store owners, schools, aid posts, subsistence farmers, hospitals etc. One of the major reasons for the transmission not working and people could not feel or see it is because of the lack of financial services.

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 and 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 Bank 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.

## **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.

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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. It further states that the MTDP is to be implemented under an environment where the financial sector is responsive to the demands of the private sector. This is further supported by the Informal Economy Policy which deals with broader issue of inclusive growth, of which financial inclusion is identified as one of the key priorities of this Policy.

### **Centre for Excellence in financial inclusion (CEFI)**

In view of the low level of financial services access in rural areas and the need to create competent financial service users, the Centre for Excellence in Financial Inclusion (CEFI) was created and launched by the Prime Minister in April 2013 and endorsed by NEC as the apex organisation to coordinate financial inclusion initiatives in PNG. CEFI will bring stakeholders together through strategic partnership and coordinate implementation of the National Financial Inclusion & Financial Literacy Strategy 2014 - 2015.

### **National Financial Inclusion and Financial Literacy Strategy 2014-2015**

The National Financial Inclusion and Financial Literacy Strategy was developed to implement the financial inclusion arm of the National Informal Economy Policy. It aims to achieve PNG's aspirations to increase financial service access while enabling competent financial users who are protected as consumers.

The National Financial Inclusion and Financial Literacy Strategy 2014-2015 aims to, among other stipulated actions for 2014 and 2015, promote the use of technology and agent network to increase financial services access in the country as well as working closely with the Department of Education to introduce universal financial education for the next generation of Papua New Guineans – the youth. Similarly, the National Financial Inclusion and Financial Literacy Strategy 2014-2015 will strengthen our work with key Government Departments, Provincial and Local level Government to support the shared agenda of providing access to financial services and financial education for the informal economy.

This Strategy provides a set of seven concrete and pragmatic objectives to advance financial inclusion for individuals, households and MSMEs, and formed the basis of PNG's commitment to the G20-backed Maya Declaration made at the Alliance for Financial Inclusion's Policy Forum in September 2013 in Kuala Lumpur, Malaysia.

The seven key intervention areas include the following:

- i. To reach 1 million more unbanked low-income people in Papua New Guinea, 50% of whom will be women, and micro and small enterprises, with a diverse range of financial services;
- ii. To lead efforts to create a financially competent generation of Papua New Guineans through financial education and youth-focused financial products and financial literacy;

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- iii. To actively support innovative use of technology for scaling-up access to financial services and financial literacy;
  - iv. To strengthen consumer protection by issuing prudential guidelines and creating a platform for various national regulators and industry networks to monitor consumer protection;
  - v. To begin the process of integrating financial inclusion in local and national government;
  - vi. To promote regular collection and use of financial access data to inform policy making and help identify key dimensions of financial inclusion in Papua New Guinea; and
  - vii. To optimize these results through knowledge sharing and effective coordination of stakeholders, including development partners, by CEFI chaired.

To optimize these results, we need to work through knowledge sharing and effective coordination of stakeholders and government involvement at all levels of government. In this regard, the Working Group on Financial Inclusion Strategy implementation has been conducting awareness workshops with provincial and local level government, starting with the Madang Provincial Government and today we concluded a one day workshop with members of the ENB Provincial Government, members of local level government and representatives from the financial institutions based in the province. The purpose of these workshops is to raise awareness on the Strategy and to identify opportunities and challenges relevant for ENB Province.

### **Major initiatives undertaken to increase financial services access and financial competency**

The Bank of PNG and its partners are undertaking some interventions including the development of microfinance, promoting mobile and electronic banking, the national payments system, financial literacy programs, micro insurance and other private sector initiatives on financial inclusion which are also aimed at increasing financial services access and increase competency of financial users

#### **1. One such initiative is the Microfinance Sector Development**

It is widely common in the region that due to the limited number of financial service providers a mismatch exist between the demand and supply of financial services where wider segments of the community are financially excluded. Formal financial services are often out of reach because of the difficulties faced by mainstream financial institutions in reaching the hard to reach areas. The Bank of PNG encourages the establishment of microfinance and savings & loan societies as well as other financial institutions in strategic geographical locations that can reach out to this segment of the population, while tailoring appropriate financial products for the lower end of the population to ensure the objective of accessibility and market penetration can be achieved while making enough profit to sustain their operation.

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Over the last 5 years since 2008, Microbanks and its branches increased to five (5) authorised Microfinance institutions that also seen a 5.2% increase in the number of microbank branches from 17 to 27 and agents from 68 to 771 representing a 202% growth. ENB Province alone has the second highest number of financial institutions after National Capital District. These are remarkable achievements and I encourage the people to take advantage of this services.

## **2. Microfinance Expansion Project**

Bank of Papua New Guinea is also executing a Microfinance Expansion Project (MEP) to build on from the experience and lessons learnt from the first phase and support further development of microfinance sector in PNG. Some outcomes expected from this project includes (1) review of the microfinance regulatory framework for supervision of MFIs which is currently ongoing, (2) Financial literacy to strengthen capacity of clients and potential clients to use microfinance services which has seeing the development of 6 modules so far and (3) Improving technical capacity for partner financial institutions, (4) Risk Share facility for access to finance by small and micro enterprises (SMEs).

## **3. Electronic and Mobile Banking**

The improvement in mobile technologies proved an effective channel to ease barriers to access to financial services by the majority of the unbanked. In view of this, Bank of PNG continues to maintain an enabling policy and regulatory environment for introduction of innovative models of financial services delivery compared to the conventional brick and mortar delivery channel. New delivery channels such as banking remotely via satellite using the smart card technology, banking through networks or retail agents or performing banking transactions via a mobile phone handset has been encouraged to ensure bulk of Papua New Guineans living in remote isolated villages have access to basic banking services. Some notable developments in this area include:-

- Digicels CellMoni;
- Westpac in-store banking;
- BSP wantokmoney and BSP Rural Banking services using wireless EFTPOS
- ANZ's GoMoney
- Post PNG's Mobile SMK
- Nationwide Microbank's MiCash.
- Balance checking with Teachers and Nasfund S&L.

The Expo this week is intended to showcase some of this new technological developments and I encourage people in the province to enquire and/or sign up for these services at the Expo.

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#### **4. Financial literacy and Education**

The Bank sees the need for educating our young generation to be financially competent citizens in PNG. In view of this, the Bank, as part of the National Financial Inclusion & Financial Literacy Strategy is liaising with the Department of Education to introduce financial education into the school curriculum from primary and secondary schools to nurture a savings culture at the early age and to teach our children how to make informed financial decisions.

#### **5. National Savings campaign for young minds**

To complement our efforts to instil savings culture of school children at an early age, the Bank launched the National Savings Campaign for young Minds and 13 financial institutions made commitment to design and introduce savings products for young minds. These institutions launched a joint Savings Campaign in some schools in National Capital District and Central Provinces followed by Schools in West New Britain Province to promote a savings culture for young minds. The theme of the Expo *“Save now to make your dream come true”* was to emphasis the Bank's effort to introduce savings behaviour among the young minds in PNG.

#### **7. Legislative Reforms**

The Bank and its partners are making necessary legislative reforms with a view to create an enabling environment for increased financial services penetration. These reforms include:

- The Amendments to the Savings & Loan Societies Act that will provide more leeway to savings & loan societies to make sound investment advice and lending decisions based on cash flow and security. The Act will remove the common bond restrictions for S&Ls to extend membership to include other members in the communities.
- The National Payments Act (new) is aimed to improve the clearing process and general payment system in the country.
- Personal Properties Security Act (new) is aimed to ensure individuals can register their personal or moveable assets in a Central Registry and use that as security to obtain loan.
- Superannuation Act (amended) to include voluntary contributors from ordinary people.

#### **8. Other Financial Inclusion Initiatives/projects**

- Financial Competencies Survey (completed)
- Financial Dairies Project (completed)
- Financial Capabilities Survey (in progress)
- Financial Services Sector Assessment (in progress)

Outcome of these projects will be critical for policy makers to make appropriate policies for financial services access and financial competencies while financial

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institutions can use these reports to design appropriate products to meet the low income populations.

## **9. Financial Inclusion Expositions**

The annual Expositions are intended to create awareness of new developments in the finance and banking sector especially innovative financial delivery channels as well as financial literacy to enhance financial inclusion in PNG. The high level of participation in the last two stand alone Expos 8,000 in 2012 (Lae) and 17,000 in 2013 (Port Moresby) indicates that there is a need for awareness on financial services and I hope the Kokopo Expo 2014, the first of its kind to be held in conjunction with a popular provincial event plus it has 3 events, beginning with a workshop, a exposition in a festival and a school children's program, which will be even better and add value for the people of ENB Province.

## **Conclusion**

Ladies and gentlemen, while implementing the National Financial Inclusion Strategy 2014 - 2015 with the objective of increasing financial services access to one million target by 2015 through the use of the latest technology and agency network available we need to have a competent population to use these services while at the same time protecting the customers from abuse. These are challenges that require collaboration and partnership among the different stakeholders. In this respect, I encourage all financial institutions, government departments, provincial and local level governments, telecommunication companies, media organisations, training providers, donor agencies, churches and NGO groups, and others to work together to ensure financial services access and financial competency is achieved in the near future.

We hope to complement the efforts of those promoting financial inclusion by providing the avenue where most providers and users of financial services for the first time can meet in an informal environment and learn about these financial products and services as well as attending financial literacy and educational programs. I am sure lots of interesting products and services including cutting edge technological solutions will be on display and promoted during this five days exposition and encourage the general public to take advantage of the opportunity.

On this juncture, I wish to thank all participating institutions, our sponsors, key stakeholders, development partners and donor agencies who have contributed to hosting of this year's Financial Expo.

May you all have a successful five day Expo and enjoy the Warwagira and Mask Festival 2014.

Thank you and God Bless.