



BANK OF PAPUA NEW GUINEA

**SPEECH
ON THE OPENING OF NATIONWIDE MICROBANK LIMITED (NMB) NEW
BRANCH AT KOKOPO, EAST NEW BRITAIN PROVINCE**

9TH MARCH 2018

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Acknowledgements

- Mr. Allan Marlin, Acting Chairman of Nationwide Microbank Limited (NMB);
- Mr. Tony Westaway, Managing Director, NMB;
- Board Members of NMB;
- Minister for Commerce & Industry, Honourable Wera Mori;
- Delegate of the Minister, Mr. Michael Mel;
- Other VIPs and invited guest from ENB;
- 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 in Kokopo, East New Britain Province. The last time I was invited by NMB to open a branch facility was in December 2014 when I opened NMB's Central Waigani branch in Port Moresby. I remember the opening of that branch in 2014 also coincided with 10 years of NMB's operations in Papua New Guinea.

Beginning of Microbank in PNG

Ladies and gentlemen, 14 years ago, in the gold rich township of Wau and Bulolo in Morobe Province, Nationwide Microbank, then known as Wau Microbank, began its life in April 2004, when the Bank of Papua New Guinea gave a Certificate of Exemption to operate as a micro bank institution in accordance with the Microfinance Pilot Project 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 pilot project, now operating as Nationwide Microbank or MiBank as it is known today, can be attributed to;

- IBBM, as the implementing agency for the project;
- ADB, AusAid and PNG Government for financial grants and support;
- Treasury, Finance and Planning Departments who are also part of the Microfinance Steering Committee team; and,

- The Bank of Papua New Guinea, who was the executing agency, of which I served as the Chairman of the Microfinance Steering Committee.

On the 29 of April 2008, the Central Bank withdrew the Certificate of Exemption issued in April 2004 and subsequently issued a full banking license to operate as a microbank under the *Banks and Finance Companies Act 2000*. The name Wau Microbank was also changed to Nationwide Microbank Limited (NMB).

Relocating its head office from Lae, Morobe Province to the PNG Institute of Banking and Business Management (IBBM) in Port Moresby, the Central Bank has granted approval to 13 NMB's branches and Services Centres right across the country, including the Kokopo Branch. NMB is currently providing innovative products and services to suit the rural and grassroots population in the country.

Microfinance activities were established on the recommendation of an ADB report in year 2000 as a means to alleviating poverty by providing credit facilities to small enterprises, farmers and rural grassroots population to enhance and improve their standard of living. Today, the Central Bank has licensed 5 Microfinance Institutions in PNG.

NMB's Products and Services

NMB's vision is to be 'A trusted banking institution, with strong commercial focus, that delivers innovative and affordable financial services, to meet the needs of its customers'

Operating by its vision, the Central Bank has been made aware of and has no objection to some of your innovative products and services under the MiBank label such as MiLoan, MiCash, MiPei, MiLife, MiFix, MiCash and I wonder what other *Mi-product* is on the horizon for the people of PNG.

Micro insurance is one of the newest product offerings that is adding on to the variety in product offerings by micro finance institutions and promoting inclusive growth.

The niche markets to whom you operate have already grasped your innovative products and with your current financial inclusion and literacy program, targeting Churches, NGOs and Women Groups, more people will come to realize the importance 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.

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 14 years, the Central Bank has licensed 5 microfinance institutions in the country, two of which were licensed in the last four 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. To achieve the Government's vision, our rural people needed to be financially included and The Microfinance Steering Committee envisaged the establishment of microfinance institutions as the vehicle to drive this initiative.

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, supported by appropriate financial literacy programs, can be very rewarding and profitable.

I applaud the Microfinance Steering Committee, who took a bold stand 14 years ago to develop a platform to enter into this riskier niche market. I, as the Chairman of the Microfinance Steering Committee, then, and who represented the Central Bank 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 2016 to 2020 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 National Development Bank and Bank South Pacific are two of the mainstream financial institutions that have been in the forefront of financial inclusion with their SME and micro product offerings, complementing the work of Savings and Loan Societies and the Micorfinance Institutions.

The Bank acknowledges NMB's efforts in the last 14 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 14 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.

The Bank promotes innovation that supports efficiency in delivery of products and services and the introduction of the KATS system and now work has commenced on a National Switch are examples of this. I also just this week launched Digital Commerce to promote efficiency in doing business and whilst these innovations into information technology are expensive, the benefits are also enormous.

The Bank will also be rolling out standards and guidance on Consumer Protection to protect depositors.

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 have been difficult. This is because micro banks are majority owned by the government and its institutions and ongoing shareholders capital support commitments is an issue, although the Government's Vision 2050 speaks differently. 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 Central Bank noted that some microfinance institutions are

in breach of prudential capital and Provisions requirement of BPNG and the Bank continues to work with these institutions to bring them into full compliance.

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 to improve capital. 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.

Opening of the Kokopo Branch

One of the key issues which the Central Bank 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 opening of the Kokopo Branch is testament to the points which I have just elaborated on. In this case, East New Britain continues to the province with the highest number of financial institutions representation outside of NCD and Kokopo is the economic hub on the NGI region where most of the customer in the NGI provinces can easily have access to this facility. I am pretty sure that this branch is a strategy one, which will see increases in customers. The people of East New Britain are entrepreneurs and the establishment of this one financial institution gives them another choice. Also, the unfortunate burning down of NMB's Kimbe branch in recent weeks will ensure this establishment adequately serves the banking need of the NGI people.

Conclusion

In conclusion, I congratulate Nationwide Microbank on the opening of its Kokopo Branch today.

Ladies and gentlemen, thank you for listening.