

**Presentation to
Pacific Microfinance Week 2009**

**AN ANATOMY OF MICROFINANCE
IN FIJI**

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IN MAKING THIS GATHERING POSSIBLE



Significance of Microfinance And The Grameen Model

Microfinance has...

- **Played an important role in economic development**
- **Empowered the underprivileged**
- **Helped improve the lives of people**
- **Contributed significantly to:**
 - **tackling poverty**
 - **improving housing, health & sanitation for the less fortunate**
 - **better access to education**
 - **empowerment & participation of women in social & economic activities**

Microfinance is...

- **More than just provision of credit**
- **Intertwined with:**
 - **ACCESS AND PROVISION OF CREDIT**
 - **BASIC BANKING SERVICES**
 - **PROVISION OF BANKING SERVICES**
 - **FINANCIAL LITERACY**

Grameen Bank Model...

- **Seminal work on microfinance done in Bangladesh**
- **Countries have adopted the Bangladesh Grameen bank model**
- **I actually attempted to get Dr. Muhammad Yunus to be the keynote speaker**
- **Bangladesh saw an astronomical growth in microcredit over the last three decades**
- **From a loan of US\$27 to 42 people in 1976 to more than US\$4 billion to 2.8 million borrowers in 2003**
- **The recovery rate in Bangladesh is 99 percent**

Why can't we achieve similar levels of success?

Grameen Bank Principles...

Principles and beliefs of the Grameen Bank:

- **Institutions create poverty and not the poor**
- **Poverty cannot be eradicated by charity**
- **No difference in the ability of the poor person**
- **Understanding the needs of the poor & designing credit delivery system accordingly**
- **Trust and firm belief that poor people will pay-back**
- **Lending to women brings greater benefit and maximises the use of limited resources**

Grameen philosophy centered on the theme of promoting credit as a human right

Grameen Philosophy...

- **centered on the theme of promoting credit as a human right**
- **combined with action on the ground has delivered Grameen bank where it is today**
- **fine words and intentions are not enough until and unless they are transformed into action**

**We will need to action the findings of this
Microfinance Week**

Microfinance: Fiji's Experience

1993:

- **First initiative by the Ministry of Women, Social Welfare and Poverty Alleviation**

Early 1990s:

- **The RBF started taking interest**

1996:

- **RBF conducted national survey on microfinance with technical assistance from the UN ESCAP**
- **Around the same time, the RBF, in collaboration with the UNDP, organized a national conference on microfinance**

Fiji's Experience: NMFU Established...

1999:

- **The outcomes of the microfinance conference led to establishment of the National Microfinance Unit (NMFU)**
- **The NMFU was to conduct pilot-projects on the best methods and means for promoting micro-credit lending.**
- **NMFU however ventured into retail microfinance operations**
- **Resulted in significant problems for NMFU & led Government to review its effectiveness**

Fiji's Experience: Neglect by NMFU...

- **A World Bank study in 2003 noted that**

“the National Microfinance Unit neglected systemic issues in favour of a pre-occupation with short-term operational objectives”

- **This was due to exclusive emphasis on micro-credit and ignoring issues such as: savings, capacity building and creation of an enabling environment**
- **Consequently, the individual lending programme of the NMFU was discontinued**

2004:

- **the Government merged the NMFU with the National Centre for Small and Medium Enterprises (NCSMED)**

Fiji's Experience: NCSMED is born...

Statistics from NCSMED on microfinance reveal that:

- **savings clients rose from 12,500 in 2004 to 24,000 by Q1, 2009 – a 93% growth**
- **total savings of around \$1 million**
- **total lending was around \$7 million by end of Q1 2009**
- **grants provided by the NCSMED amounted to \$7.1 million**
- **improvements in loan repayment from 62% in 2000 to 95% in 2008;**
- **200 new MF businesses in 2008 compared to 46 in 2004.**
- **the Centre also provides training and capacity building programmes to its clients on a regular basis**

Fiji's Experience: Success Story #1

- **Let me share 2 success stories from the work done by NCSMED:**
- 1. **Mrs. Siliva Nasaga – from Viria, Naitasiri**
 - **always had an interest in flowers**
 - **motivated her to leave paid hotel work and focus on the farm with her husband**
 - **2004 – Mrs. Nasaga secured a stall at the Garden City in Suva**
 - **she started off with no capital**
 - **2005 – Mrs. Nasaga and her husband joined MF program in and secured 3 loans from FCOSS MF Unit**
 - **2008 - They were rewarded with the Fiji Sun sponsored 2nd Category of the FDB Small Business Awards**

Fiji's Experience: Success Story #2

2. **Mr. Sanjay Chand – successful vegetable and poultry producer in Saru Lautoka**
 - **Mr. Chand joined MF initiative in July 2008 and received Business Skills Training by NCSMED**
 - **Mr. Chand was able to prepare detailed financial projections and business plan**
 - **This enabled him to obtain a loan from FDB to buy stock of seeds, essential supplies and a horse**
 - **Mr. Chand expanded into many types of vegetable farming and looking into commercial peanut farming**
 - **2008 - Received the FDB Small Business Awards sponsored by RBF**

Fiji's Experience: ANZ & Rural Banking

ANZ Rural Banking Scheme

- **ANZ took this great initiative in 2004 with help from UNDP**
- **To date, ANZ has face to face relationship with over 300 communities and 200 schools**
- **In just under 4 years, deposits have grown to over \$9m with more than 70,000 rural customers**
- **Total lending has reached over \$2m**
- **Currently covers Suva, Nausori, Sigatoka, Ba, Labasa, Savusavu, Taveuni and Kadavu.**
- **Acknowledge the contribution of UNDP in the success of the ANZ Rural banking scheme**

What are some Challenges?

- **Deficiency of data on microfinance**
 - a key challenge for most of us
 - what types of MF operators exists, their locations, types of businesses covered, annual turnovers, etc.
- **Delivery of low-cost and efficient microfinance services**
 - transaction costs for microfinance delivery is high
- **Financial literacy**
 - need to improve outreach of banking and microfinance services to the remote areas
- **Lack of good proposals for microfinance projects**
 - a key inhibiting factor to accessing finance

Role of the Reserve Bank of Fiji

- **Determined to see microfinance and rural banking develop**
- **Will work with commercial banks to introduce rural banking services**
- **Will champion promotion and development of microfinance Fiji-wide**
- **Will work closely with NCSMED and UNDP Pacific Centre**
- **Will work on reviewing and tailoring the regulatory framework to provide further impetus for growth of MF services**
- **Have taken more active role in formulating financial strategies and policies**

Role of the Reserve Bank of Fiji

- **RBF has set up a new Department called Financial Systems Development and Compliance Group (FSDC)**
- **Has requested all commercial banks in Fiji to set up MF centres in each of their branches by January 2010**
- **Other areas of policy development RBF is focusing on are:**
 - **Local value added content requirement for the tourism industry;**
 - **Financial literacy; and**
 - **Local advisory board for branches of foreign banks.**

Conclusion

- **We can change the lives of the unbankable and less fortunate if we are determined**
- **They can be a significant contributor to economic development given proper systems, structures and policies**
- **In Fiji's case, more development and promotion of MF is needed particularly in the remote areas**
- **Significant contributions by various developmental agencies including NGOs and individuals are very encouraging**
- **Government's commitment in developing microfinance is critical**
- **The RBF is determined to see Fiji-wide promotion of microfinance as reflected in recent policy announcements**

Conclusion

- **I would like to end with the seminal quote by Prof Yunus –**
- **“EACH OF YOU HAS THE POWER TO CHANGE THE WORLD – REALISE IT AND ACT ON IT!”**
- **I AM POSITIVE, THAT WE WILL ALL ACT ON THE LESSONS THAT WE WILL LEARN FROM THIS MICROFINANCE WEEK, FOR THE BETTERMENT OF THE PEOPLE IN OUR COMMUNITIES.**



THANK YOU