



# Port Moresby Chamber of Commerce & Industry “ A Business Perspective “

---

*Presentation to Mobile Banking Seminar  
Lamana Hotel , Port Moresby  
Papua New Guinea  
21st-22<sup>nd</sup> October 2008*

*David A. Conn , OL , MBE , FMPNGID  
Chief Executive Officer , Port Moresby Chamber of Commerce & Industry*



# introduction

---

*“ The need to continue with the privatisation of State-run services of power , telecommunication , harbours and others is imperative to achieve operational productivity and financial efficiency . This should result in greater reliability , lower cost , and , eventually , competition between two or more operators in each industry . This by itself is a necessary condition for operating in the highly competitive global environment of the twenty first century “*

*(“Money and Banking in Papua New Guinea , 2<sup>nd</sup> Ed , 2007 )*

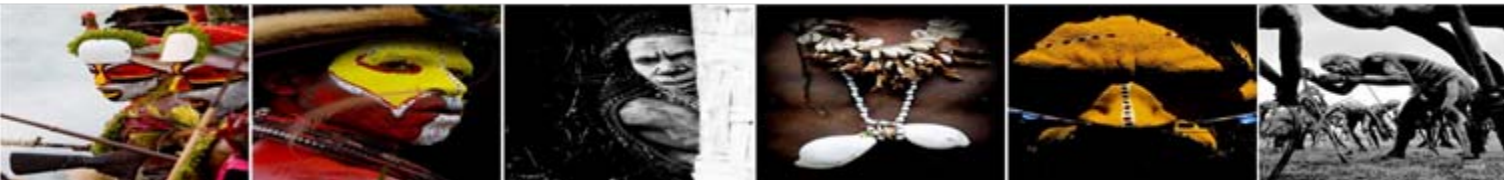


# Empowering the majority

---

*“ Papua New Guinea must undertake a structural adjustment and reform programme to enhance the income-generating activities of its rural population. The very stable and comfortable macroeconomic conditions prevailing in the past three years [give the country a second chance to embark on a programme of sustainable long-term economic growth] “*

*(“Money and Banking in Papua New Guinea , 2<sup>nd</sup> Ed , 2007 )*



# Why the Need for Innovation in Sector ?

---

*Papua New Guinea's financial sector plays a key role in people's lives as they save for major expenses such as education, health or retirement or as they strive to expand their incomes and businesses. More generally a sound financial sector is an essential foundation for a market economy, such as PNG, to prosper in good times and overcome bad times.*



# Problem

---

- *“ The financial markets of the Pacific are underdeveloped and do not provide support for the private sector “*

*(Swimming Against the Tide , ADB , 2004 )*



# Transactions-old & new

---

- *Barter trading and traditional currencies (mainly shell monies ) are a traditional part of the PNG economy .*
- *However , the majority of people now use cash as the main form of payment in settling their transactions*



# Access to Banking

---

- **Bank South Pacific** –around 40 branches (less one )
- 53% of deposits , 48% of lending , 52 ATMs
- **ANZ** - around nine branches
- 30% of deposits , 32% of lending , 13 ATMs
- **Westpac** – around 15 branches
- 15% of deposits , 19% of lending , 19 ATMs
- **Maybank** – two branches
- 1% of deposits , 1 % of lending , 2 ATMs



# Access to Banking

---

- **21 Savings and Loans Societies** , mainly linked to groups of employees , or regionally based .
- **10 Licensed Financial Institutions** ,including credit providers , providing limited deposit facilities such as term deposits and some microfinance institutions
- **Some very small microfinance groups** not presently covered by a regulator
- **PNG Government's National Development Bank**, not licensed deposit –taker , lending to rural and regional borrowers from government provided credit





# product information

---

- **Improving regulation and restructuring financial institutions in banking and superannuation restored soundness to much of the financial sector and its capacity to increase financial services across PNG.**
  - **More information about financial institutions and products is available to savers and investors in the financial sector**
  - **This helps them make sound choices about where to save and invest.**
  - **New entrants such as the Nafund Contributors Savings and Loans Society, established by NASFUND, and PNG Microfinance Ltd, established by PNG Sustainable Development Program Limited, are examples of legitimate competition to increase the range of options open to savers.**



# *Higher deposits means ...*

---

**Deposits in the banking institutions have grown in recent years as the state of the economy has improved, with a rise in the level of deposits from 23% of GDP in deposit accounts in 2003 to a current level over 35% . However, this level remains below that of other Pacific countries such as Fiji, Samoa and Vanuatu.**



# More lending ?

---

- **Large increase in lending attributable to growth in the economy and more stable macro policy conditions**
- **Deposits growing more rapidly means there is a capacity for lending to increase more rapidly ?**
- **The ratio of domestic credit ( i.e. provided by the financial sector) to GDP has been around 22 to 24 per cent of GDP in recent years.**
- **Other Pacific countries such as Fiji and Vanuatu have ratios almost double that of PNG**
- **New Zealand and Australia have ratios twice as high again !**



# *Bank margins*

---

- Margins between lending rates and rates paid for savings and term deposits ?
- Lower, but still major point of contention
- Suggest there is plenty of scope to improve performance of financial sector
- Introduce greater competition in savings and loans products
- Conditions are good for business but need to be more conducive for new entrants and for business expansion



# *Vehicle for competition*

---

**Competition within the PNG financial sector for savings , brought on by mechanisms such as mobile banking , can occur among the banks savings and loan societies, and those licensed financial institutions such as microfinance groups that take deposits. Can also occur among the above group and the super funds and the securities markets for those savers who can access such other forms of licensed financial services.**

*The question is how do they access ?*



# *Case study -equity bank, kenya*

---

- **Commercial banking services to remote communities**
- **Financial services provided at village satellite centres- mobile banking units attached to existing branches**
- **Serve each area once or twice a week on market days**
- **Same financial services as in normal branches, such as deposits ,savings , transfers ,remittance processing and loans**
- **Reduces congestion and increases bank penetration**
- **Same rate for transactions plus small fee for mobile access**
- **Solar power to run computerized transaction processing system linked to home branch via GPS and satellite**

# *Equity bank -the results*

---

- **More than 120 villages covered by mobile units**
- **Units service over 40,000 new customers , half are women**
- **Average transaction time is 3 minutes compared to 10 mins**
- **Mobile business is profitable**
- **Other commercial banks are responding to this new competitive environment**
- **Branch closures are less common**
- **Banks focus heavily on mobile communications to enable transactions**

# *Mobile communications*

---

- **Mobile communications boost economic and social development**
- **Access to communications for underserved areas**
- **Social Impacts eg rural to urban migration**
- **Productivity -allow businesses to develop and prosper through provision of timely information and communications on the move**
- **In a Deloitte study in 6 countries mobile telephony made a positive impact on economic welfare , increased GDP , generated employment opportunities in communications and wider economy**
- **MNO's were among largest contributors to tax receipts**
- **MNO's contributed between 3.7% and 6.2% of GDP in 2007**



# *Productivity increases*

---

## **Reduce transaction costs**

- **Contactability and more time spent on job**
- **Facilitate mobile banking - reduces the need to “meet in person” to conduct business eg Digi Malaysia and Citigroup money transfer service via airtime empowering people by giving them banking access even if they have no bank account , overseas remittances for Bangladeshi’s or even pay for a carpark in Serbia !**

# *impact of mobiles*

## *on productivity*

---

- Malaysia -in 3 years 3bn MYR to 8.2MYR
- Ukraine - in 5 years 1mil UAH to 7.5mil UAH
- Thailand -in 4 years 23bn THB to 63bn THB
- Bangladesh-in 4 years 37 mil BDT to 70 mil BDT
- Serbia - in 2 years 24 bn DIN to 32bn DIN
- Pakistan -in 4 years 50,000 m Rs to 140,000 m Rs

**DON'T STAND IN LINE ,**

**USE YOUR PHONE !**

## ○ REFERENCES

- 
- Bank of Papua New Guinea 2007, *Money and Banking in Papua New Guinea*, Bank of Papua New Guinea, Port Moresby.
  - Chand, S 2002, .Financial sector development and economic growth in Pacific island countries., *Pacific Economic Bulletin*, vol 17, no. 2.
  - Chand, S 2007, .Governance for growth: Priorities for a reform-minded Papua New Guinea government., *Pacific Economic Bulletin* , vol 22, no. 1.
  - Faal, E 2006, .Growth and Productivity in Papua New Guinea., IMF working paper number, WP/06/113, Washington DC.
  - Holden, P, Bale, M and Holden, S 2004, *Swimming Against the tide? An assessment of the Private Sector in the Pacific*, Asian Development Bank, Manila.
  - IMF 2004, Country Report No. 04/356, .Papua New Guinea: Selected Issues and Statistical Appendix., International Monetary Fund, Washington DC.
  - IMF, *International Financial Statistics, Yearbook 2006*, Washington DC.
  - The Financial Sector in Papua New Guinea- a good case of reform , P.Biggs
  - Kavanamur, D, Yala, C and Clements, Q editors 2003, *Building a Nation in Papua New Guinea, views of the post.independence generation*, Pandanus Books, Australian National University, Canberra.
  - PNG 2007 National Budget, Volume I, Economic and Development Policies, [www.treasury.gov.pg](http://www.treasury.gov.pg).
  - Wilson Kamit, Governor, Bank of Papua New Guinea 2006, *Monetary and Financial Sector Reforms in Papua New Guinea*, a presentation at the Australian National University Economic and Policy Update Port Moresby.
  - Economic Impact of Mobile Communications in Serbia ,Ukraine , Malaysia, Thailand , Bangladesh and Pakistan (Deloitte Report for Telenor ASA, 2008