

PRESENTATION OF THE PORTFOLIOS OF LOW INCOME HOUSEHOLDS IN PAPUA NEW GUINEA

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The 23,000 transactions records collected during the comprehensive 22 weeks Financial Diaries Project jointly carried out by the Pacific Financial Inclusion Programme (PFIP), the Bank of Papua New Guinea and Microfinance Opportunities (MFO) will have potential implications for financial service providers and policy makers to expand access and deepen usage of financial services in Papua New Guinea (PNG).

Stakeholders driving financial inclusion in PNG gathered over two days this week to discuss the implications of the Diaries findings for achieving the National Financial Inclusion target of 1 million by end of 2015.

The study highlighted that over 74% of informal financial transactions are within the family network, so there is potential to migrate these cash based transactions to an electronic platform. In addition, there is huge potential for expanding access to formal credit products as all the borrowing were through informal channels with 50% being store credit and transactions carried out predominantly by women closer to their dwelling, as they lent and borrowed money twice as often as men.



33% of the respondents received a direct deposit in their bank accounts and 92% of the withdrawals were at a bank branch while a small percentage used ATM's or agent networks. The bank accounts were used primarily for receipt of income rather than cash flow management or safe custody highlighting the poor usage. The poor usage is a result of the high transaction costs, as overall respondents travelled 14kms and in Kimbe they travelled up to 20kms to withdraw an average value of 250 kina (US 100).

Interestingly, distances travelled to effect account withdrawals are greater than distances travelled to effect household purchases, and on an aggregate, 50% of the total volume of expenditures flows through a formal place of business like a trade store, supermarket or commercial store. So this indicates the potential to bring the financial services closer to the clients by expanding the point of agent networks to trade stores or supermarkets.

Another key finding is that men tend to undertake larger transactions both cash inflows and outflows, and have a broader spatial distribution of transactions than women who tend to transact closer to the dwelling handling smaller sums of money. This suggests significant room for gender sensitive products targeted to the smaller value and more localized transactions performed by women.

UNDP Resident Representative in PNG, Mr. David McLachlan-Karr said, 'expanding the access to financial products and services can happen only on the foundation of an enabling financial infrastructure that brings appropriate products closer and at a lower cost to the low income clients'.

Deputy Governor Mr. Benny Popoitai said, 'The challenge for BPNG and representatives from other Government Departments and, Ministries is to ask ourselves what we can all do collectively to create an inclusive environment. An environment which empowers consumers and those from low income households to have access to affordable and appropriate financial services and products: and, in having such access, being further able to make informed financial decisions and choices'.



Senior Financial Capacity Advisor for PFIP, Mr. Jeff Liew said it is critical to create an enabling environment for financial service providers to expand access and deepen usage without compromising on client protection and financial literacy.

The two day workshops were facilitated by Ramanathan Subramanian, the project lead from PFIP and Dr. Jonathan Sibley, Microfinance Opportunities lead consultant with the support of Robyn Robertson, Senior Technical Advisor Financial Capability Development from MFO.

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For further information about the various outputs and findings from the project, please contact Ramanathan Subramanian at Ramanathan.subramanian@uncdf.org