



Financial Inclusion in Fiji: Impacts and Opportunities

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Agenda

1. Introduction to the concept of Financial Inclusion
2. Focus on Microfinance
3. Presentation of Impacts of microfinance
4. Discussion of their significance for Fiji
5. Determine what Opportunities they Indicate



The Evolution of Inclusive Finance

INCLUSIVE FINANCE

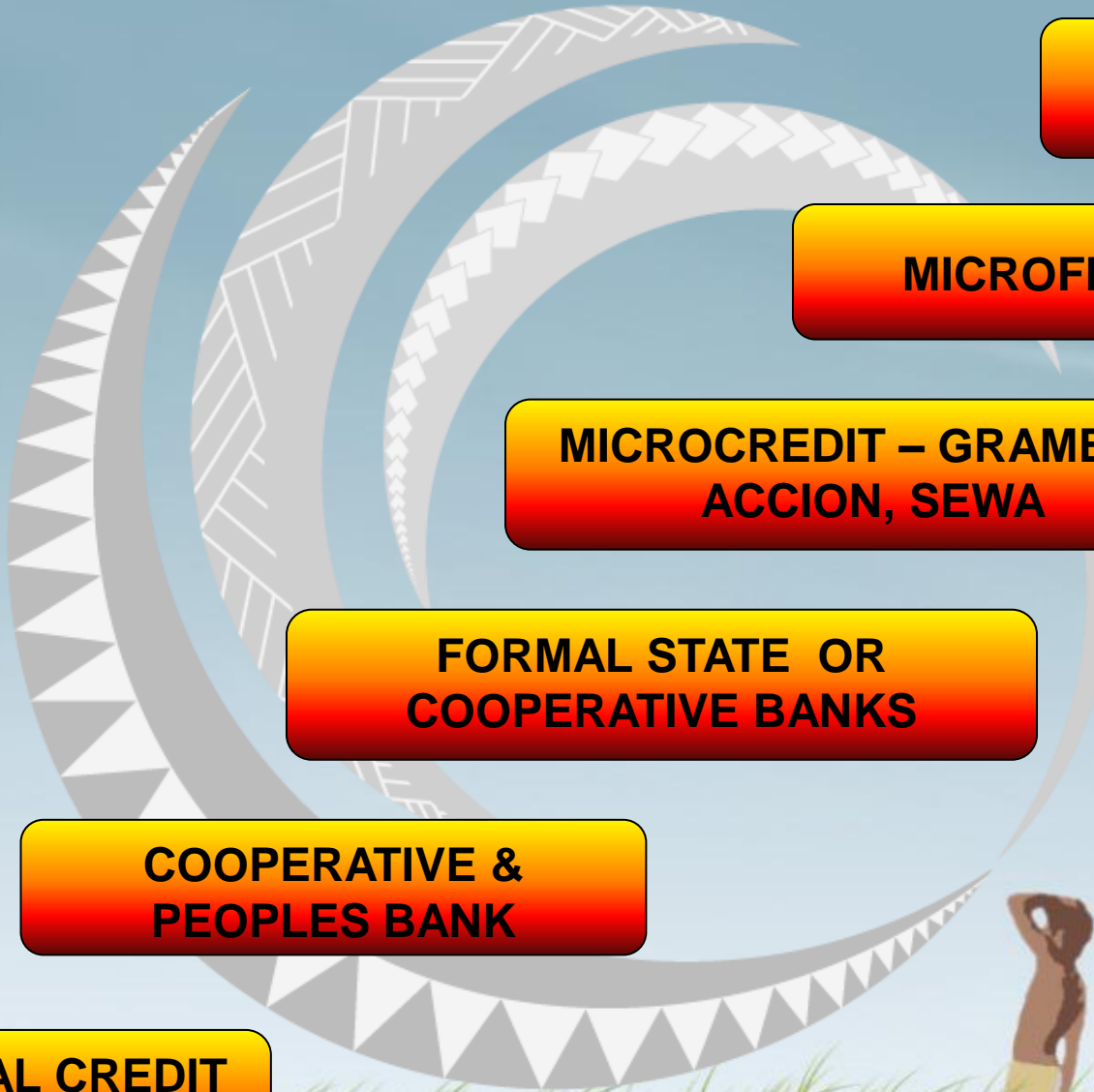
MICROFINANCE

**MICROCREDIT – GRAMEEN,
ACCION, SEWA**

**FORMAL STATE OR
COOPERATIVE BANKS**

**COOPERATIVE &
PEOPLES BANK**

**INFORMAL CREDIT
& SAVINGS**



The Ecosystem of Inclusive Finance



The Praise & the Glory

Lessons from microfinance

The benevolent middlemen



[New RBF unit draws applause](#)

[KENYA: "Merry-go-round" micro-finance keeps slum residents fed](#)



[Women enjoy micro-finance gains](#)

[PEACE PRIZE TO PIONEER OF LOANS TO POOR
NO BANK WOULD TOUCH](#)

‘Microfinance saved my family’



[TINY LOANS HAVE BIG IMPACT ON POOR](#)



When Things Fall Apart

Banks Making Big Profits From Tiny Loans

The New York Times
Expect the World®

Perhaps microfinance isn't such a big deal after all



The battle for the soul of microfinance



The miracle of microfinance?

**Does Microcredit Really
Help Poor People?**



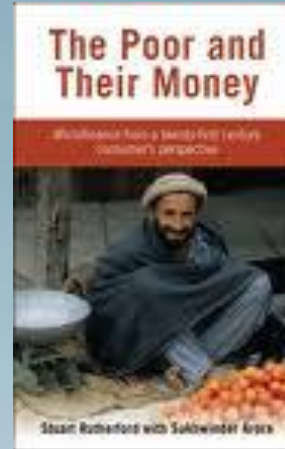
Stories vs. Statistics in Microfinance



Contemporary Influential Studies in the Field


Reference	Pros	Cons
Dupas and Robinson (2008)	<ul style="list-style-type: none">•increases in investment and increased daily expenditures for women	<ul style="list-style-type: none">•no measurable impact for men
Karlan and Zinman (2008)	<ul style="list-style-type: none">•more likely to keep their jobs•incomes significantly higher•less likely to experience hunger• more positive outlook on the Future	<ul style="list-style-type: none">•more depression and stress
Karlan and Zinman (2009)	<ul style="list-style-type: none">•substitution away from labor and into education	<ul style="list-style-type: none">•less investment in the targeted business•No subjective improvement in wellbeing•higher returns to capital for men
Banerjee, Duflo, Glennerster, and Kinnan (2009)	<ul style="list-style-type: none">•featured more new business openings•higher purchases of durable goods•higher profits in existing businesses	<ul style="list-style-type: none">•no impact on health, education, or women's outcomes

Changing Directions



DARYL COLLINS
JONATHAN MORDUCH
STUART RUTHERFORD
ORLANDA RUTHVEN

PORTFOLIOS OF THE POOR

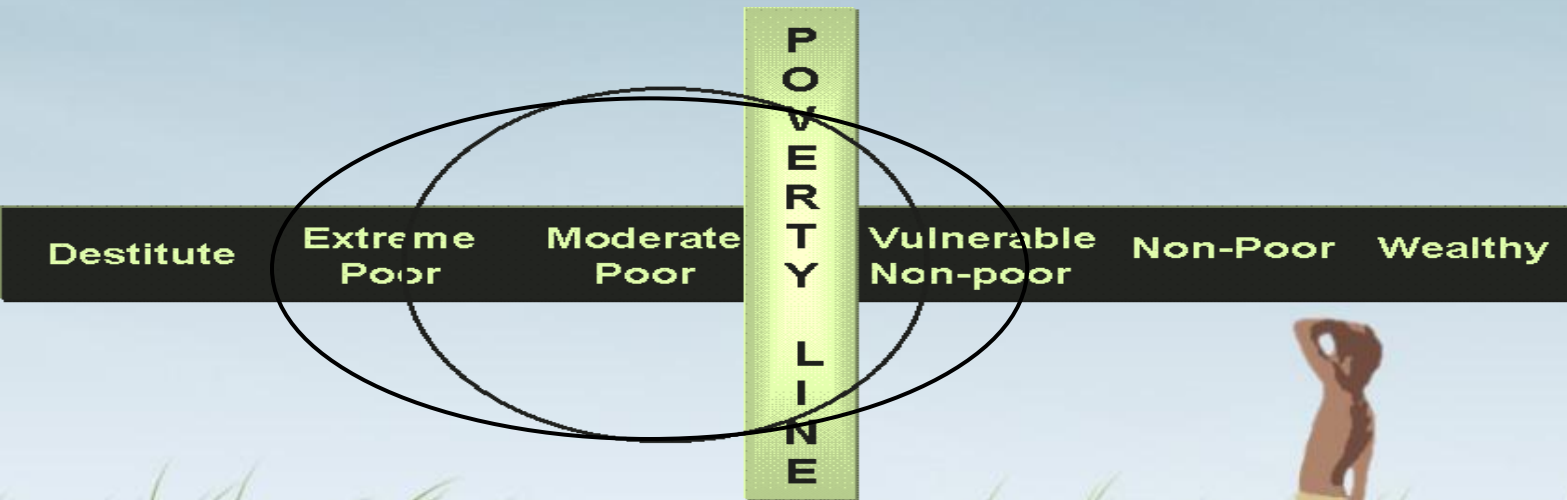


*How the World's Poor
Live on \$2 a Day*

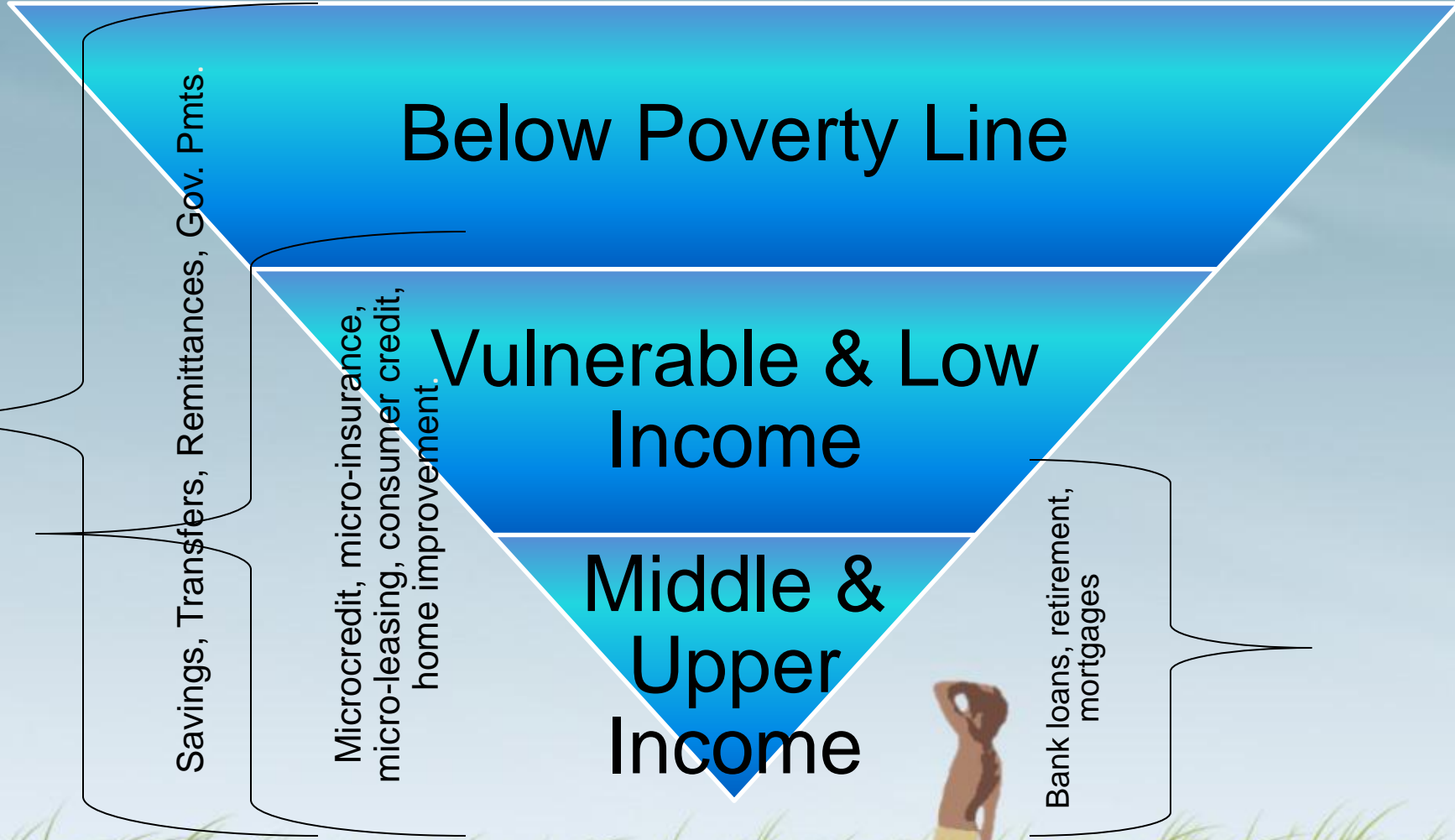


Microfinance & Poverty Reduction

- Microfinance serves those that live around the poverty line
- Destitute and very poor need other social safety nets & protection
- Poor people use microfinance for:
 - Smoothing consumption
 - Deal with emergencies (sickness, natural hazards)
 - Accumulate useful lump sums to seize opportunities (plus business)
 - Pay for large expenses (education, h/h assets, funeral, weddings)



Appropriate Products



Financial Inclusion in the Pacific

	GNI Per Cap (USD)	Pop.	MFI's Active?	% of Pop. Unbanked	Population Unbanked	% with Mobile Coverage
Fiji	\$4320	849,000	<ul style="list-style-type: none"> • FCOSS • West • North 	61%	517,890	95%
PNG	\$1860	6,732,000	<ul style="list-style-type: none"> • Nationwide • PML 	92%	6,193,440	85%
Solomon Islands	\$2280	523,000	None.	85%	444,550	10%
Vanuatu	\$3480	240,000	<ul style="list-style-type: none"> • VANWODS • NBV 	80%	192,000	85%
Samoa	\$4500	179,000	<ul style="list-style-type: none"> • SPBD 	81%	144,990	95%



Fijian Microfinance Products

Micro Savings

- Negative interest rates
- Fees
- Poor Access

Micro Credit

- High Interest Rates
- No Product Selection
- Poor Access

Micro Insurance

- No Product Selection
- Poor Access
- Distribution/Collection

Money Transfers

- Expensive (3-24% of value)
- Low Innovation

Microfinance Opportunities in Fiji

- Untapped demand for savings, remittances, and credit
- Commercial banks with new mandate to enter sector
- High number of service points throughout country
- Good mobile network operators (MNO) penetration and interest in financial services
- Financial education efforts of multiple players
- Increased donor commitment and funding available for new approaches



Four Areas to Focus on in Fiji

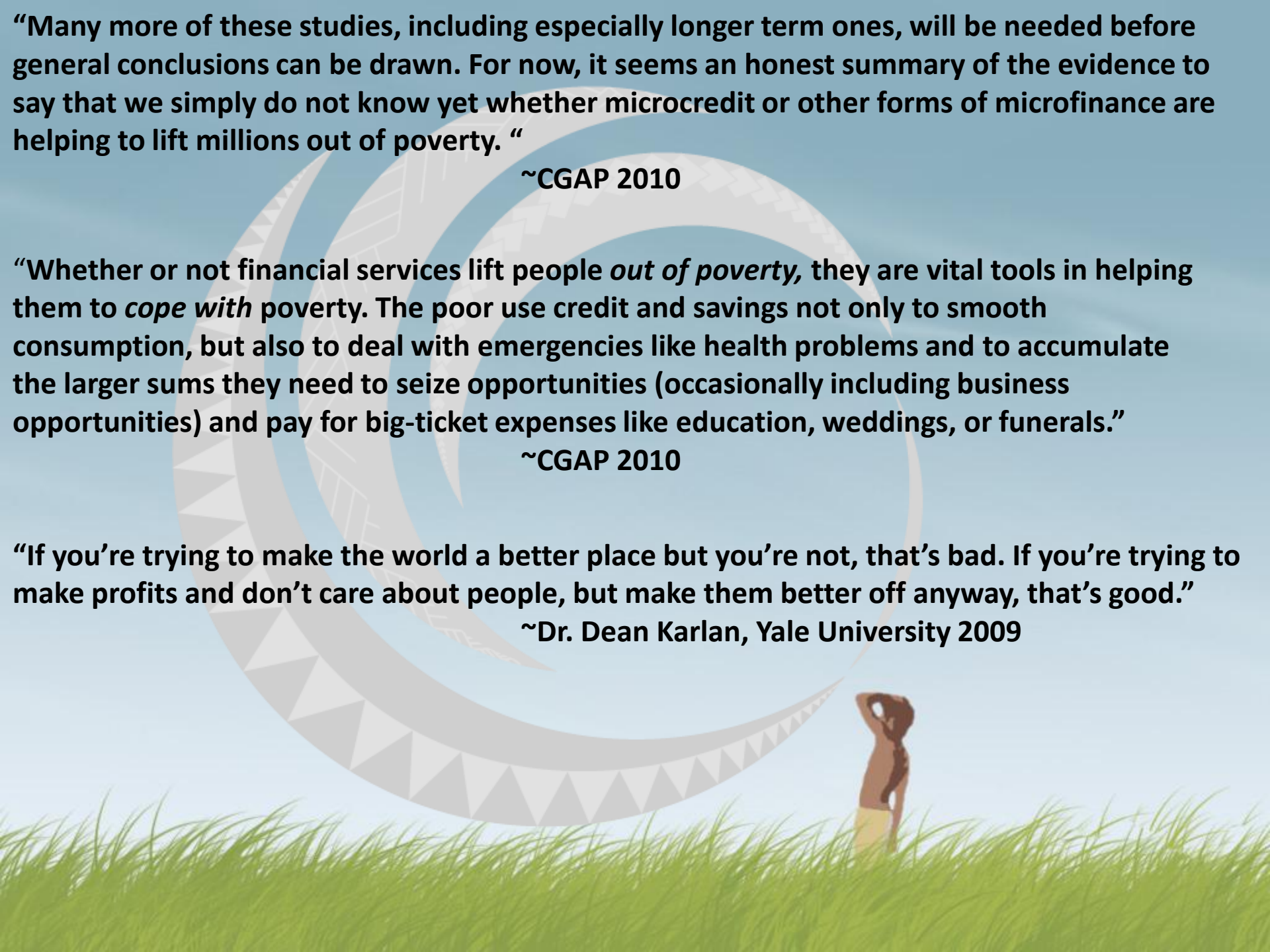
1. Innovative Distribution Networks (Agents, MNOs)
2. New and Diverse Products (microinsurance)
3. Leveraging Traditional Systems
4. Financial education



Key Principles for Microfinance

1. **Microfinance means building financial systems that serve the poor.**
2. **Microfinance is a powerful instrument against poverty.**
3. **Microfinance is about building permanent local financial institutions.**
4. **Microfinance can pay for itself, and must do so, if it is to reach large numbers of poor people.**
5. **The poor need a variety of financial services not just loans. Microcredit is not always the answer.**
7. **Transparency and outreach are of critical importance.**
8. **The key bottleneck is the shortage of strong institutions and managers.**



A person is standing in a field of tall green grass, looking up at a large, stylized circular graphic. The graphic consists of several concentric rings with various geometric patterns, including triangles and lines, in shades of blue, white, and grey. The background is a light blue sky.

“Many more of these studies, including especially longer term ones, will be needed before general conclusions can be drawn. For now, it seems an honest summary of the evidence to say that we simply do not know yet whether microcredit or other forms of microfinance are helping to lift millions out of poverty. “

~CGAP 2010

“Whether or not financial services lift people *out of poverty*, they are vital tools in helping them to *cope with* poverty. The poor use credit and savings not only to smooth consumption, but also to deal with emergencies like health problems and to accumulate the larger sums they need to seize opportunities (occasionally including business opportunities) and pay for big-ticket expenses like education, weddings, or funerals.”

~CGAP 2010

“If you’re trying to make the world a better place but you’re not, that’s bad. If you’re trying to make profits and don’t care about people, but make them better off anyway, that’s good.”

~Dr. Dean Karlan, Yale University 2009

Further Reading

- [Banerjee, Abhijit, Esther Duflo, Rachael Glennerster, and Cynthia Kinnan. 2009. "The miracle of microfinance? Evidence from a randomized evaluation." Abdul Latif Jameel Poverty Action Lab Working Paper.](#)
- [Bauchet, Jonathan, and Aparna Dalal. 2009. "Randomized experiments in microfinance." *Microfinance Insights* \(12\).](#)
- [Goldberg, Nathanael, and Dean Karlan. 2006. "The impact of microfinance: A review of methodological issues."](#)
- [Goldberg, Nathanael, and Dean Karlan. 2008. "Impact of credit: How to measure impact, and improve operations too."](#)
- [Goldberg, Nathanael, Dean Karlan, and Jonathan Zinman. 2008. "Randomized trials for strategic innovation in retail finance."](#)
- [Karlan, Dean, and Jonathan Zinman. 2007. "Expanding credit access: Improving microfinance operations and measuring performance with credit scoring." BASIS Brief \(November\).](#)
- [Karlan, Dean, and Jonathan Zinman. 2009. "Expanding microenterprise credit access: Using randomized supply decisions to estimate the impacts in Manila." Financial Access Initiative and Innovations in Innovations for Poverty Action Working Paper.](#)
- [Morduch, Jonathan, and David Roodman. 2009. "The impact of microcredit on the poor in Bangladesh: Revisiting the evidence." Financial Access Initiative and Center for Global Development Working Paper.](#)

