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The microfinance industry is growing rapidly in some of the most remote and poorest regions of Papua New Guinea (PNG). The Centre for Excellence in Financial Inclusion (CEFI), an independent entity, is assisting the Government of Papua New Guinea to implement its National Financial Inclusion and Financial Literacy Strategy by coordinating all initiatives in PNG related to financial inclusion. These include encouraging innovations in financial products and service delivery, establishing forums for information exchange on financial inclusion, and promoting the economic empowerment of women in financial inclusion initiatives. The Bank of PNG confirms it has licensed five microbanks in the country since 2004, which was not the case before.

Rewind to 15 years ago, less than 15% of PNG’s widely-dispersed population of about 6 million had access to financial services of any kind. As formal sector jobs were few, the only income-earning opportunities for most of the population came from smallholder agriculture, micro and small enterprises, and many parts of the country were using the barter system for transactions. Lack of access to financial services was a strong factor inhibiting the growth of the micro and small enterprise sector.

The Asian Development Bank (ADB) was instrumental in establishing the microfinance industry in the country with the first microfinance project in 2002. In late 2010, following a request from the Government of Papua New Guinea, ADB and the Government of Australia announced a new cofinanced project to help further expand access to financial services in rural communities. The $24.9 million PNG Microfinance Expansion Project was born and is now building on the experiences and lessons from the 2002 Microfinance and Employment Project.

1 Microfinance and Employment Project, cofinanced by the governments of Australia and Papua New Guinea.
The PNG Microfinance Expansion Project works at micro, meso, and macro levels to ensure that the previously unbanked potential can access needed financial services and will have the financial capability to do so. The project supports a large-scale financial literacy training program which will deliver financial education to more than 130,000 people in some of the most remote and inaccessible areas of PNG by 2018. It also provides technical assistance to support partner financial institutions in their endeavors in rolling out suitable financial services training. The project also encourages lending to micro and small enterprises through a risk-sharing facility and supports the Bank of PNG to have appropriate regulatory and supervisory frameworks in place.

By the end of 2015, the project had delivered financial education training to more than 90,000 people nationwide through partnerships with regional nongovernment organizations, microbanks, or faith-based organizations. Of this, almost 50% were women, 31,850 of whom ended up opening bank accounts. The project is currently working with 11 partner financial institutions to build their capacity, expand their footprint, and deliver financial services to a predominantly rural population. Some major achievements of the project to date include the establishment of the CEFI
in 2013, the provision of assistance to microfinance institutions to enable them to access the national credit bureau, the establishment of the risk share facility, and the first women’s microbank in 2014, and in 2015, the establishment of microfinance industry standards, the introduction of PNG’s first women-only lending product, and the opening of a Mibank mobile banking agent in Tsak Valley, Enga province for the benefit of the 30,000 inhabitants who never had access to a bank before.

This booklet features the stories of PNG’s people whose lives have been transformed through this project. They share their experiences of opening a bank account for the first time, doing banking from a vegetable garden in their village using a mobile phone, and describe what it is like to receive financial education for the first time at age 67.

ADB appreciates the partnerships built during project implementation; in particular, the strong working relationship shared with our cofinancers—the governments of Australia and Papua New Guinea. We look forward to their continued support in developing this innovative initiative which is making a positive impact in remote and rural areas of PNG.
Issac Dian from Enga Province was excited to open his first bank account.
Financial literacy: Working closely with clients and potential clients

PNG faces a unique challenge in that about 85% of its population live in rural areas, a large proportion of whom have very limited school education and have low literacy and numeracy rates. Most people have also never banked with a financial institution. A key focus of the project is, therefore, to improve their financial literacy to ensure they have the capability to manage their money wisely and understand how to use financial services. The project also introduced a mobile banking training module to make people more comfortable in accessing financial services via their mobile devices.

FINANCIAL EDUCATION TRAINING

Project Story of Mathew Simon

"Since I am uneducated, I never felt going to a bank was important but, after attending the training, I realized I was wasting my hard-earned money."

— MATHEW SIMON
permanent base of regular customers who buy from him.

Before he participated in the project’s financial education training, Mathew said he wasted his money by giving it away to friends and relatives and he had no time for bank accounts. Since he completed the training, he feels differently.

“Since I am uneducated, I never felt going to a bank was important but, after attending the training, I realized I was wasting my hard-earned money. I opened an account with Abumangre Microcredit Scheme (AMCS) soon after the training and everyday I save some of my wages.”

The AMCS staff in Simbu have never seen a person so committed to saving as Mathew. They say he is very disciplined and visits AMCS every day from Monday to Friday depositing between K10 and K20 each visit.

Mathew enjoys the flexibility of banking at AMCS as he is able to bank small amounts of money frequently.

“I make a point of saving everyday. The trainers made me realize the importance of money and showed us easy ways of saving. I plan to start my own business when I have sufficient money. I am on the way.”

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**Project Story of Maino Trudi**

Through the project financial literacy training, Maino Trudi learned how to do banking transactions using her mobile phone.

Maino, a 67-year-old widow, has five children and eight grandchildren and earns a living in a small village in the capital of Port Moresby by selling fish and growing tomatoes and corn. Today, she does all her banking via mobile phone, something she says was “unthinkable” a few years ago because she had never used a phone before.

Before she participated in the financial education training, Maino had no choice but to travel many hours into town to visit the nearest Mibank branch. She would do her banking twice a week and lose valuable work time.

“I can do all my banking via my mobile phone without having to leave my vegetable garden.”

— MAINO TRUDI
Today, things have changed for the better. Maino can now access her bank account through her mobile phone and can make deposits and transfer money on the spot. She says she found mobile banking challenging at first, but now considers it “a real joy.” Says Maino, “It means I can do all my banking via my mobile phone without having to leave my vegetable garden.”

Project Story of Rose Peter

Through the project financial literacy training, Rose Peter learned that setting aside money for different purposes, such as saving for children’s schools fees, is important. She went ahead and opened a specific account for that.

Forty-three-year-old Rose Peter from Simbu Province is the mother of three schoolchildren. She started out selling lime and mustard (dakar) in the local market until she took a loan to grow her business with help from her husband. She now bakes and sells scones and runs a small general goods store in her village.

“Before attending the financial education training, I never ever bothered to save money but, after the training, I opened three accounts: (1) an emergency fund, (2) a savings and loan account, and (3) a school fee account. Now I intend to use my money wisely.”

Rose says she has settled all of her loans and her businesses are going well. She says the training encouraged her to cut down on
unnecessary spending, and she has been careful in using her money for the benefit of her family ever since. “Now I have the knowledge to manage all my expenses and pay my children’s school fees.”

She hopes to increase her financial education skills further so she can use the new technology to transfer money from her village to her son who is studying in Madang Province.

Rose says she now understands the importance of saving money, and withdraws money from her emergency fund and savings account only as a last resort.
A big part of the project’s work is to build the capacity of, and provide support to, partner financial institutions in providing appropriate financial services to their clients. The project provided hands-on mentoring to staff and management to 11 partner financial institutions (microbanks and savings and loan societies) and also worked hand-in-hand with these institutions to develop new financial products which are more appropriate to the target market. The project helped the institutions conduct market research to better understand the needs of rural population, in particular women, to include specific features in the product design. Several loan and savings products, also particularly targeted at women, were developed.

PARTNER FINANCIAL INSTITUTION: PNG MICROFINANCE (PML)

Project Story of Roselyn Namba on New Product on Microfinance Loan

Through the MEP Project product development and capacity building programs, partner institution PML was able to develop a new microfinance loan product that in turn enabled client Roselyn Namba to expand her subsistence farming into a vegetable business and finish building her new house.

Roselyn Namba is a village woman from Kelua, Mount Hagen in Western Highlands Province. She is married to Levi Dickson, a truck driver, and they have four children who are attending the nearby primary school.

She used to do subsistence gardening for her family’s own supply and sold some of the produce at the market to earn a small income, or less than K500 per month. Even with the husband’s income they barely met monthly family needs.

Namba approached PML after learning from the women in her village that PML was the only bank in Mount Hagen providing a microcredit product, called Wanbel Dinau, to women in business, based on the clients good savings track record. She opened her savings account with PML in February 2013. She took out an individual loan—PML’s Fast Track Loan. To date, she has obtained three Fast Track Loans. But due to her small savings, the loan amounts have not been sufficient for her to expand her business.
NEW LOAN PRODUCT, WANBEL DINAU, AND EXPANSION OF NAMBA’S VEGETABLE BUSINESS

A new microfinance loan was introduced to PML’s Mount Hagen Branch for piloting in April 2013. The product was developed by MEP Project with PML after a market research study was conducted. MEP project developed the product features and assisted in the design all the relevant documentation including loan assessment criteria. New product training was provided by the project to PML staff.

The women focused loan product has a maximum loan limit at K10,000 to be repaid in 6-12 months on equal monthly installments and carry an interest rate of 2.5% per month.

The product was piloted in April 2013 at PML’s Mount Hagen and Wagani branches then rolled out to all its branches in June 2014.

Namba became one of PML’s first clients in the Highlands to take the new loan. From her savings of K1,500 she applied for K3,000 Her loan was approved on the 10th of September, 2013. Using the loan proceeds, she expanded her vegetable business into a mini commercial vegetable farming and retailing business. Her clients buy from her and sell at the respective local markets. She says she is the only woman running this type of business in Mount Hagen.

After repaying her first loan and with increased savings she obtained a second loan of K10,000 on 12 November 2014 and built a permanent house for lease. She says she will soon have a tenant on the property which will be leased for K800 per month. Namba says it wasn’t easy making loan payments on time, but this is important to ensure she maintains a good relationship with PML.

PML says, “Roselyn is one of our first clients. She repays her loan on time and has a very good repayment history with us. We are happy to work with clients like her.”

“It wasn’t easy, making loan payments on time but this is important to ensure I maintain a good relationship with PML.”

— ROSELYN NAMBA
The microfinance loans have helped her expand her vegetable business, increased her savings, and enabled her to build her first permanent house at Kagamuga, near Mount Hagen Airport. Namba is now able to buy household goods like soap and rice and pay her children’s school fees. The loan product has not only assisted her in diversifying her income streams, but it has also increased her self–esteem within her family and community. Her household income has increased significantly.

Namba says, “Mi igat bikpela hamamas long PML long givim lon long me. Dispela emi helpim mi long maket blo mi na tu mi wokim niupel haus bilong me. Mi lukim olsem dispala em stat tasol. Mi gat tingting long kisim narapela bikpla lon long baim bus na ronim PMV. Me hamamas too long man blong mi, em is helpim me.”

“I am happy with PML for the loans. I see this as just a start, I can achieve more. I now have plans to get a next loan for a small van to operate. My husband is very supportive.”

Since PML’s Mount Hagen Branch introduced its Microfinance Loan in April 2013, PML has disbursed more than K1.4 million of Microfinance Loans with a current total outstanding loan portfolio of almost K600,000, of which only a small amount is late repayments. More than 600 women are benefiting from this new product which has increased PML’s microloans portfolio, number of women clients, and its corporate image in the rural communities.

“ I am happy with PML for the loans. I see this as just a start, I can achieve more. I now have plans to get a next loan for a bus to operate as PMV. My husband is very supportive. My family is benefitting.”

— ROSELYN NAMBA
The surplus income I earn from both my businesses have helped me increase my savings, pay my children’s school fees, and expand my businesses further.”

— ROSEMARY DAPAL

Through the project’s product development and capacity-building programs, partner institution East New Britain Savings and Loan Society (ENBSLS) was able to develop a new poultry loan product that, in turn, enabled client Rosemary Dapal to expand her poultry business and start up a trade store business in her village.

Fifty-four-year-old Rosemary Dapal is a community leader from the North Coast area of East New Britain. She used to sell garden produce at the local market. She is now the owner of a 150-chicken poultry business and the owner of a trade store. She is a women’s advocate with the support of her family and women groups and has been a member of ENBSLS since 1998. She is married with six children and five grandchildren.

Dapal learned about the Poultry Loan when representatives from ENBSLS Kokopo branch visited her village. She then introduced the product to other women in her village and they showed interest in joining her in a poultry business using the loan product. With five women from her village, she formed a group and applied for a poultry loan. Their application was successful, and with the loan, established their poultry business.

ENBSLS developed the Poultry Loan Product from the results of a market research study conducted in 2013 with the assistance from project. The study identified poultry businesses as an opportunity for women living in the rural areas. ENBSLS, with technical assistance from the project, designed a poultry loan product to serve women.

The loan product is designed as a group loan for women (at least five members) who are unable to provide savings as collateral to obtain individual loans. Loans are provided for 8 weeks and have a maximum amount of K2,000 (based on the total savings of the group members),
and carry an annual interest of 12% per annum, with a 3% upfront fee charged in addition. Except for upfront fees, all other payments (interest and repayment of capital) are paid only after sale of the chickens. Borrowers have the opportunity to graduate into individual loans once their savings increase.

The product was piloted in 2014. Twenty-six women’s groups comprised of 130 women have obtained assistance under the Poultry Loan product. Current total outstanding loans amount to K39,742. Repayment status is satisfactory and overdue loans are low mainly due to borrowers not having sold their poultry on time.

Dapal and her women’s group obtained their first Poultry Loan of K2,850 from ENBSLS in 2014 to be repaid in 8 weeks. After constructing a poultry shed with local materials, the group purchased five boxes of day-old chickens (a total of 150 chicks) with their first loan. All members assisted in raising the chickens and sold them at their local market. They repaid their loan on time and deposited part of their profits into a savings account. The group then applied for a second loan in February 2015 for K3000. With the money, the group increased their stock. With the two loans, group members were able to improve their individual savings so that all members could obtain individual loans. Dapal is one of the first successful group members who obtained an individual loan of K850.

“The Poultry Loan is a very good product with flexible repayment terms. This product has made my dream of becoming a successful poultry farmer real,” says Dapal.

Dapal has subsequently obtained two more individual loans. The money has enabled her to establish a trade store in addition to her poultry business.

ENBSLS has named Dapal as one of their best clients who makes loan repayments on time.

“The poultry loan is a very good product with flexible repayment terms. This product has made my dream of becoming a successful poultry farmer real.”

— ROSEMARY DAPAL
The loans have enabled Dapal to grow her businesses, pay her children’s school fees, and help her eldest son to complete his studies at the Divine Word University in Madang, PNG. He recently graduated with a bachelor’s degree and is currently working with Lihir Gold Mine. Dapal plans to further expand her poultry business and buy a mini truck.

PFI: PNG MICROFINANCE FISHERY LOAN

Project Story of Kiwara Kila on New Product on Microfinance Fishery Loan

A new National Fisheries Authority Fishery Loan product offered by PNG PML is helping Kiwara Kila expand his fishing business and, hopefully, become a fresh fish wholesaler in Port Moresby. The pilot test on the product commenced in March 2014. A total of 66 loans have been disbursed so far for a total of K1,749,499. Loan repayment status is so far satisfactory and below the national nonperforming loan rate.

The loan product evolved from a partnership agreement between the MEP project and the National Fisheries Authority to roll out a credit scheme for a fishery loan targeting rural- and urban-based fishing groups, fishers, and inland fishing farmers.

The loan is provided to PML clients to purchase assets, such as boats and engines, or for working capital. PML’s clients above 18 years and below 65 years are eligible to apply for the loan, based on a savings track record. The loan amount ranges from K1,000 to K500,000 for a maximum loan term of 36 months.

“The PML Fishery Loan is a very good product with flexible repayment terms and has helped me finance my dinghy and nets to move my business forward.”

— KIWARA KILA
Fifty-six-year-old Kiwara Kila is a fisher from Fisherman Island in the National Capital District, a 10-minute boat ride from Port Moresby. Kila’s life is entirely dependent on fishing. He is married with five children and four grandchildren. He started saving with PML in 2013.

“I came to know about the PML Fishing Loan product during an awareness session conducted in 2013 in my village. Immediately after that, I opened my personal savings account with PML and began saving so I would soon qualify for a fishery loan.”

Kila obtained his first PML Fishery Loan in January 2015. He applied for K23,000 to purchase a dinghy and two fishing nets and got approved by PML. With the new dinghy and fishing gear, he engaged his family members to help him fish in deep waters.

Kila says the PML Fishery Loan is a very good product with flexible repayment terms. He says the loan from PML has made him a successful fish entrepreneur.

“Now I can easily transport my family’s catch of the day with my own boat, instead of trying to borrow one. I am earning K400–K500 a day on fish sales. My
repayment towards the loan is up-to-date. Sometimes, I make double repayments in a month so I can pay less interest.”

PML staff confirmed that Kila is a good client who always makes loan repayments on time.

Since he received the loan, Kila says his family’s life has changed for the better. He has employed eight family members in his fishing business to do fishing and he has hired his brothers’ wives to sell their catch at the Port Moresby fish markets. On average, the family members earn a fortnightly income of K200. Kila says that, with the money his family members earn from fishing, they are able to buy things they could not afford before like rice, tinned fish, and soap. The money also goes toward school uniforms and school stationery.

“With the help of the income I make from my fishing business, I have purchased a motor for my old boat, a generator to supply electricity, and a deep freezer to keep fish cold,” says Kila.

The income from his fishing business has also allowed Kila to establish a small trade store which services his island.

Kila intends to obtain another PML loan after he completes repayment of his first loan. He plans to build a permanent house for his family and increase his dinghy fleet to four for his fishing business. He would like to supply major supermarkets and hotels with his fresh fish. He also intends to use his surplus income to pay for the university fees of his younger children and grandchildren.

“With the help of the income I make from my fishing business, I have purchased a motor for my old boat, a generator to supply electricity, and a deep freezer to keep fish cold.”

— KIWARA KILA

Through the programs and partnerships undertaken by the project, rural Papua New Guineans now have increased access to banking services, increased financial literacy, and increased savings. Partner financial institutions have been able to develop new financial products that target previously underserved sectors of the population, and enabled entrepreneurs to avail of financing for their micro and small businesses. Using the proceeds from their loans, clients have been able to grow their small businesses and use their profits to pay for their children’s schooling, provide employment to others, or start up a second business, therefore diversifying their income streams. There is still a long way to go before a significant portion of the population will have access to financial services, but the project certainly has made a significant impact towards achieving this goal.
Impact Story—Microfinance Expansion Project

The Asian Development Bank is increasing access to financial services in remote and rural areas in Papua New Guinea through its Microfinance Expansion Project, which is cofinanced by the governments of Australia and Papua New Guinea. This booklet details the project’s many achievements, via beneficiaries whose lives have been transformed by the project.

About the Asian Development Bank

ADB’s vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region’s many successes, it remains home to the majority of the world’s poor. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.