

Session 3: A New Regime of MSME
Financing for Economic
Diversification in Asia and the Pacific

BRIDGING THE GAP IN MSME ACCESS TO FINANCE IN FIJI



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Context

Republic of Fiji



Fiji is a small island economy primarily based on services and agriculture, with tourism as its biggest foreign exchange earner.



18,274km²

LAND AREA > 300 ISLANDS

SLIGHTLY SMALLER THAN NEW JERSEY /
LARGER THAN HAWAII



917,225

POPULATION

(ESTIMATED) 2023



US\$5.4 billion

NOMINAL GDP

(PROVISIONAL) 2023



3.8%

ANNUAL GDP GROWTH

FORECAST (2024)



US\$12.9 BILLION

FINANCIAL SYSTEM

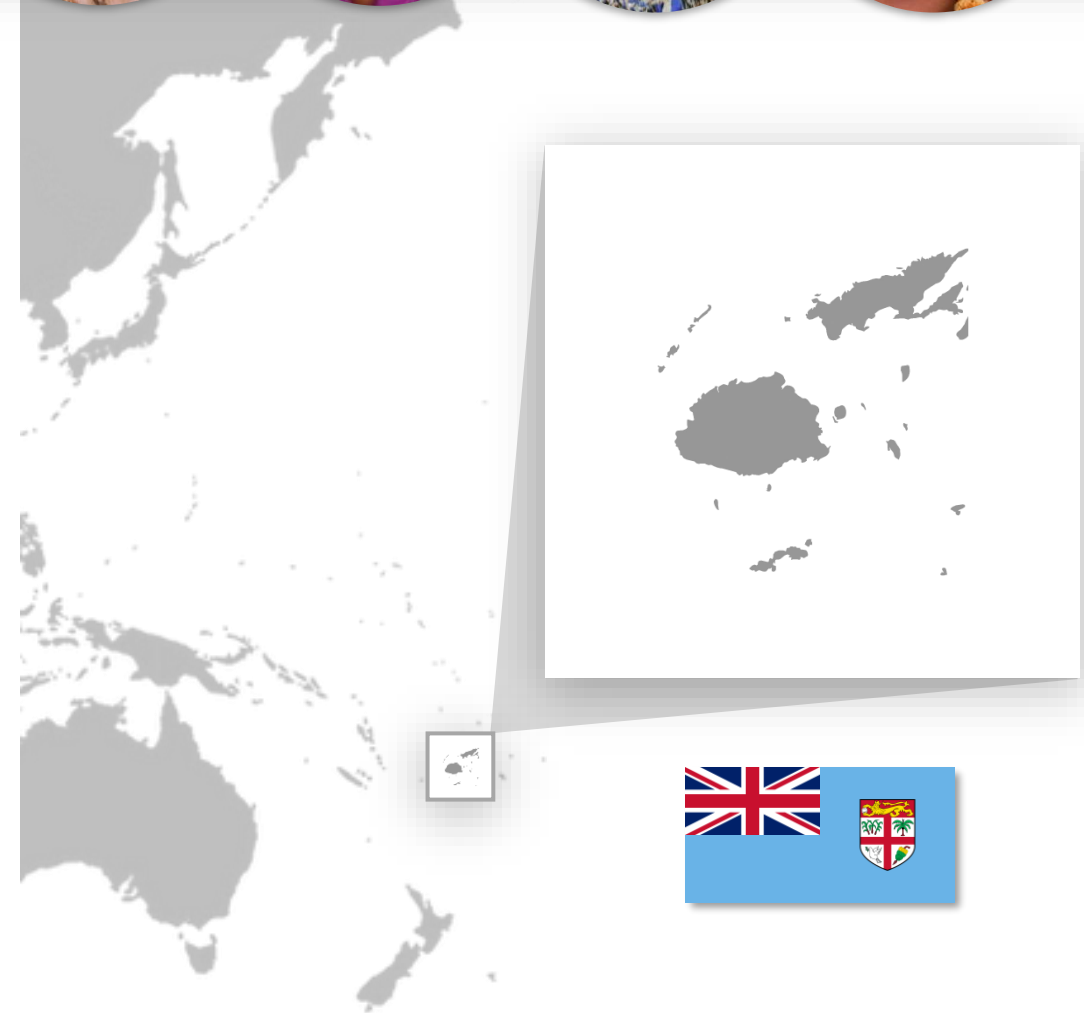
GROSS ASSETS (2023)



3.6%

INFLATION

OCTOBER 2024



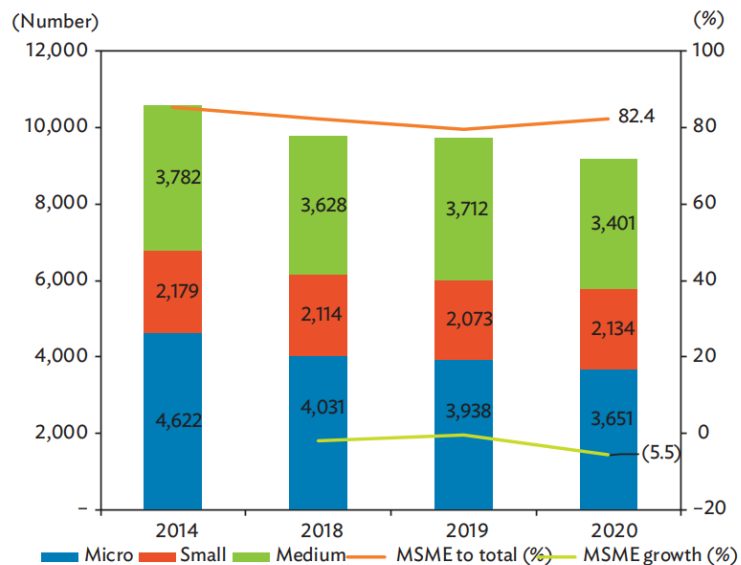
Fiji's MSME Landscape

MSMES DEFINED (BY TURNOVER)

Microenterprises (Up to FJD 50,000 / USD 22,795) | **Small enterprises** (up to FJD 300,000 / USD 133,770)
Medium enterprises (Up to FJD 1.25 million / USD 556,987)
 Fiji Government MSME Policy Framework 2020

82.4% of enterprises are MSMEs

There were 9,186 registered MSMEs in 2020.
 Microenterprises comprised the majority (39.7%).



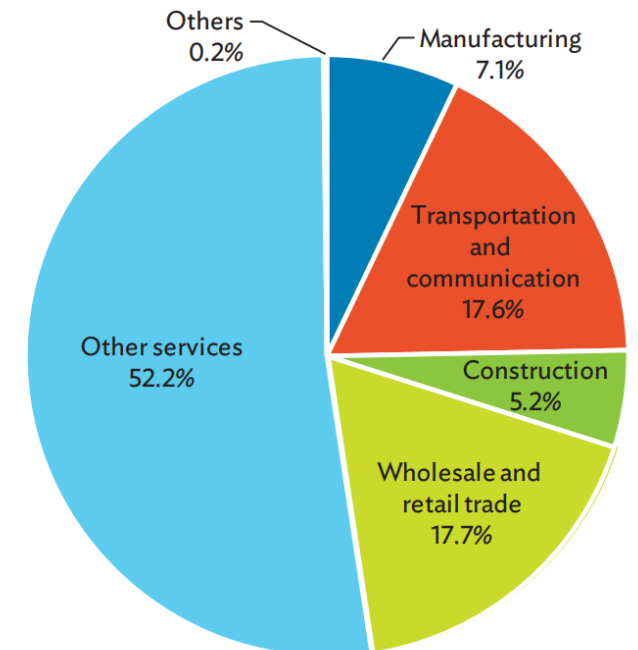
MSMEs contributed to 18% of GDP

Based on estimates by the Reserve Bank of Fiji/FBOS. Additionally, Asia SME Monitor estimates 6.3% of Gross Value Added in 2020.

MSMEs absorbed 28.3% of labour force

Formal MSMEs had 21,302 employees in 2020, a majority of which by medium enterprises (41.7%)

By Sector, most MSMEs engaged in services



MSME Access to Finance

FIJI'S FINANCIAL SYSTEM

The Banking Industry dominates Fiji's financial system

6 commercial banks and 1
state-owned development bank

US\$4.3 billion

Over 133,980 loans
Total Loan Portfolio

Credit Institutions

3 credit institutions

US\$255.2 million

Over 24,757 loans
Total Loan Portfolio

Microfinance Institutions

Two key players primarily
serve MSMEs

US\$17.9 million

Over 13,400 loans
Total Loan Portfolio

13.2%



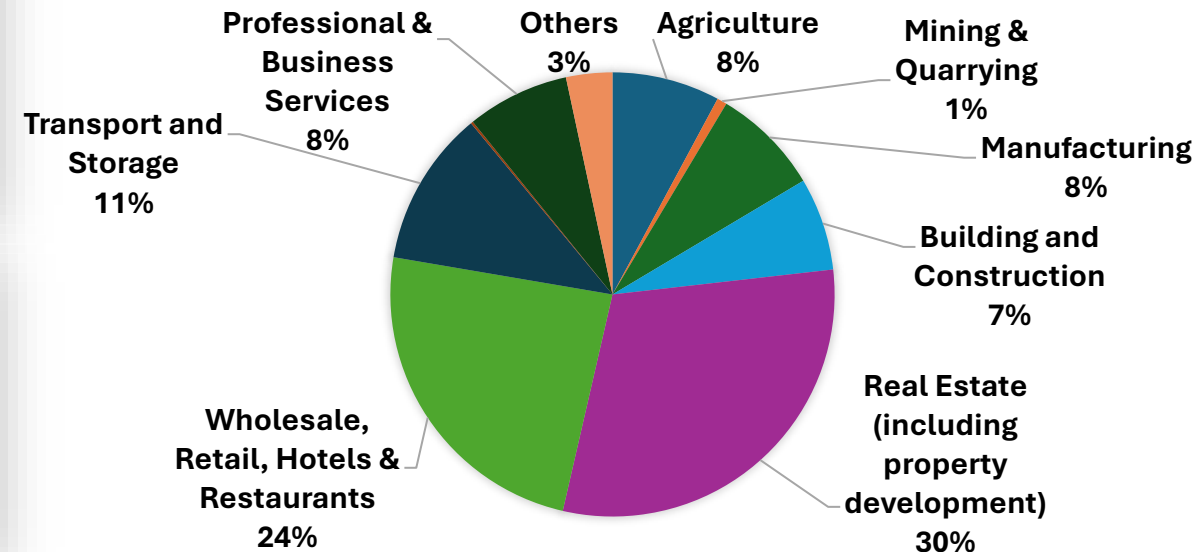
**Percentage of total loan
portfolio to MSMEs**
licensed/supervised institutions

Commercial Banks – 10.8%

Credit Institutions – 33.3%

Development Bank – 34.6%

Value of outstanding loans by Sector



Major Constraints to MSME Finance



Lack of proper book-keeping and accounting



Tedious loan assessment procedures and high cost of financing



Inadequate/Lack of Acceptable Collateral



Limited knowledge on support schemes, e.g. credit guarantees, business development services



Insufficient products tailored to MSME needs



Perceptions around formal lenders: inhibition/fear of being refused credit

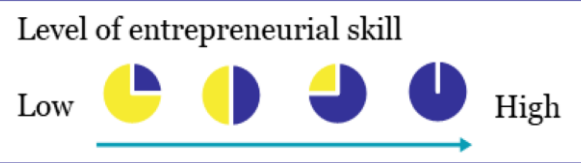


Lack of financial literacy and discipline among borrowers



Aversion to external financing due to perceptions around agency interference

Entrepreneurial skill sets vary across MSMEs



Aspirers

HOME MAKER TURNED
ENTREPRENEURS



Voyagers

OUTWARD LOOKING
ENTREPRENEURS



Progressive
businesswomen
FORWARD LOOKING
WOMEN
ENTREPRENEURS



Master Builders

PROFESSIONAL TURNED
ENTREPRENEURS



Young Entrepreneurs

YOUTH TRYING TO START
AN ENTERPRISE

Ambition and Drive



Business Planning



Market Linkages



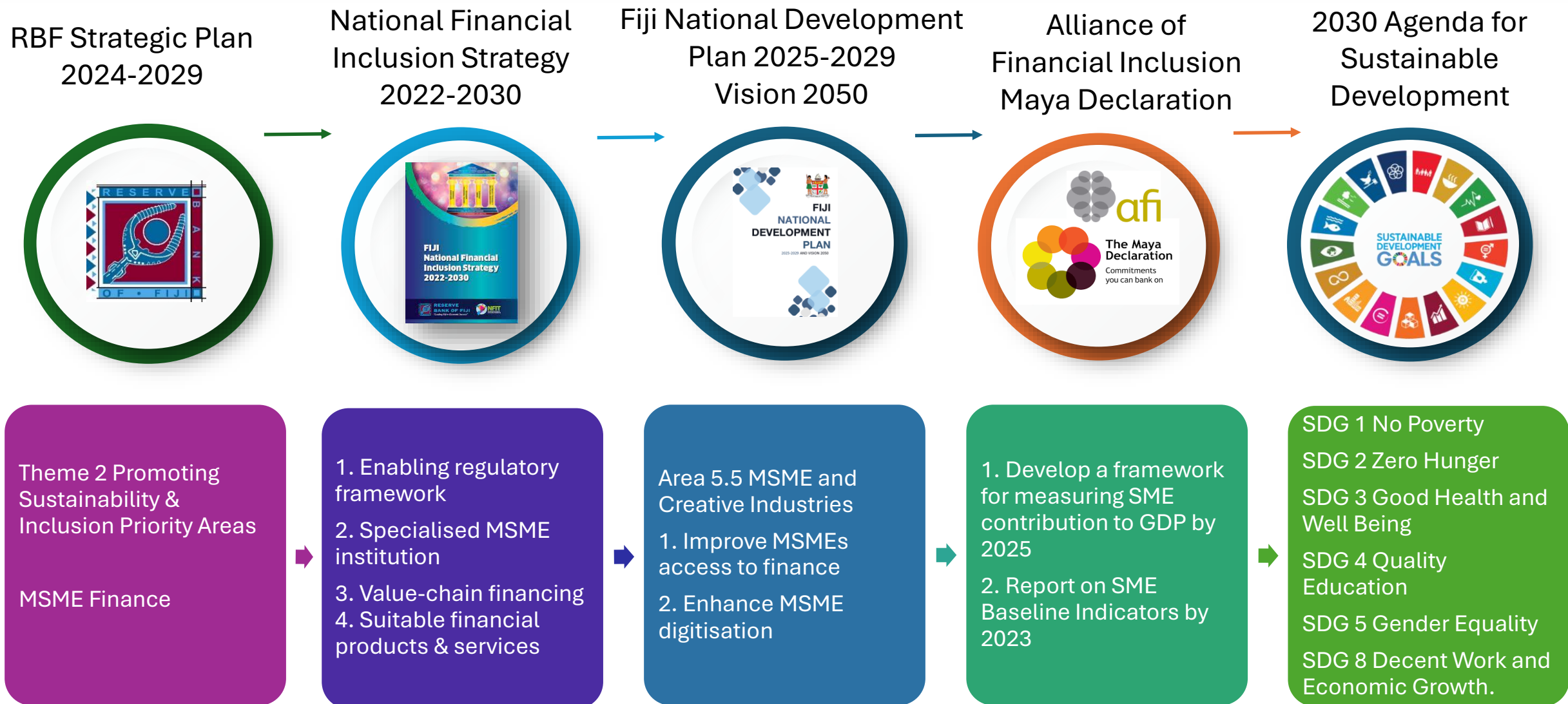
Employee
Engagement



Financial
Management



Responding to Challenges – Strategic Focus



RBF's MSME Initiatives

Secured Transactions Reform

Legal framework, online registry and new movables financing products, including value-chain and invoice-backed lending

Business Accelerator & Incubator Programmes

RBF subsidy support for MSME participation in selected programmes. RBF is also supporting a landscape study of ecosystem providers.

MSME Statistics Taskforce

Multiagency effort to improve collection and monitoring of MSME statistics to inform evidence-based policy development.

Credit Guarantee Scheme

\$9.0 million with \$8.2 million lent under the scheme. The scheme covers 60% or FJD 60,000 of principle outstanding | 75% or FJD 75,000 for women MSMEs

E-Commerce Subsidy Scheme

Designed to subsidise registrations of MSMEs on e-commerce platforms with about FJD 100,000 disbursed to date for 180 MSMEs

Parametric Insurance Uptake for MSMEs

In partnership with InsuResilience Fund and two local underwriters, RBF will subsidise 50% of premiums to farmers/households (3,500 beneficiaries)

Disaster Rehabilitation & Containment Facility

\$350 million allocated by Government, administered by the RBF, with a guarantee by Government of \$200 million.

Microfinance Institution Assessment

RBF & ADB completed study on performance of the sector and regulatory approach to enhance service to unmet microfinance needs

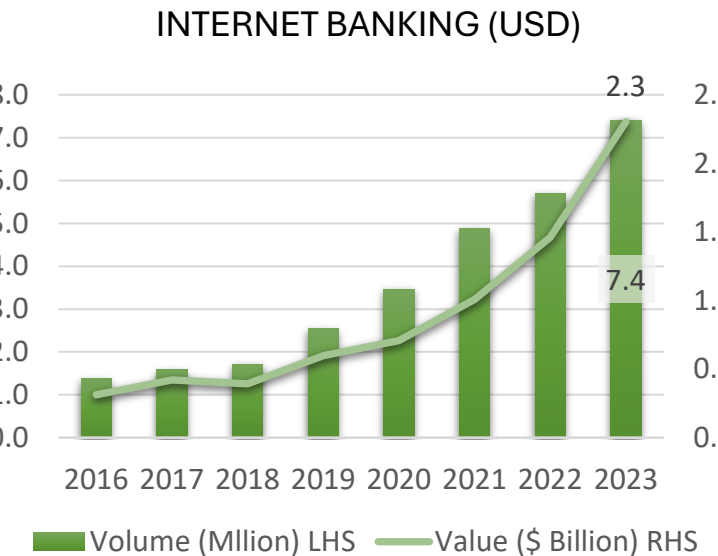
Small Offers & Crowdfunding

RBF supports a bill for small offers direct to investors, and equity and debt crowdfunding over licensed fintech platforms.

Digital Financial Services Show Marked Improvements

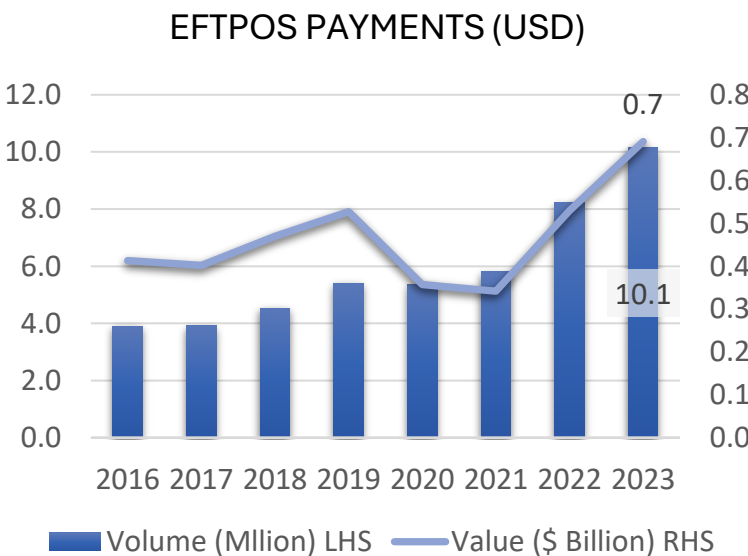
High connectivity and smartphone ownership

64% (2015) to 86.5% (2023) based on demand side & disaggregated data



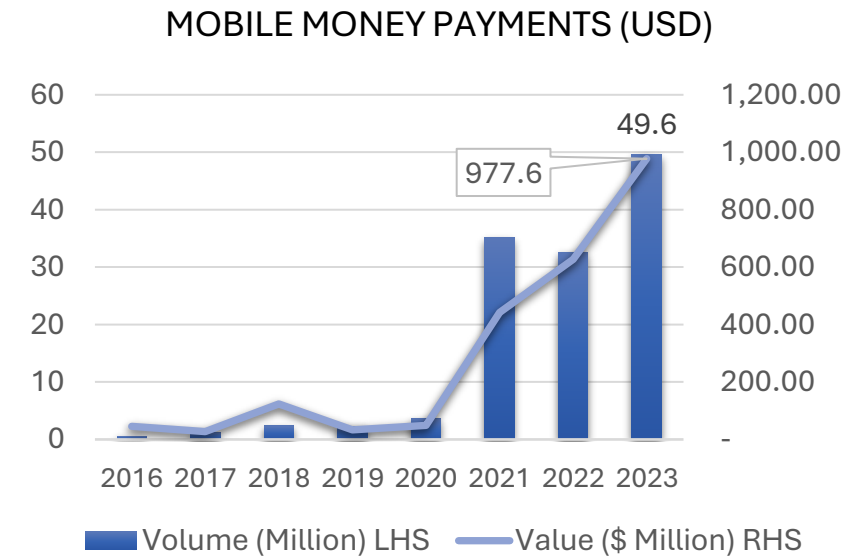
Active mobile money & internet banking usage

87% of adults with an active mobile money account; 45.4 % making payments on DFS other than mobile money



Women & youth participation high

87% of adults with an active mobile money account; 45.4% making payments on DFS other than mobile money



Barriers to MSME use of DFS

Digital and financial literacy
Including cybersecurity competency/resilience

Connectivity
Low or inconsistent in some remote rural and maritime areas

Inclination towards Cash
Both MSMEs and some clients prefer cash

Access to Payment Gateways/eCommerce
Cost of obtaining infrastructure, logistics, maintaining web-presence

Supporting Women-led MSMEs

KEY STATISTICS

19% of registered MSMEs listed women as owners

Additionally, women are also estimated to make a significant proportion of informal MSMEs

(Fiji Government National Development Plan)

Average Loan Size lower for women compared to men

The average loan size is also lower FJD 11,500 in comparison to FJD 19,000 for men - or 64 percent lower.

43% registered/active women MSMEs are financially unserved

The average loan size is also lower FJD 11,500 in comparison to FJD 19,000 for men - or 64 percent lower.

Source: NDP and RBF Study on Supply-Side Constraints



National Development Plan 2025-2029 | Vision 2050

Commits Government to mainstreaming gender across all areas of focus



Women's Economic Empowerment National Action Plan 2024-2029

Led by the Ministry of Women, Children and Social Protection to address longstanding challenges to women's participation



We-Fi Code

Government Ministries, RBF and several financial institutions committed to improve access to finance by women MSMEs



Credit Guarantee Scheme Enhanced for Women

75% of principal outstanding compared to 65% for men-owned MSMEs



Study of Supply-Side Constraints to Finance for Women

RBF is the awardee of Fletcher School Leadership Research Award with funding for the above study (Completed | to be published)



Support for Women for Parametric Insurance

In partnership with InsuResilience and two underwriters, RBF has committed to ensuring 45% of beneficiaries are women.

Alternative Finance

ACCESS TO BUSINESS FUNDING BILL 2024

- With the technical support of the ADB Private Sector Development Initiative.
- Second round of public consultations underway.



Small Offers

Directly to investors up to \$2m within 12-months with simplified disclosures.



Crowdfunding

Equity Crowdfunding

For private companies, up to \$5 million within 12-month period.

Debt (Peer-to-peer Lending) Crowdfunding

For private companies, cooperatives, sole traders and partnerships

Other Initiatives for Participation of MSMEs in Capital Markets

- Exploratory work by the South Pacific Stock Exchange (SPX) for an SME board with tailored requirements for listing/trading underway

GREEN FINANCE INITIATIVES

Green Taxonomy

Defines green assets and deepen climate finance options for sustainable development. Under development through a multistakeholder Steering Committee with the assistance of IFC.

ESG Disclosures

Environmental, Social and Governance Disclosures (ESG) standards for encouraging financial institutions and businesses to adopt climate risk management standards.

These foundational elements are designed to support a myriad of future climate financing opportunities, including instruments for channelling proceeds to eligible MSMEs.

Challenges to MSME Participation

Compliance Obligations

Understand obligations under these new financing opportunities. Requires capacity building.

Awareness & Digital Competencies

Participation in crowdfunding requires minimum knowledge on use of fintech funding platforms

Summary

- MSME plays an important role in the economy contributing to growth, employment and poverty reduction.
- Increased visibility with Deputy PM holding MSME Portfolio. However, there are a number of areas that can be enhanced to elevate MSME:
 - 1. Addressing the “missing middle” - in formal finance through dedicated financial institution***
 - 2. Potential for streamlining efforts under a central coordinating agency, learning from ASEAN models***
 - 3. Strengthen ease of doing business and an enabling regulatory environment***
 - 4. Increase awareness on Government’s policies and schemes***
 - 5. Leveraging technology, including DFS, to boost efficiency, improve access to finance and expand market access.***



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Thank you

Questions & Comments

