INTRODUCTORY REMARKS:
ECONOMICS ASSOCIATION PANEL DISCUSSION ON
“REALISING & FOSTERING THE POTENTIAL OF SMALL & MICRO
ENTERPRISES IN FIJI”
BY THE GOVERNOR OF THE RESERVE BANK OF FIJI,
MR. SAVENACA NARUBE, 30TH OCTOBER, 2007

I join Annie in welcoming all of you here today. My task is simply to make a
few introductory remarks and perhaps set the tone for the panel discussion. I
thank the panellists and our moderator for agreeing to participate in our
discussion today.

Introductory Comments
Today’s topic is a very important one; we must recognise the contribution of
small and micro enterprises to Fiji’s economy and we must promote its
development. The potential of this sector is huge. In my view, SMEs are
critical to raising the living standards of all our people.

The Current State of the Fiji Economy and Challenges
One of our major problems is that our growth rate is too low. This has
averaged 2.8 percent over the past 5 years.

Over the next three years the same low growth is expected. This level of
growth is insufficient to absorb many of our school leavers. With this low
growth rate, we will double the size of our economy in 50 years – that is half a
century! If we could lift our growth rate to perhaps 5 percent per year, we will
double our economy in 20 years. If we could grow by 8 percent per year, we
double in only 12 years.

In order to grow faster we need to do several things. I will highlight two of
them. Firstly, we need to raise investment to over 25 percent of GDP. This
ratio is expected to fall to around 14 percent this year. We are heading in the
wrong direction.

Second, exports must drive growth. Unfortunately, our exports are not doing
well. Sugar, gold and garments have declined from their previous peaks by a
collective $400 million. Our trade gap is therefore rather large fuelled by the
higher oil prices, which has just broken the US$90 a barrel recently. Our
preferential market access is slowly but surely being eroded. These impose
severe pressure on our balance of payments which has necessitated restrictive
policies.

**Potential for Small and Micro Businesses**

I believe that small and micro enterprises - and also medium sized enterprises -
can significantly help us address these problems:

- **Raise Growth**
  They can help raise Fiji’s growth rate. In developing countries in Asia, small
  and micro enterprises make up the bulk of their economies, some as high as 60
  percent of GDP. In Fiji, however, this sector is still largely untapped. There is
  some encouraging work being done but we have a long way to go. I would say
  that small businesses barely make up 10 percent of our economy.

- **Raise Exports/Investment**
  Small businesses do not always stay small; they also grow. I am confident that
  small businesses can help raise exports and investment in Fiji. They can also
help in providing some of the products that we currently import, but could be supplied domestically like fruits and vegetables. Imports will drop and our trade imbalance will narrow. We have the land and the people. So there is really no excuse why we cannot do this.

➢ **Create Employment**

The SME sector can also be the answer to our unemployment problem. The formal sector cannot absorb all our school leavers--this is the same in all developing countries. I am firmly of the view that the employment growth required for our future will come from our SMEs. Rough estimates suggest that close to 60 percent of Fiji’s labour force is involved in various forms of business that fall under the heading of small and micro enterprises.

➢ **Combat Poverty**

SMEs are also a way to combat poverty and help us achieve our Millennium Development Goals. SMEs allow people to help themselves rise above poverty. This is where small businesses have their greatest impact. For many, starting a small business can be a means, and may be the only means, to provide for basic needs such as education, food, shelter and clothing.

**What Constraints Do SMEs Face**

We all realise that SMEs are important and that it is imperative that we foster their growth and development. I hope that the panel can tell us what is stopping or holding back the growth and development of SMEs and how we can overcome them.

➢ **Statistics:**

We lack statistics on SME. We need to have statistics on loans to the various categories of business-size, the number of businesses that fall under the category of small and micro and how many people are employed by SMEs. A
statistical database on SMEs will allow for better decision and policy making to promote growth in this sector. Perhaps this could be a role for the National Centre, in conjunction with the Bureau of Statistics.

The Reserve Bank is doing something in this area. We have, since 2006, required commercial banks and the FDB, and more recently the credit institutions, to provide us with data on how much is being lent to micro enterprises, small and medium businesses, and so on.

➢ **Access to Finance:**

On of the key constraints - and we hear about this all the time - is *Access to Finance*. This immediately brings up the issue of microfinance.

Former UN Secretary General Kofi Annan once said, and I quote, “Sustainable access to microfinance helps alleviate poverty by generating income, creating jobs, allowing children to go to school, enabling families to obtain health care, and empowering people to make the choices that best serve their needs… The great challenge… is to address the constraints that exclude people from full participation in the financial sector” end quote.

I fully agree. Is access a problem in Fiji? If so we must identify ways to extend access - permanent access - to financial services by small and micro-enterprises. The cost of this access can also be a factor. Another related issue is the creditworthiness of SMEs.

We have three financiers on our panel today – the National Centre for Small and Micro Enterprise Development, along with FDB and ANZ and we look forward to hearing their experiences and initiatives to support SMEs access to finance.
Remittances:
Still on the issue of finance, personal remittances from abroad have risen very fast and have become an important source of income in Fiji. These remittances need to be put to better use, for example they can be used to start up small businesses, which would provide an income stream in the long term. The Reserve Bank is studying ways in which we can help facilitate this and I would be interested in the views of the panellists on this area.

Training/Education:
Another important area is that of training. SME entrepreneurs need a lot of training, for example in basic book-keeping, marketing, even how to help them go about getting loans, business planning, feasibility assessments; there are many areas that training is needed.

The Reserve Bank has talked in the past with commercial banks on how we can work together to help small businesses. More recently we have talked with the National Centre to see how we can help in their training programmes for SMEs. The panel may wish to discuss what we can do to provide this basic training.

I also understand that an SME Policy Framework\textsuperscript{1} had been initiated some time ago, which had recommended the development of an enterprise culture, beginning at an early age. It was hoped that this would become part of the curriculum in our schools. To me this sounds like a good idea, to incorporate entrepreneurship courses at secondary or tertiary levels. I hope we can do this, if we haven’t already.

Credit Ceiling - Special consideration for loans to SMEs

\textsuperscript{1}[Cabinet Decision of August 26, 2004]
As you know, the Reserve Bank has imposed a credit ceiling on commercial banks as part of our policy measures to protect foreign reserves and rein-in imports. We are aware that this policy may affect lending to critical sectors of the economy. In order to avoid this, the Reserve Bank has given special consideration for loans for investment projects, exports and to the small business sectors. In other words, loans to these areas are allowed beyond the credit ceiling.

**Concluding Remarks**

Let me conclude by saying that we all support SMEs and recognise its role in providing jobs and eradicating poverty. It is good to see many of you here today. This panel discussion may help push this issue along. We look forward to hearing from our distinguished panellists and your active participation in the discussions.

**Thank you.**