

CPA 2018 KOKOPO

“Empowering the Growth of the Micro SME Industry with a formal Record Keeping Regime.”

The Key Note.

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June 21, 2018.

The Key Note.

Its Objective:

To highlight the importance of Accounting Services and its impact on the growth of MSMEs in PNG and in doing so generate discussions and make recommendations for the CPA NGI Branch in 'Empowering the Growth of the Micro SME Industry with a formal Record Keeping Regime.'

Its Overview:

- ❑ Contributions by BSP to PNG.
- ❑ BSP Smart Business Product for MSMEs.
- ❑ A Reflection on the 2017 CPA Conference & the 2018 Conference Theme.
- ❑ Discussion on the Impact of Accounting Services.
- ❑ Accounting Services Activities.
- ❑ MSME in Agri Business.
- ❑ MSME Accounting Services Survey Results.
- ❑ A Way forward for CPA NGI Branch.
- ❑ Thank you!

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CONTRIBUTIONS BY BSP TO PNG

All Amounts are expressed in K'000

	2012	2013	2014	2015	2016	2017
Company income taxes paid to PNG Government	212,081	155,391	188,627	249,210	292,443	257,210
Other taxes paid to PNG Government (IWT, FCWT, BWT)	6,204	4,989	2,568	3,701	10,226	8,214
GST paid and not able to be recouped	12,836	14,082	11,024	16,793	21,268	22,101
Donations and Sponsorships	4,192	9,267	9,358	8,219	4,345	5,217
Total	235,313	183,729	211,577	277,923	328,282	292,742

❖ *This information can be found in the BSP Annual Report 2017, page 29.*

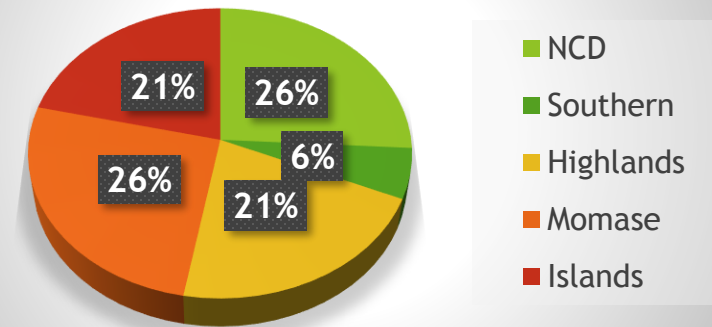
<http://www.bsp.com.pg/Investor-Relations/Investor-Resources--Stock-Information/annual-report/BSP-Annual-Report-2018.pdf>

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► BSP SMART BUSINESS PRODUCT (MSME)

- 2012 - The transition from concept to product development.
- 2013 - BSP Smart Business Product (MSME) Product rolled out.
- Customer base as at March 2018 was 32,213
- Total Credit to the SME sector as at March 2018 was K150mio
- Three dedicated SME Centres - POM, Lae, Goroka
- Few more dedicated Branches in the pipeline
- Ongoing Product Review - Loan Term, Annual Turnover, max. loan ceiling.

Credit by Region



A Reflection on 2017.. & the 2018 Theme.

- 2017 Theme: The Growth of SME Industry in PNG; What is the Accountants Role?
 - The presentations conducted were focused on the input of CPA in growing MSMEs. The speakers were subject matter experts and as expected provided in-depth discussions on the topics they delivered in relation to the theme of the 2017 Conference.
 - The 2017 Theme set the tone for the 2018 Conference, whereby the role of CPA in empowering the growth of SMEs must now lead on to another level, perhaps being the capacity builder and facilitator in the growth of MSMEs in PNG.

The 2018 Theme: “Empowering the Growth of the Micro SME Industry with a formal Record Keeping Regime.”

Again we have very experienced speakers who are experts in their fields and it is imperative that we harness the contributions made in this exchange conference.

Discussion on the Impact of Account Services in MSMEs.

- The PNG Development Strategic Plan 2010 -2030 set out strategies to develop and promote SMEs in PNG and a couple of these key strategies were facilitated by the ABD through the Microfinance Expansion Project (2013) and by the World Bank through the PNG SME Access to Finance Project(2015).
- According to the World Bank (2014) PNG ranked 133 out of 189 countries in terms of ease of doing business and 165 out of 189 in terms of ease of getting credit or access to finance.
- Tebbutt Research (2014) revealed that MSMEs' access to finance ranked highly as an obstacle to growth and expansion with MSMEs displaying low levels of 'TRUST' in Banks, amounting to difficulties dealing with Banks which consequently restricted borrowing from the Banks.
- On the other hand, financial institutions including Banks were less willing to lend to MSMEs due to a number of variables:
 - ✓ Large costs involved with soft info gathering and relationship building with SMEs;
 - ✓ Diseconomies of scale – business inefficiency;
 - ✓ Lower profit opportunities from lending to SMEs;
 - ✓ Insufficient collateral by SMEs;
 - ✓ Low level of financial literacy;
 - ✓ Lack of knowledge on financial reporting;
 - ✓ Lack of 'TRUST' in SMEs.

Discussion on the Impact of Account Services in MSMEs.

In view of the challenges faced by both the MSMEs and Financial Institutions with relation to 'access to finance' where does CPA come in with regard to providing an appropriate level of Accounting Service for MSMEs to building 'TRUST' to enable growth and expansion?

Peter Burnie PWC, in his presentation in the 2017 Conference pointed out three imperatives that CPA can pursue to develop SMEs;

- ❖ Technical Support - MSME Relevant.
- ❖ Education and Training - MSME Relevant.
- ❖ Facilitate the development of the Regulatory Environment - MSME Relevant.
- 'Access to Finance' remain a major obstacle for the development and growth of MSMEs in PNG. Thus, the impact of Accounting Services in MSMEs is critical to improve access to finance for MSMEs.
- According to the SME Corporation (2016), there are 49,500 SMEs employing 291,346 and contributing 6% to the GDP. Under the GoPNG MTDP the targets for SMEs growth by 2030; 500,000 SMEs, employing 2,000,000 and contributing 50% to GDP.
- CPA plays a pivotal role in driving the MTDP and in accomplishing its Target.

The Impact of Accounting Services.

Account Services Activities..



In November 2017, The CPA NGI Branch delivered 'Free Basic Accounting Training to 113 MSMEs that were participants of a BSP MSME Roadshow in Kokopo June 2017.
Well done Jeanette!



CPA Ms Jenny Tigilai presenting to the MSMEs that were participants of a BSP Roadshow in the AROB April 2018.
Well done Jenny!

Impact of Account Services.

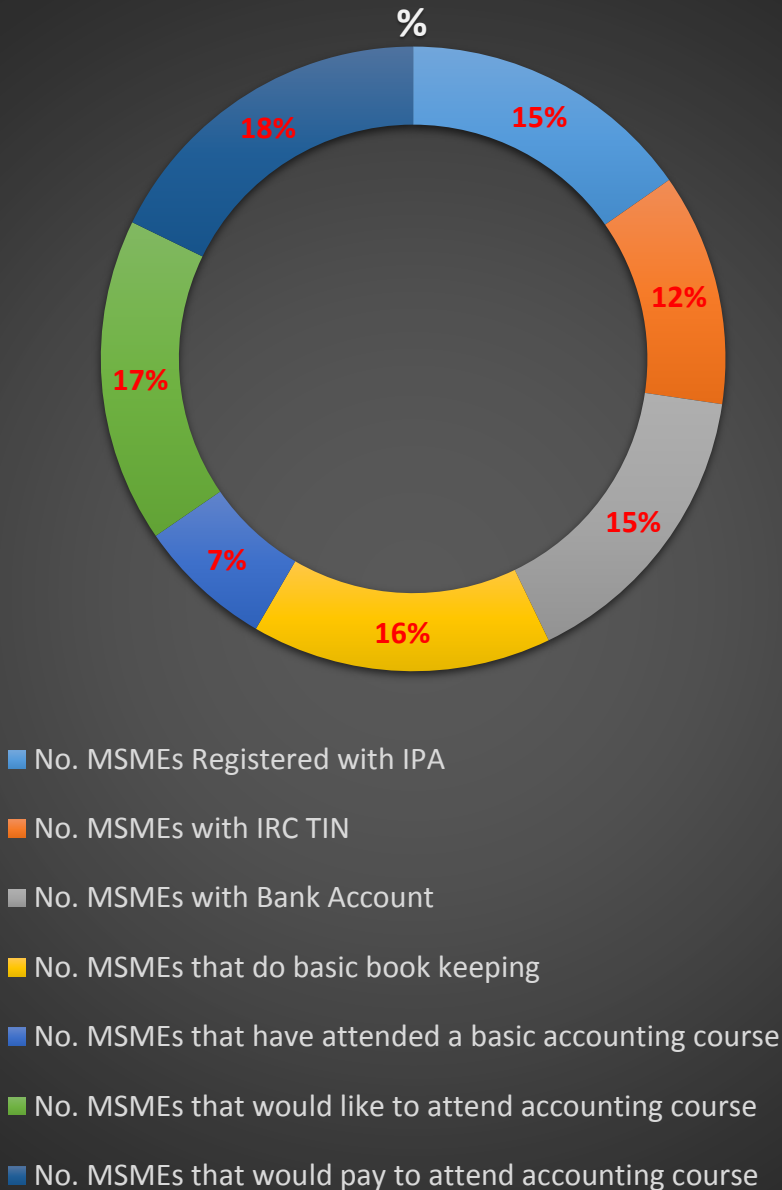
MSME in Agri-Business.



Most lead farmers use cocoa and copra income for business spin-offs. Even though most of them have gone through financial literacy programs conducted by the Bank, they still need basic accounting knowledge to grow their small businesses.

BSP NGI conducting a survey with the help of the Agmark PPAP Program Managers to look at providing financial assistance to the lead farmers and small holders thru AVCF.

Impact of Accounting Services.



Surveys conducted on the BSP Ltd MSME Roadshows that were conducted in Kokopo 2017 and Buka 2018 and on the AVCF Project showed that:

- Only 7% have attended a basic accounting course in book keeping.
- Up to 17% would like to attend a basic accounting course.
- And 18% would pay to attend a basic accounting course.

Survey results reveal that most of the MSME owners lack appropriate business skills and knowledge, particularly in accounts managements.

A Way Forward for the CPA NGI Branch..

Leading on from the November 2017 Free Basic Accounting Training conducted for the 113 participants of the BSP MSME Roadshow Kokopo, a recommendation is made for the CPA NGI Branch to continue to raise awareness on the value of the role of professional accountants in the growth of MSMEs as well as build partnerships between CPA and business associations, government agencies and service providers in order to provide practical resources and support for SMEs investing in internal finance functions.

In March 2013 the Association of Chartered Certified Accounts (ACCA) released a Report on a Campaign conducted named “Accountants for Small Business.” This Report provided strategic insights in Accounting Services and the role of Accountants in empowering the growth of MSMEs.

Perhaps, this is something that CPA PNG can embark on with the support of relevant stakeholders to improve Accounting Services for MSMEs.

Thank you!

□ Acknowledgements:

- BSP Smart Business BU
- BSP Kokopo Branch
- BSP Buka Branch
- SME Unit, Dept. Commerce Industry
- Agmark & PPAP Project Site Managers

□ References:

- PNG NRI Discussion Paper No. 146; https://www.researchgate.net/publication/299596791_A_scoping_study_to_provide_an_assessment_of_SME_policy_priority_areas_for_Papua_New_Guinea
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- Small and Medium Enterprises Corporation - Consultative Implementation and Monitoring Council; www.cimcpng.net
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- ACCA (2013), Accountants for Small Business; <http://www.accaglobal.com/content/dam/acca/global/PDF-technical/small-business/pol-afb-afsb.pdf>
- BSP Annual Report (2017); <http://www.bsp.com.pg/Investor-Relations/Investor-Resources--Stock-Information/annual-report/BSP-Annual-Report-2018.pdf>