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## MEDIA RELEASE

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### **Informal finance operators have the potential to transition to formal MSMEs**

Informal finance operators or private money lenders have the potential to transition their business to formal Micro, Small and Medium-sized Enterprises (MSMEs) through the support of government at all levels. The transition to formal MSMEs will expand the economic base of Papua New Guinea (PNG).

The National Research Institute (NRI) Spotlight Volume 16, Issue 7 titled “**Prospects and challenges of informal money lending in Papua New Guinea**” by Joseph Kaile, Research Project Officer at PNGNRI identified challenges faced by informal finance operators and some initiatives that can be used to migrate the operators to MSMEs.

Mr. Kaile reported that the most important challenges faced by informal finance operators include “high risk of default by the borrowers; delay in the repayment of fund by the borrowers; and the refusal of some borrowers to pay an agreed interest rate”

**Some of the initiatives that can be used to migrate informal finance businesses to formal MSMEs include the following:**

- Government to consider facilitating the growth of micro finance institutions to extend financial services to low-income households that are not engaged in formal employment.
- Government to consider developing effective programs that can assist informal finance operators to transition to formal MSMEs.
- Investment Promotion Authority should consider creating more awareness among informal finance operators on the benefits of migrating informal businesses to formal businesses.
- Educate informal finance operators on the need to have documented guidelines which must be agreed on by a potential borrower before a transaction takes place.

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