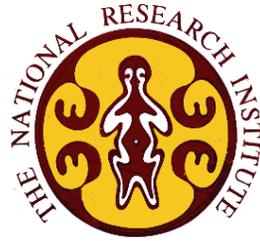


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DISCUSSION PAPER No. 141**



**WOMEN'S MARKET PARTICIPATION AND  
POTENTIAL FOR BUSINESS ADVANCEMENT**

**A CASE STUDY OF WOMEN TRADERS IN PAPUA NEW GUINEA**



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POTENTIAL FOR BUSINESS ADVANCEMENT:  
A CASE STUDY OF WOMEN TRADERS IN PAPUA NEW GUINEA**

by

**Yunxian Wang**

**NRI  
The National Research Institute**

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Cover photo, courtesy of NRI Communications Team — Central Province women selling their garden food at Malaoro market in the National Capital District.

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Yunxian Wang

**ABBREVIATIONS/ACRONYMS**

ADB	Asian Development Bank
AusAID	Australian Agency for International Development
CIMC	Consultative Implementation and Monitoring Council
FPDA	Fresh Produce Development Agency
ILG	incorporated land group
INA	Institute of National Affairs
IPA	Investment Promotion Agency
LNGP	The Liquefied Natural Gas Project
MSME	micro-, small and medium enterprise
NCD	National Capital District
NCDC	National Capital District Commission
NRI	National Research Institute
PMV	Public Motor Vehicle
PNG	Papua New Guinea
PNGean	Papua New Guinean
POM	Port Moresby
SABL	Special Agriculture and Business Leases
UN	United Nations
WB	World Bank



## **1. INTRODUCTION**

Market access is increasingly gaining importance in developing countries for several reasons. It affords an opportunity for reducing poverty; improving food security; creating and strengthening income; and generating employment and job retention. Market access can also benefit most small businesses and enterprises, semi-subsistence producers and consumers. It can be used to promote economic justice and empowerment for women, who participate significantly in many informal activities such as agriculture and local trading.

In Papua New Guinea (PNG), many important sources of income and livelihoods such as market trade are regarded as informal or even illegal, and — more critically — the importance of the roles of the market and informal economy are not given due recognition. Despite the large extent of engagement of the local population in the informal economy (INA, 2001), it is yet too limited in scope, variety and contribution to national output (Conroy, 2011). Therefore, there is a need to give priority to the development of the informal sector and the local economy. In 2011, a National Informal Economy Policy was put in place to boost the informal economy to be a full and legitimate partner of the formal economy in PNG. The objective is to position the informal economy as the grassroots expression of private enterprise from two 'arms': financial inclusion and public goods (The Independent State of PNG, 2011). The policy also explicitly supports the transition of the rural economy from subsistence agriculture to high-value market activities, and the incorporation of household farming activities into supply chains. While studies have illustrated the extent to which the informal economy contributes to household incomes and livelihoods, the process by which informal and micro businesses become formal businesses and contribute to the local economy at large remains a concern.

This research aims to contribute to the implementation of the National Informal Economy Policy from the perspective of women's participation and business advancement in the local market or economy. It addresses questions such as:

- What value/supply chains exist for local products in the markets and who are the stakeholders in the supply chain?
- What are the assets that businesswomen possess?
- What are the factors and constraints in women's advancement from semi subsistence to more established microenterprises and small business?

The research identifies the linkages between rural production and markets, the barriers to advancement from petty trading to microbusinesses, and the gaps between the existing policy promise and practice, as well as recommending policy interventions.

This report is structured in seven sections. After a brief introduction, relevant literature on the PNG informal economy and business development is reviewed, followed by a description of the research methodology. The fourth section elaborates the analytical framework — an asset-based approach. The research findings from empirical data, and their analysis, are demonstrated in the fifth section, followed by a concluding discussion. Policy recommendations are proposed in the last section.

## **2. HISTORICAL AND THEORETICAL UNDERSTANDING OF THE INFORMAL ECONOMY AND SMALL BUSINESS DEVELOPMENT IN PNG**

### **2.1 Roles of the informal market in PNG**

Despite strong economic growth and the development of extractive industries in PNG, there is little spill-over to the local economy and community, and women remain far from these formal economic sectors

(AusAID, 2008). Several critics point out that PNG's experience with resource development has, at best, been mixed, with few long-term benefits being passed on to the wider population (Baxter 2001; Batten 2011; McIlraith, *et al.*, 2012). For example, in spite of huge compensation to the landowners and obligations of the Liquefied Natural Gas Project (LNGP) operators to promote business derived from the energy project, only 13% of the interviewed people reported having a business or investment directly or indirectly benefitting from the LNGP (McIlraith, *et al.*, 2012). Few opportunities have been derived from the formal sector.

It was estimated that 37% of the population remains in poverty, with most being in the rural areas (McIlraith, *et al.*, 2012). For many of the marginalised people, the only way to make a living is to enter into various kinds of informal activities, at the margin of legal and illegal.

In PNG, although the informal economy is not counted in the country's gross domestic product (GDP), a sample survey of 1265 informal sector participants conducted by the Institute of National Affairs (INA), (2001) found that 60% of the respondents claimed that their households rely solely on the informal sector they are engaged in for their livelihood. The proportion of households relying on the informal economy to some extent was approximately 80 percent. An opinion poll conducted in five urban centres<sup>1</sup> among 1860 respondents by the same study revealed that 89% tend to embrace a positive attitude towards informal economic activities; such a positive attitude is derived not only from the respondents being able to buy cheaper goods and services, but also the support provided to small traders in being able to earn a livelihood in an honest and diligent way. The survey showed that 88% of the respondents bought goods from roadside/street sellers and 94% bought from prescribed markets. Nevertheless, national and local governments often ignore the economic contribution informal markets and market traders make to local and national economies (Bourke, 2005), and place emphasis on the formal economy.

At the same time, Vision 2050 envisages that 50% of PNG citizens become self-employed entrepreneurs, which places high expectations on informal and microbusiness enterprises (The Independent State of PNG, 2009). The National Informal Economy Policy echoes the vision that the informal economy is the full and legitimate partner of the formal economy in the economic system of PNG. The position of the informal economy as the grassroots expression of private enterprise is to be established with two 'arms': financial inclusion and public goods (The Independent State of PNG, 2011).

### 2.2 Open markets in PNG

Trading in open markets has been a predominant form of informal economic activity in PNG. Among the Pacific Island countries, PNG has been well studied on the issue of informal market trade and business (UN Women, 2011). The informal trading activities mainly take place in the open markets, roadside and streets, trade stores and small stalls near houses. Most of the open markets are long-time, but there are new emerging markets in open space, which is often considered illegal. There are also weekend markets, and others operating only fortnightly or monthly. Studies have raised concerns about poor facilities and management, even in the relatively well-established markets; for example, lack of shelter, poor water and sanitation facilities, especially during wet days in six open markets surveyed in Port Moresby (POM) (FPDA, 2008a), and insufficient space, leading to possible domination of certain ethnic groups over others.

In informal open markets, there are wholesalers, retailers and producer-vendors. Epstein (1982) observed that a large proportion of the produce offered for sale is not handled by centrally structured wholesalers but comes through kin or friendship connections; that is, a producer-vendor pattern. FPDA's (2008a) survey of 109 market vendors found that 45% were grower-vendors and 55% were full-time vendors in

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<sup>1</sup> Lae, Madang, Mt. Hagen, Port Moresby and Rabaul/Kokopo.

2008. However, the FPDA study noted that most fresh produce was supplied from sources local to POM, not from the PNG Highlands provinces, and that increasing amounts of fresh produce marketed in POM were handled through middlemen, rather than by grower-vendors and their *wantok*<sup>2</sup> networks (FPDA, 2008a).

While women are the predominant players in informal markets, a recent scoping study by UN Women (2012) reveals that unsafe environments and multiple forms of violence against women and girls, in particular, prevalent in open markets in POM, restrict women from accessing and participating fully in market activities. Poor management and maintenance of the markets have reinforced the vulnerability of women to violence. Lack of management, planning, routine maintenance, appropriate infrastructure, or adequate investment in the market places and surrounding areas and policing them has rendered many people more vulnerable to all types of violence — particularly women at higher risk of different forms of sexual violence. Women even refrain from using toilets or other spaces in the markets, because they fear being attacked by 'rascals', comprising intoxicated men and boys who roam the markets (UN Women, 2012:8).

### 2.3 Women in the informal economy

PNG has a dualistic system of subsistence production, which comprises cash crops for the world market and subsistence foodstuffs and other materials for, for example, local sheds. Approximately 95% of the local population depends on subsistence agriculture and informal economic activity for a living (AusAID, 2008). The customary division of labour allocates the tasks of planting, tending, harvesting, cooking and distributing staple crops to women (Epstein, 1982; WB, *et al.*, 2013). Market trade is also regarded as women's work; thus women are the predominant occupants in the open markets (Epstein, 1982; Benediktsson, 2002; Anderson, 2008; Chang, *et al.*, 2010).

In a study of roadside traders, Anderson (2008) found that women roadside sellers were able to earn an income three times the national minimum wage, and the success of their self-controlled small business was largely related to their access to quality customary land and a main road. Earlier studies have shown that there are extensive social and economic networks that connect isolated rural areas with urban markets (Benediktsson, 1998; Epstein, 1982). In a culturally and ecologically heterogeneous society, a centralised marketing structure from producer to intermediate and retailers seemingly does not exist; rather, it is the producer-sellers who play the major role in linking rural production and trade. A scoping study by AusAID in 2008 displayed a number of problems women face in establishing and developing their businesses. These include access to assets, particularly the restriction on women's access to land and financial resources within a predominantly patriarchal society. Successful women entrepreneurs tend to be landowners and the educated who are supported by their husbands and family (or female friends) and have a strong character. Women who are unmarried, divorced or widowed, or married to unemployed husbands, identified access to formal financial services and support and encouragement from their husbands as being important factors in deciding whether to go into business (AusAID, 2008).

In predominately patriarchal societies, women's access to productive resources such as land and credit is hindered, which affects women's productivity. For instance, Overfield (1995) finds that even though the labour value in coffee production is higher than that from food production, due to women's secondary use right to land, women are largely involved in food production and marketing and could not get into coffee plantation in the Highlands provinces, because this is men's priority area. Women's working time is much longer, but they receive approximately only one-third of the male's hourly labour return in coffee

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<sup>2</sup> *Wantok*: Pidgin word literally meaning 'one talk'. It refers to those clan people, friends or acquaintance among whom they have social, cultural and economic interactions and expectations.

production (Overfield, 1995). Overfield (1995) concludes that the gender subordination prohibits women from participating in more productive economic activities and has led to market failure; that is, labour input and use in the households is inefficient and does not follow economic rules, and women are confined to lower return subsistence production.

Due to a shortage of supply in fresh products, imported fresh products are used to meet the demand in the country (FPDA, 2008a). Especially in the period of LNG construction, it was expected that there would be increased demand for fresh products (Chang & Griffith, 2011). It is the direct garden production by women for petty trading and home consumption in urban peripheral areas that largely fill the gap. However, women's roles are usually ignored. Despite women's contribution, both economic and noneconomic, to families and the national economy, their work is often undervalued, because they are placed in the subsistence or informal economy, which is frequently overlooked by both their own families and governments (Dunlop 2003; Bourke 2005).

Nevertheless, Bourke (2005) claims that the history of fresh food markets over the past 30 years reveals a successful story of domestic product market development, a market that used to be dominated by imported products. There is still huge potential for expansion in production and market size if transport and market facilities improve and the linkages between producers, traders, and sellers are established (Bourke 2005; Ross 2005).

## **2.4 Localisation of business**

Localisation of business has been a concern in PNG before and since independence. In the 1960s, there were discussions of the problems and prospects of local business and industrial development. In the mid-1980s, the question of localisation was raised and discussed again from the point of an increased proportion of the economy under the control of Papua New Guinean (PNGean) individuals and groups, with emphasis on agricultural development, village industry, internal trade, small-scale artisan, services and business activities (Meredith, 1987). Early study found that small enterprises tend to have a higher level of localisation compared with medium-sized enterprises (Meredith, 1987). This is partly because of the requirement of better educated and more skillfully trained personnel and more capitalised owners for bigger business. After three decades of independence, small businesses are yet not under the control of local PNGeans, which is a concern of both the government and the people (*The National*, 2012); only 10% of business activities are owned by PNGeans (The Independent State of PNG, 2009).

While there are considerable studies on informal market and trade, research on business nevertheless focuses on formal enterprises. An INA business environment survey report discloses a number of challenges that general businesses face. Political uncertainty and instability, insecurity, inadequate infrastructure and inefficient public services have affected business expansion and further investment, and imposed significant costs on business and the prices of goods (INA, 2007).

Meredith (1987) discusses constraints faced by small business. Issues related to production elements such as labour cost and qualification, land and capital were widely seen as problems in business development. Early in the 1960s, cultural attitudes, business jealousy and the kinship traditional resource sharing system (i.e. *wantok* system) were claimed to stifle incentives for sustaining and expanding small business (Meredith 1987).

High crime also hinders business development, and small businesses such as smallholder production and informal trading are particularly vulnerable to stealing or other opportunistic crime (ADB, 2012). In general, transport infrastructure is the foremost constraint to rural informal market activities (Sowei, *et al.*, 2010, ADB, 2012). A research report of the National Development Bank of PNG finds that women lack

confidence to start businesses, do not have the necessary business management skills, and do not have support networks of mentoring, and so on (Nalu, 2012).

Research on business development touches on cultural factors, claiming that cultural factors are at the centre of development and governance problems, and PNG's development problems derive from a lack of appropriate behavior (Standish, 1999; May, 2000; Kavanamur, 2001). For example, (Kavanamur, 2001) analyses various cultural features and the effects on governance, decision making, risk taking and future planning, and argues strongly that the cultural mind-set is partly responsible for PNG's development failures.

More in-depth and ethnographic studies look into the social and cultural factors affecting doing business in PNG (Benediktsson, 2002; Curry, 2005). For example, "markets are best seen as embedded in society" and they are not just the economic meanings (Benediktsson, 2002:4). An interesting observation was made by Epstein that many women viewed the market as a social outing, bringing with them just enough produce to sell to cover their transport costs. The market was a space for arranging marriages, feasts, and mortuary rites (Epstein, 1961). The markets are even places for drinking, gambling, drug sales, drug taking and so on, which make the market places unsafe (UN Women, 2012).

In the discussions of localisation of business early in the 1960s, a key problem facing the development of PNGean business owners was identified as the *wantok* system, because it stifled the incentive to feed back the profit into enterprises (Meredith, 1987). Curry (2005), studying different types of small business in the village context, tends to argue that some small businesses do not attempt to make profits, but rather to generate social prestige in the clan or community, because if they are to accommodate the demands of social networks, they would remain insolvent. There is some incompatibility between commercial operation and socially and culturally embedded gift-giving practice among *wantoks*. For example, according to Dr. Sam Tam, the StretPasinStoa Scheme — launched in 1975 — provided funds and intensive training courses for the potential store managers, and supported 150 stores (Tam, 25 February 2012, pers. comm.). However, many stores eventually vanished; one of the reasons was claimed to be *wantok* demands. In working together and helping out *wantoks*, the store owners could not afford to pay the bills and became insolvent: "the stock shrinks, the enthusiasm shrinks too" (Samuel, 2012:12). Seemingly, the way of doing business in PNG has some traces of social enterprises,<sup>3</sup> although it does not necessarily have a clear and primary objective of caring for the welfare of community and social networks. But then, even a social enterprise has to operate on commercial principles to generate revenue. Probably it goes to another extreme that, in caring for others, the business is not able to maintain solvent and expand.

However, Benediktsson (2002) raises a critical point: whether a market-centric view of the development is applicable to all societies where people's subsistence or semi-subsistence life relies on local exchange and the social networks, as it does in PNG (Benediktsson, 2002). Therefore, the understanding of small business success should be broadened to look at the social and cultural embeddedness and the related values attached to the business. Benediktsson (2002) reminds us that "the establishment of institutional conditions in support of formal wholesale trading in vegetables and fruits in Papua New Guinea has been a popular problem for development agencies to tackle... Building a socially and economically sustainable formal marketing chain in this context depends on recognising the close linkages between the demands of subsistence and commodity production..." (Benediktsson, 2002:273). Instead of aiming forever at "the commercial farmer", development policy and projects to do with wholesale trading must find a way to

---

<sup>3</sup> Social enterprises are revenue-generating businesses with two goals: to achieve social, cultural, community economic or environmental outcomes; and to earn revenue. Social enterprises look, feel and even operate like traditional businesses. But the income generation is to play an important supporting role to achieve the social objective.

See 'What is Social Enterprise? Defining Social Enterprise' at <http://www.centreforsocialenterprise.com/what.html>.

constructing this market in such a way that small and/or erratic suppliers have a place (Benediktsson, 2002).

## **2.5 Graduation of informal microbusinesses to formal small enterprises**

In spite of the massive informal economic activities in PNG, Conroy (2006) argues that there is a gap, a “missing middle”, between the traditional subsistence economy and the modern monetised economy in many Pacific island countries, including PNG. This missing middle is the complex set of monetised household economic activities existing in many Asian countries. A baseline survey of small and medium enterprises by the Small Business Development Corporation in 2011 found that there were only 11 554 micro, small and medium enterprises owned by PNGean nationals, with breakdowns of 8489 micro, 2090 small and 975 medium enterprises, respectively<sup>4</sup>.

It is believed that informal economy participants generally do not have sufficient access to the legal and financial systems and thus to the social welfare and security in many economies (INA, 2001; Kusakabe, 2006; Chen, 2007). Therefore, informal businesses should grow and graduate to formal ones. The PNG Development Strategic Plan 2010–2030 raises the hope that “micro-enterprises should be thought of as a step towards progression into a commercially viable formal business” (The Independent State of PNG, 2010:99). However, incentives for informal economy participants to advance from informal to more established businesses need careful assessment. In a workshop on formalisation of the informal economy (INA, 2007), scholars argued that benefits and expenses are the key issues for people to consider and balance in the boundaries between the informal and the formal. The benefits must outweigh the costs and barriers (INA, 2007:7). Further research reveals that many small and even larger enterprises opt to remain informal as costs such as tax and registration impediments to entry are widely perceived as exceeding potential benefits from formalising (INA, 2008:27).

From the experience of Thailand, graduation from an informal micro- to a small-scale formal enterprise requires a substantial increase in investment. The capital requirement for setting up a small-scale enterprise is 2 to 14 times that for an informal microenterprise. The most critical point is that, in most cases, the formal small-scale enterprises had started as formal enterprises (Sarkar & Kumar, 2002:77). Therefore, graduation of informal to formal small business is perhaps a linear thinking. Business advancement has to be examined in a holistic framework.

## **3. RESEARCH METHODOLOGY**

This research is based on personal interviews with 244 women traders in six market places in the National Capital District (NCD). After general visits to Gordons, Malaoro and Rainbow markets, a questionnaire was designed to cover three broad types of produce traded in six markets in relation to their origins; namely, green vegetables and fruits, roots products (potato, sweet potato, carrot, yam, taro, onion, etc), and marine products. These products generally come from the NCD, Highlands provinces and Central Province, with some imported fruits sold as well in these markets. The six markets are Gordons, Malaoro, Waigani, Koki, Rainbow and Gerehu.<sup>5</sup>

The questionnaire was tested and modified according to the actual situations in the markets. Four enumerators were recruited and trained and their opinions were also incorporated in the modified questionnaire. After the completion of questionnaire interviews each day, the researcher and the enumerators went through all the questions and answers together to check their consistency. The field

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<sup>4</sup> Small Business Development Corporation Annual Report 2011; updates from email communications with SBDC staff, September-October, 2012.

<sup>5</sup> Four interviews conducted in Hohola were dropped.

survey targeted women traders in six open markets in POM as respondents. A total of 244 women traders were interviewed (Table 1).

**Table 1: Allocation of women trader respondents in six markets**

Market	No. of respondents	Percent (%)
Gerehu	39	16.0
Gordon	54	22.1
Koki	32	13.1
Malaoro	34	13.9
Rainbow	32	13.1
Waigani	53	21.7
<b>Total</b>	<b>244</b>	<b>100</b>

From the interviewed women traders, 10 cases were selected and followed up with in-depth discussions to understand better their conditions, constraints and experiences in business advancement.<sup>6</sup> Two cases of successful small-business women shared their experiences of starting small but more established businesses. Some observations from non-nationals who developed their small business from almost nothing were shared, such as different approaches towards money and ways of living, and cultural behaviours in business operations. Relevant government statutory organisations and departments, such as the Small Business Development Corporation, Nationwide Micro-bank, PNG Micro-finance, National Development Bank, Department of Community Development, CIMC, FPDA, and international organisations such as UN Women and World Vision, were visited, and policy measures and good practices in program work to promote the informal economy and small business development were shared.

The quantifiable data were analysed in a SPSS program, and the narratives of women traders from the in-depth discussions and case study were examined in connection with the opportunities and constraints of business operations and advancement.

#### **4. AN ANALYTICAL FRAMEWORK: ASSET-BASED APPROACH**

In the discussion and policy debates on business development in PNG, access to financial assets has been emphasised heavily (Kavanamur & Turare, 1999; Conroy, 2006; ADB, 2012). Based on the analysis of the dismal performance of various credit schemes in PNG, Kavanamur and Turare (1999) point to lack of appropriate management, high cost of service delivery networks arising partly from safety issues, poor monitoring and evaluation mechanisms, neglect of savings facilities, and the high transaction costs and default rate as a result of an embedded handout mentality as the fundamental impediments to enterprise development. The problem of credit access is just a symptom of these fundamental problems. The Asian Development Bank (ADB) report argues that access to land, financial resources and formal social protection networks may not be the critical constraints to poverty reduction. Although access to credit is limited, currently it is not necessarily a critical constraint on development. There are complex reasons for the absence of grassroots business development, and merely providing credit would not address this complexity (ADB, 2012:89). Conroy also argues that microcredit is not the solution to the missing middle. It is the microfinance, which emphasises the access to savings deposit services, rather than microcredit, that is most relevant to the island countries improving financial inclusion and would help to promote the micro- and small-enterprise sector (Conroy, 2006). The importance of savings is underestimated (INA, 2007:10).

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<sup>6</sup> To protect their privacy, the names of the respondents used in this report are not real.

Besides financial assets, other factors such as lack of skills and knowledge of production and services; access to the basic infrastructure of marketing; political instability; and social and cultural constraints are also relevant to PNG's development. Therefore, there is a need to shift the focus from financial assets to a more comprehensive asset accumulation policy that looks at the interrelationships between different assets and how they support each other.

An asset-based approach emphasises the need to improve the different dimensions of abilities to participate in and benefit from new economic activities, as well as the need to reduce the risk and vulnerability faced. Assets are broadly defined and therefore multidimensional, and include financial, human, natural, physical, social and political assets. Financial assets are financial services and credit. Human assets include health, educational level, skills and entrepreneurship. Natural assets include land, soil, environment, and so on. Physical assets are those of infrastructure and facilities. Social and political assets are social networks, and political space and safety. All are important parts of the wealth of the poor. In this approach, risk and vulnerability are external factors that affect the appropriation of the assets. An asset-based approach emphasises the role of institutions in affecting access to assets, the returns derived from assets, and the incentives to invest in assets.

Fostering the resilience of the poor is important in improving the security and social benefits of poor households, and therefore reducing vulnerability and the effects of risks. In addition to protecting existing assets, steps also need to be taken to acquire the returns and accumulate assets. Institutional support will help improve asset use and returns on investments.

The asset-based analytical framework has been influenced heavily by Sen's (1981) work on famines and entitlements, assets and capabilities, and by Chambers' (1992; 1994) and others' writings on risk and vulnerability. The framework is designed to assess how different capital assets are accumulated or eroded at different points. It focuses on defining such concepts as assets, vulnerabilities, capabilities and endowments, as well as developing policies.

Moser's (2006) development of asset accumulation strategies looks at the links between different assets, and their transformative potential through effective risk management. The further development seeks to identify how to strengthen opportunities and dilute constraints. It recognises asset accumulation as a precondition for empowerment, particularly economic empowerment.

In distinguishing social protection and asset accumulation in the framework, Moser (2006) articulates that the critical point is the issue of risk. In the former, risk is a danger, while in the latter, risk is an opportunity.

Assets are more closely linked to growth and risk management. For asset accumulation, risk is an opportunity. Managing such risk is about proactively identifying and investing in opportunities, so the biggest risk is not taking a risk. (Moser, 2006:12).

Therefore, the asset accumulation analytical framework is more relevant to the PNG context and policy development, where social protection — whether by state or family and clan — has been prioritised, but not necessarily effective. Thus, in this research, an asset-based analytical framework is applied to understand the potential for and constraints facing women in market trade and business advancement.

## **5. MAJOR FINDINGS FROM THE FIELD SURVEY**

This section looks at the empirical information gathered from the field work in six markets in POM. The empirical information is analysed from the perspective of asset use and asset building — that is, an asset-

based framework — to identify the potential for and constraints on business advancement for the informal traders.

## 5.1 Patterns of market trade and value chains

### 5.1.1 Types and origins of the products

The informal trading markets in PNG mainly include fresh farm produce, handicrafts and manufactured petty commodities. This study looks at the fresh farm produce and marine products, except betel nuts. The field study selected three categories of the produce traded: green vegetables and fruits; root products such as carrot, sweet potato, potato, onion and peanuts; and, marine products such as fish, crab and shellfish. Such focus was designed to represent the geographic areas of production.

Most of the respondents (n=151) reported that their produce traded mainly comes from Central Province, with much smaller volumes sourced from the Highlands provinces and the NCD (Table 2). This finding supports the findings from FPDC that more fresh farm produces come from Central Province and NCD, rather than the Highlands provinces.

**Table 2: Sources of produce traded in open markets**

Sources	Frequency	Percent
Central	151	61.8
Highland	47	19.3
Imported	10	4.1
NCD	36	14.8
<b>Total</b>	<b>244</b>	<b>100</b>

\*NCD: National Capital District

### 5.1.2 Types and origins of women traders

In spite of the major source of produce being the Central Province, the highest proportion of women traders comes from the Highlands provinces, followed by the Central Province (Table 3).

**Table 3: Home origin of women traders**

Home origin	Frequency	Percent
Central	106	43.4
Highlands	130	53.3
Others*	8	3.2
<b>Total</b>	<b>244</b>	<b>100</b>

\*Others include those from Gulf, the Islands, Madang, Milne Bay and Morobe.

Several different types of trading activities occur in the markets, representing different produce and origin of the produce, such as producer-sellers, pure traders and producers-cum-traders. The different trade types therefore form the various value chains.

- *Producer-sellers*: a large number of respondents (n=114) said they produce or catch the products themselves and then go to the market to sell. These producer-sellers come mainly from Central Province and the NCD settlement areas.
- *Pure traders*: from the channels of the produce traded in the six markets, more than half of the respondents (n=124) said they bought the produce and put it up for sale. These are considered to be pure traders. Pure traders buy directly from producer-wholesalers, who again fall into the category of producer-sellers and wholesalers. The wholesalers transport fresh green products from Sogeri in Central Province or from the wharf in POM when the goods are sea-freighted from

Lae. All the temperate green produce is planted in the Highlands provinces, while the leafy products come from Central Province. Both Central and Highlands provinces produce root and other hard products. About seven respondents produce and also buy products from others to sell.

- *Producers-cum-traders*: A small number of traders produce part of the goods traded and also purchase some part of their goods from others to sell. They are considered as producers-cum-traders.

Comparison of the origin of the produce and the home origin of the traders indicates that a larger share of the produce but a smaller number of the traders come from Central Province. This suggests that most of the traders from the Central Province are producer-sellers while the Highlanders tend to be the pure traders. This is confirmed by the cross-tabulation of home origin and the source of their traded products (Table 4).

**Table 4: Home origin and channeling source of products**

Channeling source of products traded	Home origin (number)			Total
	Central	Highlands	Other provinces*	
Bought from others	16	104	4	<b>124</b>
Self-produced	86	23	4	<b>113</b>
Both	4	3	0	<b>7</b>
<b>Total</b>	<b>106</b>	<b>130</b>	<b>8</b>	<b>244</b>

\*Other provinces include those from Gulf, the Islands, Madang, Milne Bay and Morobe.

From observation of the markets, it seems that marine products are mainly sold in Koki, Malaoro and Rainbow markets; green and root products are mainly sold in Gordons market; and that all these markets have some broad specialisation, and have more producer-sellers (Table 5). However, the existing information does not show significant differences in trading patterns in the different markets, perhaps because the survey in Gordons market did not intend to specifically cover the wholesale section.

**Table 5: Channeling source of products in six markets**

Market		Buying or self-producing			Total
		Buying	Self-producing	Mixed	
	Gerehu	18	20	1	39
	Gordons	31	21	2	54
	Koki	12	20	0	32
	Malaoro	10	21	3	34
	Rainbow	18	14	0	32
	Waigani	35	17	1	53
<b>Total</b>		<b>124</b>	<b>113</b>	<b>7</b>	<b>244</b>

Among those 131 traders who buy whole or part of their products from others, half of them buy from producers and 41% buy from wholesalers (Table 6).

**Table 6: Source of bought products**

Source	Bought from producers	Bought from wholesalers	Retailers	Total
No. of responses	65	54	12	<b>131</b>

It was frequently reported by the respondent traders, particularly the traders from Central Province and NCD settlement areas, that they prefer gardening and trading, rather than pure trading.

Jessy and Gary are a young couple from Central Province. They produce cash crops for sale on around two hectares of garden, one old garden with banana, and a new garden with varied crops. The new farm has been cultivated for three years. They have rotational cropping year round. They start with water melon (2 months), corn (1 month), peanut (6 months), intercropping with cherry tomato. Whole year around, they have produce to harvest and sell to POM market. They sell their produce to hotels as well as Gordons market.

A senior lady, Daisy, used to do gardening in the settlement and sell her products in Waigani market. Due to the water overflowing, she was not able to continue in the garden and has to do pure trading. She thinks gardening and then selling is better than pure trading, as that way she does not have to spend money first to buy products.

Although most of the traders from Central Province are producer-sellers, it seems the fish traders from Gabagaba tend to just sell what they catch themselves, but those from Hula tend to sell their own fish as well as collect fish from other fishing families and even prefer buying fish from other families.

Despite the distance and difficulties in transportation, the Highlands province traders also maintain close connections with their relatives in the village, and are even the landowners in the villages. However, they cannot do the planting themselves and have to send money to their relatives for them to plant the crops that are traded.

The information above shows that the value chain of the major fresh produce is very short; this is, from producers to vendors directly. Even among the pure traders, direct investment in production in their home villages is often common.

Annie sells carrot, cabbage and sweet potato on wholesale and retail in Gordons market. Although she grew up in POM, she has land in the village in Goroka and her relatives plant the green garden products. She does this trade jointly with 5-6 family members and relatives. They transport the products with trucks to Lae, and from Lae the goods are shipped to POM. It takes 5-7 days to reach POM. Each time they ship 10-15 bags of carrots. She makes 7-8 trips a year between Goroka and POM. She has been in this trade for 25 years. Earlier it was just enough to cover the family daily expenses. Since 2000, the business has become better. In 3-4 days, they could make the sale value of 7000 kina<sup>7</sup>. PNG Microfinance Ltd has program in Goroka, so she has a bank account and is able to take loan.

In such a pattern of production and trading relations, it is seen that not only the direct producers but also the pure traders have their land resources back at home; and they keep close connection with their relatives who supply the goods. The pure traders are the absentee landowners who manage their land or even relatives' land afar to make money from their remote land.

<sup>7</sup> One kina is equivalent to USD0.45.

Rachel, from Mt. Hagen, sells kaukau and potato wholesale and retail in Gordons market. Around 40% of her kaukau are produced in her relative's garden in the village. She sends the money back to the village for her relatives to plant and harvest and then the produce are sent over to POM. The relatives produce 50 bags of kaukau a year. The kaukau are transported via truck to Lae, and then shipped to POM. She buys other 60% of the produce from other middlemen, 150 kina/bag. She illustrated the transportation cost of a bag (60kg/bag) of kaukau at each stage as below:

- Carriers (five to six boys) from village to truck: 4 kina per bag;
- truck to Lae: 13 kina per bag;
- ship freight from Lae to POM: 27 kina per bag;
- market fee: 2 kina per bag; storage: 2 kina per bag; and
- carrier: 3 kina per bag in POM.

The cases above show that to arrange the production, the woman trader has to make seven to eight trips a year between the village and POM; and the transportation cost for bulky kaukau from a Highlands province village to the POM market reaches 51 kina per bag. The cost occurred in the process is rather high. What is the significance of such "special" arrangements by the traders for the small volume of produce from their home village, especially where the high transaction cost is concerned?

Traders and people in general commonly believe that the supplies of kaukau, cabbage, carrot, and so on, are not in shortage. When people have some reliable base for production and supply under their control, they tend to be confident. Therefore, the confidence in trading is linked to the connections with the rural production, whether self-produced or produced by their known relatives and *wantoks*. While the producer-sellers have the convenience in accessing land, even though some of the land is not their customary land, they gain confidence from having a secured source of supply. On the other hand, it also implies that the confidence among producer-sellers in doing trading is lower than that of the pure traders. Small scale or a small plot in settlement areas of the NCD barely produces an amount of produce above subsistence. To earn larger incomes, one has to expand the area or buy from others. The meaning of investing in production and in purchasing from producers is unclear among many of the producer-sellers. A lack of confidence in pure trading is evident even for those relatively successful producer-traders.

Shila comes from a Central Province village; a 2-hour PMV drive. She started fish business in 2004. Around 40% of her traded fishes come from her family catch and 60% come from other families. There are 6 families supplying her fishes. She supplies regularly to big restaurants and shops. She has registered a company and opened a bank account. Shila prefers fishing and selling to pure trading, so that she does not need to pay the money to the fishing villagers. But when discussed further, if she specialises on trading, she does not have to spend money for dingy, petrol, net etc. She agreed that specialising on trading is simpler than fishing and trading. There is no electricity in the village, and if she focuses on trading, she needs to buy generator and fridge (interviewed, 2 August, 2012).

It is also worth noting that among the limited number of producers-cum-traders, all except one have started, or have a plan to develop, their small business. It confirms that those with a larger share of purchased products are more confident and have more potential in specialising their business.

When respondents were asked about the important factors pushing them into market activities, they mentioned that family expenses (n=180) and children's school fees (n=146) were the most pressing reasons for them to start their trading activities.

## 5.2 Business advancement: analysis of asset building

In spite of the subsistence level of trading, women traders do not appear to sell only the surplus from family consumption. Instead, women traders — even those who dwell in the settlement areas — plant products for sale and cash income, and plant greens on state land. This can still be considered cash cropping, despite its small scale. When people have limited disposable income, whatever can be turned to cash income, especially in the urban areas, will be sold.

During this study's field work, traders were found to have been engaged in informal trading for an average of 8.1 years. Over half of the respondent women traders have been in the business more than six years and about 23% of the informal traders (n=56) have been in the business for more than a decade (Table 7).

**Table 7: Length of informal trading**

Years		Frequency	Percent (%)
Valid	1-2	45	18.4
	3-5	75	30.7
	6-10	67	27.5
	10+	56	23.0
<b>Total</b>		<b>243</b>	<b>99.6</b>
Missing Value		1	0.4
<b>Total</b>		<b>244</b>	<b>100</b>

Although 180 women traders said their trading activity is meant for household expenses, there is in general a gradual growth in trading. Among the total respondents, 91 (37.3%) said they had gradually expanded. Such gradual expansion means that in most cases they expand from fewer than two units<sup>8</sup> to three to five units, from road-side selling of a few items such as betelnut, cordial or candy, to tables in markets; or they started with one table, and now operate their business on two small tables. Nonetheless, from a business point of view, such expansion or increase over an eight-year period is marginal.

**Table 8: Comparison of trade volume at beginning and now**

Product volume (unit)	At beginning		Now	
	No. of responses	%	No. of responses	%
≤2	190	77.8	95	39.0
3-5	40	16.5	107	43.8
6-10	6	2.4	33	13.6
≥11	2	0.8	5	2
<b>Total</b>	<b>238</b>	<b>97.5</b>	<b>240</b>	<b>98.4</b>
Missing Value	6	2.5	4	1.6
<b>Total</b>	<b>244</b>	<b>100</b>	<b>244</b>	<b>100</b>

When asked whether they have an intention to expand the current business or establish a new and stable business, 145 respondents (>60%) said yes (Table 9).

<sup>8</sup> In PNG markets, most people do not sell goods by weight; rather, they sell vegetables in bunches, or small fishes in a bundle. When they buy goods from the wholesalers, it is calculated in terms of bags, bilum (knitted bag), esky or bucket. Thus, units here and in Table 8 refer to bag, bilum, esky, bucket, and so on, depending on the types of goods.

**Table 9: Plan to expand business in age groups**

Age group (years)	Plan to expand			Total
	Missing	No	Yes	
<30	1	16	46	63
31-45	5	52	78	135
≥46	4	16	21	41
<b>Total</b>	<b>10</b>	<b>84</b>	<b>145</b>	<b>239</b>

This indicates that after years of practice, women traders' confidence in business has improved. Among the younger respondents, the intention to expand business is stronger (Table 9), with 74.2% planning to expand their business, compared with 59.3% among the older age groups (older than 30 years). This could be because of the younger respondents' age advantage. Furthermore, of the 144 women traders who responded to the question about future plans, most have the intention to set up a store, PMV and taxi service, expand their goods produced or traded, rent a house or vehicle, run a poultry farm, wholesale trading business, or service station.

Among the 84 respondents who do not have plans to expand, the reasons given include the need to sustain daily living; having only a small amount of money; lack of education; husband or *wantok* demand; lack of support; or old age. The question for such little advancement even after so many years of market experience was considered. Relevant questions were forwarded to the respondents to explore the reasons. Some of the traders who have potential to upgrade their business were interviewed in depth.

Among the immediate difficulties faced in considering business expansion, the time needed for household responsibilities and money burdens from *wantok* demand, lack of capital, and poor transport facilities are among the most serious constraints (Table 10).

**Table 10: Difficulties in business operation (multiple choices)**

Area Age group	Transport	Market facilities	Getting goods	Capital	Household responsibility	Wantok demand	Social & cultural constraints	Organise/network	Others*
≤30	16	3	1	18	30	19	7	2	3
31-45	24	13	15	29	67	32	12	4	20
≥46	10	5	1	10	22	9	5	1	3
<b>No. of responses</b>	<b>50</b>	<b>21</b>	<b>17</b>	<b>57</b>	<b>119</b>	<b>60</b>	<b>24</b>	<b>7</b>	<b>25</b>

\*Area refers to the listed items where difficulties exist, such as poor transport and market facilities, lack of capital, organising and network support, and so on. Social and cultural constraints include lack of women's control over family resources and safety, stealing, jealousy and competition, and fighting for space. Others include being single (9), labour demand (9), overnight stay (4) and other (3).

Despite the stronger intention of business expansion among the younger age group, there seems to be no difference between the younger and older generations in terms of sourcing of traded products and difficulties faced, particularly in control over the money earned, or the saving habit.

To understand the situation of the small traders in the market, particularly the constraints on and potential for business advancement from informal trading to formally structured micro-to-small business, the asset-based analytical framework is used to analyse various asset-related factors. These include human assets,

financial assets, natural assets, physical assets, and social and political assets, as detailed in the following sections:

### 5.2.1 Human assets

Women traders in the six markets tend to be in their middle age, with the average age being 37 years. About 55% of the women traders are older than 36 years (Table 11).<sup>9</sup>

**Table 11: Women traders, by age group**

Age group	Frequency	Percent
15–25	25	10.2
26–35	80	32.8
36–45	93	38.1
46–55	36	14.8
>56	5	2.0
Total	239	97.9
Missing Value	5	2.0
<b>Total</b>	<b>244</b>	<b>100</b>

Out of 244 women traders, 140 have never experienced formal schooling. The average number of years of formal schooling is 2.68. Only 13 respondents had more than 10 years of education (Table 12).

**Table 12: Educational levels of women traders**

Years of education	Frequency	Percent
0	140	57.4
1–3	15	6.1
4–6	45	18.4
7–9	27	11.1
>10	13	5.3
Total	240	98.3
Missing Value	4	1.6
<b>Total</b>	<b>244</b>	<b>100</b>

Those respondents who had not attended school accounted for 57.4% (Table 12). Age and educational level do not restrict women from going to the market for informal trading. Women traders reported that they spend 4.2 days a week in the market, and each day they spend 7.8 hours in the market. Respondents have been in these kinds of trading activities on average for 8.1 years, which means the informal trading has been a stable job and source of income. Overall, women traders need to spend on average 2.3 days to sell their main products. Women at this age (average 37 years), however, do bear huge household responsibilities. About 120 respondents reported that attending to household chores is one of the main problems faced in business operations as a woman trader. Although respondents have an average of 3.74 children, they also reported that they have 9.05 dependents living and eating in their houses. That means they have to feed and care for their immediate family members, as well as relatives and even *wantoks*.<sup>10</sup> Thus, the incomes earned by women traders through market trading activities are significant in supporting

<sup>9</sup> During the interviews, many women reported they did not know their age, due to their illiteracy. However, it is acceptable to guess participants' age, because this research looks at the age group, rather than the exact age. During the face-to-face interviewing, the interviewers guessed participants' age according to their physical appearance, and with reference to number of children, eldest child's age, knowledge of independence year, and so on.

<sup>10</sup> In a scoping survey conducted by World Vision (2011), the average household size (i.e. the number of people living in one house or shelter) was 8.4 people.

their households. Household responsibility is the paramount difficulty women face in doing business. Moreover, such responsibility is well beyond the immediate family.

Most of the women interviewees are married and remarried, with 13 of them never married and 17 divorced and widowed (Table 13). About 30 women traders currently do not have husbands, and 40 of their husbands are unemployed. Only 60 respondents have husbands in formal jobs, while 79 of their husbands worked informally. Therefore, most of the women traders do not expect financial support from their spouses.

**Table 13: Marital status of women traders**

Marital status	Frequency	Percent
Missing	1	0.4
Divorced	9	3.7
Married	204	83.6
Remarried	9	3.7
Never married	13	5.3
Widowed	8	3.3
<b>Total</b>	<b>244</b>	<b>100</b>

As indicated earlier, stringent financial management, as well as support from family members, is needed to advance from informal trading to small business. Particularly for the informal traders who do not have much education, their dealings with formal institutions such as banking services and registration needs support from family and relatives. Without such support, a woman would face even more obstacles.

Due to the uncertain and insecure environment, people fear to take risks and move forward. Discussions with various institutions show that it is much easier to support those already in established business; however, it is difficult for new starters to continue after initial support and training.<sup>11</sup> Nevertheless, training and mentoring is a critical step, especially in formal business establishment and development.

Tila was a bank teller. She attended sewing course on weekends while she was a bank clerk. Later she worked with Filipino and Chinese tailor shops for over 15 years as a manager. Such on-job training was very helpful as she learnt all the skills from customer contacts, making orders, measuring and importing fabrics. After she left the employer, she started her own tailor shop in her home in 2008. After two years, she was able to have 100,000 kina in the bank and took the first loan of 100,000 kina from the bank.

### **5.2.2 Financial assets: capital, profit and credit**

On average, the women traders started their business with running capital of 169 kina, and most respondents used 87.5 kina (median) as initial capital (Table 14). Currently, they need an average running capital of 397 kina, with most respondents using 200 kina (median).

Compared with Asian countries such as Cambodia, these initial and daily capital needs are rather high. In Cambodia, among the street vendors, the average initial investment capital is around US\$35 and the working capital is US\$42 (Kusakabe, 2006). Nevertheless, 78 respondents reported a capital below 100 kina (which accounted for over 32%; Table 14), with an average capital of 63.4 kina.

<sup>11</sup> Meeting with SBDC, 29 May, 2012.

**Table 14: Capital at business set-up versus capital at the present time**

Capital range (kina)	Set-up capital (frequency)	Set-up capital (%)	Current capital (frequency)	Current capital (%)
1–100	140	57.4	78	32.0
101–300	52	21.3	60	24.6
301–500	18	7.4	24	9.8
>501	11	4.5	62	25.4
Total	221	90.6	224	91.8
Missing Value	23	9.4	20	8.2
<b>Total</b>	<b>244</b>	<b>100</b>	<b>244</b>	<b>100</b>

**Table 15: Running capital in category**

Capital range (kina)	Average capital	No. responses
1–100.00	63.4	78
101–300.00	196.8	60
301–500.00	445.8	24
≥501.00	1016.6	62
<b>Total</b>	<b>403.9</b>	<b>224</b>

In micro business, the profit rate is usually high. This is very much the case in PNG. The shortage of supply of agricultural produce in urban centres in PNG allows the traders to sell their produce relatively easily. The informal traders are able to make good money. In this study, the profit rate of informal traders ranged from 50–100% depending on the varieties of the produce traded; that is, more than 50% profit above the buying prices for green products and 100% for marine products. Since it was not easy for the women traders to calculate their daily profit, they were asked to describe the business cycle first; that is, how long it usually takes for them to sell the main products and buy a new batch. They would then estimate how much they earned in a business cycle. The average business cycle is 2.3 days, and in a business cycle, the average income earned is 265 kina.

**Table 16: Profit at business set-up versus current**

Profit range (kina)	Set-up (frequency)	Set-up (%)	Current (frequency)	Current (%)
Valid 1–50	83	34.0	54	22.1
51–150	70	28.7	59	24.2
151–300	59	24.2	62	25.4
301–500	18	7.4	36	14.8
≥501	4	1.6	28	11.5
Total	234	95.9	239	98.0
Missing Value	10	4.1	5	2.0
<b>Total</b>	<b>244</b>	<b>100</b>	<b>244</b>	<b>100</b>

Note that it is likely some of the respondents might have reported their overall sales value and earnings in the business cycle. Nevertheless, if we calculate the profit rate with the running capital, it is 66.8%, which is still within the range of 50–100% reported by the respondents, depending on the produce they sell. Note that this calculation has not deducted the production cost of the producer-sellers' produce. Therefore,

this figure is reliable. The average amount of profit earned by the market traders per hour is 13.3 kina, which is much higher than the national minimum wage.<sup>12</sup>

Both capital investment and profit show upward movement from lower levels at the beginning to the current higher levels, although such movement is not in huge steps. This level of profit rate is much higher than that of Asian countries, however. In Cambodia, the daily profit for a street vendor is just less than USD1.5 per day (Agnello and Moller, 2004, cited in Kusakabe, 2006:130). This implies that it is still a supplier's market in PNG, which provides a good opportunity to promote certain small-medium-scale production.

The good profit rate in the open market allows nearly half of the women respondents to have some savings. Among the 244 women traders, 116 women reported to save some part of their profit and 23% reported they put their savings in the bank. For those who do not, the reasons not to save the money in the bank include no left-over money to put in the bank, no bank account, complicated procedure and bank fee, inconvenience to bank, lending out informally, and so on. Among those who do not save, they claim the money earned is demanded for household expenses for an average of 9.05 mouths at home. *Wantok* demand for cash or goods is also a reason for not saving.

How the women traders spend their income is a more relevant indicator to see the nature of the trading activities. Although home expenses and children's school fees are still the two major items, saving (116), *wantok* contribution (73) and return to investment (47) are the other three outlets of expenses. The women traders spend the money buying household daily goods from shops or market. Rice, sugar, salt, laundry powder, cooking oil and kerosene are the common items bought and taken home when they finish marketing. For those traders whose profit is paid for family expenses, after doing the shopping, an amount of money is reserved just enough for the next one-way trip. The major part of income is spent on daily goods. They even take the risk of transporting kerosene in the PMVs to save on purchases, because these daily goods are sold at much higher prices in the village stores. Therefore, such kinds of trading activities are at subsistence or semi-subsistence levels. Note that *wantok* contribution is one of the big expenses mentioned by the respondents, which might dilute the resources of the small traders from further investment.

Only 47 women said they reinvest part of their profit. It is noted that savings of some informal traders is not reinvested in the business; rather, it is lent informally. In fact, there is widespread informal lending and the interest charged for fortnight loans is 20–50 percent, and more beyond the fortnight, which puts people into substantial debt.

Sandy started with K10 selling cordial, cold water and ice block 11 years ago and with that she worked her way up and now she uses a capital of K800 per day and earns K400 per day by selling carrots, onion, tomato, gingers, etc. herself. She hires 2 ladies to sell kaukau, corn, banana, tapioca for her and pay 10 kina a day a person and some unsold goods for them to take home. While she runs her daily market business, she also lends money out to get high interest, her interest rate is 50% for fortnight. Each lending is not less than K500! (interviewed on 5 March, 2012).

According to financial experts, it is the working class who usually borrow from the money lenders. Working class people, even though they have regular income, due to the high cost of living, consumerism, and demands from relatives and *wantoks*, have to borrow money to make ends meet.

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<sup>12</sup> The current national minimum wage is 2.29 kina per hour. Prime Minister O'Neill is seeking a minimum PNG wage increase to 3.5 kina (equivalent to USD1.54), *Pacific Islands Report*, August 19, 2011.

In general, the access to financial services in PNG is limited. Only 8% of the population is financially included, which is the lowest percentage in the Asia–Pacific region (Conroy 2010). When they need money to revolve and reinvest, only very few of the respondents approach banks for funds (Table 17).

**Table 17: Sources of getting money**

Sources	No. responses	%
No borrowing	59	24.2
Family and relatives	46	18.8
Bank loan	3	1.2
Own savings	114	46.7
<i>Wantoks</i>	22	9.0
<b>Total</b>	<b>244</b>	<b>100</b>

Several microfinance institutions provide small loans. In the formal lending sector, the interest rates for loans are lower, depending on the sources of funds such as government or commercial banks. For instance, the interest rate for loans from a government-funded program, such as the Start-up Loan Package for women in business, is 10 percent. A question that has been widely considered is why the borrowing from formal microfinance institutions is low even though the interest rates are much more reasonable; people more readily take informal loans with high interest rates. Hidden costs in the formal loan increase the transactional costs. One trader reported that she borrowed 3000 kina from a microfinance institution and ended up paying back 6000 kina after nine months. It is likely she paid some hidden costs. In addition, there is usually a 30% equity requirement for the loan takers without a security guarantee. This condition often stops some potential borrowers, because this initial 30% saving is difficult for many. Conversely, the confidence of microfinance institutions in people’s money management ability and saving capacity would be limited without this initial 30% equity.

**5.2.3 Natural assets: access to land resources**

In PNG, it is often claimed that everybody is a landowner under the customary land ownership. As said earlier, the women traders prefer gardening and trading, rather than pure trading. This form of operation is viable in the subsistence or semi subsistence production and trading environment, since their access to a small holding of customary land allows women to opt for production and trading, particularly in Central Province with access to land and relatively short travel distance to POM. Among the producer-sellers, 71.7% plant their products on customary land while 28.3% plant on state-owned land in settlement areas, mainly in NCD (Table 18).

**Table 18: Type of land under fresh product cultivation**

Land status	Frequency	%
NA/Missing	124	50.8
Customary	86	35.2
State	34	13.9
<b>Total</b>	<b>244</b>	<b>100</b>

Despite the claim that every PNGean is a land owner under customary ownership, there is no clear and legal demarcation of land title or use rights, and frequently the “rule of the jungle” is applied in land occupancy. It is being acknowledged that there is a growing number of landless PNGeans (The Independent State of PNG, 2010). Further, the predominately patriarchal society of PNG does not guarantee women’s access to land (AusAID, 2008). Increasing reports of land conflicts in communities do not give people confidence that women would have as easy access to land as men. The myth of

harmonious and sharing communities has to be deconstructed to understand the issue of land access by marginalised segments of communities, especially by women.

People's inclination towards security and controllable benefits is observed in the producer-seller pattern. While women traders claim that by producing and trading they do not have to pay others to buy goods, they surely know the money is also spent in buying seeds and time in plantation. But what they do not necessarily count is the opportunity cost in producing-selling.

The attachment of PNGeans to land is so strong that in spite of the high cost of transportation and inconvenience of travel, the mobility of the PNGeans between home villages and urban areas is still high. They arrange their production through their kinship or *wantoks* directly. However, confined within the producer-seller domain, women and family would not be able to expand their production and develop scale economies. Each household would remain in very small production. From the cases of Annie and Rachel illustrated above, for this small volume of production, women still have to make trips to organise the production and transportation. All these transportation and labour costs are added to the unit cost of produce.

As a consequence, there is limited development of the wholesale and middleman system. This is because of the small-scale cash crop production, which is not much beyond subsistence production on the one hand. On the other hand, there is a lack of specialisation. Most producers want to retail the produce themselves, instead of wholesaling or selling to middlemen, so that they can concentrate on their production and expand scale. If they calculate correctly the cost of transportation, it is not worth selling the small amount of product themselves in the market. In reality, however, the producers must still travel to cities to buy their daily necessities (e.g. rice, sugar, kerosene), even if they do not go to the market to sell. So selling garden products and buying daily necessities in the urban areas are by-the-way activities, and the cash from selling garden products is used immediately to buy daily necessities. Thus it is regarded as subsistence or semi-subsistence trading.

An observation of a shallot producer-wholesaler in Gordons market shows that there is not much difference in the way of wholesaling and retailing, because she spends so much time in tying the shallots into small bunches, which the retailers eventually will untie and retie into even smaller bunches. The difference is only the price. In the various markets, there are many such cases. This might be still due to the small quantity of production, which allows the wholesalers to spend time to sell the produce by retail. Therefore, a certain scale of production is desirable, which means some extent of agglomeration of the productive assets; that is, land, labour and capital. Jessy's case below illustrates the state of small production and potential constraints to scale production and small agrobusiness.

In the case of Jessy and Gary, the land was passed on to Jessy from her mother and grandparents' side. Therefore, Jessy is the recognised person for the land. There are around 100 hectares of land, but only small area is cultivated with small scale products. Her husband Gary dropped off from university as he could not afford to continue his study in economics. Jessy and her husband go to POM together to sell the produce. Gary carries and Jessy sells the produce. When they go to POM, they go to Gordons first to sell something to earn the bus/taxi fare or have breakfast. So they have to combine and bring 2–3 items to the market, i.e., watermelon and tomato, or corn and lime. After they get the cash for breakfast and bus fare from the first item, they then bring the cherry tomato or other main items to Yacht Club or Ela Beach. Yacht Club pays 9 kina per kilo of cherry tomato. Sometimes when they reached the hotel, they were told that the hotel already got the tomato from other producers. There is no written agreement with the hotels and restaurants. They had to go back and sell the tomato in the open market, which has lower price, 20 kina per bucket (around 5–6 kgs). They usually sell their products wholesale, but the volume is still small, such as 2 buckets of

cherry tomato, 2 bags of corns. Maximum one time they sell 5 bags of watermelon. People buy only one bag one time. Gary has to stay in POM for 3–4 days to sell off their produce. They stay with Jessy's aunt. They bring the products to give to the aunt's family as a way to pay back. It is a giving and taking. Sometimes, they take the convenience of aunt's vehicle, and give 10 kina.

In this case, when land scale, educational level, vicinity of home village to POM, and relations with potential customers are considered, Gary and Jessy seem to have a good base from which they could start their own small-scale agrobusiness. They have land; they are both educated; they do not have *wantoks* to divert their assets; and their land is relatively close to an urban center. However, Gary and Jessy have various concerns about the possibility of small-scale agrobusiness development.

There is some concern about the unclear land title deeds. The land was leased to the state for a plantation 100 years ago and the leasing agreement has expired; however, the legal documents have not been changed. If Gary and Jessy plan to increase production, they need to get the legal documents in order. A complication is the fact that this is a patrilineal society, and Jessy's husband is from another place. While the land is in her custody, Jessy has to depend on, or at least obtain consent from, her male cousins or uncles to make decisions on land use. If they are to expand the cultivated area, Gary and Jessy need — at the very least — endorsement from relatives, before buying a tractor to clear the land. Jessy's relatives, who have overseas connections and power, are thinking of building a hotel on this land, leaving Jessy and Gary afraid of the current ambiguous situation and wary of being bullied by their relatives.<sup>13</sup>

#### 5.2.4 Physical assets: transportation and market facilities

Studies have pointed to the constraints of high-cost transportation and market facilities (FPDA, 2008a, 2008b; Chang and Griffith, 2011). Poor transportation and market facilities lead to deterioration in the quality of the fresh produce, especially from long-distance transportation without a cool chain system from the Highlands provinces to Port Moresby. In this study, some typical routes of goods transportation were identified:

A: Within the NCD, people take a PMV, share the cost of a hired vehicle or take a taxi, or walk with the goods. Products from settlement areas in the NCD and Gordons market are carried to the main road in bilums or woven plastic bags, and then taken by PMV, shared vehicle, or taxi to the retail markets. About 5% of women traders said they carry the products and walk to the markets (Table 19).

**Table 19: Transportation means to markets**

Means	No. responses	%
Public motor vehicle	136	55.7
Share rented vehicle	51	20.9
Taxi	16	6.6
Walk	12	4.9
Rent vehicle	11	4.5
Own vehicle	4	1.6
Dingy	1	0.4
Missing data (no response)	13	5.3
<b>Total</b>	<b>244</b>	<b>100</b>

<sup>13</sup> Seeking formal employment seems to be more of a priority. Jessy once said that her husband is educated and feels shy when trading in the open market, because his former classmates might see him standing there selling goods, and he would be embarrassed. So Gary started a four-month training course in human resource management, and he paid the 950 kina enrolment fee himself. Gary intends to pursue a career in formal employment.

B: Produce from Central Province villages are carried to the main roads, and transported by PMV to the main markets in plastic woven bags, buckets or eskies. If there is no help from the family, women have to hire labourers to carry the goods.

If we are planning to go to Port Moresby tomorrow, my husband will carry all the bags to the main road before dark and hide the bags in the bushes near the road. It takes 30 minutes to walk up. A bag of 50 kg is too heavy for me. If he is not around, I have to divide. Next day, we can get on PMV relatively easily. Sometimes, we also hire people to carry the bags, but labour is costly, not only cash, but also kinds such as cigarettes, drinks. It is also difficult to get on PMV, especially on Monday and Friday. (Jessy and Gary, pers. comm., Central Province, 16 June 2012).

PMV takes only half hour to reach here (the market in Port Moresby), but we have to walk for 1.5 hour to the main road. I hire people to carry the goods for me, 10 kina per person. Sometimes I have to hire 5–6 persons and spend 50 kina. (Lucy, pers. comm., Central Province, Waigani, 8 March 2012).

C: Produce from the Highlands provinces are transported to Lae by truck, and shipped to Port Moresby. The middlemen or producers' network transport the goods from the Port Moresby wharf to Gordons market and sell the goods to the small traders or retail themselves.

I hire 5–6 boys to carry the kaukau from my village to the road, 4 kina per bag. It costs 13 kina per bag to transport from Mt Hagen to Lae, and 27 kina per bag ship freight from Lae to Port Moresby. (Rachel, pers. comm., Gordons, 22 March, 2012).

If there are not many fishes, I come with PMV and it costs 30 kina per esky and 12 kina per person, and for return, it is 5 kina per empty esky or 10 kina with ice. If there are more fishes, my sister's family with vehicle would help me. Now I return empty eskies with PMV, and my husband receives the eskies from PMV drivers. I stay back in Port Moresby. Next morning, my husband will send off the eskies with fishes with PMV driver and I will receive them in Port Moresby. The PMV will drop the eskies in the hotel or market where I am waiting. (Shila, pers. comm. Malaoro, 2 August, 2012).

Like road transportation conditions, concerns about market facilities have existed for a long time. Among the six markets surveyed, Waigani market seems to be the best in terms of shelter, while Gordons and Koki markets have partial shelter. Without shelter, women have to do the trading in the rain and under burning sun. In the rainy season, customers are not keen to go to the open markets, which significantly affect the trading volume. The freshness of the marine produce is affected, particularly in markets without proper shelters, tables or storage (i.e. Koki, Malaoro and Rainbow markets). For example, in Malaoro market, there is a market management contractor. The contractor charges for 5–8 kina per 100–150L esky, without necessary services such as a toilet, water, and so on. The role of an informal service provider has emerged, to provide a table, water, umbrella, clean environment and security for 30 kina per esky, which is essential but exploitative.

Table fees — usually 2 kina per bag and 1–2 kina per table — are charged for green vegetables, root products or fruits. There appears to be an unwritten rule that those who produce the goods themselves should pay more because they have not paid any money, while those who buy the products from wholesalers pay less because they have paid a large amount of money already to buy their products. This divide between the pure traders and the producer-traders does not appear logical. It is perhaps true that the pure traders use the markets more frequently than the producer-traders; therefore, the pure traders are the permanent figures and always occupy good positions in the market and pay lower market fees.

It is not always the case that one can sell the produce on the same day. Most of the women traders in the markets with some structure said they store the goods under the table overnight and pay a 2 kina fee to market security guards, or store it in a nearby house for the same fee.

A cooling system is critical for preserving fresh fish. The women traders have to store their fish esky with ice in nearby houses and incur some charges. The lack of electricity in the villages forces fish traders to carry ice from Port Moresby to their village until the next time they travel to the city.

Most markets lack toilet or water facilities, and if such facilities exist, they are usually not in use (such as the case in Waigani market). Traders have to go to nearby shops or houses for the convenience. Traders in Malaoro market go to private houses for toilet use (3 kina) and water (2 kina per water container). A well-maintained and designed toilet therefore represents an opportunity for a profitable microbusiness.

Some larger businesses opt to remain informal because of institutional barriers (INA, 2008). The following information must be provided to register a business:

- proof of a suitable place for the business;
- a physical planning layout and building approval; this item alone can prevent business owners from registering a formal business (officially, three working days are required for registration, but often there is a long time delay);
- an estimate of the annual turnover; and
- the number of employees (a private residence is only allowed for manufacturing activities such as sewing and engaging household members; to sell, or to hire staff, a business must move to a designated area).

Furthermore, the city council collects taxes for land and garbage and the IPA collects corporate and profit taxes. In the context of the poor state of infrastructure and poor marketing facilities in PNG, it seems that small holders have to remain informal and small.

### 5.2.5 Social and political assets

Social networks are important not only during difficult times, but also in the informal trading activities. Given the poor road and transportation conditions in PNG, only those traders from the settlement areas of the NCD could possibly return home on the same day. For those who cannot sell their produce and return home on the same day, residences of relatives or *wantoks* in the urban areas are the main place in which they can stay overnight (Table 20).

**Table 20: Places for overnight stay and storage**

Place for overnight stay	No. responses	%	Place for overnight storage	No. responses	%
Family/relative	125	51.2	Family/relative	64	26.2
<i>Wantok</i>	60	24.6	<i>Wantok</i>	23	9.4
Rent a place	1	0.4	Market/nearby house	138	56.6
			Consume/give away	2	0.8
Missing data/NA	58	23.8	Missing data/NA	17	7.0
<b>Total</b>	<b>244</b>	<b>100</b>	<b>Total</b>	<b>244</b>	<b>100</b>

I come to POM 1–2 times a month. Each time I spend 4–5 days and stay with *wantoks*. If no *wantok*, it is difficult for a villager to come and sell the produce. (Maria, pers. comm., Central Province, 1 March 2012).

Without *wantok* support, villagers could not sell their produce at reasonable prices or buy goods from urban areas. The traders pay back in kind to their *wantoks*, such as the produce they bring from their gardens.

The positives and negatives of the *wantok* system for micro- and small business operations have been observed. While the women traders acknowledged the role of *wantok* support to their informal trading, some women traders mentioned that *wantok* demands and obligations also hinder them from taking on more established business development.

It is difficult to run a store. Things are taken on credit. Nobody can run a store. (Diana, pers. comm., Central Province, 13 March 2012).

Shila's sister and brother-in-law, Tom, run a tailor shop. They are clear on what would be the critical factors in running a business. Tom said, "I will not allow the *wantok* to take the things and just pay back with 'thank you'. You see, the PMV operators are always paid with 'thank you' by the *wantoks* who take free ride." (Tom, pers. comm., Central province, 1 March 2012).

Along with the *wantok* demand is jealousy, which is expressed in the form of taking goods without payment or demanding support.

Sandy is from a Highlands province. Her business includes:

- One big table of soup vegetables including root crops sale run by two hired ladies: 400 kina income a day. She works 6 days a week;
- car rent out for taxi: 500 kina per week;
- chicken farm (100 chicks) in Wabag: She sends her money to her parents, and her parents can make around 1000 kina every 5 weeks and they put the profit into her bank account; and
- informal lending: the current outstanding loan is 5000 kina to 3 company persons, with interest of 50% per fortnight.

When talking about this pattern of "patchy" business and income sources, and the possibility of the specialisation and expansion into one type of core business, Sandy said, "Our people are jealous, and I can't make obviously big business. I would rather do several small businesses at the same time without being noticed. Otherwise, everybody would come to me and get something from me." (Sandy, pers. comm., Enga Province, 2 August 2012).

Jealousy is prevalent in many cultures. However, in PNG ordinary people tend to share what they have with relatives and *wantoks*, rather than holding the resources to themselves. In such a context, it seems that jealousy would not be expected to be associated with *wantok* social exchange practice, but this needs to be further explored from a behavioural science point of view.

Business ownership and control by PNG citizens has been an issue of discussion and policy concerns for decades. The government has taken measures to promote nationals into taking control, such as the restriction of foreigners from certain businesses, and special schemes such as StretPasinStoa. Nevertheless, the impact is not up to expectations. Some analyses claim that social and cultural embeddedness does affect people's minds and behaviour. Gender relations are seemingly not an obvious factor impeding women's business development. It is understandable that root problems such as market safety and gender bias in access and control over property did not come up as acute issues from the questionnaire survey. One can assume that these issues are being internalised. However, gender issues in family resource management were obvious during the in-depth discussions:

I started [with] 1 bag, now I sell 2 corn bags, 5–6 kaukau bags. In a week cycle, I need cash 1000kina as running capital. I can earn 600 kina in 6 days. The profits I make go to family expenses, *wantoks* and husband demand. My husband always got drunk and asked for money. Even if I have bank account, my husband would come to know the pin number and ask for money from me. He drinks a lot and gets drunk. (Jenny, pers. comm., Southern Highlands Province, 1 March 2012).

In a number of interviews, women did not regard their husbands as positive supporters, but, rather as dragging down the family business. When women traders reach some scale of development, they hand over to their husbands.

I have done this trading business for the past 30 years. Before 2003, I was able to develop a PMV bus service between Goroka and Lae. We used to have 2 taxis, 1 bus and 2 trucks. My husband started to control over. But he did not manage them well. Finally it collapsed. Now I spent lots of money on transportation. (Bubu Rose [60 years old], pers. comm., Highlands province, 8 March 2012).

From the data in Table 21, it is apparent that women are predominant in informal trading, which is largely for subsistence, while the formal micro-small-medium business sector is occupied by men. The feminisation of survival is seen in the subsistence or semi-subsistence trading. A glass ceiling exists between the informal and micro-, small and medium enterprise (MSME) for women.

**Table 21: Participation in informal trading and MSME**

Category	Business participation	
	Women	Men
Informal trading*	88%	12%
(Formal) MSME **	25%	75%

MSME: micro-, small and medium enterprise.

Source: \*Market trader counting during the field survey, 2012; \*\*The 2011 Nationwide SME. Baseline Survey, Small Business Development Corporation Annual Report, 2011.

## 6. CONCLUDING DISCUSSION

Other research has noted that economic growth in PNG has been “siloed” in resource extraction enclaves with limited positive “trickling down” effect for more labour-intensive and localised economy (Batten, 2010). Compared with its neighbouring Asian countries, the informal and local economy in PNG has not been large enough to absorb its surplus labour. The national informal economy policy stipulates that the informal economy is driven by market forces and is the most essential source of livelihoods for the low- and middle-income families. The intended policy measures might help to create an enabling environment for the informal economy to develop, and we may expect to see informal and microenterprises develop towards commercially viable formal businesses. Nevertheless, building bridges between the formal and the informal economy need tremendous institutional innovation. At a practical level, the informal economy has to rely on the initiatives of grassroots micro-entrepreneurs. Women make up the majority of the vendors in the local markets and microbusiness. If women’s agency roles and potential are fully exploited, PNG’s economy will prosper.

From questionnaire interviews and in-depth discussions with various stakeholders, engagement in informal businesses appears to be generally profitable, and that women traders are able to make good profits. The high profit rate attracts people with small amounts of money to enter informal trading. Entry into informal businesses is relatively easy — people simply put up a board paper and a few items near

their houses or roadside or in a market and start their trading activities. The low entry cost is the reason for the existing massive informal economic participation.

In informal trading, there is a short, yet strong linkage between rural production and urban sale, and between producers and sellers; however, these linkages occur within the clan or *wantok* network, rather than through commercial connections. The supply chain is very short, particularly for Central Province. Even among the Highlands province traders, people send money to their relatives and *wantoks* to organise production, transport, and wholesale and retailing. People tend to do everything themselves — production or organising production, transport, wholesale in retailing style, or direct retail. Women traders from Central Province are more producer-traders while those from Highlands provinces are pure traders. However, the current trading patterns and small-scale production lead to small-scale trading, which does not extend much beyond subsistence level. In contrast with the massive informal trading, there is limited development in the wholesale and middleman system, especially in Central Province, which is lacking specialisation and professionalisation, both in production and trading. The extension into formal businesses is minimal.

### **6.1 Natural assets**

Women's trading in informal markets is closely linked to land resources. Most produce comes from producer-sellers in Central Province where the traders cultivate crops on their customary land. Land is a security in subsistence or semi subsistence trading, since their access to a small holding of customary land allows women to opt for production and trading, particularly in Central Province and the NCD. Even women traders from Highlands provinces use their land resources to secure supplies of produce. Access to land use reduces the cost of acquiring produce and investment. This explains the response from the respondents that the informal traders prefer gardening or self-catching and trading, rather than pure production or trading. However, such a pattern restricts women from larger-scale trading. Uncertainty over land tenure hinders rural small holders from expanding their scale of production.

Land resources per capita in PNG are relatively large. Especially under incorporated land group (ILG) registration, land titles will be clearer and long-term investment is expected to increase. Nevertheless, under the patriarchal culture and custom, women's access to and control over land resources are not guaranteed. In the ILG registration process, if the land reform policy is gender neutral and insensitive, and no precautionary measures are taken in implementation, there will be a high risk of women losing ownership and practical use rights over land. This will surely affect women's business potential.

### **6.2 Human assets**

In spite of their low educational level and heavy household responsibilities, women traders work long hours in the markets and overcome various difficulties. Women traders are also enthusiastic in business operations and in taking up new opportunities, and are competent in making profits from informal trading. The women traders from Highlands provinces who have less access to land due to the distance to their home village and from squatter settlements in the NCD tend to be pure traders and more entrepreneurial. This is confirmed in other studies that settlements are hives of entrepreneurial activities (Chand & Yala, 2011), and with 46% of settlement dwellers participating in income-generating activities, the highest number being from the Highlands region (World Vision, 2011). After an average of 8.1 years of informal trading, women's confidence and skills as informal traders are growing, and they express a high level of interest in business expansion. Women from younger generations certainly express stronger ambition to expand their businesses.

Training and mentoring from supporting institutions are essential for establishing and advancing informal businesses, despite the difficulties in initial development or discontinuity after initial training.

### 6.3 Physical assets

Poor infrastructure in the chain of trading and marketing hampers business development in PNG. Nurturing potential entrepreneurship is limited by poor and run-down transportation and market facilities, and the lack of electricity in the villages (preventing cooling storage). Poor facilities increase women's work burden, and place women in insecure conditions and subject to many types of violence (UN Women, 2012). Women pay extra for services to maintain their businesses in the market (e.g. access to toilets, water and storage). In upgrading business scale, the requirement of physical space is the first barrier. Various stakeholders such as the PNG government, international organisations, bilateral aid programs and the private sector, are gravely concerned with the current condition and maintenance in PNG, and investment would significantly improve infrastructure.

### 6.4 Financial assets

Generally, people often think that a lack of access to credit is one of the major constraints to women expanding their businesses. The financial system is not able to include a large number of people (INA, 2007). However, it remains to be seen why financial institutions exclude large numbers of people at the cost of not lending and getting into insolvency, and what factors prevent financial institutions from lending. An ADB report reveals that there has been a low share of lending to total assets in the banking system in PNG, including in the microfinance institutions (ADB, 2012). The ratio of deposits to loans in PNG's microfinance service institutions is 4:1 (Conroy, 2006; Annual reports of Nationwide Micro Bank 2008–2011). The high ratio of deposits to loans and the high interest rate for credit imply that there is no lack of money in the banking institutions. High security requirements for loans also indicate that there is high risk in lending, partly due to the high default rates among borrowers. It is noted that the portfolio at risk stood at 10–12% in PNG's microfinance institutions (PML staff, pers. comm., 25 May 2012; Nationwide Microbank Annual Report 2011), and the default rate with government credit is at 56–60% (SBDC staff, pers. comm., 29 May 2012).

From an institutional and system point of view, the ADB report suggests that the low share of lending volume might be due to the lack of banking facilities, which hinders people from having bank accounts. Lack of competition, unaccustomed habit, and small number of borrowers to follow contractual procedure, lead to the high cost of lending (ADB, 2012).

The high deposits-to-loans ratio suggests a paradox. There is a need for credit among ordinary people; however, there is a limited number of loan takers due to high interest and transaction costs. Financial institutions have the money to lend; however, it is costly to do so, because of the high default rate; banks would rather be cautious in selecting borrowers. In turn, there is a high security and guarantee requirement. All the costs have to accrue to those involved in the limited lending.

On the other side, respondents report that when people need money quickly, they borrow it from informal lenders rather than going through a long procedure to borrow it from commercial or microfinance institutions.

Two scenarios summarise the above observations of situations that lead to poor business development:

- earned money → expense and consumption by household and *wantok* → little or some saving → surplus put into informal lending → no accumulation in investment.
- low repayment intention/willful default → sophisticated loan procedures and high collateral → low loan to deposit ratio (1:4) → high interest rate and transaction cost → high informal lending and usurious loan → diversion of capital into nonproductive activities.

Non savings, of course, would not lead to accumulation and reinvestment. Moreover, the net profit goes to informal lending and generates more profit, but it does not go to productive areas, and is not converted to capital assets for investment. As a result, the financial assets both from the grassroots and formal institutions are not injected into the informal sector to push the upgrading and graduation of the informal economy.

As discussed above, the microfinance institutions have low loan to deposit rate because of poor credibility, high default rate — particularly when public funds are involved, and costly procedures to access credit. Furthermore, deposits in formal banking institutions are not attractive so people tend to put their savings into informal lending at very high interest rates. On the other hand, it is acknowledged that there is more demand for savings deposits (INA, 2007). From the estimated profits in informal trading, we have seen that the women traders have the ability to make money. Therefore, there is no lack of money for micro business investment if the money is not diverted to other non productive activities. If women traders want to operate small businesses in a financially sustainable manner, the most important issue for people to learn is to wisely *use* the available resources; that is, people need to use the profits they earn from trading activities in a productive way.

The 2000 PNG population census data noted that self-employment had increased by more than 200% between 1990 and 2000, which implies that the importance of the informal sector is increasing significantly (ADB, 2012). For informal trading, people will not or cannot easily get loans from the commercial banks, although the money is available. Furthermore, less than 1% of the working capital needs of small enterprises in most countries are met by money lenders (Kavanamur, 1994; Kavanamur & Turare, 1999). Therefore, credit may not be a direct stimulus for boosting informal and micro-small businesses operated by local PNGeans. It is the money management habit and skills, rather than the availability of credit, that is critical for financial asset accumulation in business development.

For a micro- or small business, which should be based on stringent money use, personal savings are the critical initial capital, rather than a reliance on credit, particularly because credit in PNG involves high interest rates and fees, and complications in application. The small business has to rely on its “first bucket of gold” from its own accumulation of capital for sustaining investment. Small traders must nurture a habit of stringent money management to divert their profit and surplus into reinvestment.

## **6.5 Social and political assets**

As one of the most important social and cultural systems, the *wantok* system plays a crucial role in identity formation and mutual support. In informal trading, *wantoks* provide support for overnight stays and storage to village traders, which enables the village traders to sell their products and start informal trading in urban centres. In an unsafe and erratic environment, *wantoks* create a safety net for informal traders in soliciting produce supply, transporting, storage, overnight stay and trading. Therefore, *wantok* support plays an essential role in informal trading. On the other hand, however, *wantoks'* demands for goods and money also constrain the women traders from initiating ideas of more established business development, because such demand without compensation would ruin small business. Jealousy further suppresses and harms the potential business expansion.

As illustrated above, access to various assets is intertwined with access to social and political assets. Women's inferior position in the society and family and their lack of political rights have hindered women's control of economic resources, and they are rarely considered to have ownership rights over productive resources (World Bank, *et. al.*, 2013). Women are less educated and bear more household and reproductive responsibilities, thus women face more barriers to business formalisation than men (World Bank, *et. al.*, 2013). Poor physical infrastructure further puts women under the threat of various kinds of violence (UN Women, 2012), and reinforces women's dependence on male protection. Under the

phenomenon of feminisation of subsistence or semi-subsistence trading, women play a strong role in making a living for the family and extended members. However, it must be realised that the constraints that women traders face are enormous. There is still a long way to go for women to take control over productive resources such as land, savings, credit, and even time. Even after they have developed the business, women traders often have to transfer the business to their husbands. It is often reported that when men have some money in hand, they start to drink and become involved in affairs, and eventually spoil the business. Gender subordination in the society and family is the root cause of women's limited capacity in access and control over resources and property and asset accumulation. Therefore, in the potential upgrading from informal trading to formal business, the challenges are not only from small to big, informal to formal, non-legal to legal, but also in the transition of gender roles.

All these opportunities and constraints should stimulate the government to increase its support to local business development, provision improved infrastructure, and create an enabling environment. As asset accumulation policy focuses on creating opportunities for the poor to accumulate and consolidate their assets in a sustainable way, and seeks to identify how to strengthen opportunities and dilute constraints, it must be recognised that all the various assets are interrelated.

## **7. RECOMMENDATIONS**

The overall objective of this research was to contribute to the implementation of the policy on informal economy and local business development in PNG. In view of the opportunities and constraints facing women traders in small business advancement, the following policy recommendations are put forward for consideration.

### **1. Support informal trading and the informal economy in policy and practice**

- Awareness of the contributions and roles of the informal economy in developing the local economy should be increased among various government departments so that this understanding is reflected in policy. The informal economy is not a temporary phenomenon, nor can it be upgraded easily to the formal economy. Rather, it is an important source of livelihood and provides access to goods for a large proportion of the population.
- Considering informal traders' close connection with the land and rural community, the fact that a large number of women are involved in informal trading, and that women traders have limited capital and face numerous constraints in attempting to move forward to formal businesses, it is important to support the informal economy in general and informal trading in particular.
- At the practical level, there is much need for improvement in facilities and the creation of a decent environment for the informal economy, such as market infrastructure, maintenance, related services, safety, and so on. It is imperative that the city councils make efforts to improve the market facilities to create sound and safe environments. In all the designated markets, there should be structured shelters, toilets and a clean water supply. This can be government funded or from private investment or donor support — a public-private partnership in infrastructural development and management. The management should be contracted out and user fees charged so that there is budget to maintain the facilities and security provided.
- Management experiences of informal markets in other Asia-Pacific countries should be studied.

### **2. Enhance supporting system and institutions for informal business to graduate to small and formal business**

- Supporting and training institutions have made an effort to support such graduation or new business, but have also experienced failure and decided not to support new businesses. However, supporting micro- and small business at critical stages is crucial for the development of business mass.

- Funding to supporting institutes to conduct courses should be secured not only to improve skills and technical knowledge, but also to change the cultural mindset of individuals to take “entrepreneurial initiatives”. Courses like Personal Viability, which coach people from a culturally sensitive entrepreneurship and business mindset, rather than merely teaching technical skills, should be promoted.
- Among the supporting and financial institutions, cooperation and professional specialisation should be promoted and sought after, so that overlapping activities are minimised.
- Training, mentoring and follow-up support should be institutionalised to promote the potential small business operators to start-up businesses. Good practices should be replicated. An entrepreneurial incubator scheme is to be established to provide mentoring and on-the-job assistance to confront the problems; such support can be piloted in industrial clusters (districts) in Port Moresby and later in other centres, such as in economic corridors, to stimulate employment and incubate micro-and small enterprises.
- An AusAID study shows that most female entrepreneurs interviewed identified financial support from their husbands as being an important factor in deciding whether to go into business (AusAID, 2008). Offering more gender-inclusive and culturally sensitive financial products and services could therefore encourage women to grow into larger enterprises.

### **3. Empower and positively discriminate in favour of indigenous citizens in business start-ups and expansions**

- The current list to reserve business activities for PNG nationals in the Regulations of the *Investment Promotion Act 1992* as amended is rather negligible, because many of the activities do not need to be reserved. There are activities — such as kai bar (fast food stall selling fried flour dough, chicken, drinks, etc.) — that PNG nationals are capable of doing, but are engaged by non-nationals. Therefore, the reserve list does not serve the purpose of protecting the nationals’ ownership and control over business opportunities. As such, the list is currently being debated and revised. If the reserve list is retained, it is crucial to identify what to reserve and what to open for competition, to maintain the balance between protection and competition, and between intervention and business incentive, and eventually to maximise the benefit for local business participants and consumers.
- The entry level for formal business registration should be lowered by removing — for example — the requirement of physical plan layout of a business building. Newly established small businesses should be exempt from taxes for a period of time.

### **4. Analyse the advantages of PNGean women doing business**

- From a comparative perspective in prioritising local business development, agrobusiness is the niche for local small and medium business, and a huge potential exists, particularly in organic food and fair trade products for overseas markets. PNGeans have a comparative advantage over foreign-run small business in these areas.
- Studies note that the products of small enterprises tend to originate from indigenous craft traditions and more likely to satisfy the needs of poor people than the large enterprises (Harper, 1984). Rural and local entrepreneurs should do what they are good at (Sowei, *et al.*, 2010), by using traditional assets such as land and connections to the rural resources to produce and market their locally made traditional goods and produce. Local resource-based, small agro businesses, fresh produce and processing should be promoted.
- Government departments and donor organisations should support grassroots women’s groups through delivering training, extension services, savings and revolving funds, and self-organising production and marketing, and so on.

## **5. Support larger-scale production to encourage professionalization and specialisation**

- There is, in general, a shortage of fresh food produce. Some extent of larger-scale production and specialised business by local PNGeans is anticipated in the future. Small holders in PNG are constrained by lack of capital and inputs, access to services and information, innovative technology, and inadequate transportation and facilities. They are also vulnerable to high transaction costs due to the small volume of production, or individualised operation. Therefore, innovation in the supply chain is much needed in PNG for small holders to be included in development. Different types of investment could be encouraged in agro business.
- PNG has ample experience of cash crop plantation. Larger-scale commercial farming of fresh food crops is desirable, but this tends to be in the hands of foreign or rich investors, because land agglomeration and large capital are required. Large-scale commercial operations also need the government to play a central role in facilitating agro business's access to land. However, this tends to create high social and economic costs because of the lack of transparency and corruption, such as the controversy over SABLs, and conflicts with the interests of customary land owners. Hence, besides commercial farming and plantations, larger-scale production and some extent of land agglomeration can be realised by contract farming and cooperatives. Both contract farming and cooperative systems can achieve the objectives of larger-scale production and marketing without necessarily changing land tenure or leasing out their land, but cultivating on their own land at small scale and decentralised household level.
- Contract farming can include small holder producers into the supply chain with big investors. Although critics argue that the "corporate-plus-smallholders" model in contract farming puts small holders at a disadvantage at the bargaining table, comparatively speaking, small holders who hold their land would have stronger bargaining power in this lower-risk alternative. If there is a genuine ILG to represent the small holders, it is perhaps more viable than big commercial farming.
- Social enterprise is a new but contested topic for an innovative development approach. As an alternative to commercial agro business pursuing corporate interests, social enterprise cuts through the boundaries of government, the private sector and the third sector. It aims at social and community benefit, with totally commercial operation and management. This is particularly relevant for PNG's organic food production and fair trade, which needs the involvement of progressive profit or non profit organisations and business.
- In the wave of interest in inclusive agricultural development and supply chains in agro business, PNG small holders should get on board in the market-driven growth. In all the potential forms of production and marketing, whether commercial, contract or cooperative farming, organisation or self-organisation will remain a challenge in PNG.
- In view of the high possibility of women losing control over and land use rights, there is an immediate need to advocate women's control over and access to land in all policy design and implementation, particularly in the registration process for ILGs. A survey on inclusion of women in ILG registration and their access to land should be conducted. Based on the result, a campaign on women's control over and access to land could be potentially designed and carried out in the land reform process.

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**ANNEX****I: Count of market traders in six open markets in the National Capital District**

<b>Market place</b>	<b>Women (n)</b>	<b>Men (n)</b>	<b>Time of counting</b>
Gordons	387	46	25 June, 11 am
Malaoro	63	12	29 June, 4 pm
Waigani	122	9	20 June, 2 pm
Koki	74	13	27 June, 1:30 pm
Gerehu	44	11	29 June, 12 pm
Rainbow	21	3	29 June, 12:30 pm

**II: Good Practices in PNG:****1. Women's Bank Concept — Department of Community Development: Women's savings group in promoting stringent saving culture :**

Women's Savings Group was initiated in the NCD area and expanded to East Sepik in 2007 with support from JICA under the Integrated Community Development Project. It was adapted from Sri Lankan experience and implemented mainly in settlements, based on the outcome of Rapid Social Survey being conducted by officers under JICA ICD Project. It was based on the observation that people in settlement areas are relatively stable and do not move out frequently as they built houses themselves. Minimum 5 and maximum 10 women form a group with elected representatives as Treasurer, President and Secretary for the Savings Group, to put savings together, and the members can take a loan against their deposit. Only those who save can borrow money up to the maximum of the saving amount. They borrow their own money, but still have to pay the loan interest, during their weekly Savings Group meetings. The loan interest goes to the group, but actually adds to the individual's saving. Members can decide interest rates, with a range of 5–10% interest over a flexible time period. In the program period, there is training to nurture a savings culture, provide financial literacy to make records, and book keeping. It empowers women, as they have never previously recorded money under their name. In December 2011, East Sepik alone had 1,000 saving members and 64 saving groups (422 members and 46 savings groups), the total saving is 55,000 kina. A mainstreaming approach has been applied, and gender equality and human rights training are integrated in the program. The current challenge is to maintain its status, particularly as the savings fund is growing and needs to be put in a bank to get the money revolving. The program in the long run plans to introduce loan facility outside of the Saving Groups for active members to apply and utilise. (Sources: Meeting with Department for Community Development, Leonie Rakanangu, Taom Meren, Steven James (NCD), Poponu Wenda (East Sepik), 7 June 2012; Empowerment & Social Justice Program Monitoring, Trip Report East Sepik Province, 23 April–9 May 2012, Department for Community Development, Community Economic Section).

**2. MiCash by Nationwide Micro-Bank: Nurturing a saving habit and culture :**

The mission of Nationwide Micro-Bank is 'Bank for the un-banked'. The bank management is well aware that it is not only the lack of access to credit but more the cultural barriers that women face. Considering the cultural habit of money management and gender inequality in the society, Nationwide Micro-Bank has tailor-made and designed a cultural and gender sensitive service product in the PNG context—MiCash. MiCash combines a mobile wallet and bank account, all in one in mobile phone. Women have all the information and access to their account via the mobile service; the phone is a confidential ATM. In this way, women are able to keep the money to themselves and keep away from the demands from

husbands and *wantoks*, because if women have an ATM visible to husbands, the husbands would demand to know the pin number and get the money. There are also around 150 agents that provide cash services, such as trade stores and tucker shops in villages. This innovative service product has allowed rural PNGeans to access their money in a more convenient, safe, and affordable way. About 75% of MiCash accounts were opened in rural areas and 75% of the MiCash accounts were opened for previously 'unbanked' or other bank customers. The bank takes the grassroots approach to identify women customers. Women are not able to open an account in most of the commercial banks, because they simply do not have an ID card. In the micro-bank, women need only bring a letter from the village doctor, local government official, village pastor, lawyers, accountant, and so on. The bank identifies women through a visit to the community.

In 2013, the Bank piloted the bill pay system through the use of MiCash along with the UN Women/NCDC Safe Market project in Gerehu market. About 200 women vendors have since registered, and opened MiCash accounts. They use it to pay their K2 market fee, which now goes directly to NCDC. The Bank has also opened an Agent next to the market (a bakery), where vendors deposit their daily takings before going home at the end of each day so that their money is safeguarded. The Bank has complimented MiCash saving practice with financial literacy training among the women vendors. (Sources: Interview with Mr. Tony Westaway, NMB Managing Director and Ms. Gima Kepi, Manager, women's banking, 6 March 2012; 'Microbank wins award for innovation' *The National*, 29 August 2012; email communication with Ms. Gima Kepi, 1 August 2013).

### **3. Small Business Development Corporation (SBDC): training, screening, and recommending applicants for credit guarantee:**

Core functions of the SBDC includes support and development of village-based cottage industries and informal economic activities through the development and application of appropriate technologies that are affordable, with the aim to increase community participation and maximise use of local resources. SBDC provides training through Start Your Business and Improve Your Business programs, which was sponsored by ILO. For start-up, there is a 2-week intensive training period, referring to financial division, developing a business plan, and quarterly evaluation. Screening at the beginning is most critical. Supporting new business is more risky, so SBDC focuses on supporting existing businesses. Improving your business has 6 modules, including training and diagnosing the business. SBDC also has a Financial Incentive Scheme to support the potential and genuine enterprises. Since 2006, a Guarantee Scheme has been set up and the money placed in financial institutions, such as ANZ, National Development Bank, for SMEs to borrow money. Nevertheless, it is rather risky to provide guarantees to new business. There is high default rate. Many people think it is government money, and they have the right to use it and do not pay back. Now a risk-sharing strategy is applied: For 100% security, SBDC provides 70% guarantee and the clients have to be ready with a 30% fund from their own savings. It is to try to make the client more committed. SBDC now goes through a stringent screening process: 1) preliminary screening; 2) categorise the business; 3) evaluation of business; and 4) referral for financial support. This procedure stops some of the paper projects. Even if there are sponsors of clients for training and mentoring, SBDC charges 50 kina to the clients to make them take the activity seriously from the beginning. (Source: Meeting with SBDC, 29 May, 2012).



