2017 PNG UPDATE

“MAJOR CHALLENGES FACING SME’S IN PAPUA NEW GUINEA “

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PRESENTATION OVERVIEW

- Introduction
- Why Entrepreneurship?
- Objectives of Study and Methodology
- Major Challenges
- Remedies to mitigate
- Conclusion
Introduction

• Business Ownership – Majority of businesses are owned by foreigners
• SME’s generate only 6 % of GDP
• Government Aims to increase number of SME’s from 49500 currently to 500,000 by 2030.
• Are we capable of improving/achieving the above situation?
WHY ENTREPRENEURSHIP?

- Economic growth and development.
- Employment opportunities
- Fair distribution of wealth
- Entrepreneurs are change agents and growth in a market economy
- They can accelerate, generate and disseminate innovative ideas
- Importance illustrated in South East Asian countries economic developments – Industrial economy tigers such as Hong Kong, Singapore, Japan, South Korea, Malaysia and Thailand etc., - due to entrepreneurial activities
WHY ENTREPRENEURSHIP?

- Japan is also an excellent example of how focus on SME’s has transformed their economy.
  - After World War II, Japan lost all its industrial facilities.
  - Today Japan’s Rank is 11th in per capita income $46,736. SME’s are 70% of population
- Toyota, Honda and Sony where once small SME’s, today giant corporations.
Objectives of Study

- To identify major key challenges of entrepreneurs in PNG.
- To find out possible solutions to mitigate challenges of entrepreneurs in PNG.
Methodology

- This is a pilot study based on the Qualitative analysis and case study approach.
- Secondary Data’s from SME’s policy document 2016 and SME Master Plan 2016-2030.
Major Challenges

- Start up Challenges
- Resource Challenges
- Managerial Skills Challenges
- Marketing Challenges
- Socio-cultural challenges
- Macro level Challenges
Start-up Challenges

- Lack of market research
- Lack of recognition of good business ideas
- Lack of access to business information
- Lack of experience in the business they start-up
- Lack of Product and Services ideas
- Lack of networking
- Lack of knowledge about IPA and IRC/Banking access and requirements.
Resource Challenges

- **FINANCE RESOURCE**
  - Lack of financial support for start up and working capital
  - High Cost of Borrowings—(Abnormal)
  - Bank Interest on Fixed deposits is lesser than treasury bill rate
  - Banks have collateral requirements and lot of procedures

- **HUMAN RESOURCE**
  - Non availability skilled and semi skilled workers
  - Difficult to attract qualified people

- **RAWMATERIALS**
  - Higher dependency on imported, high cost value added raw materials
  - High cost of spare parts/allied goods support

- **OTHERS**
Managerial Skills Challenges

- Lack of FINANCIAL LITERACY & SKILLS
- Separation of Personality (Business vs Owner)
- Lack of professional management.
- Lack of Record keeping and Accounting skills
- Technical Know-how
Marketing Challenges

- High cost of access to Geographically spread over market
- High cost of production leads to lesser competitiveness against imported goods. Example: Coke
- Lack of using technology for marketing
- High cost of Advertisement and Promotion
Socio-Cultural Challenges

- Business resources are used in fulfilling social obligation such as catering for needs of families and relatives. Examples: Customs, marriage, bride price, funeral etc.

- Interference of relatives and friends (Wantok’s involvement)

- Fear of sorcery to venturing into business e.g.. cultural beliefs
Macro Level Challenges

- Infant stage of government policy and support.
- Law and order issues (not conducive environment – safety and security issues)
- Country Economy situation – Inflation, Interest rate and exchange rate, Purchase Power Parity etc.,
Way Forward – Solutions to mitigate

- National Perspective
- University Contributions
National Perspective

- Creation of Industrial Estate – Land and basic facilities etc.,
- Reservation of Industries and implementation for Papua New Guinea citizens.
- Infrastructure - Road, Power, Water, Wharf etc.,
- Creation of Industrial Development Banks aiming to support micro, small and medium enterprises.
  - Easy processing of long term and working capital loan
  - Low collateral or no collateral
  - Low interest rate
  - Leniency during incubation period
  - Subsidized loan
National Perspective

- Grant Tax holidays to SME’s
- Establishment of Credit Guarantee facilities
- Set up Co-operative Markets for SME’s products.
University’s Contribution

- Creating mindset towards Entrepreneurship among students.
- Develop Entrepreneurship training
- Create a link between students and regulatory/registry bodies such as IPA, IRC etc., and financial institutions.
- Carry out Entrepreneurship Research
• THANK YOU
• ANY QUESTIONS ???