



2017 PNG UPDATE

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



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PNG'S CRAFT SHOP



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 ???