

RESERVE BANK OF FIJI

MEDIA NOTE



Press Release No. : 15/2020

Telephone : (679) 331 3611

Date : 27 May 2020

Facsimile : (679) 330 2094

Email : info@rbf.gov.fj

Fijian Government Enhances MSME Credit Guarantee Scheme to Empower Women and the Primary Sector

Following the announcement by the Attorney-General and Minister for Economy, Honourable Mr Aiyaz Sayed-Khaiyum, the Fijian Government has enhanced its Micro Small Medium Enterprise (MSME) Credit Guarantee Scheme to increase access to finance for small businesses during the Covid-19 pandemic and to provide support for local business activity.

The MSME Credit Guarantee Scheme was established by the Government in 2012 to help develop the local business industry, improve private sector lending by alleviating the requirement for high collateral, and stimulate economic growth. Through a risk sharing arrangement, the Government initially guaranteed 50 percent of the principal outstanding on defaulted SME loans up to a limit of \$50,000 per business. As at March 2020, a total of 1,711 small businesses with \$104.5 million in outstanding loans were covered under the scheme. The maximum interest rate that lending institutions could charge stood at 10.0 percent per annum.

Changes to the Credit Guarantee Scheme

In its efforts to offer a number of financial lifelines for small businesses, and in recognition of the need for a targeted approach to support both women entrepreneurs and the primary sector, the Fijian Government is now increasing its guarantee on new MSME loans, with particular focus on uplifting those in these highly-impacted groups. The Government has also allocated an additional \$5 million towards the scheme, increasing the total funding support to \$9 million.

As part of the changes, Government will now guarantee to pay 60 percent of the principal outstanding on defaulted micro, small and medium business loans up to a limit of \$60,000 per business. In addition, to encourage women's critical role in driving our economic recovery, and to support the development of the agriculture, fisheries and the forestry sectors, Government will guarantee to pay 75 percent of the principal outstanding on defaulted loans up to a limit of \$75,000 per business on all micro, small and medium business loans to women entrepreneurs, as well as loans to the agriculture, forestry and fisheries sectors.

Businesses with an annual turnover of up to \$1.25 million will now be able to enjoy the credit guarantee, compared with the previous limit of \$500,000.

The waiting period to lodge claims on losses by financing institutions has been reduced from 180 days to 120 days.

Additionally, the maximum interest rate that lending institutions can charge has been reduced to 9.49 percent from 10.0 percent per annum, offering significant financial relief to all borrowers.

Who is eligible under the Scheme?

The scheme is available to all micro, small and medium businesses with a turnover of up to \$1.25 million per year.

Businesses wishing to apply may do so with any Commercial Bank, Licensed Credit Institution (LCI)¹, or the Fiji Development Bank. Small businesses may use the credit guarantee scheme to support their loan application from any of these lending institutions.

Funding will be subject to each individual bank's or credit institution's usual credit assessment.

The changes to the Scheme is only applicable to new MSME loans and will be effective from 01 June 2020.

Contact

For more information and/or clarification please contact the RBF by email: domesticmarkets@rbf.gov.fj or Telephone: 3223331 | 3223291.

Reserve Bank of Fiji

¹ LCI's include Credit Corporation (Fiji) Ltd, Merchant Finance Limited, BSP Finance (Fiji) Limited and Kontiki Finance Limited.