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Improving Māori Access to Capital Review  
Reserve Bank of New Zealand  
Te Pūtea Matua

By email: [maoriaccess2capital@rbnz.govt.nz](mailto:maoriaccess2capital@rbnz.govt.nz)

Dear Sir / Madam

Thank you for the opportunity to provide a submission in response to the Improving Māori Access to Capital Issues Paper released by the Reserve Bank of New Zealand (the Review).

FINSIA – the Financial Services Institute of Australasia – is the leading professional body in the financial services industry in Australia and New Zealand with a membership base of more than 10,000 members across the two markets. Our members operate in a range sectors across the financial services industry including; banking, institutional markets, funds management, securities, and professional financial advice. Our purpose, since 1886, has consistently been to support the financial services industry by driving the highest levels of professionalism for the betterment of our community through consistent standards of competency and conduct.

FINSIA's response to questions contained in the Issues Paper is set out below.

**Does this paper capture correctly and in full the key challenges around Māori access to capital? If not, what could be improved or clarified?**

In our view, the paper appropriately captures the central issue relating to the under representation of access to Capital for Māori, and also the relative percentages by which that under-representation is evident. The paper also captures the problem of securitising small size assets that Māori own. One observation is that the paper misses the history of why Māori are under-represented in the business space. In our view, this was driven by a 40-year government strategy (post WW2 to the 1980s) that has, in essence, subsidised Māori to move from country provinces into the metropolitan areas for (typically) low-skilled employment opportunities. This strategy was underpinned with low-cost housing through the state, which ultimately meant that Māori did not have the property asset base to loan against when they went into businesses later in their working life.

What the paper could look to do is to address the educational gap Māori face in entering businesses and their confidence to undertake business activities. It could consider, for example, how increases in the representation of Māori undertaking tertiary education in order to build the education and skill base. An additional consideration is to explore how business management skills of Māori could be improved through tertiary or other forms of vocational education. This challenge is clearly a multi-generational issue, and as such, will require a long-term and consistent approach to policy settings that will help to address the systemic issue for the benefit of future generations.

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**Do the proposed pathways capture the key interventions needed to create a more equitable market for Māori in accessing capital? If not, what else could be included?**

Yes, in our view the paper captures the key issues relevant to exploring how the existing Māori asset base can be more productively utilised. What isn't mentioned is Māori still occupy a large percentage of rural areas, for example, Northland and the East Coast. These communities generally lack economic opportunities that the metropolitan cities offer, however, governments can play a role in assisting them and there are many examples where targeted support for Māori businesses can be highly effective. Some contemporary examples include avocado developments and berry enterprises all being run by local Iwi/hapu who in turn employ local Māori which supports local economies.

What needs to be added for these enterprises is business-skill development so workers make it a self-sustaining enterprise that can be run and resourced by Māori for long-term intergenerational prosperity. This would also be supported by training and development of Māori people to go onto the governance boards of such businesses, bringing with them the skills to oversee and guide the management of the enterprises.

**Are there particular interventions that should be prioritized, and by whom should they be prioritised?**

If a new entity is going to establish itself as a lender of first/last resort for Māori enterprises, then there is a risk that the RBNZ could also then be captured by other smaller groups who also want the same solution to address an under-representation of access to capital. That said, there is a compelling argument that targeted support for our indigenous communities is an appropriate area of focus to commence with. There is a historical precedent for targeted support to Māori through the work of organisations such as the Development Finance Corporation and the Māori Development Corporation – these organisations played a key role during the period from the 1960s to the 1980s.

One consideration for the RBNZ itself is to explore how it might reallocate capital requirements for Māori business enterprises. For instance, when Māori want to lend on assets that they consider to be of equal merit as other non-Māori enterprises they can do so. It could be argued that NZ-based banks are not appropriately skilled to assess credit and extend lending to Māori business enterprises, not because of any deliberate strategy to avoid providing capital support, but instead, a result of a sizable gap in knowledge and experience. The RBNZ could play a central and important role in upskilling banks and providing support to assist with managing the challenges in this area. Professional bodies such as FINSIA could also play an important role in this context, and we would welcome an opportunity to explore this further with RBNZ as part of this review.

**Do you have suggestions on the right leadership, structure and resourcing needed to support the delivery of potential pathways?**

In our view, there exists already a strong base of leadership within Corporate Māori enterprises, which exists as a result of post-treaty settlement entities adopting well designed governance processes over the medium and longer-term. The key challenge that exists in our view is within the smaller Māori enterprises part of the market; typically those who do not have equal access to capital and highly skilled people with relevant business experience.

This challenge is by no means unique to NZ, and indeed it appears to be a common challenge confronting indigenous communities in many jurisdictions around the world such as in North America as well as Australia.

**Do you have views on the role for Te Pūtea Matua, broader government, capital providers including banks, and Māori?**

We believe that Te Pūtea Matua should ensure that a strong alignment and co-ordination strategy exists across the community of regulators, for example, the FMA is itself developing a targeted response to the challenges confronting Māori businesses.

It is also evident that NZ-based banks are, in different ways, developing their own Māori business strategy. It does appear to be the case that there is no central co-ordination and alignment oversight across these various initiatives. While there is clearly different role for regulators and governments as compared with the private sector, it should still be possible to ensure alignment and synergy exists in order to maximise the community-wide positive impact for Māori.

Iwi finance focussed strategies seem to be working well, perhaps owing to the fact that these larger entities have financial processes and disciplines that allow them to enter large financial transactions with a degree of 'seamlessness'. The issues lay in the SME space as it is not a scalable proposition at this point for the banks in general. It is clear that, at the moment, it is not possible to aggregate the Māori SME sector in the same way that other sectors such as farming, building, forestry, etc, can be. This will need to be addressed in reviews of the Credit Contracts and Consumer Finance Act.

We do not believe that a separate (or new) government financial institution should be established to own responsibility for improving access to capital for Māori. The role already played by KiwiBank is a vitally important one, and we believe that any Māori-centred finance strategy should be developed on a cross-industry basis to enable all NZ-based banks share responsibility for providing support in this area.

**Closing**

We trust that you find the points and recommendations made above helpful in your deliberations as part of this Review. We look forward to continuing to provide input to you over coming weeks and months. If you have any specific questions in respect of the views set out in this submission please contact me or Mr Bernie McCrea (Chair of FINSIA's NZ Council) on +61 2 9275 7900.

Yours sincerely



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