

INAFI Bangladesh Remittances Project Workshop

Keynote paper on
*'Tapping Returnee Migrants' with MSME Services: Prospects
and Challenges'*



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1.0 Background

- **Bangladesh contributes in the international labour market through temporary labour migration.**
- **According to BMET, up to December 2008 total approximately 6.27 million people migrated from Bangladesh from 1976 to 2008 to different countries**
- **Most of these people migrated for short-term employment like for 3 to 10 years**
- **Total remittances was USD 7,915 million – about 12% of GDP -- for the fiscal year 2007-2008, growth of just over 30% over the previous fiscal year**
- **The remittances flow in 2008 was US\$ 8.98 billion and for the ten months of fiscal year 2008-2009 (July 2008 to April 2009) the remittances flow was US\$ 7.87 billion**
- **It is assumed that almost 75% of these total remittances were sent by the temporary migrants**
- **The remittances have both benefit at macroeconomic level and also household level.**
- **The living standard of families of migrants increases due to remittances flow**
- **But due to global financial crisis many Bangladeshi temporary migrant workers are returning home.**
- **During January to February 2009, total 12,839 Bangladeshi migrants have returned home. Moreover, the outflow of migrant workers fell 13 percent in January 2009**
- **During January 1-May 30 last year, 3,78,994 workers went abroad for jobs, while the figure is only 2,12,332 in the same period this year**
- **Now it is big challenge for Bangladesh how to create employment for this large number of returnee migrants.**



2.0 Objectives of this Discussion Workshop

- **To inform the participants about INAFI Bangladesh Remittances Project and how the project is addressing Returnee migrants through MSME services and how to extend the services to more returnee migrants**
- **To orient the participants about the present constraints faced by MSME clients and collect expert opinion from the participants to overcome the constraints**
- **To make aware the participants specially to banks, donors, SME Foundation, PKSF about the constraints faced by the project clients and how to overcome these constraints; and**
- **To collect expert opinion how to extend financial and non-financial services to the Returnee Migrants and what role should government, banks, donors, SME Foundation, and PKSF should play**
- **To develop possible partnership with different stakeholders like banks, donors, SME Foundation, PKSF to link the clients for MSME financing.**





3.0 Initiatives Undertaken by INAFI Bangladesh Remittances Project

- INAFI Bangladesh has been implementing a project titled '*Institutional Support for Productive Utilisation of Migrant Workers Remittances*' by developing partnership consortium with its 5 Member MFIs (UDDIPAN, Padakhep, Shakti Foundation, POPI, and SSS).
- The project is supported by Remittances and Payment Challenge Fund-RPCF (a joint project named Remittance and Payment Partnership-RPP of DFID and Bangladesh Bank) and OxfamNovib, Netherlands.

Vision

- To promote and provide enterprise development and business development services to the remittances recipient families of Bangladesh

Mission

- To motivate remittances recipient families to invest a certain portion of remittances for productive purposes like enterprise development
- To provide necessary support services i.e. skill development training, enterprise development training, business development services to the target clients
- To sensitise NGOs/MFIs and mainstream financial institutions like banks and non-bank financial institutions to address this missing middle target clients
- To contribute to the micro, meso and macro level economic development of Bangladesh
- To pilot the Remittances project successfully and replicate it in locally and globally



3.0 Initiatives Undertaken by INAFI Bangladesh Remittances Project....contd...

Target Clients

Remittance recipient families and also returnee migrants

- who already have enterprises
- who are planning and willing to invest in different enterprises

Project Progress Up to Date

- Mapping on Migrant's enterprises
- Project Operational Manual Development
- Preliminary Client Assessment: 5030
- Client Selection: 3299 (2044 have enterprises & 1255 don't have but willing to invest in enterprises)
- Identification of Profitable and Suitable Enterprises in Project Operational Areas: 37 enterprises
- Training material development: 5 Training Modules
 - Module-1: Enterprise Development Training
 - Module-2: Resource Book on Business Development Services
 - Module-3: Book Keeping and Basic Accounting for MSME & Flip Chart
 - Module-4: Training of Trainers Course
 - Module-5: Fact Sheet of Different Enterprises
- TOT of 109 MFIs staffs
- Client Level Training: 1657 clients
- Loan received from MFIs: 58 clients
- Number of clients identified for bank linkage: 160 clients
- Advocacy and positioning of the Project locally and globally
- Documentation and Publication: News Letter, Leaflet, Posters

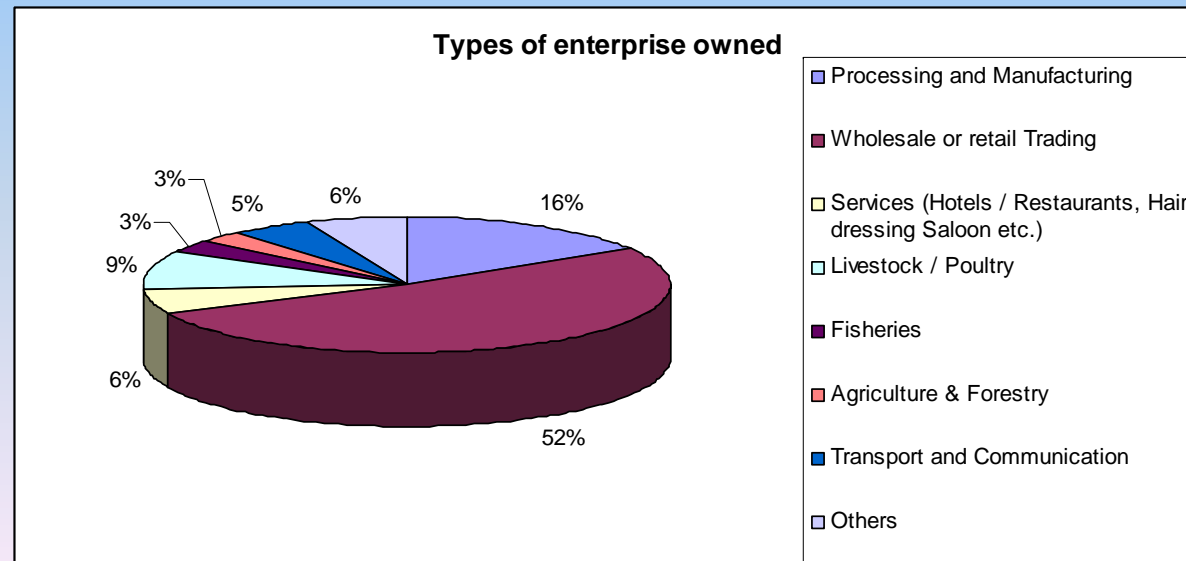
4.0 Key Findings of INAFI Bangladesh Remittances Project Mapping on Migrants' Enterprise Development

- INAFI Bangladesh has conducted a Mapping on Migrants' Enterprise Development by collecting information from family members of migrants/returnee migrants.
- INAFI Bangladesh has developed two Questionnaires. Questionnaire-1 for the respondents who already have enterprises and Questionnaire-2 for the respondents who don't have enterprises, but willing to invest in different enterprises.
- Total sample size was 370 (Questionnaire-1 is 187 and Questionnaire-2 is 183). The sample has been collected from 14 highest migrants' prone districts of Bangladesh.

Key Findings of this Mapping are:

4.1 Present Scenario of SMEs owned by Remittances Recipient Families / Returnee Migrants

- Types of Enterprise Owned:



Source: Al Hasan, Rashed (2009), INAFI Bangladesh Mapping on Migrants' Enterprise Development



4.0 Key Findings of INAFI Bangladesh Remittances Project Mapping on Migrants' Enterprise Development...contd...

- **Employment Generated:** It is evident that average 3.23 employments have been generated from SMEs owned by the remittances recipient families and returnee migrants.
- **Invested Capital:** The total investment volume of these SMEs is approximately Tk. 11 crore (US\$ 1.6 million) and the average investment is Tk. 573,460 (US\$ 8200)
- **Main Sources of Capital:** owned fund including remittances income: 68%, Along with owned fund-
 - borrowed from NGOs/MFIs or banks-64%
 - received fund from relatives or family members- 25% and
 - sold assets like land or jewellery-4%
- **Capital invested from Remittances:** Total volume of investment from Remittances is Tk. 4.16 Crore (US\$ 0.60 million) and average investment is Tk. 255,300(US\$ 3650). It is evident that approximately 38% of total invested capital comes from Remittances income.
- **Annual Income from Enterprises:** The average monthly income from enterprises is Tk. 14,473 (US\$ 207) and the average annual income is Tk. 171,452 (US\$ 2450).
- **Constraints faced by the enterprises-**
 - ☐ lack of capital- 87%, along with lack of capital other constraints are:
 - lack of managerial skills(20%)
 - inadequate technical skills(16%)
 - no enterprise development training and business development services(13%)
 - no backward and forward linkage opportunity (7%), and
 - no Insurance coverage of enterprises(22%) etc.



4.0 Key Findings of INAFI Bangladesh Remittances Project Mapping on Migrants' Enterprise Development...contd...

Types of support required:

- more or additional capital (92%), along with more capital requirements the other support required:
 - training on managerial skills (22%)
 - training on technical skills (19%)
 - enterprise development training and business development services (10%)
 - backward and forward linkage opportunity (4%)
 - insurance coverage for enterprises(32%), and
 - opportunity to link with MFIs / mainstream financial institutions (16%).
- **Additional Capital Requirements:**
 - 95% respondents reported for additional capital requirements.
 - The total volume of additional capital requirements is Tk. 4.74 crore (US\$ 0.68 million)
 - Average capital requirements are Tk. 278,882 (US\$ 3984).
- **Demand for Financial and Non-Financial services:**
 - various trainings, business development services, and forward and backward linkage (55%)
 - linkage services with MFIs / mainstream financial institutions to get loan (85%)
 - insurance for enterprise (73%)
 - other insurance products (53%):
 - life insurance products (61%)
 - asset insurance (28%)
 - livestock insurance (4%)
 - health insurance (4%)
 - and crop insurance (3%)



4.0 Key Findings of INAFI Bangladesh Remittances Project Mapping on Migrants' Enterprise Development...contd...

- **Willingness to pay for different services**

- 52% respondents are willing to pay for various trainings, business development services, and forward and backward linkage
- 85% respondents are willing to pay for linkage services with MFIs / mainstream financial institutions to get loan
- The respondents are willing to pay average Tk.2085 (US\$ 30) for various trainings, business development services, and forward and backward linkage
- Tk. 8283 (US\$ 118) for linkage services with MFIs / mainstream financial institutions to get loan
- Average Tk. 2555 (US\$37) per annum for different insurance products.

4.2 Findings from Remittances Recipient Families / Returnee Migrants who don't have enterprises but willing to invest in different enterprises

- **Average Remittances Receives Annually:** Tk. 252,435 (US\$ 3606)
- **Utilisation pattern of Remittances:** almost 60% remittances are utilised in non-productive purposes.

4.0 Key Findings of INAFI Bangladesh Remittances Project Mapping on Migrants' Enterprise Development...contd...

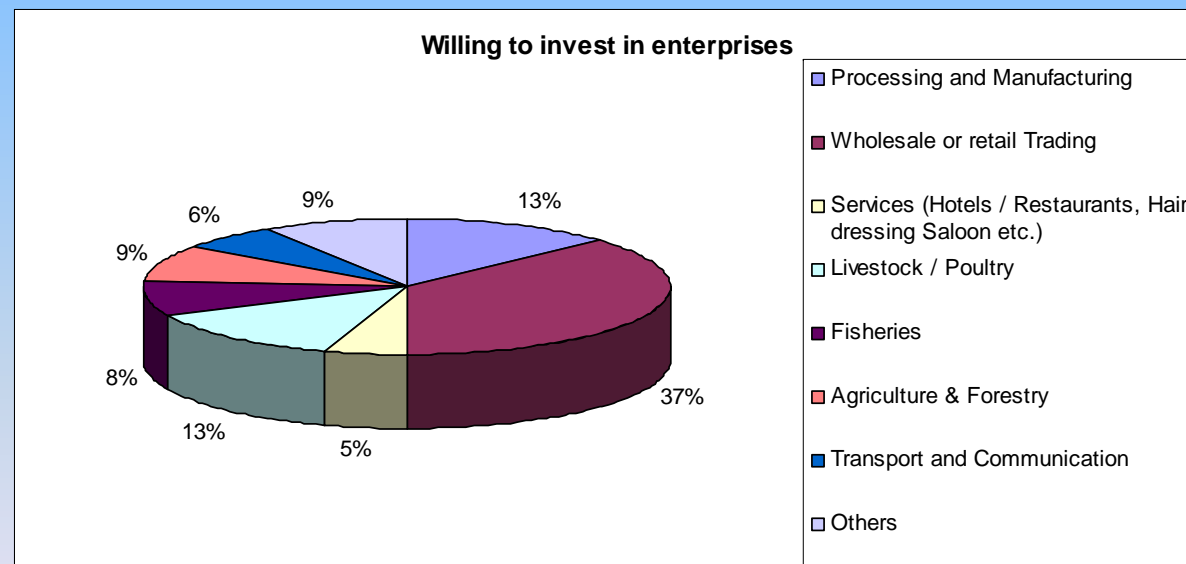
The utilisation pattern of remittances is given in the following table:

Sl. No	Purposes	Remittances used (%)
1	Food and cloths	20.85%
2	Home construction or repair	15.11%
3	Loan repayment (loan taken for migration)	9.52%
4	Purchase agricultural land	11.33%
5	Sending other family members abroad	4.43%
6	Marriage ceremony of family members	3.45%
7	Medical treatment	12.97%
8	Purchase household items (Electronics products, furniture etc.)	7.06%
9	Investment in business enterprise	5.91%
10	Savings (Deposited in banks or savings instruments)	8.70%
11	Others (sending family members for pilgrimage, social ceremony, gifts, loan given to relatives etc)	0.67%
Total		100%

Source: Al Hasan, Rashed (2009), INAFI Bangladesh Mapping on Migrants' Enterprise Development

4.0 Key Findings of INAFI Bangladesh Remittances Project Mapping on Migrants' Enterprise Development...contd...

- **Remittances Deposited as savings:** The total volume of savings of the respondents is Tk. 2.21 crore (US\$ 0.32 million). The respondents reported that they have average savings Tk.129,442 (US\$ 1850).
- **Investment Planning:** 84% respondents have a plan to invest some portion of their remittances in different enterprises



Source: Al Hasan, Rashed (2009), INAFI Bangladesh Mapping on Migrants Enterprise Development



4.0 Key Findings of INAFI Bangladesh Remittances Project Mapping on Migrants' Enterprise Development...contd...

- **Types of Support Requires:**

- ❑ requires more or additional capital (78%), along with it
- training on managerial skills (29%)
- training on technical skills (27%)
- enterprise development training and business development services (11%)
- backward and forward linkage opportunity (14%)
- insurance coverage for enterprises(23%), and
- opportunity to link with MFIs / mainstream financial institutions (18%).

- **Willingness to pay for different services:**

- 55% respondents are willing to pay for various trainings, business development services, and forward and backward linkage; and
- 76% respondents are willing to pay for linkage services with MFIs / mainstream financial institutions to get loan.



5.0 Lessons Learnt and Challenges of the Project

The lessons and challenges are given below:

- Lack of awareness among the target clients
- Some target clients are shy to invest in enterprises
- It has been difficult to identify suitable enterprises as well as thrust enterprises in project operational areas.
- As the socio-economic conditions of the clients were not homogeneous and their demand for training was diverse, it was very difficult to develop uniform training modules for the target clients.
- Lack of market information and enterprise database
- Inadequate experiences and knowledge of MFIs staffs to address these target clients
- Existing enterprise clients give more emphasis on loan other than training
- Due to global financial crisis and economic recession the flow of remittances may shrink. So the potential client may not have sufficient fund to invest in different enterprises.
- Lack of availability of resource person to conduct TOT and field level training.
- Due to global financial crisis many Bangladeshi migrants are returning home, so number of potential clients would increase and it would be difficult to serve this client within limited resources.
- MFIs are facing fund constraints to disburse loan to the target clients
- Due to complexity of SME loan procedures of banks and non-banks financial institutions, it is assumed that very few target clients will qualify for SME loan.



6.0 Prospect of Tapping Returnee Migrants and Remittances Recipient Families with MSME Services

- **It is estimated that approximately 4 million Bangladeshi temporary migrants are staying in different countries.**
- **According to INAFI Bangladesh study, it is found that 84% remittances recipient families are interested to invest some portion of their remittances in different enterprises**
- **They have planned to invest average Tk.334,212(US\$ 4775).**
- **The remittances recipient families who already have enterprises need average additional capital Tk. 278,882 (US\$ 3984).**

6.0 Prospect of Tapping Returnee Migrants and Remittances Recipient Families with MSME Services.. contd..

Table: Additional capital requirements projection

Sl No	Percentage of potential investors among the total migrants	Total number of potential clients /investors	Average amount of additional capital requirements (in Tk)	Total volume of capital requirements (in crore Tk)	Total volume of capital requirements (in million US\$)
1	1%	41000	278,882	1143	163
2	2%	82000	278,882	2287	326
3	3%	123000	278,882	3430	490
4	4%	164000	278,882	4574	653
5	5%	205000	278,882	5717	817

Source: Estimate based on assumption and findings of INAFI Bangladesh Mapping on Migrants Enterprise Development (2009)

7.0 Challenges

The probable challenges are:

- **Lack of awareness among the target clients**
- **Some target clients are shy to invest in enterprises**
- **Target clients are reluctant to keep books of accounts properly and it is very difficult to identify profit and loss of the enterprises**
- **Lack of market information and enterprise database**
- **Inadequate network of banks and non-bank financial institutions in rural areas**
- **Although the partnership of banks with MFIs seems to be promising, but to identify the mode of partnership is challenging**
- **Inadequate experiences and knowledge of MFIs staffs to address these target clients**



8.0 Way forward

- Although there are some challenges to tap Returnee migrants and remittances recipient families with SME services, but it is assumed that there is huge prospect in this sector
- Now the question is how to tap these target clients and what will be the role of different stakeholders
- The Microfinance industry in Bangladesh has made a remarkable growth during the last decade with diversified products and services
- MFIs have very good infrastructures and network in the rural areas
- Microfinance sector has some comparative advantage to address these target clients
- Mainstream financial institutions like banks and NBFIs have resources and capacities, but they don't have enough infrastructures and network in the rural areas
- The government and donors can also play a significant role to allocate resources and create enabling environment to address these target clients
- Now the question is how to integrate all resources together to tap returnee migrants with MSME services
- If these target clients could be addressed with MSME services then it will have positive impact on Micro, Meso and macro level of the economy





Some key Questions for Discussion

- How to create employment opportunity for the Returnee Migrants?
- Whether MSME Services is suitable to create employment opportunity?
- How to extend MSME Services to large number of Returnee Migrants?
- What are the opportunity and challenges to tap Returnee Migrants with MSME services?
- What are the role of different stakeholders like banks, donors, SME Foundation, and PKSF to address these target clients?
- What are the constraints faced by the MSME sector of Bangladesh?
- How to overcome the constraints?
- What will be the role of different stakeholders like banks, donors, SME Foundation, PKSF, Microcredit Regulatory Authority (MRA) etc to create enabling environment for MSME clients?



Thank You