

Welcome to

Presentation

on

Role of MFI to Expand ME Activities

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Introduction

- Micro credit has already proved its effectiveness as the most powerful tool for income generation, food security, ultimately poverty alleviation and human resource development.
- Micro-credit has had considerable success in raising the income of the poor and lowering overall poverty in the country.
- The micro credit system and the issue as a whole are under continuous study and research with an aim to broaden its horizon and overcome the challenges.
- The MFI's in Bangladesh are very keen in this regard resulting to a continuous upward trend of the success of micro finance.
- The up-scaling of micro-credit is needed to continue support to mature clients, new entrepreneurs and tomorrow's poor and also generate employment, higher scaled income than normal micro credit does for a family and contribute to production status of the country.
- MFIs have the great opportunity to facilitate the the promotion of ME.



Definitions & Some Confusions

- **Micro enterprise** implies synonyms like small enterprise, small industry, rural enterprise, rural non farm enterprise, cottage industry etc.
- **Micro-enterprise** refers to non-crop enterprises employing less than ten workers, including the owner-operator and family workers.
- Many define micro enterprise in deferent ways creating contradiction within it. There should be a single definition.
- **Micro-enterprise development** refers to the package of services, policies, programs, and institutions.
- **Micro-finance** refers to the package of micro-financial services including lending and savings.
- **Micro-finance institutions** refers to institutions that provide micro-finance services. These may include non-governmental institutions, credit cooperatives, credit unions and banks.
- **Non-financial services** refer to the collection of programs and services that deliver inputs other than finance.
- **Capacity building** in the form of training and other support should be provided to prospective poor borrowers to help them acquire skills and values they need to initiate micro-enterprises.



Importance of Micro Entrepreneurship in Economic Development

- Micro entrepreneurship development can be a bridge between micro-credit-led initiatives pursued by the MFIs to major industrial development.
- Micro enterprises are vulnerable to de capitalization to meet household consumption due to an emergency brought on by human or animal sickness or a natural calamity.
- The basic rationale and objectives of developing micro-enterprises are:
 - Provide immediate self-employment and employment for others and thereby reduce unemployment problem of the country
 - Ensure more equitable distribution of income, promote balanced regional development.



Importance of Micro entrepreneurship in Economic Development; Cont.....

- Protect and promote the art and creativity, i.e. the age – old rich heritage of the country.
 - Reduce rural urban migration.
 - Reduces growth of slums, social tensions, and environmental pollution.
- Entrepreneurship serves as a catalyst of economic development.
- An economy is the effect for which entrepreneurship is the cause.



Contribution of ME to Development Discourse

- Poverty reduction
- Empowerment of women
- Employment generation
- Enterprise development



Challenges in ME Development in Bangladesh

- Lack of appropriate law and policy to protect and promote the MEs.
- Inadequate accessibility to financial support for promotion of micro-enterprise.
- Lack of access to technology.
- Lack of opportunity for human resource development.
- Inadequate infrastructure.
- Less opportunity for Market linkage.
- ME does not reach the poorest of the poor.
- Not enough ME opportunities available to cover all potential poor, given demand constraints and the lack of skills to produce products.



MFI & Micro Enterprise

- Development of entrepreneurship has got national attention due to its strengths to solve the twin problems of unemployment and poverty.
- Bangladesh has quite a good number of MFIs contributing to entrepreneurship development in the country.
- CDF Microfinance Statistics 2006 reveals that top 50 MFIs had 15.26 million borrowers, lion portion of whom are micro clients graduating steadily from micro credit-led income generating activities to business-led micro enterprises.
- Till now only MFIs are trying remarkably to reach poor entrepreneurs in comparison to any other agencies.
- Bangladesh has tremendous potentials of rural micro entrepreneurship development to support the GDP to grow.



MFIs can play their role to promote ME in three basic aspects:

1. MFIs role for a better ME Leadership and well managed ME

a) ME Leadership

- Success of an ME greatly depends on the appropriate leadership of the entrepreneur.
- MFIs will have training and counseling supports for the clients' leadership.
- The entrepreneur as a borrower should possess the qualities of a very good borrower.
- MFIs should also have intensive monitoring and required supervision services along with motivational activities.
- MFI should provide management capacity support to the enterprise leadership through education, information, consultancy, counseling, sharing and provisions of training as and when required with higher priority.



MFIs can play their role to promote ME in three basic aspects: Cont...

b. Promotion of Micro Enterprise:

- Create opportunity to supply machineries, transfer of technologies and required information.
- Access to “non-financial services” like Training, Consulting, Marketing, Information resources, Infrastructure development.
- Product standardization and quality management.
- Establish linkage and get access to local, national and international market through participating in fairs and marketing layout facilities.
- Macro – micro relation can play very important role in promoting ME in a way with MEs comparative advantage of efficiency in producing and supplying of product components of the large production companies .



MFIs can play their role to promote ME in three basic aspects: Cont.....

b. Promotion of Micro Enterprise: Cont....

- Work with the relevant authority to have provision for regular supply of power for the plant when it is dependent on power supply.
- Identify interventions to develop market and educate the MEs accordingly.
- Identify the appropriate products with respect to the areas that will significantly improve sub-sector's capability.
- Establish performance indicators: impact, outreach, sustainability, market.
- ME should have diversified product. MFIs can help them with BDS including skill development of the ME human resource, research and study technological and market information.



MFIs can play their role to promote ME in three basic aspects: Cont.....

2. MFIs capacity to promote and cope with the needs of the ME:

a) Improved Service Provisions:

- MFIs should have skill and efficient Human Resources to ensure the Business Development Services (BDS) to the ME.
- MFIs should have capacity to give the right directions to develop ME through appropriate technical assistance, consultancy, supervision and monitoring.
- Fund flow should be smooth with the MFIs.
- Organize ME fair at local, regional, national and internationally to promote marketing of products of the ME.
- Develop and promote relation between micro and macro Enterprise.



MFIs can play their role to promote ME in three basic aspects: Cont.....

a) Improved Service Provisions: Cont....

- Create access to local; national and international markets of the ME products. MFIs should have enough information and linkage with relevant marketing opportunities in side and out side the country.
- MFIs should have initiatives to help set up production cum marketing center with required facilities particularly in the areas having good market for the ME products that will promote export business and avoid involvement of middlemen.
- Mapping or create a data base of geographic areas with potentials sub sectors in the area and updating the data base on regular basis.
- Analyze constraints and opportunities in the sub sector.



MFIs can play their role to promote ME in three basic aspects: Cont.....

b) Improved Credit Delivery:

- Develop an ME friendly loan and lending system or guideline that provide opportunity to the ME borrower to avail the service along with keeping appropriate provisions for safety of the loan. (approval, payment, repayment, grace period, loan size and period, collateral).
- Easy access of new entrepreneurs to MFIs.
- Strictly avoid the borrowers overlapping among the MFIs.
- ME should have diversified product.
- Create measures for safety of the loan amount through creating provision for collateral and compulsory savings.
- Participatory management of Enterprise.



MFIs can play their role to promote ME in three basic aspects: Cont.....

3. Improve environmental and legal aspects of ME:

- Advocacy with government to formulate ME friendly Laws and policies through reviewing the existing systems and provision.
- Government should give enabling environment to MFIs so that they can easily promote ME.
- GO-NGO collaboration from field to center with respect to technology transfer, marketing opportunity through coverage of appropriate law and policy.
- There should be a provision that MFIs get the coverage of PDR act.
- Government should have enough support for restoration of Livelihood, regaining assets of the enterprise for the damage caused by disaster.
- MFIs should have provision to introduce Micro Insurance for ME.
- Legislative measures for example may be like that the government purchases will have to be made from rural/micro enterprises.
- Provision for exemption of TAX and VAT.



Thanks