

*"Improved Access to Financial Services: Bringing
Microfinance to Scale in Cambodia"*

Remittances as a market
opportunity for microfinance
-general principles-

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Cambodia

- Remittance flow in 2006: 559 million USD
 - 7.8% of GDP (Source: IFAD)
- ⇒ Remitters and their families are an interesting client segment
- Main countries of migrant destination and forms of remittance:

Countries	Main Form of Remittance
Thailand, Malaysia, Korea	Phone, Informal, Couriers
Europe, USA, Australia, Japan	Formal channels

Characteristics migrant families

Migrant in host country

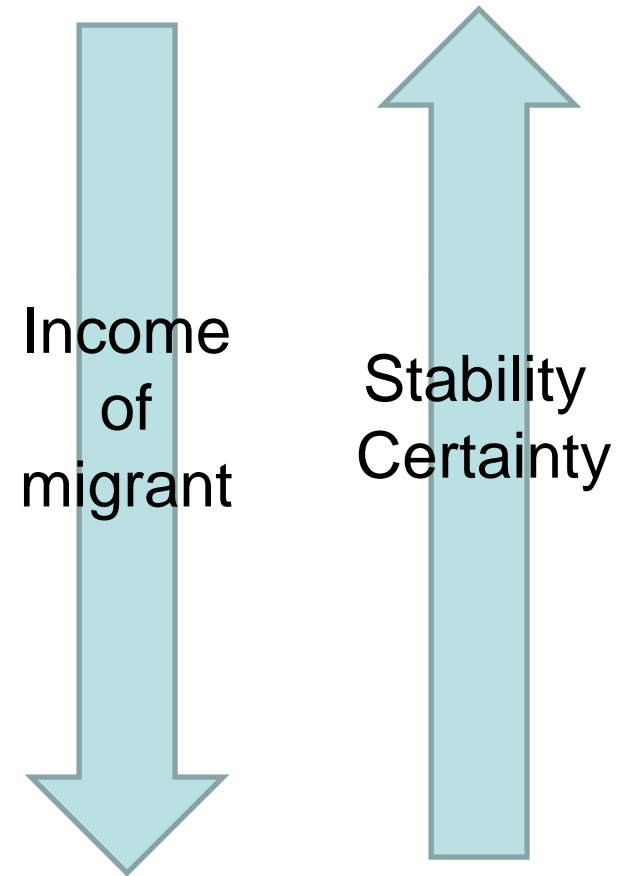
- Larger part of family income
- Almost no assets
- Stability of residence and income varies
- Higher cost of living than in home country
- No credit history, usually low level of financial education

Family in home country

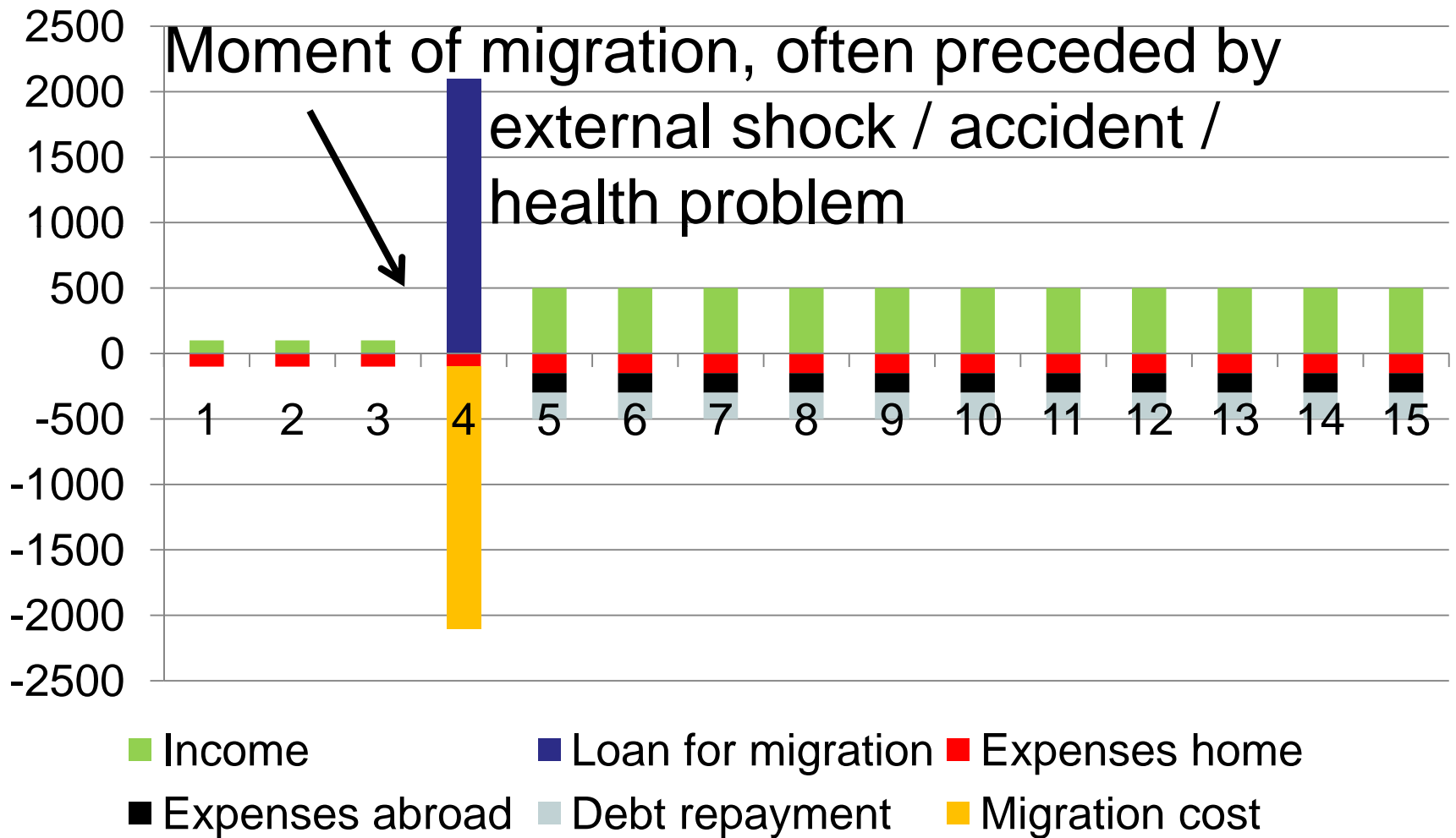
- Smaller part of family income
- Usually own house & land
- High stability of residence, income varies
- Lower cost of living
- No credit history , usually low level of financial education

Segmentation of migrants

- Permanent documented migrants (e.g. to US)
- Temporary documented migrants
- Permanent undocumented migrants
- Temporary undocumented migrants

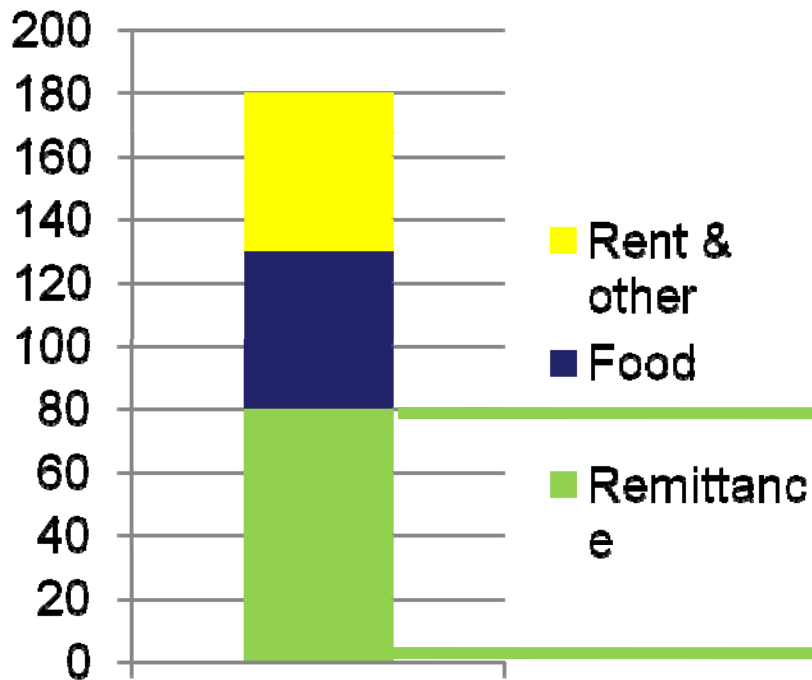


A migrant's family cash flow

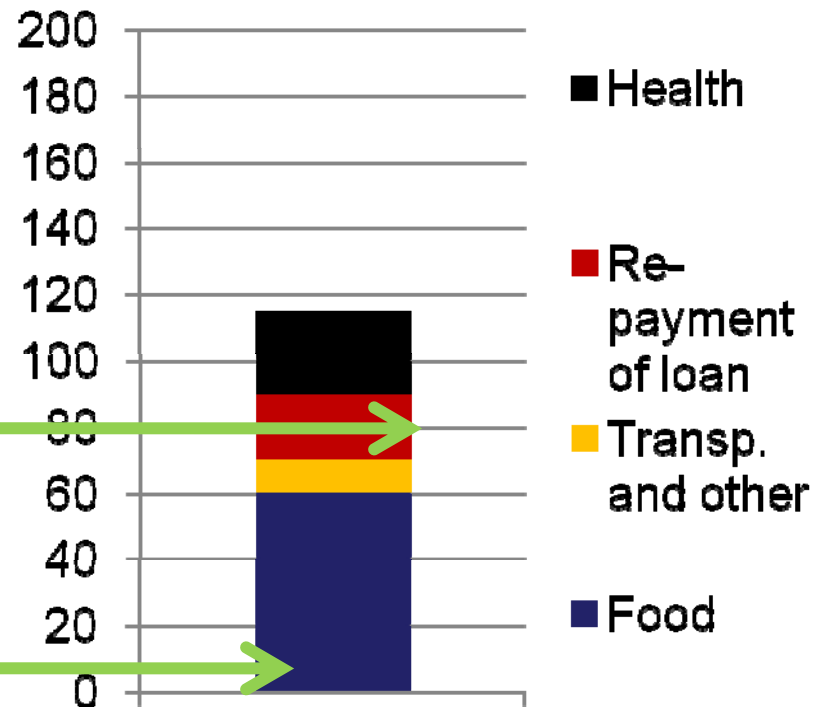


Use of income

Migrant



Family in home country




Demand for financial services

Demanded with increasing income and stability, and time abroad



- Remittance: safe, reliable, fast
- Loans to migrate (documented migrants)
- Home repair / improvement
- Health insurance for family
- Life insurance (insuring migrant's life)
- For education of children
- Asset building (Investment in home / real estate, business. etc): Especially important for migrant - reliable
- Investments in bonds, etc



Services can be provided In home country

Main issues to consider by financial institutions in Cambodia

- Partially diverging interests of migrants / family at home: migrant more “investment” family more “consumption”
- How can the migrant be involved (especially important in larger loans)?
- In loans:
 - Documented migrants: consider characteristics of work permit
 - Risks: stability of employment and residence, especially for undocumented workers
 - How assess income?

Elements of a strategy for a microfinance institution (I)

- Know the market ; learn about the characteristics of migration / remittances / income: level of income, stability, seasonality, risks (through research / focus groups)
- Set up a partnership with a suitable MTO to deliver remittances (consider the “local and regional corridors”)
- Start delivering remittances and know your customer in real life

Elements of a strategy for a microfinance institution (II)

- Design, test and offer additional products (eventually in coordination with MTO to reach migrants in host country)
 - Test their acceptance in one to a few branches
 - Fine-tune
 - Introduce at all branches
- ⇒ Consider always customer experience with financial services!