YANGON UNIVERSITY OF ECONOMICS

DEPARTMENT OF MANAGEMENT STUDIES

MBA PROGRAMME

FACTORS INFLUENCING MICRO BUSINESSES AND FIRM PERFORMANCE IN RURAL AREA IN AYEYARWADY REGION

LIN SANDAR NAING

MBA II – 47

MBA 23rd BATCH

DECEMBER, 2019

YANGON UNIVERSITY OF ECONOMICS

DEPARTMENT OF MANAGEMENT STUDIES

MBA PROGRAMME

FACTORS INFLUENCING MICRO BUSINESSES AND FIRM PERFORMANCE IN RURAL AREA IN AYEYARWADY REGION

ACADEMIC YEAR (2017-2019)

Supervised By:	**Submitted By:**
Dr. Nu Nu Lwin	Lin Sandar Naing
Professor and Head	MBA II - 47
Department of Management Studies	MBA 23rd Batch
Yangon University of Economics	2017-2019

YANGON UNIVERSITY OF ECONOMICS

DEPARTMENT OF MANAGEMENT STUDIES

MBA PROGRAMME

FACTORS INFLUENCING MICRO BUSINESSES AND FIRM PERFORMANCE IN RURAL AREA IN AYEYARWADY REGION

A Thesis submitted to the Board of Examiners in partial fulfillment of the requirements for the degree of Master of Business Administration (MBA)

Supervised By:	**Submitted By:**
Dr. Nu Nu Lwin	Lin Sandar Naing
Professor and Head	MBA II -47
Department of Management Studies	MBA 23rd Batch
Yangon University of Economics	2017-2019

ACCEPTANCE

This is to certify that the thesis entitled **"Factors Influencing Micro Businesses and Firm Performance in Rural Area in Ayeyarwady Region"** has been accepted by the Examination Board for awarding Master of Business Administration (MBA) degree.

Board of Examiners

(Chairman)

Dr. Tin Win

Rector

Yangon University of Economics

-----------------------------	---------------------------
(Supervisor)	**(Examiner)**
-----------------------------	---------------------------
(Examiner)	**(Examiner)**

December, 2019

ABSTRACT

This paper aims to identify the influencing factors on the financial behavior of micro business owners in rural area of Ayeyarwady Region and to examine the effects of financial behavior on the performance of micro businesses. This study is thoroughly done by collecting structured questionnaires to 160 micro business owners from one village group of Patanaw Township of Ayeyarwady Region. The study found that microfinance characteristics have the most influence on financial behavior of business owners than other two variables; household characteristics and socioeconomic characteristics. Family daily income and physical environment of the region have influence on financial behavior. It is also found that owner's financial behavior influences the overall performance of the business.

ACKNOWLEDGEMENTS

First of all, I would like to express my sincerely gratitude to Professor Dr. Tin Win, Rector of Yangon University of Economics for giving permission to write this thesis kindly to me. Moreover, I would also thank to Professor Dr. Nilar Myint Htoo, Pro-Rector of Yangon University of Economics for her kind permission to undertake this research study.

I would like to express my deepest and special gratitude to my supervisor, Dr Nu Nu Lwin, Professor and Head of Department of Management Studies for her respectful guidance, support, advice and encouragement in all the time of preparing this thesis.

I would like to express my sincere gratitude to all the teachers, and visiting lectures who have made their grateful efforts in rendering knowledge sharing of MBA Programme during these two years.

I would like to convey my special thanks to authorized persons who help and give permission to conduct this study in Kya Nyin Ngu village group of Pantanaw Township. Finally, I would like to express my sincerely thanks to my beloved family and friends for their encouragement, support and suggestions in preparing this thesis.

Lin Sandar Naing

MBA II -47

MBA 23 rd Batch

2017-2019

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF ABBREVIRATIONS

CBO:	Community Based Organization
CDSG:	Capital Diamond Star Group
FRD:	Financial Regulatory Department
GDP:	Gross Domestic Product
IMF:	International Monetary Fund
INGO:	International Non-governmental Organization
MADB:	Myanmar Agricultural Development Bank
MBL:	Microfinance Business Law
MBSC:	Microfinance Business Supervisory Committee
MDG:	Millennium Development Goal
MFI:	Microfinance Institution
MIS:	Management Information System
MMSE:	Myanmar Microfinance Supervisory
MSME:	Micro, Small and Medium Enterprise
NGO:	Non-governmental Organization
UNDP:	United Nations Development Programme
USAID:	U.S. Agency for International Development
SME:	Small and Medium Enterprise

CHAPTER 1

INTRODUCTION

Financial service for small businesses has emerged over the past 30 years from a narrow notion of microcredit for the purpose of extending credit facilities to small business to those who are poor and low income earners, who being reject by banks, for creating better chances for self-employment and hence improve economic condition of low income and poor people.

There are two sectors of credit for small business, formal sector and informal sector. Formal sector of credit includes banks and cooperative societies constitute. Interest rate in this sector is less than informal sector. In informal sector, the credit activities are driven by profit with much higher interest rates. It comes from variety of sources in a village: family, friends, millers, pawnshop and others. Small businesses in developed countries have more access to cheaper credit from the formal sector while small business in developing countries still have to depend largely on loans at higher interest rate from the informal sector. In each country, people in urban get access to formal sector finance and people in rural depend on informal sector.

In high –income economies, formal micro, small and medium enterprise (MSME) are common while in low-income and middle –income economies MSME density is rising at a faster pace. Formal MSME normally get access to formal sector of finance and informal MSME depends on informal sector of finance.

The work conducted by World Bank states that small businesses are important in nation economic development and job creation. However it also represents many small businesses in developing countries are in informal sector and rely on informal service to access finance. Access to finance is the biggest obstacle for small businesses in developing countries. It becomes difficult for the small business to meet their investment target due to the limitation of access to financial service from formal financial institutions, although there are many obstacles such as access to electricity and political instability to conduct or run the small businesses.

However in recent years, there have been many supply of microcredit with various forms. In this situation, the rapid growth of microfinance institutions are actually effective for small business and which forms of lending are most suitable for small business were need to analyzed.

1.1 Rationale of Study

Microfinance business aims to extend microloans and other services to borrowers who typically lack collateral, steady employment and a certifiable credit history. Microfinance was introduced in developing countries in the 1970s. The microfinance industry follows two main lending approaches: poverty and commercial lending. Both approaches aim to make financial services available to lower income people, but the first approach focuses on reducing poverty through credit and other services provided by MFIs that are funded by donor and government subsidies. The second approach focuses on improving access and services provided by commercial financial intermediaries.

Myanmar is located in Southeast Asia with the total population of 51.4 million. According to 2014 Population Census, there have only 30% of urban population. The large portion of the total population lives in rural area. 72% of total households are the households rural. Agriculture, industries, energy and tourism are the main sectors of Myanmar economy. GDP by agriculture sector is 24.8%, industry sector is 35.4% and service sector is 39.9%. In 2011, the civilian government transferred the power and started the economic reforms. Government encourages the development of small and medium enterprises and support these businesses.

Myanmar is a country which abundant in natural resources. Every regions in the country has their own natural resources. By utilizing this rich of natural resources, people in rural area can create the small business. But most people are facing difficulties about funding to start a new small business and expand the business. Many people who live in rural area do not have access to banks. Myanmar Agricultural Development Bank (MADB) is the only one major financial institution that operates in rural space. Most people in rural area are poverty since they do not have many employment.

Myanmar, a country which is trying to improve in every sectors of the country. Therefore, in this time it need to utilize efficiently all of the resources in the country. For the improvement of the country economy, it focus on the role of small businesses. Small business play a major role in emerging economies. However, many small business are limited to grow to lack of financial support and assistant from financial institution because small business are unable to meet the collateral requirement.

Microfinance can minimize the obstacle of access to finance for small business. There are quite a large number of institutions providing microfinance in Myanmar. Most of them are small and of the NGO –type and were created and are supported by donors. Last ten years, UNDP microcredit was introduced in many rural areas of Myanmar and it became the support of funding for rural people to start the small business. It was the effective tool.

Microfinance Institutions (MFIs) play a major role to the growth of small business. Microfinance can be defined as the provision of financial and support services to the poor in a financially sustainable way (Basu, 2000). In developing countries, microfinance is used as the poverty fighting tool that support individuals and small business growth. Microfinance loans adequate funds for small businesses in rural area, improve self – employment, and create positive impacts on consumption. The activities supported by Microfinance Institutions mainly aim to small business in order to reduce risk of moral hazard and help them to grow. Therefore, it highlights the necessity to examine whether the financial services provided by MFIs affects the growth of small business in Myanmar.

1.2 Objectives of the Study

The objectives of the study are as follows:

1) To identify factors influencing financial behavior of micro businesses in rural area in Ayeyarwady Region
2) To examine the effect of financial behavior on firm's performance of micro business in rural area in Ayeyarwady Region

1.3 Scope and Method of the Study

According to 2014 census data, Ayeyarwady has the largest portion of rural population at 86% in Myanmar. There are five district in Ayeyarwady Division, Pathein District, Hinthada District, Myaungmya District, Maubin District, Pyapon District and Labutta District. The research was conducted in only one District, Maubin District. Maubin District contains four Townships Maubin Township, Pantanaw Township, Nyaungdon Township and Danuphyu Township. The research is only conducted in one village group

(Ka Nyin Ngu) of the Pantanw Township because of the insufficient time resource. The results may have little deviations to cover a wider population.

From the demand side of microcredit, the population of the research is all small business owners in Ka Nyin Ngu village group. There are eleven villages in this village group. There are about 25 small business owners in one village. From the supply side, there have four microcredit suppliers in this village group; PACT Global Microfinance Myanmar, Woori Finance Myanmar, Fullerton Myanmar and BG Microfinance Myanmar.

In this study, purposive and simple random sampling is used. Both primary and secondary data are used in the study. Primary data about household characteristics and socioeconomic factors of the village group were obtained from observation, interview and questionnaire. Then structured questionnaire is used to collect data. The secondary source of data is collected from journals, newspapers, internet and other available documents and report concern small business and microfinance.

1.4 Organization of the Paper

This paper contains five main chapters. Chapter (1) introduces general background, rational, objective, scope and method of the study and organization of the study. Chapter (2) contains the theoretical background of the paper and conceptual framework. Chapter (3) presents the microfinancing activities in Ayeyarwady Region. Chapter (4) contains the analysis on financial behavior and firm performance of micro businesses in Ayeyarwady Region. Chapter (5) contains finding and discussion, suggestion and recommendation and need for further research.

CHAPTER 2

THEORETICAL BACKGROUND

This chapter reviews and analyzes the past literatures on the factors influencing financial behavior and firm performance of micro business. This chapter presents a review of literature on the effects of Microfinance credit on the financial performance of micro business in rural region. It contains the theoretical and empirical review of the study and conceptual framework of the study.

2.1 General Overview of Microfinance

The origin of microfinance can be traced back to the early 1700s, the Irish writer Jonathan Swift introduced the idea of Irish loan funds. This system provided small loans to the poor who were not being served by commercial banks. In 1864, Friedrich Wilhelm Raiffeisen in Germany founded the first rural credit union. Different from other financial institution at the time, the credit union was owned by its members and provided reasonable interest rates to help finance farmers (Wong, 2014). By the early 1900s, the idea of micro-lending had spread from Europe to North America and developing countries in Asia and Africa. In that time various financial institutions were built in Latin America to modernize the rural sector. This is the early stage of the history of microfinance.

In the modern stage of microfinance, professor Muhammad Yunus starting and shaping the modern microfinance. Microfinance as it is known today originated in Bangladesh but also has also taken hold in less populated countries. In 1976, the founder of Grameen Bank, Muhammad Yunus pioneered the microfinance by offering the recipients (extremely poor people or/and household) the chance to become entrepreneurs and earn sufficiently high income to break themselves free from the cycle of poverty. Microfinance continues to play an ever increasing role in approach to poverty alleviation around the world.

In 1990s witnessed a shift in microfinance. After 1990s, microfinance became increasingly commercialized. Microfinance has extended into an important sub-field of development practice and research. At the outset associated primarily with credit for micro-businesses, microfinance practices have evolved to include a wider range of financial and monetary services, offered by a range of institutions, including non-government organizations (NGOs), savings clubs, building societies, credit unions, cooperative banks, commercial banks and insurance companies. Many commercial banks began to offer microfinance service, and a great number of microfinance NGOs entered into commercial sectors. In the new millennium, the microfinance sector has continued to grow and integrate into the financial system. In addition to individual nations, microfinance has received increasingly support from international and regional collectives such as the World Bank, the African Development Bank, the Asian Development Bank, and the Inter-American Development Bank.

Microfinance emerges as an innovation in lending to the rural poor in Asia and as a response to frequent failure of previous interventions in rural financial markets, such as directed and subsided production credit disbursed by agricultural development banks.

Microfinance has reached an important inflection point in India and other Asian countries. The industry increasingly gaining legitimate recognition. Technology, consolidation and new financial entities will redefine how microfinance is delivered in the future.

2.1.1 Definitions of Microfinance

There are many definitions of microfinance. Many theorists defined microfinance in several forms.

Otero (1991) defined "microfinance as the provision of financial services to the poor who are above the official poverty lines and to the core poor households". Microfinance services are given based on payment behavior of the borrower which shows the capacity of the borrower to recover the debt (Monge, 2016). In the article of Business Jargons, the definition of microfinance is that "microfinance is the cluster of banking services, relatively of lower monetary amounts, designed to meet the banking requirements of an unemployed or low –income people.

Microfinance is a type of banking services that is provided to unemployed or low income individuals or groups who otherwise would have no other access to financial services. The goal of microfinance is to give impoverished people an opportunity to become self-sufficient. Microfinance services are supplied to unemployed or low-income individuals because most of those trapped in poverty, or who have limited financial resources, do not have enough income to do business with traditional financial institutions (Kagan, 2019).

The Consultative Group to Assist the Poor, a leading microfinance policy and research center housed at the World Bank defines microfinance as “financial service for poor and low-income clients offered by different types of service providers (Wong, 2014). Though there are multiple definitions of microfinance, the basic concept of microfinance is the same.

Although the terms microfinance and microcredit are often used interchangeably, it is important to recognize the distinction between the two. Microcredit refers to the act of providing the loans of small amounts, often $100 or less, to the poor and other borrowers that have been ignored by commercial banks (Aubuchon, 2008). Microfinance is the act of providing these same borrowers with financial services, such as savings institutions and insurance policies. In short, microfinance encompasses the field of microcredit.

2.1.2 Microfinance Institutions (MFIs)

Organizations that provide microfinance or microcredit are known as Microfinance Institutions (MFIs). The major business of these institutions is the provision of small scale financial products and services to the low-income parts of the population and to entrepreneurs (WSBI, 2008). There are three types of MFIs; formal institutions, semi-formal institutions and informal institutions. The formal microfinance institutions are the institutions that are worked as licensed banks or non-bank financial institutions that are regulated and supervised by the government. Semi-formal institutions are the registered entities but not work under banking regulations and supervision such as financial NGOs, credit unions and cooperatives. Informal providers are those that are small microfinance entities that are not licensed, regulated, or supervised by authorities. In developing countries, informal providers have been the main source of microfinance for poor. Especially in emergencies, poor people often turn to informal providers that are able to offer services quickly without complex bureaucratic procedures.

According to Sushma Gowda, SEO Executive, the objective of MFIs is build a world where everyone, especially people who below poverty line and households have access to high financial services like loans, saving accounts, insurances, payment services and fund transfer. MFIs overall objective is provision of credit from constant and ample sources of funds that responds flexibly to the demand of the low income, unemployed and underemployed borrowers (Amoako-Agyeman, 2014).

Asian countries possess different framework for MFIs due to the regulatory environment. Deposit taking microfinance institutions companies dominates in many Asian countries such as Cambodia, Bangladesh, Nepal, Laos, Myanmar, Philippines and Vietnam. In Philippines, the microfinance NGO sector has been dominant. In Indonesia, commercial banks have played an important role in microfinance. In the majority of Asian countries, the central bank is the regulator for the microfinance sector. Only in Myanmar, the ministry is in-charge of the microfinance sector (MFIN, 2017).

Many MFIs have a dual mandate to provide financial as well as social services such as health care and educational services for the underprivileged. In this sense, MFIs are not always perceived as profit-maximizing financial institutions. At the same time, the remarkable accomplishment of microfinance lies in the fact that some of the successful MFIs report high rates of repayment, sometimes above 95 percent. This rate demonstrated that lending to underprivileged borrowers can be a financially sustainable venture. Microfinance institutions assist in addressing the gap between the rich and poor in the market using financially sustainable approach (Aubuchon, 2008).

At the end of 2017, MFIs reached an estimated 139 million low-income and underserved clients with loans totaling an estimated 114 million dollars.

2.1.3 Microfinance Models

There are different models of microfinance applied in the different regions. The applying model of microfinance will differ based on the varying microfinance environments in the different countries. Microfinance institutions partner with NGOs in promotion of microfinance outreach regions. This includes creating awareness on the availability and important of microcredit within the communities and extending the channels of financial services delivery (WSBI, 2008).

The most popular and useful model is the Grameen Model of group lending or joint-liability lending, originated by the Grammen Bank, Bangladesh. According to the Grammen Model, the borrowers organize themselves into a group of five and present themselves to the bank. After agreeing to the bank rules, the first two members of the group receives a loan. If the first two successfully repay the loans, then four to six weeks later the next two are offered loans; after another four to six weeks, the last person is finally offered a loan. As long as all members in the group repay the loans, the promise of further credit is extended. If any member of the group default on a loan, then all members are denied access to further credit (Aubuchon, 2008). The model can be called as the solidarity group method (Wong, 2014).

Another type of group lending credit model is community-based organization method (CBO). The CBO method allows community-based organizations to act as the intermediary between lenders and borrowers. The CBOs borrow from financial institutions and/or get funding from borrowing members' saving or equity contributions and then lend the capital to the borrower members (Wong, 2014).

However group lending models offers many benefits for both parties, there still have the problems of adverse selection of group members. Therefore, some MFIs move from group lending model to individual lending model. The group lending model has enabled individuals who were earlier not eligible for loans to access credit. This model is not equipped to provide customized loan products and services that some credit-worthy individuals would require (MFIN, 2017).

In some regions, banks provide direct micro-saving and lending to the low-income part of the population. This is conducted as the specific support for micro-entrepreneurs. In some countries like Thailand and Malaysia, government has launched microfinance programs as part of its policy to alleviate poverty (WSBI, 2008).

Women represent 84% of MFI's clients in 2015. This average number hides huge disparities worldwide: women are almost the exclusive target of MFIs in South Asia (92%), and East Asia and the Pacific (94%), but it is not the case everywhere, as the share is of 66% in Africa as well as in Latin America and the Caribbean, 60% in Middle East and North Africa and 46% in Eastern Europe and Central Asia. This states that women are the priority target but obviously not he exclusive one (Bauwin, 2015).

2.1.4 Role of Microfinance in Economic Development

There is significant impact of microfinance on the domestic growth (GDP). And that growth also has strong relation with microfinance. This implies that microfinance is an important ingredient in shaping the financial inclusion, thus promoting financial development and growth through various channels (Masih, 2016).

Otero (1999) said that microfinance institutions creates access to capital jointly with education and training of human capital, addresses social empowerment to move people out of poverty and strengthened their dignity by empowering them to contribute to the economy and society.

Littlefield, Murduch and Hashemi (2003), Simanowitz and Brody (2004) and the IMF report (2005) had applauded that microfinance institutions are contributing greatly towards achieving the Millennium Development Goals (MDGs) which target at poverty reduction, empowering women, assisting vulnerable groups, and improving standards of living. Simanowitz and Brody (2004) says micro financing is a major strategy in meeting the MDGs by building global financial systems that meet the needs of the most poor people. Littlefield, Murduch and Hashemi (2003) state that “Microfinance is unique among development intervention because it delivers social benefits on permanent basis and on a large scale”.

The former UN Secretary General Kofi Annan (2005) pointed out that “Sustainable access to microfinance helps alleviate poverty by generating income, creating jobs, allowing children to go to school, enabling families to obtain health care, and empowering people to make the choices that best serve their needs".

2.2 General Overview of Micro Business

Even in the developed countries, such as US, ninety-two percent of all businesses are microbusinesses. In today’s economy, starting a microbusiness is often a necessary and increasingly viable option because of relatively low barriers to entry. There is no level of education level, strong financial records and age limitation to start a microbusiness. Most microbusiness owners are started the businesses with personal saving and microbusiness is a practical option for workers of all ages. The growth of the microbusiness among countries may also reflect the disappearance of long term job stability in the labor markets. However microbusiness cannot provide the benefits such as vacation and sick leaves, health insurance benefit, retirement plan that offered in the large firms, it offers many quantifiable benefits such as flexible working hours, convenience locations, etc. Strategies to promote the expansion of successful microbusinesses can create greater equality and economic inclusion while seeding new businesses and jobs (AEO, 2013).

Including micro business, both small and medium-sized businesses are often viewed as being more innovative than larger firms and considered to follow niche strategies in developed countries, while adopting “high product quality, flexibility and responsiveness to customer needs as means of competing with large-scale mass producers” (Hallberg, 2000; Snodgrass and Biggs, 1996). Therefore, micro, small and medium businesses are emerged as the key economic actors in both developed and developing economies, within the last three decades, particularly due to the shift towards a more global business context and developments in information technologies.

2.2.1 Definitions of Micro Business

The characteristics of micro business can be identified based on many variables, such as number of employees, assets, turnover, capital and investment around the world. According to Khrystyna Kushinir, Melina Laura, and Rita Ramlho (2010), micro business is a business with less than ten employees (Khrystyna Kushinir, 2010). Micro business are an increasingly feasible and attractive choice to those for whom a precarious economy and mercurial labor market no longer serve.

2.2.2 Role of Micro Business in Economic Development

Microbusiness can also assist specific economies from being overly dependent on any one large firm. Microbusiness is the main stream of the country’s economy because microbusinesses increase outcomes of the families, local communities, and the entire regions as well as the national economy. It provides many positive social impacts for the community. Microbusinesses represents an important anti-poverty strategy for the countries because it provide job opportunities for women and other minorities in the nations (AEO, 2013). Microbusinesses are the primary creators of jobs (Birch, 1987). Developing micro business carry with entrepreneurship. Having entrepreneur can makes many economic benefits for the country because entrepreneurs are passionate, tenacious and determined. Micro businesses generates immediate employment opportunities with relatively low capital, promote more equitable distribution of national income, make effective mobilization of untapped capital and human skills and leads to dispersal of manufacturing and activities all over the country, leading to growth of villages, small towns and economically lagging regions. This promotes to balanced regional development as well.

Micro-entrepreneurs in rural areas face challenges that urban entrepreneurs typically do not: limited access to substantial customer markets, low-income local market, capital shortages, brain drain and infrastructure deficits. These challenges can also be viewed as an opportunity for entrepreneurial development. In response to the decline in manufacturing jobs, rural citizens have created their own economics opportunities through self-employment (Seymour, 2001).

According to the data from the Census Bureau's Annual Survey of Entrepreneurs, there were 5.6 million employers firms in the United States in 2016. Firms with fewer than 20 workers made up 89 percent of those businesses (SBE, 2017). Zhang Mao, head of State Administration said that small and micro-businesses have become a major forces in Chinese market, contributing greatly to employment. Chinese government introduced the reform measures to create a better environment for innovation and development of these businesses (Xinhua, 2017).

In Myanmar, the role of micro business is very important because it can reduce poverty and promote rural and agricultural development. Entrepreneurs in Myanmar say that "without SMEs there is no development" and the sector could also contribute substantially to raising Myanmar's gross domestic product (Times, 2015).

2.3 Fund Management by Micro Business

Rosenberg (2009) in his assessment of whether micro credits really help poor people affirmed that most microfinance borrowers use their loans for non-business purposes. Based on the susceptibility of their income, the low income households have to borrow constantly from microfinance lenders in order to meet their consumption needs. He said his recent analysis had doubts on some of the older research studies that established that microcredit increases household income. Rosenberg concluded that many borrowers use the loan for a non-business purpose, such as repaying another loan, or meeting day-to day household expenses.

2.4 Impact Assessment of MFIs on Micro Business

Microfinance Institutions (MFIs) have become increasingly involved in providing financial services to micro, small and medium enterprises (MSMEs) focused on poverty reduction and economic survival of the poorest of the poor. There is continuing and quite rapid improvement in understanding how financial services for the poor can best be provided. Microfinance practitioners, donors and governments have been interested in knowing to what extent these credit interventions impact the beneficiaries. A number of impact assessment studies on the performance of microfinance projects have been undertaken in recent years, with varying and revealing results (Afrane, 2000).

Impact assessment is a management tool used in evaluating the effects of activity on the proposed beneficiaries. The idea is to obtain whether the resources used produced the expected outcome on beneficiaries according to mission. Johnson (1998) also defines Impact assessment of microfinance as focusing on the effect of microfinance services on customers and the ability of the MFIs to provide those services and continue in business into the future.

Before the spring-up of microfinance institutions, the small businesses were borrowing from small scale lenders such as 'sues' collectors, family members and friends who have excess funds and were ready to lend them on short term basis at any desirable interest rates which most often were as high as between 100% to 200% (Asiama, 2007). Microfinance Institutions offers many advantages to micro and small businesses. Daryl and Morduch (2009) opined that microfinance loans help the low income borrowers to gradually step out from complete poverty and deal fairly with their economic circumstances by assisting them to be engaged in economic activities even though it does not help them to totally escape poverty. MFIs assist borrowers to use the savings or income from their loans for investment in life improving amenities such as housing, education, food, and health which signifies actual reduction in poverty of such clients.

Although the accessibility of microfinance services is highly beneficial to small scale businesses, it is associated with some significant challenges such as unavailability of micro insurances services, inadequate financial management and lack of entrepreneurship training to owners of small scale businesses (Flora, 2015).

The microfinance institutions (MFIs) impact assessment more importantly enabling them stay exactly to their mission of assisting the people and low income individuals to epitomize their income growth as well as personality development (Emmanue Kofi Mintah, 2014).

2.4 Empirical Studies

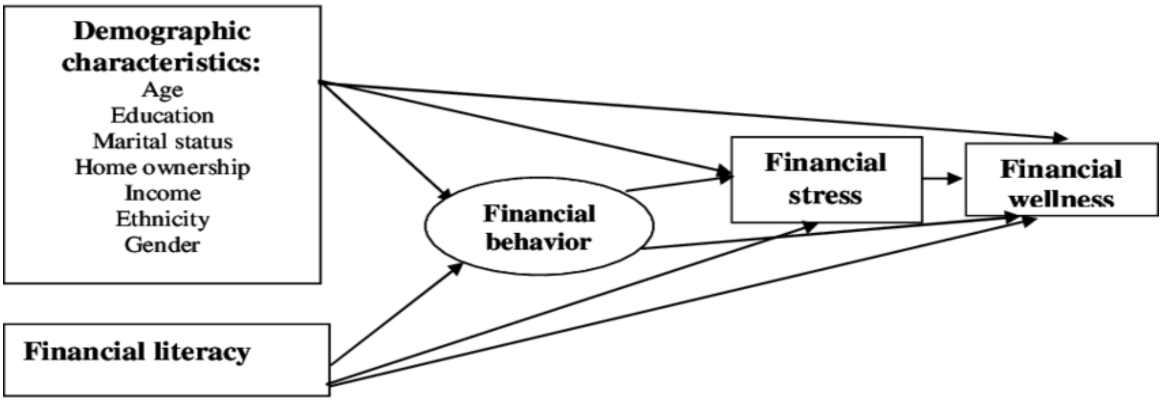
A number of studies have been conducted on microfinance. Syed Hussain Haider, Muzaffar Asad and Rana Zain UI Abidin investigated on the study of microfinance and performance of micro and small enterprise: does training need in Pakistan, a sample of 384 micro and small enterprise was selected on simple random basis. The finding reveals that all performance indicators including sales increase, income increase, assets increase, employment increase, and meeting household expenses have shown a significant differences among the two groups. The results of the data analysis highlighted that training of microfinance beneficiaries is vital for getting better performance (Syed Hussain Haider, 2017). Monge (2016) conducted the study that discusses the impact of microcredit in the performance of small and medium scale enterprise in Temeke Municipality Dar es salaam Tanzania for the purposes of to assess the impact of MFIs loans in the business expansion of SMEs, to assess whether MFIs provides a better chance for small and medium business to improve their productivity capacity and to assess whether or not MFIs training helps SMEs to improve their financial status. The different methodologies were deployed. The finding of the study reveals that significant number of the SMEs benefited from the MFIs loans in both economic and social well-being of individual, even though only a few of them were capable enough to secure the required amount needed.

One study that presents a randomized field experiment to assess the impacts of joint-liability microcredit program targeted at women. The experiment took place in 40 soum centers across five aimags in North Mongolia. The results of the study show that there is a positive impact of access to group loans on female entrepreneurship and household food consumption but not on total working hours or income in the household (Orazio Attanasio, 2015). In one case study in the rural China found that, MFI’s clients enjoyed positive benefit of the services since their income have increased which enables them to educate their children and meet medical expenses, hence, led to the improvement of the living condition of the villagers especially women, since some were able to become small entrepreneurs and improved their sense of responsibility (Nichols, 2004).

Fatoki (2019) conducted the study that evaluates the effect of owners' demographic characteristics on the financial management behavior of rural entrepreneurs in South Africa for some purposes such as to investigate if there is a significant difference in the financial management behavior of rural entrepreneurs on the basis of gender, to determine if there is a significant difference in the financial management behavior of rural entrepreneurs on the basis of age and to examine if there is a significance differences in the financial management behavior of rural entrepreneurs on the basis of the level of education. The self-administered questionnaire was used to collect data from one hundred participants. The results show that there is no gender difference in the financial management behavior of rural entrepreneurs. Being a male or female does not determine how people handle financial issues in their lives. The result of the study also reveals that there is a significant difference in the financial management behavior of rural entrepreneurs based on the level of education. This shows that education is an important determinant of financial behavior.

One study was conducted by Paim (2011) indicated that possible relationship between demographic characteristic and finacnial behavior. Individuals who have low incomes less education and less ownership are more likey to make different financial decision than others, resulting in varying behaviors and outcomes. The relationship are shown in the following framework.

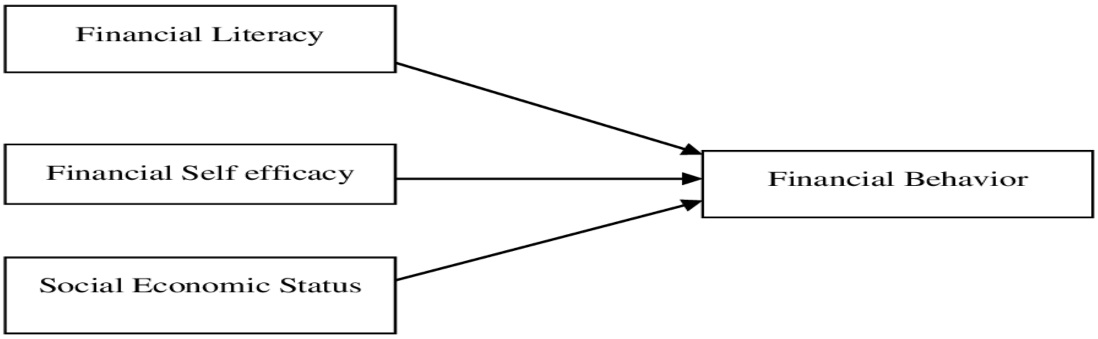
Figure (2.1) The Determinent of Financial Wellness



Source: Paim (2011)

One study conducted by Nyoman Trisna Herawati (2018) to identify the factors that influence fiancial beahvior among accounting students in Bal. The sample was selected through the multistage random sampling technique with the sample size of 518 respondents. The data were analyzed by using multiple regression analysis. In this study social economic status is applied as the independent variable. The conceptual framework of the study is as followed.

Figure (2.2) Factors that Influence Financial Behavior



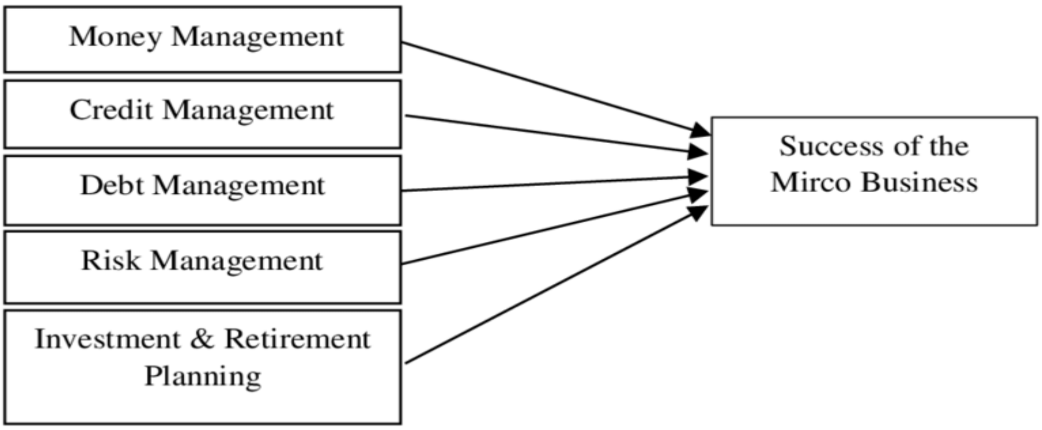
Source: Nyoman Trisna Herawati (2018)

The results of the study showed that there is a positive and significant effect of financial literacy, financial self- efficacy, social -economic status on financial behavior. Social economic status has the highest contribution. The finding shows that the independent variables in this study have an effect on financial behavior.

Rungani, E.C and Potgieter, M (2018) conducted the study to determine the relevance of financial service support offered to small, medium and micro enterprises (SMMEs) by both private and public sectors on the success of businesses by using the following framework.

One study conducted by Senevirathne and Jayendrika (2016), to address the finance aspect among business owners. Purpose of this study is to assess the level of success of micro business through owner financial behavior.

Figure (2.3) Financial Behavior and Outcome

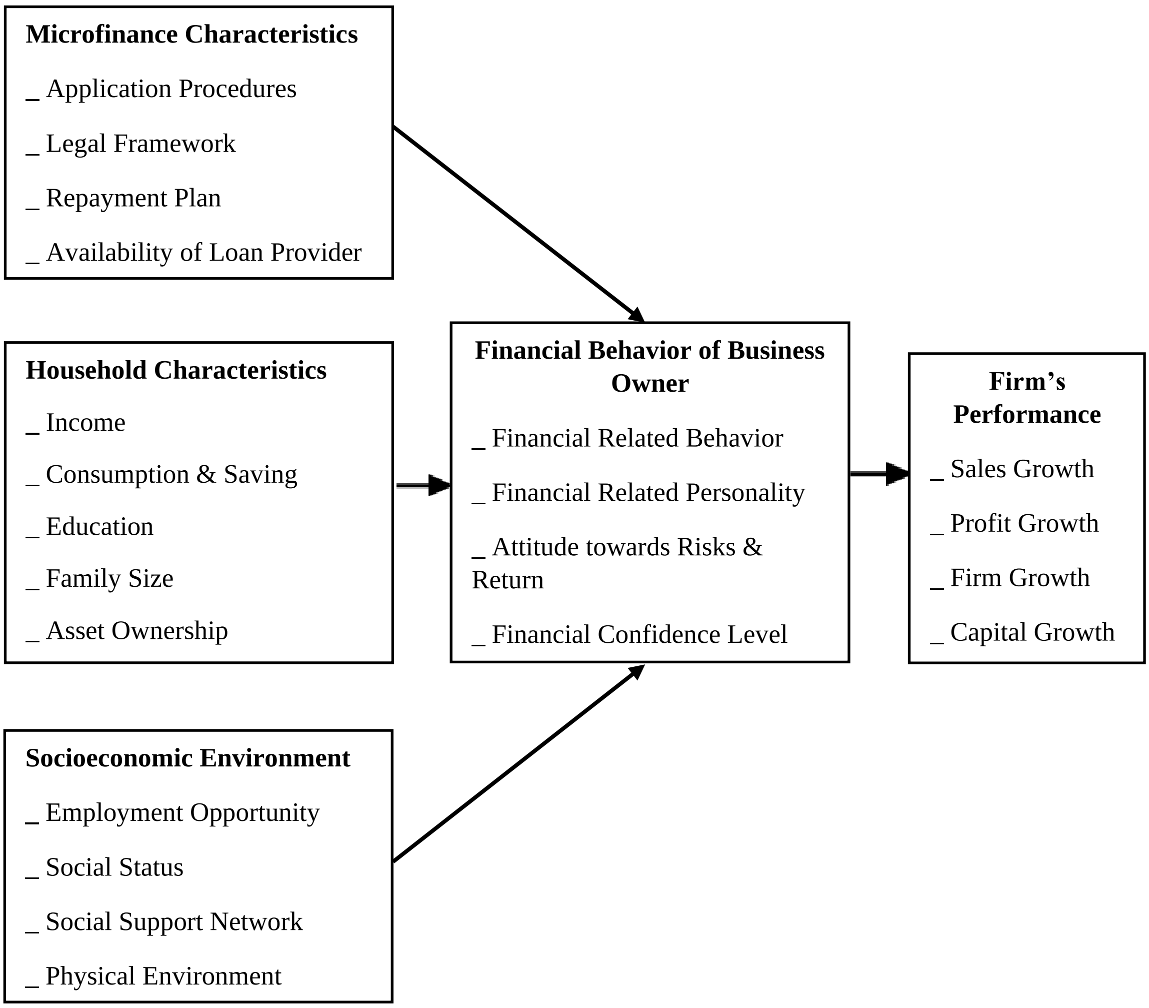


Source: Senevirathne and Jayendrika (2016)

2.5 Conceptual Framework of the Study

The conceptual framework shows the relationship between independent variable and extraneous variables of the performance of micro business. The conceptual framework is based on many previous research.

Figure (2.4) Conceptual Framework of the Study



Source: Own Compilation, (2019)

This study is based on the concept that the performance of micro business depend the financial behavior of business owners. Financial behavior is the capability to capture of understanding overall impact of financial decision on one's (ie. person, family, community, country) circumstance and to make the right decisions related to the cash management, precautions and opportunities for budget planning. In many articles and researches state that access to finance is the problem and obstacle for the success of small businesses and microbusiness. However in this issue, there have microfinance institutions (MFIs) in this region. The micro businesses can get loans in microfinance institutions for their financing requirements. There is the fact that need to point out “is the current situation of MFIs can offer sufficient advantages to micro businesses of the region and only microfinance characteristics can influence the financial behavior of business owners”. Therefore, household characteristic and socioeconomic environment of the region applies as the extraneous variables of the study.

Microfinance characteristics contains application procedures, legal framework, repayment plan and availability of loans providers. Each factors has the effect on the financial behavioral of micro business owners in rural areas because microfinance is the only source of finance for these businesses. Microfinance characteristics affect access to loans by small businesses since this will affect how accessible the institutions are.

Almost all micro business are family businesses. Therefore, the characteristics of the household will also affect financial behavior. Based on the household’s income level, family size, consumption and saving pattern, education of the householder and asset ownership of the family will differ the financial behavior of these households. For instance the family whose ownership are large will have the positive (good) financial behavior, good financial behavior can make positive impact on the firm’s performance. Getting the information of households, will also need to collect the information about their family business such as how long the business has been in operation and types of the family businesses.

Social-economic and environmental factors have the direct impacts to the will-being of individual and communities (Sisira Kamara Naradda Gamage, 2016). The region which has sufficient infrastructure can create better human well-being. The country’s socioeconomic environment affects how business in this area run the business and their financial behavior. Every facts contains in the socioeconomic environment affect the financial behaviors of the business.

CHAPTER 3

MICROFINANCING ACTIVITIES OF MICRO BUSINESSES IN AYEYARWADY REGION

This chapter outlines the activities and functions of microfinance institutions (MFIs) and the legal and regulatory infrastructure of MFIs. Research design and the profile of micro business also present in this chapter.

3.1 Legal and Regulatory Infrastructure for MFIs in Myanmar

The Ministry of Finance is in charge of supervising and regulating MFIs. The 2011 (MBL) created the body called the Myanmar Microfinance Supervisory (MMSE). The responsibility of MMSE are to reviewing license application, setting accounting and reporting standards MFI operations and carrying out field inspections. The Microfinance Supervisory Committee (MBSC) is in charge of providing and implementing policy and directives under the MBL. The responsibility of MBSC are setting minimum capital requirements, license fees and setting interest rate on microfinance deposit, loans and the associated charges. The MBSC is charged with imposing punishments on MFIs for non-compliance with licensing terms and conditions. The NGO and INGO must registered at the Ministry of Home Affairs and Cooperative must registered at the Ministry of Cooperative (FMR, 2018).

Microfinance Business Law (MBL)

The objective of the law is to reduce poverty and improve social, health and economic conditions for low-income people. The law defines microfinance as issuing micro-credit, taking deposit, remittances, insurance and carrying out other financial services. MFIs can be local, foreign, partnership, companies, co-operative, banks and non-bank financial institutions. Under this law MFIs receive one-year temporary license, which is converted into a full license after a regulatory review.

The capital requirement for deposit taking MFIs is Ks300m and non-deposit taking MFIs is Ks 100m. The interest rate for loan product is maximum 30% per year and 2.5% per month. The maximum loan size is K5m. MFIs cannot accept any type of collateral for any type of loan products. The solvency ratio for MFIs is 12% and liquidity ratio is 25%. MFIs can be taken deposit from customer if it is qualified with following criterion;

a) A minimum of K300m in paid-up capital
b) A minimum of 3 years experiences in carrying out microfinance activities in Myanmar
c) Profit made for a minimum of 2 consecutive years
d) A properly operating management information system (MIS)
e) Strong internal control
f) Abidance by the prescribed rules

These requirements were published in a 2014 notification. The customers of MFIs must be at least 50% from rural area. MFIs cannot provide loan for luxury product and can provide only for the purchase of good and equipment under the title of hire purchase loan. It can offer one loan per one household.

3.2 Microfinance Activities in Rural Area of Myanmar

Microfinance in Myanmar is an exogenous phenomenon brought to the country in 1997 by international NGOs. In 1997 UNDP started to provide microfinance services to Myanmar people with its project, Sustainable Microfinance to Improve the Livelihoods of the Poor. INGOs such as PACT, EDA, Save the Children, Grameen, and Gret were the implementing partners. Although such microfinance projects are yet the early stage, the aggregate number of clients has grown quite rapidly; the estimated number of the active borrowers exceeded 10,000 after only about four years' operation. From 2006, Pact was the sole implementing partner. Lift, USAID, the UK's International Development and the Danish International Development Agency became donors for the project in 2009. In 2011 U Thein Sein Government gave the first legal framework for microfinance industry. Microfinance Business Law (MBL) permitted both local and foreign companies to establish private MFIs and provided a licensing regime for entities that were already providing informal microfinance services (FMR, 2018).

Myanmar has a population of over 50 million, with at least 12 million living in poverty. Currently, microfinance institutions (MFIs) serve just over three million, implying a large pool of untapped potential for investors. In Myanmar, a quarter of the population living under the poverty line and as much as 87 percent hailing from rural areas, according to the World Bank, the microfinance sector has good potential to grow in Myanmar (Ko, 2019). Microfinancing has grown rapidly since the country passed the Microfinance Business Law in 2011 allowing microfinancing firms to operate.

Microfinance Institutions (MFIs) in Myanmar have lent more than K3.9 trillion to three million small-scale borrowers since the business of microfinance emerged in the country up until February this year, according to Financial Regulatory Department under the Ministry of Planning and Finance. However the additional lifeline has brought financial relief to borrowers, many have also ended up further in debt.

In 2016, there were approximately 168 MFIs that were operating in Myanmar. In that time, there were 145 million clients and over 85% of these clients were women. Only loan and saving services have been the supported services of MFIs. Over the past two years, foreign and local banks have also fiancé the growth of the sector. In 2018 March, the FRD listed 176 licensed under its supervision that does not contain cooperatives.

Table (3.1) Category and Number of MFIs in Myanmar

Particular	**Number**
Local	107
Foreign	39
Joint-venture	3
INGOs	5
NGOs	22
Total MFIs	176

Source: Myanmar Financial Service Report, 2018

3.3 Microfinance Activities in Ayeyarwady Region

Ayeyarwady is one of the region of lower Myanmar. It is the one of the aside region of Yangon. Pathein is the capital and principle city of Ayeyarwady Region. Ayeyarwady is the “Granary of Myanmar”. Rice is the principle crop of the region. Forested and wood products are also important of the region’s economy. It is the region of delta, fishery is also important business. However, the transportation infrastructure is still very poorly developed. It constitutes with six districts, Pathein Districts, Hinthada Districts, Myaungmya District, Maubin District, Pyabon District and Labutta District. According to the Myanmar Census Data (2014), it is the second populated country in Myanmar (6.18 million) and has the largest proportion of rural population at 86%.

Ayeyarwady is one of the region that have many microfinance institutions (MFIs) in Myanmar. There are many reasons of having larger number of MFIs such as it is being the region near with Yangon, it also possess the largest rural region in Myanmar and people in rural depend more heavily on microfinance loans than urban region. Microfinance is the major source of fund for the micro business in this region. There are one INGO, nine foreign MFIs, four NGOs, twenty three local companies and one joint-venture MFI are operating in Ayeyarwady region.

Pantanaw is one of the township of Maubin District of Ayeyarwady Region. There are 63 village groups in this township. Kan Nyin Ngu is one of the village group of Pantanaw Township with 11 villages. Fishing, small shop, traditional wood-base are the main businesses of this village group. The data collection process was conducted in Kan Nyin Ngu village group.

3.4 Research Design

The study was conducted by the use of survey design. The survey area is narrowed down to one village group of Pantanaw Township from the whole Ayeyarwady region. The target population of the study comprised micro businesses that take MFI loans within Kan Nyin Nyu village group.

The total population of the study contain about 275 micro businesses within eleven villages of Kan Nyin Nyu village group, however average number of business in each village are not the same. Some villages have large number and some have few, it is based on the size the village. The sample size is adopted as 160 micro businesses by using sample size calculator. In choosing the sample business, random sampling was used. In each one village, choose15 micro businesses as randomly.

Primary data was obtained through structured questionnaire. In order to ensure uniformity in response and to encourage participation, the questionnaire was kept short and structured with mostly multiple-choice selections in a likert scale.

To get the reliable data within limited time period, another two interviewers has been applied. The two interviewers have been trained by on job training. In conducting the field survey, some respondents are not literacy and some are not understand the meaning of the questionnaire. Therefore, interviewers translate the questions contain in the questionnaire. The data collection process was conducted by group, one group have five respondents and one interviewer collect data by interviewing. Before starting the data collecting process, had been attained permission letter from the responsible person of the village group. The time period of data collection process is eleven days.

The dependent variables are financial behavior of the micro business owners and firm's performance. The financial behavior is measured by financial related behavior, financial related personality, attitude toward risk and return and financial confidence level. The influencing variables are microfinance characteristics, household characteristics and socioeconomic of that region because these factors describe the conditions of how they manage and consume of the capital and how much convenient to run the business.

3.5 Profile of MFIs in Study Area

There are four microfinance providers; PACT Global Microfinance Firm, Woori Finance Myanmar, Fullerton Myanmar and BG Microfinance, in Kan Nyin Ngu village group. There are many activities of microfinance services provided by this four MFIs such as group loan, agricultural loans, enterprise loans, saving, etc.

(i) Pact Global Microfinance Fund (PGMF)

Pact is the first INGO that initially offer microfinance service in Myanmar. In 1997, it entered into Myanmar with the support of UNDP had been making small loans to the country's rural poor to help rural poor people for building income and improving lives. Pact's longstanding microfinance operations in Myanmar were turned over in 2012 to the new government-licensed entity Pact Global Microfinance Fund (PGMF) as a result of new national microfinance regulations. Pact plays a leading role of Myanmar microfinance industry. It is the largest microfinance institution in Myanmar. In 2018, it disbursed more than 1.3 million loans worth $408 million, with an astounding repayment rate of 99.4 percent. PGMF implementing microfinance activities in 51township around the whole Myanmar. It offers both financial and non-financial services.

PGMF is now offering group loan, health loan, educational loan, agricultural loan and SME loan in Kya Nyin Ngu village group. Group loan is the first product of PGMF in this region. The lifetime of group loan is over ten years in this region. Health loan, educational loan and agricultural loan are offered only to the member of group loan. SME loan is the new product of PGMF in this region.

(ii) Fullerton Finance

Fullerton Myanmar is a subsidiary of Fullerton Financial Holding Company. It is the Singapore base company that invest in and operate financial institutions in emerging market. It entered into Myanmar at June, 2014 with the mission of enabling success and enriching lives. CDSG is the joint-partner. It now offers financing solutions to the micro-SMEs (MSMEs) customers both in rural and urban areas, Fullerton Myanmar now has 38 branches and outlets with covers 45 townships in four regions, serving over 150,000 customers. Fullerton offers regular group loan, regular agricultural loan, regular education, health loan and solar lamp loan, individual loan, saving products and hire purchase loans. However, only group and individual loan are offered in Kya Nyin Ngu village group.

(iii) Woori Finance Myanmar

South Korea Financial Group, Woori Finance entered into Myanmar in May 2015. Woori Finance Group offer a variety of services for customer’s needs and comfortable financial environments applying new and digital technologies to fiancé. Woori Finance Myanmar started microfinance services in Myanmar in November 2015. Woori Finance Myanmar has issued almost K1million in loans to some 5000 families since it opened doors in Myanmar. The firm can lead to individual borrowers, but loans to families.

(iv) BG Microfinance Myanmar

BG Microfinance is the Myanmar based micro microfinance company which is managing by Group Leasing Finance (Thai Base). It offers standardized microfinance product (group loan) especially designed for Myanmar people.

3.6 Profile of Micro Businesses in Study Area

MSMEs are one of the largest sources of job creation and growth in developing economies like Myanmar. They can not only generate jobs but can also be a source of innovation, wealth creation and poverty reduction, making significant contributions to the Sustainable Development Goals. Access to fiancé is one of the difficulties for the micro business in rural area. In Kyan Nyin Ngu village group, the large number of micro businesses take loans from MFIs for their source of capital.

Table (3.2) Profile of Micro Businesses

Particular	Number of Respondents	Percentage (%)
Total	160	100.00
Type of Business		
Small Trader/ Shop	16	10.00
Workshop/ Repair	4	2.50
Eating House	3	1.90
Wood-based	128	80.00
Others	9	5.60
Ownership Form Micro Business		
Sole Proprietorship	153	96.00
Partnership	7	4.00
Age of the Business		
1 to 3 years	20	13.00
4 to 5 years	19	12.00
5 to 10 years	18	1.00
More than 10 years	103	64.00
Role of Respondent		
Householder	18	11.25
Dependent	142	88.75
Age of Householder		
18-25	5	3.12
26-35	30	18.75
36-45	46	28.75
46<	79	49.38

Source: Survey Data (2019)

The type of the micro business differs based on the geographic situation of the region. The study area is located in Pantanaw township of Ayeyarwady region. Table shows that 80% of the type of micro business are wood-based business (Thin Phyu). Small trader or shop is the second commonly found type of micro business in Kyan Nyin Ngu village group. Both of these business types have regular cash flow for the owner. Most people in rural area of Pantanaw Township work wood-based (Thin Phyu) business because this is the place that is abundant of Thin Pin. (Note: Thin Pin is the tree that offer Thin Phyu and Thin Phyu is the kind of carpet that can be produced from Thin Pin)

The above table showed the form of ownership of micro business in Kya Nyin Ngu village group. Almost all micro businesses are the type of family business therefore tables showed that almost all micro businesses in study area are the type of sole proprietorship.

The age of the business can clearly point out the difference situations of micro businesses because long lifetime business has faced the situations of both before and after taking MFIs loans. Table showed that 64% of micro businesses have more than 10 year life time. This is because most of the businesses are wood based business and this is the traditional business of this region. The large percentage of long life time business can describe the effects of microfinance loan on the businesses more significantly than short life time business.

The respondents contained in survey are all women and all these respondents are the borrowers of microfinance loans for the micro businesses. There are 88.75% of women who are dependent and the other 11.25% are householders this mean that this 11.25 % are women-headed households. The large percent of the women take dependent role in their household, this mean that the borrowed money are not concerned only to the women and they apply as the fund for their household micro business.

The householder in this study means that the person who leads the micro business. There have larger percentage of householders who with the age of 46 and over 46. The age of householders have direct impact on the education level of householders. According to census data most people of age over 45 in rural are illiterate and they attended only the primary school or monastery school.

CHAPTER 4

ANALYSIS ON FINANCIAL BEHAVIOR AND FIRM PERFORMANCE OF MICRO BUSINESSES IN AYEYARWADY REGION

This chapter outlines the current situations of the study area's socioeconomic environment, the characteristics of microfinance and the characteristics of households that take MFI loans. In this chapter, will conduct the analysis of which of three influencing factors influences the financial behavior of the micro business owners and analyses the effects of financial behavior on the performance of the firm.

4.1 Analysis of Factors Influencing on Financial Behavior of Micro Business Owners

The respondents involved in survey are the borrowers and members of group loan. The influencing factors contains three dimensions; the current situations of microfinance characteristics, household characteristics and socioeconomic environment of the Kya Nyin Ngu village group.

4.1.1 Microfinance Characteristics

Microfinance characteristics include the application procedures, legal framework, repayment plan and availability of loan providers.

(i) Application Procedure

Table (4.1) outlines the borrower's opinions on application procedures of MFIs in Kya Nyin Ngu village group. The mean values of application procedures shows the opinions of borrowers on the current situation of microfinance institutions in this region. The mean values contain in the table show the perception of borrower's on each statement. The highest mean values tells that the application procedures of MFIs are easy to use for borrowers. This mean that they can apply and get the microfinance loan easily. Borrowers easily know the information about loan application procedures of MFIs.

Table (4.1) Application Procedure

No.	Description	Mean
1	Easy to access the information about loan application	3.82
2	Short waiting time for approval of loan application	3.14
3	Easily acceptance of loan application	3.14
4	Ease of use of loan application	4.03
5	Short waiting time to get loan	2.82
	Overall Mean	3.82

Source: Survey Data (2019)

MFIs do not accept borrowers loan application procedures easily, this mean that MFIs conduct enough investigation on loan applications. Therefore, MFIs takes enough time of accepting loan approval and borrowers see that there is not short waiting time for approval of loan application. The lowest mean value states that MFIs are also taking long time to offer loan on borrower’s hand.

(ii) Legal Framework

Legal framework component of microfinance characteristics describes the disciplines and procedures followed by MFIs. The table states that how these procedures are affected to borrowers.

Table (4.2) Legal Framework

No.	Description	Mean
1	Flexibility of requirements for getting loan	4.01
2	Attainment of requested amount of loan	3.89
3	Time accuracy of MFIs	4.14
4	Record keeping accuracy of MFIs	4.41
5	Accuracy of MFIs’ Employees in every cash transactions	4.27
	Overall Mean	4.25

Source: Survey Data (2019)

Table (4.2) showed that all activities and procedures of MFIs are satisfied for borrowers because all mean values are nearly 4 and over 4 and overall mean value is 4.25. Among them the highest mean value describe the borrowers viewed of that MFIs keep the records of repaid cash transactions very well, therefore they feel that their cash transactions with MFIs and its employees are reliable. The working time of MFIs is accurate. The requirements for getting loan from MFIs are flexible for borrowers. Borrowers also get requested amount of loans.

(iii) Repayment Plan

Loan repayment rate, procedure and time limit are the single most watched figure in micro financing. The following table shows the borrower's opinion on repayment plan of MFIs in study area.

Table (4.3) Repayment Plan

No.	Description	Mean
1	Convenient of loan repayment options	4.09
2	Weak penalties for the absent of loan repayment	2.88
3	Convenient of loan repayment time period	4.09
4	Flexibility of working hours of MFIs for loan repayment process	3.97
5	High willingness of MFIs employees to help customers	3.97
	Overall Mean	4.00

Source: Survey Data (2019)

The lowest mean values tells that borrowers are not willing to take penalties for the default payment of any group member because if there is an absent or default of one group member, other group members are incurred for this default payment. MFIs offer flexibility working hours for loan repayment process and employees of MFIs have high willingness to help customers. Respondents see that repayment options and repayment period offering by MFIs are convenient for them.

(iv) Availability of Loan Providers

The lack of access to finance to financial services in emerging countries is mainly due to a supply problem. Table (4.4) shows the situation of the supply side of microfinance loans and products in Kya Nyin Ngu village group.

According to the mean values of the table, there have enough number of MFIs in Kya Nyin Ngu village group. Borrowers are also satisfied the services offered by MFIs. MFIs offers wide ranges of loans in this region. Borrowers easily attain loans from MFIs.

Table (4.4) Availability of Loan Providers

No.	Description	Mean
1	Enough number of MFIs	3.71
2	Satisfactory of MFIs services	4.14
3	Easy access to finance for micro businesses	2.13
4	Wide range of MFIs loans	4.01
5	Easy attainment of MFI loans for micro business	3.74
	Overall Mean	3.77

Source: Survey Data (2019)

Although there are wide ranges of microfinance loans in this region, the micro businesses are still required another loan products. Because the mean value of 2.13 describe that access to fiancé is still the problem of micro businesses in this area.

4.1.2 Characteristics of Households

The household characteristics contains data about households that are operating micro businesses taking microfinance loans.

According to the Table (4.5), most families in this village group have four family members. This is the average number of family members in a nuclear family. This type of family normally consists of two parents and children. Majority of respondents reiterated that they have daily household income of Ks 8000-10,000 per day. There have large percent of households which have consumption cost of over 3,000Ks per day. Most householders have attended only primary school this is because most householders are the age of 46 and over. As mentioned in chapter 3, this age group of people in rural have little literacy. Most families who take microfinance loans possess five lakhs to ten lakhs values of ownership.

To compute mean values of household characteristics, each items must be defined coding. The mean values table of household characteristics and coding of household characteristics data present in Appendix 3.

Table (4.5) Data for Household Characteristics

Particular	Number of Respondents	Percentage (%)
Total	**160**	**100.00**
Family Size (Number of family member)		
3	32	20.00
4	53	33.13
5	39	24.37
6 ≤	36	22.50
Income per day (Ks)		
≤ 6000	26	16.25
6,001-8,000	34	21.25
8,001-10,000	60	37.50
10,001<	40	25.00
Consumption per day (Ks)		
≤ 3,000	47	29.38
3000 <	113	70.62
Education of Householder		
Have never been to school	8	5.00
Primary School	104	65.00
Middle School	38	23.75
High School	10	6.25
Asset Ownership (Ks)		
500,000 - 1,000,000	54	33.75
1,000,001-1,500,000	31	19.38
1,500,001-2,000,000		

Above 2,000,001	24 51	15.00 31.87

Source: Survey Data (2019)

4.1.3 Socioeconomic Characteristics

The region's employment opportunity, social status, social support network and physical environment can describe the socioeconomic environment of the region.

(i) Employment Opportunity

The following table presents the employment opportunity of Kya Nyin Ngu village group. The mean values of each statement shows the region current situation.

Table (4.6) Employment Opportunity

No.	Description	Mean
1	Having job of each family member	3.83
2	The situation of migrated to other regions	3.54
3	The situation of migrate people from other regions	2.44
4	Development of new businesses	2.66
5	Convenient for life of people	3.45
	Overall Mean	3.19

Source: Survey Data (2019)

The overall mean value in the table shows that employment opportunity in this region is not good enough. Although every adults in the family possess job. There is no new business in this village group. The lack of migrated people from other regions points out the lack of work opportunities. People in this area do not satisfied enough on their lives.

(ii) Social Status

Table (4.7) explores the mean values for social status of the socioeconomic environment of Kya Nyin Ngu village group.

Table (4.7) Social Status

No.	Description	Mean
1	Have more interested in education	4.38
2	Have more concerned in health knowledge	4.19
3	Become knowledgeable	3.94
4	Have more concerned on politics	2.94
5	Travelled a lot	3.31
	Overall Mean	3.75

Source: Survey Data (2019)

According to the Table (4.7), people in this village group are more interested in education of their children. They have more knowledge on health and have become more knowledgeable compare with their grandparents. The concentration on politics is still low and people are not interested enough in travelling.

(iii) Social Support Network

The current situation of social support network of the village group is outlined in Table (4.8) from the perspective of the respondents in this area.

Table (4.8) Social Support Network

No.	Description	Mean
1	Have a lot of NGO	3.94
2	Abundant of sharing knowledge	3.96
3	Have a lot of support organizations	3.75
4	Getting a lot of support from the government	2.53
5	Have well understanding on the functions and activities of social supporting organizations	3.61
	Overall Mean	3.57

Source: Survey Data (2019)

According to the mean value, micro business owners see that they do not attain enough support from the government. There have NGOs and knowledge sharing activities, however according to the interviewer’s experiences, these NGOs and knowledge sharing activities are all about health. There is no seminars and knowledge sharing activities about business.

(iv) Physical Environment

The conditions of physical environment of Kya Nyin Ngu village group will outlined in Table (4.9).

Table (4.9) Physical Environment

No.	Description	Mean
1	Abundant of natural resources	2.78
2	Own large land space	3.79
3	Free from natural disaster	2.84
4	Good transportation infrastructure	4.18
5	Get enough electricity	3.24
	Overall Mean	3.37

Source: Survey Data (2019)

Physical environment of the region is concerned with the geographic location of the region. The respondents say that there is not abundant in natural resources. Although Thin Pin grow abundantly in other village groups of Patanaw Township, in this village group this plant is not grow hugely. There have large land space for villagers, however in some village they faced flooding in rainy seasons. Transportation infrastructure is good in this village group. There have eleven villages in this survey, one quarter of the village group get electricity.

4.1.4 Financial Behavior of Micro Business Owners

Table (4.10) shows the mean values for the components of financial behavior of micro business owners.

Table (4.10) Financial Behavior

No.	Description	Mean
1	Financial Related Behavior	3.69
2	Financial Related Personality	4.20
3	Attitudes Towards Risks and Return	3.14
4	Financial Confidence Level	3.07
	Overall Mean	3.53

Source: Survey Data (2019)

According to the Table (4.10), the mean value for financial related behavior is 3.69 this mean that the respondents are set a financial budget plan to bigger financial decisions. The mean value of financial behavior is 4.2, therefore the participants are not impulsive on financial gain or losses, obsessions about making money or not, amount of time willing to spend to wait for a best deal or not. The mean value for taking risks is not good enough. The financial confidence level is also not strong enough. However, the overall mean value show that financial behavior of micro business owners are strong.

4.1.5 Influencing Factors on Financial Behavior of Micro Business Owners

This section contains the analysis of each of influencing factors that affects the financial behaviors of micro business. The multiple regression analysis evaluate the relationship between influencing variables and financial behavior of microbusiness owners. The sufficient relationship identify the most influence variable among three variables; microfinance characteristics, household characteristics and socioeconomic environment.

(i) Influencing Microfinance Characteristics on Financial Behavior

The following section analyzes the effects of microfinance characteristics on financial behavior. According to the result shown in Table (4.11), R Square is 0.305 and Adjusted R Square is 0.287. This model can explain 28.7% about the variance of dependent variable with the independent variable. F-value (the overall significance of the model) is highly significant at 1% level.

Table (4.11) Influencing Microfinance Characteristics on Financial Behavior

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig	VIF
	B	Std Error	Beta			
(Constant)	1.664	.253		6.576	.000	
Application Procedure	.212***	.043	.359	4.892	.000	1.197
Legal Framework	.160***	.049	.237	3.240	.001	1.193
Repayment Plan	.113**	.047	.178	2.415	.017	1.205

Availability of Loan Providers	-.023	.040	-.040	.562	.575	1.150
R	.552					
R Square	.305					
Adjusted R Square	.287					
F value	16.976***					
Durbin Watson	1.669					

Source: Survey Data (2019)

Note: ***Significant at 1% level, **Significant at 5% level, *Significant at 10% level

Application procedure and legal framework are significant 1% level. Repayment plan is significant at 5% level. The analysis reveals that there is correlation between microfinance characteristics and financial behavior of business owners. The good financial behavior of business owners dependent on the application procedures, legal framework and repayment plan of microfinance characteristics.

A unit increases in ease of application procedure results in 0.212- unit increases in financial behavior. If the information about loan applications are easy to know than before, micro business owners can take the application procedures more easily attainable and easy to apply loan, and thus the business owner’s risk taking behavior can be improved. Because they don’t to worry about financing requirements. If the acceptance of loan application procedures takes less time than before there will be more positive financial confidence level for business owners because they must not be worried about their source of capital.

A unit increases in legal framework results in 0.160-units increase in financial behavior of business owners. The legal framework means that the rules and regulations must be followed by MFIs and these are constructed by the government. The legal framework contains requirements to be a MFI borrower such as interest rate of microfinance loan, minimum and maximum amount of loan for borrowers, working time flexibility of MFIs for borrowers, the record keeping accuracy of MFIs and accuracy of MFIs employees. If the legal frameworks for the MFIs are supportive to borrowers, they can get the required amount of loan and therefore little anxieties about their financing requirements.

Similarly, a unit increase in repayment plan results 0.113- units increase in financial behavior. If MFIs are providing the flexible repayment plan, owners can set financial budget or daily purchasing behavior for the business. Most micro businesses have little cash inflow and they must incurred their consumption cost from these income, the flexible of repayment amount of money and time period will enhance financial behavior of business owners.

Although all the components of microfinance characteristics have correlations, financial behavior are not dependent on availability of loan providers. This mean that having large amount of MFIs cannot improve financial behavior of business owners because it can cause over- indebtedness and repayment problems.

(ii) Influencing Household Characteristics on Financial Behavior

The following section analyzes the effects of household characteristics on financial behavior. According to the result shown in Table (4.12), R Square is 0.044 and Adjusted R Square is 0.013. This model can explain only 1.3% about the variance of dependent variable with the independent variable. F-value (the overall significance of the model) is not significant.

Table (4.12) Influencing Household Characteristics on Financial Behavior

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig	VIF
	B	Std Error	Beta			
(Constant)	3.476	.136		25.468	.000	
Income	.047*	.029	.155	1.658	.099	1.414
Consumption	-.065	.064	-.096	-1.016	.311	1.428
Education	-.005	.039	-.012	-.140	.889	1.116
Family Size	-.012	.026	-.040	-.456	.649	1.257
Asset Ownership	.030	.021	.121	1.408	.161	1.190
R	.210					
R Square	.044					

Adjusted R Square	.013
F value	1.425
Durbin Watson	1.378

Source: Survey Data (2019)

Note: ***Significant at 1% level, **Significant at 5% level, *Significant at 10% level

According to the results, the characteristics of households such as consumption, educational level and asset ownership do not show the effects on financial behavior for business owners. However, the income variables have significant effect on financial behavior at 10% level. It can be interpret that the daily income of household can cover their family consumption cost and liquidate their micro business.

(iii) Influencing Socioeconomic Environment on Financial Behavior

The following section analyze the effects of the socioeconomic environment on financial behavior of business owners.

According to the result shown in Table (4.13), R Square is 0.069 and Adjusted R Square is 0.45. This model can explain 4.5% about the variance of dependent variable with the independent variable. F-value (the overall significance of the model) is significant at 5% level.

Physical environment is significant at 1% level. It have positive relationship with financial behavior. This mean that the financial behavior of business owners will enhance when the physical environment of the region is developed. Social support network is significant at 10% level. It have negative relationship with financial behavior.

Table (4.13) Influencing Socioeconomic Environment on Financial Behavior

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig	VIF
	B	Std Error	Beta			
(Constant)	3.587	.171		20.981	.000	
Employment Opportunity	-.030	.044	-.071	-.686	.494	1.802
Social Status	-.037	.043	-.079	-.862	.390	1.385

Social Support Network	-.076*	.040	-.203	-1.880	.062	1.942
Physical Environment	.132***	.050	.249	2.652	.009	1.462
R	.263					
R Square	.069					
Adjusted R Square	.045					
F value	2.871**					
Durbin Watson	1.444					

Source: Survey Data (2019)

Note: ***Significant at 1% level, **Significant at 5% level, *Significant at 10% level

A unit increase in physical environment results 0.132-unit increase in financial behavior. This mean that if electricity infrastructure are provided to the whole region, people can have new business and get job opportunities and therefore improve their financial related behavior and personality. If transportation infrastructure is convenient than before, micro businesses can attain many advantages such as can seek new market for their wood base products, can enter new business to the region and therefore it also brings about employment opportunities for the rural people.

However, a unit increase in social support network results 0.076-unit decreases financial behavior. This mean that providing a lot of supports, can lead to the situation that people want to rely on others. They may think that they need to manage their money for their health, their children education because there are many organization if they cannot perform these social activities. Therefore, ineffective social support activities can lead to the people's less concentration on financial related personality. The financial behavior is dependent on the only one component; the physical environment of socioeconomic environment of the region.

According to Tables (4.11), (4.12) and (4.13), microfinance characteristics have more influence to be the good financial behavior for micro business owners because the other two variables possess weak conditions. However, these two characteristic also have positive relationship.

4.2 Analysis of the Effect of Financial Behavior on Firm's Performance of Micro Business

Table (4.14) outlines the mean values for firm's performance. There have four components that describe the performance of the firm.

According to the table, the mean value for sales growth is 4.17 this mean that the sales of micro business is increased. Although sales increase, profit is not enhance enough. However, business can conduct firm expansion and capital expansion.

Table (4.14) Firm's Performance

No.	Description	Mean
1	Sales Growth	4.17
2	Profit Growth	3.57
3	Firm Growth	4.35
4	Capital Growth	4.36
	Overall Mean	4.11

Source: Survey Data (2019)

Multiple regression analysis examines the relationship between financial behavior of business owners and the performance of businesses in Kya Nyin Ngu village group. The results of the analysis are shown in Table (4.15).

Table (4.15) Effects of Financial Behavior of Business's Owners on Firm's Performance

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig	VIF
	B	Std Error	Beta			
(Constant)	1.819	.365		4.986	.000	
Financial Related Behavior	.223***	.068	.269	3.250	.001	1.464
Financial Related Personality	.315***	.057	.394	5.569	.000	1.076

Attitude towards Risk and Return	.047	.081	.041	.580	.563	1.083
Financial Confidence Level	.001	.047	.003	.032	.974	1.355
R	.526					
R Square	.277					
Adjusted R Square	.258					
F value	14.854***					
Durbin Watson	1.748					

Source: Survey Data (2019)

Note: ***Significant at 1% level, **Significant at 5% level, *Significant at 10% level

According to the results shown in Table (4.15), R Square is 0.277 and Adjusted R Square is 0.258. This model can explain 25.8% about the variance of dependent variable with the independent variable. F-value (the overall significance of the model) is highly significant at 1% level.

Both financial related behavior and financial related personality are significant at 1% level. These two variables have positive relationship with financial behavior. The performance of micro business will enhance if the financial related behavior and financial related personality of owners are good.

A unit increases in financial related behavior results in 0.223-unit increase in firm performance. Micro businesses performance will increase if the owners have tight control over for the major spending, take a lot of financial research before taking loans for business and analyze multiple times before taking any loan options. Avoiding loans for family consumptions can enhance micro business performance because micro business is the type of small family business and family consumption cost affects the cash flow of business.

A unit increase in financial related personality results 0.315-unit increase micro business's firm performance. Financial related behavior contains the behaviors of owners in such contents as responsibility on loan, patient on investment, avoiding ineffective loan options and financial conservativeness. If the owners are fully responsible for loan, the lenders have more trust on them and therefore they support capital that is affective and needed for business owners therefore the performance of the firms will increase. Any one investment can get profit immediately, therefore patient on investment will enhance firm performance. If the owners can set financial budget plan and are not impulsive on financial gain or losses, obsessions about making money or not, amount of time willing to spend to wait for a best deal or not, the micro business's performance will enhanced. There is the positive relationship between financial behavior and firm's performance. If financial behavior are good, the firm performance would be enhance.

In this chapter, the study identified the influencing factors of financial behavior for micro business owners and conduct the analysis of financial behavior on the firm's performance.

CHAPTER 5

CONCLUSION

This chapter presents the findings and discussions on the effects of microfinance loans on micro businesses in rural area of Ayeyarwady Region. Based on the findings, gives suggestions and recommendation for both parties; MFIs and micro businesses in the study area. In this chapter provide draw other studies and area for future research.

5.1 Findings and Discussion

The study was conducted for two objectives; to identify the influencing factors on financial behavior of micro business in rural area in Ayeyarwady Region and to examine the effects of financial behavior on firm's performance of micro business in rural area in Ayeyarwady Region.

According to the analysis, the situation of microfinance characteristics are satisfied by borrowers. Among all components of microfinance characteristics, the application procedures and legal framework of MFIs are more influenced on the financial behavior of micro business owners. The proper situations of these two components affects to be the good financial behavior of business owners. The respondents tell that if application procedures are easy, they can take more risks in their business decision and if the legal framework structured by MFIs are flexible, they can take loan easily and reduce anxieties about financing requirements in their business. Repayment plan of MFIs also influences the borrower's financial behavior. Having effective and efficient repayment plan, business owners can set their budget.

The result of regression analysis outlines that there is positive relationship between household characteristics and financial behavior. The consumption cost is high, the education of householders is also low and the values of asset ownership is less, therefore the current situation of households characteristics cannot support to have good financial behavior for business owners. Income of households are sufficient for their consumptions and business cash flow.

The socioeconomic environment of the region have positive relationship on financial behavior. The current situations of Kya Nyin Ngu village group's socioeconomic environment cannot support to have good finical behavior for business owners. The socioeconomic environment is not developed enough. Employment opportunities is not enough for the regional people, therefore people are going to other regions for their career. Because of the abundant of Thin Pin in nearest village groups, Wood-based business (Thin Phyu) is the main type of business for the village group. Most micro businesses owners are rely on this type of business. Therefore, the physical environment have influence on financial behavior. The social support network has negative influence on financial behavior of business owner. Some villages of the village group is situated in aside of Yangon-Pathein Road, transportation infrastructure is fairly good. However the rate of getting of electricity is not sufficient.

The financial related personality, financial related behavior and attitudes towards risk and return of business owners are good, because of the having MFIs. Borrowers are satisfy the products and service offered by these MFIs. However the financial confidence level of business owners is slightly less because of the situations of their household characteristics and socioeconomic environment.

The overall performance of the firm is enhanced due to the financial behavior supported by microfinance characteristics. The firm improvement can be seen from its sales growth, firm growth and capital growth. Profitability is also increase but it can seen less visible than others factors.

5.2 Suggestions and Recommendations

The microfinance characteristics is the most largely influencing factor of financial behavior for micro business owners. This is because the majority of respondents agreed that only microfinance loans are the main source to run their business. The business owners know well that how to take application procedure and how to apply microfinance loan. The reply from MFIs in not take too much time for borrowers. Although loan settlement time is long, getting microfinance loans are easy for borrower business owners. The discipline and procedures of MFIs in this area are convenient for borrowers. The employees of MFIs are willingness to help the borrowers. The social support network of the region is not sufficient enough, however some social services provided by MFIs are satisfied for the people of that region.

Although the only microfinance characteristics influence the financial behavior, it enhances the performance of the firm. Therefore, the second objective of the study must be examined. Especially, the development of the firm's performance supported by the microfinance characteristics can see with sales growth, business expansion and capital growth of the business.

According to the statistical data from chapter four, there have the percentage of financial behavior influence on firm performance, this is just the financial data. There have many non-financial influences on the development of that region.

The criterions supported by MFIs assist business owners to get the financial behavior of running the micro businesses. According to the researcher field experiences, the microfinance helps in creating sufficient finance and health, generating employment opportunities as well as household income, family consumption and can even be the support for their children education.

In conclusion, the role of MFIs are very important for the survival and improvement of micro business in this village group because the performance of the business depends only on the microfinance characteristics and doses not get enough support from socio economic environment of the region.

The suggestion for MFIs is that they should offer more products on this region because there is still financing requirement. For the demand side, business owners should manage the loan more effectively to avoid over-indebtedness problems. The responsible persons of the village group should provide supports for the improvement of socioeconomic environment of the region. The business owners themselves should initiate the product innovation, market innovation for current businesses. Government should be more emphasis on role of micro business in rural area. Rigid and secure procedures, rules and regulations should be provide for the development of micro business in rural area around the whole country.

5.3 Need for Further Study

The study focused on the MFIs and micro business in only one village group of Patanaw Township of Ayeyarwady Region, the finding of this study cannot be generalized on all situation of the whole region. The study recommends that further study should be conducted on the countrywide to investigate the effects of microfinance loans on the micro business businesses in both rural and urban area. Further research focused on the effects of microfinance on the social benefits for rural people also be worthwhile for development of micro businesses in rural area.

References

AEO, A. f. (2013). *Bigger than you think: The Economic Impact.* Washington DC: Association for Enterprise Opportunity.

Afrane, S. (2000). Impact Assessmnet of Microfiance Interventions in Ghana and South Africa. *Journal of Microfiance*, 38,39.

Amoako-Agyeman, E. K.-A. (2014, June 15). The effect of Microfinance Institutions on the Growth of Small Business in Kumasi, Ashanti Region of Ghana. *Munich Personal RePEc Archive*. Retrieved from http://mpra.ub.uni-muenchen.de/57481.

Asiama, J. P. (2007). *Microfincance in Ghana: An Overview.* Ghana: Research Department, Bank of Ghana .

Aubuchon, R. S. (2008). The Microfinance Revolution: An Overview. *Federal Reserve Bank of ST. Louis Review, January/ February*, 9-10.

Bauwin, M. (2015). Microfinance and Gender Issue: reducing or Reproducing Inequilities? Achievements and Challenges in the Tunisian Case. In M. Khamar, *Global Outreach and Financial Performance Benchmark Report.* MIX.

Emmanue Kofi Mintah, K. A.-A.-A: The Effects of Microfiance Instituions on the Growth of Small Business in Kumasi, Ashanti Region of Ghana. *Munich Personal RePEc Archive*, 13-14.

Fatoki, O. D. (2019). Evaluating the Effect of Owner's Demographic Characteristics on the Financial Management Behavior of Rural Enterpreneurs in South Africa. *Academy of Accounting and Financial Studies Journal*, 1-8.

Fernandes, T. I. (2015). *Fianancial Literacy Levels of Small Business Owners and its Correlations with Firms' Operating Performance*, Master in Finance Dissertation. Porta: University of Porto.

Flora, K. A. (2015). The Challenges Confronting Small Scale Business in accessing Microfiance Services from MFIs: Case Study: Rural Tanzanis. *International Journal of Academic Research in Business and Social Sciences*, 299-308.

FMR. (2018). *Myanamr Financial Service Report.* Yangon: Barker McKenzie.

John S. (1998), Programme Impact Analysis in Micro-Finance: The Need for Analysis of Real Market. *IDS Bulletin*, 21-30.

Kagan, J. (2019). *Microfiance* . Retrieved from Investopedia: https//www.investopedia.com

Khrystyna Kushinir, M. L. (2010). *Microre, Small and Medium Enterprise Around the World: How many are there and What affect the Count?* Washinton D.C: World Bank/IFC.

Ko, T. K. (2019). *Growth Potential See in Microfiance Sector*. Retrieved from Myanmar Times: https://www.myanmartimes.com

Lidgerwood,J., 1999, Microfinance Handbook: *An Institutional and Financial Perspective*, The World Bank: Sustainable Banking with the Poor, Washington D.C.

Masih, Y. S. (2016). Does microfinance affect economic growth? Evidence from Bangladesh based on ARDL approach. *Munich Personal RePEc Archive,* 3.

MFIN, M. I. (2017). *Microfinance in Asia: A mosaic future outlook.* Mumbai: PWC.

Monge, J. (2016). *The Impact of Microcredit in the Performance of Small and Medium Enterprise in Tanzania: A Case of Temeke.* Tanzania: The Open University of Tanzania.

Monge, J. (2016). *The Impact of Microcredit in the Performance of Small and Medium Enterprise in Tanzania: A Case Study of Temeke Municipality.* Tanzania: The Open University of Tanzania.

MYA. (2016). *Myanmar Microfinance Regulatory Benchmarking Survey*. Wisconsin: Dave Grace and Association.

Nichols, S. (2004). *A Case Study Analysis of the Impacts of Microfinacne upon the Lives of the Poor in Rural China.* Melbourne: RNIT University.

Nyoman Trisna Herawati, I. M. (2018). Factors That Influence Financial Behavior Among Accounting Students in Bali. *International Journal of Business Administration*, 30-36.

Otero, M. and Rhyne, E.eds (1994). "*The New World of Microenterprise Finance*". London: IT Publications.

Orazio Attanasio, B. A. (2015). The Impcat of Microfiance: Evidenceds from Joint-Liability Lending in Mongolia. *American Economic Journal*, 90-122.

Paim, N. D. (2011). Determinat of financial wellness among Malaysis workers. *African Journal of Business Management* , 10092-10100.

Rungani, E. P., Potgieter, M.(2018). The impact of financial support on the success. *Independent Research Journal in the Management Sciences*, 1-12.

Samuel Tabot Enow, P. K. (2016). Cash Management practices of small, medium and micro enterprise in the Cape Metropolis, South Africa. *Investment Management and Innovation*, 230.

SBE, S. B. (2017). *Facts & Data on Small Business and Entrepreneurship*. Retrieved from; https//www.sgecouncil.org

Senevirathne, A. (2016). Financial Literacy and Success of Micro Business: Evidence from Small Enterprise in Sri Lanka. *Faculty of Hunanities and Social Science*. Nugegoda: The Open University of Sri Lanka.

Simanowitz A. and Brody A., (2004). *Realizing the potential of microfinance,* id21insights, December, 51.

Sisira Kamara Naradda Gamage, R. H.-M. (2016). Socio- Economic Determinants of Well-Being of Urban Household: A Case of Sri Lanka. *The USV ANNIS of Economics and Public Adminisytation*, 26.

Sucuahi, W. T. (2013). Determinants of Financial Literacy of Micro Enterpreneurs in Davao City. *International Joiranal of Accounting Research*, 44-49.

Syed Hussain Haider, M. A. (2017). Microfinance and Performace of Micro and Small Enterprise; Does Training have an Impact. *Journal of Entrepreneurship and Business Innovation*, 1-9.

Times, M. (2015). Small Business should take up Regional Opportunity. *Myanamr Times*.

Wong, N. Z. (2014). Sustanable Microfincnce in Asia. Washington, DC: Milken Institute.

WSBI, W. S. (2008). *Overview of Microfiance in Asia/Pacific and selected experiences from WSBI members.* Rue Marie-Therese: World Saving Bank Institute (WSBI).

Xinhua. (2017). *Small, micro-business become main force in Chinese Market*. Retrieved from: https//www.chinadaily.com.cn.

APPENDIXES 1

Survey Questionnaire

This questionnaire is for the purpose of research only. Please tick (√) in the appropriate bracket or fill in the information of your response to all the following question.

Part I: Background Information of the Respondent

Household Characteristics

1. What is your role in your family?
   a) Householder ( )
   b) Dependent ( )
2. How many family member in your household?
   a) 3 ( )
   b) 4 ( )
   c) 5 ( )
   d) 6 ≤ ( )
3. What is the Age of householder?
   a) 18-25 ( )
   b) 26-35 ( )
   c) 36-45 ( )
   d) 46≤ ( )
4. What is the education level of householder?
   a) Have never been to school ( )
   b) Primary School ( )
   c) Middle School ( )
   d) High School ( )
   e) College ( )
5. What is your family income per day?
   a) Under 6000 Ks ( )
   b) 6,001 Ks-8,000 Ks ( )
   c) 8,001 Ks-10,000 Ks ( )

d) Above 10,001 Ks ( )

6. What is the daily family consumption cost?

a) 3,000 Ks & Under 3000Ks ( )

b) Above 3000 Ks ( )

7. What is your family asset ownership?

a) 500,000 Ks- 1,000,000Ks ( )

b) 1,000,001 Ks-1,500,000Ks ( )

c) 1,500,001 Ks-2,000,000Ks ( )

d) Above 2,000,001Ks ( )

Information about the business

1. What is the form of your business?

a) Sole Proprietorship ( )

b) Partnership ( )

2. For how long have you run your micro business?

a) 1 to 3 years ( )

b) 4 to 5 years ( )

c) 5 to 10 years ( )

d) More than 10 years ( )

3. What sector is the business in?

a) Small Trader/ Shop ( )

b) Workshop/ Repair ( )

c) Eating House ( )

d) Wood-based ( )

e) Others ( )

4. Have you tried to get a loan from any institution in the last 12 months?

a) Yes ( )

b) No ( )

If “Yes”, please continue to No (5).

5. Did you apply for the loan in Microfinance Institutions?

a) Yes ( )
b) No ( )

If “Yes”, please continue to the questions.

Microfinance Characteristics

On a scale from 1 to 5 (1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree), please respond to the following questions by choosing the number that best describe you.

1	**Application Procedures**	**1**	**2**	**3**	**4**	**5**
	(i) The information about loan application of MFIs are easy for borrowers.					
	(ii) MFIs take too much time to be told that the loan application had been approved or rejected.					
	(iii) Getting the loan from MFIs are easy for borrowers.					
	(iv) The loan application procedures of MFIs are user friendly.					
	(v) It takes too much time to get the loan from MFIs.					
2	**Legal Framework**	**1**	**2**	**3**	**4**	**5**
	(i) The legal framework related to MFIs support the availability of loans to micro business.					
	(ii) When applying for a loan, I can get the whole amount that I applied for.					
	(iii) MFIs provide their services at the time their promise to do so.					
	(iv) MFIs keeps their records accurately.					
	(v) You can feel safe in your transactions with MFI's employees.					

3	**Repayment Plan**	**1**	**2**	**3**	**4**	**5**
	(i) I thinks that the repayment options of MFIs are convenient for repaying loans.					
	(ii) I feel that the penalties for those who fault on repayment of loans by MFIs are too high.					
	(iii) I feel that the loan repayment period as per the conditions of MFIs are convenient for the borrowers.					
	(iv) The operating hours of MFIs are convenient to all their customers.					
	(v) Employees of MFIs are always willingness to help customers.					
4	**Availability of Loan Provider**	**1**	**2**	**3**	**4**	**5**
	(i) There are enough number of MFIs in our village group.					
	(ii) I thinks that the services of MFIs in our village group are satisfied.					
	(iii) Access to finance is the problem of every micro business in our village group.					
	(iv) There are a wide range of MFIs loans in our village group.					
	(v) I feel that the attainment of microfinance loans are easy for us.					

Socioeconomic Environment

On a scale from 1 to 5 (1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree), please respond to the following questions by choosing the number that best suit with your own opinion.

1	**Employment Opportunity**	**1**	**2**	**3**	**4**	**5**
	(i) Most of the family members have job.					

	(ii) Members of household are preferred to work in the native region.					
	(iii) There are a lot of migrate people in our region.					
	(iv) There are a lot of new business in this region.					
	(v) People in this area are more convenient for life.					
2	**Social Status**	**1**	**2**	**3**	**4**	**5**
	(i) People in this region are more interested in education.					
	(ii) People in this region concerned in health knowledge.					
	(iii) People in this area are knowledgeable.					
	(iv) People have concerned on politics.					
	(v) I think that people in this region are more travelled.					
3	**Social Support Network**	**1**	**2**	**3**	**4**	**5**
	(i) There are a lot of NGO in this area.					
	(ii) There are many sharing knowledge in this area.					
	(iii) I think that there are many support organizations in this region.					
	(iv) People are given a lot of support from the government.					
	(v) I understand the functions and activities of social supporting organizations.					
4	**Physical Environment**	**1**	**2**	**3**	**4**	**5**
	(i) There are a lot of natural resources in this area.					
	(ii) People in this region own large land space.					

	(iii) People in this region suffer many natural disaster.					
	(iv) The transportation network in this region is easily accessible.					
	(v) People in this area get enough electricity.					

Part II: Financial Behavior

On a scale from 1 to 5 (1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree), please respond to the following questions by choosing the number that best describe you.

1	**Financial Related Behaviors**	**1**	**2**	**3**	**4**	**5**
	(i) I usually have tight control over my budget for the major spending in the coming year.					
	(ii) I usually do not accept any types of loans for personal and family purpose.					
	(iii) Before taking any financial loans, I usually do a lot of financial research.					
	(iv) I do not like taking high interest loans mainly because they could create stress.					
	(v) Before I make a financial decision, I would consider my options multiple times.					
	(vi) I have no plan for how to handle financial risk compared to other people.					
2	**Financial Related Personality**	**1**	**2**	**3**	**4**	**5**
	(i) I am very responsible for the financial loans I took.					
	(ii) When it comes to the best opportunities of making money, I can be very patient.					
	(iii) My gut feeling tells me to avoid financial decisions with high interest loans.					

	(iv) I feel rewarded by being able to control my spending.					
	(v) When making big financial decisions, I am a very cautious person.					
3	**Attitude towards Risks and Return**	**1**	**2**	**3**	**4**	**5**
	(i) I think the biggest mistake one can make is taking risks beyond what one can handle.					
	(ii) I believe there is no such things as a free lunch.					
	(iii) I do not agree with the idea that greater risk leads to a higher rate of return.					
	(iv) The amount of return has nothing to do with my willingness to take risks.					
	(v) A high return investment plan sounds risky to me.					
	(vi) Regardless of if I am in a losing or winning situations, I do not take risks at all.					
4	**Financial Confidence Level**	**1**	**2**	**3**	**4**	**5**
	(i) I do not believe I have the talent to manage my money investment.					
	(ii) I am constantly second guessing the long-term impact of my financial choice.					
	(iii) If my investment starts to go bad, I do not know what to do.					
	(iv) I do not feel confident making financial decision, even when I have the knowledge to do so.					
	(v) I believe I am less skilled in managing my money than other people.					
	(vi) I am not confident in planning my financial budget for the coming year.					

Part III: Firm's Performance

Please describe your business performance relative to competitors.

1 = Extremely Poor, 2 = Slightly Poor, 3 = Neutral, 4 = Good, 5 = Extremely Good

1	**Sales Growth**	**1**	**2**	**3**	**4**	**5**
	(i)Improvement in sales revenues					
	(ii) Growth of repeat sales					
	(iii) Growth of existing customers					
2	**Profit Growth**	**1**	**2**	**3**	**4**	**5**
	(i) Increased in profitability					
	(ii) Improved production efficiency					
	(iii) Reduction in personal expense					
3	**Firm Growth**	**1**	**2**	**3**	**4**	**5**
	(i) Improvement in occupational level					
	(ii) Overall improvement in performance relative to that of the competitors					
	(iv) Diversification of product and service contents					
4	**Capital Growth**	**1**	**2**	**3**	**4**	**5**
	(i) Increased in high value added product or services					
	(ii) Creation of new market					
	(iii)Consolidation of production bases for specific product					
	(iv) Expansion of existing business scale through additional investment					

Thank you very much for your cooperation.

APPENDIX 2

SPSS Regression Calculation Results

Influencing Microfinance Characteristics on Financial Behavior

Model Summary[a]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.552[a]	.305	.287	.26277	1.669

a. Predictors: (Constant), Availability of Loan Provider, Repayment Plan, Legal Framework, Application Procedure

b. Dependent Variable: FB

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.688	4	1.172	16.976	.000[b]
	Residual	10.702	155	.069		
	Total	15.391	159			

a. Dependent Variable: FB

b. Predictors: (Constant), Availability of Laon Provider, Repayment Paln, Legal Framework, Application Procedure

Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1.	Constant	1.664	.253		6.576	.000		
	AP Mean	.212	.043	.359	4.892	.000	.835	1.197
	LF Mean	.160	.049	.237	3.240	.001	.838	1.193
	RP Mean	.113	.047	.178	2.415	.017	.830	1.205
	ALP Mean	-.023	.040	-.040	-.562	.575	.870	1.150

a. Dependent Variable: FB

Influencing Household Characteristics on Financial Behavior

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.210[a]	.044	.013	.30907	1.378

a. Predictors: (Constant), Assetownership, Familysize, Education, Income, Consumption

b. Dependent Variable: FB

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.680	5	.136	1.425	.218[b]
	Residual	14.710	154	.096		
	Total	15.391	159			

a. Dependent Variable: FB

b. Predictors: (Constant), Assetownership, Familysize, Education, Income, Consumption

Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	3.476	.136		25.468	.000		
	Income	.047	.029	.155	1.658	.099	.707	1.414
	Consumption	-.065	.064	-.096	-1.016	.311	.700	1.428
	Education	-.005	.039	-.012	-.140	.889	.896	1.116
	Familysize	-.012	.026	-.040	-.456	.649	.796	1.257
	Assetownership	.030	.021	.121	1.408	.161	.840	1.190

a. Dependent Variable: FB

Influencing Socioeconomic Environment on Financial Behavior

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.263[a]	.069	.045	.30405	1.444

a. Predictors: (Constant), Physical Environment, Social Status, Social Support Network, Employment Opportunity

b. Dependent Variable: FB

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.062	4	.265	2.871	.025[b]
	Residual	14.329	155	.092		
	Total	15.391	159			

a. Dependent Variable: FB

b. Predictors: (Constant), Physical Environment, Social Status, Employment Opportunity, Social Support Network

Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1.	Constant	3.587	.171		20.981	.000		
	EO Mean	-.030	.044	-.071	-.686	.494	.555	1.802
	SS Mean	-.037	.043	-.079	-.862	.390	.722	1.385
	SSN Mean	-.076	.040	-.203	-1.880	.062	.515	1.942
	PE Mean	.132	.050	.249	2.652	.009	.684	1.462

a. Dependent Variable: FB

Effects of Financial Behavior of Business's Owners on Firm's Performance

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.526[a]	.277	.258	.35165	1.748

a. Predictors: (Constant), Financial Confidence Level, Attitide Toward Risk and Return, Financial Related Personality, Finalcial Related Behavior

b. Dependent Variable: FP

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.347	4	1.837	14.854	.000[b]
	Residual	19.167	155	.124		
	Total	26.514	159			

a. Dependent Variable: FP

b. Predictors: (Constant), Financial Confidence Level, Attitide Toward Risk and Return, Financial Related Personality, Finalcial Related Behavior

Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1.	Constant	1.819	.365		4.986	.000		
	FRB Mean	.223	.068	.269	3.250	.001	.683	1.464
	FRP Mean	.315	.057	.394	5.569	.000	.929	1.076
	ARR Mean	.047	.081	.041	.580	.563	.923	1.083
	FCL Mean	.001	.047	.003	.032	.974	.738	1.355

a. Dependent Variable: FP

APPENDIX 3

Calculating Mean Value for Household Characteristics

Coding of Household Characteristics Data for Calculating Mean Value

Particular	Data	Coding Number
Family Size (Number of family member)	3	1
	4	2
	5	3
	6 ≤	4
Income per day (Ks)	Under 6000	1
	6,001-8,000	2
	8,001-10,000	3
	Above 10,001	4
Consumption per day (Ks)	≤ 3,000	1
	3000 <	2
Education of Householder	Have never been to school	1
	Primary School	2
	Middle School	3
	High School	4
	College	5
Asset Ownership (Ks)	500,000-1,000,000	1
	1,000,001-1,500,000	2
	1,500,001-2,000,000	3
	Above 2,000,001	4

Source: Survey Data (2019)

Mean Value Table of Household Characteristics

No.	Description	Mean
1	Family Size	2.50
2	Income per day	2.71
3	Consumption per day	1.71
4	Education of Householder	2.31
5	Asset Ownership	2.46
	Overall Mean	2.49

Source: Survey Data (2019)