

**YANGON UNIVERSITY OF ECONOMICS  
MASTER OF DEVELOPMENT STUDIES PROGRAMME**

**CREDIT MARKET FOR RURAL DEVELOPMENT  
IN MYANMAR  
(CASE STUDY: TAIKKYI TOWNSHIP)**

**ZAW MIN NAING**

**November, 2019**

**YANGON UNIVERSITY OF ECONOMICS  
MASTER OF DEVELOPMENT STUDIES PROGRAMME**

**CREDIT MARKET FOR RURAL DEVELOPMENT  
IN MYANMAR  
(CASE STUDY: TAIKKYI TOWNSHIP)**

A thesis submitted as a partial fulfillment towards the requirement for the Degree of  
Master of Development Studies.

Supervised by

Submitted by

Prof. Daw. Yi Yi Win  
Lecturer  
Department of Economics  
Yangon University of Economics

Zaw Min Naing  
Roll No. 57  
EMDevS 15<sup>th</sup> Batch  
(2017-2019)

**November, 2019**

## **YANGON UNIVERSITY OF ECONOMICS**

### **MASTER OF DEVELOPMENT STUDIES PROGRAMME**

This is to certify that this thesis entitled “Credit Market for Rural Development in Myanmar” submitted as a partial fulfillment towards the requirements for the degree of Master of Development Studies has been accepted by the Board of Examiners.

#### **BOARD OF EXAMINERS**

1. Professor Dr. Tin Win  
Rector  
Yangon University of Economics (Chief Examiner)
  
2. Professor U. Kyaw Min Htun  
Pro-Rector  
Yangon University of Economics (Examiner)
  
3. Professor Dr. Cho Cho Thein  
Professor and Head of Department  
Department of Economics  
Yangon University of Economics (Examiner)
  
4. Daw. Yi Yi Win  
Lecturer  
Department of Economics  
Yangon University of Economics (Examiner)
  
5. Professor Dr.  
Professor  
Department of Economics  
Yangon University of Economics (Examiner)

November, 2019

## **ABSTRACT**

Credit is considered to be capital injections for business, individuals and ultimately a key determinant of rural development. However, those services are mainly accessible to urban areas and limited in rural where the majority of the population resides. Thus, this study aims to identify the nature of credit sources accessible in the rural area and highlights the role of formal credit for rural development. The study was conducted in 10 villages of Taikkyi Township, Yangon Region. The Simple Random Sampling method was applied for village selection whereas Snowball method was used for identification of households with outstanding loans or loans taken in past 12 months. All the credit sources identified were categorized into formal, semi-formal and informal sources respectively. The quantitative study identified 75% of credit taken from formal sources followed by 15% from informal and 10% from semi-formal credit sources. The role of formal credit for rural development was studied under five thematic areas: credit for business improvement, women empowerment, knowledge acquisition, decrease dependency on informal lenders and village infrastructure development. The formal credit suppliers are suggested to maintain the good lending practices and contribute in demanded rural infrastructure development activities.

## ACKNOWLEDGEMENT

First and foremost, I would like to thank Almighty God for giving me the strength, knowledge and ability to undertake this research. I wish to express my profound gratitude to Master of Development Studies Programme Committee, Yangon University of Economics for the opportunity to undertake this research.

I would like to thank Professor Dr. Tin Win, Rector of Yangon University of Economics and Dr. Nilar Myint Htoo, Pro-Rector of Yangon University of Economics to let me enrolled in this Executive Master of Development Study Programme.

I wish to express my sincere thanks to Professor Dr. Cho Cho Thein, Head of Department, Department of Economics, Yangon University of Economics for her encouragement in completion of this thesis.

I give my heartfelt thanks to my supervisor Daw Yi Yi Win, Lecturer, Department of Economics, Yangon University of Economics for her continuous guidance and supervision throughout the work.

This work would not have been completed without the inputs of Professors and Lecturers throughout the programme. I take pride in acknowledging the insightful guidance of each and every Professors and Lecturer for their time and valuable lectures. My special thanks and gratitude are due to my beloved wife and family for their supports throughout the program. I am also grateful to all the enumerators and friends for their cooperation in this regard.

## TABLE OF CONTENTS

	<b>Page</b>
<b>ABSTRACT</b>	<b>i</b>
<b>ACKNOWLEDGEMENTS</b>	<b>ii</b>
<b>TABLE OF CONTENTS</b>	<b>iii</b>
<b>LIST OF TABLES</b>	<b>v</b>
<b>LIST OF FIGURES</b>	<b>vi</b>
<b>LIST OF ABBREVIATIONS</b>	<b>vii</b>
<b>CHAPTER I</b>	<b>INTRODUCTION</b>
1.1	Rationale of the Study 1
1.2	Objective of the Study 2
1.3	Method of Study 3
1.4	Scope and Limitations of the Study 3
1.5	Organization of the Study 3
<b>CHAPTER II</b>	<b>LITERATURE REVIEW</b>
2.1	Nature and Scope of Credit Market 4
2.2	Types of Credit 5
2.3	Credit Market for Rural Development 6
2.4	Role of Government in Formal Credit Market 7
2.5	Credit Market Failures 8
2.6	Responsible Finance 9
2.7	Global Initiatives for Formal Financial Service Suppliers 10
2.8	Reviews on Previous Studies 13
<b>CHAPTER III</b>	<b>FINANCIAL INCLUSION IN MYANMAR</b>
3.1	Financial Inclusion in Myanmar 14
3.2	Formal Credit Institutions and Projects in Rural Myanmar 16
3.3	Digital Credit Trends for Rural Credit Market 25
3.4	Financial Education for Financial Health 26

<b>CHAPTER IV</b>	<b>ANALYSIS ON SURVEY RESULT</b>	
4.1	Profile of Study Area	28
4.2	Study Design	28
4.3	Analysis on Quantitative Survey Data	30
4.4	Credit Sources Accessible by the Households	34
4.5	Categories of Credit Sources	36
4.6	Loan Size and Loan Outstanding	38
4.7	Financial Literacy and Satisfaction Levels of the Respondents	40
4.8	Access to Mobile Phones by the Target Population	43
4.9	Analysis on Qualitative Result	45
4.10	The role of Formal Credit for Rural Development	48

.

<b>CHAPTER V</b>	<b>CONCLUSION</b>	
5.1	Findings	51
5.2	Suggestions	53

**REFERENCES**

**APPENDICES**

**Appendix 1** Household Questionnaire

**Appendix 2** Key Informant Interview Questionnaire

## LIST OF TABLES

Table 3.1	Loan Amount in During Financial Year (2015-16, 2016-17 & 2017-18)
Table 3.2	The Loan to be borrowed by State & Region Union Cooperatives
Table 3.3	Sector Wise Activities of MSY 2018
Table 3.4	Village Development Activities Implemented by MSY Project
Table 3.5	Profile of Microfinance Institutions, March 2018
Table 4.1	Number of Villages and Key Informant Interviews
Table 4.2	Education Levels of Targeted Respondents
Table 4.3	Income Sources of the Targeted Households
Table 4.4	Monthly Income of Targeted Household
Table 4.5	Household Annual Income from Agriculture
Table 4.6	Credit Sources Accessible by the Households
Table 4.7	Number of Credit Taken by the Households
Table 4.8	Informal Credit Sources (15%)
Table 4.9	Semi Formal Credit Services (10%)
Table 4.10	Formal Credit Sources (75%)
Table 4.11	Average Loan Size and Outstanding of Informal Credit
Table 4.12	Average Loan Size and Outstanding of Semi Formal Credit
Table 4.13	Average Loan Size and Outstanding of Formal Credit
Table 4.14	Status of Financial Literacy Trainings by Households
Table 4.15	Financial Literacy Levels of the Respondents
Table 4.16	Satisfaction Levels of the Respondents
Table 4.17	Ranks of Credit Sources
Table 4.18	Status of Access to Mobile Phones by the Households
Table 4.19	Types of Mobile Phone Accessible by the Households
Table 4.20	Access to Mobile Banking by the Households
Table 4.21	Profile of Sample Villages
Table 4.22	Core Activities of the Credit Suppliers

## **LIST OF FIGURES**

- Figure 2.1 Access to Credit Services by Population
- Figure 3.1 Achieving Financial Inclusion in Myanmar
- Figure 3.2 Microfinance Institutions Operating Across Myanmar
- Figure 3.3 Distribution of clients and loan portfolio by regions and states
- Figure 4.1 Targeted Household under Income Categories

## **LIST OF ABBREVIATIONS**

ACH	Automated Clearing House
ATM	Automated Teller Machine
CCS	Central Cooperative Society
EXIM	Bank Export Import Bank
FRD	Financial Regulatory Department
INGO	International Non-Government Organizations
JICA	Japan International Cooperation Agency
KII	Key Informant Interview
LIFT	Livelihoods and Food Security Fund
MADB	Myanma Agriculture Development Bank
MMFA	Myanmar Microfinance Association
MALI	Ministry of Agriculture, Livestock and Irrigation
MFI	Microfinance Institutions
MMB	Myanmar Microfinance Bank
MSME	Micro Small and Medium Enterprise
MSY	Mya Sein Yaung Project
NGO	Non-Governmental Organization
ODA	Official Development Aid
POS	Point of Sale
SPM	Social Performance Management
SPTF	Social Performance Taskforce
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
SHG	Self Help Group
SMU	Saemaul Undong

## **CHAPTER I**

### **INTRODUCTION**

#### **1.1 Rationale of the Study**

A sound financial system stands as an essential pillar in every economy. In a Country, the financial sector mobilizes savings and allocates credits to other sectors in order to promote economic growth. Hence, an efficient financial sector in a country reduces the cost and mitigates the risk of producing and trading goods and services. Thus, the contribution raises the individual standards of living in micro level and resulted in the development of a country as a whole.

Among the number of financial components, Credit Market highly contributes a financial sector of a country to boost the economy of the nation. Mainly there are three categories of Credit Markets and known as Formal Credit Market, Semi-Formal Credit Market and Informal Credit Market. Credit providers can be firms either formally regulated by the respective government or can be informal lenders in some cases. The main difference between formal and informal providers is that formal financial institutions are registered under the certain law of the Country and are governed by specific regulatory body of the country whereas the practices of the informal lenders are unconditional for privation of supervision by any governing body. Formal credit includes that of government own banks, commercial banks and other regulated financial institutions and unregulated credit of individual money lenders, friends and relatives fall under informal credit sources. Semi-formal sources exist in between the other two categories. Formal lenders are considered to be more responsible in financial welfare to the beneficiaries than the informal lenders as the pricing on the credit is relatively lower compared to that of informal credit providers. Hence, access to formal credit market will be an initial step towards the betterment of a rural household in determining rural development.

In developing countries, formal commercial banks mainly aim to cater the higher income people from urban community to minimize the potential risk in repayment. Under this perspective, people from rural community are still un-bankable as the commercial banks typically target the cluster with high level of income. The ticket size loans are offered based on valuable collaterals to reduce the operation cost and mitigate the financial risk. Lending micro credits to small scale businesses has higher operation cost and potential risks to credit providers. That is why, in many developing countries, the formal credit facilities are promoted by the government so that the un-bankable rural community will be able to access the credit services being in financial inclusion.

In Myanmar, the development of the financial sector is one of the prioritizations of the government particularly in fighting against poverty through financial inclusion. According to World Bank, 65.35% of total population of the country is reported to be in rural areas and poverty in rural areas is substantially higher than that of urban areas reported in Myanmar poverty assessment 2017. In addition, 38.8% of the rural population is estimated to be poor compared to 14.5% of those in urban and peri-urban. One of the causes of poverty found out by the previous study is that poorer households are generally less integrated into the formal economy, and have limited access to formal credit sources. As Credit market plays an important role in efficiently running an economy of a developing country like Myanmar. And borrowing helps start and run a business or operate a farm in the rural area where there is higher rate of poverty (Myanmar - Rural population).

In addition, over 70% of adults have found out not have been accessed to formal financial services, the majority of citizens relying on unregulated providers, often at substantially higher cost, or on family and friends (LIFT, 2013). Credit, despite the significant determinant for development, the services are mainly accessible to urban areas and people living in rural still have challenges to access formal financial services.

## **1.2 Objective of the study**

The objective of the study is

- (i) to identify the nature and sources of credit facilities accessible by the rural community and
- (ii) to analyze the role of formal credit for rural development in the selected villages of Taikkyi Township

## **1.3 Method of Study**

The study focuses on primary data collected from the selective villages in Taikkyi Township, Yangon Region whereas secondary data was out-sourced from Financial Regulatory Department, (FRD), Myanmar Microfinance Institution (MMFA) and other reliable online sources. The Simple Random Sampling method was applied for village selection whereas Snowball method was used for identification of households with outstanding loans or loan taken in the past 12 months for quantitative data collection. The structured research tool named Key Informant Interview (KII) was applied for obtaining qualitative information for the study. Moreover, data collection was led by the pilot testing of the questionnaire to ensure the consistency and realism in gathering primary data.

## **1.4 Scope and Limitations of the Study**

In Myanmar, rural credit market can be broadly categorized into formal, semi-formal and various segments of informal sector. Formal financial institutions are legally authorized institutions including a state-owned Myanma Agricultural Development Bank (MADB), Microfinance Institutions (MFIs) and Cooperatives. Informal credit refers to activities which are not under the control of any authority and therefore considered illegal in some cases. This sector includes the use of illegal pawnshops, borrowing from moneylenders who charge usurious interest rates or friends and relatives. Financial services and other supports offered by the various suppliers vary from source to another. This study targeted a household with either current outstanding loans or had taken loan in

last 12 months from any credit source. Moreover, this study focused mainly on the credit facility limited to other financial elements saving, insurance and remittance for instance.

### **1.5 Organization of the Study**

This study unfolds in 5 chapters. Chapter 1 presents Rationale of the Study, Objectives of the Study, Method of Study, Scope and Limitations of the Study and Organization of the Study. Chapter 2 explains the overview on Credit Market and discussed on Credit Market Failures, Responsible Finance and best practices of the credit providers. Chapter 3 mainly focuses on Financial Inclusion in Myanmar and briefs about the Formal Credit Institutions and Projects in Rural Myanmar and Digital Credit Trends for Rural Financial Market. Chapter 4 presents the analysis on the survey data and Chapter 5 draws conclusion of the study with suggestions on the findings.

## **CHAPTER II**

### **LITERATURE REVIEW**

#### **2.1 Nature and Scope of Credit Market**

Credit can be defined as the loans that the debtors received whereas credit market refers to the market through which companies or governments issue loans to debtors. The importance of credit facilities in development process has been analyzed and acknowledged in various points of view over the decades. The general assumption stated that credit helps increase the investment volume and ultimately scales up productivity. Antieno, 2009 affirms in the research that Credit enables individuals to smooth out consumption in the face of varying incomes, provides income for investment and improves ability to cope with unexpected expenditure shock (Atieno, 2009). Credit is crucial resource for a successful business person to scale up the business as well as it can also be a great resource to a vulnerable family in managing the fluctuated cash flow. Bigsten, 2003 stated that access to the external resources is needed to ensure flexibility in resource allocation and reduce the impact of cash flow problems (Bigsten, 2003).

Nkurunziza, 2004 in the study of the Effect of Credit on Growth and Convergence of Firms in Kenyan Manufacturing, argues the importance of credit for the firms as firms with access to funding are able to build up inventories to avoid stocking out during crises, while the availability of credit increases the growth potential of the surviving firms during periods of macroeconomic instability. In terms of sustainability of the productivity economy, it is acknowledged that without access to bank funding are more vulnerable to external shocks as the lack of access to credit remains a major constraint for the business managers in developing economies. Without well-functioning financial markets, small

scale firms may lack much prospects for increasing the productivity in many significant and sustainable ways (Nwaru, 2004).

In developing countries across the globe, the government has to intervene by encouraging the credit providers to reach to the rural areas and provide the customized financial services that are matching with the financial demand. In some cases the governments have to lead the operation in rural community with the specific financial

products such as agriculture loans and livestock loans that are particularly designed for the rural community. Efforts targeted at small businesses are based on the premises that are the engine of economic development, but market and institutional failures impede the growth, thus justifying government interventions (Thorsten Beck, 2005).

## **2.2 Types of Credit**

The rural financial market is composed of several distinct sub-sectors consisting of a formal sector, and various segments of an informal sector. In rural Myanmar, the financial market may be categorized into three divisions, namely: a formal sector; a semiformal sector; and various segments of an informal sector (Kaino, 2005).

### **(i) Formal Credit**

Formal Credit can be defined as loans provided by an institution registered under a certain law or regulation of that particular country. Banks, cooperatives and microfinance institutions constitute in formal sector of Credit. Formal credit providers normally charge reasonable interest rate on the loan products and which is also capped and monitored by a regulatory body of the country. Normally that requires collateral for the loan products as to cover the risk of working in the rural areas where there is limited population density and it's also a challenge for the demand side if the borrowers cannot provide the collaterals (Kaino, 2005) (Eric Duflos, January 2013).

### **(ii) Semi-Formal Credit**

The semiformal sector is composed of loan and saving programs of local NGO and international NGO, including NGOs supported by UNDP under its welfare program called the Human Development Initiative. These institutions are not under the control of the central bank nor operating under certain laws, yet the central government of Myanmar has control over them, for example concerning the operating areas but not necessarily on the terms and conditions (Kaino, 2005) (Eric Duflos, January 2013).

### **(iii) Informal Credit**

Informal credit is provided mostly by individual such as money lenders, unregistered pawnshops friends and relatives. Obviously there is no supervisory body for the informal credit and interest rate and other hidden fees are higher than the lender's opportunity cost of lending and it can also varies from one lender to another. Transparency and pricing are the main issues of informal loans and borrowers have often

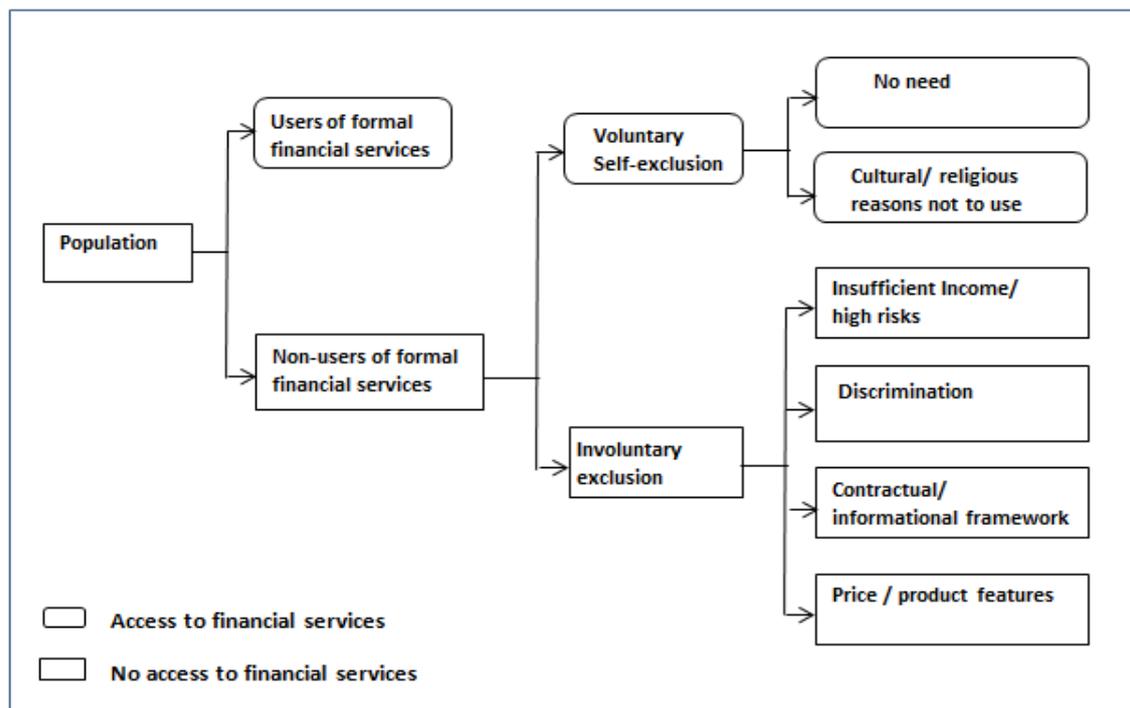
fallen into debt trap. The dependency of borrowers can be more where there is limited access to formal credit services especially in the rural areas of the developing countries (Kaino, 2005) (Eric Duflos, January 2013).

### **2.3 Credit Market for Rural Development**

Under the financial system, credit facilities are crucial aid for capital injection to enterprises in developing countries. However, those services are mainly accessible to the urban areas and people living in rural still have challenges to access formal financial services. Almost all developing countries are characterized by a large portion of rural sector. Since the scarcity of capital, abundant labor and the livelihood of majority of people are land-based activities, credit was assumed to be as one of the key determinants of the development of this rural sector. Hence, the rural credit market has to play a crucial role for the development of people and the economy of this sector. Any credit market of an economy comprises the supply and demand sides. The supply side of the rural credit market consists of formal credit sources, semi-formal and informal credit sources. Formal credit sources can be introduced as the banking, cooperatives, microfinance and other organized institutions, which have been registered under the Central Bank or regulated body of the country and therefore adherence to regulations.

Not all the rural population can access to formal financial services due to limitation of required collateral for getting loans, exclusion from illegibility of the criteria set by the providers, or in some cases the products might not suit the needs. For instance, providing agriculture loans to farmers in bi-weekly installment mechanism might lead the farmers to default as the crops do not give immediate cash flow within two weeks. That is why financial services for the rural is different from that of urban and the products should be designed in a way that is matching with the borrowers' demand. There can also be people in the rural community who are not willing to take the loans by themselves as taking the credit services is not required or taking such types of credit services are not allowed by cultural or religious restrictions. Thus, it is important for the government in making sure that well designed credit facilities for the rural area are easily and affordably accessible by the rural community of the country. The description of the credit scenario in a rural community is presented in Figure 2. 1.

Figure 2. 1. Access to Credit Services by Population



Source: Financial Inclusion Roadmap\_Myanmar\_UNCDF (2005)

## 2.4 Role of Government in Formal Credit Market

Governments can create a legal and regulatory environment that encourages formal credit providers to get market entry and competition in credit market. In order to do so, finance ministries, central banks, and other government bodies should recognize the formal credit sources as legitimate financial activities within the financial system. The most important contribution governments can make to credit market is to maintain macroeconomic stability through appropriate monetary and fiscal policies. The volatile inflation has a negative effective to the credit providers when the main funding source is from abroad and it can also effect to productivity as well as the welfare of the end clients.

Having a sound legal framework for credit market is a must for developing countries when poverty reduction is considered. Proper analysis of the service provider systematically and standards criteria should be set while giving permission to the providers to the market entry. It's also important to limit the number of providers in urban areas and encourage them to expand operation to the country offering the same quality services to the people in rural area. Timely monitoring of the activities, on site supervision and taking legal actions in the case of non-adherence to the rules and regulations are the crucial role of the governing body to the credit providers. Government

should involve the private sector in formulating poverty reduction strategies for the country. In Myanmar, Poverty Assessment 2017 by World Bank is the practical benefits of joining hands together with the government to have a better understanding of the demanded financial services (World Bank, 2017).

Government is also responsible for setting the interest rate ceiling. The pricing should be affordable by the borrowers and as the same time brings reasonable profits to the credit providers so that the operation cost is covered and able to provide sustainable services in the long run (Microcredit Rating International Limited).

## **2.5 Credit Market Failures**

Market failure occurs when a competitive market fails to allocate the scarce resources optimally to achieve the maximum possible social welfare. Credit market failures leads to inefficient allocation of credit among the members of the society which is particularly vulnerable poor and underprivileged. Rural credit markets in developing countries have certain characteristic features leading to market failures. The causes are scarcity of collateral security, underdeveloped complementary institutions, and covariant risks.

The poor in developing countries does not have any assets that could be collateralized against a loan and also under developed property rights in such countries makes difficult for the lender to take hold of the collateral asset in case of default. Illiteracy, ill developed communications and the virtual absence of insurance markets in rural areas of developing countries increases the risk of default for the lenders. As agriculture being the main source of income to the poor in rural areas of developing countries and factors like weather fluctuations and instability in commodity prices can create income shocks to poor farmers which may lead to default on the loan repayment.

Low interest rate ceiling discourage the suppliers to operate in the rural area as the operation cost is always higher compared to that of urban areas. It threatens the sustainability of the existing credit suppliers in the market as well as it discourages the new comers work in the costly areas and ultimately it draws the rural community away from accessing the formal credit services. Allowing multiple suppliers work in the same area can also create problems to the demand side borrowers. Since, the borrowers can take multiple loans for consumption and luxury purposes rather than utilization of loans for income generating activities. It can lead to serious condition of default on the

repayment and borrowers might eventually trapped in over-indebtedness (Rao, Vol. 2, No. 3, June 2012 ).

## **2.6 Responsible Finance**

Credit Suppliers are to be responsible in the practices and the concept has become crucial after the credit market failures in Bosnia, Nicaragua, Morocco, India and Pakistan after 2006 onwards. The main issues arisen in the credit market of these countries are due to high focuses on growth and efficiency by the credit suppliers, meaning the suppliers want to operate in lower costs but higher in returns. The global experience of irresponsible practices by the suppliers while offering the credit services can be started as follows.

(i) Supply driven practices. Every individual is unique in their own ways so as the financial demands. The financial demand of borrowers from the urban area might be different from those who staying in rural areas in upland and delta regions. Hence, one size fit for all approach of the suppliers should be irresponsible while offering the credit products to the customers.

(ii) Charging high and hidden costs for the credit facilities. It is the responsibility of the suppliers to make the borrowers understand the needs, to choose the appropriate credit facilities with the informed cost. Fees and interest rate and other documentation cost should be clearly aware by the borrowers before taking the credit services.

(iii) Following Push and Pull mechanism. Once the borrowers are informed with all the credit related information, then loans are disbursed to them upon the agreement within a period of time. Ideally the loans are utilized in the income generating activity to scale up the existing business or to earn household surplus so that the borrowers can repay the loans in installment or at one time repayment. Property monitoring to the borrower's business and checking the loan utilization in the business are the key activities responsibly done by the supplier side. Otherwise that could lead to pushing the loans through disbursement and pulling back from the borrowers aggressively when even facing difficulties in repayment. It is not recommended and suppliers are encouraged to follow the responsible practices at both the stages.

(iv) Multiple borrowings from demand side. In many cases, the credit suppliers prefer to work nearby crowded urban areas rather than reaching to remote rural market. It saves the operation cost and can acquire the borrowers easily in the crowded urban. When most of the suppliers follow the same strategy it resulted in over lapping of the same borrowers with multiple suppliers where credit demands in rural still remain under served.

(v) Harsh collection method. As a result of multiple borrowing, borrowers become defaulters in credit repayment to the suppliers since loans have taken beyond the financial capability. In such situation, harsh debt collection methods are being used by the irresponsible suppliers and that ultimately gives negative effects to the reputation of the formal financial sector as a whole.

(vi) Prevention of over-indebtedness. A household or person is over-indebted when unable or struggle to repay a loan, that is to say income, after deduction of living expenses, is no longer sufficient to meet the repayment of debts for a long time period as fall due. There are several factors influencing over-indebtedness are high borrowing costs, inappropriate credit product, credit suppliers chasing the same clients are common issues in the formal credit market.

Thus, suppliers should aware of the issues and the challenges happening in the sector globally and should be responsible while delivering the services. Moreover, prompt actions should be proactively taken if any of the borrowers is leading to a potential risk of default. The more responsible the suppliers in credit delivery mechanism, the better outcomes will be resulted in lives of the borrowers. (Microcredit Rating International Limited).

## **2.7 Global Initiatives for Formal Financial Service Suppliers**

The issues arisen in formal financial sector of the some developing countries including microfinance crisis and market failures alerted the rest of the world to join hands together proactively for the solution. After a number of consultations and discussions among the formal financial stakeholders, beneficiaries, agencies and regulators, best practices are decided for the overall formal financial sector. The promising initiatives are Smart Campaign, Social Performance Taskforce (SPTF) and Financial Health Network (Microcredit Rating International Limited).

### **2.7.1 Smart Campaign**

The Smart Campaign is a global effort to unite financial leaders around a common goal which is to keep clients as the driving force of the industry. The campaign believes that the financial service suppliers and the borrowers can benefit when the low-income people can access financial services with confidence.

The Smart Campaign is working with financial leaders from around the world to provide institutions with the tools and resources that requires to be delivered in transparent, respectful, and prudent financial services to all clients. For more than 10 years, the Campaign has maintained a rigorous Certification program, elevated the client voice, and convened partners to effect change at the national level. By putting clients first and collaborating together, financial inclusion industry can be strengthen and elevated as a model of responsible finance around the world. The Smart Campaign has built up the seven Clients Protection Principles as a standard setting for all the formal financial institutions globally and they are:

**(i) Appropriate product design and delivery**

Providers will take adequate care to design products and delivery channels in such a way that do not cause clients harm. Products and delivery channels will be designed with client characteristics taken into account.

**(ii) Prevention of over-indebtedness**

Providers will take adequate care in all phases of the credit process to determine that clients have the capacity to repay without becoming over-indebted. In addition, providers will implement and monitor internal systems that support prevention of over-indebtedness and will foster efforts to improve market level credit risk management such as credit information sharing.

**(iii) Transparency**

Providers will communicate clear, sufficient and timely information in a manner and language clients can understand so that clients can make informed decisions. The need for transparent information on pricing, terms and conditions of products is highlighted to share with the clients.

**(iv) Responsible pricing**

Pricing, terms and conditions will be set in a way that is affordable to clients while allowing for financial institutions to be sustainable. Providers will strive to provide positive real returns on deposits.

**(v) Fair and respectful treatment of clients**

Financial service providers and the agents will treat the clients fairly and respectfully. There will not be any discrimination. Providers will ensure adequate safeguards to detect and correct corruption as well as aggressive or abusive treatment by the staff and agents, particularly during the loan sales and debt collection processes.

**(vi) Privacy of clients' data**

The privacy of individual client data will be respected in accordance with the laws and regulations of individual jurisdictions. Such data will only be used for the purposes specified at the time the information is collected or as permitted by law, unless otherwise agreed with the client.

**(vii) Mechanisms for complaint resolution**

Providers will have in place timely and responsive mechanisms for complaints and problem resolution for the clients and will use these mechanisms both to resolve individual problems and to improve the products and services. In Myanmar, Financial Regulatory Department, the regulatory body of the microfinance institutions in the country has encouraged all the registered institutions to follow these principles and monitor the responsible practices regularly. (Client Protection Principles)

## **2.7.2 Social Performance Taskforce**

The Social Performance Task Force (SPTF) is a non-profit membership organization with more than 3,000 members from all over the world. The members come from every stakeholder group in inclusive finance. SPTF engages with these stakeholders to develop and promote standards and good practices for social performance management (SPM), in an effort to make financial services safer and more beneficial for clients.

The SPTF promotes systems called social performance management (SPM) that organizations use to achieve the stated social goals and put customers at the center of strategy and operations. SPM practices including defining and monitoring social goals, developing client-centric products and services, treating clients and employees responsibly, and balancing social and financial performance.

SPTF has launched Responsible Inclusive Finance Facility for Southeast Asia (RIFF-SEA) program to strengthen the capacity and responsible inclusive finance practices of financial service providers in Southeast Asia, and Myanmar is one of the targeted countries. (Social Performance Task Force)

### **2.7.3. Financial Health Network**

The Financial Health Network's vision is an audacious one it is established with the vision to increase the number of individuals with positive financial health and well-being to achieve financial health, people need day-to-day financial systems that build long-term resilience and opportunity. Financial health enables family stability, education, and upward mobility, not just for individuals today but across future generations. Promoting financial health is good for the financial services industry. Financially healthy consumers drive new opportunities for increased engagement, loyalty, and long-term revenue streams.

It envisions a future where all people, especially those who are most vulnerable, have the day-to-day financial systems and need to be resilient and thrive. It is a trusted resource for business leaders, policymakers and innovators united in a mission to improve the financial health of the customers, employees and communities. Through groundbreaking research, advisory services, measurement tools, and opportunities for cross-sector collaboration, it advances awareness, understanding, and proven best practices in support of improved consumer financial health for all.

Promoting Financial health of the borrowers by ensuring financial literacy is also an important aspect for Myanmar Financial Sector. FRD has guided the microfinance institutions to educate the borrowers before delivering the credits so that the loans can be utilized properly in the business for income generations and also to manage the budget for the on time repayment. (Financial Health Network)

### **2.8 Reviews on Previous Studies**

A Japanese researcher named Tomoko Khino, 2005 from University of Tokyo has conducted an empirical investigation of the rural credit market in Myanmar to help a guide policy formulation on the microfinance operations in the country. The study was mainly on the credit demand and rationing loans at the household level. However, it was the time where the Microfinance Law was not yet implemented in Myanmar yet and there was very limited formal financial institutions operating in the rural. Chandrakumara, 2012 University of Sri Jayewardenepura had studied to identify whether the significance of the informal moneylenders has been changed in the rural sector during the last several decades. He came out with the main suggestion that Informal activities should be transformed into formal through the interference of the central bank (Chandrakumara, 2012).

## **CHAPTER III**

### **FINANCIAL INCLUSION IN MYANMAR**

#### **3.1 Financial Inclusion in Myanmar**

Financial inclusion is where individuals and businesses have access to useful and affordable financial products and services that meet the needs that are delivered in a responsible and sustainable way. Financial inclusion is defined by World Bank as the availability and equality of opportunities to access financial services. According to MAP Fin Scope 2013, in Myanmar (LIFT, 2013), over 70% of adults do not have formal access to financial services, the majority of citizens relying on unregulated providers, often at substantially higher cost, or on family and friends (Financial Inclusion).

In Myanmar, there is strong policy support for financial inclusion under the broader rubric of poverty alleviation with the objective to reduce poverty from 26% to 16% by 2015, which has led to an interest in financial inclusion as a key to poverty reduction and an enabler of growth. President U Thein Sein's four out of eight development tasks to address rural development and poverty alleviation are related to financial inclusion, namely

- (i) Development of agricultural production sector
- (ii) Development of rural productivity and cottage industries
- (iii) Development of micro saving and credit enterprises
- (iv) Development of rural cooperative tasks (Myanmar, 2011)

There has also been strong support from development partners for financial inclusion in Myanmar with a number of existing initiatives. Some examples include:

- a. LIFT funding to MFIs
- b. China support to procure domestic payments switch for ATM and POS
- c. Loan from China for the cooperative sector
- d. Plans for RTGS and Automated Clearing House (ACH) through technical support of JICA
- e. World Bank Financial Inclusion programme to support institution building for microfinance supervision reform and capacity and financial literacy
- f. UNDP MFI finance

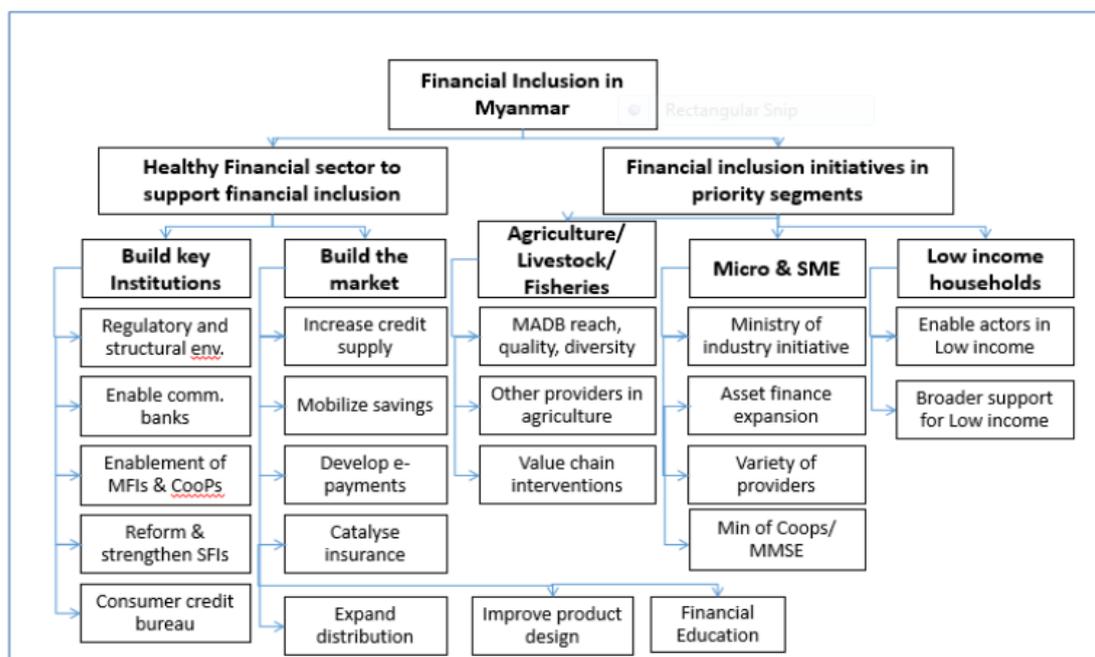
- g. International Finance Cooperation support to capacity building at meso level including dissemination of good practices on responsible finance, branchless banking, etc.
- h. UNCDF support through the Micro Lead project
- i. Potential JICA Official Development Aid loans and so on. (Financial Inclusion Roadmap, 2014-2020)

With the overall support from these funding sources, a policy goal is proposed to ensure financial inclusion in Myanmar as; By 2020, increase Financial Inclusion in Myanmar from 30% in 2014 to 40%, and adults with more than one product from 6% to 15%, with a full range of affordable, quality and effective financial services (which comply to internationally recognized standards on responsible finance) by getting all stakeholders to work together in an integrated manner. Meeting the stated goal will be best assured by pursuing two main outcomes. They are to

- i. strengthen the financial sector to be able to support financial inclusion, and
- ii. ensure financial inclusion in three priority segments which have been chosen

The three priority segments selected include agriculture, Myanmar Entrepreneurship and Micro Small and Medium Enterprise (MSME) and the Low income. The outputs and activity plans needed to achieve these outcomes are further detailed in Figure 3.1.

Figure 3. 1. Achieving Financial Inclusion in Myanmar



Source: Financial Inclusion Roadmap\_Myanmar\_UNCDF

### 3.2 Formal Credit Institutions and Projects in Rural Myanmar

Apart from the funding from the stated development partners, there are also well established formal credit institutions in Myanmar. Several Commercial banks also have provided credit services but the target in the meantime is more on urban and the rural area is still untouched. Among those many commercial institutions, the credit suppliers actively operating in the rural area are Myanma Agricultural Development Bank, Co-operatives, Ever Green Village (Mya Seinn Yaung ) Project implemented by Ministry of Agriculture, Livestock and Irrigation, Myanmar Microfinance Bank and Microfinance Institutions (Department of Rural Development).

### **3.2.1 Myanma Agricultural Development Bank**

Myanma Agricultural Development Bank (MADB) was established in June 1953 by the Government of Myanmar to support the development of agriculture, livestock, and rural enterprises in Myanmar. It is currently owned and supervised by the Ministry of Agriculture, Livestock and Irrigation (MALI). Since its establishment, MADB has played an important economic and social role in Myanmar by providing loans to a large segment households in rural areas engaged in agricultural activities. Most MADB loan products are designed to cover the short-term working capital needs of farmers, such as purchase of seeds, fertilizers, and pesticides; payment of salaries for farm workers; and lease of agriculture equipment. MADB lends at subsidized interest rates, following the lending policies and programs issued by (Ministry of Planning and Finance).

Among the formal financial institutions, (Myanma Agricultural Development Bank) MADB is the largest in terms of both the number of clients and the amount of loan Disbursed in rural areas. It has 1.59 million client farmers. It has 220 branch banks all over the country, running with nearly (3000) staff. Its interest rate 8 % per annum is very low compared to that of other formal and informal institutions' (from 24% to 36%). In 2012-13 Financial year, the loan amount disbursed by MADB is 570 billion Kyat (US \$ million 5700). The following Table 3.1 shows the types of loans and figures offered by MADB yearly (Myanma Agriculture Development Bank).

**Table 3.1. Loan Amount in During Financial Year (2015-16, 2016-17 & 2017-18)**

<b>Types of Loans</b>	<b>Amount</b>	<b>Duration of the Loan</b>
	<b>(Kyats in Million)</b>	
2016-Monsoon	14,01,599.58	May to September
2016-Winter	2,12,661.70	October to January
2017-Premonsoon	16,362.60	January to March
2017-Monsoon	14,16,704.30	May to September
2017-Winter	2,72,222.95	October to January
2018-Premonsoon	18,781.70	January to March
2018-Monsoon	13,01,614.55	May to September
2018-Winter	366,263.90	October to January
2019-Premonsoon	16,500.90	January to March
2019-Monsoon (Still Disbursing)	11,931.15	May to September

Source: Myanmar Agricultural Development Bank, Development Loan Department

Credits are main financial service offered by MADB to its clients and the main types of credit are seasonal credit (Monsoon, Winter and Pre-monsoon) and Terms loans such as short term and long term loans. Seasonal Loans are disbursed for crops such as Paddy, Groundnut, Pulses, Sesame, Cotton, Jute, Maize and Mustard. Credit amount 150,000 Kyat is disbursed for 1 acre for paddy and 100,000 kyat per acre is given for other stated seasonal crops. Term loans (Short Term and Development Loans) are assisted to the farmers of Sugarcane and for plantation and production of Green Tea. Moreover, Credit for agriculture assets such as Pumps, Power Tillers, Engine, Tractor, and Thrasher are also provided to the farmers for effective farming. The interest on seasonal and term loans is comparatively low with 8% per annum (Myanmar Agricultural Development Bank).

### 3.2.2 Cooperatives

In Myanmar, Cooperative movement was firstly introduced in 1904-1905 with the signing of the Indian Co-operatives Society Act. It is observed that in 1990s, British colonial authorities often used co-operatives credits to encourage formal financial sources in economic development. The Central Cooperative Society Ltd., was established in January 1975 and was restructured on March 29, 2002, in accordance with the 1992 Cooperative Society Law. (The Cooperative Movement in Myanmar, October 28, 2018)

A Cooperative in every village is aimed to be created by the government with the vision to fulfill the economic, social and cultural needs and aspirations of the co-operative societies, and strive towards sustainable development, in accordance with co-operative values and principles. These cooperatives will focus mainly on providing micro credits and they are not required to be regulated under microfinance laws. The previous research on Cooperatives sector in Myanmar by Livelihood and Food Security Fund found out that the Government intends to create over 5000 new cooperatives per year with an aim of establishing one cooperative in every village as a means of increasing microfinance institution penetration and reducing poverty in rural.

As of 31 March 2016, Central Cooperative Society (CCS) has 424 federations and 21 Unions. So the total number of membership is 445 societies. CCS collected a value of kyats 916.3 million share as at 31.3.2016 from its 445 member societies and disbursed kyats 43.18 million on share dividend to the member societies. On December 2013, the China Exim Bank Loan commenced its disbursement as the settlement of Loan agreement between the Republic of the Union of Myanmar and The People's Republic of China. Cooperatives Unions in the state and region took the activities of providing the loan disbursement to cooperative societies with repayment for once per 6 months so as to reach the members by cooperative ways. The rural people so far can save kyats 32174.34 million in interest every month if it is calculated to borrowing from outside money lenders with 10% interest rate.

The following table shows the EXIM Bank Loan disbursement to Agricultural and Production Cooperative Societies for the purpose of transformation into farm mechanization and upgrading farmland preparation in rural Myanmar (Myanmar C. C., 2019).

Table 3.2. The Loan to be borrowed by State & Region Union Cooperatives

No.	State/Region	Land Preparation (acres)	Loan Disbursement (Kyats in Million)
1	Nay Pyi Taw	1524.31	457.293
2	Kachin	1813.71	544.113
3	Kayah	269.00	80.700
4	Kayin	98.00	29.400
5	Chin	332.00	99.600
6	Sagaing	1318.84	355.895
7	Tahinthayi	1925.94	572.782
8	Bago	3694.74	1268.261
9	Magway	4412.00	1309.600
10	Mandalay	6429.67	2199.176
11	Mon	2143.53	635.587
12	Rachine	238.00	71.400
13	Yangon	3397.15	1001.508
14	Shan	6789.56	1981.184
15	Ayeyarwaddy	1525.00	909.000
	Total	35911.45	11515.499

Source: <https://www.moali.gov.mm> (2019)

### **3.2.3 Mya Sein Yaung Program**

The project has been implementing from 2014-2015 fiscal year aiming to create job opportunities for the rural peoples, to improve family income and to nourish with food security by doing agriculture and livestock partially. The State Fund, Department of Rural Development is implementing this project to convey with the people centered approach in line with the Rural Development Strategic Framework, to fulfill the needs of rural poor people being difficult to do the incoming jobs and needing the soft loan or without interest (Department of Rural Development).

The project has been implementing in beneficial villages (7790), (6497) units within (288) Townships, (70) Districts from Nay Pyi Taw Council, (14) States and Regions and (6) Self-Administrative Areas. The business plan of the project can be seen as follows;

- (a) 2014-2015 Fiscal Year, (1450) villages,
- (b) 2015-2016 Fiscal Year, (3000) villages,
- (c) 2016-2017 Fiscal Year, (2107) villages.

All the residents of the villages have to the right to fully own the fund and need to assist in administering and long lasting of the welfares. In every green village, the village green fund administration committees will be founded to administer the fund, to authorize the loan, to calculate the interest, to recollect the loan, to make settlement and to audit the financial statement. As the Ministry of Agriculture, Livestock and Irrigation is responsible to implement the MSY project, the central committee for the implementation of MSY project will be established to support the administration, financial and technological assistance. The central committee will continue taking responsibility to administer for the extended 10,000 villages.

The followings will be prioritized although the businesses are not limited because the types of businesses are different depending on the regions. The villages are selected for the project with the consultation with local community, members of the parliaments and related institutional bodies based on the following criteria.

- a. Poor village
- b. Agriculture and livestock farming ability
- c. Rule of law
- d. Willingness of villagers
- e. Smooth Transportation and peaceful territory.

- f. At least (80) households (or) more than (80). (if there is less than 80, near villages that are easy to govern must be organized)

As of 26.December 2018 figure, MSY is actively serving 6.8 million people in 10141 villages of 288 Townships in Myanmar. The different sectors of MSY project can be categorized in the following Table 3 as;

**Table 3.3. Sector Wise Activities of MSY 2018**

No.	Sector	%
1.	Agriculture	55.42%
2.	Livestock	29.32%
3.	Fishery	2.45%
4.	Electricity	0.13%
5.	Production	0.96%
6.	Trading	9.15%
7.	Other Livelihood Activities	2.57%
	Total	100%

Source: (Department of Rural Development)

The table shows that MSY has leading agriculture sector by 55.42% and benefiting rural farmers. MSY has a promising business model of managing the interest from the disbursed loans to be used in rural development activities with is different from the practices of other formal institutions. As of 2018, MSY has implemented rural development activities in 202 Villages with the interest income of 1155.438 Million Kyat (677.649 Million Kyat was contributed by the community). The rural development activities of MSY can be seen in the following Table 4 as:

Table 3.4. Village Development Activities Implemented by MSY Project

No.	Type of Activities	Numbers
1.	Infrastructure (Road and Bridges)	120
2.	Water	24
3.	Electricity	43
4.	Education	12
5.	Library	3
6.	Health	6
7.	Village Hall	4
8.	Other Development Activities	32
Total		244

Source: (Department of Rural Development)

### 3.2.4 Myanmar Microfinance Bank (MMB)

The Myanmar Microfinance Bank Limited was established on 2nd July 2013 with the permission of the Central Bank of Myanmar Under the law of Financial Institutions of Myanmar and the law of the Central Bank of Myanmar. MMB is providing financial services including Credits without collateral for low income families through Microfinance Institutions. MMB is not the direct credit provider to the rural community as they can access loans through the certain microfinance institutions funded by MMB.

The objective of the MMB Bank is to reduce the poverty of the grass roots people and to develop the social, educational, health, economic conditions of the grass roots people by opening new bank branches throughout the country. By doing so, the low income family including farmers will gain more access to the needed money. MMB is expanding its operation and the 12th Branch of MMB was opened on 10. April 2019 to provide banking services for urban customers and the rural community can access loan from MMB indirectly by the Microfinance institutions (Myanmar Microfinance Bank).

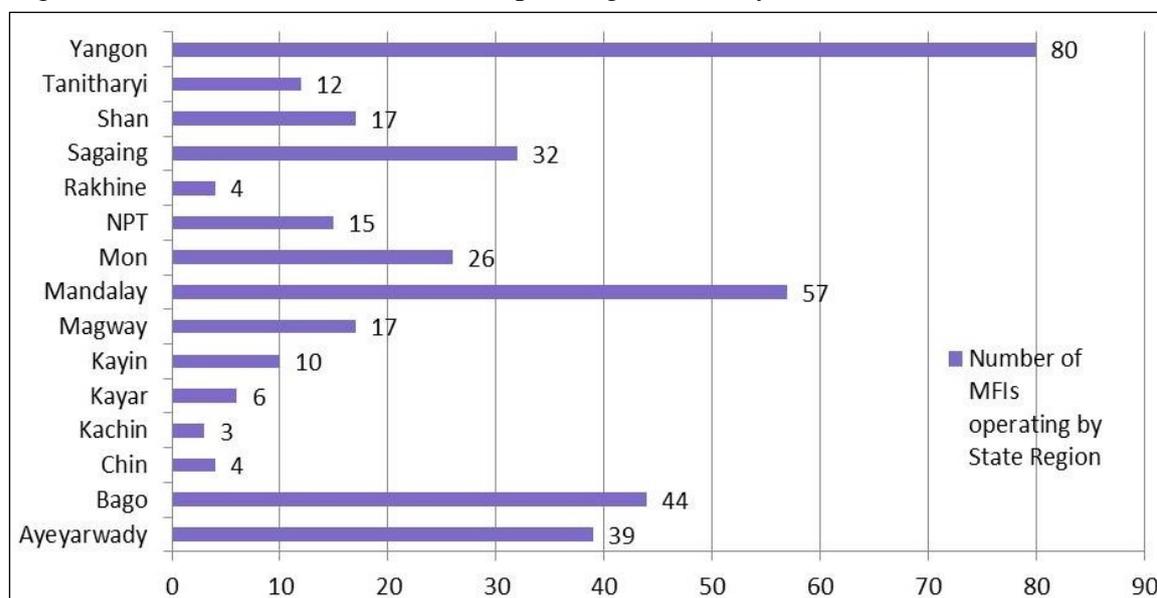
### **3.2.5 Microfinance Institutions**

The provision of effective microfinance with interest rates lower than informal sector rates becomes a powerful tool for poverty reduction in the developing country. Since, most of the rural dwellers have to get loans from informal sectors at high rates of interest. In Myanmar, Myanmar Microfinance Business Law was enacted on 30th November, 2011 and Microfinance Institutions have been permitted to increase loan size from 5 million to 10 million MMK for Micro, Small and Medium Enterprises to access financing easily especially for the unbanked rural community. The term “Microfinance Institution” is described in the Myanmar microfinance law as;

Microfinance Institution means local and foreign institutions, partnership firms companies, co-operative societies, banks and other non-banking financial institutions, formed and registered under the relevant law, which carry out microfinance business with license to carry out business by contributing the capital, charity and grant in order to reduce the poverty of the basic class people and to improve the socio-economic lives. Microfinance in Myanmar has increasingly grown over the past few years to become an important sector of financial service providers targeting low income population excluded from the regular financial system. The Government gives an important role to it and more comprehensibly to Inclusive Finance as a means to reduce poverty. In Myanmar, microfinance is among the eight priority of the National Development Strategy.

Myanmar Microfinance Association (MMFA) stated that, approximately 170 MFIs have been granted license from the Financial Regulatory Department under Ministry of Planning and Finance and they are serving more than 2 million clients, and have a total loan portfolio of approximately \$350 million. The sector includes international non-government organizations (INGOs), Foreign Microfinance Institutions and Local Microfinance Institutions. The regulated Microfinance Institutions working across Myanmar can be seen in the following Figure 3.2 as:

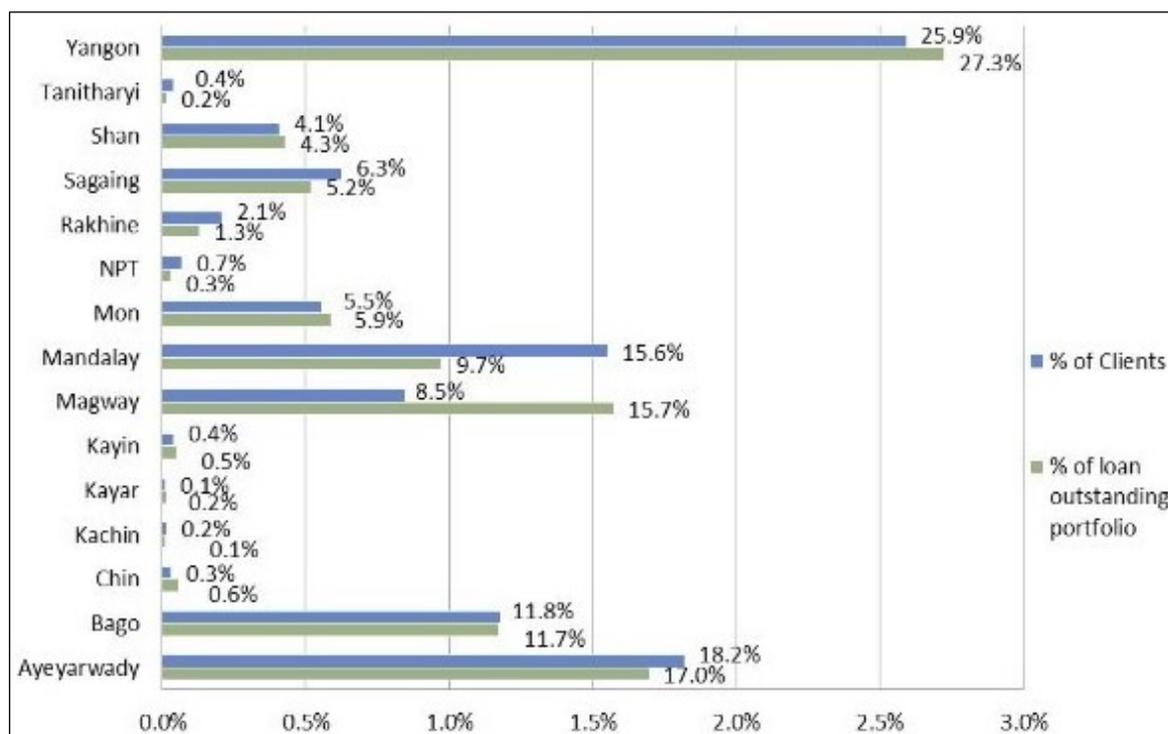
Figure 3.2. Microfinance Institutions Operating Across Myanmar



Source. Myanmar Microfinance Association

The figure describes that Yangon region is the highest number of the existence of both local and foreign Microfinance Institutions. However, geographically challenging area such as Rakhine, Kayar, Chin and Kachin is found to be the lease number of MFI existence. Along with the existence, the operation and portfolio size can be seen in Figure 3.3 as:

Figure 3.3. Distribution of clients and loan portfolio by regions and states



Source; Myanmar Microfinance Association

The role of regulators play an important role on balancing the access to MFI by the rural community as the financial services are with reasonable interest and lesser cost of borrowing compared to that of other informal service providers (MMFA). As of March 2018, the FRD listed 176 licensed MFIs under its supervision, which does not include cooperatives. The following Table 3.5 gives the information of Microfinance Institutions as of March, 2018 ( Myanmar Financial Services Report, 2018).

Table 3.5 Profile of Microfinance Institutions, March-2018

<b>Types of Microfinance Institutions</b>	<b>Numbers</b>
Local	107
Foreign	39
Joint-venture	3
INGOs	5
NGOs	22
Total MFIs	176

Source: Myanmar Financial Services Report, 2018

Among the existing entities to be licensed as MFIs were some 77 financial cooperatives, which until 2016 were under joint regulatory supervision from the MoPF and the Ministry of Cooperatives. In February of that year, the FRD placed the cooperative MFIs under the sole supervision of the Ministry of Cooperatives (Myanmar Financial Services Report, 2018). With a good number of the existing institutions, Myanmar has to ensure the effectiveness of the operations equally in urban and rural in all over the country. In the new era of information technology, the role of digitalization has spread widely and adding technology into the emerging boom of formal inclusive finance will also be a great contribution to its rural development (MMFA).

### **3.3 Digital Credit Trends for Rural Credit Market**

Digital credit in this study refers to loans that are delivered and repaid digitally, typically over a mobile phone. We differentiate digital credit from conventional loans by identifying three key characteristics: digital credit is instant, automated, and remote (Greg Chen). Digital credit has rapidly expanded in financial sector and Myanmar is one of the developing countries with high potential for evolution of technology in its booming financial markets. The ministry report states that there were roughly 36 million internet users in 2016, and that number has jumped to over 46 million 2017. Authorities estimate that about 89% of the population is access to online. This high penetration of access to internet by smart phone is a huge opportunity for the country leapfrog to mobile banking services.

Taking the advantage of technology, some financial institutions including microfinance institutions have introduced digital disbursement and cashless repayment system to the borrowers. For ticket size loans, borrowers are given either checks or directly transfer the loan amount to the accounts. Borrowers can also pay the installments through mobile banking and which saves the time and effort to visit the branch (Michelle Kaffenberger, October 2018).

### **3.3.1 Benefits of Digital Credit**

Digital credit benefits the borrowers in many different ways, as there is no requirement of borrowers' presence at the branch either for loan disbursement or repayment. It is easy, fast and access to the services in a timely manner. Normally borrowers have to spend certain transportation costs for transaction at the branch office and digital credit not only reduces the cost but also they can use it for accessing other financial services such as saving, remittance or insurance services through the financial institutions. Furthermore, it is also an effective communication channel between the suppliers and the borrowers for giving information to sending reminders for repayment.

### **3.3.2 Risks associated with Digital Credit**

Risks always come along with the new opportunity and it is the same in this emerging technology. Risks associated with usage of clients data, proper understanding of

process and terms are involved in the digital credit services. Recent research on usage of digital credit in Kenya and Tanzania has found that borrowers face issues of mistaken and unauthorized transactions and the potential risks of data security and privacy. The role of credit suppliers plays vital in educating the borrowers in every aspect of potential risks related to digital financial services (Michelle Kaffenberger, October 2018).

### **3.4 Financial Education for Financial Health**

The role of the suppliers and the regulators is to cope with the speed of development in the sector. With the introduction of new technology and information of new types of formal credit services, the suppliers should provide financial education to the borrowers so that they will be able to differentiate the types of credit products available, proper management of credit and make proper usage of credits in the different stages of the life cycle. An individual is financially healthy when he/she is equipped with the following characteristics.

- a. Balance income and expense
- b. Have plans and priorities
- c. Building and maintaining reserves
- d. Managing and recovering from financial shocks
- e. Managing existing debts and access to potential resources
- f. Usage of the effective financial tools

Financial literacy is beyond financial inclusion that should be provided along with the financial services to the borrowers especially people living in rural area by the service suppliers with the proper guidance of the governing body. Therefore, the second level will be promoting financial health through regular monitoring and measuring levels of access to formal financial services can reduce poverty and contribute to achieving goals for rural development (Microcredit Rating International Limited).

## **CHAPTER IV**

### **ANALYSIS ON SURVEY RESULT**

#### **4.1 Profile of Study Area**

Yangon Regions was found out to be the maximum number of licensed microfinance institutions in operation. Taikkyi Township was selected for the study as it was the host for all categories of credit sources including Saemaul Undong Myanmar project developed by Korea, Mya Sein Yaung, Cooperatives and Self Help Group. Based on the primary data from the Myanmar Microfinance Association, it was found out that total 11 microfinance institutions which include 7 Foreign MFI, 3 Local MFIs, 1 NGOs are operating in Taikkyi Township. The 71% of the rural population in the Township matches with the objective of the study to explore all categories of credit sources and to find out the contributions to rural development.

#### **4.2 Study Design**

The survey was designed in application of both quantitative and qualitative data collection tools. Quantitative method is used to identify the credit sources accessible by the target households with structured questionnaire whereas the role of formal credit for rural development is accessed by Key Informant Interviews.

##### **4.2.1 Sampling Design and Method**

Random sampling method was used in selection of the villages whereas screening question and Snowball method were applied to identify the households with outstanding loans or loan in the past 12 months using the Indicator developed by World Bank. A household is chosen as a unit of measurement to find out the overall credits accessible by the household members, and one respondent from each unit matching with the criteria

was interviewed. Total 10 respondents representing 10 household from a village were screened out and total 100 respondents from 10 villagers were interviewed using the structured qualitative questionnaire. For KII, 1 Village committee member and 1 group

leader of the credit source from each village were individually interviewed and 20 KIIs in total were collected for qualitative data collection. The distance of the random selection of villages and detailed number of quantitative and qualitative surveys are presented in the following Table 4.1.

Table 4.1 Number of Villages and Key Informant Interviews

No.	Village	Distance to Township	Number of Household Survey	KII Codes
1	Kan Kone	8 km	10	1,2
2	Aye Thit Sar	9 km	10	3,4
3	Ein Yet Gyi	12 km	10	5,6
4	Payargyi	9 km	10	7,8
5	Paing Lone Su	6 km	10	9,10
6	A Lae Ywar	10 km	10	11,12
7	Nyaung Lay Pin	4 km	10	13,14
8	Yin Deik Kwin	7 km	10	15,16
9	Kyeik Sa Gaing	12 km	10	17,18
10	U To	15 km	10	19,20
Total (10) Villages			(100) Household Surveys	(20) KIIs

Source: Survey data, 2019

#### 4.2.2 Questionnaire Description

There quantitative survey questionnaire comprises five main areas to cover the objectives of the study. It starts with the screening question in order to find out the target household for the study. The interview can proceed only the respond is positive to the screening questions. The other categories in the quantitative data includes household demographic data, income sources, credit information, satisfaction levels, access to

mobile phones and exposure to mobile banking services. The qualitative data aims to capture the role of formal credit sources in the rural development Activities including the demographic information of each village, types of credit sources, and development activities associated with the credit sources are highlighted in five diverse areas.

### **4.3 Analysis on Quantitative Survey Data**

The study collected demographic information of the targeted population which includes gender, education and main income sources. Gender information helps to understand the gender dominating in accessing the credit market. The education level of the respondents is key to differentiate the financial products whereas types of income generating activities are main sources for repayment. Each demographic information of the respondents is presented in the following categories.

#### **4.3.1 Profile of the Respondents**

Total 100 respondents age ranging from 25 to 75 years old males and females were individually interviewed for the study. Female are mostly associated with the credit services available in the areas presenting 87 % followed by 13% of males. It was also found out that females are more informative about the context of the study as well as more interested to participate in the interviews.

Education background plays crucial role in supporting the people in order to differentiate formal and informal sources, calculate the interest on loans and savings. Most important of all to compare the various financial products available and able to make right decision in choosing the appropriate products matching with their cash flow. According to the survey result, 44% of the respondents have dropped out from school with the primary education level followed by 33% of middle school education. The lowest education level stands at 5% and, 4% of the respondents stated to have university or college education. The overall education level of the respondents can be easily seen in the following Table 4.2

Table 4.2 Education Levels of Targeted Respondents

No.	Education Levels	Frequency	Percentage (%)
1.	No education	5	5%
2.	Monastic Education	2	2%
3.	Primary	44	44%
4.	Middle	33	33%
5.	High	12	12%
6.	University	4	4%
Total		100	100%

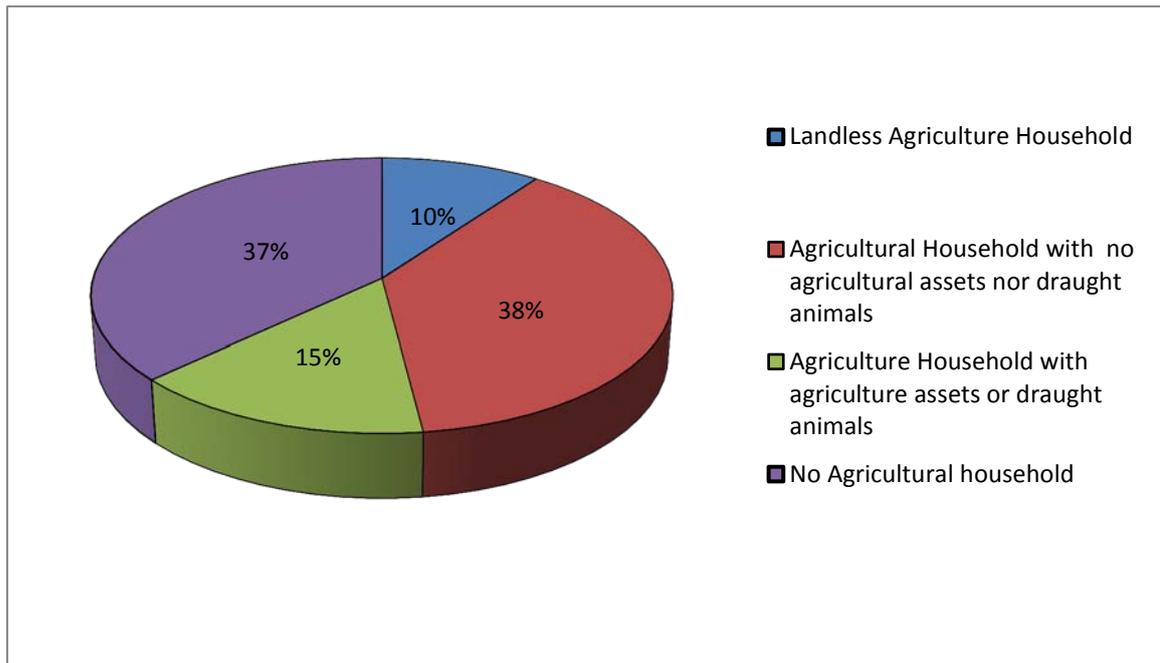
Source: Survey data, 2019

The majority of the population, 44% of the respondents have identified to be in primary education. It stated the requirement of effective communication about the credit information and importance of financial literacy to be considered by the credit suppliers.

#### 4.3.2 Main Income Sources of the Target Households

The study indicates that 63% of the total households are related to agriculture based economy. Among them 10% of the respondents do not have own land but the income is generated from the agriculture source, such as share croppers or agriculture labors whereas the 38% stated as getting income from agriculture households but not having agriculture assets nor agricultural animals to use in farming. 15% of the household was found to be getting income from agriculture as well as ownership to either agricultural assets or agricultural animal. However, 37% of the household is identified that the income is not engaged in any agricultural related economy despite living in the rural area. The income categories of the household studied is shown in the following Figure 4. 1

Figure 4.1 Targeted Household Under Income Categories



Source: Survey data, 2019

The study identified that 38% of agricultural households accessed to neither agricultural assets nor draught animals whereas only 15% of the household has accessed to either of the assets. It stated that among the category of farmer, only the small portion of the population have accessed to agricultural related assets. The assets not only show the productivity of the business, it also presents the credit worthiness of the person who is accessing loans from the suppliers. In addition, 63% of the target population was identified to get involved in agricultural economy and specialized credit facilities should be designed to this population.

### 4.3.3 Income sources of the Targeted Households

The household data indicated that the targeted households from the selective area carried out total 200 income generating activities. The majority of the households income was agriculture which was 28% followed by 25% salaried jobs as the villages were close to Myaungtaga and Hmawbi Industries. Small trading was carried out by 15% whereas 12% of the households were earning from service sector. Other various income sources indicated were casual labors 9%, livestock 6%, remittance 3% and pension by 2% of the earning member of the overall targeted household as shown in Table 4.3.

Table 4.3 Income Sources of the Targeted Household

No.	Name of Income Sources	Frequency	%
1.	Agriculture	56	28%
2.	Salaried Jobs	51	25%
3.	Trading	30	15%
4.	Service	24	12%
5.	Casual Jobs	19	9%
6.	Livestock	11	6%
7.	Remittance	6	3%
8.	Pension	3	2%
Total income sources		200	100%

Source: Survey data, 2019

Since the major portion of the population, 28% getting income from the agriculture business can be considered as a repayment indicator. As the family cash flow is directly linked with the business income, the timing of loan disbursement and repayment can be scheduled inappropriate to the business season. The contribution from salaried jobs also indicates the stable monthly income of the family members and it can also be a useful indicator in examining the other income of the overall household.

#### **4.3.4 Volume of monthly Income of the Households**

Regular monthly income of the households is directly linked with access to credits facilities. The study identified the overall monthly income of households from various sources ranging from 80,000 Kyat to 1,600,000 Kyat in maximum including income from agriculture. The majority of the household income ranged from 80,000 to 300,00 Kyat and 500,001 - 1,000,000 Kyat are found out to be responded by 32% equally. The monthly income is also a useful determinant of cash flow analysis to access the credit facilities and the details is categorized in the following Table. 4.4.

Table 4.4 Monthly Income of Targeted Household

No.	Monthly Income Range	Number of Household	Percentage (%)
1.	80,000 - 300,000	32	32%
2.	300,001 - 500,000	34	34%
3.	500,001 - 1,000,000	32	32%
4.	1,000,001 - 1,600,000	2	2%
Total Number of Household		100	100%

Source: Survey data, 2019

#### 4.3.5 Annual income from Agriculture

The annual agricultural income ranged from minimum 500,000 Kyat to 7,200,000 in maximum depending on the type of crops and number of farmland belongs to the farmers. Distribution of income from Agriculture business can be seen in following Table 4.5

Table 4.5 Household Annual Income from Agriculture

Number of Agricultural Household	Minimum income	Maximum income	Mean
63	500,000	7,200,000	2,067,857.14

Source: Author's calculation

#### 4.4 Credit Sources Accessible by the Households

The study identified total 147 loans accessible from 11 credit sources by 100 respondents with current outstanding loans or loans in last 12 months. Total number of loans accessible by the respondents was recorded as 147. Among them, 49% of loan was the maximum number taken from the microfinance institutions followed by 13% from the informal money lenders. The other sources were categorized as 9% from Myanmar Agriculture Development Bank (MADB), 7% equally from Mya Sein Yaung Project, Cooperatives and Saemaul Undong (SMU), 3% from Pawnshops, 2% from Self Help

Group, 1% each from Friends and Family, Suppliers, School Loan and Saving Group as shown in Table 4.6.

Table 4.6 Credit Sources Accessible by the Households

No.	Name of the Credit Source	Frequency	%
1.	Microfinance Institutions	72	49%
2.	Money Lenders	19	13%
3.	MADB	13	9%
4.	Cooperatives	11	7%
5.	Mya Sein Yaung	10	7%
6.	Saemaul Undong	10	7%
7.	Legal Pawnshops	4	3%
8.	Self Help Group	3	2%
9.	Suppliers	2	1%
10.	Friends and Family	2	1%
11.	School Loan and Saving Group	1	1%
Total number of loans		147	100%

Source: Survey data, 2019

#### 4.4.1 Number of Credit Accessible by the Households

The survey data presented that 100 households were accessed to 147 credits. The 63% was accessed to only 1 credit whereas 30% was taken 2 credits, 4% was accessed to 3 credits and 3% was accessed to maximum 4 loans respectively as presented in the following Table 4.7.

Table 4.7 Number of Credit Taken by the Households

No.	Number of Credit Source	Frequency	%
a.	1	63	63%

b.	2	30	30%
c.	3	4	4%
d.	4	3	3%
Total		100	100%

Source: Survey data, 2019

#### 4.5 Categories of Credit Sources

The study highlights the types of credits sources which households had associated in three different categories such as Informal, Semi Formal and Formal Credit Sources. It was identified that among the 147 loans in total, 15% of the loans belonged to Informal Credit Sources, 10% from Semi Formal Credit Sources and 75% of the loans were taken from the Formal Credit Sources.

##### 4.5.1 Informal Credit Sources (15%)

Based on the finding data, total 15% of the sources were identified as informal sources such as money lenders, friends and family and the suppliers. Interest rate charged by the informal lenders ranged from 5% to 20%. However it was stated to be reliable and helpful sources particularly in the urgent situations such as debt repayment, emergency health care and household consumption. The respondents stated the benefits of taking loans from the informal sources as fast process, neither requirement of paperwork nor assessment of the loan purpose and most of all the flexible loan repayment despite the higher interest rate compared to formal and other semi-formal sources available in the areas. The common informal sources identified in the targeted villages were the money lenders with the highest percentage of 13% followed by 1% each from Suppliers and Friends and Family as shown in Table 4.8.

Table 4.8 Informal Credit Sources (15%)

No.	Name of Informal Sources	Frequency	%
1.	Money Lenders	19	13%
2.	Suppliers	2	1%
3.	Friends and Family	2	1%
Total Number of Credit from Informal Sources		23	15%

Source: Survey data, 2019

#### 4.5.2 Semi-Formal Credit Sources (10%)

Despite the formal credit sources are being promoted by the government and the regulated suppliers, it was found out in the study that 10% of the sources were taken from semi-formal sources such as Saemaul Undong Village Development Program, other Loan and Saving Groups organized by international or local firms. Unlike the formal credit suppliers, these sources are neither regulated nor supervised by a supervisory body of the country. Their interest rate varies from 1.5% to 2.5%. The major portion of the credit is taken as 7% from Saemaul Undong (SMU) village development project by Korea followed by 2% from Self Help Group and 1% from School Loan and Saving Group as presented in Table 4.9.

Table 4.9 Semi Formal Credit Services (10%)

No.	Name of the Credit Source	Frequency	%
1.	Saemaul Undong (SMU)	10	7%
2.	Self Help Group	3	2%
3.	School Loan and Saving Group	1	1%
Total Number of Credit from Semi-Formal Source		14	10%

Source: Survey data, 2019

#### 4.5.3 Formal Credit Sources (75%)

In the study area, 5 formal credit sources were recorded from 100 respondents and which is the 75% of the overall credit sources. Among the formal credit sources, microfinance institutions were recorded as the highest accessible source with 49% of the total loan sources. Credit from the Microfinance institutions were taken by a group of 5 members with group liability paying 2.5% monthly interest rate. Respondents stated that purpose of the credit at the institutions and affirmed that majority of the credits were mainly utilized in the stated purposes. Credit from Myanmar Agriculture Development Bank was identified as 9% of the accessible credit sources followed by 7% Cooperatives for the purpose of mainly invested in agriculture business. Credit from Mya Sein Yaung government development project was recorded as 7% for agriculture and livestock business. 3% was taken from registered pawnshops and the loan purposes were mainly

stated for household requirements, business investment and children education. Among the overall 147 credit sources, total 75% was credit taken from formal regulated sources and it is presented in following Table 4.10.

Table 4.10 Formal Credit Sources (75%)

No.	Name of the Credit Source	Frequency	%
1.	Microfinance Institutions	72	49%
2.	MADB	13	9%
3.	Cooperatives	11	7%
4.	Mya Sein Yaung	10	7%
5.	Legal Pawnshops	4	3%
Total Number of Credit from Formal Source		110	75%

Source: Survey data, 2019

#### **4.6 Loan Size and Loan Outstanding**

The loan amount taken by the individual respondents as well as the loan outstanding ranged from 15,000 Kyat from Informal Credit Source to 3,000,000 Kyat loan taken from Formal Credit Source. The average loan size and loan outstanding are considered to be the typical indicators of debt burden of the borrowers, and in this study, the detailed information was highlighted under each category.

##### **4.6.1 Loan Size and Loan Outstanding of Informal Credit**

The average loan size of the Informal Credit Sources was found out to be 925,000 Kyat which was the highest loan amount of the Suppliers followed by 600,000 Kyat of Friends and Family and 620,000 Kyat of the Money Lenders whereas loan outstanding ranged from 925,000 Kyat, 600,000 Kyat and 510,000 Kyat respectively. The average loan amount and outstanding were found out to be the same in Suppliers and Friends and Family, it was because these loans were recently taken or they practice at a time

repayment system. Table 4.11 presents the detailed information of the Informal Credit Sources.

**Table 4.11 Average Loan Size and Outstanding of Informal Credit**

<b>Informal Credit Sources</b>	<b>Average Loan Size</b>	<b>Average Loan Outstanding</b>
Suppliers	925,000	925,000
Friends and Family	600,000	600,000
Money Lenders	620,000	510,000

Source: Survey data, 2019

#### **4.6.2 Loan Size and Outstanding of Semi Formal Credit**

The average loan size of the Self Help Group was identified as 320,000 Kyat with the average outstanding of 200,000 Kyat. In the case of Saemaul Undong and School Loan and Saving Group the average loan amount was 200,000 Kyat and loan outstanding was 200,000 Kyat and 100,000 Kyat accordingly. The average loan amount and loan outstanding of the SMU were the same as the loan was collected in at a time repayment system. The details can be seen in the following Table 4.12.

**Table 4.12 Average Loan Size and Outstanding of Semi Formal Credit**

<b>Semi-Formal Credit Sources</b>	<b>Average Loan Size</b>	<b>Average Loan Outstanding</b>
Self Help Group	320,000	200,000
Saemaul Undong (SMU)	200,000	200,000
School Loan and Saving Group	200,000	100,000

Source: Survey data, 2019

### 4.6.3 Loan Size and Outstanding of Formal Credit

The study identified that the highest average loan amount under the formal credit sources was offered by MADB with at a time repayment and 1,000,000 Kyat was found out to be the same for its average loan size and outstanding. Average Loan Size of the Microfinance Institutions was 530,000 Kyat with the outstanding of 300,000 Kyat as the repayment was paid in installment mechanism. The average loan size of Cooperative was 500,000 Kyat with the outstanding of 200,000 Kyat followed by Mya Sein Yaung 340,000 Kyat average loan size and 260,000 Kyat in average outstanding amount. Average loan size of the Legal Pawn Shops was identified in the study as 150,000 Kyat with the average loan outstanding of 115,000 Kyat due to its flexible repayment system. The comparison of average loan size and outstanding amount of each Formal Credit Source is presented in the following Table 4.13.

Table 4.13 Average Loan Size and Outstanding of Formal Credit

<b>Formal Credit Sources</b>	<b>Average Loan Size</b>	<b>Average Loan Outstanding</b>
MADB	1,000,000	1,000,000
Microfinance Institution	530,000	300,000
Cooperatives	500,000	200,000
Mya Sein Yaung	340,000	260,000
Legal Pawn Shops	150,000	115,000

Source: Survey data, 2019

### 4.7 Financial Literacy and Satisfaction Levels of the Respondents

The study beheld the role of financial literacy awareness provided by the credit suppliers and it was found out that 56% of the target population had received financial awareness trainings. These trainings were provided by the formal financial institutions in order to promote awareness on the services in terms of pricing, proper utilization of loan and guidance on multiple lending practices. However, 44% stated that neither the respondent nor at least a member in the households had ever received any financial related awareness provided by their suppliers. The comparison between access to

financial literacy and not accessible by the targeted population in the study area is presented in the following Table 4.14

Table 4.14 Status of Financial Literacy Trainings by Households

<b>Types of Households</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Received Financial Literacy Training	56	56%
Never Received Financial Literacy Training	44	44%

Source: Survey data, 2019

The study further explored the financial literacy level of all target respondents in five different areas such as awareness of loan products, the interest on loans, awareness of over-indebtedness, grievance redressed mechanism by the suppliers and the main difference between formal and informal credit services. The responds were categorized into 3 point scale and scores by the all targeted respondents in the areas is presented accordingly in the following Table 4.15

Table 4.15 Financial Literacy Levels of the Respondents

<b>Categories</b>	<b>Aware</b>	<b>Uncertain</b>	<b>Not Aware</b>	<b>Total</b>
Aware of Loan Products	43	37	20	100%
Interest on Loans	55	36	9	100%
Aware of Overindebtedness	72	23	5	100%
Grievance Redressal	37	36	27	100%
Aware of Credit Sources	65	28	7	100%

Source: Survey data, 2019

#### 4.7.1 Satisfaction level on the Credit Sources

The study explored the satisfaction level of the respondents in 4 points scale parameters and 47% of the respondents stated that they are very satisfied with the financial sources followed by 36% who were just satisfied. The 14% of respondents were neither satisfied nor unsatisfied situation where as 3% stated that they were not happy with their credit facilities. The study further explored the uncertainty and un-satisfaction and the common comments and it was found out to be insufficient loan amounts, inappropriate repayment frequency, high interest rate and too many paper work requirements by the credit suppliers.

Table 4.16 Satisfaction Levels of the Respondents

<b>Rankings</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Very Satisfied	47	47%
Satisfied	36	36%
Neutral	14	14%
Not Satisfied	3	3%
Total Responds	100	100%

Source: Survey data, 2019

In terms of ranking the credit services by the respondents, microfinance institutions ranked as the highest score with 62% particularly for its installment system in repayment and gradual increase in loan amounts. Informal sources were still ranked by 17% of the respondents as they had preference on rapid loan processing and ease of approach. Mya Sein Yaung was ranked to be the first credit source by 10% of the respondents as its utilization of the interest on loan was for the village development. Credits from MADB was ranked to be the most reliable source by 7% of the respondents as the loan amount is very useful investment for the farming as well as its relatively lower interest rate. Cooperatives was ranked by only 4% of the respondents as the loan amount is still comparatively lower than that of other available credit sources.

Table 4.17 Ranks of Credit Sources

<b>Credit Sources</b>	<b>Frequency</b>	<b>Percentage (%)</b>
MFI	62	62%
Informal Sources	17	17%
Mya Sein Yaung	10	10%
MADB	7	7%
Cooperatives	4	4%

Source: Survey data, 2019

#### **4.8 Access to Mobile Phones by the Target Population**

The study also found out the role of potential technology in Credit Market through the accessibility of mobile phones by the households. It was identified that 93% of the household had at least one mobile phone in the household whereas only 7% of the household was lack of accessing to mobile phones and details is presented in Table 4.18.

Table 4.18 Status of Access to Mobile Phones by the Households

<b>Accessibility Status</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Access to Mobile Phones	93	93%
No Access to Mobile Phones	7	7%
Total	100	100%

Source: Survey data, 2019

#### 4.8.1 Types of Mobile Phone Accessible by the Respondents

Among the 93% of the stated Households accessed to mobile phone, the study found out that 88% of the Household has accessed to smart phones whereas only 12% has used feature phones which was mainly useful the communication. The types of mobile phones accessible by the 93% of the household are presented in the following Table 4.19.

Table 4.19 Types of Mobile Phone Accessible by the Households

Types of Mobile Phones	Frequency	Percentage (%)
Smart Phones	88	88%
Feature Phones	12	12%
Total	100	100%

Source: Survey data, 2019

#### 4.8.2 Access to Mobile Banking

The study accessed the trends of mobile banking usage by the target population and 44% of the respondents said their household have ever accessed to mobile banking services through the agent. The survey data also verified that 56% of the Household have not accessible to any mobile banking services yet.

Table 4.20 Access to Mobile Banking by the Households

Accessibility Status	Frequency	Percentage (%)
Access to Mobile Banking	44	44%
Never Access to Mobile Banking	56	56%
Total	100	100%

Source: Survey data, 2019

#### 4.9 Analysis on Qualitative Survey Data

The study approached Key Informant Interviews for qualitative data collection and total 20 interviews were conducted equally 2 in each village. It was found out by the interviews that all the 10 villages had access to electricity, 3 villages had accessed to concrete roads followed by 6 villages with fair condition whereas 1 village was in poor road accessibility. The number of formal credit suppliers existed in each village was listed during KII and it ranged from 3 to 8 credit suppliers. The development profile of all the target villages including existence of school, clinic and the distribution of formal and semi-formal credit institutions can be seen in the following Table 4.21.

Table 4.21 Profile of Sample Villages

No.	Village	Access to Electricity	Road Condition	School	Clinic	No. of Formal Credit Suppliers
1	Kan Kone	Yes	Fair	Primary	No	7
2	Aye Thit Sar	Yes	Fair	No	No	3
3	Ein Yet Gyi	Yes	Good	Primary	Yes	5
4	Payargyi	Yes	Fair	High	Yes	6
5	Paing Lone Su	Yes	Fair	Primary	Yes	6
6	A Lae Ywar	Yes	Poor	Primary	No	3
7	Nyaung Lay Pin	Yes	Fair	Primary	Yes	7
8	Yin Deik Kwin	Yes	Good	High	Yes	8
9	Kyeik Sa Gaing	Yes	Fair	Middle	Yes	5
10	U To	Yes	Good	Primary	Yes	7

Source: Survey data, 2019

The qualitative survey data supported that the formal credit suppliers offer credit and other financial services such as saving, credit linked insurance and financial literacy trainings to the clients. Credit linked insurance stated by the respondents was that some amounts were granted to the respective female clients in the case of child delivery and all outstanding amount is written off in the case of client's death. The study also found out the contribution to village development by Mya Sein Yaung Project in Nyaung Lay Pin Village. Loan amount 30,000,000 kyat was provided to the village of 130 Households and average loan amount 300,000 kyat to 500,000 kyat was disbursed to around 100 HH in one year loan tenure. The annual interest rate on loan is 1.5% and repay monthly. The interest rate contributed by the borrowers is aimed to purchase a Transformer for the village. Apart from Mya Sein Yaung Project having activities aimed for the village infrastructure development no other Formal Credit Providers have been found out to be doing village development activities.

In the case of semi-formal credit suppliers, Saemaul Undong Project was run by Non-Government Organization and has shared its own development experience with other around 20 nations across the world including Myanmar. One of its objectives is contribution to poverty reduction in developing countries in order to provide new village model for the villagers. In Yin Deik Kwin Village, loan and saving group under Saemaul Undong Project had been actively running since 2014 and equal loan amount of 200,000 kyat was disbursed to 250 Households in a group of three people. The purpose of the loan was to generate income by investing in the business and repayment was collected at a time after 6 months. Apart from providing loans and saving mobilization, capacity building and uplifting the livelihood standards of the residents, the project had contributed in the village infrastructure development by a fully constructed Village Assembly Hall and Concrete roads for the village. The core activities of the Formal and Semi Formal Credit in the study areas are presented in the following Table 4.22.

Table 4.22 Core Activities of the Credit Suppliers

No	Credit Suppliers	Core Activities
1	Microfinance Institutions	Lending and Saving Mobilization, collected interest rate is used to cover operation expense and its long term sustainability as well as Profit.
2	Myanmar Agricultural Development Bank	Lending to farmers for agriculture purposes and there is no other village development activities found out by the study.
3	Cooperatives	Lending for agriculture purposes and no other contribution to village development is found out by the study.
4	Legal Pawnshops	Lending with collateral at a well-established shop and it's a profit taking business.
5	Saemaul Undong	Lending and saving mobilization and the interest on loan is used to scale up the capital in order to access larger loan size as well as for the village infrastructure development.
6	Self-Help Groups	Self-Help groups are currently run by the community members and saving and credits are the regular products available in the groups. Interest on Credit is used to increase the capital and no physical contribution to village development is observed in the study.

7	Mya Sein Yaung Project	Mainly credit is provided to the villagers for their income generating activities and interest on loans is used for village development activities.
---	------------------------	---

Source: Survey data, 2019

#### **4.10 The role of Formal Credit for Rural Development**

The KII data highlight the role of formal credit for rural development activities and five key areas were found out to be the direct implementation of the formal credit suppliers. The key five areas were Credit for Business Improvement, Women Empowerment, Knowledge Acquisition, Decrease Dependency on Informal Lenders and Village Infrastructure Development. The results on Key Informant Interview are presented along with the related questions under each five development area as follows.

**KII Code**

**Key Development Areas**

**KII 1 to KII 20**

**(1) Credit for Business Improvement**

Question (C): 1. What types of services are available in the village? 2. Purposes for which loans are given for? 3. Repayment mode and repayment frequency? 4. How is it helpful to the business of the borrowers?

Based on the responds of the key informants, credit is the common facility provided by all the suppliers. It was noted that for microfinance institutions, loans are given mainly for income generating activities such as agriculture, livestock, trading and services followed by proper loan utilization check one month after disbursement. It was responded that loans from the microfinance institutions were very helpful for investing in the business and the installment system makes the borrowers convenient in repayment.

It was also found out by the KII that MADB, Mya Sein Yaung and Cooperatives provides credit mainly for agriculture businesses and the sources are preferable for at a time repayment after 6 months to 1 year. The respondents added that credit from these providers are helpful throughout the business season from land preparation, agricultural inputs to the harvest.

**KII 1 to KII 20           (2) Women Empowerment**

Question (D): 1. What difference has the formal institutions made to women in your community? 2. To what extent have they provided them with greater respect in the community? 3. How has it achieved?

The key informants agreed that women have been empowered in association with the formal credit sources in terms of access to credit, increase in household level decision making and financial confidence to scale up the business with the loans.

It was also added that the women have increased in communication and public speaking skills due to frequent meetings and trainings held by the formal credit institutions. Women are also given leadership roles in their respective groups formed by the formal credit institutions. Therefore, in general, women who have associated with formal credit institutions have many more opportunities to have been empowered compared to women accessed to informal credit services.

**KII 4,9,11,15,16       (3) Knowledge Acquisition**

Question (E): 1. Has any of the financial institution helps to improve the financial literacy of people and increase their finance awareness? 2. Which credit providers have done it? 3. And how has it achieved?

The key informants stated that formal credit providers provide basic financial literacy trainings to the members before giving loans. The training normally takes 1 to 3 days and the topics covered in the trainings are Household Cash Flow Management, Proper Loan Utilization, Basic Business Management and Team Building.

In the case of SMU, the semi-formal source, it was found out by KII (15, 16) that the credit without capacity building is of no use and financial literacy is considered as one of the project components. During 2016 to 2018, trainings on agriculture, livestock and gender awareness are given to the villagers along with the exposure trips.

**KII 1 to 20           (4) Decrease Dependency on Informal Lenders**

Question (F): 1. Where do people go if they need to borrow some money? 2. Are there any changes in selection of the lenders? 3. To what extent the formal institutions have been able to reduce the dependence of clients on moneylenders? 4. How has the presence of local moneylenders in the project areas changed?

The key informants also pointed out the changes in the credit market of the village in terms of dependency on vary credit providers. 20 key informants from 10 villages stated that number of informal money lenders have decreased whereas 5 respondents said the number still remains the same and 5 respondents argued with the increasing number.

It was also noted that in the case of remaining the same number, there are changes in their lending practices as decrease in interest on loans or they started providing more flexible loan repayment structure. However, increasing number responded by the 5% also needs to be considered as thread by the formal credit providers especially where there is high level of defaults and multi formal credit sources to prevent over-indebtedness.

#### **KII 13,14, 15,16 (5) Village Infrastructure Development**

Question (G): 1. What do you understand the objectives of the formal institutions? 2. Do you think their objectives have been achieved? 3. Have they involved in any of the village infrastructure development activities? 4. If yes, what ways are those contributions?

The key informants responded that there are needs in village infrastructure development such as water and sanitation, school, access to electricity and better road conditions. Semiformal credit suppliers such as Mya Sein Yaung and SMU have contributed in village infrastructure development.

Key informants (KII 13, 14) from Nyaung Lay Pin Village said that they have chosen Mya Sein Yaung because it has aimed to village development activities. In the village a transformer is planned to purchase with the interest from the loans for better access to electricity and it is considered as part of their contribution to the village development.

In the case of SMU, (KII 15, 16) although the loan amount 200,000 kyat is equally disbursed to the villagers it is insufficient compared to that of other financial services in the village; the villagers considered themselves contributing the interest to the project which was doing village development activities such as construction of bridge, concrete roads and

township hall.

## REFERENCES

- Atieno, R. (2009). *Linkages, Access to Finance and Performance of Small Scale Enterprises in Kenya*. Paper No. 2009/06.
- Bank, W. . *Financial Inclusion*. Retrieved from <https://www.worldbank.org/en/topic/financialinclusion>
- Bigsten. (2003). *credit-constraints-in-manufacturing-e/*. Retrieved from <https://prezi.com>  
<https://prezi.com>
- Chandrakumara, (2012) D.P.S: *Credit for Rural Development*
- Client Protection Principles. (2019). Retrieved from <https://www.smartcampaign.org>
- Department of Rural Development. (2019). <http://drdmyanmar.org/>.
- Department, F. R. (2019). Retrieved from FRD: <http://www.frd.gov.mm/>
- Financial Health Network. (2019). Retrieved from <https://finhealthnetwork.org/>
- Financial Inclusion Roadmap (2014-2020). [https://www.lift-fund.org/sites/lift-fund.org/files/publication/UNCDF\\_myanmar\\_fi\\_roadmap\\_3\\_Apr\\_2015.pdf](https://www.lift-fund.org/sites/lift-fund.org/files/publication/UNCDF_myanmar_fi_roadmap_3_Apr_2015.pdf).
- FRD. (2019). Financial Regulatory Department. Retrieved from <http://www.frd.gov.mm/>
- Greg Chen, R. M. (2019). *Digital Credit Trends*. Retrieved from <https://www.cgap.org/blog/instant-automated-remote-key-attributes-digital-credit>
- Kaino, T. (2005). *Rural Credit Markets in Myanmar. A Study of Formal and Non-Formal Lenders*.
- LIFT. (2013). *FinScope Myanmar*. Retrieved from <https://www.lift-fund.org/finscope-myanmar-2013-survey-highlights>
- Microcredit Rating International Limited. Retrieved from <http://www.m-cril.com/>
- Ministry of Planning and Finance. <https://www.mopf.gov.mm/my/content/myanma-agricultural-development-bank-news>.
- MMFA. Retrieved from Myanmar Microfinance Association : <https://www.myanmarmfa.com>
- Myanma Agricultural Development Bank. (2019). <https://www.mopf.gov.mm/my/content/myanma-agricultural-development-bank-news>.
- Myanmar - Rural population. (2016). Retrieved from <https://tradingeconomics.com/myanmar/rural-population-percent-of-total-population-wb-data.html>

- Myanmar Microfinance Bank. Retrieved from <http://www.mmbbank.com.mm/>
- National Level Work-shop on Rural Development and Poverty Alleviation. (2011). In T. N. Myanmar. <http://www.burmalibrary.org/docs11/NLM2011-06-21.pdf>.
- Nkurunziza, J. (2005). *The Effect of Credit on Growth and Convergence of Firms in Kenyan Manufacturing*.: CSAE Working Paper Series 2005-01.
- Nwaru, J. C. (2004). *Rural Credit Markets and Resource Use in Arable Crop Production in Imo State of Nigeria*. Ph.D Dissertation, Michael Okpara University of Agriculture, Umudike, Nigeria.
- The Cooperative Movement in Myanmar. (October 28, 2018). <http://www.globalnewlightofmyanmar.com/the-cooperative-movement-in-myanmar/>.
- Social Performance Task Force*. Retrieved from <https://sptf.info/>
- Thorsten Beck, A. D.-K. (2005, February). *Small and Medium-Size Enterprises*. Retrieved from <http://siteresources.worldbank.org/DEC/Resources/84797-1114437274304/WBRO-SME-final.pdf>
- World Bank (2017): <https://www.worldbank.org>

**Yangon University of Economics**

**Master of Development Studies**

**Household Survey Questionnaire**

**Zaw Min Naing**

**EMDevS-57**

--

**1. Enumerators' & Village Details**

<b>Enumerator's Name</b>	<b>Village</b>	<b>Village Tract</b>	<b>Date</b>	<b>Form No.</b>

**2. Respondent Details**

<b>Name</b>	<b>Gender</b>		<b>Marital Status</b>		
	<b>Male</b>	<b>Female</b>	<b>Yes</b>	<b>No</b>	<b>Other</b>
	1	2	1	2	3

**^ Other can be spouse separated, divorced or diseased.**

## 2.1 Education Level

Highest Education Level		For Spouse (if applicable)	
No	0	No	0
Monastic Education	1	Monastic Education	1
Primary	3	Primary	3
Elementary	5	Elementary	5
High School	7	High School	7
University	9	University	9

## 3. Household Level

### 3.1 Household Details Q1 of PPI

18 Years Old		6 to 18		>6 Years Old	
Male	Female	Male	Female	Male	Female

Q2 of PPI

### 3. Livelihood Income Category

Household Income Category	
Landless Agriculture Household	0
Non Agricultural Household	1
Agriculture Household with Land but no agriculture assets nor draught animals	4
Agriculture Household with Land, agriculture assets or draught animals	8

PPI Q10

Household Income	Monthly Income	Annual Income (For Agriculture or Livestock)

Sources: 1. Agriculture, 2. Livestock, 3. Fishing, 4. Hunting, 5. Mining, 6. Trading, 7. Service, 8. Production, 9. Salaried Jobs, 10. Casual Jobs, 11. Pension 12. Other (Specify)

**4. Access and use of financial services**

Source #	Loan amount (Kyat)	Loan outstanding (Kyat)	Purpose ^	Reason for selection of source

Source: 1. MADB, 2. MSY, 3. Cooperatives, 4. MFIs, 5. Commercial Banks, 6. Money Lenders, 7. Legal Pawnshops, 8. Suppliers, 9. Friends and Family

**5. Financial Literacy**

Awareness of the respondents (1-Yes, 2-Partial, 3-No)			
You (or) any HH members have ever received financial training?	1	2	3
Do you know the other credit products accessible at the credit source?	1	2	3
How much is the interest charged for Loans?	1	2	3
Over-indebtedness. Ask indirectly.	1	2	3
Do you know who to contact in case of any grievance?	1	2	3

<b>6. Satisfaction Level</b>	
Satisfied	1
Neutral	2
Not Satisfied	3
Reasons for Neutral or Not Satisfied	

**7. Which credit source will you choose in the case of borrowing?**

<b>Source</b>	<b>code</b>	<b>Reasons for selection of source</b>
MADB	<b>1</b>	
MFIs	<b>2</b>	
Cooperatives	<b>3</b>	
MSY	<b>4</b>	
Commercial Banks	<b>5</b>	
Other (Specify)	<b>6</b>	

**8. Access to Mobile Banking**

You (or) HH has accessed to a mobile phone?	Yes	No
<b>If yes</b>	<b>Smart Phone</b>	<b>Feature Phone</b>
You (or) any of the HH members have ever made financial transactions through mobile banking?	Yes	No

<b>Yangon University of Economics</b> <b>Key Informant Interview Questionnaire</b> <b>(Village Committee Member (or) Focal Person of the Credit Committee)</b>		
<b>A</b>	<b>VILLAGE PROFILE</b>	
A1	Village	
A2	No of HH	
A3	Distance to Township office	
A4	# of Banks/MFIs/Cooperatives in the village (Separately)	
A5	Most common occupation in the village	
<b>B</b>	<b>PARTICIPANT's PROFILE</b>	
B1	Name	
B2	Age (Years)	
B3	Gender	
B4	Occupation	
B5	Since how many years have you been living in this village?	
<b>C</b>	<b>Understanding role of credit for rural development in the village</b>	
C1	What types of financial services are available in this village?	
C2	Purposes for which loans are given for?	
C3	Repayment mode and repayment frequency?	
C4	How is it helpful to the business of the borrowers?	
	Why?	
D1	What difference has the formal institutions made to women in your community?	
D2	To what extent have they provided them with greater respect in the community?	
D3	How has it achieved?	
E1	1. Has any of the financial institution helps to improve the financial literacy of people and increase their finance awareness?	
E2	And how has it achieved?	

F1	Where do people go if they need to borrow some money? 2. Are there any changes in selection of the lenders?	
F2	To what extent the formal institutions have been able to reduce the dependence of clients on moneylenders?	
F3	How has the presence of local moneylenders in the project areas changed?	
G1	What do you understand the objectives of the formal institutions? 2. Do you think their objectives have been achieved?	
G2	Have they involved in any of the village infrastructure development activities?	
G3	If yes, what ways are those contributions?	
H1	What else do you think the formal credit providers should do to become more effective in achieving its objectives?	
H2	What changes would you like to suggest improve the financial landscape of this village? How can this be achieved?	
Other Comments:		

