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EFFECT OF MICROFINANCE LOANS ON
BORROWERS
OF ZIN MIN HTIN COMPANY

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ABSTRACT

This study is to analyze effect of microfinance practices on borrowers of Zin Min Htin Company at Seik Pin Village within East Dagon Township, Yangon division. This study tries to find out whether poor household get better position in living standard. To collect the primary data, an empirical survey including 130 villagers was conducted in May, 2019. For the of the study, descriptive research method was applied. Mean and standard deviation were calculated by descriptive statistics and correlation analysis was calculated by the use of SPSS software package. Focusing area includes on the financial inclusion status of borrowers by means of economic effect and social effect. According to survey, effects are measured with the expenditure on education, health, food consumption, household utilities, saving and income condition of the borrowers. Microfinance program support for all respects of the economic functions, among which most of loan borrowers use loan for agriculture and the remains are used for health and repayment of the other loan with higher interest rate. It complied with microfinance program by the survey shows that most of respondents in microfinance program used their loan for expending on input materials in agriculture business. Finally this study shows that microfinance program much support economic and social effect of the households. Thus, microfinance program should be expanded widely to have full coverage in the whole country.

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List of Abbreviations

ADB	-	Asian Development Bank
BEDC	-	Burma Economic Development Corporation
CGAP	-	Consultative Group to Assist the Poor
GDP	-	Gross Domestic Product
FRD	-	Financial Regulatory Department
IMF	-	International Monetary Fund
INGOs	-	International Non- Government Organizations
JV	-	Joint Venture
MFI	-	Microfinance Institutions
MIDB	-	Myanmar Industrial Development Bank
MSE	-	Microfinance Supervisory Enterprise
MADB	-	Myanmar Agricultural Development Bank
NGO	-	Non-Government Organization
UNDP	-	United Nations Development Programme
YSX	-	Yangon Stock Exchange

CHAPTER I

INTRODUCTION

Microfinance is a tool to enable poor to start their own business which employs effective collateral substitute short-term and working capital loans to micro-entrepreneurs. The level of a country's poverty has long been linked with measures of its economic development. To enhance international development, the United Nations Organization (UNO) announced the millennium development goals, aimed to eradicate poverty by 2015. In this regard, microfinance is the form of financial development that has its primary aim to alleviate the poverty. Governments, donors, and NGOs around the world responded enthusiastically with plans and promised to work together towards the realization of these goals (Khan & Rahaman,2007).

Microfinance is helpful to grassroots people because loan is without collateral intended to reduce the poverty of grassroots people and to improve their socio-economic life. Extending micro-credit to the grassroots people, microfinance accepts deposits from them, carrying out remittance, carrying out insurance business, borrowing money from local and abroad and carrying out other financial activities. Microfinance is considered as an innovative tool for enabling the poor to reap the benefits of growth. In recent past, it has emerged as an effective tool for achieving the mission of financial inclusion in the developing countries. Many associate microfinance with the delivery of small loans to the poor (Khan & Rahaman, 2007).

In Myanmar, financial sector is under developed and banking services are not out-reach in both urban and rural areas where difficult to assess banking services. The few institutions of microfinance are occurred, demand for microfinance is gradually popular among poor people. The number of microfinance organizations has developed 71 Cooperative institutions,142 microfinance institutions and 60 specialized agricultural development companies in Myanmar at year 2015. When microfinance industry becomes booming, they are competing by giving micro credit service to capture the market opportunities. Microfinance institutions that are not financial sustainability depend on subsidies given by donor organizations, government or co- operatives (Khan & Rahaman, 2007).

Current Myanmar financial sector in which there are four government banks, MEB, MFTB, MICB and MADB, two semi government banks, 27 private banks (nine of which are really semi government institutions) and 41 representative offices of foreign banks and foreign

finance companies. One state own insurance corporation and 12 insurance companies licensed. It is not enough driving force to develop the financial sector that we have now. Thus government has being trying to set up capital market since 1996. Securities and Exchange Law enact 31st July 2013. Securities and Exchange Commission also enact Myanmar Capital Market called as Yangon Stocks Exchange(YSX).

At the same time, people who stay in rural area cannot access the Myanmar financial sector easily. Bank loan system is based on the collateral base lending system. If microfinance organizations intermediate, all of the people can access the financial sector and financial intermediation will boom in short term and it will develop the Myanmar financial sector soon. Therefore, it is good time to study the microfinance to reduce the poverty and how to apply in Myanmar.

1.1 Rationale Of the Study

This study is to examine the effect of microfinance loans on borrowers of Zin Min Htin Company which is one of the largest microfinance companies in Myanmar. There are many microfinance companies in Myanmar. They have different kinds of the good lending system, good loan policy and strategies. Among them, The Zin Min Htin microfinance company has also a very good loan policy and strategies. The lending system is clear and easy to understand. Therefore, I select this company to study the impact of microfinance loans on borrowers.

In Myanmar, the microfinance sector has developed rapidly since the government enacted a Microfinance Law in November 2011, but MFIs still play a very minor role in the provision of financial services in the country. Financial services in Myanmar are underdeveloped. Most of the people cannot access to credit from bank. They do not have enough income for their expenditures. Whenever they need money, they can get the money without collateral from informal lenders who charges interest rate 20% on principle per month but they have to pay partially every day, therefore, interest rate is higher than 20% actually. It is also one of the facts that they are getting poor because of interest burden. After day to day they are deep in debt trouble circle. Microfinance will recover their economy and finally they can save their money. This is an effect to grow Myanmar financial sector.

Economic growth is directly related to the growth of capital market. Capital market mobilizes the households' savings, institutional savings and funds. When bank loan is not enough for some business project, they have to seek the capital in capital market. To find capital in capital market, the seeker must be a listed company. Capital market needs many financial institutions to perform its functions very well that mean households saving affect to it via trust funds, mutual funds and so on. It is not possible to save if households are poor. Poverty is the one of the problem of economic growth, so we need to try to reduce poverty by microfinance.

1.2 Objectives of the Study

There are two major objectives of the study which are as follows:

- 1) To identify microfinance loan services provided by Zin Min Htin Company.
- 2) To analyze the effect of microfinance loan on the borrowers of Zin Min Htin Co.,Ltd

1.3 Scope and Method of the Study

This study focuses on the effect of microfinance loan on the borrowers of Zin Min Htin Company. In East Dagon Township, Zin Min Htin Company is operating in 10 villages. Among them, The number of borrowers in Saeik Pin village is the most in these 10 villages. Therefore, Saeik Pin Village was chosen to collect survey data. It has 150 microfinance loan borrowers in Saeik Pin Village and out of those, only 130 borrowers, holding 86% were used as sample in this study. This study focused on the effect of loan to borrower's economics and social welfare.

Descriptive Research Method used in this study. Both primary data and secondary data were applied in it. For primary data, structured survey questionnaires were distributed to selected 130 respondents who are microfinance loan borrowers of Saeik Pin Village. Secondary data was collected from different published resources of report, research papers, articles, journals, magazines, newspapers. Some established websites on the internet were used.

1.4 Organization of the Study

This study organized into five chapters. Chapter one is the introduction, rationale of the study, objectives of the study, scope and method of the study, organization of the study. Chapter two describes theoretical background of the study. Chapter three identifies the background of selected microfinance company and effect on the borrowers of Saeik Pin Village.

Chapter four contains the analysis of effect of microfinance loan on the borrowers. Chapter five concludes the overall study with findings and recommendation.

CHAPTER II

THEORETICAL BACKGROUND

This chapter explains about the basic idea of microfinance and lending method. The idea is that low income households to lift themselves out of poverty. Between MFIs, they debate the way to lend that credit first or saving first. The acceptable lending system is group-based lending system. It also includes concepts of microfinance, paradigms of microfinance, microfinance and poverty reduction, procedures of providing loan, approaches of saving and loan of microfinance.

2.1 Concept of Microfinance

Microfinance is often defined as financial services for poor and low income clients offered by different types of service providers. The term is often used more narrowly to refer to loans and other services from providers that identify themselves as “microfinance institutions” (MFIs). These institutions commonly tend to use new methods developed over the last 30 years to deliver very small loans to unsalaried borrowers, taking little or no collateral. These methods include group lending and liability, pre-loan savings requirements, gradually increasing loan sizes and an implicit guarantee of ready access to future loans if present loans are repaid fully and promptly. From a global perspective, microfinance organizations envision a world in which low income households have permanent access to a range of high quality and affordable financial services offered by a range of retail providers to finance income producing activities. Build assets, stabilize consumption and protect against risks. Microfinance can be a significant aspect of a useful poverty reduction approach particularly for developing countries. The services supplied by microfinance institutions can enable the poor to flatten their expenses, run their business improved, construct their capital progressively, expand their business enterprises, improve their gross income potential, and have a better quality of life. (Muhammad Yunus, 2003).

Microfinance is also the idea that low income individuals are capable of lifting themselves out of poverty if given access to financial services. While some studies indicate that microfinance can play a role in the battle against poverty, it is also recognized that is not always the appropriate method. And that it should never be seen as the only tool for ending poverty. Microfinance is the supply of loans, savings and as the only tool for ending poverty. Microfinance

is the supply of loans, savings and other basic financial services to the poor. As these financial services usually involve small amounts of money, small loan, small saving, etc. The term “microfinance” helps to differentiate these services from those which formal banks provide. Someone who doesn’t have a lot of money is not likely to want or be able to take out a KSh10,000,000.00 loan, or be able to open a savings account with an opening balance of KSh 1,000.00. (Muhammad Yunus, 2003).

Poor people save all the time, although mostly in informal ways. They invest in assets such as gold, jewelry, domestic animals, building materials, and things that can be easily exchanged for cash. They may set aside paddy from their harvest to sell at a later date. They bury cash in the ground or stash it under the mattress. They participate in informal savings groups where everyone contributes a small amount of cash each day, week, or month and is successively awarded the pot on a rotating basis. Some of these groups allow members to borrow from the pot as well. The poor also give their money to neighbors to hold or pay local cash collectors to keep it safe. However widely used informal savings mechanisms have serious limitations. It is not possible, for example, to cut a leg off a goat when the family suddenly needs a small amount of cash. In-kind savings are subject to fluctuations in commodity prices, destruction by insects, fire, thieves, or illness (in the case of livestock).

Informal rotating savings groups tend to be small and rotate limited amounts of money. Moreover, these groups often require rigid amounts of money at set intervals and do not react to changes in their members’ ability to save. Perhaps most importantly, the poor are more likely to lose their money through fraud or mismanagement in informal savings arrangements than are depositors in the formal financial sector. They address their need for financial services through a variety of financial relationships, mostly informal. (Muhammad Yunus, 2003).

Microfinance institutions offer only short term loans to users of microfinance. Users must repay within two months to six months by daily, weekly or monthly installment. Every member is started with small initial loans and gradually increase loan amount it depends on clients obligation on their debts. The loan is used for working capital, not for requisition of machines, equipment and assets. Microfinance institutions need to track of borrower’s character and past performance, issue loans to different types of users, check their clients’ need and provide training. The costs of institutions also need to cover getting from interest of users of microfinance. (Muhammad Yunus, 2003).

2.2 Paradigms of Microfinance

There are three key paradigms of microfinance which are (a) feminist empowerment paradigm, (b) the financial self-sustainability paradigm and (c) the poverty alleviation paradigm.

(a) Feminist Empowerment Paradigm

According to the 70 percent of the world's poor women, the reason that women have become the primary target of microfinance services. Women have a higher unemployment rate than men in virtually every country and make up the majority of the informal sector of most economics. They constitute that bulk of those who need microfinance services (Rhyne, 1998).

Targeting women has also proved to be a successful, efficient economic development too. Research performed by the United Nations Development Program (UNDP) and the World Bank, among others, indicates that gender inequalities inhibit overall economic growth and development. A recent World Bank report confirms that societies that discriminate on the basis of gender pay the cost of greater poverty, slower economic growth, weaker governance, and a lower living standard for all people (Rhyne, 1998).

Women are usually the primary or role family caretakers in many developing countries. Helping them gain additional daily income improves the condition of their entire households. Putting extra income in women's hand is often the most efficient way to affect an entire family, as women typically put their children's needs before their own. Children are more likely to complete their education and escape the poverty trap than their parents are giving women access to microcredit loans therefore generates a multiplier effect that increases the impact of a microfinance institution's activities, benefiting multiple generations (Rhyne, 1998).

(b) Financial Self-sustainability Paradigm

Financial self-sustainability paradigm is defined as the financial systems approach or sustainability approach. It has every different view on many of these issues. Its definitions of empowerment are in essentially individualist terms with the ultimate aim being the expansion of individual choice or capacity for self-reliance. The paradigm assumes that increasing women's access to microfinance service will in itself lead to individual economic

empowerment through enabling women's decisions about saving and credit use, enabling women to set up micro-enterprises, and increasing incomes under their control. It is then assumed that this increased economic empowerment will lead to increased well-being of women and also to social and political empowerment. The ultimate aim of this paradigm is large programs that are profitable and fully self-supporting in competition with other private sector banking institutions and able to raise funds from international financial markets rather than relying on funds from development agencies (Mayoux, 2002).

The main target group, despite claims to reach the poorest, is the 'bankable poor', small entrepreneurs and farmers. Policy discussions have focused particularly on setting of interest rates to cover costs, separation of microfinance from other interventions to enable separate accounting and program expansion to increase outreach and economies of scale, reduction of transaction costs and ways of using groups to decrease costs of delivery. Recent guidelines from the consultative Group to assist the Poor CGAP funding and best practice focus on production of a 'financial sustainability index' that charts progress of programs in covering costs from incomes. This emphasis on financial sustainability is seen as necessary to create institutions that reach significant numbers of poor people in the context of declining aid budgets and opposition to welfare and redistribution in macro-economic policy. Within this paradigm, gender lobbies have been able to argue for targeting women on the grounds of high female repayment rates and the need to stimulate women's economic activity as a hitherto underutilized resource for economic growth (Rankin, 2002).

In this paradigm, the first level is where grants for soft loans cover operating expenses and establish a revolving loan fund. At the second level programs raise funds by borrowing on terms near, but still below, market rates, Interest income covers the cost of funds and a portion of operating expenses, but grants are still required to finance some aspects of operations. At the third level most subsidies are eliminated. At the fourth level programs are fully formal financial institutions. Fees and interest income cover the real cost of funds, loan loss reserves, operations and inflation and profits (Rankin, 2002).

(c) Poverty Alleviation Paradigm

Poverty Alleviation Paradigm also differs in many of its interpretations and understandings of empowerment in microfinance. Poverty alleviation under this paradigm is defined in broader terms than market incomes to encompass increasing of programs as a whole is on developing sustainable livelihoods, community development. There is not only a concern with

reaching the poor, but also the poorest. Policy debates have focused particularly on the importance of small savings and loan provisions for consumption as well as production, group formation and the possible justification for some level of subsidy for programs working with particular client groups (Versluysen, 1999).

2.3 Microfinance and Poverty Reduction

Most of the researchers debate whether credit or credit plus is needed for poverty reduction. As a results, the view that credit alone on its own is inadequate to fight poverty. The need for other services is also important in this respect. Although such views do not disagree the role of credit fail to appreciate the role of credit on its own merit. Most of the practitioners believe that credit plays a vital role as an instrument of intervention for a poor person to discover her potential and to strive for better living. Muhammad Yunus advocates that Credit is a human right. Once this right is established, the entitlement to other rights for leading a dignitfied life becomes easier. It empowers to break the vicious cycle of poverty by instantaneously creating self-employment and generating income. When in the ultimate analysis noting can be said to be panacea, by over emphasizing that micro-credit is not a panacea is in a sense over reacting and under estimating the role of credit as an instruments to combat poverty. Micro- credit is itself a very powerful tool. But if it is combined with other, it is definitely more empowering (Versluysen, 1999).

How micro-credit can reduce poverty may better be understood by understanding conceptually the mechanisms by which financial services can affect the lives of the poor. It is important to consider the fulfillment of basic needs(food, clothing, shelter, health, education and psychological well-being), the means to achieve welfare at present and in the future, social networks and empowerment and exposure to risk (Versluysen, 1999).

It is known that poor people live in a high risk and defenseless conditions. Their ability to take advantage of opportunities that will lead to increasing their income or economic-status, to protect themselves against risks of crises, and to cope with these when they occur is very important. Reduction of poverty is partly a process of increasing income and economic stability which enables fulfillment of basic needs and across to different kinds of services. This may also be understood in the form of developing a range of assets that will reduce the vulnerability of the poor to physical, economic and social shocks. These assets may be defined as financial (in- come size, regularity and security, savings, loans or gifts), human (skills and knowledge, ability

to work, good health, self-confidence, bargaining power, independence and control over decisions), physical (housing, land, productive and nonproductive possessions etc.) and social networks, group and center membership, trust based relationship, freedom from violence and wider access to society and social institutions (Versluisson, 1999).

Multiple research studies conducted over the course of several decades have concluded positive links between microfinance and poverty reduction. In particular, microfinance has the ability to reach those who previously did not have access to standard forms of credit, usually delivered through financial institutions and the commercial banking sector. As well, the number of people around the globe who can access microfinance has seen consistent growth over the last decade, and that trend is set to continue into the foreseeable future. Those who are able to access credit through microfinance are able to put to capital to work almost immediately, thereby increasing their standard of living and improving economic circumstances, without incurring undue debt obligations. While microfinance has had a positive impact in reducing poverty where applied, the challenge with the industry is scalability, therefore making a minimal impact on global poverty and potentially skewing evidence of its impact on poverty (Mayoux, 2002).

Attributes of microfinance make access to required capital for poverty burdened families, individuals and business enterprises a realistic option. This is accomplished by breaking down the traditional barriers that standard creditors have erected, which restrict access to credit for those with limited economic resources. Microfinance typically does not require collateral and relies on a simple application and documentation process, adapts repayments plans to the borrower's economic circumstances, and leverages groups within the community to round-up capital and inject emergency assistance when needed. Effectively addressing the concerns of those in poverty, microfinance affords such communities access to needed credit, allowing them to expand economic enterprises through asset acquisitions, resource optimization and establishment of operations. Through such expansive efforts, poverty stricken families and businesses can increase their incomes reliably and consistently, which are key indicators linking microfinance and poverty reduction (Buckley B, 1997)

2.4 Procedures of Providing Loan

According to procedures, there are specified by every microfinance institutions to give loans to borrowers. They are as follow:

Methodology of microfinance: Firstly doing survey of the area and meeting with village head. It needs to explain detail about the system of loan and target, to train and meet with them, check loan utilization and monitoring process, to draw meeting schedule, Saving and loan repayment collection planed.

Financial needs of poor people: Lifecycle needs are such as wedding, childbirth, education, home building, widowhood, old age and funeral. Personal emergencies are sickness, injury, unemployment, theft, nuisance or death. Disasters are also like fires, floods, cyclones, manmade event (war, flattening of houses). Investment opportunities expand for a business buying land or equipment improving housing.

Self Help Group (SHG): It is built up of small size (5-8 persons), voluntary membership, emphasis on mutual and self-help, homogeneous, regular meetings, independence, collection leadership, non-political focus.

Loan Eligibility (For SHG Members): There is to be capability, one must meet the following criteria; be a long time and respected member of the community, make a regular saving deposit at SHG meeting, be a member of the SHG that agrees to guarantee the loan, be up to date in all payments and all fees and finds (set by the SHGA), have participate in training sessions, respect and conform to all SHGA and program regulations, be within the legal age to transact business and manage own small business.

Loan Utilization of MF Borrowers: There are livestock raising-pigs, duck, chicken, cattle, petty trading-hawkers, groceries, food stalls-snacks, Myanmar traditional food, agriculture- machinery and equipment, seasonal crops. flowers, fishing-nets, boats, engines, service providers and handicrafts-weaving, lacquer, souvenir trishaws, pony carts, motorbikes, ferry boats, beauty parlor, batter charging (Barnes, Carolyn and Erica Keogh, 1999).

2.5 Approaches of Saving and Loan of Microfinance

In the 1950s, the first credit unions and savings and loan cooperatives were established in rural areas in Philippine. In contrast to the development banks, the emphasis of these institutions was on savings mobilization. Those who promoted the credit unions-most often socially oriented missionary and other groups that were working with a low-income

member- ship base-thought it necessary to “ teach” the rural population to save and had little faith in the ability of the members to pay back loans.

In the 1980's, when Grameen Bank replications began to be tested in Africa using primarily donor funds to provide credit to a wide number of solidarity group members, a heated debate was generated over the strengths and weaknesses of the "savings-first approach" and the "credit-first approach". Guy Bedard from the International Alliance of Cooperatives introduced the terminology of "warm money" to qualify the savings generated by the communities themselves, over which they had greater responsibility than over "cold money," the funds provided by outside donors. Many believed that programs relying on cold money could not become sustainable and encouraged delinquency. Promoters of credit-first programs, on the other hand, believed that savings-first approaches were too conservative and were not reaching the bulk of the underserved population of micro-entrepreneurs (Li Yan Chen, 2013).

After years of debate, it has become apparent that both methodologies have contributed valuable lessons and innovations for reaching a more diversified clientele. For instance, women who traditionally represented only a small fraction of the members in the cooperatives represent the main clientele of credit-first programs (Li Yan Chen, 2013).

In addition, savings programs have had success in reaching a largely rural clientele. Practitioners from both "sides" have learned from one another and over the past few years many institutions have started blending together the two approaches. Numerous credit unions now provide loans to groups of clients, mostly women, without requiring savings. Credit-first programs, on the other hand, are now actively seeking the means to mobilize savings in order to be less dependent on donor funding. The division between savings-first and credit-first institutions is becoming increasingly blurred (Li Yan Chen, 2013).

Contrasting Approaches: Saving-first vs. Credit-first: Advantages of Savings First are information advantages lead to effective screening, monitoring, internal source of funds creates repayment incentive, no loan targeting, voluntary savings and client relationship developed first as depositor. Advantages of Credit First are rapid set-up possible through use of donor funds and technical assistance, large initial outreach, rapid expansion, avoid high transaction costs associated with savings, may use groups to overcome information asymmetries (Li Yan Chen, 2013).

Disadvantages of Savings First are only targets middle-income entrepreneurs and does not reach very poor people, requires much more time to establish because it is necessary to first establish trust, educate participants, and allow for adequate time to build savings, problems associated with the internal management of funds can arise such as liquidity management,

voting inequities, physical security of funds, corruption, voluntary savings are costly to collect,

especially when the transactions are small and frequent. Disadvantages of Credit First are inefficient and unstable due to reliance on donor funding, not required to develop into formal financial intermediaries, governance structure is generally weak because leadership answers to donors rather than directly to clients, depositors and borrowers. Several clear advantages of savings-first institutions can be identified. Often, savings-first programs operate in close-knit communities thus facilitating screening and monitoring of clients (Buss Terry, 1999).

The savings-first programs are selective in deciding who is credit-worthy. The credit-worthiness of potential borrowers is established through information advantages present in the community and also through the depositor relationship with the bank. Because funds are internally generated, a strong incentive exists to repay loans since one's friends and neighbors will be upset if they lose their savings. Perhaps the most important advantage of savings-first microfinance institutions are forced to increase profitability through sound banking practices, reductions of operating costs, and appropriate loan screening and monitoring. Most importantly, by offering voluntary savings, these institutions are providing a much desired financial service to the poor who rarely have the possibility to earn a positive return on their savings in a safe and liquid account (Buss Terry, 1999).

A common criticism of savings-first programs is that they only target middle-income entrepreneurs and do not reach very poor people. Also, much more time is generally required to establish a savings-first program since it is necessary to first establish trust, educate participants, and allow for adequate time to build savings. Some problems associated with the internal management of funds can arise such as liquidity management, voting inequities, physical security of funds, corruption, and issues relating to MIS. Another criticism of the savings-first approach is that voluntary savings are costly to collect, especially when the transactions are small and frequent (Buss Terry, 1999).

2.6 Previous Studies

Health and education are two key areas of non-financial of microfinance at a household level, Wright states that from the little research that has been conducted on the impact of microfinance intervention on health and education, nutritional indicators seem to improve where MFIs have been working. Research on the Grameen Bank shows that members are statistically more likely to use contraceptives than non-members there by impacting on family size (ibid). Littlefield, Murdoch and Hashemi (2003) also acknowledge the sparse specific evidence of the impact of microfinance on health but where studies have been

conducted they conclude, “households of microfinance clients appear to have better nutrition, health practices and health education than comparable non-client households”. Among the examples they give is of FOCCAS, a Ugandan MFI whose clients engaged in improved health and nutrition practices for their children, as opposed to 72% for non-clients (Littlefield, Murdudch and Hashemi, 2003).

Microfinance intervention have also been shown to have a positive impact on the education of clients’ children. Littlefield, Murdudch and Hashem (2003,) state that one of the first things that poor people do with new income from microenterprise activates is to invest in their children’s education. Studies show that children of microfinance clients are more likely to go to school and stay longer in school than for children of non-clients. Again, in their study of FOCCAS, clients households were found to be investing more in education than non-client households. Similar findings were seen for projects in Zimbabwe, India, Honduras and Bangladesh (ibid).

Robinson (2001) in a study of 16 different MFIs from all over the world shows that having access to microfinance services has led to an enhancement in the quality of life of clients, and increase in their self-confidence, and has helped them to diversify their livelihood security strategies and thereby increase their income.

Marconi and Mosley (2004) state that this household not be surprising as poorer clients are more risk adverse and less likely to invest in fixed capital and so are more vulnerable to having to sell productive assets in the event of a shock. However, it was found that social networks played an important part in helping clients escape from poverty. Access to social network’s provided clients with a defense against having to sell physical and human assets and so protected household assets (ibid).

A key objective of many microfinance interventions is to empower women. Mosedale (2003) states that if we want to see people empowered it means we currently see them as being disempowered, disadvantaged by the way power relations shape their choices, opportunities and well-being. It was found that empowerment cannot be bestowed by a third party but must be claimed by those seeking empowerment through an ongoing process of reflection, analysis and action (2003).

Littlefield, Mududch and Hashemi (2003) state that access to MFIs can empower women to become more confident, more assertive, more likely to take part in family and community decisions and better able to confront gender inequities. However, they also state that just became women are clients of MFIs does not mean they will automatically become empowered. Hulme and Mosley (1996) also make this point when they refer to the

“ naivety of the belief that every loan made to a woman contributes to the strengthening of the economic and social position of women”. However, with careful planning and design women’s position in the house- hold and community can indeed be improved. According to Littlefield, Murdugh and Hashemi (2003), the Women’s Empowerment Program in Nepal found that 68% of its members were making decisions on buying and selling property, sending their daughters to school and planning their family, all decisions that in the past were made by husbands. They refer to studies in Ghana and Bolivia, which indicated that women involved in microfinance projects, had in- creased self-confidence and had an improved status in the community (ibid) (2003).

Analyzing four programs in Bolivia, Mosley (2001) shows that assets and income increased commensurate with initial poverty levels, but also that MFI services may increase vulnerability if borrowers over-leverage. Bolnick and Nelson (1990) find that MFI participants had a positive impact on enterprises that were typically small, labor intensive and growing, although the impact was far from uniform across sectors and target variables. Copestake et al. (2001) find that borrowers where able to obtain two loans experienced high growth in profits and household income compared to a control sample, but borrowers who never qualified for the second loan were actually worse off due to MFI collection mechanisms.

Whydick (1999a) finds that upward class structure mobility increases significantly with access to credit. Using the same Guatemala data set in a sub sequent study (2002), Whydick also finds that rapid gains in job creation after initial credit access were followed by prolonged periods of stagnant job creation. Dunn (2001) finds that program clients’ enterprises performed better than non-client enterprises in terms of profits, fixed assets, and employment. Finally, Anderson et al (2002) analyze 147 MFIs and finds that microfinance participation increased environmental awareness and common pool resource stewardship.

Two published impact studies explicitly assessed community, or village-level, impacts In Bangladesh, Khandker et al. (1998) find that program participation has positive impacts on households income, production, and employment, particularly in the rural non-farm sector, and that the growth in self-employment was achieved at the expense of wage employment, which implies an increase in rural wages. Woller and Parsons (2002) estimate that a microfinance program in Portoviejo, Ecuador contributes \$480,000 per year in direct and induced eco- nomic benefits to the local economy. Therefore, various studies and findings indicate that microfinance can, and is having very positive and diverse impacts at a beneficiary level.

CHAPTER III

MICROFINANCE PRACTICES OF ZMT CO., LTD

There are two parts in this chapter. Firstly, the profile of ZMT Co., Ltd and the second part concerns microfinance practices of ZMT Co., Ltd. In first part, the formation of ZMT Co., Ltd, mission, visions, and objectives of ZMT Co., Ltd, organization structure of ZMT Co., Ltd and responsibilities of managers in ZMT Co., Ltd and ‘regulations for new membership are prescribed.

3.1 Profile of the Zin Min Htin Co., Ltd

Zin Min Htin Co., Ltd is started in 2010 and its chief office is situated in Pazundaung Township. Zin Min Htin Co., Ltd has two branches. They are situated in East Dagon Township and Shwe Pyi Thar Township. ZMT Co., Ltd (East Dagon Township Branch) was registered at the place of No. 502, Lote Thar Lane, 40 quarter of East Dagon Township in Yangon. It was established in the year 2012 with the initial investment of MMK 4.5 million and with the (50) cooperative numbers.

The following is the mission statement, vision statement and objectives of the ZMT Co., Ltd for establishing it.

Zin Min Htin Co., Ltd.’ mission is “to support the income generating potential of local grassroots families especially who are working or potential for a living in a quickly growing suburban area which are neighborhood of the major city”. Depth of outreach or reaching the very poorest segments of the population as possible is the primary goals of Zin Min Htin Co., Ltd East Dagon Branch Office.

Zin Min Htin Co., Ltd sets its clear vision that is “ to build well-being society through providing financial services to the grassroots people”. Allowing using to financial services can smooth unpredictable periods of income and consumption, and provide safekeeping and returns on excess cash. Financial intermediaries can reduce the transaction costs by matching savers and borrowers with a given market. In order to best help the poor respond to these economic opportunities and stock, savings and credit services must be permanent, convenient and accessible. To do that ZMT Co., Ltd has a vision to outreach as possible as it can while getting financial sustainability for long term service.

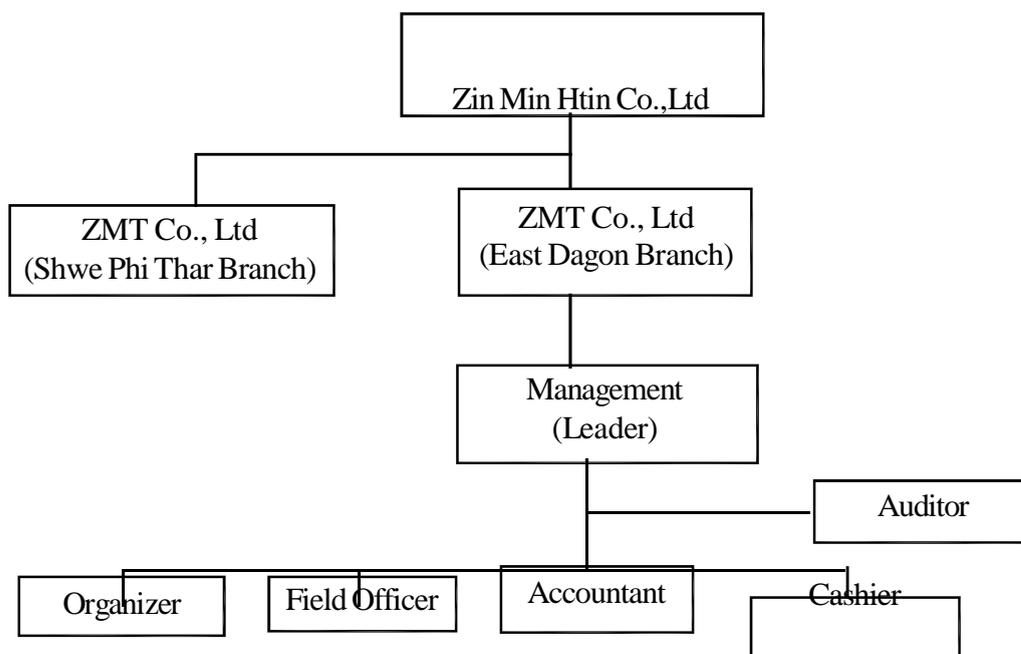
Zin Min Htin Co., Ltd’s objective is to lend the poor people with low interest rate

while encouraging with saving culture on daily basic. For acknowledging it, ZMT Co., Ltd reimburses their clients with providing some amount of money for the health of the members ‘children.

3.2 Organization Structure of ZMT Co., Ltd

Zin Min Htin Co., Ltd in East Dagon Township branch office is organized with four major departments in its organization. They are the management (Leader), organizer, field officer, and finance officer. Auditing team is directly appointed by the group of the company. Figure (3.1) illustrates the organization structure of a branch office of ZMT in East Dagon Township, Yangon.

Figure 3.1: Organization Structure of ZMT Co., Ltd



Source: Zin Min Htin Co.,Ltd, 2019

According to figure (3.1), Leader is mainly responsible person not only for the whole organization but also for training to the potential clients who are organized by field officers.

Field officers take the responsibilities of controlling the clients not to be misuse of the loans. According to route plan, they make frequent visits to the clients’ places; take for inti-

many with the clients' families. The other regular task is to make day to day collection activities together with monitoring in Microloan expenditures (ME) cases. He is taking care of financial statements and loan situation of every account of clients in the East Dagon Township.

Organizer is also known as a trainer. He/she assists the leader in organizing new member and providing training to the effective use of microloan expenditures. He/she has to encourage the clients to pay repayment regularly.

Major task of accountant is booking keeping and account entry, calculating regular repayment scheme, compulsory saving amount, and help to field officers for the ready of day-to-day collection. Accountant is taking care of every client of their financial situation. Major task of cashier is keeping the physical cash in the save place. She could not liable to withdraw without the approval of leader while providing microloan. The major task of auditor is to help the field officers and to check every financial statements of the branch office. Auditor is appointed by the group of the companies, ZMT Co., Ltd.

Most clients are illiterate people. So that microfinance institutions have to offer their clients loans using specific lending technologies, or methodologies. These processes by which loans are delivered, aim to increase the value of the product to the client, while simultaneously decreasing the risk and the costs to the institution. MFIs have accumulated strong experience in various methodologies and there are as many methodologies and adaptations as microcredit operations. Effective methodologies have three things in common: they adhere to basic micro lending principles, they adapt to fit the customers' preferences and they are suited to the capabilities of the institution to manage the products and services.

3.3 Regulation for New Membership

Poor and low income people use microfinance services to manage the cash and other assets of their households and businesses. ZMT Co., Ltd is also a business organization. It needs to organize members to borrow from company. To carry out microfinance business. The first step is to target region. Normally, it starts from the region where the office based and then extends to near by area. The following steps are involved to carry out in organizing the new members.

(a) Selecting Members

Members are normally the very poor who are not able to provide collateral and also for the sake of ensuring repayment of the loans. As mentioned in above, the first step is select-

ing the region for microfinance. For doing this, company authorizes have to meet with local authorities explaining microfinance support to the grassroots people in that region. As most of its clients are illiterate and assorted, it also holds mandatory literacy classes for them. For one training section, it is set for maximum number of 30 potential clients because most illiterate clients could not be able to concentrate into the learning.

To become a member, company sets borrower criteria. They are; low income people, age between 18 to 60 years old, one person from a family, resident in the respected township, permission from family, and a healthy person. If this person shows his interest to borrow money from ZMT Organization, he has to find another 4 persons who possess the same criteria to forming a peer group with 5 persons are interested the ZMT, which is called SHG. And then, member has to transact business and manage own small business. He also has participated in training function.

(b) Composition of Self Help Group(SHG)

Self Help Group(SHG) takes important key to success role in microcredit business. Members of Self Help Group (SHG) in ZMT Co., Ltd composed with small size (3-5 persons) who is voluntary membership and a small group of self-selected borrowers. Reciprocally, each member has to recommend for the repayment on a loan on each other. The group members mutually guarantee each other's loans and are held legally responsible in case of default by other members as well as all members have to sign and put the thumbprint on the loan agreement or loan application form to offer a collective guarantee.

Chartered leader and another one secretary are required and it promotes a chance to everyone to become a leader in its group. Each group contains five members. ZMT Co., Ltd East Dagon Branch currently has 40 SHG with total 200 members of clients. The self-formed peer groups of 5 unrelated members attend weekly meetings and provide weekly savings contributions. After 4-8 weeks of contributing savings, members can apply for a loan (they need to save during the loan period as well).

Now, this peer group can borrow loans form ZMT Co., Ltd East Dagon Branch. The next task is to propose a business that has to begin after obtaining a loan. Field Officer or Leader might reduce the loan amount if he finds out the proposed plan is poor to implement. A member has to pay 1,000 kyats one-time payment (initial member fees). Every member has a passbook and no further payment on it.

Any member has a pass book which contains withdrawal, saving, and day to day transaction of a member. Any transaction is written down so that both side can be informed

and confirmed in anytime. Normally, it is listed almost every day if the client took loans, record passbook is kept at the office place rather than client's hand according to the desired of client.

3.4 Microfinance Practices of ZMT Co., Ltd

This is the study of the microfinance practices carried out by Zin Min Htin Co., Ltd. In order to best help the poor people respond to these economic opportunities and shocks, savings and credit services must be permanent, convenient and accessible.

(a) Types of Saving in ZMT Co., Ltd

For self-help group (SHG) members, there are two types of saving. They are compulsory saving and voluntary saving. Compulsory saving is collected from members and the amount must be saved daily 0.25% of loan amount. It is defined by MFI. It is to be collected together with loan repayment within the specified maturity. These savings are collateral and secure of loan and it can be used as a lending loan to members like a bank. Interest is paid with 1.25% per month on compulsory. Voluntary saving is depended on the borrowers. 1% per month interest must be paid on monthly basis.

Compulsory Saving

One of the objectives of MFI is to encourage saving habit among the poor people. For any loan has been made, there has a scheme for compulsory saving. ZMT Co.,Ltd sets compulsory saving amount for one cycle lending period already workout depend upon credit loan amount.

Compulsory saving is not allowed to be withdrawn unless SHG members wish to design from the Branch and pays off the total loans, and it is not a guarantor of any loan. To design from the membership of ZMT Co.,Ltd in East Dagon Branch be used to summit it a resignation from one month prior to the cash withdrawal date.

Voluntary Saving

All The members are announced to save voluntary saving as much as they can however there has no voluntary saving from any member yet. Whatever branch is trying to encourage their saving habit; borrowers are seem not having so much awareness to save even a small amount of their extra money to cover when they face emergency needs can extend the busi-

ness without the help of MF Organization.

Members' savings are tied to loan amounts and are used to finance new loans or collective income generating activities. An interest rate of 1.5% per annum will be given to saving deposits (computed in proportion to the amount and period of the deposits) but the members receive a share from the bank's investment profits (the dividend distributed is directly proportional to the number of savings each individual has contributed to the bank).

(b) Types of Loan in ZMT Co.,Ltd

There are three types of loans are provided by the ZMT Co.,Ltd. They are normal loan, special loan and emergency loan.

Normal (regular)Loans

This Type of loans made to permanent members of Microfinance Branches and the rate of interest is 2.5% per month. The amounts of loan are Kyats 0.5 lakhs, 1 lakhs, 1.5 lakhs, 2 lakhs and 2.5 lakhs which are allowed step by step. Normal loans with 6 months maturity offer SHG members of excellent repayment position at maximum (kyat 450,000) of normal (regular) loan.

Special Loans

Special loan is not issued to individual members. The amount of loan issues is Kyats 2 lakhs, 5 lakhs up to Kyats 10 lakhs which are allowed step by step on the basis. Interest rate is 2% per month. Repayment scheme for special loan is specified 6 times on monthly basis within the 6 month maturity during 1-5 days of respective month. Kyat (0.5%) per day will be charged as fine for late repayment. Monthly repayment has to be collected altogether likes as principle and interest within the two years of establishment of MFI, any delinquency or loss of loan have not been experienced.

Emergency Loans

Emergency loan is making for social affairs of members. This type of loan is not charged interest. It is for regular members of Microfinance branches. The amounts of loan lent to members as Kyat 0.5 lakhs, Kyat 3 lakhs and Kyats 5 lakhs. Amount of lending loan amount to members depend on needs of members and use in types of social affair.

Although there are three types of loan the ZMT company issues to members as only one type of loan, normal loan. In making loan, ZMT Co.,Ltd established the following procedure. Firstly, it is necessary to organize at least 5 members as self-help group (SHG) and apply individually attached with copy of NRC, household member list and passport sized photo. And then there should be on-ground survey for loan application. In making normal loan, payment collection form SHG loan to be made both principle and interest within the maturity for (10) credit ranges

Group based lending procedure is used for security in microfinance. Because and individual member fail to pay his or her loan other group members has responsible to repay his or her loan. It mean that if every one in SHG members is delinquent to pay daily principle and interest, other members of relative SHG will pay instead of such a member instantly. In default case of loan repayment to normal loans from initial loan to maximum range of loan, special loans will not be recommended to such a default member. Rotation SHG leader must duly collect and pay to MFI on behalf of other SHG member.

(c) Collection of Payment

The loan installment repayment is daily basis and monthly basis. ZMT Co.,Ltd East Dagon Branch held the loan disbursement meeting for each group at the time of loan disbursed. The meetings also provide self-esteem building activities and discipline enforcement. If the members cannot attend the loan disbursement meeting, absentee can give installment repayment and regular saving through group leader. All the group members have to attend the loans application and disbursement meetings; and a special group meeting. All clients have to follow the rules and regulations of their group leaders. Never permit to substitute with others on behalf of her attendance the Loan Disbursement meetings. If one of the group members is absence without informing to the group leader, the meeting for loans distribution is not held and the meeting date is moved until all member has a total collection statement sheet prepared by accountant of the ZMT Co.,Ltd (East Dagon Branch). Every transaction make entry in the save box register.

(d) Amount of Saving

The saving amount in each year received only for compulsory saving. As regard of compulsory saving amount from the members, the saving amount is increase within three years, 2016 to 2019. The condition of money saving by members of ZMT is described in Table 3.1.

Table 3.1 Yearly Average Saving Amount

	2016-2017	2017-2018	2018-2019
Total of saving amount	8,954,985.00	15,177,405.00	18,971,750.00
Number of Active Accounts	160.00	210.00	250.00
Average saving per Active member	55,987.41	72,273.36	115,887.00
Growth rate of Saving Amount		29 %	60 %

Source: Survey data, 2019

According to the above table, average saving amount per active person is increased in year 2016-2017 to year 2018-2019. It was found that the growth rate from the year 2016-2017 to 2017-2018 is increased with the percentage of 29%, and the growth rate from the year 2017-18 to 2018-2019 is increased with the percentage of 60% respectively.

(d) Gross Amount of Loan Outstanding

According to the survey, outstanding gross amount of loan increased in year to year and number of active accounts also increased. Table 3.2 shows the yearly-average outstanding balance of Microfinance East Dagon Branch.

Table 3.2 Yearly Average Loan Outstanding

	2016-2017	2017-2018	2018-2019
Gross Amount of Loan	13,400,000.00	20,980,000.00	31,985,000.00
Number of Active Accounts	160.00	210.00	250.00
Average Outstanding Loan	83,750.00	99,905.00	127,940.00
Growth rate of Loan Outstanding		19 %	28 %

Source: Survey data, 2019

There are various indicators for measuring client poverty level which means how much loans from the Microfinance Institutions are reached to the poor clients. After finding out average outstanding saving balance, client poverty rate was calculated. Table 3.2 is the analysis of client poverty rate calculated by dividing average loan with GDP Per Capita from the year 2016-17 to 2017-18. It was also found that the average loan growth rate from the year 2017-2018 to 2017 to 2018 is increased with the percentage of 19% and the growth rate from the year 2017-18 to 2018-2019 is increased with the percentage of 28% respectively.

(e) Loan and Saving Cycle

Table (3.3) represents the loan, repayment, and saving scheme of Zin Min Htin Co., Ltd. Company lends starting from 50,000Kyat with the 30-Days repayment scheme. From the value 100,000 Kyat to 450,000-kyat, company allows with 60-days repayment scheme. Differing from the other types of financial providers, borrowers must have to make compulsory saving whenever repayment is made.

Table 3.3 Loan and Saving Cycle

Sr.No	Loan Amount (K)	Daily Saving 0.25% of Loan (K)	No. of days	Total Saving (K)
1	50,000	125	30	4,353
2	100,000	250	60	15,000
3	150,000	375	60	26,252
4	200,000	500	60	34,540
5	250,000	625	60	42,457
6	300,000	750	60	51,250
7	350,000	875	60	62,500
8	400,000	1000	60	72,000
9	450,000	1125	60	22, 375

Source: Survey data, 2019

The average daily saving rate is 0.25% on the loan. Savings are allowed to withdraw only after a year. Table (3.3) Shows that for the 50,000-Kyat borrowing, client must have partially saved up to the amount of 7,500-Kyat and this will be rebated after a year.

CHAPTER IV

ANALYSIS OF EFFECT OF MICROFINANCE LOANS ON BORROWERS OF ZIN MIN HTIN COMPANY

This chapter represents the demographic characteristics of respondents and analyses effect of microfinance loan on borrowers in East Dagon Townships.

4.1 Research Methodology

This study used a set of survey questionnaires for the interview with villagers in East Dagon Township. The survey data was collected from villagers of Seik Pin Village in East Dagon Township. The survey questionnaires consists of four portions , the first portion is demographic characteristics of respondents; the second portion includes microfinance loan experience of users in East Dagon Township; the third portion mentions economic impact of loan borrowers and the fourth portion states the social welfare of the loan borrowers.

The design of the survey was based on simple random sampling method. A random sample of respondents was chosen from 130 out of 150 villagers of Seik Pin Village in East Dagon Township who took microfinance loan.

4.2 Demographic Characteristics of Respondents

Profile data of respondents consists of gender, age, types of occupation, educational level, martial status, which were synthesized in the below table. Most of MFI's majority of loan beneficiaries are female. Some MFIs set the standard criteria in their institutions like all loan beneficiaries must be female and their age must be between 25 and 60.

(a) Respondents by Gender

Table (4.1) Respondents by Gender

Gender	No. of Respondents	Percentage
Male	10	8
Female	120	92
Total	130	100

Source: Survey data, 2019

As shown in Table 4.1, it can see that 10 respondents of male composed of 8% and 120 numbers of female 92%. The majority of female proportion could be assumed that

microfinance programs have generally targeted poor women. By providing access to financial services only through women-making women responsible for loans, ensuring repayment through women, maintaining saving accounts for women, providing insurance coverage through women-microfinance programs send a strong message to households as well as to communities.

(b) Respondents by Age

The age group of respondents are classified into three groups: between 25 to 35 years, between 35 and 45 and over 45 years. Table (4.2) presents the distribution of the age of respondents.

Table (4.2) Number of Respondents by Age group

Age Group (in year)	No. of Respondents	Percentage
25-35 years	26	20
36-45 years	65	50
Over 45 years	39	30
Total	130	100

Source: Survey data, 2019

Due to the table (4.2). Majority of loan borrowers are also between ages of 36 to 45 is 50% and the lowest is under 25-35 about 20%. The study shows that respondents in microfinance loan are within working age group.

(c) Types of Occupation by Respondents

The occupation of respondents are studied by agricultures, trading and others. The following table (4.3) shows the respondents by occupation.

Table 4.3 Types of Occupation

Types of Occupation	No. of Respondents	Percentage
Agricultures	78	60
Trading	6	20
Others	26	20
Total	130	100

Source: Survey data, 2019

According to occupation of villagers, 60% of respondents are farmers, they used this loan for producing agriculture products, 20% of respondents used loan in trading and they utilized to invest in selling goods and 20% was used for others like consumption for cloth or

other households affairs, health and used for repay other lenders.

(d) Educational Level of Respondents

Educational level of respondents is clarified into four levels: primary school, middle school, high school and graduate.

Table (4.4) Educational Level of Respondents

Educational Level	No. of Respondents	Percentage
Primary school	24	18
Middle school	76	58
High school	27	21
Graduate	3	3
Total	130	100

Source: Survey data, 2019

From the above table, results show that people with middle school level and high school level constitutes 58% and 21% of the respondents. The other groups include those who finished their primary and graduate.

(e) Martial Status of Respondents

Table (4.5) Martial Status of respondents.

Martial Status	Respondent	
Married	85	65
Widowed	25	19
Divorced/Separated	4	3
Single	16	13
Total	130	100

Source: Survey data, 2019

Reference made to martial status, the largest sample group of respondents is married, holding 65%, and became higher involved in assets and credit operations rather than the single 13%. About 13% of respondents are singles while only 3% are either separated or divorced. The explanation behind is that the single population is less than the married group, in terms of people who are not dependents on them.

(f) Business Experience before Taking Microfinance Loan

In table (4.6), the analysis reveals that 80% of respondents had no business experience before taking loan and rest of 20% had previous business experiences. Higher proportion of the people did not have any business experience before taking microfinance loan. It indicates that MFIs are contributing a lot to start the new small-scale business as well as in the expansion of old businesses.

Table (4.6) Business Experience before Taking Microfinance Loan

Business Experience Before Taking Microfinance Loan	No. of Respondents	Percentage
Yes	26	20
No	104	80
Total	130	100

Source: Survey data, 2019

(g) Startup Capital for the Establishment of the Enterprise

Table (4.7) shows the source of startup capital of the respondents. 80% of total respondents have taken their loan from MFIs for startup capital. Rest of them have either borrowed money from friends and relatives or have started business from their personal savings.

Table (4.7) Startup Capital for the Establishment of the Enterprise

Source of Startup Capital of the Respondents		
	No. of Respondents	Percentage
Personal Savings	10	8
Friends and relatives	5	4
Loan from MFIs	100	80
Other	10	8
Total	130	100

Source: Survey data, 2019

It implies that MFIs is the major source of initial capital and is playing a significant role in helping poor people to start their own business.

4.3 Microfinance Loan Experience of Respondents

(1) Current Loan Amount (MMK)

The following table (4.8) present about the size of loan amount taken by respondents. The most loan size used falls within the range of MMK 150,000 to 200,000. A few of users (4% of respondents) getting loan between MMK 400,000 to 450,000. The rest of 15% of respondents take the loan size of MMK 100,000 to 150,000. 17% of the respondents take the loan size between MMK 200,000 to 250,000. 7% of the respondents take the loan size between MMK 250,000 to 300,000. 5% of the respondents take the loan size between MMK 300,000 to 350,000. 5% of the respondents take the loan size between MMK 350,000 to 400,000. 14% of the respondents take the loan size between MMK 50,000 to 100,000.

Table (4.8) Loan Amount used by Respondents

Use of Loan Amount (Kyats)	No. of Respondents	Percentage
50000-100000	18	14
100000-150000	20	15
150000-200000	43	33
200000-250000	22	17
250000-300000	9	7
300000-350000	7	5
350000-400000	6	5
400000-450000	5	4
Total	130	100

Source: survey data, 2019

(2) Reason for Borrowing Microfinance Loan

According to the survey, loan users used microfinance loan because of lower interest rate than other formal sources, steady source for adequate amount, no collateral require, easily accessible services, transparent procedures, favorable repayment system, and others.

There are three purposes that respondents linked to Zin Minn Htin microfinance activities. The interest rate is the main cause of linking about 68% to Zin Minn Htin microfinance loans. The second reason, about 14% of respondents, is loan can access without collateral. The 6% of respondents used microfinance loan because it is easy to access and steady source for adequate amount for their needs of working capital.

Table (4.9) Reason for Borrowing Microfinance Loan

Reason for Borrowing	No. of Respondents	Percentage
Lower interest rate than other formal sources	88	68
Steady source for adequate amount	10	8
No collateral require	18	14
Easily accessible services	8	6
Transparent procedures	3	2
Favorable repayment system	1	1
Others	2	2
Total	130	100

Source: survey data, 2019

(3) Utilization of Loan

Table (4.10) indicates usage of loan and its percentage. 64% of the respondents spent the loan for starting the new business and a few of 5% of respondents spent for repayment of other loan. Table (4.10) reveals that most of the respondents use the loan for business purposes that may lead to increase income and livelihood development.

Table (4.10) Utilization of loan

Use of Loan Amount (Kyats)	No. of Respondents	Percentage(%)
On new business activity	83	64
Re-invested on the business	16	12
Purchase of household appliances	10	8
Repayment of another loan	7	5
Education expenditure for household members	14	11
Health and medical Expenditure for household members	0	0
Total	130	100

Source: Survey data, 2019

(4) Sources of Repayment

Table (4.11) indicates the percentage of repayment of loan. According to the survey result, all of the respondent can repay the loan and there is no difficulties in loan repayment. A user who cannot repay the loan on time has her solution such as borrowing from friends or relatives or pawn shops etc.

Table (4.11) Sources of Repayment

Sources of Loan Payment	No. of Respondents	Percentage
Borrowed form Friends	1	1
Borrowed form Relatives	2	2
Borrowed form Pawn Shops	9	7
Able to Pay on time	118	90
Total	130	100

Source: Survey data, 2019

4.4 Economic Effect of the Loan Borrowers

The tenth components were explored on the economic effects of respondents after joining microfinance loan program. They are (1) Support for Starting New Business (2) Support for Expanding Current Business (3) Ability to cope with economic shocks by means of savings and credit, (4) Produce Better Quality Product (5) Increased production capability (6) Recruit more labors in Business inputs (7) Added/purchased additional livestock and business inputs (8) Invested in enterprise site (buildings, storage rooms), (9) Reduce Cost by Cash down payment and (10) Loan affect to Higher Income. The questions have been formulated regarding the objectives and hypothesis of the research. For each question, respondents had to choose their position regarding the statement, and depending on the following elements: strongly disagree, disagree, neutral, agree and strongly agree.

Table (4.12) indicates the mean value of economic effect on respondents. The average mean of all components is 3.67 and that indicates that microfinance loan have positive effects on users in East Dagon Township.

Table (4.12) Economic Effect of the Loan Borrowers

No.	Statements	Mean	S.D
1	Support for Starting New Business	4.15	0.75
2	Support of expanding Current Business	3.50	0.72
3	Ability to cope with economic shocks by means of savings and credit	3.79	0.81
4	Produce Better Quality Product	3.75	0.67
5	Increased production capability	3.89	0.84
6	Recruit more labors in Business	2.90	0.80
7	Added/purchased additional livestock and business inputs	3.72	0.85
8	Invested in enterprise site (buildings, storage rooms)	2.80	0.65
9	Reduce Cost by Cash Down payment	4.11	0.75
10	Loan affect to Higher Income	4.10	0.84
Overall Average Scores		3.67	0.77

Source: Survey data, 2019

Microfinance loan can support for starting new business of users and the survey data results the highest mean value of 4.15 on this component. Most of the loan users in East Dagon Township are increasing income because of microfinance loan and they used it efficiently in their work as a result of higher income. Saving Program also effects on their economic stability. According to the result, users can produce better quality product, and expand their current business for generating more income. Cash down payment can help respondents in building trust with suppliers, and respondents can get better credit terms. The other component of invested in enterprise site (buildings, storage rooms) show the lowest mean value of 2.80. Most of the users disagree to the statement that users can recruit more labors in business by using loan, The mean value of 2.90 reveal that the loan size of microfinance is limited access and loan cannot effect to their business assets ownership although they can generate properly their current business by using microfinance loan.

4.5 Social Welfare of the Loan Borrowers

The tenth components were explored on the social effects of respondents after joining microfinance loan program. They are (1) Participation in Social Activities Improved, (2) Able to Spend more for Healthcare, (3) Loan Can support for Buying modernized household items (4) Able to Spend more for healthy food Consumption (5) Improve empowerment of women (6) Able to Spend more for Healthcare, (7) Get social awareness training from

MFIs (8) Can save family member from serious illness or injury (9) Get literacy training and business training from MFIs and (10) Improved Social Skills and Business Skills. The question have been formulated regarding the objectives and hypothesis of the research, and depending on the following elements; strongly disagree, disagree, neutral, agree and strongly agree.

Table (4.13) Social Welfare of the Loan Borrowers

No.	Statements	Mean	S.D
1	Participation in Social Activities Improved	3.49	0.72
2	Able to Spend more for Healthcare	3.60	0.79
3	Loan Can support for buying modernized household items	2.92	0.84
4	Able to Spend more for healthy food Consumption	3.18	0.74
5	Improve empowerment of women leading to better quality of life	4.05	0.94
6	Able to spend more for Children education	3.44	0.80
7	Get Social awareness training from MFIS	3.32	0.78
8	Can save family member from serious illness or injury	3.49	0.69
9	Get literacy training and business training from MFIs	3.91	0.65
10	Improved Social Skills and Business Skills	3.56	0.86
Overall Average Scores		3.48	0.79

Source: Survey data, 2019

Table (4.13) indicates the mean value of social effect on respondents. The average mean of all statements is 3.48 and that indicates that microfinance loan have positive social effects on users in East Dagon Township.

According to the survey result, majority of respondents strongly agree that microfinance can improve empowerment of women. As a result of mean score 3.56, it is noted that users in East Dagon Township improved social skills and business skills because MFI can give the literacy training and business training to users. They can use more for their children education and healthy food consumption because they can generate income properly by using loan. Most of the user's disagree the statement that loan can support for buying modernized household items. The mean score of 3.60 and 3.44 give the evidence that the respondents agree the statement that they can use more for healthcare and children education after joining microfinance program.

CHAPTER V

CONCLUSION

In this chapter, findings and suggestions of the study are mentioned. The objectives of the study are identify the activities of Microfinance and analyze the effect of Zin Minn Htin Microfinance on the borrowers of Seik Pin Village in East Dagon Township.

5.1 Findings

Due to the survey result, the majority of the respondents did not have any business experience before joining MFI. They improved their business experience and starting new business by using loan. So, MFIs were able to reach and benefit more people than those formally linked to them as when they provide the business opportunity. Most of the respondents use the loan as the startup capital of the business and it is shown that the small amount of microfinance can support to poor people to start the new small scale business.

The result in the study showed that microfinance's loans are effective on providing the emergence of new small scale business. By studying the analysis of the household condition agreed and the highly impact to higher income of the respondents. Higher income in general leads to better access to education, healthcare, sanitary infrastructure, food supply etc. An- other impact of MFIs that was found to be important is household business condition increasing by benefit of the loan, most users can produce better quality products and increase in production capability.

According to the interviewing with borrowers, the borrowers can spend more for purchasing business inputs but few of microfinance users intended to invest in enterprise sites because the loan size of microfinance is limited access and loan cannot affect to their business assets ownership. The higher number of borrowers started their business by taking loan from MFIs as compared to other sources. They were able to increase their daily income and provided not only with the financial help to their families but also had positive impact on other factors of more supporting to healthcare, healthy food consumption, and children education.

Microfinance Institution's loan benefited especially to empowerment of women and that can lead to a higher social status, better education. As MFIs often provide vocational training for their family's daily struggle life and other trainings are related with their own business. It can support the users in acquiring social skills and financial knowledge for their further development. The main purpose of using their income is for generating business,

but the in-come amount is low efficient to users for buying modernized furniture. The survey result shows that microfinance loan has low effect to household living standard.

According to the overall mean score, this survey result present evidence of the important contributions made by microfinance in the eradication of poverty by increasing the income generating activities, empowerment of poor people to access development services such as health and education, and reduction in vulnerability.

According to the social and economic indicators, the following effects are found in the survey. The microfinance of Zin Minn Htin company is participated by mostly female and this shows that the one of microfinance objectives, woman is provided microfinance loan for improving their capability is fulfilled. Loan amount taken by users is not large. Majority of loan taker are within working age group. According to survey, most of the loan is applied in agriculture. Most of loan users are farmers, they use loan for producing agriculture products. Increase in income depends on their usage of input. In ground conversation that it is they can use labor input in time because of they pay in advance to workers. When the time is up the workers who take advance money have to come to work their employer priority. Secondly loan users applied for seller such as grocery, vegetable sellers and a few respondents are used for others like consumption for food, or other households affairs, health, repair of their houses or land improvement, and use for repay other lenders with higher interest rate. That means if their income, they will use their money in their family needs.

The majority of respondents in microfinance loan agreed that the family income is increased by generating loan. Thus they can save their extra money. It is strongly agreed by the respondents that education is supported by increasing income. The survey also shows that health condition of the respondents is improved because of income from the microfinance loan. Increasing income supports more family expenses. Loan users agree the benefit of microfinance loan which caused improvement in their yield by loan that can use effective input. The survey indicates that the respondents can get more opportunities for employment. After loan users get the loan, they can grow seasonal plants and crop at that time they have to hire labor to assist them, furthermore their family member sell the crops vegetable which they produce themselves in near markets, that is why they agree loan create more opportunities for employment. Therefore loan users who microfinance loan use in capitalized should support by loans. It is agreed by respondent s that they can use more household utilities than that they used before getting loan from the microfinance loan. Microfinance program supported the household income and

living cost for rural society. There are three things linked to microfinance loan: first one is the rate of interest which lower than other rate of informal money lender, second one is the fact which microfinance can access loan without collateral. Respondents answer again that microfinance is easy to access loan other than as third priority. To conclude the finding

5.2 Suggestions

High levels of financial exclusion also have large agricultural economies, expansion of financial services to rural areas can accelerate economic growth and can have an outsized impact on food security, the livelihoods of smallholder farmers, and the success of small business and entrepreneurs. Well-designed products, developed with local crops, cultures, and conditions in mind, can reduce many of the risks that smallholder farmers face and provide incentives for individuals to move into formal financial system. Credit especially long-term finance can help farmers and agribusiness expand their operations and harvests. Formal savings is the most important starting point, especially for smallholder farmers.

The majority of low-income finance customers have never received basic financial education. Without adequate financial education and protection, millions of low-income people and small business owners can face potential risks on over-indebtedness, inadequate protection from loss of income and assets. Therefore loan users should be educated by basic financial education. The objective of the research paper is to analyze the effectiveness of microfinance activities on user of microfinance.

The idea of microfinance is that low income households lift themselves out of poverty. To achieve this idea it cannot be a short term, in practice the extent of poverty reduction is very wide in range. This survey found that there is mutual benefit for both side which demand and supply. For demand side, I can see microfinance as a device for poverty alleviation, economic development. According to its advocates, It creates the means for greater employment and income generation, allows the poor to smooth consumption and meet social, religious and other obligations, offers financial protection from crises and disasters, encourages schooling.

It should be the role of public participation and public awareness is essential for poverty reduction because of providing loans to the poor, improving the poor 'capacity for self-reliance and self-development and achieve operational and financial sustainability. Microfinance institutions should help their borrowers understand the complex business realities surrounding them, microfinance institutions and related organizations. The government should support and encourage to the microfinance situations for sustainable. It is needed to fulfill reasonable needs of working capital effectively and find ways to cover

less developed, rural, and remote areas more effectively. All of state holders have to try hard to be the good governance, improve on basic infrastructure, stable macro economy, rule of law with effectively and efficiently. These factors are to give an assistance for the success of all microfinance activities.

5.3 Needs for further study

This study only focused on effect of microfinance loans on borrowers of Zin Min Htin Company in East Dagon Township. This study does not cover to other private microfinance companies in Yangon division. This study was also made in East Dagon Township and further studies should also extended to the another microfinance companies in other townships like Shwe Pyithar, Hlaing Thayar and many other townships in Yangon. There are a lot of microfinance companies apart from Yangon. For that, further studies should extend to these regional areas like Bago, Mandalay, Ayeyarwady, etc. There are many microfinance loan services that can affect the economic and social conditions of the grass-root people and further studies should also be extended to that microfinance products and services for more financial inclusion among the poor people.

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APPENDICES

APPENDIX A

Effects of Microfinance Loan on Borrowers in East Dagon Township

(For Microfinance Loan Borrowers)

Survey Questionnaires

The information obtained from the questionnaire will be used only for the MBF (Mater of Banking and Finance) “Effect of Microfinance Loan on Borrowers in East Dagon Township”, thesis for Yangon University of Economics. The contents of this questionnaire will be kept strictly confidential.

I. Demographic Profile of Borrowers

1. Age
 - 1) 25-35
 - 2) 36-45
 - 3) Over 45
2. Martial Status
 - 1) Single
 - 2) Married
 - 3) Divorced
 - 4) Widow
3. Education
 - 1) Primary School
 - 2) Middle School
 - 3) High School
 - 4) Graduate
4. Business Experince before Taking Microfinance Loan
 - 1) Yes
 - 2) No
5. Startup Capital for the Establishment of the Enterprise
 - 1) Personal Savings
 - 2) Friends and relatives
 - 3) Loan from MFIs

4) Others

II. Microfinance Loan Experience

1. Current Loan Amount

- 1) 50000-100000
- 2) 100000-150000
- 3) 150000- 200000
- 4) 200000-250000
- 5) 250000 - 300000
- 6) 300000 - 350000
- 7) 350000 - 400000
- 8) 400000 - 450000

2. Reason for borrowing Microfinance Loan

- 1) Low interest rate than other formal source
- 2) Steady source for adequate amount
- 3) No collateral require
- 4) Easily accessible services
- 5) Transparent procedures
- 6) Favourable repayment system
- 7) Others

3. Usage of Loan

- 1) On new business activity
- 2) Re- invested on the business
- 3) Purchase of household appliances
- 4) Repayment of another loan
- 5) Education expenditure for household members
- 6) Health and medical expenditre for household members

4. Repayment of Microfinance Loan

- 1) Borrowed from Relatives
- 2) Borrowed from friends
- 3) Borrowed from Pawn Shops
- 4) Able to pay on time

III. The Effect of Loan to Borrower's Economics

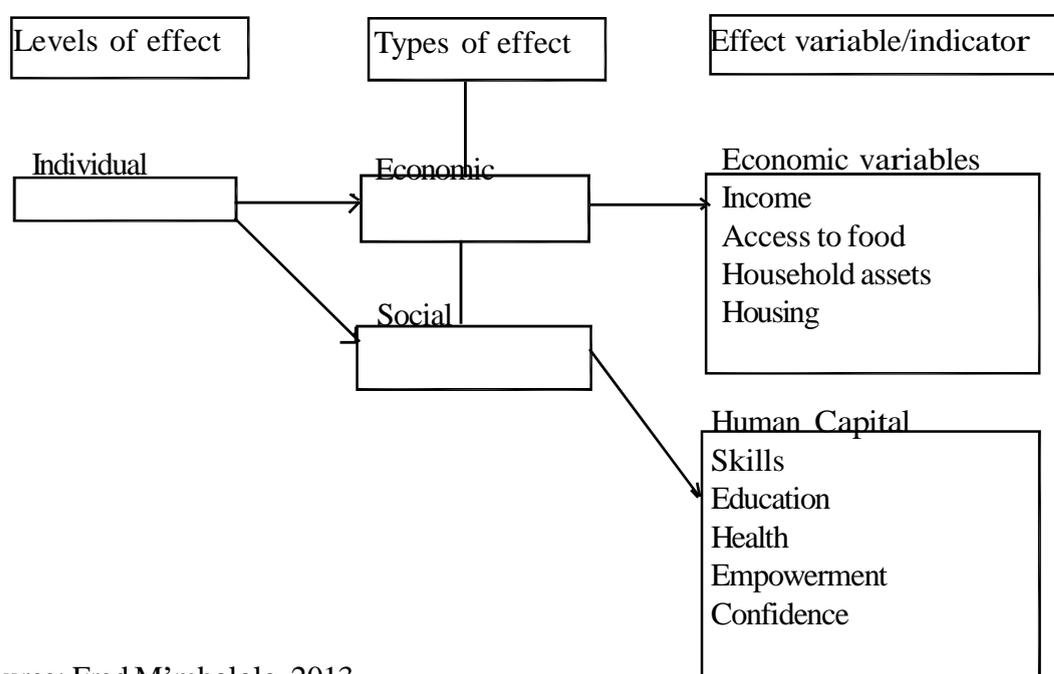
No.	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Disagree
1	Ability to cope with economic shocks by means of savings and credit	1	2	3	4	5
2	Support for Expanding Current Business	1	2	3	4	5
3	Support for Starting New Business	1	2	3	4	5
4	Produce Better Quality Product	1	2	3	4	5
5	Recruit more labors in Business	1	2	3	4	5
6	Increased production capability	1	2	3	4	5
7	Reduce Cost by getting materials with credit	1	2	3	4	5
8	Invested in enterprise site (buildings, storage rooms)	1	2	3	4	5
9	Reduce Cost by Cash down payment	1	2	3	4	5
10	Loan affect to Higher Income	1	2	3	4	5

IV. The Effect of Loans to Borrower's Social Welfare

No.	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Disagree
1	Improve empowerment of women leading to better quality of life	1	2	3	4	5
2	Able to Spend more for Healthcare	1	2	3	4	5
3	Loan Can Support for buying modernized household items	1	2	3	4	5
4	Able to Spend more for healthy food Consumption	1	2	3	4	5
5	Participation in Social Activities Improved	1	2	3	4	5
6	Able to spend more for children education	1	2	3	4	5
7	Get social awareness training from MFIs	1	2	3	4	5
8	Can save family member from serious illness or injury	1	2	3	4	5
9	Get literacy training and business training from MFIs	1	2	3	4	5
10	and Business Skills	1	2	3	4	5

2.7 Conceptual Framework of the Study

Figure (2.1) Conceptual Framework of the Study



Source: Fred M'mbololo, 2013

According to figure (2.1), There are two types of effect. They are economic effect and social effect. The economic effect includes income, access to food, household assets and housing. The social effect contains skills, education, health, empowerment and confidence.

The study is to analyze the economic and social effect on borrowers of Zin Min Htin Co.Ltd.

Microfinance services are to have positive effect on several individual-level variables: household income, income diversification, household assets, education, nutrition, and coping strategies. Many of these effects are hypothesized to be the indirect results of increases in household income generated by microenterprises. However, microfinance services, such as credit and savings, may also have direct impacts on variables such as income diversification, asset accumulation, education expenditures, food expenditures, and coping strategies.