

**YANGON UNIVERSITY OF ECONOMICS
DEPARTMENT OF COMMERCE
EXECUTIVE MASTER OF BANKING AND FINANCE
PROGRAMME**

**EFFECT OF CLIENT PROTECTION PRINCIPLES ON
SOCIO ECONOMIC CONDITION OF CLIENTS IN
LOLC MYANMAR MICRO-FINANCE CO., LTD.**

**MYO MIN THEIN
(EMBF-5th BATCH)**

DECEMBER, 2019

**EFFECT OF CLIENT PROTECTION PRINCIPLES ON
SOCIO ECONOMIC CONDITION OF CLIENTS IN
LOLC MYANMAR MICRO-FINANCE CO., LTD.**

A thesis submitted as a partial fulfillment towards the requirements for the degree of
Executive Master of Banking and Finance (EMBF)

Supervised By:

Daw Haty Htay

Associate Professor

Department of Commerce

Yangon University of Economics

Submitted By:

Myo Min Thein

Roll No - 34

EMBF – 5th Batch

2017-2019

ABSTRACT

This study focuses on customer perception on SMART campaign client protection principles of LOLC in Myanmar. The main objectives of the study are to identify the Client Protection Principles practiced by LOLC Myanmar Micro-Finance and to analyze the effect of Client Protection Principles on Socio Economic Condition of clients in LOLC Myanmar Micro-Finance Company Limited. To meet these objectives, descriptive research method is used in the study. Primary data are also collected by using structured questionnaire from 100 LOLC clients which are 25% randomly selected out of 398 clients in No. (2) ward, North Okkalapa Township in Yangon. The secondary data are collected from LOLC reports, relevant textbooks, previously prepared research papers and internet websites. Simple random sampling method is used when collecting questionnaire. According to the survey result, LOLC is doing well in accordance with seven client protection principles and most of the respondents are satisfied with those practices. According to the regression result, among seven client protection principles, appropriate product design and delivery, responsible pricing, and mechanisms for complaint resolution are significantly correlated with socio-economic condition of the clients. Among significant factors, responsible pricing has the greatest contribution to the effect on socio-economic condition of the clients. According to the regression data, LOLC should focus mainly on three principals such as appropriate product design and delivery, responsible pricing, mechanisms for complaint resolution in order to improve socio-economic performance of the clients. Among these, LOLC should give the highest prioritize to responsible pricing to improve socio-economic condition of the clients.

ACKNOWLEDGEMENTS

Initially, I wish to express my deepest gratitude to Prof. Dr. Tin Win, Rector and Prof. Dr. Nilar Myint Htoo, Pro Rector Yangon University of Economics for their kindly permission and giving me opportunity to undertake this study.

I also would like to extend my most sincere thanks to Prof. Dr. Daw Soe Thu, Programme Director, Head of Department of Commerce, Yangon University Economics, for her valuable support. I wish to extend deep thanks to my supervisor Daw Htay Htay, Associate Professor, Yangon University of Economics for supervising and invaluable advice in writing this thesis paper.

And I also would like to express my special thanks to all Professors, Associate Professor and Lectures of Department of Commerce for a great variety of knowledge and concept of banking and finance during the study period of Master of Banking and Finance (MBF) Programme.

My particular thanks to Managing Director, Management Team and staffs of LOLC Myanmar Micro-Finance Company Limited for their kind supports for providing valuable information data and their help in writing this thesis. Especially, I also would like to express gratitude to all respondents and staffs in North Okkalapa Township in Yangon.

Finally, my appreciations and thanks might have to be marked for my parents, my family and everyone of their all round support and great care for successfully accomplishments of my MBF program from the very beginning to the completion during these over two and half year period.

TABLE OF CONTENTS

	Page
ABSTRACT	i
ACKNOWLEDGEMENTS	ii
TABLE OF CONTENTS	iii
LIST OF TABLES	v
LIST OF FIGURES	vi
LIST OF ABBREVIATIONS (ACRONYM)	vii
CHAPTER 1 INTRODUCTION	1
1.1 Rationale of the Study	2
1.2 Objectives of the Study	3
1.3 Scope and Method of the Study	3
1.4 Organization of the Study	4
CHAPTER 2 THEORETICAL BACKGROUND	5
2.1 Client Protection Principles	5
2.2 Social and Economic Condition Analysis	14
2.3 Conceptual Framework of the Study	15
CHAPTER 3 CLIENT PROTECTION PRINCIPLES OF LOLC	
MYANMAR MICRO-FINANCE CO., LTD	17
3.1 Profile of LOLC	17
3.2 Client Protection Principles of LOLC	18

CHAPTER 4	ANALYSIS OF CLIENT PROTECTION PRINCIPLES	
	OF LOLC MYANMAR MICRO-FINANCE CO., LTD	23
4.1	Research Design	23
4.2	Profile of the Respondents	23
4.3	Analysis the effect of Client Protection Principles on Socio Economic Condition of clients in LOLC Myanmar Micro-Finance Co., Ltd.	25
4.4	Analysis on Customer Perception of Socio Economic Condition of Client Mean	31
4.5	Effect of Client Protection on Socio-Economic Performance	32
CHAPTER 5	CONCLUSION	35
5.1	Findings	35
5.2	Suggestions	36
5.3	Need for Further Research	38

REFERENCES

APPENDICES

LIST OF TABLES

Table No.	Particulars	Page
4.1:	Profile of the Respondents	23
4.2:	Appropriate Product Design and Delivery	25
4.3:	Prevention of Over-indebtedness	26
4.4:	Transparency	27
4.5:	Responsible Pricing	28
4.6:	Fair and Respectful Treatment of Clients	29
4.7:	Privacy of Client Data	30
4.8:	Mechanisms for Complaints Resolution	31
4.9:	Socio-economic Condition	32
4.10:	Independent Variables and Dependent Variable	33

LIST OF FIGURES

Figure No.	Particulars	Page
2.1:	Conceptual Framework of the Study	16

LIST OF ABBREVIATIONS (ACRONYM)

CPP	Client Protection Principles
CGAP	Consultative Group to Assist the Poor
FOCCAS	Foundation for Credit and Community Assistance
LOLC	Lanka ORIX Leasing Company
MFIs	Micro Finance Institutions
UNDP	United Nations Development Programme
FRD	Financial Regulatory Department
MOPFI	Ministry of Planning, Finance and Industry

CHAPTER 1

INTRODUCTION

Poverty is a dominant challenge facing both developing and developed countries globally today. In the Asia Pacific region alone, 900 million people live in poverty. This is about one-third of the population in the developing countries in the region (Asian Development Bank, 2000). The well understood negative social impacts of poverty include crime, low literacy rates, and poor health; it is strongly believed that poverty even breeds terrorism. Recently, there has been a greater effort by developed nations and international aid agencies to alleviate poverty.

Microfinance institutions were originally intended for financing the poor people to help them sustain living, build better houses, acquire basic education and fight against poverty. With such primary mission, the performance of microfinance projects was measured by social impact of the projects to the welfare of the intended community (Brau & Woller, 2004; Morduch, 2000).

Microfinance is a special financial program which provides micro credit to poor people who could not access to the traditional bank loans (UNDP, 1993). Microfinance programs have been operating in many parts of the world for more than two decades, and have become a recognized and widely practiced means of alleviates poverty. By helping poor and low income people to access credit and other financial services (such as micro-insurance, remittance, saving) and to apply these resources within productive enterprises, microfinance programs can help families expand their business, increase their income and begin the process of moving out of poverty.

Nearly three billion people in developing countries have little or no access to formal financial services. Low-income people are excluded from the traditional banking models in terms of their lack of collateral. The Client Protection Principles elevate ways for microfinance institutions to take practical steps to treat clients fairly and respectfully while avoiding practices that might harm them. Only if microfinance institutions follow closely to client protection principles can effectively reduce the poverty rate both in world and Myanmar, today.

Microfinance institutions (MFIs) in Myanmar have lent more than 3.9 trillion kyats to three million clients since the business of microfinance emerged in the country

up in 2018, according to Financial Regulatory Department (FRD) under the Ministry of Planning, Finance, and Industry (MOPFI).

1.1 Rationale of the Study

Given the importance of the role of MFIs in the development of economies, improving the performance of MFIs will make them more capable of serving more poor communities, contributing to the development and enhancement of economies, and improving the welfare of the poor people. The success and performance of MFIs across countries have been uneven. Some MFIs have been very successful, covering its costs, and reaching more clients, while other MFIs have not been very successful, and not reaching enough clients. Microfinance is widely seen as a key development tool to promote financial inclusion and poverty alleviation in Myanmar.

Many investors see client protection as the pillar of responsible finance and are increasing their focus on these issues as the industry-wide discussion about responsible finance deepens. By studying the performance of the MFIs and trying to find out the better ways, the MFIs could continue supporting more low-income people and alleviate poverty across the country.

Microfinance institutions that follow the principles of good client protection will also be the ones that alleviate the most poverty. The assumption being that with good banking practices it is possible to cover costs and operate in a sustainable manner to continue serving clients and alleviating poverty (Murdoch 2000).

A number of recent trends have focused investor attention on client protection. Microfinance has come under more critical scrutiny in the press and recent publications. Especially worrying is evidence of over-indebtedness of microfinance clients in some countries where microfinance has grown very rapidly.

In Myanmar, the population is currently 54 million and 70% of the population live in rural area. One third of the population in Myanmar either lives in poverty or are near-poor, despite the significant alleviation in poverty over the past decade, according to a new estimate based on 2015 living conditions released by the Ministry of Planning, Finance and Industry and the World Bank.

Investors are more attuned to making sure that microfinance does no harm and realizes its potential to achieve its social mission of contributing to poverty alleviation.

Currently, there are 84 microfinance organizations in Yangon. Myanmar, as with other developing countries, has been struggling to reduce poverty. Therefore, the performance of MFIs is very important for the country and individuals.

“Protecting clients is not only the right thing to do; it’s the smart thing to do.” At the Smart Campaign they believe that financial service providers and their customers benefit when low-income people can access financial services with confidence. When financial service providers implement the Campaign’s Client Protection Principles into their operations, they build strong, lasting relationships with customers, increase client retention, and reduce financial risk. Similarly, by incorporating Client Protection Principles into their investment criteria and due diligence, investors can build a healthier, more clients focused industry that will promote a stronger portfolio and provide healthy returns.

LOLC Myanmar Micro-Finance Company limited is one of market leading Microfinance Company in Myanmar which was started its operation since last quarter of 2013 and has been serving about 135,000 clients across the country. This study seeks to find evidences on the effect of client protection principles on performance of LOLC Myanmar Micro Finance Company limited in the country by integrating both financial and nonfinancial performance metrics.

1.2 Objectives of the Study

The main objectives of the study are:

- (1) To identify the Client Protection Principles practiced by LOLC Myanmar Micro-Finance Co., Ltd.
- (2) To analyze effect of Client Protection Principles on Socio Economic Condition of clients in LOLC Myanmar Micro-Finance Company Limited.

1.3 Scope and Method of the study

This study only focuses the effect of Client Protection Principles on performance of LOLC Myanmar Micro-Finance Co., Ltd. Descriptive research method is used for this research study. Both primary data and secondary data are applied. Primary data are also collected by using structured questionnaire from 100 LOLC clients which are 25% randomly selected out of 398 clients in No.(2) ward, North Okkalapa Township in Yangon. The structured questionnaire includes questions with 5 point likert scales. The

secondary data are also be used such as reports and documents of LOLC Myanmar Micro-Finance Co., Ltd., text books, reference books, website and annual reports.

1.4 Organization of the Study

This researched paper is organized into five chapters. Chapter one is an introductory one that presents rationale of the study, method of the study, scope and limited of the study and organization of the study. Chapter two presents with literature review of the microfinance institutions and client protection principles. Chapter three describes profile of LOLC Myanmar Micro-Finance Company Limited. Chapter four presents the analysis on socio economic impact of clients of the LOLC Myanmar Micro-Finance Company Limited. Chapter five presents the conclusion, suggestions, and needs for future research.

CHAPTER 2

THEORETICAL BACKGROUND

This chapter presents the related literature review about Client Protection Principles of microfinance which could effect on socio economic impact.

2.1 Client Protection Principles

The Client Protection Principles promote ways that for microfinance providers to require sensible steps to treat their customers fairly and with all respect whereas averting practices that may harm them. These Principles are distilled from the path-breaking work of microfinance institutions, international networks, and national microfinance associations to boost professional consumer codes of conduct and practices. Whereas the Principles are universal, meaningful, and effective, implementation needs careful attention to the variety inside the provider community and conditions in various markets and country contexts. The Client Protection Principles have met with widespread support across the microfinance industry. The challenge, however, is finding significant and functional ways that for the hundreds of microfinance providers that have recommended the Principles to get action. This is especially true for microfinance institutions, who are on the front line of making certain that clients receive appropriate products and treatment. Client protection is a key tenet of microfinance. The Client Protection Principles and the SMART Campaign are the heart of an industry-wide initiative aimed toward safeguarding the interests of microfinance clients. The end goal is adoption of appropriate policies, practices, and products by retail providers. The Smart Campaign is a global campaign consisting of microfinance lenders, institutions and associations from around the world who believe that protecting “clients is not only the right thing to do, but the smart thing to do.” (CGAP, 2010)

Client protection is all about protecting the clients from over indebtedness, high interest rates and providing them more transparent, friendly and professional services. Client protection is a customer service issue, a public relations issue, and a regulatory issue and in a competitive setting an issue that will ultimately affect the MFIs’ long term market share. The client protection principles express the minimum protection of clients should expect from microfinance providers. While the principles are universal,

meaningful and effective implementation will require careful attention to the diversity within the provider community and conditions in different markets and country contexts.

A number of recent trends have focused investor attention on client protection. Microfinance has come under more critical scrutiny in the press and recent publications. Especially worrying is fact of over-indebtedness of microfinance clients in some countries where microfinance has grown very rapidly. These markets, including Bosnia Herzegovina, Morocco, Nicaragua, and Pakistan, have experienced intense competition in some markets, multiple borrowing by clients, and erosion of credit discipline. This has led to repayment crises and the rapid deterioration of portfolio quality. Globally, the current banking industry is also paying greater attention to responsible finance following the subprime meltdown and financial crisis. (CGAP, 2010)

As a result, investors are more attuned to making sure that microfinance does no harm and realizes its potential to obtain its social mission of contributing to poverty alleviation. Investors should also seek to ensure that client protection issues are built into new products and new models for microfinance providers, such as branchless banking and use of mobile technology in financial services provision, from the start. What is also clear is that responsible finance and client protection issues apply across the entire landscape of financial services, not just specialized microfinance providers. Minimum good practice client protection standards should apply to all retail financial institutions and in relation to all products, including microenterprise loans, personal loans, savings, micro-insurance, and payment products. In the United States and many European countries, there are banking industry codes of conduct and lending codes focused on consumer protection across the banking industry. Investors themselves are also beginning to recognize that the Client Protection Principles apply as much to themselves as to MFIs. They need to apply rigorous standards in their own microfinance investment policies on matters such as avoiding over-indebtedness at the MFI level and transparency in their own pricing.

(a) Appropriate Product Design and Delivery

Providers have to take care to product design and delivery channels in such a way that they do not make clients harm. Products and delivery channels will be designed taking client characteristics into account and with client feedback. Providers have a responsibility to exercise good faith in designing products that are suitable for the clients

and to not take advantage of client inexperience or underdeveloped markets. This principle states that microfinance has responsibility to apply good faith in designing products that are suitable for the clients and to not take advantage of client inexperience and/or underdeveloped markets. It should take active steps to consider the characteristics of target clients during the design process. Products should function as advertised, provide value for money, and not be deceptive in design.

This provide a full picture of what is encompassed in this concept: suitability; simplicity; no waivers of client rights; minimum changes; affordability; cooling off period; consumer protection by design; Predatory or deceptive sales and marketing techniques; and choice of partners.

Considerable care should be given to designing products, services and delivery channels that suit client needs while being flexible. As one example, loan repayment schedules are best structured to correspond with the expected cash flows of borrowers. The point of suitability is not to over-design products for narrowly defined purposes, but to ensure that the products are designed to be useful for clients. Providers should gather sufficient information from the customer to ensure that the product is likely to meet the customer's needs and capacity. Product design should take into account the processes and technology by which products will be sold, used and serviced, encompassing the entire customer experience.

Simple products, including products with simple pricing, are easier for clients to understand and compare, and they may be more affordable and flexible. Simplicity implies minimizing the use of bundled products (that is, requiring a client to buy a second product, such as credit life insurance, in order to use a first product, such as a loan). Simplicity is not an absolute value: it must serve product relevance and usefulness.

Clients should not be asked to waive their rights, such as the right to sue the provider, receive information, cancel use of the product, maintain privacy, etc. If a provider considers a waiver imperative, for example if a product is not viable without a waiver, then this should be made clear to the client. Waivers requested for the convenience of the provider are generally not appropriate.

Products should be designed in a way that minimizes the possibility that unexpected changes in pricing, terms or fees will become necessary during the course of the product's life. This is especially important to consider in the early stages of product

development, where iteration from an initial minimum viable product can lead to changes for the client. Additional risks to clients in the experimentation phase of developing and delivering new services should be borne by the provider.

Affordability consists of two elements: the cost to the client in the form of interest rates, fees, premiums, etc. (addressed in detail under the principle on [Responsible Pricing] and, for loans and insurance products, the size of the product (loan size or insurance coverage amount) and periodic payment required. These costs should fit reasonably within the client's paying capacity, taking into account the client's overall financial situation. At the time of issuance, providers should confidently expect that clients will not have to make significant sacrifices to their standard of living or business affairs in order to pay for their financial products. These assumptions by the provider should be tested over the course of the client relationship. This is discussed further under [Prevention of Over indebtedness and Responsible Pricing].

Cooling off periods allowing the client to reconsider the decision about any product are especially important in the context of first time or less educated financial consumers. Cooling off period considerations are further discussed in the individual products section below.

For digital products, when client selection, on boarding and product use are all managed without human intervention, product design becomes the critical moment for ensuring client protection, and consumer protection principles should be embedded into the digital interfaces and channels. Financial capability and behavioral insights should be taken into consideration in the design process to comply with the Client Principles. For example, digital interfaces should ensure that products terms, conditions and use are clear to clients and allow clients to make informed decisions.

(b) Prevention of Over-indebtedness

Microfinance shall take adequate care in all phases of their credit processes to determine that clients have the capacity that support prevention of over-indebtedness. Providers will take adequate care in all phases of their credit processes 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).

Prevention of over-indebtedness includes the following: defining over-indebtedness; loan underwriting; information verification; use of credit bureaus; loan renewal, refinancing and rescheduling; production targets and incentives; and monitoring systems.

Lenders should maintain an operative definition of over-indebtedness that takes into account client debt stress to help evaluate whether they are lending responsibly. An example of such a definition is, “A state in which a borrower has to make significant sacrifices to his or her standard of living or business affairs in order to repay debts.

(c) Transparency

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

Transparent communications enable clients to take responsibility for their own financial service use. When clients have clear, sufficient and timely information about product options, they are equipped to decide what products are best for them and to accept the consequences of their decisions. By fostering an atmosphere of open communication, transparency also strengthens the relationship between microfinance providers and clients. In addition, transparency-particularly pricing transparency-contributes to the development of efficient financial markets by laying the groundwork for fair competition and supporting responsible pricing.

For clients with low levels of education or literacy, who may be unfamiliar with formal financial products and their terms and conditions, it is the responsibility of providers to ensure that they communicate with clients in a way that clients can understand, such as using plain language in the local vernacular, and in some cases communicating orally or in pictures. It is especially important to highlight the need for complete information on interest rates and fees, which may need to be communicated in multiple times, places and formats. “Key Facts” documents that summarize all the most important terms and conditions in easily understood language can be especially useful.

The following core elements of product transparency provide a picture of what is encompassed in this concept: clear use of language; complete cost and non-cost

information; appropriate timing of disclosures; informing clients of partner relationships; informing clients of their rights; and confirming client understanding.

(d) 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. Providers should price their products and services in a way that contributes to the long-term financial health of their clients while meeting their own needs for financial sustainability. Financial sustainability is a necessary requirement for continuing to serve clients. Therefore, providers should strive to achieve efficiencies that allow prices to be as affordable as possible and deliver reasonable value-for-money. Pricing requires careful attention when serving the poor, because low-income clients operate with such constrained financial resources. Pricing can be a particular challenge in markets where competition is not playing a significant role. Therefore, providers have a responsibility to take into consideration the client's ability to pay while examining their own operational efficiency and profit. Transparency is a pre-condition for responsible pricing, because it enables clients to understand and compare products and providers.

It is recommended that providers use a formal pricing procedure for each product that takes into account the cost to provide; affordability for the client; desired profit for the provider; and any other objectives, such as serving very poor people, maximizing cross-selling opportunities, etc. The pricing procedure should include a comparison of the provider's pricing with that of competitors offering similar products. If the provider's pricing is substantially higher or lower, responsible pricing implies that the provider should be able to justify this difference to its clients and other stakeholders. Lower pricing is inappropriate if it reveals that the provider is unsustainable or has a strategy to gain market share and then raise prices later. Higher pricing should raise concerns if the provider has higher operating costs than the competition, i.e., is passing the cost of its inefficiencies to its clients. Particular attention must be paid to monopoly and near-monopoly markets, in which competitor comparisons are unlikely to provide a full picture of whether a provider's pricing is responsible.

In addition to reviewing pricing on a product-by-product basis, it is recommended that providers consider how product pricing and product costs are reflected in the

provider's overall profitability. Providers that appear to be unusually profitable on an overall basis compared to their competitors would then evaluate whether their level of profitability is consistent with the long-term benefit of clients. The provider's board of directors may consider establishing target return on assets, return on equity or other relevant profitability targets. It should not be automatically assumed that high profits are inconsistent with responsible pricing; they could be justifiable, for example, when client needs are being served and the profits are being used to build up equity (and attract loans and investment) to strengthen the provider over the longer term.

Fees can contribute to a lack of pricing transparency, both for calculating overall product cost and because some fees are contingent and may not be anticipated or understood by the client. Therefore, as a general principle, it is desirable to minimize fee-based pricing. When fees are necessary, the purpose should be to provide a reasonable coverage of the provider's costs for a specific service and to encourage appropriate behavior by the client. It costs money for financial institutions to open accounts, accept loan prepayments, pay insurance claims, etc., and it is legitimate for providers to be compensated for those services. Fees can also help to encourage appropriate client behavior, such as late payment fees that encourage on-time principal and premium payments. In encouraging appropriate client behavior, however, it should be borne in mind that poor clients face a relatively high level of unpredictability in their lives. Therefore, a fee structure that is costly for clients facing unexpected situations, such as one featuring high penalty changes, is to be avoided.

It is not appropriate to charge fees that are so high that they harm the client, such as late payment fees that make burdens unrealistically high or account maintenance fees that rapidly reduce client savings. It is also not appropriate to charge fees that are designed to limit client choice, such as account closing fees.

(e) Fair and Respectful Treatment of Clients

Client selection and treatment should not involve discrimination on the basis of race, ethnicity, gender, political affiliation, disability, religion, orientation or age. Non-discriminatory treatment is important for providing access to financial services to all clients who can use them and builds their confidence in the fairness of the provider. Non-discrimination applies to both digital and staff-based selection and treatment.

Every direct interaction between clients and staff should be characterized by honesty, fairness, and respect. Because of their low socioeconomic status, low income clients may often receive poor treatment when interacting with mainstream business or government organizations. This is not acceptable. Respectful treatment is particularly important to maintain during loan collection, when clients are sometimes perceived as no longer deserving of respectful behavior. Providers should have zero tolerance for any form of corruption on the part of their management, staff or agents, including fraud, kickbacks and favors requested or demanded from clients.

Non-discrimination means treating all clients equally, regardless of their race, religion, ethnicity, political affiliation, disability, age, orientation or gender. Terms and conditions may be set based on risk and accommodation (e.g., for disability), but risk assessment cannot be based directly upon the sensitive categories such as those listed above, and care should be taken substituting proxies for these categories. When client selection is processed by algorithms, responsible non-discrimination requires prior review of the data used in selection, and periodic assessment of the results. As noted in the section on [Prevention of Over indebtedness], good algorithmic governance includes internal review of the data and design through checks and balances such as internal audit. Implementation of non-discrimination can sometimes be complicated for providers created specifically to address the needs of people who have previously experienced discrimination in accessing financial services, for example, women. While such focus can often be a desirable choice for overcoming social ills, a provider with a specific focus group of clients should evaluate periodically whether this focus continues to be the best way of achieving its objectives.

The core of the responsible treatment of clients derives from a genuine commitment to the code of ethics that is upheld and enforced throughout the institution, from the board of directors to entry level staff. A code of ethics states the institution's mission and articulates its organizational values, such as fair treatment of clients. In some codes unacceptable behavior is explicitly defined, and in some of these cases the penalties are specified, while in other codes the concept of unacceptable behavior is implicit. A written code alone will not generate this behavior; it has to be embedded in employee thinking and behavior. A code of ethics can help to reinforce this behavior by being treated as a relevant, "living" document: it should be approved by the board; signed by employees and board members; and reviewed or updated regularly.

(f) Privacy of Client Data

The privacy of individual client data must be respected. Providers will only use client data for authorized purposes and with client consent. They will maintain systems to keep client data from being released improperly or misused and to protect clients from fraud, whether by internal staff, partner companies or bad actors.

The confidentiality of personal information is a right that protects privacy and individual liberties. Providers need a clear understanding of client data privacy rights and of the appropriate treatment and handling of client data. They also need effective systems for protecting data from unauthorized use. Privacy of personal financial information is particularly important to prevent losses due to theft and fraud. The increasing complexity of the technology used to manage client data, together with burgeoning amounts of data in use, heighten the challenge for providers to maintain the privacy of client data. Clients also have a responsibility to safeguard the financial information they hold and to correct inaccurate data about themselves.

Financial services provider must have a privacy policy and associated procedures. The policy should establish the principle that client data is to be kept private unless otherwise mandated by law. Client data includes any information the institution holds in connection with providing products or services to the client: identity, financial and transaction information, and information obtained from other sources such as mobile phones, credit bureaus or the internet.

The financial services provider should have robust systems and procedures for ensuring the security of client data. Data should be maintained in secure systems with protections against unauthorized access as well as theft and damage. Staff should be informed and trained regarding procedures for maintaining data security. Access to data should be limited to authorized users, with robust authentication in place for staff, agents and clients. Good cyber hygiene should address both storage and movement of data, proper use of encryption and firewalls. Business continuity plans and audit trails should be in place, as well as protocols for response to data breaches. Given the evolving nature of threats, the provider should ensure that security is maintained up to date, with the help of vulnerability and penetration testing, backed up by independent security audits.

Providers should develop effective systems to prevent, detect and respond to fraud related to client accounts, whether committed by staff, agents or others. It should train

staff and agents on fraud identification and provide channels for fraud reporting and serious penalties for incidents of fraud. Clients should also have a readily available means of reporting loss or theft. Internal controls and audit processes are needed to monitor for fraud. In the event of fraud, providers should compensate clients for direct losses due to fraud committed by any of their personnel or partner companies. For services delivered through mobile phones and/or agents, network downtime often provides opportunities for incorrect or fraudulent transactions, and therefore, providers should work to ensure that downtime is minimized.

(g) Mechanisms for Complaints Resolution

Providers will have in place timely and responsive mechanisms for complaints and problem resolution for their clients and will use these mechanisms both to resolve individual problems and to improve their products and services.

Dissatisfied clients and their complaints are inevitable. Providers should address these problems quickly and effectively, and should use complaints as feedback for improving operations. They should ensure that clients are aware of their right to complain, that they know how to complain and that the process is easy for clients to use. A range of channels can be used to receive and respond to complaints – such as face-to-face meetings, call centers, e-chats or chat bots. Providers need to confirm that their channels are effective for clients.

In addition to checking on how well the complaints process is performing, the data on complaints should be routinely analyzed to identify and correct problems in the organization as a whole, whether they appear in certain products, geographies, or processes. Such data is a rich source of client feedback. It can be supplemented by surveys on client satisfaction, ensuring that voices of both complaining and non-complaining clients are heard.

2.2 Social and Economic Condition Analysis

Traditionally, the impact of microfinance projects was assessed by the changes in the income or well-being of the clients. Mansell-Carstens, cited in Rogaly (1996, p.103) argues that such a focus is flawed because respondents may give false information. It is also very difficult to ascertain all the sources of income of a client, so a causal effect is difficult to establish, and it is also difficult to establish what would have happened if the

loan was not given. Therefore a broader analysis is needed that takes more than economic impact into consideration.

Poverty and livelihood security consists of economic and social conditions, therefore, when analyzing the impact of microfinance, social impact must be assessed. Kabeer (2003) states that wider social impact assessment is important for an organization's internal learning process, as an MFI should be aware of the "full range of changes associated with its efforts and uses these to improve its performance". She considers social impact to relate to human capital such as nutrition, health and education, as well as social networks (2003). Impact must be assessed on each of these issues if a true picture of the impact of microfinance is to be obtained.

However, Kabeer (2003) moves beyond individual or household analysis to state that analysis should also be conducted at community, market/economy and national/state levels. She refers to these as "domains of impact" because societies are comprised of different institutional domains each with their own rules, norms and practices which can be influenced by microfinance interventions in different ways. Kabeer (2003) not only refers to domains of impact but also highlights dimensions of change that should be assessed. She lists cognitive change, behavioral change, material change, relational change and institutional change as dimensions of change that need to be taken into account if the wider effects of microfinance interventions are to be understood.

Microfinance interventions have also been shown to have a positive impact on the education of clients' children. Murdugh and Hashemi (2003) state one of the first things that poor people do with new income from microenterprise activities 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, client households were found to be investing more in education than non-client households.

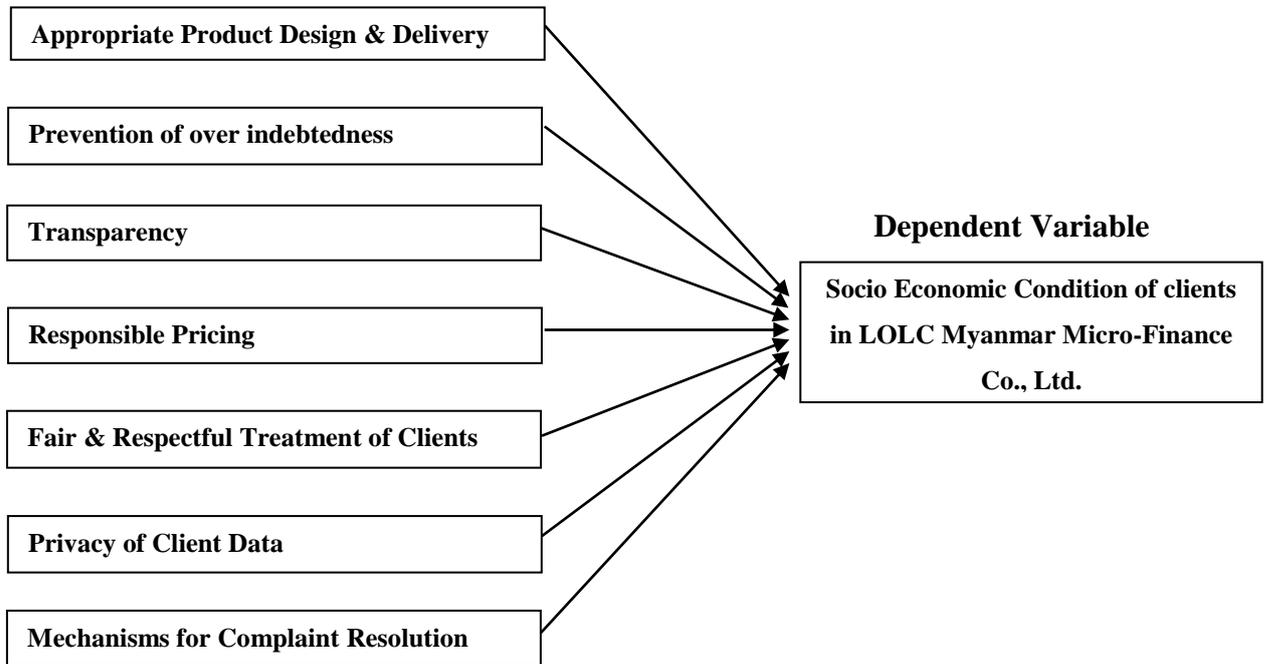
2.3 Conceptual Framework of the Study

Based on the literature review, the following conceptual framework has been developed. There are seven independent variables (client protection principles) and one dependent variable (Socio economic impact). The conceptual framework of the study is as shown in Figure (2.1)

Figure (2.1) Conceptual Framework of the Study

Client Protection Principles

Independent Variables



Source: The Smart Campaign

Above framework was developed based on the theoretical review. In this study, Client Protection Principles practices of the LOLC Co., Ltd are examined then analyze on Socio Economic Condition of clients of the LOLC Co., Ltd. The study finds out whether the Client Protection Principles of LOLC effect the socio-economic condition of their clients.

CHAPTER 3

CLIENT PROTECTION PRINCIPLES OF LOLC MYANMAR MICRO-FINANCE CO., LTD.

This chapter presents the profile of LOLC Myanmar Micro-Finance Company limited, vision, mission and organizational structure. In additions, it presents the client protection principles practices of LOLC Myanmar Micro-Finance company limited.

3.1 Profile of LOLC

LOLC Myanmar Micro-Finance Company limited is one of market leading Microfinance Company in Myanmar which was started its operation since last quarter of 2013. LOLC Myanmar is a wholly owned subsidiary of the LOLC Holding Plc. of Sri Lanka which is registered as a public listed company in Sri Lanka. LOLC Group is one of the leading conglomerates in Sri Lanka and the LOLC Group is the largest microfinance provider in Sri Lanka.

LOLC Myanmar has started its microfinance operations in Yangon since 2013 and has expended its business to reach Bago, Mandalay and Magway regions and Mon state and serving about 135,000 clients where over 98% are women clients. The company provides Financial Services of loan and savings such as Group Loans, Individual Loan and products developed to cater the salary Employees, Micro & Small Business and the Agricultural Sector with seasonal incomes.

As LOLC Myanmar is a deposit taking Micro Finance Institution from the start of its business operations and has obtained the approval to continue, LOLC Myanmar contribute to meet the objective of the Myanmar Microfinance law in promoting of the savings habit among low income customers by providing service of Voluntary and Compulsory Savings product with the attractive interest to the benefit of its customers. The deposit based of all our customers has been contributed 17% of total portfolios as on end of March 2019. In addition, company provide a Credit Risk mitigating instrument to protect clients for external shocks, and provide financial literacy training to increase their credit knowledge in relation to their financial management and credit decision.

In the financial year 2018-2019 of the LOLC Myanmar, financial closing with 52.48 USD Million which has 51.85% annual growth from last financial closing. Total portfolio amount of 39.645 Million USD close at this financial year where total annual

growth rate recorded as 91.14% from last year portfolio figure as on end of March. LOLC (2019)

The key major achievements highlighted in this financial year are-

- Regional reached to five regions in Myanmar with annual customers growth rate of 68.84%
- Number of branches increased from 36 of last year to 53 in this year end
- Savings deposit of customers increased with annual growth of 60.84% in its balance
- Profit before tax of this financial year end resulted with 2.04 Million USD
- Rural-Urban proportion has been reach to 56% in rural and 44% in Urban and Pri-Urban area in serving for the low income segment

LOLC's vision is to create an efficient social enterprise that promotes inclusive finance with highest ethical standards and best international practices. Its vision is to be a sustainable partner to uplift the socio economic conditions of Myanmar through financial inclusion of underserved.

LOCL has corporate values as follows:

- Conducts ourselves with honesty and integrity at both individual and organizational level
- Have mutual respect in dealing with all stakeholders.
- Be driven by passion to excel on everything we do.
- Build long term relationships with our customers based on mutual trust and commitment
- Challenge conventionality to create, innovate and stay ahead
- Embrace diversity as a unifying force to contribute towards progress and growth

3.2 Client Protection Principles of LOLC

LOLC business model is fully committed to implementing Smart Campaign Client Protection Principles (CPP) as a means of demonstrating of its commitment of putting the customer at the center of the business. It is very important to uphold the right organizational values, attitude, and standard of service so that the customer knows that they are truly valued by the organization. Thus LOLC adheres to the following seven principles from the commencement of its operations.

(a) Appropriate Product Design and Delivery Channels

LOLC is taking adequate care to design products and delivery channels in such a way that they do not cause clients harm. Products and delivery channels are designed with client characteristics taken into account.

Appropriate product design is relevant in client protection principle because Financial Institutions often deal with inexperienced clients that do not necessarily have the knowledge/experience to determine if the product provides good value for the money. Product suitability must be incorporated at all levels of LOLC from board policies to staff training. LOLC listens and learns from their client to be more likely to succeed than who imitates others product/services in the market. Moderate sales techniques are used to deliver products/services. A policy and documented process are in place to prevent aggressive sales techniques and forced signing of contracts. The LOLC verifies that third parties (agent network managers, etc.) train their representatives not to use aggressive sales techniques and to respect clients' right to refuse products. The LOLC has a mechanism of rigorous and regular monitoring of front line staff and third-party sales techniques (e.g., agents, insurance companies or money transfer companies) to impede aggressive sales. When 'red flags' are raised, it triggers corrective measures. The LOLC's incentive/ bonus structure does not promote aggressive sales.

(b) Prevention of over-indebtedness

LOLC is taking adequate care in all phases of their credit processes to determine that clients have the capacity to repay without becoming over-indebted. In addition, LOLC is implementing and monitoring internal systems that support prevention of over-indebtedness and will foster efforts to improve market level credit risk management (such as credit information sharing).

LOLC lends the clients by offering group lending system. In the case of group lending, the methodology for the assessment of creditworthiness can vary by group. The key objective is a clear system for quantifying and monitoring the repayment capacity of group members. Guidance, as well as targeted training if possible, should be provided to the groups for assessing creditworthiness. For group loan products that use group guarantees, LOLC ensures that the members understand the financial and reputational risks that they face if one of the group members becomes over-indebted and is unable to fulfill its responsibility to the group.

The LOLC's analytical process for assessing debt capacity includes a requirement for confirming information provided by a potential client, such as reference checks and site visits. This information can be useful for assessing not only the client's ability to repay but also his or her willingness to repay the loan.

(c) Transparency

LOLC is communicating clear, sufficient and timely information in a manner and language that clients can understand, so that clients can make informed decisions. LOLC communicates all information related to products, services and policies to clients in the local language and at an appropriate level given financial literacy limitations. For less literate clients, oral communication supplements written information. The need for transparent information on pricing, terms and conditions of products is highlighted.

Policy and documented process are in place to require transparency on product terms, conditions and pricing. Staffs are trained to explain pricing, terms and conditions to clients and verify client understanding in accordance with policies, and they demonstrate this understanding in practice. They receive refresher trainings annually. LOLC has and uses an internal control process to verify uniform application of policies and procedures related to transparency.

(d) Responsible pricing

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

Smart Campaign holds management to be accountable by review of internal pricing policies as well as analyzing components of pricing. LOLC has a formal (internal) pricing policy for each product that takes into account the cost of providing the product; affordability for the client; the desired profit for the provider; and any other objectives to be achieved by the product, such as serving very poor people, maximizing cross-selling opportunities, etc.

(e) Fair and Respectful Treatment of Clients

Financial service providers and their agents will treat their clients fairly and respectfully. They will not discriminate. LOLC is ensuring adequate safeguards to detect

and correct corruption as well as aggressive or abusive treatment by their staff and agents, particularly during the loan sales and debt collection processes. LOLC communicates the importance of ethics to staff on a regular basis. Company trains staff to respond to ethical dilemmas tailored for their position. LOLC has policy and documented processes to avoid discriminating against Protected Categories in selecting clients and setting terms and conditions.

The following behaviors are always prohibited and sanctions are specified in writing and enforced: using abusive language; using physical force; limiting physical freedom; shouting at the client, entering the client's home uninvited; publicly humiliating the client; violating the client's right to privacy; mistreating a client based on any Protected Categories; using intimidation or threats; sexual or moral harassment. (Certifier: Protected Categories = Ethnicity, gender, age, disability, political affiliation, sexual orientation, caste, and religion.

(f) Privacy of client 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.

LOLC's systems protect against theft or misuse of client data or identity; security breaches, and fraudulent access. There is a disaster/ downtime recovery plan in place, including a business continuity plan. Files are maintained in a secure system, whether electronic or in physical format, with protections from inappropriate access, theft and damage. Data security measures are in place to protect against unauthorized access to data (i.e., passwords, access levels, software infrastructure). IT passwords are changed periodically with different access levels according to the position of the staff member accessing the data. It performs at least daily backups of its client data. Employees use of files outside the office is controlled (e.g. they cannot take client files or loan documents to their homes or access the MIS from home), and the FI keeps records of the names of staff who request access to client files. Product contracts include a clear, concise explanation of how client data will be protected and how it may be used or shared and with whom, including sharing with a credit bureau. LOLC has an effective training program in place

to ensure that staff understand and have the skills to implement the policies and processes related to privacy of client data.

(g) Mechanisms for Complaint Resolution

LOLC is placing timely and responsive mechanisms for complaints and problem resolution for their clients and will use these mechanisms both to resolve individual problems and to improve their products and services.

An institution puts the principle into practice by having a mechanism for collecting, categorizing, analyzing, responding in a timely manner, and resolving problems for customers. The mechanism is used to review, reward and resolve individual complaints and improve products/services. LOLC uses suggestion boxes, but these are not usually sufficient to receive and respond to complaints in a timely way. But it is also inaccessible to illiterate clients. LOLC informs clients about their right to complain and how to submit a complaint. It uses information from complaints to manage operations and improve product and service quality.

CHAPTER 4

ANALYSIS OF CLIENT PROTECTION PRINCIPLES OF LOLC MYANMAR MICRO-FINANCE CO., LTD

This chapter presents the profile of the respondents, followed by customer perceptions towards the client protection principles by LOLC in terms of mean score. Then, it presents the regression result between independent and dependent variables.

4.1 Research Design

In this study, Client Protection Principles practices of LOLC Myanmar Micro-Finance Co., Ltd. on Socio Economic Condition of clients has been identified and analyzed by using structured questionnaires. Primary data are collected by using structured questionnaire from 100 LOLC clients which are 25% randomly selected out of 398 clients in No.(2) ward, North Okkalapa Township in Yangon. Interview system is used to collect the primary data. There are two sections in the structured questionnaire. The first section includes profile of the respondents' perception of the clients of LOLC Myanmar Micro-Finance Co., Ltd. The findings in the first section are presented in percentage. The second section of the questionnaire includes five point likert scale questions. In the second section, the findings are presented by mean score. If the mean score is greater than 3.0, the respondents have the positive perception towards the services while if the score is less than 3.0, the respondents have the negative perception towards the services. The collected data are interpreted in SPSS-Statistics-22.

4.2 Profile of the Respondents

To analyze the profile of the respondents, demographic characteristics, such as gender, age, education level, occupation, experience of dealing with LOLC are explored.

Table (4.1) Profile of the Respondents

Sr.No	Particular	No. of Respondents	Percent
	Total	100	100
1.	Gender : Female	100	100.0
2	Age :		
	26-30 years	2	2.0
	31-35 years	18	18.0
	36-40 years	18	18.0
	41-50 years	40	40.0
	Above 50 years	22	22.0
3.	Education :		
	No academic School	6	6.0
	Middle School	34	34.0
	High School	50	50.0
	Bachelor	10	10.0
4.	Occupation :		
	General worker	4	4.0
	Retailers	70	70.0
	Work at home	26	26.0
5.	Experience :		
	1-2 years	6	6.0
	3-4 years	34	34.0
	4-5 years	50	50.0
	Above 5 years	10	10.0

Source: Survey Data (2019)

According to Table (4.1), among 100 LOLC customers, all of the respondents are females taking the loan to do business. The result shows that females are using microfinance than males in Yangon. Regarding age, the majority of the respondents are between 40 and 50 years old as those people do as street vendors by taking the loan. Between 26 to 30 years old respondents represent the least portion according to the survey data. Regarding education, majority of the respondents have high school level education and second dominating group finish middle school. The result shows most of the respondents could have formal education thus they could read and write. According to the occupation result, most of the respondents are retailers, followed by women group working at home as sewing woman. Among the 120 respondents, minorities are general workers. Most of the respondents have been dealing with LOLC between 4 and 5 years, and second dominating group have been taking loans between 3 to 4 years. Thus, most of the customers have been experienced with LOLC for a long time.

4.3 Analysis the effect of Client Protection Principles on Socio Economic Condition of clients in LOLC Myanmar Micro-Finance Co., Ltd.

In this study, Client Protection Principles practiced by LOLC Myanmar Micro-Finance Co., Ltd. could effect on Socio Economic Condition is analyzed by using the structured questionnaire. In order to find out the influencing factors, five-point Likert scale is used in the structured questionnaire.

Client protection principles are practiced in order to protect the clients not for overtaking loans, and enable to handle their debts, and improve their socio economic condition. The main objectives of the microfinance institutions are to raise the socio economic life of the client and to alleviate the poverty.

(a) Appropriate Product Design and Delivery

Microfinance creates the products for the clients based on their needs and wants. Appropriate product design is essential for both clients and microfinance organization. This covers the schedules, collaterals, loan amount etc. The customer perception towards the appropriate product design and delivery of LOCL is presented in Table (4.2).

Table (4.2) Appropriate Product Design and Delivery

Sr. No	Statement	Mean Score
1.	The LOLC offers products and services that are suited to my needs.	4.18
2.	LOLC makes no collateral requirements so that it does not create severe hardship for clients.	4.22
3.	I am satisfied with the products LOLC have	4.18
4.	Credit products are designed to require principal to be paid down regularly and or with flexible repayment schedules based on client cash flows.	4.16
5.	Savings and loan products offered meet my needs	4.18
	Overall Mean	4.18

Source: Survey Data (2019)

According to the Table (4.2), most respondents are satisfied since they do not need to pay collaterals since LOLC is the financial institution that supports the clients.

Major clients of the LOLC are retails and general workers thus LOCL just request the household registration certificate and recommendation of one person. Respondents state that LOLC products meet their needs and wants as LOLC usually monitor client situations and requests from them. Based on that fact, LOLC creates the products and services. LOLC creates the payment schedules based on the income levels of the clients. Thus, most of the respondents are satisfied with the LOLC products and they think LOLC products are appropriate for them.

(b) Prevention of Over-indebtedness

LOLC is taking adequate care in all phases of their credit processes to make sure clients are not over-indebted. The perceptions of the clients towards this practice of LOCL are presented in Table (4.3).

Table (4.3) Prevention of Over-indebtedness

Sr. No	Statement	Mean Score
1.	LOLC defines the maximum percentage of a borrower's disposable income that can be applied to debt service,	4.35
2.	I do not have to forego or reduce meals to make payments	4.28
3.	I feel comfortable with the current level of debt I have.	4.16
4.	I have no difficulty in repaying my current loan on time	4.08
5.	If I take big loan, I know I will have bigger repayment problems.	4.22
	Overall Mean	4.22

Source: Survey Data (2019)

According to Table (4.3), most respondents agree that LOLC evaluates their highest income level to grant the loan products by doing reference checks and site visits. By doing this, clients could not face difficulty because they could not take loans more

than they can handle. Thus, clients do not have to reduce their consumption because of taking loans. They are doing well by getting their daily usage as before. Clients acknowledge that they have to face problems if they take the bigger loans as LOLC staff explains the clients the consequences of taking the loan that could handle. Thus, most clients do not feel the burden of taking loan from LOLC and they could repay according to the schedules. According to the overall mean score, most of the clients are satisfied with this principle as LOLC practice could reduce their burden and retain comfortable.

(c) Transparency

LOLC makes the transparency at every process of loan. Customers are treated as the same way. Table (4.4) presents the perception of the client towards transparency.

Table (4.4) Transparency

Sr. No	Statement	Mean Score
1.	LOLC provides clients documents relating to pricing including all fees.	4.21
2.	Staff clearly expressed about disbursement date and loan term before contract.	4.24
3.	LOLC communicates clear, sufficient and timely information in a manner and language that clients can understand	4.26
4.	LOLC takes adequate steps to ensure client understanding and support client decision making.	4.32
5.	I got clear information about the interest rate, loan processing fees, and insurance premium before taking up the loan.	4.12
	Overall Mean	4.23

Source: Survey Data (2019)

According to Table (4.4), most of the respondents are satisfied since they understand clearly about the terms and conditions of LOLC as the staffs carefully explain everything about the loan process. In additions, LOLC makes the documentation in

Myanmar language. LOLC gives the complete documentation sets that include pricing, scheduling and agreement etc. Thus, most of the clients clearly understand every phase in loan process. Therefore, clients have enough information about interest rate, loan processing fees, and loan amount etc. According to the overall mean score, most of the clients are satisfied and agree that the LOLC loan process has transparency.

(d) Responsible Pricing

Responsible pricing is essential for both clients and service providers. Affordability of clients and profitability of the service providers need to be balanced. Table (4.5) presents the perception of the clients towards responsible pricing of LOLC.

Table (4.5) Responsible Pricing

Sr. No	Statement	Mean Score
1.	LOLC's pricing practices are reasonable.	4.23
2.	The interest rate is set to be affordable.	4.12
3.	LOLC is not transferring unnecessary costs to clients	4.35
4.	Pricing is within the client's performance range.	4.10
5.	LOLC pricing is based on client's ability to repay.	4.02
	Overall Mean	4.16

Source: Survey Data (2019)

According to Table (4.5), most clients are state that LOCL does not add hidden costs as LOLC makes clear explanations of rules and regulations about the loans and most clients are satisfied with it. They also feel that LOLC pricings are reasonable as LOLC makes formal and informal pricing strategies depending on the financial income of the clients and they perceive that the interest rate is affordable as they could pay according to the payment schedules. LOLC carefully sets the pricing by making sure whether clients have the ability to repay within the schedules. According to the overall mean score, LOLC is doing well about the responsible pricing.

(e) **Fair and Respectful Treatment of Clients**

According to the service provider, it is important to give the service by fair and respectful manners. If the service providers make some discrimination to clients, clients will not come again. The perceptions of the fair and respectful treatment of clients by LOLC are shown in Table (4.6).

Table (4.6) Fair and Respectful Treatment of Clients

Sr. No	Statement	Mean Score
1.	I got fair and respectful treatment from LOLC.	4.36
2.	I do not have to pay loan officer a commission in return for a favor	4.26
3.	LOLC clearly defines appropriate and inappropriate debt collection practices by staff and third parties.	4.20
4.	LOLC no discrimination about ethnicity, gender, age, disability, political affiliation, sexual orientation, caste, and religion	4.12
5.	I have a good relationship with their loan officer.	4.22
	Overall Mean	4.23

Source: Survey Data (2019)

According to Table (4.6), most of the respondents state that they get fair and respectful treatments from LOLC staffs as LOLC trains its staff thoroughly not behaving disrespectful or discriminations. Discriminations and disrespectful to clients are strongly prohibited. Clients state that they do not need to pay commission or under table to loan officers to grant the loans. In additions, it is found that clients do not found any discrimination such as gender, sex, religion, and sexual harassments as LOLC has codes of ethics followed by all staffs. Most of the clients have the good relationship with the loan officers although they do not have to underpay. According to the overall mean score, LOLC is following the fair and respectful treatment principle of SMART Campaign thus most of the clients are satisfied.

(f) Privacy of Client Data

Privacy of client data is very important for financial institutions. If the firm do not have the ability to keep the confidential information, clients will not contact to that firm. Client perception towards the privacy control levels of LOLC is presented in Table (4.7).

Table (4.7) Privacy of Client Data

Sr. No	Statement	Mean Score
1.	I trust my data is kept secure and confidential.	4.22
2.	Product contracts include a clear, concise explanation of how client data will be protected and how it may be used.	4.25
3.	I believe that LOLC won't share my information without my approval.	4.34
4.	Even if the payment is overdue, I believe LOLC does not make public announcement about my data.	4.26
5.	There are no other MFIs in the area that are more trustworthy than LOLC	4.02
	Overall Mean	4.22

Source: Survey Data (2019)

According to Table (4.7), most of the clients believe that LOLC will not share their private data with others as LOLC clearly mentions to all clients that they won't share any information with third party if there is no legal request. They also perceive that LOLC will not make any public announcements even they could not meet the payment schedules. Most of the clients trust LOLC that will not share any private data without their approval and LOLC makes sure the privacy of data. LOLC has made standard procedures for data privacy such as safes, passwords, user rights access to certain data etc. Thus, most clients see LOLC more trustworthy than any other microfinance in their regions. According to the overall mean score, LOLC is doing well for privacy of data and most of the clients are satisfied to it.

(g) Mechanisms for Complaints Resolution

Handling the complaints and timely solution are important things to achieve the success of the business. Customer perceptions of the complaint resolution mechanism of LOLC are presented in Table (4.8).

Table (4.8) Mechanisms for Complaints Resolution

Sr. No	Statement	Mean Score
1.	Complaints are resolved within one month	4.26
2.	LOLC informs clients about their right to complain and how to submit a complaint.	4.20
3.	Information on how to submit a complaint is displayed visibly in branch offices	4.24
4.	I am notified when complaints are received and when they are resolved.	4.28
5.	LOLC pay high attention to client's complaints.	4.30
	Overall Mean	4.26

Source: Survey Data (2019)

According to Table (4.8), most respondents state that LOLC pay attention to their complaints by analyzing the situations in details. LOLC informs clients about the status and solutions of the complaints in timely manner. LOLC sets suggestion and complaints box at every branch if clients want to make complaints. In additions, LOLC put notice board about complaint procedures and steps at every office. Most clients agree that their complaints are solved with one month as LOLC has the complaint resolution mechanism in order to get customer satisfaction. According to overall mean score, LOLC has strong complaint resolution mechanism and customers are satisfied about the solution.

4.4 Analysis on Customer Perception of Socio-economic Condition of Client Mean

The main objectives of the microfinance are to improve the socio-economic condition of the clients. If the clients have the good performance, they could pay according to the schedules and microfinance institutions could survive for the long time.

The socio-economic condition of the clients of LOLC Myanmar Micro-Finance Co., Ltd. is presented in Table (4.9).

Table (4.9) Socio-economic Condition

Sr. No	Statement	Mean Score
1.	I feel that the LOLC is working to help and protect me.	4.24
2.	I could take care of the nutritional requirements of myself and family members after loan.	4.22
3.	My living standards have improved since microfinance loan.	4.20
4.	My total annual income has increased after getting microfinance loan from LOLC.	4.18
5.	I could cater for children's or the young education in family.	4.18
	Overall Mean	4.20

Source: Survey Data (2019)

Regarding socio-economic condition of the clients, most clients feel that loans from LOLC is intended to help them and support since LOLC carefully checks the repayment ability of the clients and not to put burden on them. In additions, LOLC prohibits the agents and staffs not to do aggressive selling without checking the clients' ability to repay. Clients state that they could care their family more after they take the loans as they could do their own small business and earn more revenues and profits. As the result, their living standards are also improved after taking the loans. Clients become having the ability to admit their children at the schools once they could not. According to the overall mean score, LOCL clients could improve their socio-economic situations after receiving the loan from LOLC.

4.5 Analysis on Effect of Client Protection Principles on Socio Economic Condition

This section identifies which client protection principle has the significant relationship or effect on the socio-economic condition of clients by regression. Table

(4.10) presents the regression result that shows the relationship between client protection principles and socio-economic condition of the clients.

Table (4.10) Correlation between Client Protection Principles and Socio-Economic Condition of clients

Variable	Unstandardized Coefficients		β	t	Sig
	B	Std. Error			
(Constant)	.082	.223		.366	.715
Appropriate Product Design and Delivery	.279**	.145	.274	1.926	.057
Prevention of Over- indebtedness	-.157	.125	-.163	-1.257	.212
Transparency	.056	.094	.054	.589	.557
Responsible Pricing	.431***	.133	.385	3.234	.002
Fair and Respect	-.013	.102	-.014	-.125	.901
Privacy of Client	.081	.138	.088	.586	.559
Mechanisms for Complaint resolution	.303***	.080	.335	3.777	.000
R Square	.815				
Adjusted R Square	.801				
F value	57.877***				

Source: Survey Data (2019)

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

According to Table (4.10), correlation coefficient (R^2) lies between 0 and 1, thus it indicates client protection principles (Independent Variable) and the socio-economic condition of the clients (Dependent Variable) are correlated. The regression model could explain about 81.5 percent about the variance of the independent variables and dependent variable according to Adjusted R square. The value of F test, the overall significance of the model, is highly significant at 1 percent level and specified model can be said valid. According to the survey, only three variables among seven factors, Appropriate Product Design and Delivery, Responsible Pricing, Mechanisms for Complaint resolution related with socio-economic performance of the clients.

Regarding appropriate product design and delivery principle, this variable has the expected positive sign and is significant coefficient value at 5 percent level. Customers usually look at the loan products that meet their needs and wants. The positive relationship means that the increase in appropriate product design and delivery will have more effect on socio-economic performance of the clients. The increase in appropriate product design and delivery principle by 1 unit will also raise socio-economic performance of the clients by .279 units.

Responsible pricing has the expected positive sign and is highly significant coefficient value at 1 percent level. People usually look at the price such as interest rate and processing service charges. The positive relationship means that the increase in better responsible pricing will have more effect on socio-economic performance of the clients. The increase in responsible pricing factor by 1 unit will also raise the effect on socio-economic performance of the clients by .431units.

Mechanism for complaint resolution has the expected positive sign and is highly significant coefficient value at 1 percent level. People want good solutions within limited timeframe when they make the complaints. The positive relationship means that the increase in better mechanism for complaint resolution will have more effect on socio-economic performance of the clients. The increase in mechanism for complaint resolution factor by 1 unit will also raise the effect on socio-economic performance of the clients by .303 units.

The standardized coefficient (Beta) of place factor has the largest value (.385) among seven explanatory variables indicating that responsible pricing has the greatest contribution to the effect on socio-economic condition of the clients.

CHAPTER 5

CONCLUSION

This chapter presents the findings and discussions, suggestions and recommendations and need for further research by collecting structured questionnaire from the 100 clients currently contacting with LOLC.

5.1 Findings

Microfinance becomes the major financing source for general people who are doing their own small business. According to the survey data, most of the respondents are females and they are between 40 and 50 years old they have high school level education. Most of the respondents are retailers at the markets or streets and they are general workers. It is found that most of the clients have been contacting with LOLC between 4 and 5 years.

Regarding appropriate product design and delivery, LOLC do not ask for collaterals as most of the clients are general workers and they do not have collaterals. LOLC develops and creates products by monitoring the needs and wants of customers in terms of loan amounts and schedules etc. Thus, most of the clients perceive that LOLC products are appropriate and relevant to their needs and wants.

Regarding prevention of over-indebtedness, clients agree that LOLC find out the highest income level of clients to grant the loan products. This will prevent the clients taking loans more than they can handle. LOLC staff convinces the clients the consequences of taking the big loan. Thus, most clients only take the loan they could repay and they do not experience the burden of taking loan from LOLC and they could repay according to the schedules.

Regarding transparency, LOLC as the staffs carefully explain everything about the loan process and clients have full understanding about the terms and conditions. In additions, LOLC prepares the documentation in Myanmar language and provides the complete documentation sets that include pricing, scheduling and agreement etc. Thus, most of the clients clearly understand every phase in loan process.

Regarding responsible pricing, most clients agree that LOCL does not add hidden costs and LOLC pricings are reasonable because LOLC offers formal and informal pricings based on the financial income of the clients. LOLC carefully focuses whether the

clients could pay within timeframe when they do pricing policy. It is found that LOLC is doing well about the responsible pricing.

Regarding respectful treatment of clients, clients state that they receive fair and respectful behavior from LOLC staffs and never experience discriminations and disrespectful. In additions, clients do not need to pay commission or under table to loan officers to grant the loans. Most of the clients have the good relationship with the loan officers. It is found that LOLC is doing well about respectful treatment of clients.

Regarding privacy of client data, most respondents perceive that LOLC will not share their private data without their approval and legal requirements. They see LOLC makes secure password and user access rights to certain data client data file. Clients think LOLC is trustworthy than any other microfinance. It is found that LOLC is doing well for privacy of data and most of the clients are satisfied to it.

Regarding mechanisms for complaints resolution, most respondents agree that LOLC has complete standard operating procedures for complaint resolutions. LOLC sets suggestion and complaints box at every branch complaint. LOLC makes notice board describing complaint procedures and steps at every office. LOLC has the complaint resolution mechanism to solve every solution within one month and LOLC has strong complaint resolution mechanism.

According to the regression result, among five principles, only three principles among seven factors, only three principals have significant relationship with the socio-economic of the clients. Those three principals include appropriate product design and delivery, responsible pricing, mechanisms for complaint resolution related with socio-economic performance of the clients. Among significant factors, responsible pricing has the greatest contribution to the effect on socio-economic performance of the clients.

5.2 Suggestions

According to the findings, LOLC should target to people between 40 and 50 years old and they are vendors and general workers. Marketers should focus the types of major business of those major clients in order to create new products and services.

Regarding appropriate product design and delivery, LOLC should make flexible products based on the needs and requests of the clients by discussing with clients. In additions, loan officers should visit to the client's sites in order to give suggestions and

recommendation about their job to be more profitable. Besides, LOLC should give the relevant trainings such as basic finance record entry, and expense so that clients will have general financial knowledge. Loan officer should also share the success and strategies of other clients to new clients.

Regarding prevention of over-indebtedness, LOLC should convince about the loan amounts and the amounts they have to repay at specific time. Loan officers should calculate client income and show repay amount so that clients could clearly know whether they have the ability to repay. In additions, loan officers should visit to the client place and investigate whether the clients take from loans from other sources and whether they have burden of loans. By checking it, loan officers could determine whether clients have the ability to repay the loan amount.

Regarding transparency, LOCL should have the clear procedures about the processing schedules and inform the clients the progress. LOLC should let clients know why they are allowed to take the loans or not. By doing this, clients will know what kind of data they need to provide and it will be easy for them to get loans.

Regarding responsible pricing, LOLC should focus clients daily and monthly expense and their repayment ability. Then, LOLC should make the responsible pricing for each client. In additions, LOLC should monitor the pricing strategy of its competitors. By doing this, LOLC could make sure that its clients have the ability for repayment according to the schedules.

Regarding respectful treatment of clients, LOLC should make sure the manner of clients from inquiry to collect repayment. LOLC should instruct to its staff not to wear uniforms when they collect money from clients if the place is the public area. In additions, LOLC should train its new employees to follow the ethical rules.

Regarding privacy of client data, LOLC should train all employees not to tell about the client data to others. In addition, LOLC should arrange the separate rooms for discussion so that nobody could hear the client information.

Regarding mechanisms for complaints resolution, LOLC should allocate power to staffs to handle the complaints quickly. In additions, LOLC should always update the clients about the complaint resolution progress.

According to the regression data, LOLC should focus mainly on three principals such as appropriate product design and delivery, responsible pricing, mechanisms for complaint resolution in order to improve socio-economic performance of the clients. Among these, LOLC should give the highest prioritize to responsible pricing to improve socio-economic life of the clients.

5.3 Need for Further Research

This thesis focuses only on Smart Campaign seven client principles practiced by LOLC Myanmar Micro-Finance Company Limited. This study does not cover all the service and products of LOLC Myanmar Micro-Finance Company Limited. In additions, other factors of external influences and attitude models are not studied. Today, there are 189 microfinance institutions in Myanmar that are now able to study the client protection principles applicable to only LOLC Myanmar Micro-Finance company limited, so that it can only be completed further by studying the client protection principles of the other microfinance institutions. As microfinance can effectively support the country's poverty process, more comprehensive poverty reduction processes will be developed if not only through the microfinance institutions but also through regulatory environment. Further study should conduct the client protection principles and marketing activities of LOLC Myanmar Micro-Finance Company Limited for other products, other microfinance institutions, and regulatory environment so that it will cover the whole microfinance industry.

References

- Brau, J. C., & Woller, G. M. (2004). Microfinance: A Comprehensive Review of the Existing Literature. *Journal of Entrepreneurial Finance and Business Ventures*, 9(1), 1-26.
- Hashemi, S. M., & Montesquiou, A. (2011). CGAP Focus Note “Reaching the Poorest: Lessons from the Graduation Model. In A. Banerjee, E. Duflo, R. Chattopadhyay, & J. Shapiro, *Targeting the Hard-Core Poor: An Impact Assessment*.
- Hartarska, V., & Nadolnyak, D. (2007). Do regulated microfinance institutions achieve better sustainability and outreach? Cross-country evidence. *Applied Economics*, 39(10), 1207–1222.
- Hulme, D., & Mosley, P. (1997). *Finance Against Poverty*. London: Routledge.
- Johnston, D., & Morduch, J. (2008). The unbanked: Evidence from Indonesia. *World Bank Economic Review*, 22(3), 517–537.
- Kabeer, N. (2003). Assessing the “Wider” Social Impacts of Microfinance Services: Concepts, Methods, Findings. *IDS Bulletin*, 34(4), 106-114.
- Khandker, S. R. (2005). Microfinance and poverty: Evidence using panel data from Bangladesh. *World Bank Economic Review*, 19(2), 263–286.
- Morduch, J. (2000). The Microfinance Schism. *World Development*, 28, 617-629.
- Morduch, J., & Hashemi, S. (2003). *CGAP Focus Note 24: is micro finance an effective strategy to reach Millennium development goals*. Washington: Consultative Group to Assist the Poor.
- Rogaly, B. (1996). Micro-finance evangelism, ‘destitute women’, and the hard selling of a new anti-poverty formula. *Development in Practice*, 16(2), 100-112.

Structured Questionnaire

Dear Sir/Madam,

This survey questionnaire is to use only for the research paper “**Analysis on Socio Economic Impact of clients of the LOLC Myanmar Micro-Finance Company Limited**” to submit as a partial fulfillment towards the degree of Master of Banking and Finance (MBF). The data would not be used in other purposes. Thank you very much for your information.

SECTION A : Demographic Profile.

Please place a tick “√” or fill in the blank for each of the following;

1. Gender.

- Male.
- Female

2. Age (Years):

- Under 20 20-25 years 26- 30 years 31-35 years
- 36-40 years 41 to 50 years Above 50 years

3. Education Level

- No academic School Middle School High School
- Bachelor Others

.....

4. Occupation

- General worker Retailers Work at home
- Others (Please Specify) _____

5. How long have you been dealing with LOLC Co., Ltd.?

- Less than 1 year 1 ~ 2 years
- 3 ~ 4 years 4 ~ 5years
- Above 5 year

SECTION B

Instruction for completing the questionnaire.

Please assign a level of agreement (or disagreement) for each one of the following situations described below, with reference to client protection principle of LOLC. Please “√” your answer to each statement using 5 Likert scale [(1) = strongly disagree; (2) = disagree; (3) = neutral; (4) = agree and (5) = strongly agree]

Client Protection Principle 1: Appropriate Product Design and Delivery

No.	Statement	1	2	3	4	5
1	The LOLC offers products and services that are suited to my needs.					
2	LOLC makes no fair collateral requirements so that it does not create severe hardship for clients.					
3	I am satisfied with the products you have					
4	Credit products are designed to require principal to be paid down regularly and or with flexible repayment schedules based on client cash flows.					
5	Savings and loan products offered meet my needs					

Client Protection Principle 2: Prevention of Over-indebtedness

No.	Statement	1	2	3	4	5
1	LOLC defines the maximum percentage of a borrower's disposable income that can be applied to debt service,					
2	I do not have to forego or reduce meals to make payments					
3	I feel comfortable with the current level of debt I have.					
4	I have no difficulty in repaying my current loan on time					
5	If I take big loan, I know I will have bigger repayment problems.					

Client Protection Principle 3: Transparency

No.	Statement	1	2	3	4	5
1	LOLC provides clients documents relating to pricing including all fees.					
2	Staff clearly expressed about disbursement date and loan term before contract.					
3	LOLC communicates clear, sufficient and timely information in a manner and language that clients can understand					
4	LOLC takes adequate steps to ensure client understanding and support client decision making.					
5	I got clear information about the interest rate, loan processing fees, and insurance premium before taking up the loan.					

Client Protection Principle 4: Responsible Pricing

No.	Statement	1	2	3	4	5
1	LOLC's pricing practices are reasonable.					
2	The interest rate is set to be affordable.					
3	LOLC is not transferring unnecessary costs to clients					
4	Pricing is within the client's performance range.					
5	LOLC pricing is based on client's ability to repay.					

Client Protection Principle 5: Fair and Respectful Treatment of Clients

No.	Statement	1	2	3	4	5
1	I got fair and respectful treatment from LOLC.					
2	I do not have to pay loan officer a commission in return for a favor					
3	LOLC clearly defines appropriate and inappropriate debt collection practices by staff and third parties.					
4	LOLC no discrimination about ethnicity, gender, age, disability, political affiliation, sexual orientation, caste, and religion					
5	I have a good relationship with their loan officer.					

Client Protection Principle 6: Privacy of Client Data

No.	Statement	1	2	3	4	5
1	I trust my data is kept secure and confidential.					
2	Product contracts include a clear, concise explanation of how client data will be protected and how it may be used.					
3	I believe that LOLC won't share my information without my approval.					
4	Even if the payment is overdue, I believe LOLC does not make public announcement about my data.					
5	There are no other MFIs in the area that are more trustworthy than LOLC					

Client Protection Principle 7: Mechanisms for Complaints Resolution

No.	Statement	1	2	3	4	5
1	Complaints are resolved within one month					
2	LOLC informs clients about their right to complain and how to submit a complaint.					
3	Information on how to submit a complaint is displayed visibly in branch offices					
4	I am notified when complaints are received and when they are resolved.					
5	LOLC pay high attention to client's complaints.					

Socio-economic condition

No.	Statement	1	2	3	4	5
1	I feel that the LOLC is working to help and protect me.					
2.	I could take care of the nutritional requirements of myself and family members after loan.					
3	My living standards have improved since microfinance loan.					
4	My total annual income has increased after getting microfinance loan from LOLC.					
5	I could cater for children's or the young education in family.					

Thank you for your time, opinion and comments.

Regional Coverage of LOLC



Source: LOLC (2019)