**YANGON UNIVERSITY OF ECONOMICS**
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# EFFECT OF FINANCIAL LITERACY ON CREDIT ACCESSIBILITY OF WORKERS FROM TRI SEA GARMENT MANUFACTURING CO., LTD

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# ABSTRACT

This study mainly focuses on the impact of financial literacy and credit accessibility of tri sea garment manufacturing company limited workers. This study is intended to identify the financial literacy and credit accessibility and analyze the relationship between financial literacy and credit accessibility. The primary data structured questionnaire from 102 workers out of 600 is collected. Simple random sampling method is used in this study. The secondary data consist of reference books, related website, and previous researches. Most of the respondents at tri sea garment are females and they are young students who finished high school education. Most respondents work in sewing department. Among three independent variables (financial knowledge, financial skills and financial access), financial access strongly affect on credit accessibility. More effective and efficient for credit accessibility, tri sea garment manufacturing company should arrange welfare fund and employees could take loan internally. In additions, the financial institutions should offer more flexible terms for garment staffs.

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# CHAPTER I

# INTRODUCTION

Financial literacy is a combination of awareness, knowledge, skill, attitude and behaviors of individuals necessary to make sound financial decisions and ultimately achieve individuals' financial wellbeing. Working with the definition, it appears that individuals' traits such as cognitive ability (particularly numeracy), personality type, and preferences may affect acquisition of financial knowledge and skills.

Financial literacy could be considered from two points of view, the first one is related to the financial knowledge which includes such things as understanding the concept of interest rate, inflation rate, different types of loans etc.; the second point related to a confidence component such as a self-estimated level of financial knowledge and self-reported abilities to make effective financial decisions (PRI, 2004).

Over the past decades, saving plays an important role in the process of economic growth and development. Logically, saving encourages investment that triggers the economic growth of one country. According to Harrod (1939) and Domar(1946), the speed of economic growth is determined by the ability to save because high savings rate will drive up the rate of investment and consequently stimulate economic growth. Tang (2010) claimed that saving will lead to a long run economic growth and increases of savings eventually affect the capital accumulation.

Saving is that part of a disposable income of a certain period that has not been allocated to consumption (Umoh,2003; Uremadu, 2006). Thus, saving encompasses the residual income which to be invested either for income generation or to meet some future planned or uncertain events. Household savings are vital as a supply of investment funds because financial developments have significant implications for economic growth in developing countries(Abdelkhalek, Arestoff, Freitas, & Mage, 2009).

Textile and Garment Industry: Emerging Export Industry looks at one of the most vibrant industries in Myanmar. In many developing countries the garment industry is a major contributor to the nation's economy in terms of employment and generating much needed foreign exchange and supporting industry for local consumption.

The business of the studies namely as Tri Sea Garment Manufacturing Co., Ltd is established in 2012 with 100 workers and now extended to 600 workers. It is located in Insein Township, Yangon. Although the business is not yet target to the export market, but among in the local distributors it is showing the economic growth. Tri Sea Garment Manufacturing Co., Ltd receiving the orders from the whole country and most are from Japan and after finishing deliver them at the specific period.

## 1.1 Rationale of the Study

Absence of financial literacy can be said to hinder the capability of persons to make well-informed financial decisions. Individuals who are financially illiterate do not plan and are less likely to invest in high risk investments such as stocks. Financial literacy is also regarded as the most important component in achieving a successful adult life as it plays a crucial role in developing not only individuals' financial management attitude, but also attitude about general life. Workers with less financial knowledge had more negative opinions about finances and made more incorrect financial decisions. They pointed out that having a low level of financial knowledge limits student's ability to make informed decisions.

Saving is one of the crucial macroeconomic indicators that play an important role in the economic growth, employment generation and inflation stability especially in the perspective of developing countries like Myanmar. Myanmar is facing not only the problems of unemployment, rapid population growth, slow growth of economy and high inflation rates but also has the problem of low saving rates. Higher savings and capital accumulation results in a long-run increase in the growth rates of an economy.

The Myanmar garment sector in 2017 is experiencing an inflection moment. Driven by the lifting of economic sanctions in 2011 and 2012, growth has been rapid as regional buyers have expanded their operations and Western brands have returned to Myanmar. The nascent garment industry in Myanmar has grown significantly in the past five years, from an export value of US$900 million in 2012 to $2.7 billion in 2017.Over 1.1 million workers are currently employed in garment, textile, footwear and accessories factories in Myanmar. Additional tens of thousands indirectly work in the industry through logistics and transport services. Research commissioned by C&A Foundation in 2017 predicted that the sector could employ over 1.5 million people by 2020.

As workers become more skilled, Myanmar's minimum wage has also increased, these workers can benefit from the fruits of their labor only if they have good financial knowledge and especially good saving behavior. Among garment workers, some people make savings while others do not. It is important to find out why garment staffs save money by focusing financial literacy. Hence, the study focused on systematic assessment of the effect of financial literacy on saving behavior of Super Star garment workers.

## 1.2 Objectives of the Study

The main objectives of the study are:

(1) To identify the financial literacy of Tri Sea Garment Manufacturing Co., Ltd workers

(2) To analyze the relationship between financial literacy of Tri Sea Garment Manufacturing Co., Ltd workers

## 1.3 Scope and Method of the study

These studies only focuses on the financial literacy and credit accessibility of Tri Sea Garment workers and does not include the other garments in Myanmar. Descriptive statistic method will apply for this research study. To achieve the main objectives of the study, both primary data and secondary data are utilized. Primary data are collected from by using the structured questionnaire from 100 workers out of 600. Simple random sampling method will be used in this study. The secondary data consist of reference books, related website, previous researches.

## 1.4 Organization of the Study

This researched is organized into five chapters. Chapter 1 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 2 presents with literature view of the financial literacy and saving behaviors. Chapter 3 describes about the Tri Sea Garment Manufacturing Co., Ltd. in Myanmar. Chapter 4 consists of the analysis on financial literacy and credit accessibility of garment workers students with less financial knowledge had more negative opinions about finances and made more incorrect financial decisions. They pointed out that having a low level of financial knowledge limits student's ability to make informed decisions. Chapter 5 is the part of the conclusion, suggestions, and needs for future research.

# CHAPTER II
# LITERATURE REVIEW

This chapter presents the related literature for this study and conceptual framework of the study is described at the end.

## 2.1 Designation of workers by collar color

Groups of working individuals are typically classified based on the colors of their collars worn at work; these can commonly reflect one's occupation or sometimes gender. White-collar workers are named for the white-collared shirts that were fashionable among office workers in the early and mid-20th century. Blue-collar workers are referred to as such because in the early 20th century, they usually wore sturdy, inexpensive clothing that did not show dirt easily, such as blue denim or cambric shirts. Various other "collar" descriptions exist as well. The term "white-collar worker" was coined in the 1930s by Upton Sinclair, an American writer who referenced the word in connection to clerical, administrative and managerial functions during the 1930s. A white-collar worker is a salaried professional, typically referring to general office workers and management.

A blue-collar worker is a member of the working class who performs manual labour and either earns an hourly wage or is paid piece rate for the amount of work done. This term was first used in 1924.

A pink-collar worker is also a member of the working class who performs in the service industry. They work in positions such as waiters, retail clerks, salespersons, and many other positions involving relations with people. The term was coined in the late 1990s as a phrase to describe jobs that were typically held by women; now the meaning has changed to encompass all service jobs.

A gold-collar worker is a highly skilled multidisciplinary or knowledge worker who combines intellectual labor—which is typically white-collar—with the manual labor of blue-collar positions. Armed with highly specialized knowledge, gold-collar workers usually engage in problem-solving or complex technical work in fields such as I.T., scientific research and advanced industry.

## 2.2 Financial Literacy

Financial literacy is the education and understanding of knowing how money is made, spent, and saved, as well as the skills and ability to use financial resources to make decisions. These decisions include how to generate, invest, spend, and save money.

### 2.2.1 The Basics of Budgeting

Creating and maintaining a budget is one of the most basic aspects of staying on top of your finances. In this modern day, it’s easier than ever to create a budget with the help of websites and apps, such as Mint.com. It doesn’t matter if math isn’t your strong suit - thanks to these user-friendly tools, everyone can get help with keeping their finances on track. And, when utilized properly, they'll keep you in the know about where your money is actually going. Without following a budget, it’s difficult to hold yourself accountable on where your money is coming from and what it’s going toward, so mastering the basics of budgeting is where any financial novice should begin.

### 2.2.2 Understanding Interest Rates

While you may touch upon the concepts within a mathematics course, it’s important to understand different aspects, like compound interest. Why? Not only can it help you save even more, but it can make the difference between borrowing a small amount and paying back much more than you need to for years to come. Understanding the ins and outs of interest can impact your finances more than you likely realize, so it’s an important concept to gain a better understand of early on in life.

### 2.2.3 Prioritizing Saving

Obviously, saving is an important aspects of maintaining a healthy financial situation. But, the majority of students don’t prioritize this aspect as much as they should. It’s easy to ignore things like retirement since it seems so far off in the future. Learning to save early on can help you gain the knowledge, practice and set of skills you’ll utilize throughout your entire life. Beginners can start working on this concept in the simplest sense, like saving money for a higher-ticket item they desire. Working toward a goal is key here and students need to understand that there’s a lot of value in paying yourself first – because the bills will always be there. Having peace of mind? Well, that comes with practice, diligence and patience, all qualities you'll develop when mastering your savings skill set.

### 2.2.4 Credit-Debt Cycle Traps

Meaning: it's much easier to lose credit than gain it and many students don't realize how easy it is to ruin their credit – and how difficult it can be to regain credit – before it's too late. That's why it's crucial to provide knowledge on debt earlier than later. Credit can be an extremely useful tool – if it's managed correctly. Making rash decisions when you're young can end up costing you throughout adulthood so it's important to grasp the concepts and tools behind responsible credit practices as early on as possible.

### 2.2.5 Identity Theft Issues & Safety

In this modern day and age, identity theft is more prevalent than ever. Since everything is digital and just about everyone has shopped online at one point or another, your financial information is more vulnerable to fraud. Understanding this concept, along with preventative measures, like password protection and limiting the amount of information shared online can be the key to maintaining safe accounts or, inversely, can lead to financial ruin. While it's not a fool proof science (people can be safe and things do still happen) it's important to safeguard your finances as best as possible to avoid the threats that exist.

Financial literacy is the possession of the set of skills and knowledge that allows an individual to make informed and effective decisions with all of their financial resources. Raising interest in personal finance is now a focus of state-run programs in countries including Australia, Canada, Japan, the United States and the United Kingdom. Understanding basic financial concepts allows people to know how to navigate in the financial system. People with appropriate financial literacy training make better financial decisions and manage money better that those without such training.

The Organization for Economic Co-operation and Development (OECD) started an inter-governmental project in 2003 with the objective of providing ways to improve financial education and literacy standards through the development of common financial literacy principles. In March 2008, the OECD launched the

International Gateway for Financial Education,[4] which aims to serve as a clearinghouse for financial education programs, information and research worldwide. In the UK, the alternative term "financial capability" is used by the state and its agencies: the Financial Services Authority (FSA) in the UK started a national strategy on financial capability in 2003. The US Government also established its Financial Literacy and Education Commission in 2003.

According to Atkinson and Messy (2012), Financial Literacy as the knowledge and understanding of financial products and concepts by investors or consumers, their understanding of financial risks and opportunities, and their ability to use this knowledge to make proper decisions and actions for their own financial benefit. Atkinson and Messy (2012), continue to define financial literacy as more than just financial knowledge but a combination of awareness, knowledge, skills, attitudes and behaviors necessary to make sound financial decisions and ultimately achieve individual financial well-being. They continue to elaborate further that financial literacy should help in decision making and impact an individual positively through improvement in their financial wellbeing. Financial literacy helps an individual make better decisions like timely bill payments, debt management, investment decisions, improvement of the economic growth wellbeing of an individual and general sound financial management. Greenspan (2002) defines financial literacy as the financial knowledge which helps individuals in making, either strategic or operational decisions like budgeting for the households, savings plans, debt management which assists households to better plan and allocate resources and thus meet their financial obligations. Individuals are able to drive positively their financial future through financial literacy and they are more effective and efficient in utilizing financial products and are able to identify and avoid fraudulent schemes. A financial literate population will give rise to competitive pressures on financial institutions, or retailers that will lead to development of better offerings from these financial institutions in terms of price, quality and products. Lusardi & Mitchell, (2011) confirms that financially literate individuals can make comparisons on and evaluate the various options, negotiate on price, ask informed questions on areas such as loan products, financial services, savings products, investments and insurance and therefore make effective and efficient decisions.

## 2.3 Financial Knowledge

When the customers know how to make better financial decisions, they can become better off. Financial institutions are educated the customers by providing them with an understanding of how they can plan for a better future and by offering fairly designed products and services.

When customers are empowered to make informed and effective decisions, they can move toward a better future. In turn, this success positively affects their households, the communities around them and to the Bank.

Increased knowledge of financial matters enhances an individual's ability to make informed decisions about how to control and manage their finances. Financial knowledge has implications for how individuals spend, save and invest money, as well as how they budget and set monetary goals. Research shows that lack of financial knowledge is related to debt (Norvilitis et al., 2006) and increased knowledge can lead to individuals engaging in positive financial practices and fewer risky ones (Borden et al., 2008; Hilgert, Hogarth, & Beverly, 2003). Adults with better financial knowledge are more likely to plan for retirement and engage in financial practices that lead to asset accumulation (Lusardi and Mitchell, 2009).

Normally, gains in financial knowledge can be tested immediately upon completion of the program, by asking participants a set of questions that cover a range of personal finance topics. Ideally, both pre and post-tests should be implemented to effectively assess a program's impact on individuals' financial knowledge, assuming that participants have had long enough exposure to program interventions (NEFE, 2013).

Financial knowledge is crucial, and the literature is rich with studies showing its effectiveness on household financial decision making. Nevertheless, the scant evidence shows that the average household is not financially literate enough to make good financial decisions (e.g., Hung et al., 2009; Almenberg and Widmark, 2011; Van Rooij et al., 2011; Lusardi, 2012). Agarwal and Mazumder (2013) assert that despite the role poor household decision-making played in the recent financial crisis by causing a boom and bust in the U.S. housing markets, our current understanding of the causes of suboptimal financial decision making is limited.

Oftentimes, studies use the terms financial literacy and financial knowledge interchangeably. Hung et al. (2009) define financial literacy as "knowledge of basic economic and financial concepts, as well as the ability to use that knowledge and other financial skills to manage financial resources effectively for a lifetime of financial well-being."

There are various ways to cultivate financial knowledge. School education (e.g., Bernheim et al., 2001; Lusardi and Mitchell, 2007) and educational programs in the workplace (e.g., Bernheim and Garrett, 2003; Lusardi and Mitchell, 2007) are some of the ways households can obtain financial knowledge.

In the literature, financial knowledge has been shown to stimulate personal saving and to help investors make better decisions. Lusardi and Mitchell (2007) study the link between financial literacy and retirement planning using evidence from the Rand American Life Panel, and they find that financial literacy is a key determinant in retirement planning. Van Rooij et al. (2011) is another study that investigates the relationship between financial knowledge and retirement planning. Using the De Nederlandsche (DNB) Household Survey, the authors measure financial literacy and the respondents' propensity to plan for retirement. While they document that most households lack fundamental financial knowledge and that the level of financial knowledge varies greatly among respondents, they also find a strong positive relationship between financial knowledge and retirement planning.

Bernheim et al. (2001) use a cross-sectional household survey to study the long-term effect of high school financial curriculum mandates on personal saving. The authors assert that early exposure to financial concepts increases comfort and familiarity with financial matters and removes psychological barriers to financial decision making. Similarly, Bernheim and Garrett (2003) investigate the effects of employer-based financial education on personal saving both in general and for retirement. Both studies find that financial education stimulates saving.

Hogarth and Beverly, (2003) cited by Serido et al. (2013) on the other hand showed a positive association between financial knowledge and behaviour. Similarly, Serido et al. (2013) pointed to a significant effect of financial knowledge on financial behaviour concluding that if knowledge on financial matters are internalised, it can result in an accepted financial behaviour. Similarly, recent studies revealed higher financial knowledge resulted in higher standard of financial behaviour (Hilgert et al., 2003; Loke, 2015; Potrich et al., 2016; Servon & Kaestner, 2008).

The growing literature on financial knowledge suggests that consumers' knowledge of basic financial principles and products is quite scarce, and that it may not be sufficient to guarantee that households make sound financial decisions. For instance, more financially illiterate households are more prone to lack of planning for retirement, portfolio under diversification, and over-indebtedness (Guiso and Jappelli, 2008; Kimball and Shumway, 2007; Lusardi and Mitchell, 2006, 2007; Lusardi and Tufano, 2009).

While these studies mostly investigated financial knowledge levels among the general public and university students, a study by Joo and Garman (1998) focused on the relationship between personal financial wellness and worker job productivity. According to a study on the financial knowledge of US working adults, Volpe, Chen and Liu (2006), found that working adults are not knowledgeable about personal finance topics. According to international studies on financial knowledge, the factors that make financial education increasingly important include changing demographic profiles, the growing complexity of the financial sectors, the decrease in personal savings while personal indebtedness is increasing, and the fact that government resources are limited (Orton 2007).

The Organization for Economic Cooperation and Developments (OECD) landmark study, Improving financial knowledge, concluded that financial understanding is low among consumers across their 30 member countries and that consumers, among other things, feel that they know more about financial matters than is actually the case. The surveys also reported that consumers believe that financial information is difficult to find and understand (OECD 2005: 98). Hilgert et al. (2003) formed a “Financial Practices Index” based upon (self-benefiting) behavior in cash-flow management, credit management, saving and investment practices. When they compared the results of this index with scores on a financial literacy quiz, they found a positive relation between financial knowledge scores and Financial Practices Index scores. Their results suggest that financial knowledge is related to financial practices. Although financial behavior seems to be positively affected by financial literacy, the long-term effects of financial education on financial behavior are less certain.

Bernheim, Garrett and Maki (2001) found that those who took a financial management course in high school tended in middle age to save a higher proportion of their incomes than others. On the other hand, Mandell (2006a) found little positive impact of a well-regarded high school personal finance course on post high school financial behavior from one to five years after taking such a course. In addition, as Table 3 shows, every JumpStart survey since 2000 found that high school seniors who have completed a full semester high school course in money management or personal finance are no more financial knowledge than students who have not taken such a course.

A 2001 Harris poll of graduating seniors in America found that only 8% of college seniors believed that they were “very knowledgeable” about investing and financial planning. In contrast, about half believed that they were “not very” or “not at all” knowledgeable. This lack of basic financial knowledge often results in poor financial decision making. Murray (2000) demonstrates students have serious issues with credit card use. He states 25% of undergraduate college students have four or more credit cards and about 10% carry outstanding balances.

Garman, Leech and Grable (1996) and Joo and Grable (2000) find that in addition to adversely affecting individuals, poor financial decisions negatively influence productivity in the workplace. Volpe et al. (2006) surveyed corporate benefit administrators and identified basic personal finance as a critical area in which employee knowledge is deficient. They recommend that educational programs should focus on improving knowledge of basic personal finance. However, educational programs are beneficial only if they are successful at improving financial literacy.

There exist very few surveys that provide information on both financial knowledge and variables related to financial decision-making (for example saving, portfolio choice, and retirement planning). To remedy this lack of data, Lusardi and Mitchell (2006) devised a module on financial literacy for the 2004 US Health and Retirement Study (HRS). Their questions aimed to test basic financial knowledge related to the working of interest compounding, the effects of inflation, and risk diversification. They found that financial knowledge is widespread and particularly acute among specific groups of the population, such as women, the elderly, and those with low education. These results are surprising not only because the literacy questions were rather simple and basic, but also because their sample was composed of respondents who are 50 or older. Most respondents in that age group have checking accounts, credit cards, and have taken out one or two mortgages.

## 2.4 Financial Access

Savings and access to credit or insurance can also minimize the negative impacts that income shocks can sometimes have on longer term income prospects, if income generating assets are sold at low prices out of necessity during a household crisis. Access to regular remittances (e.g. from relatives abroad) can also reduce risks for households, by diversifying their sources of income. Eswaran and Kotwal (1990) argue that having access to credit may reduce household vulnerability to negative shocks by increasing their ability to smooth consumption during difficult times, and that availability of credit also allows households to undertake riskier investments as it will enable them to better deal with the consequences of poorly performing investments. In addition, Deaton (1991) argues that by reducing the financial risks faced by households in this way, access to financial services may decrease the proportion of low-risk, low-return assets held by households for precautionary purposes (such as jewellery), and enable them to invest in potentially higher risk but higher return assets, (such as education or a rickshaw), with overall long-term income enhancing impacts. Ghosh, Mookherjee& Ray (1999) argue that credit is essential in allowing capital investments among producers (such as farmers) who are not able to save, as well as giving households the ability to obtain money in an emergency. The availability of credit also increases risk taking with the adoption of new technologies or productivity enhancing investments for poorer households or producers, hence contributing to increases in production and income. Galor & Zeira (1993) find that access to household credit can have a positive impact on growth through its impact on human capital accumulation, and that this is affected by the initial distribution of wealth; richer families are better able to invest in human capital accumulation leading to increased growth. De Gregorio (1996) also argues that access to credit promotes human capital accumulation, as credit constraints will force students to work, which will reduce the time available for study. Dehejia & Gatti (2002), Beegle, Dehejia & Gatti (2003), and Jacoby (1994) also find that access to risk-reducing financial services increases investment in schooling.

The determinants of access and use of financial services can be seen in the framework of supply and demand for financial services. The main factors in that context are financial services prices (in terms of interest rates and fees) and consumers' income (for instance, not having enough money to save or steady income to apply for a loan). However, other non-price factors from the supply side such as distribution points, risk management (including eligibility requirements) and institutional environment (such as financial regulation or legal facilities for contracts) are also important in determining financial access and use. Regarding the demand side, financial illiteracy, cultural barriers (religion, ethnicity), lack of need, lack of awareness, and perceptions regarding the individual (creditworthiness related) and the financial system (regarding costs of financial products and trust in financial institutions) may restrain financial access and usage, especially voluntary (Claessens, 2006; Beck & De La Torre, 2007; Beck et al, 2009; Kostov et al, 2012; Campero & Kaiser, 2013; Karlan et al, 2014).

Investigations on the determinants of financial access from the supply side have focused on indicators of outreach in terms of availability of financial service points as a measure for access (Beck et al, 2005; Beck et al, 2008). Beck et al (2008) explore the barriers to access banking services using cross-bank and cross-country data from a survey sent to the five largest banks from 62 countries of different financial and economic development backgrounds in 2004 and 2005. With this information, they construct indicators of financial outreach per capita (branch penetration, deposits and loans per capita) and barriers to financial access, in terms of physical access, affordability and eligibility. The authors find that bank size and availability of physical infrastructure are robust predictors of barriers, that financial outreach is negatively correlated with barriers, and that more economically and financially developed countries are likely to have less barriers to bank access, despite the issue of reverse causality between barriers to access and its determinants. Similarly, Honohan & King (2009) suggest that higher income countries may be better endowed for financial access; thus lower income countries may need to work on other aspects such as legal and regulatory institutions and organizational and technological efficiency of financial providers in order to promote financial access.

Recent empirical work on the determinants of financial access has moved to the use of firm and household data, with a special focus on demand side factors. Using a multivariate probit model, Bendig et al (2009) find that household demand for savings, loans and insurance in rural Ghana is determined not only by income or other socioeconomic factors but also by risk assessment and past exposure to shocks from the household, together with trust in institutions and products. Campero & Kaiser (2013) investigate the role of awareness of financial sources and services in the decision of individuals engaging in formal or informal financial credit in Mexico, using a three-step multinomial logit to correct for selection bias due to awareness of the sources of credit. They find that household income and schooling increases the probability of awareness of formal and informal sources of lending, albeit reducing the likelihood of using an informal source. In addition, they find that informal sources of credit (in particular family and friends) are relevant when facing income shocks, arguing for a complementarity of formal and informal sources of credit, which attend different segments of the population

In contrast, Love & Sanchez (2009) characterize the demand for credit of individual entrepreneurs and enterprises in rural Mexico, as well as the determinants of the credit constrained. They use a probit model in a twostep procedure, where the first stage controls for selection bias in loan demand, and the second stage estimates the probability of access. Their results indicate that micro entrepreneurs are more likely to demand loans when they are middle-aged, have formal education, formal savings, buy inputs on credit and were affected by adverse events; similar characteristics are presented by credit-constrained micro entrepreneurs. In addition, they find that enterprises demanding more credit are the ones planning to make business improvements, buying on credit and reporting some problems; and those with more productive assets or formal savings and older are less likely to be credit constrained, with regional differences across the country.

In terms of perceptions as financial demand determinants, Kostov et al (2012) study the role of financial literacy, attitudes and motivations in the context of the Mzansi intervention, a program designed to provide a basic 8 account to low-income individuals in South Africa. They use a generalized linear model with a logit link function for the choice of opening the account, and employ regularization techniques (Dantzig selector) in two steps for appropriate variable selection and model fitting. Their estimation results for 3900 households show that trust in financial institutions, financial aspirations and perceptions, and financial literacy increase the probability of holding an Mzansi account.

One of the important channels by which finance promotes growth is through the provision of credit to the most promising firms. Recent research utilizing detailed firm level data and survey information provides direct evidence on how access constraints affect firm growth. Analysis of survey data suggests that firms – particularly small firms- not only often complain about lack of access to finance, but their growth also suffers from limited access (Figure 6 ; Beck, Demirguc-Kunt and Maksimovic, 2005; Beck, Demirguc-Kunt, Laeven, and Maksimovic, 2006). The findings of these broad cross-country regressions are supported by individual case studies utilizing detailed loan and borrower information. Specifically, Banerjee and Duflo (2004) study detailed loan information on 253 small and medium-size borrowers from an Indian bank before and after they become eligible for a directed credit program. Experimental experience from Mexico and Sri Lanka confirms the high marginal productivity of micro entrepreneurs without access to financing (De Mel et al., 2006; McKenzie and Woodruff, 2007)). Micro entrepreneurs in these two countries were randomly given grants to purchase inputs, with returns of 5 to 20 percent per month, compared to micro entrepreneurs that did not benefit from these grants. Providing access to external finance has therefore strong positive impacts on firm growth, especially on small and microenterprises.

Access to finance, and the institutional underpinnings that are associated with better financial access, favorably affect firm performance along a number of different channels. Improvements in the functioning of the formal financial sector can reduce financing constraints more for small firms and others who have difficulty in self-financing or in finding private or informal sources of funding. Research indicates that access to finance promotes more start-ups: it is smaller firms that are often the most dynamic and innovative (Klapper, Laeven and Rajan, 2006). Not only do countries that strangle this potential with financial barriers lose the growth potential of these enterprises, they also risk missing on opportunities to diversify into new areas of hitherto unrevealed comparative advantage. Financial inclusion also enables incumbent firms to reach a larger equilibrium size by enabling them to exploit growth and investment opportunities (Beck, Demirguc-Kunt and Maksimovic, 2006). Furthermore, greater financial inclusion allows choice of more efficient asset portfolios and innovation (Claessens and Laeven, 2003; Ayyagari, Demirguc-Kunt and Maksimovic, 2007).

If stronger financial systems can promote new-firm entry, enterprise growth, innovation, equilibrium size—and risk reduction—then it is almost inescapable that this will improve aggregate economic performance. However, finance does not raise aggregate firm performance uniformly, but transforms the structure of the economy by impacting different types of firms in different ways. At any given level of financial development, smaller firms have more difficulty accessing external finance than larger ones. Research, however, shows that small firms benefit the most from financial development– both in terms of entry and seeing their growth constraints relaxed (Beck, Demirguc-Kunt and Maksimovic, 2005; Klapper, Laeven and Rajan, 2006). Financial deepening can also increase incentives for firms to incorporate thus reaping benefits from the resulting opportunities of risk diversification and limited liability (Demirguc-Kunt, Love and Maksimovic, 2006). Financial deepening can also help foster more independent enterprises, moving economies away from the predominance of family-owned firms or business groups (Rajan and Zingales, 2003). Hence, inclusive financial sectors also have critical consequences for the composition and competition in the enterprise sector.

Firms finance their investments and operations in many different ways, which reflect a wide range of factors both internal to the firm and external. The availability of external financing to each firm depends not only on its own situation, but on the wider policy and institutional environment supporting the enforceability and liquidity of the contracts that are involved in financing firms. And it depends on the existence and effectiveness of a variety of intermediaries and ancillary financial firms that help bring provider and user of funds together in the market. Bank finance is typically the major source of external finance for firms of all sizes, no matter how small (Beck, Demirguc-Kunt and Maksimovic, 2008). Modern trends to transactional lending suggest that improvements in information availability (for example through development of credit registries) and technological advances in analysis of this improved data (for example through use of automated credit appraisal) are likely to improve access of small and medium enterprises (SMEs) (Brown, Jappelli and Pagano, 2006). Provided that the relevant laws are in place, asset-based lending such as factoring, fixed-asset lending, and leasing are other technologies which can release sizable financing flows even for small and non-transparent firms.

However, relationship lending – lending based on personal assessment of the borrower by a loan officer and long-term and repeated contractual arrangements - will remain important in environments with weak infrastructures and informal economic activity. Relationship lending is costly for the lender, and as such requires either high spreads or large volumes to be viable. If the customer's creditworthiness is hard toevaluate, then there may be no alternative to relationship lending. Indeed, limited access to credit in some difficult environments may be attributable to the reluctance of existing intermediaries to do relationship lending on a small scale (Honohan and Beck, 2007).

Globalization of finance can also play a part in improving access, and not merely by increasing the flow of investable funds, but rather by increasing the efficiency of capital allocation. The most important contribution of international financial service providers, and especially FDI investors, is often in the expertise they can bring to the host countries. Considerable South-South technology transfer continues to occur between microfinance providers, reflecting the leadership role that MFIs based in developing countries have had in working to extend access. It is only recently that many mainstream banks have become interested in profitable provision of financial services to micro- and SMEs. Their contribution to financial access, however, has always been controversial, partly for political reasons. Foreign owners bring capital, technology, know-how and independence from the local business and political elites but debate continues over whether they have improved access. Most foreign banks are relatively large, and do not concentrate on SME lending, but stick mainly to the banking services needs of larger firms and high net worth individuals (Mian, 2006). Nonetheless, the increased competition for large customers often drives other banks to focus more on providing profitable services to segments which they had neglected. The balance of a large body of evidence suggests that opening to foreign banks is likely to over time improve access of SMEs, even if they themselves often confine their lending to large firms and government. Other evidence, however, has shown that foreign banks use their expertise and technology to go down-market and cater to SMEs' needs (De la Torre, Martinez Periaand Schmukler, 2008). The aggregate evidence is mostly positive: in countries where foreign banks represent a relatively large share of the market, firms are less likely to report access to finance as a problem, regardless of whether they are small, medium or large (Clarke, Cull and Martinez Peria, 2006). In contrast, the performance of state-owned banks in this dimension has tended to be poor (La Porta et al., 2002).

Non-bank finance remains much less important in most developing countries, but it can play an important role in improving the price and availability of longer term credit to smaller borrowers. Bond finance can provide a useful alternative and competition to bank finance, but the potential should not be exaggerated, as the example of the Korean bond market shows that emerged after bank lending dried up after the crisis (Gormley et al., 2006). It was mostly larger enterprises that could tap this market, and to a much lesser extent smaller enterprises; this was due to the public's expectations that large enterprises were too big to fail and would be bailed out by government, expectations that were fulfilled after the 1999 collapse of the large chaebol Daewoo.

The emergence of a large market in external equity requires strong investor rights and transparency; where these are present opening to capital inflows can greatly improve access and lower the cost of capital, with spill-over effects for smaller firms.

This is true both for portfolio equity investments and for FDI and private equity, which are likely to become increasingly important in the future. However, investor rights and transparency might not be enough to foster liquid equity markets; a critical mass of issues, issuers and investors is also necessary (De la Torre, Gozzi, and Schmukler, 2006). While opening up a country's equity market and allowing local firms to list in a foreign stock exchange can improve access and cost of equity finance for larger local firms (Aggarwal, Klapper andWysocki, 2005) and help import corporate governance (Coffee, 2002), it can also result in a loss of liquidity for smaller local firms (Levine and Schmukler, 2007). The net benefit is not necessarily negative for smaller firms, however; improved access to external finance for large firms may spill over to smaller firms through trade credit and banks might be forced to go down-market as they lose their large clients to equity investors.

## 2.5 Access to Credit

According to Mwangi and Bwisa (2013), access to loans entails restrictions placed on households' convenience and suitability criteria of loans. Credit access is mostly a source related issue related to the potential financier's choice of the highest credit ceiling. Small and micro enterprises (SMEs) have become significant participants in the Kenyan fiscal strategies, however they are still facing issues that curb their performance and profitability.

The ability of small and medium sized Firms to live up to their capability in an economy depends on the availability of credit funding (Whincop, 2001). Funding from loans is especially critical for small enterprises, since they are not able to fund themselves through funds ploughed back into the business or through equity funds. Most businesses in Kenya depend on financial products offered by banks and MFIs for options for financing their operations. Most Micro and Small Sized Enterprises in Kenya use business loans, lease finance, hire-purchase and invoice-discounting as means of finance (Manasseh, 2001).

According to Kimuyu and Omiti (2000), access to credit from both formal and informal channels requires a certain amount of security. Most of the time, the collateral necessary is too expensive. This becomes a restriction to small firms most of who do not have ownership documents to assets to present as collateral to secure loans. This study therefore seeks to find out whether there is a relationship between securing loan funds and profitability of small and medium enterprises in Roysambu Sub-location, Nairobi County.

Mwangi and Bwisa (2013) study on issues that small business owners face in Makuyu found out that SMEs are normally perceived to be riskier than larger corporates. Until recently in Kenya, banks had no interest in giving loans to small businesses because of the perception of bad loans and the high administrative costs. Banks are exposed to the risk of giving bad loans due to a complete lack of information from small enterprises. Banks cannot tell the fraction of loans given that will be repaid to full amounts and even when they do assessments, bad loans are not fully done away with. To make up for the potential of huge losses on loans, banks charge a percentage whose size depends on the bank lending policies, percentage of interest rate on total assets, type of customer, size of security and the total amount borrowed. This fuels the interest rates paid by borrowers and reduces the demand for credit.

World Bank (2008) study on the policies and pitfalls in expanding access to Finance argues that the key impediment to the growth of the small enterprises sector which is a scarcity of both credit and equity funding. Being able to get loans has been identified as a main element for small enterprises to prosper in their struggle to grow, be competitive, create employment and to participate in growth of the gross domestic product in developing economies.

Accessibility to credit is significant for SME's seeking to grow and expand their businesses Bank credit usually comes in the form of a small business loan. Businesses often use these lines of credit to expand, explore new areas of their industry, acquire another company, or pay employees. These are essential to the overall success of a business. Lack of access to credit is indicated as a key problem for SMEs worldwide. In some cases, even where credit is available, the entrepreneur may have difficulties because the lending conditions may require collateral for the loan. Credit constraints operate in variety of ways in Kenya where undeveloped capital market forces 3 entrepreneurs to rely on self-financing or borrowing from friends or relatives. Lack of access to long-term credit for small enterprises forces them to rely on high cost short term finance. For Kenyan SME's the formal banking system is too expensive and inconvenient (Mokua, 2013).

Access to Credit by SMEs refers to the ease with which SMEs can secure financial assistance or loans from lending institutions (Kitili, 2012). SMEs' access to external sources of funding depends largely on the development of financial markets, the regulatory environment within which financial institutions operate and their ability to assess, manage and price the risks associated with loan products for SMEs. The latter functions take place within a particular socio-economic context, which is in fact determined by the historical patterns of financial intermediation (Braverman & Guasch, 1990). Accessibility to credit is significant for SME's seeking to grow and expand their businesses Bank credit usually comes in the form of a small business loan. Businesses often use these lines of credit to expand, explore new areas of their industry, acquire another company, or pay employees. These are essential to the overall success of a business. Lack of access to credit is indicated as a key problem for SMEs worldwide countries (Vera &Onji, 2010). Access to Credit by SME's is, therefore, vital for the growth and development of SMEs. The availability of external finance directly impacts the productivity and growth of this industry (World Bank 2012). It is a well-recognized all over the world that banks are the main external capital provider for SMEs sector in both developed and developing countries (Vera & Onji, 2010).

Collateral refers to the extent to which assets are committed by borrowers to a lender as security for debt payment (Gitman, 2003). The security assets should be used to recover the principal in case of default. SMEs in particular provide security in form of properties (houses, the businesses, the car, and anything that could actually bring back the principal) in case of default on loans (Garrett, 2009). Security for loans must actually be capable of being sold under the normal conditions of the market, at a fair market value and also with reasonable promptness. However, in most banks, in order to finance SMEs and to accept loan proposals, the collateral must be 100% or more, equal to the amount of credit extension or finance product (Mullei &Bokea, 2000). According to a survey done by Kamau (2009), found that collateral security is a major constraint to credit access. In addition, 92% of enterprises studied had applied for loans, and were rejected while others had decided not to apply since they knew they would not be granted for lack of collateral security. McMahon (2005) stats that other factors held constant, firms with more intangible assets need to borrow less compared to firms with more tangible assets because of collateral factor. SMEs have fewer collateral and sable assets than large firms. Banks have always adopted a risk adverse attitude towards small firms, with an accompanying inability to focus on the income generating potential of the venture, when analyzing the likelihood of loan repayment (Beaver, 2002).

In developing countries, commercial banks constitute the majority of formal lenders, yet access to these institutions is restricted to a small portion of the population who can meet their stringent requirements. Access to financial services by small holders is normally seen as one of the constraints limiting their benefits from credit facilities (Gockel et. 2002). This is reflected in the institutions' strict lending policies, displayed in the form of collateral requirement, repayment period, first account operating requirement and maximum loan amounts

Financial institutions' lending policies often determine the access problem:, when credit terms and provision of supplementary services do not suit borrowers they will not apply for loans or their applications will be rejected (Guirkerger, 2006). The access problem is further complicated by the restriction of credit to a few sectors of the economy (Jaime, 2006). For example, in developing countries such as Rwanda, few formal institutions are willing to extend credit to the agricultural sector. They perceive this sector to be as a risky one with difficulties such as unpredicted return and seasonality factors.

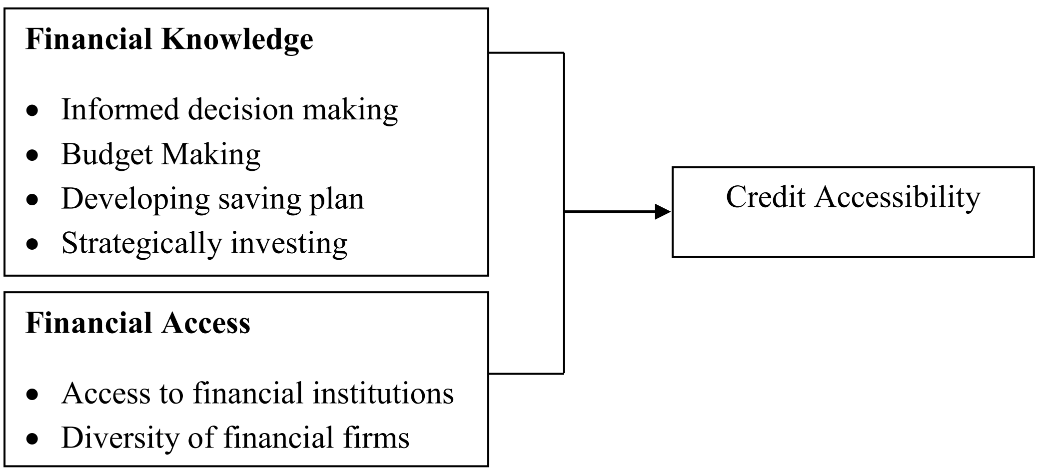
Consequently, access to credit is restricted to a small proportion of the population who can overcome significant barriers to credit such as high minimum balance for account opening, onerous collateral requirements and a long and costly bureaucratic processes (Okurut, 2004). For those SMEs with acceptable "credit histories" and sufficient collateral, access to bank credit appears to be satisfactory according the lending instituitions. For start-ups, micro-enterprises, entrepreneurs from previously disadvantaged communities or any other group with limited collateral or weak (or limited) credit histories, access is more limited (Falkena et al, 2009). This may indicate a need for greater institutional variety, increased innovation and a greater emphasis on mentoring.

Collateral is required for all borrowers by institutional sources of credit and default is that; it can be used to offset the loan if the borrower fails to pay the principal amount of loan and interest satisfactorily under the terms of the loan agreement. The availability of collateral is a very important factor that affects the formal credit of the farmers. It has a positive and significant impact on access to formal credit. There are several types of collaterals are required by institutional sources for agricultural credit, such as land, gold, income, wage accounts, and livestock.). Safe and secure land is the preferred form of collateral for ZTBL and also other commercial banks in Sindh, Pakistan. If smallholders have landownership certificate (Agricultural Pass Book), they can use landownership certificate for collateral and they can easily access to formal credit. On the other hand, high farm income and off-farm income are important factors that affect the formal credit of the farmers. Recent empirical findings also shows that income has positively influenced access to formal credit (Denkyirah, Adu, Aziz, Denkyirah, & Okoffo, 2016; Duniya & Adinah, 2015). Farmers with high farm income have more probability of access to formal and informal credits and have better abilities of repaying loans given to them by financial sources.

## 2.6 Previous Study

Lubanga (2016) investigated the relationship between financial literacy, financial skills and financial access, and credit accessibility in his research titled "The Relationship between Financial Literacy and Access to Credit among Youth in Rural Areas: A Case of Kimilili Constituency". This study's objective was to determine whether there is a relationship connecting financial literacy and access to credit among the rural youth. The study had a target population of 41,181 youth in Kimilili Constituency out of which a sample of 384 was selected. Primary data was used for data collection through use of questionnaires matching the research objective and analyzed through regression model, mean, standard deviations and analysis of variances.

**Figure (2.1) Conceptual Framework of Lubanga (2016)**



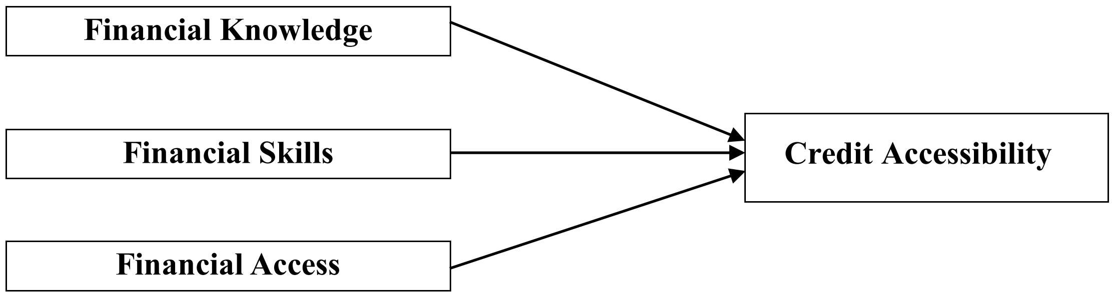

Source: Lubanga (2016)

The study found an affirmative connection between financial literacy and credit accessibility. The study recommends that more educational programs be put in place especially in rural areas to ensure that the unbanked can access credit.

## 2.7 Conceptual Framework of the Study

The conceptual framework is important for the researcher in order to develop the concept for the study. Based on the previous study and literature review, conceptual framework is done and Figure (2.2) presents the conceptual framework for this study.

**Figure (2.2) Conceptual Framework of the Study**




Source: Own Compilation (2019) Adopted From Lubanga (2016)

Based on the above literature review and previous study of Lubanga (2016), the conceptual framework of the study is developed. Independent variables include financial knowledge, financial skills and financial access. Dependent variable is credit accessibility. To find out the relationship, regression model is used.

# CHAPTER III
# PROFILE OF TRI SEA GARMENT MANUFACTURING CO., LTD.

This chapter consists of the backgrounds of garment factory, vision, missions, services and types of products.

Tri Sea Garment Manufacturing is doing the various services not only CMP manufacturing but also import and export services. Within 20 years of experiences in garment manufacturing, they are confidence to meet customer expectations. As their factory is equipped with reliable machines and equipment, they have capability to manufacture productively and efficiently.

## 3.1 The Background of the Tri Sea Manufacturing Co., Ltd.

Since 1996, Tri-Sea Company is widely known for its reliable export-quality-controlled products and high customer satisfactions. Our company started with few workers but it exponentially grew into the massive factory with 1200 workers in the past 10 years, and became one of the most successful garment manufacturer in Myanmar. Most of our customers were reputable clothing brands from United States of America, such as Nautica, Timberland, and Umbro.

However due to business sanctions from the US regarding political issues in the late 2006, Myanmar's garment manufacturing industry had suffered the greatest impact. Even though most of the factories had to shut down, Tri-Sea is able to withstand the effect and continues running the factory with times enable workers in our factory to enhance their skills with the extensive training received from Japan clothing brands and we become one of a very few garment manufacturers in Myanmar who are capable of producing Japanese products.

As the country shifts from the ruling of military junta to democracy systems since 2010, business sanctions from the US have been lifted and the country is opened up to global market. Tri-Sea, a leading garment manufacturer in Myanmar for 19 years, is ready to step up again to accommodate the needs of overseas customers with the help of highly skilled workers, professional management teams with strong work ethics and customer-orientated services.

### 3.1.1 Vision

The Vision is to become one of the best quality oriented Garment Manufacturers in Asia.

### 3.1.2 Missions

By managing the efficient and productive workforce, we can reduce wastage and minimize errors. By having systematic structure and control, there will be transparency and factory can increase success in the long run.

#### 3.1.2.1. Productivity

As a system oriented garment manufacturer, we have the ability to manufacture different kind of products with the fast and accurate techniques. Due to the possession of highly skilled workers and training program, our factory productivity is competitively high even among Myanmar garment manufacturers.

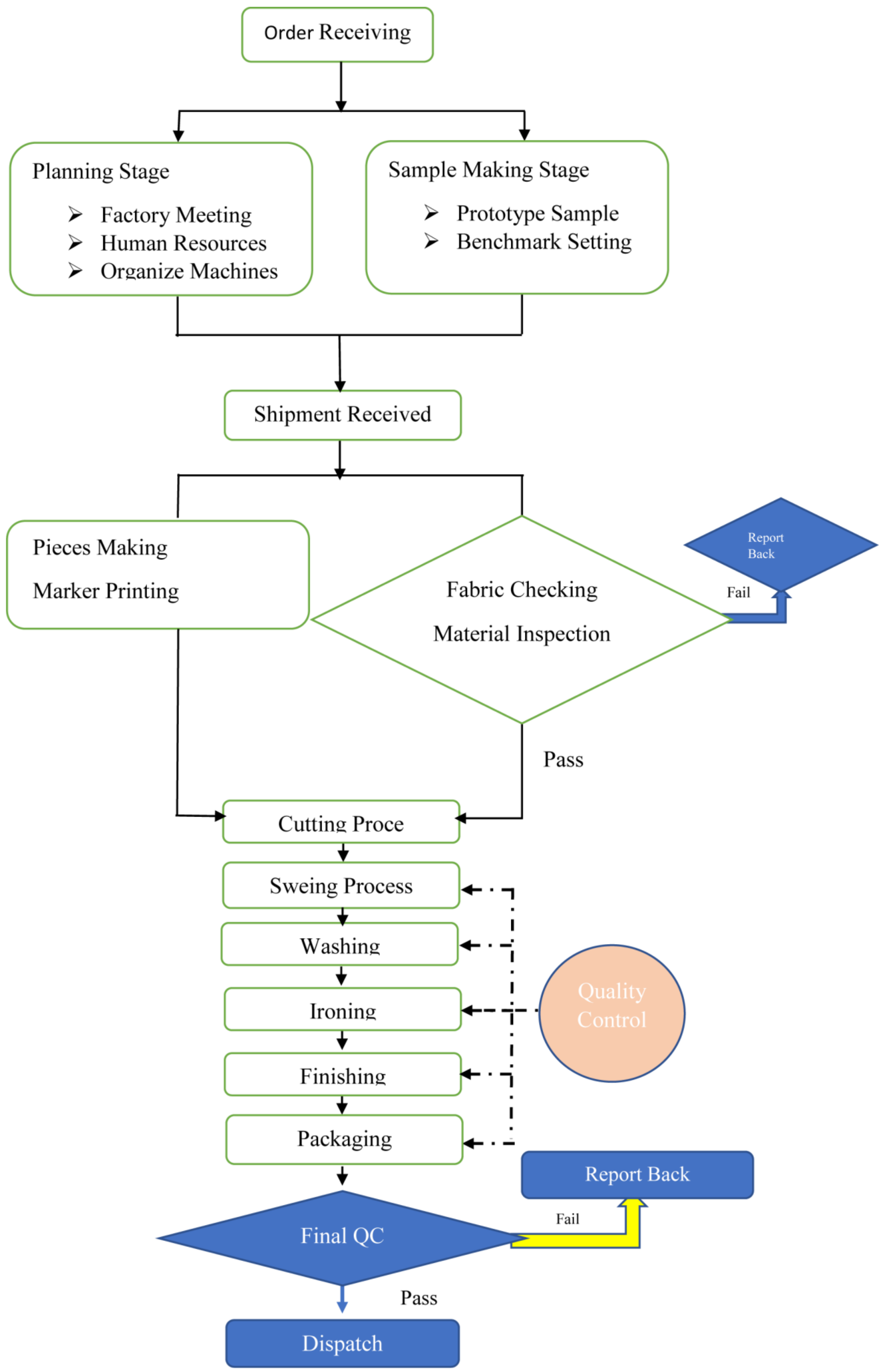
#### 3.1.2.2 Efficiency

Since the workers are intensely selected and trained to be the best, they are able to deliver the result efficiently. During our 20 years of experience, we rarely failed to deliver the garments over the due date. Thus, we can guarantee efficiency and timeliness.

The most important focus of our company is the quality and we are very proud of our quality control system. We have a strong Quality Control (QC) team to monitor the manufacturing processes in each and every steps, including fabric inspection and broken needle detection.

## 3.2 Production Processes and Method of Tri Sea Garment Manufacturing Co., Ltd.

**Figure( 3.1) Process Flow Chart of Production Process and Method**



The figure 3.1 is showing about the Production Processes and Methods of Tri Sea Garment Manufacturing Co., Ltd. are as the following stages

1. Order Receiving
2. Planning
   - Sample and Pattern Making
   - Shipment Received
3. Pieces Making, Marker Printing , Fabric Checking
4. Preparation and Cutting
5. Assembly Sewing ( Production)
6. Washing & Ironing
7. Quality Control Inspection
8. Packaging and Dispatch

Garment production is an organized the consisting of above sequential processes and the very first stage the garment factories received the order and plan for the sample and pattern making and waiting for the shipment received. Typically the fabric arrives from overseas with commercial shipping containers and unloaded to the factory after clearance process.

Before the preparation and cutting process the fabric are placed in the store first. After the checking of the fabric or material inspection if there is no any other errors the next step is cutting and sewing process. The sewing, washing, ironing steps are under control of quality control inspection. In each process there has quality control and when it fail need to report to the supervisors and factory manger and re fixed the process. When the quality control process is passed in every process the final is to go finishing and packaging. Between the one process to another when needed there are also the washing or ironing stages occurs.

After finishing and completion all the process the final stage is dispatch and deliver to the customer by local or export back to ordering countries.

## 3.3 Monthly Capacity of Tri Sea Garment Manufacturing Co., Ltd.

**Table (3.1) Monthly Capacity of Tri Sea Garment Manufacturing Co., Ltd.**

| Types | Description | Quantity | Production | Lines |
|---|---|---|---|---|
| Average Capacity | Brassieres | 200,000 | Pcs/month | 8 |
| | Panties & Boxers | 300,000 | Pcs/month | 8 |
| | Camisoles & Tent Tops | 250,000 | Pcs/month | 8 |
| | Polo Shirts | 105,000 | Pcs/month | 8 |
| | Knit Wears | 105,000 | Pcs/month | 8 |
| | Maternity Wears | 85,000 | Pcs/month | 8 |
| | Jackets (Woven) | 30,000 | Pcs/month | 8 |

Source: Survey Data, 2019

According to Table (3.1), monthly capacity of Tri Sea Garment Manufacturing Co., Ltd is production 7 items of products are Brassieres, Panties & Boxers, Camisoles & Tent Tops, Polo Shirts, Knit Wears, Maternity Wears and Jackets. Respective average quantities per month are 200,000 pcs of Brassieres, 300,000 pcs of Panties & Boxers, 250,000 pcs of Camisoles & Tent Tops, 105,000 pcs of Polo Shirts, 105,000 pcs of Knit Wears, 85,000 pcs of Maternity Wears and 30,000 pcs of Jackets. The production are running with eight sewing lines for each products.

## 3.4 Machines Capacity of Tri Sea Garment Manufacturing Co., Ltd.

**Table (3.2) Machines Capacity of Tri Sea Garment Manufacturing Co., Ltd.**

| Types | Description | Quantity | - |
|---|---|---|---|
| **Sewing Machines** | Single Needle Lock Stich | 350 | Sets |
| | Overlock ( 4 & 5 thread) | 180 | Sets |
| | Interlock | 80 | Sets |
| | Double Needle Lock Stitch | 30 | Sets |
| | Zig Zag Machine | 24 | Sets |
| | Button Holes | 8 | Sets |
| | Inline Irone | 7 | Sets |
| | Multi Needle Chain Stich | 4 | Sets |
| | Bar Tacking | 4 | Sets |
| | Fusing Machine | 1 | Sets |
| | Scarlop Stitch | 1 | Sets |
| **Cutting Tables** | 7' x 30 ' | 7 | Tables |
| | 7' x 64 ' | 2 | Tables |
| **Cutting Machines** | End Cutter | 6 | Sets |
| | Straight Knife Machines | 6 | Sets |
| | Strap Tape Cutting Machine | 2 | Sets |
| | Band Knife | 2 | Sets |
| **Ironing & Finishing** | Vacuum Table | 16 | Sets |
| | Steam Iron | 16 | Sets |
| | Steam Boiler | 1 | Set |
| **Quality Control** | Loose Thread Sucking Machine | 1 | Set |
| | Fabric Inspection Machine | 1 | Set |
| | Needle/Metal Detector | 1 | Set |
| | Air-Condition | 1 | Set |

Source : Survey Data, 2019

Table 3.2 explain about the capacity of production lines and each process running with different types of machines, tools, equipment and quantities are set up in the production lines. There are six types of machines capacity in the production lines. Efficiently using with that machines the factory can produce their maximum target pcs per month.

Of all the production the cutting is major operation because once the fabric has been cut there can be done serious defects.

### 3.5 Products List of Tri Sea Garment Manufacturing Co., Ltd.

Tri Sea Garment Manufacturing Co., Ltd is production of following products not only in local but also in the international market. The products items are as below:

- Under-wears (Brassieres)
- Camisoles & Tent tops
- Warm Wears
- Maternity Wears
- Casual Wears
- Light Jackets
- Trousers, Pants and Skirts
- Panties & Boxers
- Polo Shirts
- Swim Wears

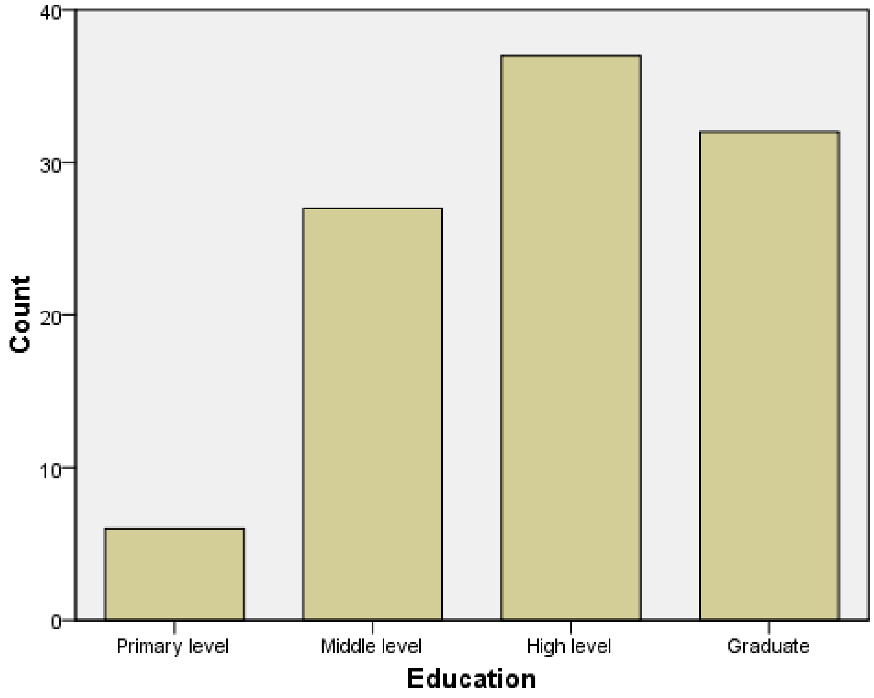
Company also making the special contract with local companies for yearly order with reasonable price. Most of the local companies are ordering their own design and the factory make with CMP manufacturing system (Cutting, Manufacturing, Packing )

### 3.6 Tri Sea Garment Manufacturing Co., Ltd workers of financial literacy knowledge

In Tri Sea Garment Manufacturing Co., ltd has four types of garment workers are primary level, middle level, high school level and graduated level. Most of worker are known literacy and accessibility. The financial literacy levels of garment workers are low relative to other industries.

Among the four types of garment workers the high school level workers are more than other three types as shown in the figure 3.2

**Figure : 3.2, Bar Graph for Education Level of Tri Sea Garment Manufacturing Co., Ltd.**




## 3.7 Organization Chart of Tri Sea Garment Manufacturing Co., Ltd.

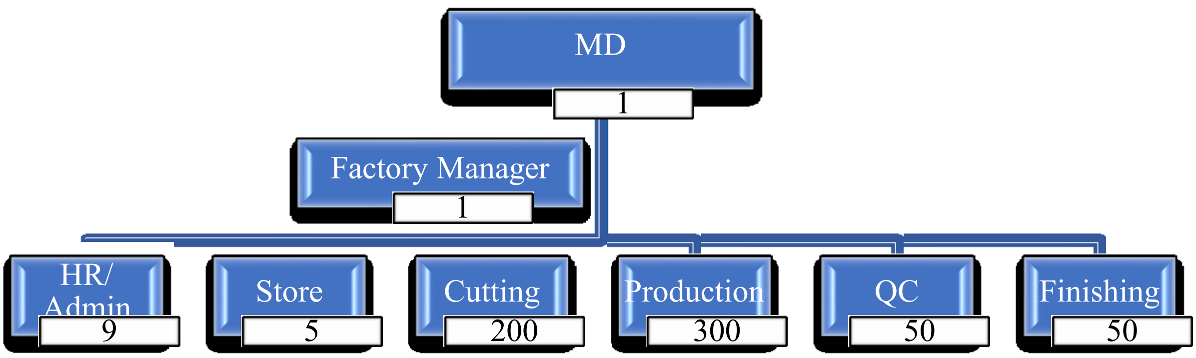



**Figure : 3.3, Organization Chart of Tri Sea Garment Manufacturing Co., Ltd.**

# CHAPTER IV
# ANALYSIS OF FINANCIAL LITERACY AND CREDIT ACCESSIBILITY OF EMPLOYEES AT TRI SEA GARMENT

This chapter presents the profile of the employees from Tri Sea garment followed by analysis of their literacy and credit accessibility by mean scores. In additions, it presents the regression result between independent variables and dependent variable.

## 4.1 Profile of the Respondent

This section presents the profile of respondents by frequencies and percentage. Table (4.1) presents the profile of the respondents.

**Table (4.1) Profile of the Respondent**

| Sr. No | Particular | No. of Respondents | Percent |
|---|---|---|---|
| | Total | 102 | 100.0 |
| 1. | **Gender:** | | |
| | Male | 30 | 29.4 |
| | Female | 72 | 70.6 |
| 2. | **Marital Status:** | | |
| | Single | 43 | 42.2 |
| | Married | 59 | 57.8 |
| 3. | **Age :** | | |
| | Under 18 years | 3 | 2.9 |
| | 18-20 years | 16 | 15.7 |
| | 20-25 years | 40 | 39.2 |
| | 25-30 years | 20 | 19.6 |
| | 30-35 years | 15 | 14.7 |
| | 35-40 year | 6 | 5.9 |
| | Above 40 years | 2 | 2.0 |

| Sr. No | Particular | No. of Respondents | Percent |
|---|---|---|---|
| | Total | 102 | 100.0 |
| 4. | **Education** | | |
| | Primary level | 6 | 5.9 |
| | Middle level | 27 | 26.5 |
| | High level | 37 | 36.3 |
| | Graduate | 32 | 31.4 |
| 5. | **Salary :** | | |
| | 150000-160000 | 6 | 5.9 |
| | 160000-170000 | 5 | 4.9 |
| | 170000-180000 | 3 | 2.9 |
| | 180000-190000 | 8 | 7.8 |
| | 190000-200000 | 3 | 2.9 |
| | 200000-210000 | 8 | 7.8 |
| | 210000-220000 | 11 | 10.8 |
| | 220000-230000 | 9 | 8.8 |
| | 230000-240000 | 10 | 9.8 |
| | 240000-250000 | 7 | 6.9 |
| | 250000-300000 | 9 | 8.8 |
| | 300000-350000 | 23 | 22.5 |
| 6. | **Position:** | | |
| | Purchaser | 6 | 5.9 |
| | Store | 20 | 19.6 |
| | Cutting | 16 | 15.7 |
| | Sewing | 28 | 27.5 |
| | QC | 18 | 17.6 |
| | Supervisor | 14 | 13.7 |

Source: Survey Data (2019)

According to Table (4.1), among 102 respondents, most respondents dominated by females and they are between 20 and 25 years old followed by the people who are between 25 and 30 years old. Regarding education, majority of the respondents are high school level and second dominating group represents middle school level. Most of the respondents earn 300000-350000kyats and most are working in sewing department.

### 4.1.1 Financial Knowledge of Respondents

Financial knowledge is very important and people take the credits based on their financial knowledge. The survey examines the garment workers' financial management. Mean scores for each question are calculated and the results are shown in Table (4.2).

**Table (4.2) Financial Knowledge of Respondents**

| Sr. No | Financial Knowledge | Mean Score |
|---|---|---|
| 1. | I have adequate knowledge of price changes on cost of living | 3.36 |
| 2. | I have better understanding of how to manage my income. | 4.40 |
| 3. | I know credit and loan options very well | 2.89 |
| 4. | I am able to compare and contrast the different payment instruments | 2.59 |
| 5. | I have better understanding of financial instruments (eg. Bank services, microfinance, pawn etc.) | 2.93 |
| | **Overall Mean** | 3.24 |

Source: Survey Data (2019)

According to Financial knowledge in Table (4.2), most respondents have better understanding of how to manage their income because they used to be familiar with parents or friends' financial management. Besides, the respondents have adequate knowledge of price changes on cost of living because they know inflation, and rise and fall of commodity price. Moreover, the respondents moderately learn of instruments (eg. Bank services, microfinance, pawn etc.) because they still need to learn to get it clear and have more credit options. People do not have much knowledge about the different payment instruments because they are not able to search the things to compare financial services as they usually go to the credit places they are familiar.

According to overall mean score, people have moderate level of financial knowledge regarding credit accessibility.

### 4.1.2 Financial Skills of Respondents

Financial skill is very vital that the respondents state the financial management, control of finance with their income. Mean scores for each question are calculated and the results are shown in Table (4.3).

**Table (4.3) Financial Skills of Respondents**

| Sr. No | Statement | Mean Score |
|---|---|---|
| 1. | I have adequate skills in financial management. | 4.34 |
| 2. | I am capable of discussing money and financial issues with comfort. | 3.33 |
| 3. | I have control over personal finance. | 4.50 |
| 4. | I manage my debts properly. | 4.40 |
| 5. | I make payment of my bills on time. | 4.54 |
| 6. | I make a loan from my friends when I needed. | 3.60 |
| 7. | I make a loan from work when I needed. | 2.43 |
| 8. | I make a loan from microfinance when I needed. | 3.01 |
| 9. | I make a loan from my relatives when I needed. | 3.94 |
| 10. | I can make repay loan on time. | 4.17 |
| | **Overall Mean** | 3.83 |

Source: Survey Data (2019)

According to financial skill survey result, the respondents strongly believe that they make payment of their bills on time. Moreover, the respondents are able to manage their debt accordingly because they manage the earnings and expenses. In addition, they have adequate skills of financial management because they usually consider income and expense. But sometimes they have to pay room rental fees and have to transfer to their family in states thus they have to borrow money. Besides, the respondents have a chance to borrow some money from the relatives and they still can have a loan from financial institution. But, the respondents are not satisfied with the work's loan system that they are willing to have loan from work when they need money. According to overall mean score, financial skill influence in taking a loan from financial institution.

### 4.1.3 Financial Access of Respondents

Financial Access is very important for sewing workers since they examine how to get the financial institutions which is near or far. Financial access of garment workers is shown in Table (4.4).

**Table (4.4) Financial Access of Respondents**

| Sr.No | Statement | Mean Score |
|---|---|---|
| 1. | I can easily find the financial institutions. | 3.21 |
| 2. | Several financial institutions are within my walking distance. | 3.20 |
| 3. | I have several options for borrowing money whenever I need. | 3.19 |
| 4. | Using my valuable asset base I can access more finances. | 2.84 |
| 5. | My income level determines the amount of credit I can access. | 3.58 |
| | **Overall Mean** | 3.20 |

Source: Survey Data (2019)

According to Financial Access, most people state that the income level determines the amount of credit they get access because they are aware of the credit level depends on their monthly income. Moreover, people can easily find the financial institutions because the it is visible in many places. People accept that several financial institutions are within my walking distance because there are many branches in many places. Furthermore, using the valuable asset base they can access more finances because mostly the financial institution determines the properties base but they do not have that kind of assets. According to overall mean score, financial access influence on people credit assessment.

### 4.1.4 Credit Accessibility of Respondents

Credit accessibility is very important that the sewing workers examine for terms and conditions of the credit accessibility. Mean scores for each question are calculated and the results are shown in Table (4.5).

**Table (4.5) Credit Accessibility of Respondents**

| Sr. No | Credit Accessibility | Mean Score |
|---|---|---|
| 1. | I can access credits from financial institutions. | 3.33 |
| 2. | Lack of collateral limits my access to credit services. | 3.17 |
| 3. | I receive the full amounts of loan facility applied for. | 2.79 |
| 4. | The credit terms are good when I seek credit services. | 3.08 |
| 5. | Accessing credit has improved my economic and family status. | 3.32 |
| | **Overall Mean** | **3.18** |

Source: Survey Data (2019)

According to Table (4.5), most people state that they never have loan experience. Moreover, people express that they can access credits from financial institutions because they learn it from advertisement, online, etc. Besides, people accept that the credit terms are good when seeking credit services because financial institution give the best credit terms. People do not satisfy that they receive the full amounts of loan facility applied for because when they apply the credit level to the financial institution. According to overall mean score, many people could access the credits moderately when they need.

## 4.2 Influencing factors on Credit Accessibility

In this research, in order to find out the effects of influencing factors on credit accessibility multiple regression model is used. Table (4.6) shows the relationship between influencing factors and credit accessibility.

**Table (4.6) Influencing Factors on Credit Accessibility**

| Variable | Unstandardized Coefficients | | β | t | Sig |
|---|---|---|---|---|---|
| | B | Std Error | | | |
| (Constant) | 1.163 | .447 | | 2.600 | .011 |
| Financial Knowledge | -.071 | .078 | -.074 | -.916 | .362 |
| Financial Skills | .212 | .136 | .147 | 1.563 | .121 |
| Financial Access | .449*** | .072 | .576 | 6.221 | .000 |
| R Square | .422 | | | | |
| Adjusted R Square | .405 | | | | |
| F Value | 23.899*** | | | | |

Source: Survey Data (2019)

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

According to Table (4.8), the value of $R^2$ is almost 42 percent thus this specified model could explain about the variation of influencing factors on credit accessibility. The significant level of financial knowledge shows 0.362 and the financial skills is 0.121.

The overall significance of the model, F value, is highly significant at 1 percent level. This model can be said valid. The model can explain almost 40 percent about the variance of the independent variable and dependent variable because Adjusted R square is 0.405.

Among three independent variables, financial access has the expected positive sign and is strongly significant at 1 percent level. According to the regression result, positive relationship means that the increase in financial access leads to more credit accessibility. If there is an increase in financial access by 1 unit, this will also raise credit accessibility by .449 unit.

The standardized coefficient (Beta) of risk has the largest value (.576) among three explanatory variables indicating that financial access has the greatest contribution to increase the credit accessibility when the variance explained by other variables is controlled. The overall evaluation reveals that models explain the variation in credit accessibility because the estimation produced expected signs and significant coefficients for most variables. The increases in financial access have the positive effects on credit accessibility.

# CHAPTER V
# CONCLUSION

This chapter presents the findings and discussions, suggestions and recommendations and need for further research based on the survey results.

## 5.1 Findings and Discussions

This study finds out the customer perceptions by surveying 102 garment workers. The findings reveal that most of garment workers are females since garment usually hires females. They are 25 to 30 years old and most are high school level. Majority of the respondents work in sewing department and earn above 300000-350000kyats.

Regarding to financial knowledge, most respondents have better understanding of how to manage their income as they do not earn much money. Besides, the respondents always care price changes on cost of living because they know the inflation, and rise and fall of commodity price. On the other hand, the respondents moderately know about financial instruments (eg. Bank services, microfinance, pawn etc.) because they spend most of their time at work thus they do not have much ability to compare the financial services and they used to go for credits nearby or the place they usually borrow. According to overall mean score, people accept financial knowledge influence on it.

Regarding to financial skill, most of the respondents could do the personal financial management and they have financial skills to get credits. It is found that most garment workers could manage their debts since they repay the loan and bills on time. Furthermore, they used to borrow money from their friends and relatives but they do not get credits from their job. In additions, they sometimes take credits from microfinance as they have to pay some recommendations and people usually want to take credits easily without formal process. Most workers discuses about financial issues with comfort since they always consider how to raise their financial status or take credits whenever they need. According to the overall mean score, most respondents have the financial skills to get the credits and repay the loan on time.

Concerning with financial access, the survey result reveals that income level affect on the credit accessibility for most respondents. People find the credit sources very easily as most of the sources are near and at walking distance. Thus, they have many options to get the credits. On the other hand, they could not improve their credit amount by the valuable assets since they don't have valuable assets. In additions, pawn shops just give small amount of money unfairly. The study reveals that people do not have difficulty in financial access.

Regarding credit accessibility, most people could get the financial access and admit that credit improves their economic and family status. It is found that collateral affect on the credit accessibility as financial institutions have to take the collateral as the guarantee. They think credit terms are reasonable when they take the credits. On the other hand, they could not get full amount that they applied for. Generally, most of the respondents could access credit at the moderate level.

Regression result proves that among three independent variables (financial knowledge, financial skills and financial access), only financial access affect on credit accessibility.

## 5.2 Suggestions and Recommendations

In order to improve the credit accessibility of the Tri Sea Garment workers, the officials should focus the major profile of workers. Tri sea garment should focus young females who have high school education. Most of the workers are at sewing department.

Tri sea garment officials should educate its workers about loan products and types in order to improve their financial knowledge. The organization need to provide workshops and seminars regarding financial instruments. Then the employees could have ability to compare different financial instruments when they take credits.

Regarding financial skills, most people have the ability to repay their debt but they are not used to get the loan form Tri sea garment. Thus, they have to pay much interest at outside pawn shops and informal lenders at their region. The garment should arrange the welfare fund for employees and allows them to take credits from the organization with lower interest rate. This could benefit for both workers and the garment. In additions, the garment should invite microfinance firms to offer credits for workers by the garment guarantee.

For financial access, most of the employees cannot get high credits even they pay their valuable things as the collateral as the pawn shops evaluate those things very low price. Some people even do not have to pay the collaterals. Thus, Tri sea garment should arrange for their workers to get credits based on their service years.

Regarding credit accessibility, most respondents do not get full amount they want to borrow. Thus, they have to take from at least 2 places to get the enough money. Thus, the officials should introduce the loan system by deducting from their income regularly. This will reduce the interest burden for workers and increase the life of garment workers.

In order to improve the credit accessibility, the financial institutions should offer more flexible terms for garment staffs. In additions, Tri sea garment should give recommendation for their workers in order to get the credits.

### 5.3 Needs for Further Research

This study is intended to identify the credit accessibility of Tri sea garment workers by focusing financial knowledge, skills and credit access. This does not cover other factors that could affect their credit accessibility. In additions, this study does not cover the whole garment industry.

The further study should explore the other factors that could affect the credit accessibility of garment workers by focusing industry wide. By studying those factors, the government and financial institutions could support workers to have credit accessibility.

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# STRUCTURED QUESTIONNAIRE

# APPENDIX I

**Dear Sir/Madam,**

This survey questionnaire is to use only for the research paper "**Effect of Financial Literacy on Credit Accessibility of Tri Sea Garment Manufacturing Co., Ltd.. Workers**" to submit as a partial fulfillment towards the degree of MBF. The data would not be used in other purposes. Thank you very much for your information.

***Please choose only one answer by marking.***

**I. Customer's Demographic Information**

**For aggregated tabulation of respondent demographics (We assure we'll not use any individual data point in isolation)**

**Please place a tick " ✓ " or fill in the blank for each of the following:**

**1. Gender** Male ☐ Female ☐

2. **Marital Status** Yes ☐ No ☐

**3. Age**

☐ Under 18Years ☐ 25 Years to 30 Years ☐ Above 40 Years

☐ 18 Years to 20 Years ☐ 30 Years to 35 Years

☐ 20 Years to 25 Years ☐ 35 Years to 40 Years

4. **Education level**

☐ Primary Level

☐ Middle Level

☐ High School Level

☐ Graduate

5. **Monthly Salary**

- ☐ 150,000-160,000
- ☐ 160,000-170,000
- ☐ 170,000-180,000
- ☐ 180,000-190,000
- ☐ 190,000-200,000
- ☐ 200,000-210,000
- ☐ 210,000-220,000
- ☐ 220,000-230,000
- ☐ 230,000-240,000
- ☐ 250,000-300,000
- ☐ 300,000-350,000

6. **Position**

- ☐ Purchaser
- ☐ Store
- ☐ Cutting
- ☐ Sewing
- ☐ QC
- ☐ Supervisor

**II. Worker's Literacy Levels and Credit Accessibility**

***Please choose only one answer by marking according a level of agreement or disagreement towards***

5=Strongly Agree 4= Agree 3= Neither Agree nor Disagree 2= Disagree 1=Strongly Disagree

**Financial Literacy**

| Financial Knowledge | | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|---|
| 1 | I have adequate knowledge of price changes on cost of living | | | | | |
| 2 | I have better understanding of how to manage myincome. | | | | | |
| 3 | I know credit and loan options very well | | | | | |
| 4 | I am able to compare and contrast the different payment instruments | | | | | |
| 5 | I have better understanding of financial instruments (eg. Bank services, microfinance, pawn etc.) | | | | | |

| Financial Skills | | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|---|
| 1 | I have adequate skills in financial management | | | | | |
| 2 | I am capable of discussing money and financial issues with comfort | | | | | |
| 3 | I have control over personal finance | | | | | |
| 4 | I manage my debts properly | | | | | |
| 5 | I make payment of my bills on time | | | | | |
| 6 | I make a loan from my friends when I needed. | | | | | |
| 7 | I make a loan from work when I needed. | | | | | |
| 8 | I make a loan from microfinance when I needed. | | | | | |
| 9 | I make a loan from my relatives when I needed. | | | | | |
| 10 | I can make repay loan on time. | | | | | |

| | Financial Access | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|---|
| 1 | I can easily find the financial institutions | | | | | |
| 2 | Several financial institutions are within my walking distance | | | | | |
| 3 | I have several options for borrowing money whenever I need | | | | | |
| 4 | Using my valuable asset base I can access more finances | | | | | |
| 5 | My income level determines the amount of credit I can access | | | | | |

| | Credit Accessibility | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|---|
| 1 | I can access credits from financial institutions | | | | | |
| 2 | Lack of collateral limits my access to credit services | | | | | |
| 3 | I receive the full amounts of loan facility applied for | | | | | |
| 4 | The credit terms are good when I seek credit services | | | | | |
| 5 | Accessing credit has improved my economic and family status | | | | | |