

EFFECT OF MICROFINANCE ON HOUSEHOLDS' CLIENT IN ZEE PYU PIN VILLAGE

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Abstract

The paper examines the effect of microfinance on income and employment of households' client in Zee Pyu Pin Village. It is 15 miles from Kayan Township and it is quite near the Mottama. The main objective of the paper is to find out the effect of microfinance for households' client in the village. The main business is agriculture. The study used descriptive method to collect primary data from client in Zee Pyu Pin Village. From the study, it was founded that how they use the microfinance loans to get sustainable development. The study finds out that microfinance enterprise can certainly help the households solve some economic problem. There is no difficulty between lender and borrower of the loan as the low income families actually apply the loan and give it back regularly. The MFI loan over (2016-2019) year period in the study area cannot have effect on the local income. The villagers should have access to good market linkage for better income. There should be industrial making training course to create job opportunities.

Keywords : households' clients, income, self-employment, microfinance

1. INTRODUCTION

Microfinance is widely seen as a key development tool to promote financial inclusion and alleviation poverty in Myanmar. While cooperation has existed in country since the early 20th century, microfinance was first introduced to Myanmar in 1997 by UNDP's Human Development Initiative. In November 2011, the government passed the new Microfinance law, paving the way for expansion of microfinance services by allowing local and foreign investors to establish wholly privately owned MFIs in country. In Myanmar, most rural households find it difficult to finance their farming operations, including their other income-generating activities, owing to their limited savings. Therefore, in order to adopt relevant technologies and improve their farm productivity and income, the households need assistance in the form of production loans. The formal financial institutions in Myanmar (which are governmental financial institutions) are under the control of the Central Bank, and borrowers need to have assets or properties to get a loan from them. Consequently, the poor people in Myanmar are forced to avail credit facilities from certain rich people, brokers, and traders, who charged high interest rates. A microfinance program is a

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type of loan assistance provided to economically vulnerable people to augment their household income by increasing investments in their enterprises, farming, and other income-generating activities. Many research findings in the literature are related to this study.

Microfinance is a society that offers financial services to low income populations. The term microfinance institution has come to refer to a wide range of organizations dedicated to providing these services, for example, NGOs, credit unions, cooperatives, private commercial banks and non-bank financial institutions and parts of stat-owned banks. NGOs and other non-bank financial institutions have led the way in developing workable credit methodologies for the poor and reaching out large numbers of them.

1.1 Objective of the Study

The objective of the study is find out the effect of microfinance for households' client in Zee Pyu Pin Village.

2. MATERIALS & METHODS

2.1 Scope and Limitation of the Study

This paper examines the effect of microfinance on income and employment of (69) households' client. The primary data are collected among (69) households from 200 microfinance clients in Zee Pyu Pin Village during 2016 to 2019year.

2.2 Research Methodology

In June 2019, a survey is conducted in Zee Phyu Pin Village covering 69 clients (30% of microfinance clients in Zee Phyu Pin Village). Two strata of respondents were identified—those taking microfinance (clients). The research used descriptive study and applied both quantitative and qualitative methods. There are almost 200 clients in this village now 2019, July. Among them, the primary data was collected from a sample of clients (30% of the clients).

3. LITERATURE REVIEW

Concept of Microfinance

Microfinance is a form of financial development that has primarily focused on reducing the vulnerabilities of the rural poor through providing financial services to the poor. Most people think of microfinance, if at all, as being about micro-credit i.e, lending small amounts of money to the low income groups. Microfinance is not only this, but it also has a broader perspective which also includes insurance, transactional services, and importantly savings.

According to James Roth, “Microfinance is a bit of a catch all-term. Very broadly, it refers to the provision of financial products targeted at low-income groups. These financial services include credit, savings and insurance products. A service of neologisms has emerged from the provision of these services, name micro-credit, micro-savings and micro-insurance”.

The Canadian International Development Agency (CIDA) defines microfinance as, “the provision of a broad range of financial services to poor, low income households and micro-enterprises usually lacking access to formal financial institutions”.

Microfinance, according to Otero (1999, p.8) is “the provision of financial services to low-income households and very poor self-employed people”. These financial services according to Ledgerwood (1999) generally include savings and credit but can also include other financial services such as insurance and payment services. Schreiner and Colombet (2001, p.339) define microfinance as “the attempt to improve access to small deposits and small loans for poor households neglected by banks.” Therefore, microfinance involves the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal. The microfinance concept and MFIs thus ought to contribute to sustainable economic development by increasing not only short-term consumption levels and saving, but also education self-employment and new business (Morduch 1999).

The clients participated in the microfinance program for broadly the following reasons: the interest rates are low, collateral security is not required, the clients need loans, and they enjoy group financing. For non-clients, the reasons for not

participating in the program include the following: they considered the procedures too complicated, feared legal action in case of default, are not interested in the program, did not need the loan, lacked information, and considered the loan terms unfavorable. From these findings, we can make some helpful suggestions and recommendations for the future programs.

Model of Microfinance

In order to overcome these obstacles, a prominent economist and professor from Bangladesh Muhammad Yunus in 1976, came up with a new concept and model, which is called, “The Grameen Model”. “The Grameen Model”, during a field trip to relatively poor village in Bangladesh with his students in 1974, Muhammad Yunus interviewed a woman who had a small business of making bamboo benches. Due to the shortage of the resources to purchase the raw materials, she was forced to borrow small amounts of money from a local lender. Without any collateral, she could only borrow enough money to buy the raw materials to build one piece at a time. The women had to repay the lender with high interest rates. Sometimes the interest rate of that loan exceeded 10% of the principle amount. After repaying the lender, the woman was left with a profit margin that was not enough even to meet her basic daily needs. Had she had access to more complimentary terms for her loan, she would have been able to save enough money to protect her from future uncertainties and in the long run, would have been able to raise herself above the survival level. Discouraged by what he saw, Dr Yunus took matters into his own hands and lent a small amount of money as a loan to some 42 rural basket-weavers. He found that these small loans went a long way, and almost everyone who had borrowed the money, were keen to repay their loans. Dr. Yunus found out that even with this tiny amount of money it is possible not only to help the poor to survive but also create the spark of personal initiative and enterprise in the people, necessary to pull themselves out of poverty.

4. BACKGROUND HISTORY OF ZEE PHU PIN VILLAGE

The study is carried out in Zee Phyu Pin Village, Kayan Township. Zee Phyu Pin Village is (15) miles from Kayan Township. It is located at the end of the other villages and it is quite near the Mottama. They can even earn their income by selling marine products as it is very near the sea. It is total land area of (1,530) acres and

(560) households, male (1,800) and female (2,100). They cultivate paddy, ground nuts, watermelons, Chile, tomatoes, pumpkins. The livestock has pigs, chicken, cows, goats and ducks. The trade flow was due to the ferry and boats; however, the trade flow is now depending on the transportation on roads and streets. Concerning with the trading goods, products and materials, the dealers from the urban areas buy the farming products like rice and beans. There is one primary school and one high school.

According to the table (4.1), 19% of respondents have 1-5 acres, 17% of respondents have 6-10 acres, 16% of respondents' have 11-20 acres, 16% of respondents have 11-20 acres, 4% of respondents owning over 20 acres, 43% of respondents are landless. The income of households depends on the ownership of the acres of land. The households owning 5 acres get income from MMK 30 lakhs to MMK 35 lakhs. The income of households owning 5 acres of field is just enough for basic need and not to cover other expenses. Nowadays, the supporting cost for agricultural sector is so high that the economic status of these households owning 5 acres of field is quite hard to handle. The households owning 20 acres of field also possess agricultural expenses and machines. The households owning more acres of field can have reduced machinery costs as they can invest a large amount of money in field compared to the households owning less acres of field. This is the obvious advantage. Households possessing more fields can have the income about 120 lakhs and the costs of production may be different because they can utilize the own machines. The households which possess more farms may more cover cost of productions than the households owing small amount of farms.

Ownership of farm size

Farm Size	Frequency	Percent
0	30	44%
1-5	13	19%
6-10	12	17%
11-20	11	16%
20 above	3	4%
Total	69	100%

Table (4.1) Source of data, July 2019

According to the table (4.2), the age of clients are 2 persons from age between 1 and 20, 25 persons from age between 21 and 40, 36 persons from age between 41

and 60 and 6 persons over age 60. The clients of the respondents are mostly between 40 and 60 years. The most of children are between the age 20 and 30. They leave school and searched a job. They can access both the local job opportunities in the village and job opportunities from the town.

Head of Age

Age	Frequency	Percent
1-20	2	2.9%
21-40	25	36.2%
41-60	36	52.2%
above of 60	6	8.7%
Total	69	100%

Table (4.2) Source of data, July 2019

According to the table (4.3), majority 74% of respondents is primary level, 20% is secondary level, 6% is high level. Therefore, it is concluded the most people are not well-educated due to their low investment in their education.

Clients of Education Level

Education Level	Frequency	Percent
Primary	51	74%
Secondary	14	20%
High	4	6%
Total	69	100%

Table (4.3) Source of data, July 2019

According to the table (4.4), the majority (36%) of respondents are an annual income between MMK 2000000 and 5000000 because their cultivated land areas are less than 10 acres, 39% of respondents are an annual income between MMK 5000000 and 8000000 because their cultivated land areas are less than 20 acres,, 25% of respondents are an annual income between MMK 8000000 and 11000000 because they possessed over 20 acres. Therefore, the income of famers are mainly dependent on farm possess. Most of the breadwinners are farmers, other involve mechanic, traders, construction, mason, carry driving, factory workers, farming and daily workers. Housewives are also working in the field, factory, various work, selling in the streets, sewing farming and grocery.

Income (Per Year)

Income	Frequency	Percent
2000000-5000000	25	36%
5000000-8000000	27	39%
8000000-11000000	17	25%
Total	69	100%

Table (4.4) Source of data, July 2019

5. CONDITION OF MICROFINANCE LOAN IN VILLAGE

According to the table (5.1), there are six organizations which are providing microfinance services and loan, 19% of respondents borrow the loan from one organization. 64% of respondents borrow the loan from two organizations, 13% of respondents borrow the loan from three organization, 4% of respondents borrow the loan from four organization. It was found that most of respondents borrow from two organizations.

Number of Microfinance Loan Taken

No. of Microfinance	Frequency	Percent
1.00	13	19%
2.00	44	64%
3.00	9	13%
4.00	3	4%
Total	69	100%

Table (5.1) Source of data, July 2019

According to the table (5.2), the majority 4% of respondents are amount of Loan between MMK 50000 and 100000, 3% of respondents are amount of loan between MMK 100000 and 150000, 4% of respondents are amount of loan between 150000 and 200000, 74% of respondents are amount of loan between 200000 and 500000, 15% of respondents are amount of loan between 500000 and 1000000. There are most of loan between MMK 200000 and 500000.

Amount of Loan

Loan	Frequency	Percentage
50000-100000	3	4.3
100000-150000	2	2.9
150000-200000	3	4.3
200000-500000	51	73.9
500000-1000000	10	14.5
Total	69	100.0

Table (5.2) Source of data, July 2019

As table (5.3), as the major business of the village is agriculture. The maximum rate of investment for field by microfinance is 58%. Most of the villagers use the loans in from investment because of the nature of economics in this region. The major business in this region is agriculture. The farmer has to purchase the inputs that use in farm as physical capital. It is characterized as a variable cost in agriculture. The inputs such as fertilizer, pesticide, insecticide are necessary to improve the farms' productivity. But the input costs are so high and MFI loan may cover the cost by lower interest rates and enough time to make repayment.

The loan to invest for small enterprises is 23%. Some of the villagers employ the loans in running their small business. After the agriculture, small enterprises are the second major businesses that can generate the villagers' income. By exploiting raw material available in the region, they can raise their current income and can often earn profit. They can gain the profit by commercializing the goods that are in short supply in the village. By investing their loans in small enterprises, the revenue can be generated rapidly because the market demands for commodities (especially the necessitated goods) are available in this region.

Loan for livestock is 13%. The loans should be used in livestock sector because this sector can enhance their rate of productivity and raise their income by complementing with agricultural sectors. The input materials provided by agriculture can efficiently be utilized in livestock. This can save the cost of food because the produce from the livestock can fulfill the necessitate supply of food. Livestock sector not only can raise but also provide the food security and other value added food commodities.

The village is weak use of electricity. So, the villagers cannot afford to use electrical products.

The loan for education is 10%. The MFI's loan can make the improvement of their business. They can earn some of the income. The income earned by doing business should be spent on as an educational expenditure.

The loan are mostly spent for income raised business. The residents who do not possess any field is take loan of 6% for household expenditure. So, the percentage of unemployed people is low. The data show that 4% of loan is taken for buying farmland, and the extension of agriculture is weak in performance.

Purpose of borrowing loan

No.	Purpose of loan	Yes		No	
		Frequency	Percentage	Frequency	Percentage
1	Farm Investment	40	58	29	42
2	Education	7	10	62	90
3	Electrical Products	-	-	69	100
4	General Expenses	4	6	65	94
5	Purchases Farm	3	4	66	96
6	Livestock	9	13	90	87
7	Business Investment	16	23	23	77

Table (5.3) Source of data, July 2019

According to the table (5.4), 33.3% of respondents have preference on borrowing the loan as a result of lower interest rates. Almost 8.7% of respondents answered that the need of infrastructure is crucial for their villages. They have a few experiences on the uses of infrastructure, and good infrastructures are lack in there. 5.8% have the desire to work for own industries as most of people living in there are unskilled labors and most experience they have are only related with agriculture. 15.9% of villagers want to invest in their micro business. Most of the other business working in there are involved with commercial, livestock, and fishing. There are 36.2% of those who would like to devote in their farm and agricultural sectors since most of the time they spend are in the farm and they have been experiencing the agricultural problems and difficulties such as shortage of inputs, low unanticipated climate change, lack of advanced technologies and mechanized system. They need

urgently to have sufficient capital amounts to cover the losses and to make the expansions.

Sectors Need to Support

Sectors	Frequency	Percent
Loan	23	33.3 %
Infrastructure	6	8.7 %
Industrial	4	5.8 %
Business Investment	11	15.9 %
Agricultural Sector	25	36.2 %
Total	69	100%

Table (5.4) Source of data, July 2019

According to the table (5.5), the majority 70% of respondents are progress of business condition after taking loan, 30% of respondents are regular of business condition after taking loan.

Business condition of respondents after taking loan

After Microfinance	Frequency	Percent
Progress	48	70%
Regular	21	30%
Toal	69	100%

Table (5.5) Source of data, July 2019

This paper responds that due to the microfinance loan, there are great advantages in educational expenses, maintenance and the number of business after taking loan.

After taking loans, the village is to expand education opportunities for poor children. The casual workers have taken loans to maintenance the necessary material in the field; motorbike repairing, gold smith, mason, construction workers, dealers and mechanic. The depending family members can run their small business through microfinance. They can earn from doing other business apart from the income of their family members. But there is one problem that can arise on growing the number of businesses. In spite of the growing the number of business, there does not increase the income of the people in the region. Because the production function is characterized as in the form of subsistence. Overall surplus value are consumed after investing the capital amount needed to run the business. They borrow the loan from MFI and invest

them in their small enterprise. The commodities are either manufactured in production or purchased from another place. Earning the revenue, they might purchase the commodities needed for their households. This means that surplus value is consumed after purchasing in the form of physical capital needed for their business.

6. EFFECTS OF MICROFINANCE FOR HOUSEHOLDS' CLIENT

According to the study, the villagers in Zee Phyu Pin Village possess the much less areas of field as every household possesses 5-10 acres of land to cultivate. Households' clients in the survey area mostly do the agricultural work. They suffer from the low income of agricultural products from covering the fields with sea water. It is seen that households working for the agriculture suffer the effects of the high cost of production. Moreover, Households meet the burden of prices because of seller of agricultural input added profit three percent over market price which is taken to purchase the raw materials like nutrients for land, pesticides, insecticides and promoting fruits for the sales representatives in Kayan Township. The price of crops can decrease during the harvest. The farmers have to sell their product with this decreased price because they had borrowed the loan with high interest rate and in order not to pay the considerable amount of money, they sell the loan givers with low price at the harvest time. The cost of production is almost equal to the profit during the harvest. The present study area is too far away from the town to access the actual price. As a result, they do not earn as high. The residents do not have much extra money so, they cannot do other investment. The loan achieved from microfinance is not enough to invest the crops in just on season. They have more and more loans. They cannot extend their business or set up their own new business by depending on MFI loan for agriculture. The housewives also use the income of the fields run by the breadwinner of the households. Therefore they do not have much convenient financial situation for the families. In some households both the breadwinner (Father) and the children (daughters and sons in law) work in the some agricultural field (the same acres of field). Some adult family members work for the garment factories, construction sites, and work abroad. Actually, the breadwinners are men. With the help of microfinance, the family members do not need to rely only on the income of the breadwinner.

The farmer is left of profit, production structure, and total revenue earned in agricultural sector and then total production cost is so high. Since there are the facts

that farm region is near the sea as well as it is not good in transportation system as well as there is high general cost, total income is not sufficient for household other than covering the basic needs (food, shelters and clothing). So, people living in rural areas is likely to migrate from agricultural sector and self employed (subsistence production form) to urban industrial sector that can be earned higher and more regular income and low risk, compared to rural agricultural sector. The modern industrial sector also eliminates disguised unemployment that tends to be arisen in rural area and improve the level of income. The villager who earns their living in towns can have more money rather than those who work in the village. If they run the business at the village with microfinance loan effectively and efficiently, the villagers of any age can have the various job opportunities and will achieve the continuous development of the village.

Households which do not possess the fields can spend the loan to invest in selling local products like fish past, dry fish because they live near Mottamma Sea, domestic commodities, goods sold by street hawkers. However, they are not so effective for the sustainable development of the social standards.

Microfinance loan can help the villagers set up the regional employment more than before. The financial help can support just to supply the food. It is absolutely not possible to change or promote the living standards of the households with help of only microfinance loan.

The MFI loan over 3 year period in the study area cannot have effect on the local income. The households have much loan and they have to repay the debt with their extra money within two-year period. Therefore, there are not many changes in the village. If they have loan over 5 year plan, they will have enough investment and do small and medium enterprise and achieve the good financial results by extending the market. The income can be raised based on several situations such as the local residents efforts to access the market, general knowledge, thoughts, working experiences, skills and weather conditions.

7. CONCLUSION

In sum, microfinance is a type of financial service providing loans to the poor to help them increase their household income and economic welfare, acquire property and reduce poverty, and support their need for better livelihood. The depending

family members can run their small business through microfinance. The financial help can support just to supply the food. But it is absolutely not possible to change or promote the living standards of the households with help of only microfinance loan. In spite of the growing the number of business, there no increase the income of the people in the region. The MFI loan within three year period in the study area can have less effect on the local income. Microfinance loan can help the villagers set up the regional employment more than before. By particip ating in the microfinance program, the clients received loans to establish new enterprises based on their skills.

7.1 Finding and Suggestions

The village has no difficulty between the lenders and borrowers of the loan as the low income families. They cannot receive enough investment loans. Heavy burden if one person in a group does not make repayment. The village is lack of industrial business innovation of through the villager received the loan from Microfinance. There is the lack of continuous raising income for regional development in this area.

There is the weak connection with urban area. Due to the weak connection, there is not proper access of information, the weakness of the access of market for products, and this can lead to the standard of income of the villagers. As the number of educated persons is not much more than it is necessary, there is the limitation of the income management knowledge of the residents. There is the lack of continuous regional income raising development can create the delay of continuous development of the area. Likewise, can lead to the establishment and emergence of the regional small and medium enterprises. The increase of the costs of supply can reduce the regional main business, the paddy cultivation, affecting the income of the households. There can be some consequences which can prevent the development of the agricultural production.

There is the obvious transfer of labour from the agricultural sector. Therefore, there is the decreased number of labour in the agricultural sector. Despite the decreased number of labour in the agricultural sector, the income of the households goes up because the flow of income from the migrated workers to their family members in the village. The income flow from the migrated workers can help the villagers to pay back the loan of MFIs.

As the suggestion of the present study area, in order to prevent bad situation the woman leader need to analyze the actual utilization, monitor and guide with the help of organization and household.

As the second fact, there should be educative training and vocational training for the human resource development, for the human resource development, for the male villagers who are older than the school age, there should be the industrial or other handicraft making training courses. For the female villagers there should be the sewing training courses as the vocational training courses as the vocational training. The villagers can invest domestic small and medium enterprises at their households and need to search the market. The young generation must be supported to be the educated persons. They can extend their family business by using both technical knowledge and vocational experiences.

As the third fact, In order to establish new enterprises, the local government should pay more attention to the basic infrastructure requirement, market access facilities in the study area.

As the fourth fact, village leader and local government should monitor loan progress in order to increase income via loan. The loan officer should suggest using and taking the local microfinance if they actually need it to set up the income raising.

As the fifth fact there should have the trailer G type vehicles for the easy access of trade flow with the microfinance loan or the saved money with the same desired group.

If the households have excess income and increased investment, the villagers should have access to good market linkage for better income. They must connect with the dealers of international enterprises apart from local business in Myawaddy, Moe Sauk, Tar Chi late, for achieving the information source. As the extended business, the business must be planned for getting the investment provided by the microfinance. The villagers must be suggested to use and take the loan form microfinance if they actually need it to set up the income raising business.

Finally, The NGO should provides Capacity Building Training include, Leadership ability, community mobilizing and team building.

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