

**YANGON UNIVERSITY OF ECONOMICS
DEPARTMENT OF APPLIED ECONOMICS
MASTER OF PUBLIC ADMINISTRATION PROGRAMME
(NAY PYI TAW CAMPUS)**

**A STUDY ON MICROFINANCE INSTITUTIONS IN MYANMAR
(CASE STUDY IN NAYPYITAW)**

**HLA HTWE MAW
EMPA – 7 (18th BATCH)**

OCTOBER, 2022

YANGON UNIVERSITY OF ECONOMICS
DEPARTMENT OF APPLIED ECONOMICS
MASTER OF PUBLIC ADMINISTRATION PROGRAMME

A STUDY ON MICROFINANCE INSTITUTIONS IN MYANMAR
(CASE STUDY IN NAYPYITAW)

A thesis submitted as a partial fulfillment of the requirements for the degree of
Master of Public Administration Program (MPA)

Supervised by;

Daw Phyo Pont Pont Thu
Lecturer
Department of Applied Economics
Yangon University of Economics

Submitted by;

Hla Htwe Maw
Roll No. 7
EMPA 18th Batch (NPT)
2019-2022

October, 2022

Abstract

This study attempts to analysis of Functions of Microfinance Institutions in Myanmar. Microfinance plays a crucial tool for poverty reduction in Myanmar. It also intends to analyze the client perception on Microfinance activities in Nay Pyi Taw. This study is only a focus on measuring client perception between customer's perceived service quality performance and expectation on service of Microfinance by client. The primary collected data are from 150 randomly selected respondents from Nay Pyi Taw Microfinance Society. Random Sampling method is to complete structural questionnaires. According to the survey result, most of the customers are highly satisfied with agricultural loan, followed by the characteristic of social loan and in order to the methodology of those MFIs, mostly satisfied the effectiveness of social service agenda. The Secondary data are collected from the record of Financial Regulatory Department and concerned division which constructed the data reliability to analyze the functions of microfinance service providers. All in all, the study highlighted Customer perception on service provided by Microfinance Industry that pointed out the customer specific needs that should be understandable for the progress of Microfinance environment and they should know the perception to standardize relevant services and also should support effective awareness to their customers for cash plan and saving mobilization for getting away from debt burden.

Acknowledgements

I would like to express my profound gratitude to Professor Dr. Tin Tin Htwe, Rector of Yangon University of Economics, for her kind permission to undertake this thesis. I would also like to express my sincere wishes and gratitude to Professor Dr. Khin Thida Nyein, Pro-Rector of Yangon University of Economics for her insightful advices, suggestions and guidance for my thesis.

I am very grateful to Professor Dr. Cho Cho Thein, Pro-Rector of Yangon University of Economics for her encouraging advices for my thesis.

I am very gratitude to Professor Dr. Su Su Myat, Programme Director and Head of Department of Applied Economics, Yangon University of Economics for her kindness, helpfulness, patience and constructive advice for completion of this thesis.

My special thanks to Daw N-Khum Ja Ra, Associate Professor, Department of Applied Economics, Yangon University of Economics for her her invaluable supervision.

Table of Contents

	Page
Abstract	i
Acknowledgements	ii
Table of Contents	iii
List of Tables	v
List of Figures	vi
List of Abbreviation	vii
 Chapter I Introduction	 1
1.1 Rationale of the Study	1
1.2 Objective of the Study	2
1.3 Method of the Study	2
1.4 Scope and Methods of Study	2
1.5 Organizations of the Study	3
 Chapter II Literature Review	 4
2.1 Mining Sector	4
2.2 Importance of Mineral Production and Distribution in Economy	12
2.3 Importance of Mineral Production in Economy	18

2.3.1	Usefulness of Gold and Tin-Tungsten in Civilization	19
2.3.2	Usefulness of Gold in Economy among Selected Countries Today	20
2.4	Review on Previous Studies	23
Chapter III	Production of Gold and Tin, Tungsten in Myanmar	25
3.1	History and Types of Gold and Tin-Tungsten Produced in Myanmar	25
3.2	Government Role in Production of Gold and Tin-Tungsten	31
3.3	Participation of Private Sector in Gold Mining	32
3.3.1	Requirements of Private Participation in Gold and Tin, Tungsten Mining Production	32
3.4	Joint Venture and Private Sector Role in Production of Gold	33
3.5	Procedures for Establishing JV in Mining Sector	34
3.6	Benefits of JV in Mining Sector	37
3.7	Production of Gold and Tin-Tungsten	38
3.7.1.	Forecasting of Gold Production	43
3.7.2.	Forecasting of Tin-Wolfram Sheelite Mixed Ore	44
3.7.3.	Forecasting of Tin-Wolfram Mixed Ore Production	45
3.7.4.	Forecasting of Tin Concentrate Production	47
Chapter IV	Distribution of Gold and Tin-Tungsten in Myanmar	49

4.1	Procedures for Taking Part in Tin-Tungsten open tender in Myanmar	49
4.2	Distribution of Gold and Tin-Tungsten in Myanmar between 2010 and 2020	51
4.2.1	Distribution of Gold in Myanmar between 2010 and 2020	52
4.2.2	Distribution of Tin-Tungsten in Myanmar between 2010 and 2020	53
4.3	Challenges of Gold and Tin, Tungsten Production in Myanmar	57
Chapter V	Conclusion	60
5.1	Findings	60
5.2	Recommendations	61
References		

List of Tables

Table No.	Page
2.1 Humans' Uses of Minerals	18
2.2 World Minerals Production, by Groups of Commodities (2011-2016)	22
3.1 The total production of gold after private participation	40
3.2 The production of Tin-Wolfram Sheelite Mixed Ore from 2010-2011 to 2020-2021	41
3.3 The production of Tin-Wolfram Mixed Ore from 2010-2011 to 2020-2021	42
3.4 The production of Tin Concentrate from 2010-2011 to 2020- 2021	42
3.5 Estimated production of gold	44
3.6 Estimated production of Tin-Wolfram Sheelite Mixed Ore	45
3.7 Estimated production of Tin-Wolfram Mixed Ore	46
3.6 Estimated production of Tin concentrate	48
4.1 The total distribution of gold from 2010-2011 to 2020-2021	52
4.2 The total distribution of tin-tungsten from 2010-2011 to 2020-2021	55

List of Figures

Figure No.		Page
3.1	Primary gold deposits in Myanmar	27
3.2	Tin-Tungsten Mines in Myanmar	30

List of Abbreviation

EITI	Extractive Industries Transparency Initiative
GDP	Gross Domestic Product
JV	Joint Venture
MEITI	Myanmar Extractive Industries Transparency Initiative
ME-2	No.2 Mining Enterprise
MGC	Myanmar Gems Corporation
MMDC	Myanmar Mineral Development Cooperation
MONREC	Ministry of Natural Resources and Environmental Conservation
MSG	Multi State Holder Group
NGO	Non-Governmental Organization
PPP	Public Private Partnership

CHAPTER I

INTRODUCTION

Myanmar is one of the less developed countries in the region with low financial inclusion rate of 48% of its adult populations. Myanmar Financial Sector is at the early stage in comparison to the countries in the region. Rural population of Myanmar is about 70% and mainly lives on agriculture businesses. Poverty- stricken areas are normally in rural. Rural and urban poor are also excluded from the formal financial sector, especially by the banking sector. Banking sector provides commercial loans to few businesses that are matured and profitable with high margin for the financial services providers. Farmers and low-income clients have to rely on MFIs, Financial Cooperatives, and informal money lenders for their financial needs.

Customers make their choices based on perception of value offered by each company. Companies ought to set the right level of service a customer should expectation, if they set it too low, they may succeed in satisfying the customers but they will not be able to attract many customers. Again, if they set the expectations of the customers too high, they could risk disappointing customers. Looking at the dynamics of Kakamega town and the number of new microfinance institutions sprouting, this study zooms in to identify the relationship between service levels and customer satisfaction levels in the financial sector. Microfinance Business develops rapidly since the government enacted a Microfinance Business Law in November, 2011. While simultaneously increasing Microfinance Industries in Myanmar, the satisfaction of clients who take loans from microfinance is crucial importance.

This study will also emphasize on the performance of microfinance institutions in delivering the products to customers to determine if the performance could offer enough satisfaction to their clients.

. Microfinance Business develops rapidly since the government enacted a Microfinance Business Law in November, 2011. While simultaneously increasing Microfinance Industries in Myanmar, the satisfaction of clients who take loans from microfinance is crucial importance.

Furthermore, the study analyzes the customers satisfaction on the products provided by the microfinance institutions such as income generating loans, agricultural loans, consumer loans, healthcare loans, education loans, client welfare schemes, and

voluntary savings and so on. This study will also emphasize on the performance of microfinance institutions in delivering the products to customers to determine if the performance could offer enough satisfaction to their clients.

1.1 Rationale of the Study

Microfinance Business develops rapidly since the government enacted a Microfinance Business Law in November, 2011. While simultaneously increasing Microfinance Industries in Myanmar, the satisfaction of clients who take loans from microfinance is crucial importance. microfinance services are very important for low-income clients as they are excluded from the formal financial services due to the reasons such as lack of collateral, lack of reliable information, high cost of operation, lack of expertise by services providers, and very small profit margin, and worry for repayment. Customer satisfaction is one of the important factors of the performance of such microfinance institutions. It is an evaluation process that can measure a proper satisfaction, including client expectations and the quality of provided services. These are based on the loan interest, loan procedure, repayment policy for loan, timely availability of loan, technical assistance for business, location of the branch or point of transaction and staff support that responsiveness, dynamism and willingness for helping customers are the most important factors of customers satisfaction. Microfinance operators offer products designed to help micro or small. The microfinance law has been enacted aiming to reduce the poverty of grass root level, to increase the socio-economy, education and health, to create job opportunity, to extend and support the agricultural productivity, and to increase income for grass root level. Myanmar is still facing with the challenges of performance on poverty reduction and regional development including Nay Pyi Taw region. As Nay Pyi Taw comprises eight townships in total, within these eight compartments of the Nay Pyi Taw region, the MFIs achieve to earn money for basic needs such as consumption, education, health and other basic needs to acquire and to increase the habitual method of using it properly. The service quality of MFIs will avoid taking the risk of high interest rates from the outside.

1.2 Objectives of the Study

The main objective is to study the performance of Microfinance Institution in Myanmar. In addition, this study analyze the current status of providers and customer's satisfaction on MFI's loan products.

1.3 Method of Study

In order to achieve the objective of the study used a descriptive method that is based on both primary and secondary data. Primary data was collected from 150 respondents borrowed from Nay Pyi Taw Microfinance Society. Primary data were collected with self-structured questionnaire which includes general questions about profile, service quality and customer satisfaction. Secondary data were collected service providers from 21 MFIs out of 42 MFIs to collect data to analyze their functions to contribute their Customers who borrowing loan from those MEIs , relevant textbooks, previous research papers, Microfinance Society's records and Internet websites.

1.4 Scope and Limitation of the study

The study covers the sustainability of regulated MFIs that have been working at least three years of operation in Myanmar. In terms of data availability, the survey made mostly in Naypyitaw Region. It has eight townships that operate with total number of 42 MFIs that dealing with over 205,000 customers. The study focused on the functions of service providers from 20 MFIs out of 42 MFIs as of their functions and procedure of loan disbursement to analyze the availability of their financial activities. And also, demographic data and behavior of customer satisfaction of loan borrowing on total population size of the clients from those MFIs' sample size is selected 150 who are getting loans and service provided by those MFIs. Therefore, this study emphasizes through the functions of service providers towards the satisfaction of customers.

1.5 Organization of the study

This study is categorized into five Chapters as Chapter One is Introduction that includes rationale of the study, objectives of the study, method of study, scope and limitations of the study and organization of the study. Chapter Two consists of

Introduction of literature Review concerns with theoretical review, empirical study related on microfinance services and customer satisfaction. Chapter Three refers to the overview of microfinance institutions which describes profile of microfinance institutions and organization structure of Financial Regulatory Department, supervisory body of microfinance institution, the corporate governance of microfinance institutions and their service quality. Chapter Four is analysis of function of Microfinance Service Providers towards the customers satisfaction that includes types of procedures of MFIs, profile of respondents, analysis of customer satisfaction on service quality with data analysis and Chapter Five is conclusion supported with findings and recommendations.

CHAPTER II

LITERATURE REVIEW

This chapter highlights the theoretical background of which is followed as;

OVERVIEW OF MICROFINANCE

2.1 Understanding Microfinance

Microfinance services are provided to unemployed or low-income individuals because most of those trapped in poverty, or who have limited financial resources, do not have enough income to do business with traditional financial institutions.

Despite being excluded from banking services, however, those who live on as little as \$2 a day *do* attempt to save, borrow, acquire credit or insurance, and they do make payments on their debt. Thus, many poor people typically look to family, friends, and even loan sharks (who often charge exorbitant interest rates) for help.

Microfinance allows people to take on reasonable small business loans safely, and in a manner that is consistent with ethical lending practices. Although they exist all around the world, the majority of microfinancing operations occur in developing nations, such as Uganda, Indonesia, Serbia, and Honduras. Many microfinance institutions focus on helping women in particular.

Microfinancing organizations support a large number of activities that range from providing the basics-like bank checking and savings accounts—to startup capital for small business entrepreneurs and educational programs that teach the principles of investing. These programs can focus on such skills as bookkeeping, cash-flow management, and technical or professional skills, like accounting.

Unlike typical financing situations, in which the lender is primarily concerned with the borrower having enough collateral to cover the loan, many microfinance organizations focus on helping entrepreneurs succeed.

In many instances, people seeking help from microfinance organizations are first required to take a basic money-management class. Lessons cover understanding interest rates, the concept of cash flow, how financing agreements and savings accounts work, how to budget and how to manage debt.

Once educated, customers may apply for loans. Just as one would find at a traditional bank, a loan officer helps borrowers with applications, oversees the lending process, and approves loans. The typical loan, sometimes as little as \$100, may not seem like much to some people in the developed world, but for many impoverished people, this figure often is enough to start a business or engage in other profitable activities.

2.1.1 The Benefits of Microfinance

The World Bank estimates that more than 500 million people have directly or indirectly benefited from microfinance-related operations. The Consultative Group to Assist the Poor (CGAP) estimates that, as of 2021, more than 120 million people have directly benefited from microfinance-related operations. Additionally, the IFC has helped establish or improve credit reporting bureaus in 30 developing nations. It has also advocated for adding relevant laws in developing countries that govern financial activities. The benefits of microfinance extend beyond the direct effects of giving people a source for capital. Entrepreneurs who create successful businesses, in turn, create jobs, trade, and overall economic improvement within a community.

2.1.2 Some Criticisms of Microfinance

While microfinance interest rates are generally lower than conventional banks', critics have charged that these operations are making money off of the poor. Also, many major financial institutions and other large corporations have launched for-profit microfinance departments raising concerns that, out of a desire to make money, these larger bankers will charge higher interest rates that may create a debt trap for low-income borrowers. Additionally, some have argued that individual microloans are not enough money to provide a realistic path to independence. Finally, critics have said that the presence of interest payments, however low, is still a burden.

2.2 Microfinance and Poverty Reduction

Most of the researchers debate whether credit or credit plus is needed for poverty reduction. As a results, the view that credit alone on its own is inadequate to fight poverty. The need for other services is also important in this respect. Although such views do not disagree the role of credit fail to appreciate the role of credit on its

own merit. Most of the practitioners believe that credit plays a vital role as an instrument of intervention for a poor person to discover her potential and to strive for better living. Muhammad Yunus advocates that Credit is a human right. Once this right is established, the entitlement to other rights for leading a dignified life becomes easier. It empowers to break the vicious cycle of poverty by instantaneously creating self-employment and generating income. When in the ultimate analysis noting can be said to be panacea, by over emphasizing that micro-credit is not a panacea is in a sense over reacting and under estimating the role of credit as an instruments to combat poverty. Micro- credit is itself a very powerful tool. But if it is combined with other, it is definitely more empowering (Versluisson, 1999). How micro-credit can reduce poverty may better be understood by understanding conceptually the mechanisms by which financial services can affect the lives of the poor. It is important to consider the fulfillment of basic needs (food, clothing, shelter, health, education and psychological well-being), the means to achieve welfare at present and in the future, social networks and empowerment and exposure to risk (Versluisson, 1999). It is known that poor people live in a high risk and defenseless conditions. Their ability to take advantage of opportunities that will lead to increasing their income or economic-status, to protect themselves against risks of crises, and to cope with these when they occur is very important. Reduction of poverty is partly a process of increasing income and economic stability which enables fulfillment of basic needs and across to different kinds of services. This may also be understood in the form of developing a range of assets that will reduce the vulnerability of the poor to physical, economic and social shocks. These assets may be defined as financial (in- come size, regularity and security, savings, loans or gifts), human (skills and knowledge, ability to work, good health, self-confidence, bargaining power, independence and control over decisions), physical (housing, land, productive and nonproductive possessions etc.) and social networks, group and center membership, trust-based relation freedom from violence and wider access to society and social institutions (Versluisson, 1999). Multiple research studies conducted over the course of several decades have concluded positive links between microfinance and poverty reduction. In particular, microfinance has the ability to reach those who previously did not have access to standard forms of credit, usually delivered through financial institutions and the commercial banking sector. As well, the number of people around the globe who can access microfinance has seen consistent growth over the last decade, and that trend is set to continue into the foreseeable future. Those who are able

to access credit through microfinance are able to put to capital to work almost immediately, thereby increasing their standard of living and improving economic circumstances, without incurring undue debt obligations. While microfinance has had a positive impact in reducing poverty where applied, the challenge with the industry is scalability, therefore making a minimal impact on global poverty and potentially skewing evidence of its impact on poverty (Mayoux,2002). Attributes of microfinance make access to required capital for poverty burdened families, individuals and business enterprises a realistic option. This is accomplished by breaking down the traditional barriers that standard creditors have erected, which restrict access to credit for those with limited economic resources. Microfinance typically does not require collateral, relies on a simple application and documentation process, adapts repayments plans to the borrower's economic circumstances, and leverages groups within the community to round-up capital and inject emergency assistance when needed. Effectively addressing the concerns of those in poverty, microfinance affords such communities access to needed credit, allowing them to expand economic enterprises through asset acquisitions, resource optimization and establishment of operations. Through such expansive efforts, poverty-stricken families and businesses can increase their incomes reliably and consistently, which are key indicators linking microfinance and poverty reduction (Buckley B, 1997). According to procedures, there are specified by every microfinance institutions to give loans to borrowers. They are as follow: Methodology of microfinance: Firstly, doing survey of the area and meeting with village head. It needs to explain detail about the system of loan and target, to train and meet with them, check loan utilization and monitoring process, to draw meeting schedule, Saving and loan repayment collection planed. Financial needs of poor people: Lifecycle needs are such as wedding, childbirth, education, home building, widowhood, old age and funeral. Personal emergencies are sickness, injury, unemployment, theft, nuisance or death. Disasters are also like fires, floods, cyclones, manmade event (war, flattening of houses). Investment opportunities expand for a business buying land or equipment improving.

2.3 Performance of Microfinance

Several qualitative and quantitative studies have verified the positive economic and social impact on clients. But does microfinance reduce poverty beyond the direct beneficiaries? Does it have a spillover effect on the regional economy? And does it

have the potential to act as a catalyst for development at the macro-economic level? This section seeks to investigate these questions, with the help of existing evidence from Bangladesh, and tries to fill the gap between the micro-level impact and the macro-level effects.

One of the most comprehensive scientific investigations was conducted by Khandker (2003) using the World Bank's panel data on three major microfinance programmes in Bangladesh using household surveys carried out in 1991/92 and 1998/99. The three microfinance programmes studied were Grameen Bank, Bangladesh Rural Advancement Committee (BRAC), and Bangladesh Rural Development Board's (BRDB) Rural Development RD-12 programme. Khandker found that at the micro-level, microfinance raised per capita consumption, mainly with respect to non-food and household non-land assets and thereby increased the probability that the participants might lift themselves above the poverty line. He further found that the welfare impact of micro-finance was positive for all households, including non-participants, indicating that the programmes studied were helping the poor beyond income redistribution with contributions to local income growth. Programmes also had spill over effects in the local economies, which lead to an increase in local village welfare. Furthermore, he found that microfinance accounted for about 40% of the overall reduction in moderate poverty in rural Bangladesh (1 percentage point out of 2.5 percentage point reduction each year) at the village level. Khandker and Pitt (2003), using the same panel data as above, investigated whether the effects of microfinance were saturated or crowded out over time, whether programmes generated externalities, and whether the estimated impacts of microfinance found earlier with cross-section data analysis could be corroborated using an alternative method. Their results showed a declining long-term effect of microfinance as well as the possibility of village saturation from microfinance loans in Bangladesh. Investigating the effects of microfinance using the same data at the national level, Khandker (1998) estimated that about 5% of borrowers might lift themselves out of poverty each year by borrowing from these microfinance programmes in Bangladesh, if the estimated impact on consumption continued over time. But even if this did happen, microfinance could lift less than 1% of the population out of poverty because it reached only a quarter of the population.

To understand this almost lack-luster performance of microfinance at the macro-level one needs to examine how microfinance works within the local economy and address issues related to outreach and sustainability. Microfinance mostly supports informal activities that often have a low market demand and low return. It generally involves small-scale credit and savings designed to meet the needs of small- and medium-scale producers and businesses. However, a micro or small enterprise or small business requires both entrepreneurship and a favorable local market. Without these, the returns to the investments financed by microfinance are small and lead to an insignificant impact on poverty. Does that mean that the aggregate poverty impact of microfinance is limited or leads only to short-run income generation from the microfinance intervention?

In an economy with low economic growth, borrowing may only redistribute income rather than boost growth. In the case of economies like Bangladesh that do not show much growth, it is especially important to assess the long-term poverty impacts of microfinance to know whether the accrued benefits at borrower level are due to sustained income impact or simple income redistribution.

Microfinance is not a solution to all the problems of development. It should not be used for income transfers, subsidies or as a delivery channel for health and education services. Microfinance also cannot be used as a substitute for investments in the infrastructure that is necessary to link remote areas and markets. As stressed by the World Development Report (2000/2001), without economic growth and development of infrastructure, microfinance alone cannot be an effective poverty-alleviation strategy.

Firstly, finding ways to increase economic growth is important to reduce poverty. Secondly, specific institutional and other factors that may lead to growth at the local level need to be explored and tested. However, economic growth by itself is not enough to decrease poverty: it is important to identify policy and institutional changes that can directly reduce poverty, even if growth does not increase.

Microfinance economic and social impacts can go a long way towards contributing to improving the situation of the poor. However, evidence from Bangladesh suggests that for it to make a sizeable impact on poverty rates, it will require overall increases in

levels of economic growth and employment generation. Microfinance may therefore be able to help some households take advantage of these processes, but there is hardly much evidence to suggest that it will ever drive them.

2.4 Service Quality

The term service quality is viewed as a multidimensional concept and may be interpreted differently by different scholars (Ismail, Abdullah & Francis, 2009). In a workplace quality program, service quality is broadly defined as a form of attitude that is a long-run overall evaluation (Osman & Sentosa, 2013). Relying on this perspective, service quality was viewed as the difference between customers' expectations for service performance prior to the service encounter and their perception of the service received (Asubonteng, McCleary & Swan, 1996). Perceived service quality represents a general appraisal of service, i.e., a global value judgement on the superiority of the overall services and it may occur at multiple levels in an organization (Raza et al., 2012).

Surprisingly, a thorough review of quality management programs revealed that the ability of service providers to properly implement service quality in executing jobs may have a significant impact on individual attitude and behavior, especially customer satisfaction (Ismail et al., 2009). In a quality management perspective, customer satisfaction is often seen as a result of comparison between what one customer expected about services provided by a service provider and what another customer received in actual services rendered by a service provider (Parasuraman et al., 1988).

Many researchers defined service quality in different ways. For example, Bitner et al. (1994) defined service quality as the customer's overall feeling of the comparative inferiority or superiority of the company and its services. Although other researchers (Cronin and Taylor, 1994) view service quality as a form of thoughts representing a long-run general evaluation. The quality of a service or product is determined by the user's perception. It is the degree to which the bundle of service attributes as a whole satisfies the user. This is called expectation to perception match. Quality, therefore, comprises the degree to which attributes of the service desires by the users are identified and in corporate levels of these attributes are perceived by the users to be achieved.

According to Juran (1988) quality comprises two principal components: (1) to what degree a product or service meets the expectations of the customers, and (2) to what degree a product or service is free from errors. Parasuraman et al. (1985) defined service quality as a comparison between expectation and outcome (performance) along the quality dimensions. Service quality is a relativistic and cognitive inconsistency between experience-based standards and performances regarding service benefits. For the purpose of analysis, the definition of service quality by Parasuraman et al. (1985) will be taken as operational definition of service quality. And also, the bank services quality in this study will be measured by means of service quality dimensions.

Service quality is referred to the perceived quality or judgment by the consumers about an entity's overall excellence or superiority (Zeithaml, 1988). It is the relationship of what is desired and received by customers from the service. Researchers and practitioners have put their interest and emphasizes on service quality as it has significantly influenced the business performance, customer satisfaction, employee retention and profitability (Ali, 2015) and 46 ensuring customer loyalty, high return on investment and gaining competitive advantage.

2.5 Customer Satisfaction

Customer satisfaction is a multidimensional construct with five factors: price, reliability, accessibility and flexibility, appearance, social and enhancement of customers. For microfinance industry, Microfinance program supported the household income and living cost for rural society. There are three things linked to microfinance loan: first one is the rate of interest which lower than other rate of informal money lender, second one is the fact which microfinance can access loan without collateral. Respondents answer again that microfinance is easy to access loan other than as third priority. The availability of survey data formal savings is the most important starting point, especially for smallholder farmers. The majority of low-income finance customers have never received basic financial education. Without adequate financial education and protection, millions of low-income people and small business owners can face potential risks on over- indebtedness, inadequate protection from loss of income and assets. Therefore, loan users should be educated by basic financial education. The objective of the research paper is to analyze the functions of

microfinance activities on user of microfinance. The idea of microfinance is that low-income households lift themselves out of poverty. To achieve this idea, it cannot be a short term, in practice the extent of poverty reduction is very wide in range. This survey found that there is mutual benefit for both side which demand and supply. For demand side, I can see microfinance as a device for poverty alleviation, economic development. According to its advocates, it creates the means for greater employment and income generation, allows the poor to smooth consumption and meet social, religious and other obligations, offers financial protection from crises and disasters, encourages schooling. It should be the role of public participation and public awareness is essential for poverty reduction because of providing loans to the poor, improving the poor 'capacity for self- reliance and self-development and achieve operational and financial sustainability. Microfinance institutions should help their borrowers understand the complex business realities surrounding them, microfinance institutions and related organizations. The government should support and encourage to the microfinance situations for sustainable. It is needed to fulfill reasonable needs of working capital effectively and find ways to cover less developed, rural, and remote areas more effectively. All of state holders have to try hard to be the good governance, improve on basic infrastructure, stable macro economy, rule of law with effectively and efficiently. These factors are to give an assistance for the success of all microfinance activities

The presence of social inclusion and customer enhancement, accessibility, and flexibility dimensions reveals that a scale measurement should be specific both to a context and to a sector (Amadi A.E, 2015). Customer satisfaction, a business term, is a measure of how products and services supplied by a company meet or surpass customer expectation. It is seen as a key performance indicator within business Farris (2010). Farris (2010) proposed that customer satisfaction is based not only on the decision of customers towards the reliability of the delivered service, but also on customers! experiences with the service delivery method.

Kotler (2006) Customer lifetime is an important concept that says that if you lose a customer, you don't just lose one sale, you potentially lose thousands or even hundreds of thousands that a customer could spend over their lifetime. Customer equity is the total combined lifetime values of all the company's customers. Customer equity forecasts the future, whereas sales and market share tell what happened in the past. In a competitive marketplace where businesses compete for customers, customer

satisfaction is seen as a key differentiator and ‘increasingly has become a key element of business strategy. Customer satisfaction is an ambiguous and abstract concept and the actual manifestation of the state of satisfaction will vary from person to person and service to service.

The state of satisfaction depends on a number of both psychological and physical variables. The banking industry like many other financial service industries is facing a rapidly changing market, new technologies, economic uncertainties, fierce competition and more demanding customers and the changing climate has presented an unprecedented set of challenges. Banking is a customer-oriented services industry; therefore, the customer is the focus and customer service is the differentiating factors.

MFI's can increase the power of poor & low-income people by giving those resources and making them bold enough for everyday decisions and manage their own paths out of poverty (Bassem, 2012). MFI's play a fundamental role in the economic growth of various developing countries like Pakistan by providing a broad range of financial products and service to the deprived, low income, micro & small enterprises (Mbogo and Ashika, 2011).

Customer satisfaction is a significant conclusion of marketing activities and has a primary position in marketing. It is associated with process of procurement and utilization and make use of the product and service to transform the mind-set, replicate purchases and eventually brand loyalty. The Basic idea is connected to the concept that if customer's needs and wants are fulfilled, customers are satisfied and therefore profit is generated through satisfaction. It is defined as the amount of satisfaction presented by the commodities or services of an organization and it is measured by the number of repeat customers (Olivares-Polanco, 2005).

According to Verhoef (2003) it can be calculated as whole outcome that a purchaser constructs after utilizing the product or service. It is supposed as psychosomatic condition practiced after utilizing products or services. Thus, it imitates the satisfaction level resulting from consuming a product and leads towards encouraging sentiment i.e., satisfaction, a negative sentiment i.e., dissatisfaction, or unconcern i.e., neutral sentiments after utilizing a product or a service (Bhattacharjee, 2001; Swaid & Wigand, 2007).

Observing this opinion, client satisfaction is considered as expressive condition which takes place as a result of a consumer's relations with organization (Verhoef, 2003). In reality customers regularly compare products according to their own

expectations. If the products are according to the customer's expectations & performance is being fulfilled, customers are satisfied (Cohen, 2007; Parassuraman, 1991). The significant & vital outcomes of marketing activities are customer satisfaction. Consequently, there is a vast amount of research on customer satisfaction in market literature (Olivares, 2005). According to Siddiqui (2010) customer satisfaction is the basic instrument of achievement in competitive microfinance sector of Pakistan.

Customer satisfaction is measured as a universal conclusion made by consumer after utilizing product or service. Through financial and marketing studies, it has been proved that satisfied customers comprise a significant asset of organization (Anderson et al., 1994). According to Hossain & Leo (2009) service quality and customer satisfaction have developed into the most important theme of all MFIs around the globe. This scale authenticates that service quality is a distinction of score among expectations and perceptions. Various new MFIs have started their operations during last decade in microfinance industry of Pakistan.

According to Cohen (2007), micro finance customers are flattering extra complex regarding service quality they need. Due to aggressive competition MF industry is losing customers & MFI's restrictions to convince their clients. These explanations have shown that microfinance institutions are how much concerned about satisfaction of customers as well as retention. It also justifies that for understanding the customer's predilection and main concern to stay alive in a competition, they must pay attention (Rena & Tesfy, 2006).

Koraus (2002) stated that the most significant tool to attain the sustainability in the MFI's is customer satisfaction. Certainly, the immense importance for the outlook of MFI's is for customer satisfaction and it is considered a base for protected market position & attaining other purposes of the MFI's (Parikh, 2005). Understanding consumer satisfaction is essential. There are several benefits of applying customer satisfaction in an organization or company: (a) corporate relationships with consumers become harmonious, (b) provides a good base for repeat purchase, (c) can encourage the creation of consumer loyalty, (d) establish a word-of-mouth recommendation that benefits the company, and (e) good reputation in the eyes of consumers.

Customer satisfaction is defined as the key to achieving goals in the service environment, it involves around needs and demands of customers by exceeding them. (Lam, 2004). Customer service is an encounter between two or more people, while the

result is positive or negative. Customer service is intangible, personal, and difficult to measure. It is an activity that everyone experiences in their day-to-day life. Service industries are the main industries that concentrate on customer satisfaction as they sell service as a product. Service industries do not produce any products to sell to their customers. The transaction between the people is measured, which is complex, personal, and subjective. Customer satisfaction not only involves providing best service to customers but also depends on the employee's job satisfaction and emotions. While speaking about customer satisfaction, consumers increasing knowledge and capabilities pose challenges to business. Indeed, marketers connect to the customer by analyzing the needs and educating about the service to develop the business. Companies in the customer-centered industry have adapted themselves in building customer relationships by skilled marketing engineering, and Technology plays a vital role in offering new ways to obtain customer satisfaction and loyalty.

Customer satisfaction in a business strategy is a very crucial component to maintain retention and product repurchase. For an increased customer satisfaction companies must sell ideas and methods after the completion with all necessary documents, for e.g. when a customer buys a car after taking a better look at the car and the engine capacity, mileage and if there any scratch around, after checking all this measures customer feel satisfied and interested to post more question which makes the customer comfortable, in other hands if the company uses only build and sell method then the customer will expect exactly what's in the info of car and don't feel comfortable ask question and the experience of customer wouldn't be as better in the previous situation, and this might end up in complaints in future and a bad customer experience . By avoiding such practices, the company has high chances of getting customer loyalty with extended life cycle of customer and building a positive WOM. When the company's product and service are satisfied as per customer expectation, it makes the customers to purchase frequently and recommend products or services to other customers. By ignoring or disregarding the needs of customers, a business organization cannot grow (Tao, 2014).

The interest in customers and their satisfaction has evolved over time in the microfinance industry. During their early years of development, MFIs considered clients as given, acquired, and unlimited (Cohen, 2002). Financial services were provided based on a largely institutional development approach. MFIs were slow to further monitor financial indicators such as loan repayment rates, the loan amount, and

the total number of customers and did not really worry about quality and delivered value (Devellis, R., 2012). MFIs offered standardized loans with little or no difference based on customer needs and specificities (Brand, 1998).

Customer satisfaction is approached from the dimensions and specific attributes, overall customer satisfaction being understood as a linear function of these latent variables (Gomez, et. al, 1996). Such operationalization of customer's satisfaction concept is supported by three complementary arguments. Firstly, "it is consonant with consumers' representations of consumption experiences in memory" (Mittal, et. al., 1999). Secondly, a multi attribute model allows to identify factors that may contribute more to the overall consumption. Thirdly, "an attribute level analysis provides higher specificity and diagnostic usefulness by enabling to ask specific questions about antecedents of satisfaction" (Mittal, et. al., 1999). Thus, the multi attributes approach is a useful tool for making relevant resource allocation decisions.

Customer satisfaction has been extensively defined (Teas, R.K, 1988). Three main features emerge from the critical analysis of previous definitions: (a) it is an emotional or cognitive response, (b) such a response is related to a particular object that can be manifested to an expectation of a product, the consumption experience formulated on the basis of an assessment comparing a product to certain standards, and (c) the response comes after purchasing the product. According to Venkatachalam, V. B. (2006) satisfaction is considered on the basis of different elements involved in the production and supply of financial and nonfinancial services to the customers of MFIs (satisfaction in respect to the cost of financial services, welcome of loan officers and cashiers, rapidity of services, cleanliness of infrastructures, customers participation in the governance of the MFIs, adaptation of services to the conflicts context, etc.). All these elements are related to the experienced service described as a set of customer encounters. Such experience suggests that MFIs customers evaluate their institutions according to the outcome of the service (the what) and also the process (how) that led to the production of the service (Gronroos, 1993).

2.6 Review on the Previous study

The previous studies on the microfinance business and its nature are very interesting and the poor lack access to financial resources hence reducing their capability to meet their health requirements. Microfinance could be an alternative for them to be in a position to meet their demand for health services. One of the challenges of

microfinance is that the poor people are not protected by insurance hence their activities tend to be risky.

Lack of education prevents borrowers from sustaining successful businesses. Illiteracy contributes to poor business management hence borrowers backslide into poverty and/or default on loans. To mitigate these challenges micro-finance needs to take an integrated approach so as to provide a full microfinance package. The three inhibiting factors are intertwined.

access to financial services by the poor people facilitate them to mobilize savings. Their savings consequently improve their capacity to invest. An Access increase in their investment capacity is followed by enabled consumption smoothening and ability (by the poor) to face external shocks hence improving their coping strategies. Microfinance also sets the poor free from the ‘chains’ of usurious private moneylenders hence reducing the severity of social exclusion and poverty. Poor people also benefit from insurance, housing and health facilities that are brought about by microfinance programs that promote savings and investments.

In this regard, the environment of microfinance is variety of learning way to perform the socio-economic lives. The previous study of related that Khin Lapyae Win (MBF-28) analyzed the Effect of Microfinance Services on Economic and Social Development of Women Entrepreneurs (A Case Study of South Dagon Township) indicates that the loan or micro-credit has the strong relationship and positive effect with the effects of economic and social benefits of the clients. In terms of microinsurance, it effects relatively important in explaining the economics effect of women entrepreneur. The researcher found that the advisory services were not considered as significance of microfinance services amongst the clients. The micro-insurance considered as one of the effective tools of microfinance services. most of the microfinance clients encountered over indebtedness due to the overlapping of the MFIs in the urban areas. The regulatory authorities should be considered the population, development of the business, and the required number of MFIs in the area carefully. For the sustainability of the clients, the skill-set development is the majority investment for the clients and thus to encourage key operation staffs to persuade the clients for the understandability and to increase the acceptability of the importance of the vocational trainings. Most of the MFIs are collecting micro-insurance fees and found to be less activities in the Corporate Social Responsibility activities. It should be encouraged for the benefits of the clients and review the CSR activities of the MFIs.

Finally, the utilization is the most important for the microfinance services as to follow seven rules of client protection principle. “Do No Harm to the Clients” is the most important actor and to monitor and evaluate the cash flow analysis before providing any new or additional loans for the clients as to be matched with their requirement as the capital to run the business. As the research has done for the Microfinance Services of Microfinance Delta International Co., Ltd in South Dagon Township only, additional areas and different MFIs also need to be analyzed. The research sample may not be represented the overall Microfinance Services of the country and the researcher would like to suggest that further detailed study to carry out more detailed of Microfinance Services and the effect of economic and social on MFI clients throughout the country identify the microfinance services of Microfinance Delta International Co., Ltd (MIFIDA). Analyzing the effects of microfinance services; loan or micro-credit, advisory service micro-insurance, savings for the women entrepreneurs in South Dagon Township. The objective is to improve the livelihoods of poor rural communities through sustainable financial services. The Microfinance Project (MPF) offered loans with lack of collateral requirement and at effective interest rate of well below than those of informal lenders in the market. The average annual client grown rate of 36 percent and loan portfolio grown rate of 77 percent from 1997 to 2010 showed the acceptance of the services by the community.

After the Microfinance law was enacted by 2011, many foreign investments brought their capital to Myanmar in 2012 to 2014. Currently, total MFI clients were reached to 4.9 million with total loan portfolio of Ks 1.5 trillion. The objective is to create more job opportunities, the emergence of new small-scale businesses, to cultivate savings behavior, to access micro-insurance services and to acquire technical know-how from local and foreign sources. In 2019, new directive is enacted for Microfinance for the ceiling of interest rates. Under the new directive, the interest rate for microfinance loans shall be charged at a rate of 2.30% per month but shall not exceed 28% per year and would be calculated using an effective rate. The interest rate for compulsory savings as prescribed by the Directive shall be 1.20% per month but shall not be lower than 14% per year, whereas the interest rate for voluntary savings shall be 0.8% per month but shall not be lower than 10% per year. Microfinance is more than a form of financial inclusion and is also a form of social inclusion by strengthening women’s roles and increasing decision making authority in the household as well as the community. As a result of the increased access to credit, women’s increased

contribution to household incomes has led to tangible gains for poor families in achieving a more balanced economic contribution from men and women. Women Financial Inclusion in Myanmar is the 26th most populous country in the world, and the 40th largest country by area, with a 2019 estimated population of 54.05 million. Myanmar has 676,578 square kilometers of surface area available within its boundaries. This includes 1,930 km of coastline. When calculated with the estimated current population of 54.05 million, the population density overall is approximately 79 people per square kilometer. Economic empowerment is a process that increases people's access to and control over economic resources and opportunities including jobs, financial services, property and other productive assets (from which one can generate an income), skills development and market information. Financial inclusion is only one 'brick' in the entirety of economic empowerment. This reasoning is especially valid in the context of least developed countries where, in addition to financial exclusion, a significant number of other social, political, cultural and legal barriers still prevent individuals, and women, from reaching their full economic empowerment.

Another researcher was Phyu Phyu Tun from MBF 1st Batch found that the Microfinance related with the Effect of Financial aliteracy on Access to Finance of Driver in EMJ Travel Co., ltd. To improve financial literacy and access to finance in Myanmar, the financial knowledge should be provided not only to the travel industry but also to the nationwide to be involved and participated in the financial sectors. Countries have been seeking to increase financial literacy for improving access to financial services and taking steps to ensure they are used appropriately. Myanmar's financial sector does not yet effectively meet the demands of the country's growing economy. Almost 30 percent of adults can access financial services, and the rates are even lower in rural areas. Businesses identify the lack of access to finance as the largest constraint to do business in the country (The World Bank,2013). Most of Myanmar people describe themselves as only slightly or fairly knowledgeable about managing finances. Only seven percent describe themselves as "very knowledgeable" or an "expert" on financial management or tools. To implement the Financial Sector Development in Myanmar, people in communities across the country will need to know the financial literacy and accessibility (Myanmar Financial Education for Sustainable Growth Study, 2017). Financial literacy is the confluence of financial, credit and debt management and the information required to make financially sound decisions which are central to our everyday lives. In summary, financial literacy covers the everyday

problems that an average family is facing while attempting to balance a budget, buy a home, fund the children's education and maintain a retirement income.

Financial literacy is vital to helping consumers save enough to provide adequate income in retirement, while avoiding high levels of debt that might result in bankruptcy. Basic financial literacy helps people become self-sufficient and achieve financial stability. This includes saving money, distinguishing difference between wants and needs, managing a budget, paying the bills, buying a home, pay for college, and plan for retirement. Access to finance is the willingness of individuals or enterprises to obtain financial assets, including credit, deposit, payment, insurance, and other resource for risk management. Those that have no or very restricted access to financial services involuntarily are referred to as the unbanked or underbanked. Financial literacy helps individuals understand their level of understanding of financial matters that allow them to interpret financial information and make informed decisions about financial product. Road transport sector is very important in socio-economic development in Myanmar. Drivers are core of Road Transportation industry. To improve their better life and community, they need knowledge about financial knowledge such as, to understand and control their daily budget, their family income and expenses. Also they need to know about saving habit which is the most important for their family education plan and expenses for health care. For safety of their life, they need insurance coverage and social health care program for the protection of their lives. Drivers need credit management well, such as knowledge of hire purchase policy, bank loan process and policy, and policy on microfinance, to monitor their credit. Concept of Financial Literacy. The microeconomic models generally assume that individuals can formulate and execute saving and spend-down plans, which requires them to have the capacity to undertake complex economic calculations and to have expertise in dealing with financial markets. Few people seem to have much financial knowledge. Moreover, acquiring such knowledge is likely to come at a cost. In the past, when retirement pensions were designed and implemented by governments, individual workers devote very little attention to their plan details. Today, since saving, investment, and dissimulation for retirement are occurring in an increasingly personalized pension environment, the gaps between modeling and reality are worth exploring, so as to better evaluate where the theory can be enriched, and how policy efforts can be better targeted. The development of the financial industry is one of the key determinants in the growth of the economy of a country that is constantly evolving dynamically. The

development led to a wide variety of products and services and ease of access to services. Many experts argued that it needs a comprehensive understanding, for that people can be successful and competitive in managing their finances, the understanding in this context is defined as financial literacy. Financial literacy is the knowledge to manage finances in financial decision making. Lack of financial literacy causes a person to be more likely to have problems with debt, more involved with higher credit costs and less likely to plan for the future (Lusuardi, et al., 2010). Hilgert et al. (2003) and Cude et al. (2006) also stated that knowledge on how to manage finances and how is the technique in investing cannot be ignored anymore as previous times. Furthermore, to explain that the development of financial instruments is not accompanied by people's desire to start investing, and the low level of financial literacy is supposed to be the factor. Financial literacy helps to improve the efficiency and quality of financial services (Chen and Volpe, 1998). Financial literacy is a basic need for every individual to avoid financial problems. Financial distress is not only a function of income (low income), financial distress can also arise from the errors in financial management (mismanagement), that beside of giving negative impact to the individuals, poor financial decisions can affect the productivity in the workplace.

The researcher from EMBF-44, Nyunt Yee analyzed Effect of Microfinance Loans on Borrowers of Zin Min Htin Company that he tried to find out whether poor household get better position in living standard. To collect the primary data, an empirical survey including 130 villagers was conducted in May, 2019. For the of the study, descriptive research method was applied. According to survey, effects are measured with the expenditure on education, health, food consumption, household utilities, saving and income condition of the borrowers. Microfinance program support for all respects of the economic functions, among which most of loan borrowers use loan for agriculture and the remains are used for health and repayment of the other loan with higher interest rate. It complied with microfinance program by the survey shows that most of respondents in microfinance program used their loan for expending on input materials in agriculture business. Finally, this study shows that microfinance program much support economic and social effect of the households. Thus, microfinance program should be expanded widely to have full coverage in the whole country. the majority of the respondents did not have any business experience before joining MFI. They improved their business experience and starting new business by using loan. So, MFIs were able to reach and benefit more people than those formally

linked to them as when they provide the business opportunity. Most of the respondents use the loan as the startup capital of the business and it is shown that the small amount of microfinance can support to poor people to start the new small-scale business. The result in the study showed that microfinance's loans are effective on providing the emergence of new small-scale business. By studying the analysis of the household condition agreed and the highly impact to higher income of the respondents. Higher income in general leads to better access to education, healthcare, sanitary infrastructure, food supply etc. Another impact of MFIs that was found to be important is household business condition increasing by benefit of the loan, most users can produce better quality products and increase in production capability. According to the interviewing with borrowers, the borrowers can spend more for purchasing business inputs but few of microfinance users intended to invest in enterprise sites because the loan size of microfinance is limited access and loan cannot affect to their business assets ownership. The higher number of borrowers started their business by taking loan from MFIs as compared to other sources. They were able to increase their daily income and provided not only with the financial help to their families but also had positive impact on other factors of more supporting to healthcare, healthy food consumption, and children education. Microfinance Institution's loan benefited especially to empowerment of women and that can lead to a higher social status, better education. As MFIs often provide vocational training for their family's daily struggle life and other trainings are related with their own business. It can support the users in acquiring social skills and financial knowledge for their further development. The main purpose of using their income is for generating business.

CHAPTER (III)

OVERVIEW OF MICROFINANCE INSTITUTIONS IN MYANMAR

In this chapter below, profile of Microfinance Institutions, and its organization structure and cooperate governance of the institution, rules and regulations of Microfinance Institutions, and cooperate governance of the institution are well-defined.

The number of Microfinance institutions has been increased to our daily lives. The first root for the modern use of the expression "microfinancing" was in the 1970s when Grameen Bank of Bangladesh, founded by microfinance pioneer Muhmmad Yunus was starting and shaping the modern industry of microfinancing. Yunus was the former person who institutionalized the approach of microfinance in 1976, with the foundation of Grameen Bank in Bangladesh. Another pioneer in this sector is Pakistani social scientist Akhtar Hameed Khan.

Microfinance has been started with subsidized funds from the government, donors, and social impact-oriented investors since 1980s. Unlike formal sector financial institutions, the large majority of MFIs are difficult to get sustainability without getting subsidies and donation fund from the government and donors. These findings led to two principal conclusions: (1) institutional sustainability was the key to successful provision of financial services to the poor and (2) Financial Self Sufficiency is essential need for institutional sustainability. Concerning a less developed countries like Myanmar where several challenges have been persisting for decades. As MFIs are very important for the poor to get affordable formal financial services, the sustainability of MFIs is critical condition for the country. Generally, poor people use micro-credit and micro-saving to invest in income generating activities, consumption smooth, health, education, and other emergency spending as needed.

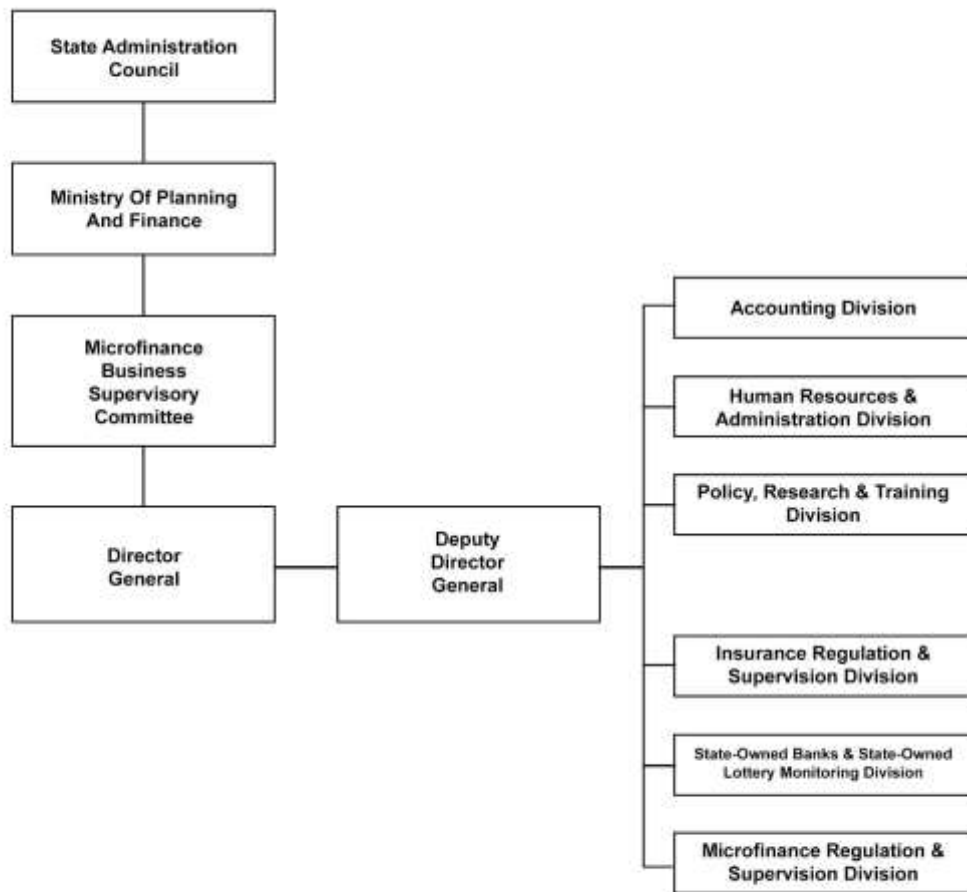
To the country, Myanmar, Microfinance has increasingly grown over the past few years to become an important sector of financial service providers targeting low-income population excluded from the regular financial system. The Government gives an important role to it and more comprehensibly to Inclusive Finance as a means to reduce country's poverty.

3.1 Profiles of Microfinance Institutions

Myanmar's microfinance industry took shape in 1997 with the UNDP's Human Development Initiatives (HDI) Project that aimed at providing microfinance financial products for low-income households in Hilly Regions-Shan State, Delta Zone-Ayeyarwady Region, and the Dry Zone- Magway Region with the INGO MFIs. The project activities were initially implemented by three international NGOs (Grameen Trust in the Delta Region, GRET in Shan State, and PACT in the Dry Zone).

The enactment of the Microfinance Law on 30 November 2011 established a regulatory framework for the provision of microfinance services, allowed local and foreign companies Development of Microfinance through Strengthening Legal Role and Supervisory Capacity Building in Myanmar to establish private Microfinance Institutions (MFIs), and provided licenses for entities that were already servicing microfinance products. The Microfinance Supervisory Committee (MBSC), chaired by the Ministry of Planning and Finance, develops policies, rules, regulations, and directives for MFIs. The director general of the Financial Regulatory Department (FRD) is the secretary of the MBSC and FRD performs the role of the committee's secretariat.

Figure [3.1] Organization of Financial Regulatory Department



Source - Financial Regulatory Department

Supervision and monitoring on Microfinance Industry is also carried out by FRD in accordance with the MBSC's guidance. As of February 2020, 188 MFIs operated in Myanmar, serving more than 5.8 million clients, with total assets of MMK3 trillion. Although the number of MFI customers is increasing and access to financial services is improving, most of them offer only standardized loan products in the form of short-term credit. In particular, MFI loan products are primarily focused on agricultural or business loans, and personal loans for other purposes, such as home improvement, education, and health, are very limited. Owing to these constraints, many are forced to turn to informal moneylenders in emergencies, and such reliance often exposes borrowers to excessive debt and higher financial distress due to the predatory practices of charging high interest rates. As of the end of 2020, a total of 188 MFIs, including 21 deposit-taking and 167 non-deposit-taking institutions, were in operation. Although local MFIs account for 60% of all MFIs, a small number of big international MFIs such as PGMF, Sathapana, Fullerton, and LOLC Microfinance dominate the

market. The amount of outstanding loans has rapidly, exceeding MMK2.5 trillion, but the number of customers receiving loans from MFIs is about 5.9 million which is only about 17.2% of the total working age population of 34.3 million.

3.2 Organization Structure of Microfinance Institutions

MFIs have evolved with different regulations, capital structures and institutional objectives that have resulted in a variety of organizational forms. Ownership could range from shareholders in commercial banks to membership owners as in credit unions, resulting differences and variations in regulatory oversight through central banks. In short, NGOs operate under the direction of donors, founders, or other stakeholders and face minimal regulation from the government. Non-bank financial institution (NBFI) ownership and operations are governed through mixture of public and private ownership, are regulated through central banks and government units may have a more extended range of products that may include insurance and leasing. Finally, cooperatives or credit unions are owned by members and are able to be regulated.

Figure [3.2] Organization Chart of Microfinance Institutions

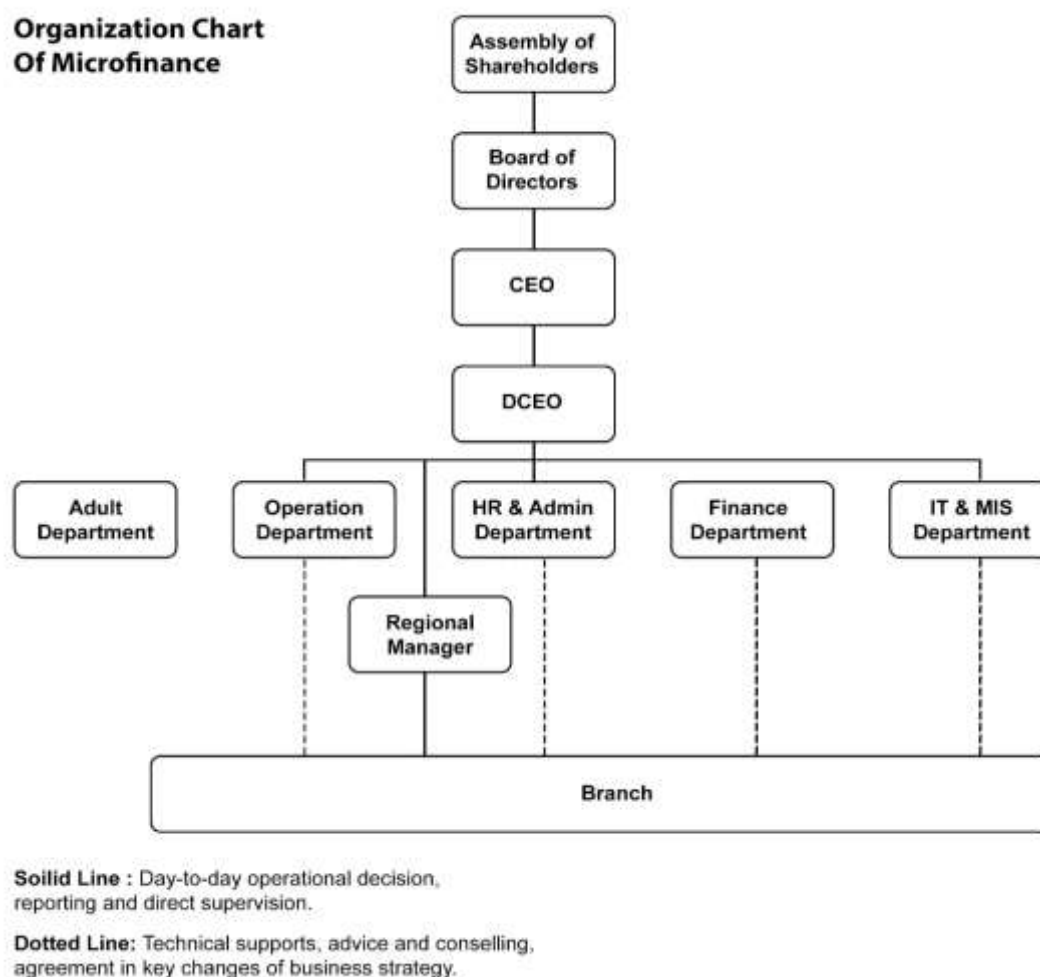


Figure [3.3] Number of MFIs and outstanding loans



Figure [3.4] Composition of MFIs



Despite the large number, MFIs in Myanmar are highly concentrated. The top 20 MFIs represent over 85% of the MFI market in terms of outstanding assets. Further, the largest MFIs are predominantly owned by international entities.

Looking at the current coverage area, microfinance services are available in 259 townships, which constitute about 78% of the total 330 townships in Myanmar which can be seen in Table 3.1.

Table [3.1] Microfinance Coverage Area in Myanmar

Target Area	Number of Areas	Implement Areas	Percentage
Townships	330	259	78.48%
Wards	3441	2276	66.14%
Tract Village	13969	7905	56.69%
Village	61854	27194	42.59%

Source; Financial Regulatory Department

Entry regulations for MFI are less stringent, requiring paid-in capital of only MMK300 million and MMK100 million for deposit-taking MFI (DMFI) and non-deposit-taking MFI (NDMFI) respectively. A one-year temporary license needs a full conversion following addition regulatory review, but it does not seem like a heavy burden given the continued increase in participation. MFI business regulations were relaxed significantly in 2016, however DMFI licensing regulations have been tightened,

requiring a minimum of three years of operating experience and two consecutive years of recording profits. In addition, the DMFI must have an appropriate operational management information system and strong internal controls to accommodate customer deposits. These requirements apply not only to newly established MFIs, but also to MFIs that are already in operation. As a result, some of the smaller DMFIs that were unable to meet these requirements returned their licenses or have switched to NDMFIs. Therefore, the number of DMFIs in 2019 decreased by more than 80% compared to 2018.

The most important business rule after the establishment of the MFI is the regulation on interest rates and loan size. MFI lending rate is capped at 28% per annum or 2.33% per month while unofficial private lenders typically charge at 10 to 20% per month. There are also strict restrictions on compulsory and voluntary deposits required of MFI customers. Compulsory deposits may not exceed 5% of the loan amount, and are constrained by the interest rate floor of 14%. As long as the MFI meets the 12% solvency ratio, voluntary deposits have no limit, but in this case the MFI is required to pay a minimum interest rate of 10% per annum.⁷ After all, the current maximum interest margin is 14% without considering the 2% fees that MFIs may levy on the loan in addition to the interest rates.

Table [3.2] Major Rules and Requirements for Microfinance Institutions

Paid in Capital	Deposits-taking MFIs	MMK 300 million
	Non-deposits-taking MFIs	MMK 100 million
Interest Rates	Loan	Maximum of 28% per annum (2.33% per month)
	Voluntary Deposit	Maximum of 10% per annum
	Compulsory Deposit	Maximum of 14% per annum (no exceed of 5% of loan)
Loans	Maximum Loan size	MMK 10 million
	Collateral Requirements	Cannot accept collateral for any types of loan products
Prudential Requirements	Solvency ratio	12%
	Liquidity ratio	25%

Source; FRD

Microfinance Institutions in Nay Pyi Taw was formerly incepted in 2013 by the encouragement of the Financial Regulatory Department (FRD), Ministry of Planning and Finance. All licensed Microfinance organizations are entitled as members to participate in this association. MFI is known for running by a group of capable Executive Committee members (ECs) and a management team. MMFA organizes members meetings, working group meetings, and partners with local and international development partners for capacity building training, seminar and conferences and advocates for the development of MFIs and the Microfinance Sector as a whole. In 2016, MFI prepared a first Microfinance Policy White Paper that reflected the voice of its members and was the basis for FRD reforms to the microfinance regulations that same year. MFI obtained its official association license in March of 2017

3.3 The Corporate Governance of Microfinance Institutions

MFIs are achieving more and more business within the framework of the microfinance-related laws and principles, and under the supervision of MMFA, Myanmar Microfinance Association. At present, microfinance industry has been a competitive industry in Myanmar. According to the Myanmar Fin scope study, 70% of the adult population is financially excluded or only informally served. Only 6% of the population use more than one financial product and only 5% of adults have a bank account.

Microfinance in Myanmar has increasingly grown over the past few years to become an important sector of financial service providers targeting low-income population excluded from the regular financial system. The Government gives an important role to it and more comprehensively to Inclusive Finance as a means to reduce poverty.

In 2016 FRD issued several new directives to improve the environment for commercial microfinance after the Myanmar Microfinance Association submitted a policy reform paper with recommendations. The possibility for MFIs to carry out microfinance activities in rural and urban areas based on their business models. Before 2016 reforms, MFIs had to have at least 50% of their loan portfolio and members in rural areas.

3.4 Recent Situation of MFIs

Today approximately 170 MFIs operate in Myanmar, serving more than 2 million clients, and have a total loan portfolio of approximately \$350 million. The sector includes several international non-government organizations (NGOs) and commercial MFIs, financial cooperatives that have re-licensed as MFIs, several local NGOs that provide microfinance, and local commercial Banks.

3.5 Current Challenges and trends

Investment climate in Myanmar is still evolving. Microfinance institutions including Naypyitaw, are permitted to borrow from local and foreign financial institutions, but have often struggled to raise funds. Central Bank approval is mandatory for foreign lenders and the process can take more than 2 months. Foreign loans have a cap of 13% interest rate in local. They have been working with Livelihoods and Food Security Trust Fund (LIFT) to provide local currency hedging service. Other subsidies are being offered so that investors can achieve more realistic rates of return. Currently there is no Credit Bureau in Myanmar and very limited availability of microfinance market data. Non-Performing Loans are “estimated” to be very low, however having no visibility on defaulting clients could be one degrading scenario. A few specific areas, mainly in Yangon, are showing signs of potential saturation. A pilot cross data analysis of clients from 5 MFIs in 2 townships shows increasing overlapping of clients.

The regulatory environment is improving but remains weak and constraining to the market (capital constraints, insufficient products and services allowed, interest rate cap at 30%, etc.) and there is a need of building capacity not only at the level of MFIs but also of the regulator as there is limited technical and supervisory capacity (national, regional).

Although the number of MFI customers is increasing and access to financial services is improving, most of them offer only standardized loan products in the form of short-term credit. In particular, MFI loan products are primarily focused on agricultural or business loans, and personal loans for other purposes, such as home improvement, education, and health, are very limited. Owing to these constraints, many are forced to turn to informal moneylenders in emergencies, and such reliance often

exposes borrowers to excessive debt and higher financial distress due to the predatory practices of charging high interest rates.

The growth of the MFI in Myanmar during its second decade should not simply be a sustaining of its first. Through continuous technological innovation, enhancement of client-centered products and services, and ongoing reinforcement of monitoring and supervisory capabilities, it is hoped that the microfinance industry can be the cornerstone of improving the quality of life for people in Myanmar

CHAPTER (IV)

SURVEY ANALYSIS

After reviewing the previous research theories and papers, the approach for this study was determined to meet the results for the objectives. In this section, - A total of 21 MFIs out of 42 MFIs have been providing customer services in NayPyiTaw, and they serve approximately two hundred thousand clients to dealing with their loan products and beneficiary welfare program since getting license to now.

Survey Profile

This study mainly focuses on finding out the providing services to customers and these contributed loans, saving mobilization and beneficiary welfare program are whether satisfied to them or not. Regarding that primary and secondary data are used as sources in this research. The primary data are collected through questionnaires while secondary data are taken from various sources such as internet website, brochures, and conducted research papers concerning the classification of MFIs and their business.

The questionnaire is divided into two sections and Section A starts with Gender classification, level of age group, family member, occupation, level of income, current taking loan from MFIs, frequency of loans and more applicable loans from such MFIs so on. The following procedures have issued to operate both local and foreign MFIs as;

4.1 Recent Activities of MFIs based in Nay Pyi Taw

The limitation of disbursement of loans depends on their own criteria of individual MFIs that offer different kinds of loan borrowing to their customers' needs such as agricultural loan, consumer loan, social loan, MSE loan, staff loan, health care loan and beneficiary program with respect to their short-term period as monthly, quarterly, semiannually, yearly and so on as per their loan period. It is quite needed to follow the discipline and notifications in order to their respective MFIs and if the occurrence of default loan by borrower, they will be erased from the membership. Moreover, the MFIs take action to recover their loan amount that the customers will be able to repay is negotiated and a reschedule is drawn up to extend the long period and repayments and at the same time refinancing of new loans to some clients. The

possibility to provide Saving products/services by applying to an official Deposit taking license issued by the Microfinance Supervisory Committee Notification. So far only 6 MFIs have the DTMFI license. Compulsory savings may not exceed 5 % of the size of a loan received. Microfinance institutions are permitted to borrow from local and foreign financial intuitions. Collateral is still not allowed. The maximum loan amount was raised to 10 million Kyat.

Table 4.1 Classifications of MFIs based in Nay Pyi Taw

No.	Name of MFIs	Level of Tier	Paid-up Capital
1	Suhyap Microfinance Myanmar Co., ltd	T1	1162
2	CBC Myanmar Microfinance Co., ltd	T2	3356
3	MASON Microfinance Co., ltd	T2	3600
4	SANDA PHONE PYAE Microfinance Co., ltd	T2	1000
5	Shine Heart Microfinance Co., ltd	T2	1080
6	Resillent Investment Capitals for Habitants Microfinance Co.,ltd	T2	1100
7	Vithey Microfinance Co., ltd	T2	6155
8	Quicken Trust Microfinance Co., ltd	T2	2259
9	Narita Vision Fund Microfinance Co., ltd	T2	759
10	RB Myanmar Microfinance Co., ltd	T2	376
11	Shwe Sin Hinth Microfinance., ltd	T3	300
12	ANGKOR Microfinance., ltd	T3	568
13	Henery High Technology Microfinance., ltd	T3	200
14	Khant Thu Walar Microfinance., ltd	T3	100
15	Aung Thet Yadana Microfinance., ltd	T3	200
16	Jasmines Season Microfinance., ltd	T3	516
17	Star Moe Yan Microfinance., ltd	T3	300
18	Phu Thai Hung Microfinance Development ltd	T3	336
19	Blue Lion Microfinance (Myanmar) Co., ltd	T3	700
20	Bayon Microfinance., ltd	T3	852
21	CAM Capital Microfinance., ltd	T3	720

Source; Financial Regulatory Department

According to the classification of Tier that can be identified based on their amount of total assets as; for Tier 1 MFI should have MMK ten thousand above of their total assets, for Tier 2 MFI should have MMK one thousand up to MMK ten thousand and for Tier 3 MFI should have under MMK one thousand of their total assets respectively. These Tier classification process can be made by quarterly based on their total amount of assets and it can vary according their transaction of payment activities such as borrowing from their parent's company and raising paid -up capital themselves.

Table 4.2 Yearly Record of Financial Transactions (in MMK Million)

No	No. of MFIs	2016 - 2017			2017 - 2018			2018 - 2019			2019 - 2020			2020 - 2021		
		Lending	Repay ment	P/L	Lending	Repay ment	P/L	Lending	Repay ment	P/L	Lending	Repay ment	P/L	Lending	Repay ment	P/L
1	Suhyup							314.5	--	-152	6219	2099	-448	2499	3261	-54
2	CBC				1105	326	_38.12	1745	814	9	4482	3293	71	2326	2774	-135
3	ATYDN							97	15	-17	21	144	-5	3	78	-10
4	SDPP				83	28	24	262	95	-24	1521	710	54	407	362	4
5	S.Heart	2026	1927	1087	221	1432	1031	1678	1498	70	2643	2349	79	1276	1453	5
6	Resillent				656	176	4	712	488	19	2143	1725	73	1472	1701	27
7	Vithey				1353	166	-353	3784	1457	-28	9381	6931	342	3779	3866	-183
8	Quicken T							117	28	-27	762	463	6	117	323	-58
9	Narita							484	76	13	1147	903	63	545	740	23
10	RB										238	15	-110	1502	735	-88
11	SSHT	685	594	31	618	638	32	432	237	-16	306	528	-21	122	118	-12
12	Angkor				679	417	-71	256	282	-14	971	727	-33	110	232	-94
13	Henery				10	o.35	8	81	19	3	132	110	5	31	56	17
14	KTWL							43	2	-2	101	89	-2	86	23	-5
15	MASON				3338	2116	67	6882	3842	110	4186	4703	230	1104	1992	-13
16	Jasmine	1264	1248	51	350	542	-44	423	389	-261	874	1074	41	263	391	-24

17	SMY										119	63	-4	14	56	11
18	PTH										30	4	-20	22	23	17
19	Blue Lion										921	533	-7	572	411	-25
20	Bayan							31	0.0	-28	784	357	-63	192	245	-113
21	CAM							34	0.0	-16	463	109	-41	549	454	-20

Source; MFIs in Nay Pyi Taw

According to the table of yearly record of transaction data, although T1 MFI has been operating since early 2018, it lose on three consecutive years on contributing loans. Similarly, T3 MFI such as Aung Thet YaDana, Shwesin Hinth, Angkor, Khant Thu Walar, Bayan and CAM occurred three consecutive years on loss. Moreover, some T2 and T3 MFIs achieved their loans every year, name as Shine Heart, Resillent, Narita, Mason and Henery. Unfortunately, the interesting thing that some T3 MFIs are facing loss on three consecutive years. Among them Shine Heart Microfinance Finance Co., ltd Shwe Sin Hin Tha Microfinance Finance Co., ltd and Jasmine Season Microfinance Co., ltd have been operating since early period of time and they offer loans to their customers with long term relationships in the marker.

Note. ATYDN Aung Thet Yadanar Microfinance co., ltd
SDPP Sanda Phone Pyae Microfinance co., ltd
S.Heart Shine Heart Microfinance co., ltd
Quicken T Quicken Trust Microfinance co., ltd
SSHT Shwe Sin Hin Thar Microfinance co., ltd
Henery Henery Heigh Microfinance co., ltd
Jasmine Jasmine Season Microfinance co., ltd
SMY Star Moe Yan Microfinance co., ltd
PTH Phu Thai Hung Microfinance co., ltd

The regulatory environment is improving but remains weak and constraining to the market (capital constraints, insufficient products and services allowed, interest rate cap at 30%, etc.) and there is a need of building capacity not only at the level of MFIs but also of the regulator as there is limited technical and supervisory capacity (national, regional).

Although the number of MFI customers is increasing and access to financial services is improving, most of them offer only standardized loan products in the form of short-term credit. In particular, MFI loan products are primarily focused on agricultural or business loans, and personal loans for other purposes, such as home improvement, education, and health, are very limited. Owing to these constraints, many are forced to turn to informal moneylenders in emergencies, and such reliance often exposes borrowers to excessive debt and higher financial distress due to the predatory practices of charging high interest rates.

The growth of the MFI in Myanmar during its second decade should not simply be a sustaining of its first. Through continuous technological innovation, enhancement of client-centered products and services, and ongoing reinforcement of monitoring and supervisory capabilities, it is hoped that the microfinance industry can be the cornerstone of improving the quality of life for people in Myanmar

4.3 Profile of Respondents

The analysis of the demographic characteristics of 150 respondents from MFIs who participated in this study is shown, such as gender, age, occupation and monthly income are the crucial dimensions in determining the service quality that they have been offered by MFIs.

Table (4.3) Profile of Respondents

No;	Description		Frequency	Percentage
1.	Gender	Male	21	14
		Female	129	86
2.	Age	Under 20	-	-
		20 – 29	-	-
		30 – 39	74	49.33
		40 – 49	64	42.67
		50 or above	12	8.00
3.	Family Member	Three or less	52	34.67
		Four to Six	90	60.00
		Seven and above	8	5.33
4.	Occupation	Government Servant	30	20.00
		Owner of Small Enterprise	14	9.40
		Self-employed	27	18.00
		Farmer	76	50.60
		Housewife	3	2.00
		Student	-	-
		Retired	-	-
		Trading	-	-
5.	Monthly Income	50,000 kyats or less	2	1.33
		50,001 – 100,000 kyats	101	67.33
		100,001 – 200,000 kyats	3	2.00
		200,001 – 300,000 kyats	43	28.67
		300,000 kyats and above	1	0.67

Majority of customers in this study are female who merely represents large number of female customers in the study population. For the age group, most borrowers represent to the age group between 30 to 49 years of age which is the most active and matured. On the other hand, the most aged group over 50 years also comprise a small percentage, concerning that old segment of rural people are still engaging in earning for

their income and it is the same case of youngest group between 20-29 years of age. There is utterly no customer under the age of 20.

For the income level the data shows that the most majority of customers income is between 50001-100000 MMK and the second majority of customers income is 200001-300000 MMK. This shows that most of loans have been provided to the least income group.

This table consists of number as well as percentage of staff from MFIs Nay Pyi Taw on service for customers who are highly experienced in microfinance. The above table shows that family member four to six represent 60% out of 100%, followed the three or less group is 34.7% and seven and above group is 5.3% accordingly.

The clients who take loans from MFIs have different occupation levels. There are nine occupation levels in the questionnaires. They are government staff, owner of small enterprise, trading, self-employed, farmer, housewife, student, retired and others. The above table illustrates the number and percentage of the occupation of clients. According to the obtained results, the largest clients is the farmers and followed by the self-employed. This could be considered as ease of access and this would cause the results to be more applicable towards the farmer group.

The Table for income level of data shows that the most majority of customers income is between 50001-100000 MMK and the second majority of customers income is 200001-300000 MMK. This shows that most of loans have been provided to the least income group.

Table (4.4) Borrowing loans from various kinds of occupations in Nay Pyi Taw MFIs

	Business Loan	Agricultural Loan	MSE Loan	Education Loan	Employment Loan	Social Loan	Consumer Loan	Health care Loan
	Number	Number	Number	Number	Number	Number	Number	Number
Government Servant	27	-	3	-	-	-	-	-
Owner of Small Enterprise	9	-	5	-	-	-	-	-
Self- employed	-	26	-	1	-	-	-	-
Farmer	-	76	-	-	-	-	-	-
Housewife	-	2	1	-	-	-	-	-
Total No.	36	104	9	1	-	-	-	-

Moreover, in this section, the variability used for this study samples currently borrowed loan types, number of loans that have completed successfully and they borrowed loans which is more applicable for them accordingly. Types of loan offered by MFIs are classified as eight groups such as business loan, agricultural loan, MSE loan, employment loan, social loan, consumer loan, healthcare loan and education loan. As shown in the table (4.6), most of the clients claim agricultural loan which represents 104 out of 150 sample by farmers in number of 76 and 26 self-employers besides 2 housewives, after that is followed by business loan of 36 which are taken by 27 government servants and 9 small enterprise owners respectively. Thirdly, MSE loan is 9 in total taken by 3 government staff, owner of small enterprise of 5 and 1 housewife. In conclusion, there is a single education loan taken by a self-employer. The rest of loan are currently taken by no respondent.

4.4 Customers Satisfaction on contributing loan of MFIs.

This study focusses on nine areas of services that eight kinds of loans such as Business loan, Agricultural loan, MSE loan, Employment loan, social loan, Consumer

loan, Healthcare loan, Education loan and Types of borrowing procedures from MFIs and their saving behavior out there.

4.5 Business Loan

Business loan is one of the most popular types of loan provided by MFIs. As for regular loan type, there are six sections that measure customer satisfaction on the characteristics of loan type. The following table showed for quantity, mean scores and standard deviation for each statement.

Table (4.5) Customer Satisfaction of Business Loan

No;	Description	Mean	Standard Deviation
1.	Interest rate on loan	3.91	0.951
2.	Size of loan	3.76	0.841
3.	Life span of loan cycle	3.81	0.792
4.	Repayment system / Installation	3.82	0.803
5.	Loan ceiling	3.79	0.735
6.	Loan Eligibility Criteria	3.61	0.653
7.	Mean score	3.78	

Source; Survey Data

Table (4.5) shows the mean scores and standard deviation scores for each statement of business loan characteristics. According to the survey data, the mean scores of each statement are nearly 4 indicating that customers are satisfied on each characteristic of business loan and overall satisfaction level is also nearly 4 and the overall mean is nearly 4 that indicates such loan taking customer satisfied upon the criteria of loan interest, repayment system, frequency of loan including loan ceiling and eligibility criteria.

4.6.1 Agricultural Loan

Another popular loan among our respondents provided by MFIs is the agricultural loan. Since most of the customers are from rural side such as villages, majority is farmers hence the agricultural loan is popular. There are six statements of loan as shown in the Table (4.6).

Table (4.6) Customer Satisfaction of Agricultural Loan

No;	Description	Mean	Standard Deviation
1.	Interest rate on loan	3.99	0.815
2.	Size of loan	3.79	0.780
3.	Life span of loan cycle	3.65	0.819
4.	Repayment system / Installation	3.60	0.579
5.	Loan ceiling	3.97	0.843
6.	Loan Eligibility Criteria	4.22	0.713
7.	Mean score	3.87	

Source; Survey Data

Table (4.6) says that the mean scores of each statement are nearly 4 indicating that customers are satisfied in each characteristic of agricultural loan and overall satisfaction level is nearly 4 and it means that customers are also satisfied in overall characteristics of agricultural loan. The customers more prefer loan eligibility criteria is 4.22 than others.

4.6.2 Micro & Small Enterprise Loan

It is very effective way for growing business of small/medium enterprise owners. The following table illustrates the level of satisfaction on the characteristics of micro-enterprise loan.

Table (4.7) Customer Satisfaction of Micro & Small Enterprise Loan

No;	Description	Mean	Standard Deviation
1.	Interest rate on loan	3.79	0.797
2.	Size of loan	3.90	0.766
3.	Life span of loan cycle	3.69	0.667
4.	Repayment system / Installation	4.04	0.633
5.	Loan ceiling	3.80	0.724
6.	Loan Eligibility Criteria	3.66	0.940
7.	Mean score	3.81	

Source; Survey Data

As shown in the above table the mean scores for each statement are nearly 4 indicating that the customers are more satisfied with the characteristics of repayment system installation is 4.04 than others and overall satisfaction level is nearly 4 means the level of satisfied enough.

4.6.3 Social Loan

Customer satisfaction on the characteristics of social loan is expressed in Table (4.8).

No;	Description	Mean	Standard Deviation
1.	Interest rate on loan	4.16	0.743
2.	Size of loan	3.79	0.688
3.	Life span of loan cycle	3.87	0.739
4.	Repayment system / Installation	3.65	0.705
5.	Loan ceiling	3.82	0.676
6.	Loan Eligibility Criteria	3.99	0.755
7.	Mean score	3.88	

Source; Survey Data

According to the survey data collected, they say that the customers are satisfied with the characteristics of social loan as the mean scores are nearly 4. Additionally, the total mean is 3.9 meaning that they are satisfied such loan criteria. Among all factors, interest rate on loan is 4.2 that we can assume that the customers well satisfied that the interest rate of loan for social loan.

4.6.4 Consumer Loan

Customer satisfaction on the characteristics of consumer loan can be evaluated and is shown in the Table (4.9).

No;	Description	Mean	Standard Deviation
1.	Interest rate on loan	3.83	0.689
2.	Size of loan	3.99	0.705
3.	Life span of loan cycle	3.95	0.801
4.	Repayment system / Installation	3.59	0.913
5.	Loan ceiling	3.77	0.743
6.	Loan Eligibility Criteria	4.08	0.755
7.	Mean score	3.87	

Source; Survey Data

According to the survey data, all of the customers are seemed to be satisfied with the characteristics of the consumer loan because all mean scores are nearly 4. Just like the previous type of loan, customer satisfaction is highest in loan eligibility criteria. we can assume that customers think that the loan installation is small in amount.

Table (4.10) Comparison of Mean For All Types of loans by MFIs

No	Description	Business	Agriculture	MSE	Social	Consumer
1	Interest rate on loan	3.91	3.99	3.79	4.16	3.83
2	Size of loan	3.76	3.79	3.90	3.79	3.99
3	Life span of loan cycle	3.81	3.65	3.69	3.87	3.95
4	Repayment system	3.82	3.60	4.04	3.65	3.59
5	Loan ceiling	3.79	3.97	3.80	3.82	3.77
6	Loan Eligibility Criteria	3.61	4.22	3.66	3.99	4.08
7	Overall mean	3.78	3.87	3.81	3.88	3.87

In terms of data analysis, the above criteria of the disbursement of loans procedures from MFIs address the interest rate on loan might be nearly similar based on the Microfinance Supervisory Committee notification, among them social loan is more preferred to getting other loans that seems to be more applicable for them. Regarding the size of loan, they more prefer to consumer loan. Dealing with life span

of loan cycle, they satisfied with consumer loan others. Then they made a choice MSE loan for repayment system. In agricultural loan, loan ceiling is more preferred to others. Concerning loan eligibility criteria, they satisfied with agricultural loan and the comparison of overall mean social loan made them more satisfied than others.

4.7 Compulsory Savings and Voluntary Savings

There are two types of saving. They are compulsory saving and voluntary saving. Compulsory saving is collected from members and the amount must be saved daily 0.25% of loan amount. It is defined by MFI. It is to be collected together with loan repayment within the specified maturity. These savings are collateral and secure of loan and it can be used as a lending loan to members like a bank. Interest is paid with 1.25% per month on compulsory. Voluntary saving is depended on the borrowers. 1% per month interest must be paid on monthly basis. Compulsory saving, one of the objectives of MFI is to encourage saving habit among the poor people.

4.7.1 Compulsory Saving

Customer satisfaction on the characteristics of compulsory saving can be evaluated in the Table (4.11).

No;	Description	Mean	Standard Deviation
1.	Interest rate on Saving	3.62	0.642
2.	Having Compulsory Saving	3.82	0.715
3.	Mean Score	3.72	

Source; Survey Data

There are two factors regarding the compulsory saving; interest rate and having compulsory saving. It is found that the customers are satisfied with these two factors as the mean scores of them are nearly 4 and interest rate on loan is the most satisfaction factor with the mean 3.62. And also overall mean is 3.7 which indicates satisfaction on a whole.

4.7.2 Voluntary Saving

Voluntary saving means that any amount of money that clients wish to save monthly. It encourages clients to make a saving of their own in advance. Customer

satisfaction on the characteristics of the voluntary saving can be calculated in the following table.

Table (4.12) Satisfaction of Voluntary Saving

No;	Description	Mean	Standard Deviation
1.	Interest rate on Saving	3.91	0.698
2.	Having Compulsory Saving	3.67	0.720
3.	Mean Score	3.79	

Source; Survey Data

As for the voluntary saving, both interest rate and having voluntary saving have a mean score of nearly 4. The interest rate is the most satisfied factor with a mean score of 3.9 that nearly 4. Overall satisfaction level is 3.8 which means that the customers are satisfied with the voluntary saving rather than compulsory saving because comparing the interest both rate 3.9 rather than 3.7.

4.8 Beneficiary Welfare Program

Customer satisfaction on the characteristics of beneficiary welfare program can be seen in the Table (4.13).

No;	Description	Mean	Standard Deviation
1.	Beneficiary Welfare Program	3.51	0.833
2.	Program Eligibility	3.54	0.692
3.	Benefit Amount	3.20	1.062
4.	Mean Score	3.42	

Source; Survey Data

As shown in the Table (4.14), all mean scores are above 3.20 which means that the customers are satisfied with the characteristics of the beneficiary welfare program. The highest mean is 3.5 which is program eligibility. Since it is close to 4, we can assume that the customers are very satisfied with the program eligibility. The overall mean score is 3.4 which means that the customer satisfaction level is high.

4.9 Types of Borrowing Procedures from MFIs

Customer satisfaction on the characteristics of Types of borrowing procedure from MFIs can be calculated in the Table (4.14).

No;	Description	Mean	Standard Deviation
1.	Dealings with field Staff	3.63	0.747
2.	Having NFBE Session	3.75	0.744
3.	Performance of MF center and EC	3.67	0.755
4.	Time for loan Applying	3.45	0.609
5.	Accessibility to loan and Saving records	3.78	0.793
6.	Procedure for Delinquency	3.40	0.676
7.	Effectiveness of social service agenda	4.11	0.761
8.	Quantity of loan products	3.99	0.890
9.	Mean Score	3.72	

There are altogether factors concerned with the types of borrowing procedures from MFIs. Among them, the highest customer satisfied factor is effectiveness of social service agenda with the mean score of 4.1. Other characteristics such as quantity of loan products, accessibility to loan and saving records, having NFBE session, performance of microfinance center and EC, time for loan applying, procedure for delinquency have the mean score above 3 which indicates high customer satisfaction whereas the time for loan applying and procedure for delinquency factors have mean score 3 and above the customers may have only neutral satisfaction for these two factors. We could also assume that some customers may think that the time for applying loan is a little bit prolong; estimated two months.

4.10 Summary of Customer Satisfaction

Table (4.15) Level of Customer Satisfaction on MFIs

Sr. No.	Loan type or process	Mean
1	Business Loan	3.78
2	Agricultural Loan	3.87
3	Micro-enterprise Loan	3.81
4	Social Loan	3.88
5	Consumer Loan	3.87
6	Compulsory Saving	3.72
7	Voluntary Saving	3.79
8	Beneficiary Welfare Program	3.42
9	Types of Borrowing Procedures from MFIs	3.72

Source; Survey Data

These results have shown that all participants' satisfaction based on the experience they enjoyed was at more than satisfied level. The highest level of customers' satisfaction was placed on the social loan, and parallel with consumer loan and agricultural loan., followed by the voluntary loan, business loan. The lowest level of clients' satisfaction was beneficiary welfare program. The interesting that the lowest level of overall customer satisfaction is types of borrowing procedures from MFIs. Concerning that majority of MFIs need to observe the way that is more convenient for customers.

CHAPTER (V)

CONCLUSION

This chapter has the ending by showing the findings from the study on the functions of service provided by MFIs and suggestions for both service providers and customer satisfaction on service quality of those MFIs.

5.1 Findings

This study explores the services experience of MFIs in Naypyitaw and analyses the customer satisfaction towards the services provided by them. In accordance with the objectives of the study, both secondary data and primary data are used in this study. Secondary data are mainly applied for exploring the availability of microfinance services at Naypyitaw. Primary data are collected from a sample size of 150 customers using the convenient sampling method to data collection, structured questionnaires are used. The questionnaire mainly consists of two parts that the first part is organized with demographic characteristics of customers. The last part includes nine areas of customer satisfaction on microfinance services experienced of MFIs in Naypyitaw and each statement is measured on Five-point Likert Scale. Majority of customers in this study are female who merely represents large number of female customers in the study population. For the age group, most borrowers represent to the age group between 30 to 49 years of age which is the most active and matured. On the other hand, the most aged group over 50 years also comprise a small percentage, concerning that old segment of rural people are still engaging in earning for their income and it is the same case of youngest group between 20-29 years of age. For the income level the data shows that the most majority of customers income is between 50001-100000 MMK and the second majority of customers income is 200001-300000 MMK. This shows that most of loans have been provided to the least income group. For the loan type offered from those MFIs in Naypyitaw, majority of borrower take both agricultural and business loan in currently. According to the survey data and results, Myanmar Microfinance Institutions

need to use not only social funding but also commercial funding for long term sustainability.

Farmers and low-income clients have to rely on MFIs, Financial Cooperatives, and informal money lenders for their financial needs. Governments, donors, and social investors have been trying to provide formal financial services through different types of subsidies, donations, grants and other facilities for the poor since 1980s. After 1990s, there was a paradigm shift from social impact-oriented microfinance to commercial microfinance. Financial viability and profitability are becoming more and more important for the sustainability of Microfinance. Intuitionists define that all MFI should give more attention on financial self-sufficiency. Microfinance program supported the household income and living cost for rural society. There are three things linked to microfinance loan: first one is the rate of interest which lower than other rate of informal money lender, second one is the fact which microfinance can access loan without collateral. Respondents answer again that microfinance is easy to access loan other than as third priority to conclude the finding.

Farmers and low-income clients have to rely on MFIs, Financial Cooperatives, and informal money lenders for their financial needs. Governments, donors, and social investors have been trying to provide formal financial services through different types of subsidies, donations, grants and other facilities for the poor since 1980s. After 1990s, there was a paradigm shift from social impact-oriented microfinance to commercial microfinance. Financial viability and profitability are becoming more and more important for the sustainability of Microfinance. Intuitionists define that all MFI should give more attention on financial self-sufficiency.

5.2 Recommendation

Customer satisfaction is one of the most important factors for the achievement of microfinance industry that they should always focus on their customers' needs. Sustainability of provision of microfinance services is very important for low-income clients as they are excluded from the formal financial services due to the reasons such as lack of collateral, lack of reliable information, high cost of operation, lack of expertise by services providers, and very small profit margin, and worry for repayment. Financial sustainability is very important for MFIs as the subsidies, donations, and grants from the governments, donors, and social investors have been decreasing over time. MFIs should be able to continue operation without receiving subsidies and donor's fund. Many MFIs

have to receive subsidies and donors' fund for several reasons. In order to improve the sustainability of microfinance, financial support should be provided in parallel with a comprehensive package including credit worthiness, employment counseling, financial in education, and debt rehabilitation. MFIs can address information asymmetry by strengthening screening and monitoring activities, but they require suitable budgets to implement those activities.

The objective of the research paper is the study of microfinance activities on user of microfinance. The idea of microfinance is that low-income households lift themselves out of poverty. This survey found that there is mutual benefit for both side which demand and supply. For demand side, I can see microfinance as a device for poverty alleviation, economic development. According to its advocates, it creates the means for greater employment and income generation, allows the poor to smooth consumption and meet social, religious and other obligations, offers financial protection from crises and disasters, encourages schooling. It should be the role of public participation and public awareness is essential for poverty reduction because of providing loans to the poor, improving the poor 'capacity for self- reliance and self-development and achieve operational and financial sustainability. Microfinance institutions should help their borrowers understand the complex business realities surrounding them, microfinance institutions and related organizations. The government should support and encourage to the microfinance situations for sustainable. It is needed to fulfill reasonable needs of working capital effectively and find ways to cover less developed, rural, and remote areas more effectively. All of state holders have to try hard to be the good governance, improve on basic infrastructure, stable macro economy, rule of law with effectively and efficiently. These factors are to give an assistance for the success of all microfinance activities.

REFERENCES

1. Amadi, A. E (2015). Microfinance Services and Customer Satisfaction in Selected Microfinance Institutions (MFIs). Master Thesis. Kampala International University.
2. Barnes, Carolyn and Erica Keogh. March 1999. An Assessment of the Impact of Zambuko's Microenterprise Program in Zimbabwe: Baseline findings. Working Paper. Management Systems International (MSI). <http://www.mip.org>
3. Barnes, Carolyn, Gary Gaile and Richard Kibombo et al. 2001. The Impact of Three Programs in Uganda. <http://www.mip.org/componnen/aims/pubs/mission1a.htm>
4. Bassem, B. S. (2012). Social and financial performance of microfinance institutions: Is there a trade-off? *Journal of Economics and International Finance*, 4(4), 92.
5. Barr, and Michael S. (2005) Microfinance and Financial Development, p.278. University of Michigan Law School, <https://repository.law.umich.edu/articales/61>.
6. Buckley, B. 1997, Microfinance in Africa: Is It Either the Problem or the Solution? *World Development*. 25(7) p. 1093-1981. Department of International Development, London, UK.
7. Dean Karlani and Nathanael Goldberg. "Impact Evaluation for Microfinance: Review of Methodological Issues", November 2007
8. Farris, Paul W, Bendle N. T, Pfeiffer P. E. and Reibstein D. J. (2010); *Marketing Metrics. The Definitive Guide to Measuring Marketing Performance*. Upper Saddle River, New Jersey: Pearson Education, Inc.
9. Kotler P and Armstrong G (2006) *Marketing Management* New Jersey: Pearson-Education. Microfinance
10. Mbogo, M., & Ashika, C. (2011). Factors Influencing product innovation in Microfinance Institutions in Kenya. A case study of MFIs Registered with the association of microfinance institutions. Unpublished MBA project at USIU.
11. Olivares-Polanco, F. (2005). Commercializing microfinance and deepening outreach? Empirical evidence from Latin America. *ESR Review*, 7(2), 47.
12. Olivares-Polanco, F. (2005). Commercializing microfinance and deepening outreach? Empirical evidence from Latin America. *ESR Review*, 7(2), 47.