
LIFT Forum 2019:

Making finance work for poor producers:
access to finance, farmer investment and
productivity



**LIFT
FORUM
2019**



Kalya Myint • 11/12/13 June 2019

Introduction

Yoma Bank

- One of Myanmar's largest private banks, over 3000 employees and 79 branches in 42 cities nationwide
- Founded by Mr. Serge Pun, the first branch was opened in July 1993 in front of the iconic Aung San Stadium in Yangon
- A significant grant from LIFT
 - ❖ To expand agribusiness finance to Myanmar's underserved agricultural community - a key segment in Myanmar's development



Key Issues of Poor Producers

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- Myanmar agriculture
 - Characterized by low productivity and high volatility...
 - WHY?
 - ❖ Inadequate and outdated equipment and techniques
 - ❖ Liquidity and credit constraints: investing in the necessary equipment & inputs
 - ❖ Informal sources of finance: over- indebtedness

How to Help Poor Producers With Their Economic Development



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- Increase production and better their livelihoods,
 - **A variety of investments are needed:**
 - ❖ Inputs
 - ❖ Machinery
 - ❖ Technology
 - ❖ Knowledge and training
 - The importance of financial institutions in Myanmar agricultural development “Easier access to **formal financial sector/credit services**”
 - **Private banks are reluctant to lend in agriculture**
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Role of Private Sector in Poverty Reduction

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- LIFT recognises that the private sector is fundamental to achieving inclusive development in Myanmar
 - The development of agriculture in Myanmar is based on cooperation between government, farmers and private sector Entrepreneurs
 - LIFT seeks to develop inclusive value chains that-
 - ❖ allow rural households to engage in growth opportunities with the private sector
 - ❖ have economic multiplier effects, empower women, drive technology adoption, and
 - ❖ facilitate business relationships between rural households, private sector and financial institutions
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LIFT's Support

Financial Services and Private Sector

- LIFT's support to financial services has played a critical role in stimulating the development of the financial sector towards the agricultural markets
- Yoma Bank acts as a vehicle to achieve LIFT's goals, but also benefits from the support



Agribusiness Finance Program (AFP)

LIFT and Yoma Bank partnership “Increase agricultural productivity and improve rural livelihoods in Myanmar”

Objectives

- Investment financing for agricultural mechanization
- Increase access to finance
- Mobilization of savings

LIFT

- Funding for loan loss
- Incentive for savings
- Funding for technical assistance

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- Hire-purchase loan for Agri-equipment
- Un-/under secured loans
- Saving product(s)



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Supporting Agricultural Mechanisation

- **Labor Scarcity and Costs Are Driving Mechanization**

“Laborers are hard to find because they’ve gone to Thailand or to work in factories. Farmers need more machines because laborers are in short supply.” **Kawhmu farmer**

“Farm labor costs have trended sharply upward as scarcity has increased. Using this equipment means we have less labor management risk.” **Maubin farmer**

Labor Rates Reported by Farmers			
Kyats per day			
	Maubin	Kawa	Kyauktaga
3 Years Ago	3,000	4,000	3,500
Now	5,000	7,000	8,800
Annual Growth Rate	18.6%	20.5%	36.0%



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AFP Hire Purchase Program



- Loans for agricultural machinery and equipment
 - ❖ Lower down payment
 - ❖ Extended loan tenor
 - ❖ Bi-annual repayment cycles : accommodate farmers' seasonal cash flows



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Un-/under secured loans

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- To increase the supply of un(der)secured loans to agri value chains in Myanmar
 - Four different semi-secured products
 - Borrowing base – agri inputs suppliers
 - Payable Finance – agri inputs dealers
 - Seasonal Overdraft for Corn – Corn traders
 - MFI lending – Back-to-back facility for MFIs

Achievements

Loan Products	Number of Client	Total Disbursement (Million USD); Jan 16-Dec 18	Impacted Rural Households/ farmers (Number)
AFP HP	6,503	115.09	200,000
Borrowing Base	4	7.79	20,330
Payable Financing	60	7.96	15,733
Seasonal Overdraft	72	9.43	14,400
MFI Lending	11	60.77	191,500
Grand Total	6,677	201.05	441,963

As of 31st December, 2018

Achievements

Remarkable results: YTD

- nearly **7,000** small and medium agribusinesses financed
- financing of MMK 200bln (**USD 130mln**) worth of agricultural equipment (every \$1 of donor money in the first loss buffer generated \$ 16 dollars of equipment value financed by Yoma Bank)
- estimated **250,000** families made use of the assets financed through the rental services by AFP clients
- **544,000** acres of land have access to four-wheel tractors and combine harvesters



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Achievements

- farmers have saved USD **12mIn** dollars in production costs
- gross margins per acre increased by USD 22
- **Pioneer in the Myanmar banking landscape**
 - ❖ Other banks have followed
 - ❖ Two key industries – **agricultural and financial** – which are critical to Myanmar's future economic growth.
 - ❖ This relationship is crucial to create sustainable gains and ultimately, an environment where assistance is no longer necessary



Thank you



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