LIFT Forum 2019:
Making finance work for poor producers: access to finance, farmer investment and productivity

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

- 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  - Inadequate and outdated equipment and techniques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

- 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
Role of Private Sector in Poverty Reduction

- 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.
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”

<table>
<thead>
<tr>
<th>Objectives</th>
<th>LIFT</th>
<th>YOMA BANK</th>
</tr>
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<tbody>
<tr>
<td>• Investment financing for agricultural mechanization</td>
<td>• Funding for loan loss</td>
<td>• Hire-purchase loan for Agri-equipment</td>
</tr>
<tr>
<td>• Increase access to finance</td>
<td>• Incentive for savings</td>
<td>• Un-/under secured loans</td>
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<tr>
<td>• Mobilization of savings</td>
<td>• Funding for technical assistance</td>
<td>• Saving product(s)</td>
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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

<table>
<thead>
<tr>
<th></th>
<th>Maubin</th>
<th>Kawa</th>
<th>Kyauktaga</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 Years Ago</td>
<td>3,000</td>
<td>4,000</td>
<td>3,500</td>
</tr>
<tr>
<td>Now</td>
<td>5,000</td>
<td>7,000</td>
<td>8,800</td>
</tr>
<tr>
<td>Annual Growth Rate</td>
<td>18.6%</td>
<td>20.5%</td>
<td>36.0%</td>
</tr>
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</table>
Loans for agricultural machinery and equipment
  - Lower down payment
  - Extended loan tenor
  - Bi-annual repayment cycles: accommodate farmers’ seasonal cash flows
Un-/under secured loans

- 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

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

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
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