Preliminary and Qualitative Impact Assessment of Microfinance

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April 2015

Livelihoods and Food Security Trust Fund

ACKNOWLEDGEMENTS

We thank the governments of Australia, Denmark, the European Union, France, Ireland, Italy, the Netherlands, New Zealand, Sweden, Switzerland, the United Kingdom, the United States of America for their kind contributions to improving the livelihoods and food security of the poorest and most vulnerable people in Myanmar. Their support to the Livelihoods and Food Security Trust Fund (LIFT) is gratefully acknowledged. We would also like to thank the Mitsubishi Corporation, as LIFT's first private sector donor.

DISCLAIMER

This document is based on information from the study used focus group discussions in villages benefiting from MFIs funded by LIFT and supported with financial assistance from Australia, Denmark, the European Union, France, Ireland, Italy, the Netherlands, New Zealand, Sweden, Switzerland, the United Kingdom, the United States of America, and the Mitsubishi Corporation. The views expressed herein can in no way be taken to reflect the official opinion of the European Union, the governments of Australia, Denmark, France, Ireland, Italy, the Netherlands, New Zealand, Sweden, Switzerland, the United Kingdom, and the United States of America, or the Mitsubishi Corporation.

ACKNOWLEDGEMENTS BY THE AUTHOR

The evaluator wishes to thank LIFT for initiating and coordinating this study. She is also grateful for the assistance of the staff of the selected Microfinance Institutions in arranging focus groups and in sharing their insights. The work could not have been accomplished without the professional support of M-CRIL Myanmar and microfinance institutions: Pyae Mahar, ECLOF, Myanmar Development Partners, Shan East and South (Parami) Cooperatives, Border Development Association, Pact Global Microfinance, Proximity Designs, LOLC Microfinance, and World Vision.

Finally, she thanks the MFI clients who participated in the focus groups, for their willingness to share their experiences and recommendations.

ACRONYMS

BDA	Boarder Development Assoication
FG	Focus Group
FGD	Focus Group Discussion
LIFT	Livelihoods and Food Security Turst Fund
MADB	Myanmar Agricultural Development Bank
MF	Microfinance
MFI	Microfinance Institution
MMK	Myanmar Kyat (currency)
PGMF	PACT Global Microfinance Facility
UNDP	United Nations Development Programme

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I. EXECUTIVE SUMMARY

The Ministry of Finance requested LIFT to conduct a preliminary qualitative impact assessment of microfinance services provided by LIFT-supported MFIs and other MFIs that have received their licenses in 2012.

Most MFIs in Myanmar do not have socio-economic or household -baseline data of the clients or non-clients. This limits the application of a longitudinal study consisting of a baseline and follow-up studies using the same variables and measures. Therefore, this impact assessment will be done by a one-time retrospective study that compares the present with a previous point in time in order to assess changes.

LIFT commissioned the assistance of an international expert to carry out the study. The study used focus group discussions in villages benefiting from the MFIs, as main inputs for the assessment. Both international and national MFIs were included.

The study took place during Feb – April 2015. The study team conducted 15 focus groups discussions (FGD) in 15 villages. The methodology included:

- Sampling of 8 microfinance institutions (MFIs), national and international – Myanmar Development Partner, ECLOF, PACT Global Microfinance (PGMF), Pyae Mahar, World Vision, Parami Co-operative Microfinance, Boarder Development Association (BDA), and Proximity
- 15 villages, of which 60% were rural and 40% urban
- 164 clients interviewed in these 15 focus groups
- There were 104 group leaders in these 15 focus groups, and since the average group size is 5 persons, this represents 520 persons
- 95% women clients (this being the focus of the MFIs chosen)

The study finds that microfinance has increased access to affordable credit, and this is the primary attraction of MFIs. Although most clients (excluding the poorest) had access to some form of credit (moneylenders, wholesalers, suppliers), the microfinance loans are much more affordable. Access to these loans helps clients realize greater profits from their investments. Microfinance loans are used primarily for income-generating activities, and this is appropriate. The loans help people invest larger amounts in their businesses, buy inventory that sells more profitably, buy tools and equipment that improve productivity, and pay for transportation.

Families may have more than one loan at a time, and from more than one institution at a time. Infrequently, these are 2 MFIs that are providing the loans. More frequently, a person gets a loan from an MFI and also the MADB, or from an MFI and the moneylender (using in the early cycles of the MFI loan, when the loan amounts are small). There were no instances of negative effects from having multiple loans, but the potential for over-indebtedness exists, especially when lenders do not share information with each other. The best way to counter the potential for over-indebtedness is educate MFI clients about the dangers of over-borrowing, and to share information between MFIs (and other lenders) when working in the same areas.

Clients are mostly satisfied with the conditions of the credit. The affordable rate of interest, the variety of loan products, the reasonable installment amounts, the balloon payments for agricultural loans, and the fact that no collateral is required, were all mentioned as positive attributes of the credit. A commonly heard recommendation was to increase the size of the loans, particularly for agricultural investments.

Savings were also appreciated, in those MFIs that provided this service. Clients liked the possibility of making small and periodic savings contributions which, over time, accumulated to large sums. They also liked the ability to withdraw their savings, and to earn interest on savings.

In terms of business impact, the results showed the following impact:

- Increase in profits and income
- Diversification into new businesses
- Larger businesses (inventory, space)
- More productive business assets
- Diversification of product lines into more profitable products

All of these are very positive impacts for microfinance. There were no negative impacts on businesses, although there were occasionally business failures due to bad luck or bad weather.

There were other, non-business, impacts. Home improvements were mentioned frequently. These were done with the profits from the businesses. Independence from moneylenders was mentioned over and over again. Clearly the MFIs are preferred to the moneylenders. The lower interest rate offered by MFIs, the ongoing availability of loans, the increasing amounts, and the no-collateral aspect, were all viewed very positively by clients.

Another impact was on education expenses. Some MFIs provide low interest loans for this. Where these were not available, clients used their savings or profits to invest in their children's education. Clients also were able to increase their assets, in the form of savings, animals, transport, telephones, and bulk purchases of food. Mentioned less frequently were expenditures on health care. Some clients had medical emergencies that were solved by microfinance – either loans or savings.

In addition to impact from loans and savings, there was also good impact from the grouping of clients. Members of these groups reported more solidarity, mutual support, sharing of business information, and an increase in self-confidence and entrepreneurship. It was not possible, using this methodology, to examine changes in gender relations at the household level. This would require further study.

Regarding negative impact, sometimes the loans, especially in the early cycles, caused an increase in workload due to the need to make frequent payments, sometimes before the investment had made profits. This is especially true of loans invested in agriculture and livestock, which can take months to generate a profit. The balloon payment of the agricultural loan was much appreciated and helps to mitigate this issue. Sometimes business losses created the need to engage in day labor.

The good impact that was demonstrated in this study varied by MFI, because of different practices. Overall, the impact can be improved by the following recommendations, which are based on global best practices:

1) Reduce compulsory savings requirements to 10% of the outstanding loan balance. All other savings should be classified as voluntary savings, and clients should be allowed complete access to those savings at any time.
2) Reduce repayment frequencies to monthly or balloon payments. If MFIs are worried about risk, they can gradually implement this practice for clients according to the length of time in the program and their credit history.
3) All group-based MF programs should have social welfare funds (emergency no-interest loans or grants for death, illness, or maternity, compiled of amounts of members' savings according to their bylaws).
4) Group-based MF programs should not use staggered loans. There is no evidence that these are effective at reducing risk or improving repayment.
5) Agricultural loans should not be due at harvest time, but rather later in time when the prices for the crop have gone up.
6) Keep interest rates below moneylender rates.
7) Offer a variety of credit products that may be accessed more than one at a time.
8) Ensure that repayment amounts and frequencies conform to the needs of the clients' businesses and households.
9) Ensure that the availability of credit continues, because one loan is not enough to create impact.
10) Ensure that loans are disbursed quickly.
11) Avoid charging extra fees and expenses.
12) Allow all group members to get their loans at the same time (no staggering); and
13) Allow people to receive their loans even if all group members are not present.

In general, MFIs in Myanmar could benefit from more exposure to best practices in other countries. Much of this information is available on the Internet, but unfortunately not in the Myanmar language.

II. PURPOSE AND METHODOLOGY OF THE STUDY

A. GENERAL BACKGROUND OF LIFT

The Livelihoods and Food Security Trust Fund (LIFT) has been working in Myanmar since 2009, to assist the country in its efforts towards achieving Millennium Development Goal 1: to reduce the number of people living in poverty and hunger by half.

LIFT targets smallholder farming families and the landless rural poor, funding projects that help them to raise their incomes, improve their nutrition and food security, and live better lives. LIFT's projects provide opportunities for sustainable growth, for quality harvests, improved and innovative access to credit and markets, while bolstering people's ability to cope with setbacks and change.

In 2014, LIFT was supported by eleven donors: Australia, Denmark, the European Union, France, Ireland, the Netherlands, New Zealand, Switzerland, Sweden, the United Kingdom and the United States of America. Italy and the Fund's first private sector donor, Mitsubishi Corporation, have recently joined.

With a focus on aid effectiveness, funds amounting to USD 206 million have been pooled to support more than 90 projects across Myanmar's four main agro-ecological zones: the Uplands, the Dry Zone, the Ayeyarwady Delta and the Coastal region. LIFT supports activities in more than half of the townships in the country. To the end of 2014, 2.7 million people - or roughly five per cent of the country's population - had benefitted from LIFT support.

LIFT is governed by a Donor Consortium (DC), instructed by a Fund Board (FB) and managed by the United Nations Office for Project Services (UNOPS). Projects are implemented through LIFT partners: local and international NGOs, research and academic bodies, United Nations agencies and international institutes.

In 2014, LIFT updated its strategy in line with recent government reforms to provide more scope to support the most vulnerable to be part of Myanmar's growth. More information is available at www.lift-fund.org

B. BACKGROUND OF ASSIGNMENT

The Ministry of Finance requested LIFT to conduct a preliminary qualitative impact assessment of microfinance services provided by LIFT-supported MFIs and other MFIs that have received their licenses in 2012.

Most MFIs in Myanmar do not have socio-economic or household -baseline data of the clients or non-clients. This limits the application of a longitudinal study consisting of a baseline and follow-up studies using the same variables and measures. Therefore, this impact assessment will be done by a one-time retrospective study that compares the present with a previous point in time in order to assess changes.

LIFT commissioned the assistance of an international expert to carry out the study. The study used focus group discussions in villages benefiting from LIFT-supported MFIs, as main inputs for the assessment. Both international and national MFIs were included.

The research villages were located in the regions of:

- Ayeyarwaddy
- Yangon
- Magway,
- Sagaing, and
- Shan State

The methodology was established as follows:

- Document review (existing impact studies)
- Development of focus group guides for assessing impact (The tool used for the focus group discussions is attached as an annex to this report: Annex A: Focus Group Interview Guide).
- Hiring a local firm for conducting focus groups under the supervision of an international consultant who is on retainer with LIFT as a Monitoring and Evaluation Specialist
- Analysis of the qualitative data gathered from focus group discussions
- Writing the report

The study took place during Feb – April 2015, with the field work occurring in two phases: the first period with the international consultant accompanying M-CRIL (Feb 12 – 27, 2015) and the second period with the LIFT Fund Program Specialist (Microfinance and Enterprise Development) accompanying M-CRIL (March 18 – 24, 2015). The study required conducting 15 focus groups discussions (FGD) in 15 villages. An average of 2 FGDs was conducted each day. At the end of each day, the facilitator and note-taker transcribed the notes from both focus groups into English on a template provided by the International Consultant, and delivered these to the Consultant in electronic form.

The results of the methodology were:

- Sampling of 8 microfinance institutions (MFIs), national and international – Myanmar Development Partner, ECLOF, PACT Global Microfinance (PGMF), Pyae Mahar, World Vision, Parami Co-operative Microfinance, Boarder Development Association (BDA), and Proximity
- 15 villages, of which 60% were rural and 40% urban
- 164 clients interviewed in these 15 focus groups
- There were 104 group leaders in these 15 focus groups, and since the average group size is 5 persons, this represents 520 persons
- 95% women clients (this being the focus of the MFIs chosen)

A table (Table One) of the details of the focus group discussions conducted is below:

Table One: Focus Group Discussions

No.	MFI	Local/Intl	Date of FGD	Location	Village/Township	No. of Women	No. of Men	No. of Group Represented	Rural/ Urban
1	MDP	Local	2/19/2014	Yangon	Daw Pone, Tharketa	9	1	9	urban
2	ECLOF	Local (Trained by By PGMF)	2/19/2014	Delta	Yoe Gyi, Kyone Pyaw	9	0	9	rual
3	LOLC	Intl	2/19/2014	Yangon	North Okkalapa, Yangon	10	0	8	urban
4	PGMF	Intl	2/20/2014	Delta	Min Ka Kone, Bogale	12	0	3	rural
5	PGMF	Intl	2/21/2014	Delta	Kan Kon, Bogale	12	0	12	rural
6	Pyae Mahar	Local	2/23/2014	Delta	Kan Thar Yar, Yegyi	11	0	11	rural

No.	MFI	Local/Intl	Date of FGD	Location	Village/Township	No. of Women	No. of Men	No. of Group Represented	Rural/ Urban
7	World Vision	Intl	2/24/2014	Delta	Kan Ni, Pathein	10	0	5	urban
8	Pyae Mahar	Local	2/25/2014	Delta	Kyi Taw Eine, Yegyi	10	0	10	rural
9	Co-operative Microfinance	Local	2/18/2014	Shan State	Lat Ma Pin Ward, Aung Pan	14	0	1	urban
10	PGMF	Intl	2/19/2014	Shan State	Einn Pyn, Kalaw	10	0	5	urban
11	Co-operative Microfinance (Parmi Co-operative)	Local	2/19/2014	Shan State	Taunggyi	13	0	13	urban
12	Border Development Associate (BDA)	Local	2/23/2014	Dry Zone	Ywa Thit, Monywa	10	0	4	rural
13	Border Development Associate (BDA)	Local	2/23/2014	Dry Zone	South Hta Naung Taw, Monywa	11	0	6	rural
14	Proximity	Intl	2/24/2014	Dry Zone	Htan Pin Chaung, Yesagyo	7	4	4	rural
15	Proximity	Intl	2/24/2014	Dry Zone	Pakhangyi, Yesagyo	7	4	4	rural
	Total					155	9	104	

The limitations of the study were:

- A limited number of microfinance institutions was represented (there are a lot of MFIs operating in Myanmar);
- The participants of each group were selected by the MFI, in other words, not randomly, which may have introduced some bias;
- The international consultant who accompanied the M-CRIL research team for the first phase does not speak Myanmar language, and this may have influenced the analysis.

However, since the findings (below) conform to other microfinance impact studies done in Myanmar, it is assumed that the limitations to the study did not affect the results significantly.

III. SUMMARY OF PREVIOUS MICROFINANCE IMPACT STUDIES IN MYANMAR

It is always valuable to compare results of other studies to the current study, to make sure that results are consistent. If they are not consistent, it may indicate problems with the methodology. In this study, a document review was done of two other microfinance program studies. The first was an external evaluation, with a fairly rigorous methodology, done on the UNDP Microfinance Program. The second was an internal study using qualitative techniques, done on the World Vision microfinance program.

A. UNDP MICROFINANCE PROGRAM IN THE DELTA, DRY ZONE AND SHAN STATE

The United Nations Development Program/Myanmar's Microfinance Program (MFP) began in 1997 and was implemented in three regions (Delta, Dry Zone and Shan State) by Pact since 2006. An impact evaluation was carried out in 2007, and a subsequent one in 2011. It reports on the status and evolution of program impact on clients and non-clients in villages and townships covered by the program at the time of the evaluation (2011). The 2011 impact evaluation used three approaches to evaluate impact:

1. A qualitative approach using focus group discussions and key informant interviews in 12 microfinance and 12 control villages over the three regions
2. A Panel Study with 536 of the original respondents to the 2007 impact survey
3. A Cross-Sectional Study of 3,600 client and non-client households

This impact evaluation found that the MFP "had a very positive impact on the lives of the clients it serves." It seemed to contribute to an increase in the level of economic activity of villages where it operates by providing more employment and better services to non-clients. It increased income measurably, and improved standards of living for clients.

On the business side, the microfinance program:
- Helped people access credit at lower rates of interest than other sources
- Reduced low-wage daily labor in favor of more profitable microenterprise and agriculture investment
- Improved the profitability and production of agriculture
- Increase the diversity of businesses

Specifically in agriculture, it:
- Encouraged purchase and planting of agricultural land
- This land produced better yields and had higher net returns

In employment, it:
- increased the demand for labor
- pushed up wages and
- provided employment for unemployed youth and poor, casual laborers

In household and business assets, the MFP:
- Helped families increase their assets, specifically household durables and transportation

In other results, the MFP improved food security, helped households keep children in school, helped them pay for medical expenses, and helped them improvement the quality of their homes.[1]

1 Dorsey, Jeff. 2012 Synthesis Report - Impact Evaluation of the United Nations Development Program/Myanmar's Microfinance Program in the Delta, Dry Zone and Shan State. 2012.

B. MICROFINANCE PROGRAM, WORLD VISION[2]

The World Vision Myanmar's Microfinance Program (MFP) began in 1998. In 2011, a survey was done to investigate child-level impacts of this program. The study was internal, and the approach was qualitative.

The study indicated that:

- Larger loan amounts had more impact than smaller ones
- Household income increased
- Household expenditures on children's education increased
- Housing conditions were improved (in the rural setting where people own their houses)

2 Child Well Being Outcome Survey Findings Microfinance Program. World Vision, September 2011.

IV. FINDINGS

In this section, the results of the focus group discussions are presented, with a short analysis of the significance of the findings after each section.

A. ACCESS TO CREDIT

In most of the focus groups, participants reported having access to credit in various forms before the arrival of microfinance services in their villages. In most cases, the credit was loans from Myanmar Agricultural Development Bank (MADB) for agriculture and/or moneylenders. Where MADB loans were available, it was usually the husbands who take out the MADB loans. Other sources of credit included supplier/wholesaler credit (2 FGDs), and advances on labor (1 FGD). In a few cases, focus group participants reported not having access to credit before the arrival of the MFI.

> "The local money lenders, who give loan in a higher interest rate, do not trust most of us. Even though we offer to deposit some assets as collateral for getting loan" (FGD #9)

In one-third of the FGDs, participants reported that there were other microfinance suppliers operating in the area. It is not clear if these had arrived before or after the MFI of which the FGD participants were clients. In 3 FGDs, the members were aware of the other MFIs and had chosen not to become their clients, either out of loyalty or because the terms and conditions of the credit were better in their chosen MFI. In one FGD, participants knew about the existence of a nearby cooperative, but had no information on its terms and conditions (they had not explored this option). In one FGD, participants stated that they had loans from other MFIs at the same time (i.e. concurrently).

A member having a small business of selling firewood to factories said that she was so poor that even local moneylenders were not giving her a loan. She felt surprised when the MFI gave her a loan (FGD #7).

Analysis: Credit is usually available in both rural and urban areas, but its availability may depend upon how poor a person or their household is. Poorer households may have more difficult accessing credit. In any case, the cost of the credit from MFIs is lower than from other sources.

B. ATTRACTION TO THE MFI

When asked why they were attracted to the MFI, participants in all focus groups (100%) stated that it was the credit, rather than other products or services (savings, training) that attracted them. This attraction was primarily for use in their income-generating activities – microenterprises or agriculture – rather than for consumption credit (education, home repairs, etc.) (87%). In 2 FGDs (13%), participants stated that they were attracted because of the possibility of getting larger loans after a period of time.

Analysis: Credit is the product with the most appeal, and the reason that most people are attracted to the MFIs. Most people want the credit for their income-generating activities.

Families may have more than one loan at a time, and from more than one institution at a time. Infrequently, these are 2 MFIs that are providing the loans. More frequently, a person gets a loan from an MFI and also the MADB, or from an MFI and the moneylender (using in the early cycles of the MFI loan, when the loan amounts are small). There were no instances of negative effects from having multiple loans, but the potential for overindebtedness exists, especially when lenders do not share information with each other. The best way to counter the potential for overindebtedness is educate MFI clients about the dangers of over-borrowing, and to share information between MFIs (and other lenders) when working in the same areas.

C. USE OF THE CREDIT

The credit was used primarily for investment purposes, in income-generating activities. In one FGD, one/two member(s) mentioned having had a medical emergency at the moment that the credit was disbursed. They had used some or all of the loan for the medical emergency, and had repaid it.

The credit was used to rent inputs (cattle for plowing fields), to purchase transport for the business (boats), to buy supplies and inventory for microenterprises, and to purchase inputs (seeds) for agriculture.

Some of the specific investments that participants mentioned are:

- To purchase animals (pigs, ducks) for breeding and selling
- To purchase machinery for the business (sewing machines)
- To purchase transportation for the business (motorcycle, rickshaw)
- To purchase inventory (e.g. roofing supplies for sale)
- To purchase inputs (cloth for tailoring, seeds and fertilizer for agriculture)
- To purchase additional higher-value products to sell (petrol, utensils, rice, oil)
- Renting cattle for plowing
- Putting in a tube well for irrigation
- Opening or improving a shop

In one case mentioned, a woman shared her loan with another person. Both women invested their loans in their income-generating activities. This was probably due to the fact that the MFI staggers disbursements – only a few members of each group get a credit at the same time, and the others have to wait until those clients demonstrate good repayment.

Overall, the results of the FGDs showed the following use of the credit:

There were business failures. In one FGD, a woman mentioned that the boat transporting her goods sank. She was able to repay the loan through day labor. In other FGDs, participants mentioned crop failures. Betel nut growing was mentioned as being specifically risky. These business failures did not appear to have led to default, since the participants had other sources of income.

Analysis: The use of the loans is primarily for income-generating activities. In other words, people wanted the loans for their businesses, and once they received their loans, they used the money in business investment as planned. Diversion of loans for non-business activities was rare. The loans were used for many aspects of business involvement – purchasing land, inputs, supplies, labor, and so on. Not all business were successful, but even when not successful, the loans were paid.

> "Some members who invested their loans in the growing betel leaves said that it was a risky business. They reported working as daily wage labor to repay the installments, on occasions when they incurred losses due to bad weather."
>
> (FGD #7 Transcript)

- 67% used the loan to grow their businesses – either in size (square footage), in number of animals, or in more inventory) – in one example, a road-side fishmonger opened her own shop
- 33% used their loan to expand their product offerings into more profitable products
- 73% used the loan to diversify their type of business or starting a new business – such as changing from a day laborer who made bricks to working for herself in producing bricks.

D. CREDIT CONDITIONS

The table below (Table Two) gives a list of factors related to the credit that clients appreciated. From the table, we see that clients in nearly half (47%) of FGDs mention that they like the lower interest rate charged by MFIs, compared to moneylenders. Note that the percentage column indicates the number of focus groups in which this issue was mentioned voluntarily, without prompting by the facilitator. It is not an indicator of how many people feel this way, or how important this issue ranks compared to other issues in the table.

Table Two: Credit Conditions – What Do Focus Group Participants Like?

Likes - Credit	No. of Groups	Percentage of Focus Groups
Lower interest than moneylenders	7	47%
The variety/range of loan products	5	33%
Reasonable installments	5	33%
Agricultural loans with balloon payments	4	27%
No-collateral loans	2	13%
Bi-weekly payments	2	13%
Ability to get follow on loans from the MFI (as opposed to moneylenders)	2	13%
Reasonable loan amount	2	13%
Access to credit for the first time	2	13%
Fast processing times	1	7%
Can send payments with another member	1	7%
Educational loan	1	7%
Individual loan (as opposed to group)	1	7%
Reasonable frequency	1	7%
Graduated loans that increase in amount	1	7%

1. Interest Rates

Participants reported that the interest rates were lower than the moneylender rates, the wholesaler rates, and other sources of credit (e.g. loans from large farms that were repaid by labor at lower than market rates in one focus group). This was a source of satisfaction to the clients in 47% of focus groups. However, in 3 FGDs (20%), participants also recommended that the rate be lower (and in these FGDs, the MFIs were PGMF and Cooperative Taunggyi). Of all the sources of satisfaction mentioned, the lower rate of interest was mentioned the most frequently.

Analysis: Clients of MFIs feel that the rate of interest of MF loans is lower than that of moneylenders and other sources of credit. They are able to compare these rates, even when the rate of interest is not stated (for example, advances on labor). Even though rates are perceived to be lower than moneylender rates, participants would like rates to be still lower.

"After the repayment of the loan of local moneylender where I pay higher interest I get back nothing, where as it is different in case of MFI here when I repay the loan I get next loan as well as my saving deposit immediately."

(FGD #11)

2. Loan size

Loan sizes were a source of complaint. In only 2 FGDs, the participants indicated that they were satisfied with the loan amounts. In 10 groups (67%), participants recommended increasing the loan amount. In two groups, participants mentioned that other villagers (non-clients) looked down on them for their willingness to take the "paltry" sum of US $50 (MMK 50,000) in the first cycle (FGD#6 and #4). On the other hand, several groups mentioned that they were happy to get the first cycle loan of US $50 (MMK 50,000) (e.g. FGD#6).

For example, in one group, most members were in the fourth cycle, and the maximum loan amount in that cycle was US $90 (MMK 90,000). Participants recommended having higher loan amounts (FGD #9). For comparison purposes, in another group (FGD #1), participants in the fifth cycle did not have a recommendation for larger loans. In this group, one woman had a fifth cycle loan of US $500 (MMK 500,000).

Analysis: Many participants want and need larger loan amounts for business investments. This is often related to agriculture. The loans are not large enough to support the investments needed in agriculture, especially for the farmers with larger farms. This is also related to the MADB loans, which are also not large enough to support investments in agriculture, for those crops that the MADB finances.

3. Other Terms and Conditions

The participants are mostly satisfied with the terms of their loans – the repayment frequency, the loan duration, and the installment amounts. In 5 groups, participants were happy with the amount of their installments. An additional source of satisfaction was the no collateral requirement.

In one-third of the focus groups, the range of loan types was mentioned as something positive. The MFIs had at least three types of loans, and some had more, for example: "general" (i.e. non-farming microenterprise) loan, agricultural or garden loan, educational loan, health loan, and others. In many MFIs, clients are allowed to take more than one loan at a time. Although not captured in the focus group transcripts, this seems to be appreciated by the clients, since many have more than one loan at a time.

The most popular loan seemed to be the agricultural loan, which is a loan with a balloon payment of principal at the end of the loan term, and interest payments more frequently (which differ with each MFI).[3] This was mentioned as positive in 27% of groups. This loan is very popular precisely because of the balloon payment. In three groups, presumably with MFIs that did not offer agricultural/balloon loans, participants recommended that the MFI offer these loans.

Analysis: Clients especially like the balloon payment of the agricultural loan, which probably reduces their work load, because they do not have to make periodic payments of both principal and interest. Only interest payments are required. A variety of loan types (business, agriculture, education) also makes it easier to invest in more than one income-generating activity, and consumption needs also. This probably increases the availability of cash in the household, and since this is fungible, it can be used for making payments on the different loans as well as investing in assets.

4. Client Recommendations about Credit

When asked what recommendations they would give to improve the conditions of the credit, participants mentioned increasing the loan amount (10 groups, or 67% of groups), adding additional loan products (these were mentioned as being livestock loans in 2 FGDs, housing loans in 1 FGD, and agricultural assets in 1 FGD), and lowering the interest rate in 3 FGDs, as per Table Three below.

3 However, please note that no ranking activity was done with focus group participants, so this conclusion is based only on the number of times that the agricultural loan was mentioned voluntarily.

Table Three: Recommendations by Focus Group Participants for Improving Loan Conditions

Recommendations - Credit	No. of Groups	Percentage
Larger loans[4]	10	67%
Other loan products (education, livestock, house, agricultural assets)	4	27%
Lower interest rate	3	20%
Balloon payments	3	20%
No staggering of loans	2	13%
Longer term	2	13%
Dislike fees	1	7%
Faster disbursement	1	7%
Less frequent installments (not daily)	1	7%
Get rid of compulsory attendance of the whole group as a requirement for getting a loan disbursement	1	7%

4 The focus group discussion guide did not ask how much clients wanted in larger loans. This is probably related to their individual businesses, especially agriculture, and would need further study. Also, note that each MFI provided different amounts of loans. Therefore, this finding may only apply to those MFIs that offer smaller amounts.

Some specific characteristics in individual MFIs were disliked. Since these are not characteristics of all MFIs, they are not mentioned frequently. The use of staggered loan disbursements was disliked. This is the practice of disbursing loans to only a few members of a 5-person group, and making the others wait until the first recipients had started paying well. Fees charged by MFIs on top of the interest were disliked, as were slow disbursements, daily loan repayments, and a requirement that all members be present in order to disburse loans.

While these are the recommendations of the clients, this does not mean that MFIs should do this. However, it does mean that MFIs should study the feasibility of these client recommendations, and in the case where changes cannot be made, MFIs should have a good response for their clients.

Analysis: As mentioned, most loan sizes are inadequate for the amount of money needed to invest in income-generating activities, especially agriculture. Clients also want more types of loans, which allows them to invest in more income-generating activities (such as livestock) without using their profits.

E. SAVINGS

The focus group participants were asked what they liked about their involvement with their MFI. The following table shows what participants like about the savings products, and how frequently each of these issues was mentioned in each group. Note that not all MFIs offer savings products.

Table Four: Savings – What Do Focus Group Participants Like?

Likes - Savings	No. of Groups	Percentage
earning interest on savings	3	20%
accumulating a lump sum of savings	2	13%
saving small amounts regularly	1	7%
ability to withdraw some savings	1	7%

Savings were an element that attracted people to become clients of MFIs, although not as attractive a feature as the credit. In 20% of groups, participants mentioned that earning interest on their savings was a positive factor. They also appreciated being able to save small amounts regularly, ending up with a lump sum (a large amount) for withdrawal to be used in investing in their businesses or in consumption. For those MFIs that allowed withdrawals of savings (not all do), this ability to withdraw was a positive characteristic.

Some MFIs did not collect savings at all. Some collected compulsory and voluntary savings. The compulsory savings policies differed for different MFIs. In the MFIs that allowed or encouraged voluntary savings in addition to compulsory savings, not all participants had been able to save voluntarily. This appeared to be due to the length of time that they had been with the MFI – less time meant less voluntary savings.

In one group, it seemed that the transparency of the MFI's savings practices was not clear:

> The respondents said that the MFI deducts MMK 1,800 for MMK 45,000 of loan as institutional saving and they can withdraw it only when they leave the MFI. They said that interest is paid by the MFI for their saving but they have no idea on what is the interest they are earning on their savings.
> (FGD #9 Transcript)

In another FGD, by contrast, the participants were very well informed about their savings:

> The members understand that the MFI deposits their saving at the bank; a passbook is given to each member. The members informed that there are three savings products:
> (i) Upfront security: deposit 4% of the loan amount as security for the loan,
> (ii) Compulsory saving: of MMK 500 bi-weekly, and
> (iii) Voluntary savings. They earn 15% interest on their savings.
>
> (FGD #3 Transcript)

"I totally trust the MFI with my savings, because they have already given us a good amount of loan."

(FGD #3)

The difference in the level of understanding about savings between these 2 groups (and MFIs) may have been due to the length of time as clients of the MFI – in the former group (FGD #9), the participants had been in the program about eight months (4th cycle of two-month terms, i.e. 8 months) while in the latter group (FGD #3), the participants were in their 2nd cycle of year-long terms, i.e. over one year.

A Focus Group Discussion

In FGD #11, one woman commented that she had saved US $700 (MMK 700,000) with the MFI, which is equal to the total of her 2 active loans. She is saving this money for the donation ceremony (a religious ceremony to be held for the first initiation into Buddhist monkhood) of her children.

Analysis: There are many different savings practices among the MFIs that were visited, ranging from best practice (minimum amount of savings required to guarantee the loan, and withdrawals of all other savings permitted) to poor practice (large amount to guarantee the loan, and no withdrawals permitted). The ability to save increased with the time that a person was involved with the MFI – in other words, in the early cycles, it was difficult to save above the minimum, but later it became easier. Women who had been involved with their MFIs for a long time had large amounts of savings, even up to US $700 (MMK 700,000). This is a very positive feature of microfinance, and helps families accumulate assets and avoid economic shocks.

F. IMPACT

In this section, we will discuss impact, beginning with the impact on businesses. Following this, we discuss impact related to housing improvements, on independence from moneylenders, on children's education, on household and business assets, on health, on social interactions, impact from the social welfare funds, and other types of impact, including any negative impact from microfinance activities.

1. Business Impact

Table Five, below, shows the different types of business impact, and the number and percentage of groups reporting each type of impact. Each type of impact will be discussed separately in the subsections below the table.

Table Five: Types of Business Impact

Business Impact	No. of Groups	Percentage
increase in income/profits	12	80%
diversification into other new businesses	11	73%
bigger business (more inventory, animals, space)	10	67%
business assets (machines)	5	33%
diversification of product line into more profitable products	5	33%

A. Increase in Profits

The greatest impact heard from members of focus groups was the increase in income/profits from investing their loans and savings into their businesses. This was brought up in 80% of the FGDs. As was mentioned earlier, most loans were correctly used in the income-generating activity of the borrower. Infrequently (primarily because of MFI restrictions on withdrawing savings), savings were also invested in the income-generating activity of the household.

> One respondent said that she took USD 45 in her first cycle which she invested in growing beans in her garden. The profit of bean cultivation is invested in banana plantation and she told that now she is getting income from that banana garden also. She told that the loan from the MFI has helped her to increase her family income. (FGD #9 Transcript)

> Another lady stated that after getting loan from the MFI, the profit from her farming has increased and she bought one motorcycle from the surplus. (FGD #15 Transcript)

Analysis: From the results of the FGDs, it seems that clients of MFIs do not have much difficulty in deciding how to invest their loans. Despite the few business failures mentioned in an earlier section, most people have been able to invest their loans correctly and profitably. They are clearly taking advantage of market opportunities. These new investments have led to increase in profits and in business income.

B. Diversification of Businesses/New Businesses

The second greatest impact of the microfinance program in the business area was the diversification of businesses. This was mentioned in 11 groups (73% of groups). Many people reported starting new businesses:

- We were able to use our farm land, which we had not farmed before due to lack of money.
- I opened a new shop (tailoring, beauty). (FGD #1, #3)
- I changed from being a laborer in someone else's bricklaying enterprise by buying my own brickmaking machine, and now I have my own bricklaying business. (FGD #11)
- I drilled a tube well with my loan and now I sell water to my neighbors. (FGD #1)

- I began a pig fattening business with my loan. (FGD #2 and others)
- I bought three rickshaws that I rent out. (FGD #3)
- I opened a DVD rental shop. (FGD #3)
- I bought a mango orchard. (FGD #12)

Analysis: This result of diversification is interesting, and indicates that clients are assessing the profitability of their businesses, and are changing to more profitable businesses by using their loans. The fact that some people are investing in new businesses indicates that microfinance helps increase their tolerance for risk. These new and more profitable businesses have probably contributed to the increases in profit and income mentioned in the previous section.

C. Increase in Business Size

The third greatest impact in the business area was that of increased business size. In 67% of groups, this was an impact, either of the loan itself (i.e. investment of the loan in these areas), of the profits from the loan, or from the savings accumulated in the program. These included:

- changing from roadside vendor to having a shop (FGD #4)
- increasing shop size (e.g. FGD #10)
- increasing inventory (e.g. FGD #13)
- increasing the number of animals owned (e.g. FGD #6)

One of the participants utilized MMK 40,000 (from MMK 80,000 of her general loan) to buy a pig and invested the remaining amount in her business of trading of roof materials. She received MMK 100,000 in the second cycle, which she utilized to purchase another pig and invested the rest in her trading business.
(FGD #2 Transcript)

Analysis: The results clearly show that businesses are increasing due to microfinance activities, mostly from the use of the loans rather than savings. Businesses are increasing in physical size (square area, for example) and in the amount of inventory present. This has helped increase profits and income.

D. Increase in Types of Products Sold in Existing Businesses/Increase in Business Assets

In equal place, mentioned in 5 groups (33%) each, were an increase in business assets (machines), and a diversification of an existing business' product line into more profitable products:

Business assets that were purchased with the loan or profits from the loan included:

- A brickmaking machine (FGD #11)
- A sewing machine (FGD #3, #12)
- A scale for weighing produce (FGD #13)
- A weaving machine (FGD #14)

With her second and third loan she bought two weaving machines, and now she has one more source of income apart from agriculture. She is repaying the loan from her income of the weaving business. (FGD #14 Transcript)

Business product lines were also expanded to include more profitable items:

> Earlier they were only selling vegetables, now they have added meat products, which have a greater profit margin. They attributed this to the loans from the MFI. (FGD #3 Transcript)

> A participant whose first loan amount was US $80 (MMK 80,000), now has a loan of US $1,500 (500,000) in her ninth cycle; she has been investing the loans in her store which had started as a grocery store but has now scaled up and sells utensils, petrol, etc. At present, the worth of all the items in her shop is US $4,000 (MMK 4,000,000). (FGD #5 Transcript)

A Microentrepreneur's Kiosk

She added that her business has grown significantly and now in her shop she sells rice and oil as well. (FGD #9 Transcript)

A florist vendor said that after taking loans from the MFI she could scale up her business by adding more products. Now, she sells a lot of different types of flowers and to carry that large quantity of flowers she has to use a motorbike. (FGD #13 Transcript)

Two groups (13%) also mentioned that the group meetings were good places to share business information and to solve business problems together.

Analysis: The results of the FGDs show that business assets are increasing, which improves profitability and productivity of the business. As well, the products that people are selling are more profitable, which also increases income. With microfinance loans, people can invest in higher value, higher margin products to sell, which attracts new clients and creates higher profit margins. The groups also provide a mechanism for business networking – sharing market opportunities and lessons learned from business endeavors.

2. House Improvements

There was also impact in non-business areas. Home improvements was one of these areas. In 33% of groups (5 groups), participants mentioned having made home improvements with their profits, or had plans to do so.

> A woman who had invested her loan of US $200 (MMK 20,000) in her medicine business was able to turn a profit within six months; she used this profit to renovate her house. (FGD #3 Transcript)

> A member said she utilized her second cycle loan of USD 70 in her basket weaving business and repaid her installments regularly with the profits reaped from the business. She also used the income to repair the roof of her house. (FGD #6 Transcript)

> With the MFI's support, she was also able to reconstruct her house, become a shopkeeper and upscale her business. (FGD #7 Transcript)

> She added that from the profit of the kitchen garden, she was able to repair the roof of her house. (FGD #8 Transcript)

Analysis: It is important to note that MFI clients are making enough profits from their business investments that they can not only continue to save as required in the MFI, they can also use their profits for household improvements, as well as in other areas. This seems to be more common in the later cycles (fourth and above), and the longer a person is accessing microfinance services, the more profit he or she is obtaining.

3. Independence from moneylenders

Another benefit is independence from the high cost of moneylender credit. In 8 groups (53%), participants mentioned a decreasing dependence on moneylenders and other sources of credit (such as wholesalers or input providers). As mentioned earlier, this is because MFI interest rates are much lower than the moneylender rates.

> "Before taking loans from the MFI, we used to take advances from the wholesale dealers who would buy each basket at US $0.20 (MMK 200).[4] Now we don't take advances anymore and the MFI loan is very helpful to us." (FGD #6)

4 . The market price of these baskets was not recorded in the FGD transcript.

> Prior to their association with MFI, most participants acknowledged taking loans from the moneylenders during financial difficulties. Presently, they felt that they were in a better position as they had savings that could be withdrawn at any time. (FGD #3 Transcript)

> The respondents mentioned that before taking loans from MFI, they would to go to the individual moneylenders at least twice every year for their agriculture requirements. At times, after harvesting they would end up paying all the earnings to the moneylenders as principal and interest. (FGD #3 Transcript)

> She recalled that prior to taking loan from her MFI, she was buying fertilizers on loan from the shop at 5 percent interest per month. (FGD #15 Transcript)

However, their independence in some cases is not yet complete. This may be due to the type of business that they invested in (risky), a case of bad luck (the boat sank), the length of time as a client of the MFI, the other possibilities for earning money (day labor), and/or their overall credit needs:

> A participant who owned many acres of land was still going to the moneylenders, as the maximum loan amount provided by the MFI was US $500 (MMK 500,000), which did not meet her requirements. (FGD #3 Transcript)

FGD #4 was the only group where participants said they were completely free from moneylenders. These clients were in their 7th cycle (of 6-month loan terms).

Analysis: Clients seem to become more independent from moneylenders as they receive subsequent, and larger, loans from their MFIs. In other words, one loan is not sufficient to have impact; more loans are better. With the MFIs, they have money to invest in their businesses, and the cost of that money is less, so their profits are higher.

4. Education

Another type of impact is from education. This could be from education loans from MFIs, or from profits from the businesses in which clients invested. In 40% of groups (6 groups), participants mentioned an impact on their children's education, either from the loans (education loans, which tend to have a lower interest rate than business loans, such as 2.5% per month compared to 5% per month), the income earned as a result of the investment of the loan, and/or their savings, or indicated that they would be using their profits or savings on education.

From the income earned from investing the loan:

> FGD #10 - She added that the income from the shop was also helpful for the education of her children.
> FGD #11 - She utilized her increased income in the education of her children.
> FGD #4 - A lady using her credit for upscaling her existing business of selling coconuts and eggs spent the surplus from her business on her son's education (for more than 5 years).

From their savings:

> FGD #10 - Some respondents told they have withdrawn their savings mainly for the education of their children.
> FGD #11 - Another member mentioned that she has a saving balance of US $300 (MMK 300,000). She told that she is saving for her daughter's education.
> FGD #4 - Members responded that the compulsory savings would be invested in their children's education.

From their loans:

> FGD #9 - Two respondents told that they had spent the loan amount for the education of their grandchildren.[5]
>
> In FGD #1, participants made a plea for education loans:
>
> "Life will certainly improve if education loans are provided alongside the current products."

Analysis: Education loans were mentioned frequently and positively, and when an MFI did not provide them, the members recommended that the MFI do so. There is clearly an impact on education from the microfinance activities, and this is a high priority for families to invest in.

5. Household and Business Assets

Assets are important to productivity, quality of life, and in being resilient to economic shocks. The FGD results show that microfinance contributes to increases in assets, both household and business. Many participants stated that they had been able to acquire assets from their involvement with the MFI, either by directly purchasing assets with the loan and then paying down the debt, or by using their income or savings.

Table Six shows which types of assets have been acquired, and the percentage of FGDs where these were mentioned:

Table Six: Impact on Household and Business Assets (non-machinery)

Assets	No. of Groups	Percentage
Savings	13	87%
Animals	5	33%
Jewelary	2	13%
Transportation	3	20%
Assets (unspecified)	1	7%
Telephones	1	7%
Food in bulk	1	7%

As mentioned earlier, most (but not all) of the MFIs surveyed required regular savings deposits. Some had very strict requirements, where clients could not withdraw while they were members of their groups. Others had more relaxed requirements, where only 10% of the loan amount was required as compulsory savings, with the rest being available at any time.

In any case, participants were pleased to have been able to save small amounts periodically with the result that they have now a large "lump" sum of their own money. Some were planning to use the large amount of savings (the "lump sum") in future consumption/personal activities (religious ceremonies, savings, education), while others had invested or were planning to invest in enhancing their businesses.

Personal Use:

FGD #1 illustrates the different uses of savings for personal use:

> All FGD respondents said that they were able to set aside their weekly savings from their daily earnings (i.e. profits). Some also reported saving at home. Forty percent of the group contributed to a 'Lucky Draw Saving'….While the majority of the interviewees used their savings to buy gold jewelry, one lady spent it on her son's computer course while another donated her savings to monks. (FGD #1 Transcript)

5 It is not possible to determine whether this was an education loan or whether it was a different loan used for education purposes.

Business Use:

> One of the participants had withdrawn her savings in order to repay the installment for an MADB loan during the harvest season. She did this so that she could save her harvested products for sale in the future at a better price as during the harvest time the products were not favorably priced. (FGD #5 Transcript)

This interesting use of her savings allowed the member to receive a higher price for her crop.

In terms of the types of assets that people purchased with either the loan itself, with profits from the business due to the loan, or with savings, the following paragraph gives examples:

- Animals – pigs, ducks
- Jewelry – gold jewelry
- Transportation – boats, motorcycles, rickshaws
- Telephones
- Food in bulk – large sack of rice for family consumption

> "Another member reported that before joining the MFI she had to borrow boats for conducting her business. However, she was able to buy a boat with the loan given by the MFI." (FGD #7 Transcript)

Analysis: Most MFIs required savings, so that is why this percentage is so high. People also invested in livestock. It seemed from the discussions that livestock was an "easy" business – low barriers to entry, few inputs needed, low labor and physical space requirements, and liquid (easy to sell). Therefore, investments in animals were common. Aside from this, people also purchased transport, which can be used for business and personal needs, as well as purely consumer items, like telephones. The comment about buying a large sack of rice seems to indicate that food security is improved (this was a result of the World Vision study as well).

6. Health Care

Other impact concerns health expenditures. In 2 (13%) of the groups, members reported spending their profits or savings on health care for their families, or planning to do so.

> They also said that part of the loan was used for their children's education and on family members' healthcare in some instances. One member hospitalized her child the day after disbursement and spent the entire loan amount on treatment. Fortunately, she was able to repay all the installments from her income.
>
> (FGD #6 Transcript)

> All respondents reported having both compulsory and voluntary savings. Each member's compulsory savings was nearly USD 70 (MMK 70,000).
>
> (FGD #4 Transcript)

Analysis: This impact on health is mentioned with less frequency, probably because health issues occur with less frequency. However, the microfinance seems to help families avoid economic shocks due to health problems.

7. Social Impact

In terms of the social impact of belonging to a group and having access to credit and savings services, in 8 groups (53%), participants said that they felt that there was increased solidarity and mutual support from being in a group.

> They felt that being in the group means in case they face any difficulty they can solve it together and also, they became very friendly among each other because of their association in the group. (FGD #2 Transcript)

> The members opined that belonging to the group had made their relationship with one another strong and had made it easier to seek help. (FGD #3 Transcript)

In addition, in 5 groups (33%) they mentioned that this social impact included an increase in self-confidence:

> They opined that access to credit gave them the confidence to become entrepreneurs." (FGD #1 Transcript)

In 3 groups (20%), participants stated that they felt that it improved their communications among themselves, with their clients, and with the greater community:

> FGD #6 - They also mentioned that being a member of the group made them feel more confident in their business and helped them communicate better with clients.

> FGD #8 - The respondents added that due to joining the group they have inculcated the spirit of team work which is not only restricted to the activities of MFI but also shown in all village activities.

In one focus group (FGD #1), clients mentioned that the loans enabled them to become breadwinners; before they became members of their MFI, their husbands were the sole breadwinners, but now both husband and wife are.

Analysis: It seems that being in a group helped people understand more about business and this made them more confident to do business. It may have increased their tolerance for risk, knowing that they could count on other members to support them, and thus enabled them to invest in higher profit activities.

Regarding gender impact, the FGD guide did not specifically ask about gender roles in the household, and whether these had changed because of access to MFIs. In one group mentioned above (FGD #1), participants noted that they had become income earners in their household. But it is not clear if this improved their status, or led to empowerment, or what other changes this might have caused in the household. It is also impossible to know if this was common in other FGD groups. Further study on this issue would be needed to answer these questions.

In other countries, sometimes microfinance activities have been shown to increase conflict in the household, however, this is rare. Also, since women are responsible for other household activities (such as food preparation, child care, and so on), in addition to their business activities, it is important for MFIs to consider some gender sensitization activities for communities, so that men take on some of the responsibilities of the households while women work.

8. Social Welfare Fund Impact

The social welfare funds include emergency loans or grants for medical purposes (including maternity, surgery, or other needs) and death benefits (including payment of the balance of the loan and/or cash benefits to the family of the deceased). These funds can come from the savings of the group members – each group member may contribute a small amount of their weekly, bi-weekly, or monthly savings amount into a social welfare fund. The group also defines the use of these social welfare funds, and how a person can access them. For example, a woman with a very sick husband may ask the group for a no-interest loan for paying hospital fees. The group will decide if this is a good use of the funds, how much the amount should be, and when it should be repaid.

In another variation, the MFI may charge an interest rate that includes a small fee for this fund. This is commonly used for death of a member – the MFI will then cancel the remainder of the loan, and may also give the family some amount of money for burial expenses. Some MFIs extend no-interest loans for other medical emergencies. Not all MFIs provide these, and the FGD methodology used in this study did not investigate the details of these funds.

The table below shows the social welfare funds that were mentioned as something positive, and the percentage of groups in which they were mentioned:

Table Seven: Importance of Social Welfare

Social Welfare Fund Themes	No. of Groups	Percentage
death benefit	5	33%
sick benefit	3	20%
maternity benefit	2	13%

The impact of these funds was not specifically investigated in the focus group discussions. However, given the frequency with which they were voluntarily mentioned, and the detail that was used to describe them, it appears that these are of significant importance to MFI clients:

> Moreover, the MFI provides different social welfare benefits to the members. The MFI pays US $30 (MMK 30,000) as maternity benefit to expecting women, while US $50 (MMK 50,000) is given as support if surgery is required for the delivery. Also, the MFI provides death benefit of US $100 (MMK 100,000) in case of death of the client. (FGD #11 Transcript)

Analysis: These funds appear to reduce stress on MF clients because of their availability in case of emergencies. This probably contributes to business investment, since clients do not have to reserve money for emer
gencies, knowing that they can count on help from their MFI.

9. Other Impact, including Negative Impact

On the positive side, additional impact includes the ability to spend for religious purposes, including donation ceremonies and contributions to monks. This was mentioned in 4 FGDs (27%).

On the negative side, there was very little negative impact mentioned, compared to the positive impact. However, a few things stood out:

In the early cycles of loans, and when there are repayment difficulties (due to risky businesses or unforeseen problems), people often revert to day labor to pay off the debt. This is also aggravated by repayment schedules that are too frequent, and by lack of grace periods after a loan is disbursed. This was mentioned in 3 FGDs (20%).

> However, some of them felt that the pressure to make repayments on the allotted time made their life after securing the loan a little difficult. They felt that though there was an increase in the income, it was accompanied by increase in the amount of efforts (such as amount of labor), which was aggravated in the case of crop failure. (FGD #2 Transcript)(3rd cycle)

> Some members who invested their loans in the growing betel leaves said that it was a risky business. They reported working as daily wage labor to repay the installments, on occasions when they incurred losses due to bad weather. (FGD #7 Transcript)

"After the arrival of the MFI to our village, we women are becoming hard workers!" (FGD #3)

In some cases, the FGD participants mentioned stress. Sometimes this was the stress of having to repay on a certain schedule, and sometimes it was related to enforcing discipline in the groups, since many of the participants were group leaders. This was mentioned in 3 groups (20%):

> …they mentioned that it was often tough to enforce discipline within the group by donning the group leader's hat, which was often not appreciated by fellow group members. As a result, they were sometimes tempted to quit the group. (FGD #1 Transcript)

Analysis: It seems from the results that in the early loan cycles, investments may take some time to show results in profits. This is particularly true of agricultural and livestock investments. This may result in clients having to engage in day labor to make loan payments. In later cycles, this does not seem to be a problem.

V. CONCLUSIONS AND RECOMMENDATIONS FOR IMPROVING IMPACT

The purpose of this small study was to illustrate whether microfinance in Myanmar has impact, either positive or negative, on its recipients. This qualitative study, based on a small sampling of MFI clients from a variety of MFIs in different geographic areas of Myanmar, shows that there is some positive impact for many clients, and very limited negative impact. Positive impact includes bigger and more profitable businesses, an increase in household and business assets, and some social impact. This study validates and is validated by other microfinance impact studies that have been done in Myanmar, which show similar results. Clearly, microfinance in Myanmar is achieving the same results as in other countries:

> These results suggest that although microcredit may not be transformative in the sense of lifting people or communities out of poverty, it does afford people more freedom in their choices (e.g., of occupation) and the possibility of being more self-reliant.
>
> Banerjee et al. Six Randomized Evaluations of Microcredit: Introduction and Next Steps. American Economic Journal: Applied Economics 2015, 7(1): 12
>
> http://dx.doi.org/10.1257/app.20140287

There are also changes that can be made to MF practice in Myanmar that will improve impact. The following suggestions are based on evidence collected globally on microfinance programs, and follow global best practices:

1) The best way to counter the potential for over-indebtedness is educate MFI clients about the dangers of over-borrowing, and to share information between MFIs (and other lenders) when working in the same areas. Reduce compulsory savings requirements to 10% of the outstanding loan balance. All other savings should be classified as voluntary savings, and clients should be allowed complete access to those savings at any time.
2) Reduce repayment frequencies to monthly or balloon payments. If MFIs are worried about risk, they can gradually implement this practice for clients according to the length of time in the program and their credit history.
3) All group-based MF programs should have social welfare funds (emergency no-interest loans or grants for death, illness, or maternity, compiled of amounts of members' savings according to their bylaws).
4) Group-based MF programs should not use staggered loans. There is no evidence that these are effective at reducing risk or improving repayment.
5) Agricultural loans should not be due at harvest time, but rather later in time when the prices for the crop have gone up.
6) Keep interest rates below moneylender rates.
7) Offer a variety of credit products that may be accessed more than one at a time.
8) Ensure that repayment amounts and frequencies conform to the needs of the clients' businesses and households.
9) Ensure that the availability of credit continues, because one loan is not enough to create impact.
10) Ensure that loans are disbursed quickly.
11) Avoid charging extra fees and expenses.
12) Allow all group members to get their loans at the same time (no staggering); and
13) Allow people to receive their loans even if all group members are not present.

In general, MFIs in Myanmar could benefit from more exposure to best practices in other countries. Much of this information is available on the Internet, but unfortunately not in the Myanmar language.

ANNEXS

WARM UP

Moderator: To get started, I'd like have each of you briefly introduce yourself by stating your number, where you are coming from, and the name of your microfinance institution.
[Have each participant state her number and answer the two questions above.]

Moderator: Okay, thank you. Now please tell me about your experience with microfinance:

How did you hear about this service (institution/program)? (Probe: do they recognize this as a financial institution, or an NGO program, or a government service, or?)

Why were you interested in these services? (probe: what attracted them to the microfinance provider)

What kinds of services do you get from the MFI? (probe: loans, savings, nonfinancial services, other – ask the value of each, which is more important to them)

Are you all in the same group? How many groups are represented?

LOANS

What did you do with your loan(s)? (probe for number of loans, amounts of loans, and uses of each loans. Did the use change over time?)

Did the loan make a difference in your life? If so, how? (probe for positive impact, negative impact, no impact, unintended consequences – what are the changes and where did they come from?)

How did you handle financial problems before the MFI came? (probe for other lenders, for support from family, for
migration of family members for work, sales of assets, etc.) Now, what do you do if you have these problems?

Were there any difficulties with the loan? (probe for difficulties in getting it but also difficulties in managing it, such as repayments, and in particular, gender issues over control of the loan and profits) Where do you get the money to repay the loan? Is anything left over after repaying the loan?

Did the loan make a difference in the lives of your children? If so, how? (probe for schooling, nutrition, food security, health, etc changes)

What do you have now that you didn't have before the loans? (probe for assets, livestock, self-confidence, savings,
changes in schooling, nutrition, health)

Is there anywhere else in the village (area) that you can get a loan? Tell us the difference between your MFI loan and this other source of loans (probe for competition, better access to more affordable loans, collateral issues, etc.)

SAVINGS

Are you able to save money? (probe for constraints to saving)

Where do the savings come from? (probe for profits from business investments)

Tell us where you save money. (probe for where profits are saved, whether the MFI provides savings services, whether it is forced or voluntary, whether it earns interest)

What do you do with your savings? (probe for impact from savings – purchase of assets, school fees, health expenditures, household improvements, other?)

GROUPS (if the MF services are provided thru groups)

Please tell us about your group. What do you like about them? (probe for mutual support, networking, learning from others, etc.)

What do you dislike about your group? (probe for length of meeting, lack of transparency, conflict between members, group guarantee, other)

What difference has belonging to this group made in your life (probe for positive impact, negative impact, unintended consequences, gender issues, i.e. problems with spouse due to participation)

NONFINANCIAL SERVICES

Does your MFI provide you with any training? Please tell us about this (probe for what the MFI provides, is it useful, did they learn something, what did they do with their learning)

Did the training make any change in your life? Please tell us what. (probe for better use of money or time, changes in business line, other)

RECOMMENDATIONS

Is there anything that displeases you or concerns you about your loan? (probe for loan characteristics – interest rate, repayment frequency, loan term, add-on fees, and also general client satisfaction issues – slow disbursement, rude staff)

Is there anything that displeases you or concerns you about your savings? (probe for forced savings, inability to withdraw when needed, group guarantee problems, doesn't earn interest, not transparent, etc.)
Is there anything that you would like to improve about the training? (probe for length of time, scheduling, content, other)

Moderator: Thank you all so much for taking the time to talk with us today. Before we close, is there anything related to our discussion today that you think would be helpful for us to know about how useful the microfinance services are to you and people like you ?

Thank you again for your participation. We would like to invite you to take some refreshments at this time.

END OF FOCUS GROUP

ANNEX A: FOCUS GROUP INTERVIEW GUIDE

LIFT MYANMAR

MICROFINANCE IMPACT EVALUATION

Focus Group Guide for Interviews with Clients of Microfinance Institutions

Village: ________________________________

Date and Time of Focus Group: _________________________

Facilitator Name: ________________________________

Note-taker Name: _____________________________________

No. of Participants: _______

Gender of Participants: ____ Female ____ Male

Name of MFI: __________________________________

If the MFI uses a group methodology, how many groups are represented? _____

INTRODUCTION

Moderator: Today is [date] and my name is _________________. I would also like to present our notetaker, Mr./Ms ____________ (and any other outsiders present). Thank you for your willingness to talk with us. We are looking forward to hearing your thoughts on the questions we will ask you. This meeting should take approximately one and a half hours. Is this ok with you? If not, you are certainly free to leave before we get started. Please understand that we do not work with (MFI name) and your participation today will not have any effect on your services from (MFI name).

Please know there are no right or wrong answers or opinions about the topics we are discussing, so feel free to share your thoughts openly. We are looking for a range of opinions, so if you feel differently than someone else, feel free to share your experience or viewpoint. We will all agree to respect everyone else's opinions. I ask that you do not share information discussed in the group with others outside the group because some of it is personal. Please don't share any confidential information with the members of this focus group, because we can't guarantee confidentiality.

As mentioned earlier, the discussion is going to be audio-recorded and then typed. You may also see the note-taker pass me a note. This is only to keep me on time.

Before we begin the questions, I'd like to confirm that you all agree to participate today and that you all agree to the recording as well. Do you all agree to take part in this discussion today? Does everyone agree to be recorded?

Livelihoods and Food Security Trust Fund

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