

Factors Affect the Demand and Supply of MF in Myanmar “Case Study of Kamayut Township, Yangon”

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Abstract: The recent change in Myanmar government, has open up many doors for the future, however the country is one of the poorest in South East Asia. Over 80% of the poverty incidence is concentrated in the rural areas. There are two main key issues that contribute to the rural poverty. The first is the unskilled labour are subject to uneven wages or low salaries and second the poor infrastructure which lacks access to particularly land. Over 50% of the agricultural population are landless. The high human concentration and low financial returns creates a low access to resource/ capital in the rural areas, this helps to maintain the current rural poverty concentration. The low asset and ownership amongst the rural and poor household restricts their capacity to get any credit. Currently the country's strategy does not target the poor people in rural areas (Marianna and Robert, 2013). The economy growth is steady but the growth is still slow and the inflation rate is over 10%. The unemployed rate is also on the higher side. The demand for the micro-finance loans is greater than its supply; some source believes the demand is four times than the supply in the country. The population is young and lack education and other skills. A large number of people in Myanmar are traveling overseas for work, as the salaries and wage offers are more abroad. The GDP per capita is around \$ 1400, which is currently ranked the country as the 150th in the world. The large demand in loans will result in an increasing of the interest rate, in order to discourage people from borrowing or as a result of the supply and demand theory. The number of increase micro-finance businesses is a good sign, but the firm's take the risk as the people may not be able to return the loans on time and other factors those might affect the profit making.

The primary objective of this research is to explore factors affect the demand and supply of Microfinance loans and saving, how the micro-loans and micro-saving (the components of MF) opportunities affect the demand of Microfinance Institutions in Kamayut, Myanmar. This research can be targeted towards people who are 18 years old or more, who have or have not past experiences with Microfinance, want to save or loan money in Kamayut.

By using quantity method in this research the target sample size 397 people in Kamayut area, there were 390 respondents were completed the survey and 7 respondents were incomplete. Most of the respondents were female, as they covers over 67.7 % and they were 264 females responding altogether and 126 respondents were male which counts for 32.3%. The majority of the respondents are in the age's group of 28-31 and 32-35 which counts for 230 respondents. Majority of the respondent selected the income level of 100,000-130,000 and 140,000-170,000 which counts for 237 respondents. Majority of the respondents selected the lower than diploma/college option, which represents 147 respondents, which counts for 37.8% .

A large portion of the respondents is familiar with the concept of MF and based on the result of the survey is suggests that majority of the population in Kamayut have knowledge about MF. The change in interest rate directly affect the demand in micro-loan, the developing countries have limited supply of MF which results in a shortage. The positive mean value for demand and supply for micro loan and saving suggests that these two factors are the main ones that are affecting the overall demand for MF.

Keywords: demand, supply, microfinance, micro-loan, micro-saving.

I. INTRODUCTION

Myanmar is located in Southeast Asia; the nation is known as Burma and historically known as the Golden land. In the present, the official name is “**Republic of the Union of Myanmar**”. A sovereign state in South East Asia bordered by Bangladesh, India, China, Laos and Thailand. The population in Myanmar is experiencing steady growth and the country’s ranking is 26th in the world (Worldometers, 2016). The current population is 54,403,401 which is equivalent to 0.73% of the total world population. The increase has been 0.87% from 2015 to 2016 and Migrants recorded so far in this year is - 10,000, which means the country is losing more of the population as there are moving to foreign countries to work for a better life.

The main objective of this research is to explore factors directly affect the demand and supply of Microfinance loans and saving and how the micro-loans and micro-saving (the components of MF) opportunities affect the demand of Microfinance Institutions in Myanmar.

- Does MFIs rely on demand and supply of MF and how does micro-loans and micro-saving directly affect the demand and supply of MF?
- What are the main factors that affect micro-loans in microfinance?
- What are the main factors that are affect the micro-saving in microfinance?

II. MAJOR FORMAT GUIDELINES

Myanmar’s Economy: The government structure of Myanmar was for many years based on the self-reliance in both political and economic terms (dictatorship). The country implied the idea of self-reliance that in reality could be translated into a closed-door or an inward-looking policy. This idea best suited the socialist economic system or control-oriented structure if you will (Thein, 2004). This control-oriented approach by the government dried foreign investment in the country and this caused the economy to slow down. The slowing in the economy has been growing for many years, changes in the government’s approach letting the country open its doors to foreign investment in the 1990s. This created a lot of opportunity for export and over 3000 exporter were registered and the export grow at a rate of 6.6 % during 1985 to 2003, during the period the GDP improved as well (Toshihiro and Fumiharu, 2007).

Demand of Micro-Finance in Myanmar: The change in the government structure has change the demand of Micro-Financing in Myanmar. Some research confirms that the demand for micro loans in Myanmar is five times greater than, its supply (Nehru, 2015). According to Duflos et al (2013), this means that 20 out of 100 potential microfinance clients do not have access to formal financial services and the rest of the clients go for informal financial services, like family, friends and un-register money lenders. This creates opportunities for non-register money lenders to make large sums of interest, as the high interest rate doesn’t affect the demand in the micro-loans. During the 1990s firms in Myanmar made a lot of profit, which was generate from high level of the interest rate.

Supply of Micro-Finance in Myanmar: The high level of demand suggests that the supply is less and more MFIs needed to fulfil the demand. According to Eric, Paul, Li and Yan (2013), the current microfinance outreach is 2.8 million clients of micro-loans in Myanmar. MFI’s have given loans of a total sum of 236 billion kyats (US\$ 283 million). This supply is consider to be 5 times less than the demand, analysing the study by Eric , Paul, Li Yan (2013), the supply is fewer and the demand is higher and to meet the current demand US\$ 1.2 billion must be offered in micro-loans to poor people in the country.

Micro-Finance: Micro-Finance is defined as “the provision of financial services to low-income, poor and very self-employed people” (Otero, 1999, p 8). Those services have included insurance, payment, loans and saving services (Ledgerwood, 1999). According to Colombet’s (2001, p339) idea, it is attempt to improve access to small deposits and small loans for poor households neglected by banks. Some sources state the micro-finance is a “financial series for poor and low-income clients offered by different types of service providers” (Micro -finance in Africa , n.d), and from a global perspective, microfinance organizations envision a world in which low-income household have permanent access to range of high quality and affordable financial services offered by a range of retail providers to finance income-producing activities, build assets , stabilize consumption, protect against strikes. Therefore the micro-finance can be defined as the financial services such as loans, insurance and savings offerings to poor people, who can improve their

living standard and are based in urban or rural areas. Micro-Finance is a tool employed by third world countries to fight against the poverty in their countries. The service is meant not only to encourage people to take loans or credits but emphasis to save or take the insurances as well.

Micro Loan: The Microloan is one of the components in microfinances and According to Sinha (1998, p 2) “microloans refers to small loans, whereas microfinance is appropriate when NGOs and MFIs supplement the loans with other financial services”, which agenda is to improve the standard of people living in poor regions. Those loans are not provided by the banks, as Robert (2015, p 6) state “ traditional lending institutions , such as banks and investors, are unlikely to offer loans and investment capital to micro-firms due to a variety of reasons. One barrier to microloans is the concern that start-ups and smaller enterprises are risky investments since growing businesses typically exhibits erratic burst of growth and downturn. The perceived risk of these types of companies reduces the chances of microbusiness to obtain financing. Another issue is that microbusiness needs an smaller amount of capital , and thus banks or investment companies often believe that is not efficient use of their time or resources , nor will they receive a substantive return on investment from such a small loan”. Due to the lack of interest by loan giving firms the microloans are often provided by Government schemes , NGOs , family , friend , small personal loan giving firms and most of the loans are unsecured loans, as the poor people often have no assets to offer as collateral for the loan.

Micro Saving: Micro means small or fewer, however the micro saving in this case are not used to measuring flows, stock value, large saving for interest or investment. There are several possible methods reliant on whether one emphasis on the amount saved, people saving and the institutions in which the saving takes place (David, Moore and Barrientos, 2009). Thus, the micro saving is the tool meant to be used by the poor or low-income individuals to encourage the poor to save in banks and earn some interest. The services is offered to a large number in the population and the micro savers does include the micro entrepreneurs or the poor working class, like labour , framers , poor people relying on remittances , pension and other poor depending on other source of income. These services even encourage poor children to save money which aids in building the nature of savings from young age (David, Moore and Barrientos, 2009).

III. RESEARCH METHODOLOGY

This research study is a descriptive research using survey method. The survey method of this research used questionnaires distribution to the respondents in order to collected primary data form the internet. The advantage of research has used the survey tourists in Kamayut area during my collection data. The Secondary sources were used from government newspapers, article, books, internet, related works and other documents. Especially, this research use data from monthly reports of the Ministry of Economy Development in Myanmar. The sample size of the survey is 397 people from 84,569 people Kamayut area and only 390 respondents were available and 7 respondents were unavailable.

IV. RESEARCH FINDING

The finding of this research is implicated for the clients who need to take the loan or the services of MFIs in Myanmar.

Table 1: Mean, Standard Deviation of Micro Saving

Descriptive Statistics					
	N	Minimum	Maximum	Mean	SD
High interest rate help in saving	390	1	5	3.61	.988
High supply of MF mean low saving rate	390	1	5	3.800	.923
Saving in MFI effect the demand and supply of MF	390	1	5	4.053	.822
Future saving affects the demand and supply of MF	390	1	5	3.558	.951
Low interest rate high supply of saving	390	1.50	5.00	3.800	.923

The table 1 presents the data of the 5 core factors affecting the demand/supply in micro-loan. All the 5 factors had the mean value of around 4 which means the respondents agreed with the factors have effect on the demand or supply in the micro-loan field. The mean value for factor one: loan/save in MFI is 4.07 and the standard deviation is .881. The mean value of factor two: lower interest rate is 3.98 and the standard deviation is .831. The mean value for factor three: high interest rate is 4.10 and the standard deviation is .851. The mean value for factor four: change in demand due to change in

interest rate is 4.15 and the standard deviation is .833. The mean value for factor five: “do payment cycles reduce in high demand is 4.0750 and the standard deviation is .42.

Table 2: Mean, Standard Deviation of Micro Saving

Descriptive Statistics					
	N	Minimum	Maximum	Mean	SD
High interest rate help in saving	390	1	5	3.61	.988
High supply of MF mean low saving rate	390	1	5	3.800	.923
Saving in MFI effect the demand and supply of MF	390	1	5	4.053	.822
Future saving affects the demand and supply of MF	390	1	5	3.558	.951
Low interest rate high supply of saving.	390	1.50	5.00	3.800	.923

The table 2 presents the data of 5 core factors affecting the demand/supply in micro-saving and all the 5 factors had the mean value of 3.6 or more which means the respondents agree with that the factors in saving/loan of MFI does affect the demand or supply in micro-saving. The mean value for high interest rate is 3.61 and the standard deviation is .988. The mean value of the high supply MF loan/ saving rate is 3.80 and the standard deviation is .923. The mean value for saving in MFI effect the demand/supply MF is 4.053 and the standard deviation is .822. The mean value for future saving affects the demand and supply of MF 3.55 and the standard deviation is .951. The mean value for low interest rate high supply of saving is 4.0750 and the standard deviation is .923.

Table 3: Mean, Standard Deviation of Demand and Supply of MF

Descriptive Statistics					
	N	Minimum	Maximum	Mean	SD
Demand/Supply in Micro loan	390	1	5	4.07	.881
Demand/supply in Micro saving	390	1	5	3.72	.811
Valid N (list wise)	390				

Table 3The mean value for micro loan factor is 4.07 and standard deviation is 0.881 which means the respondents agree with the statement that demand and supply is effected by the factor of interest rate and the demand which can be generated in the MFI. As the mean value of 4.07 suggest that it is a high level of demand in the country. The change in interest rate does affect the demand in micro loan, as the response suggest that higher interest does discourage the client but does not stop them to borrow the loan.

The positive mean value for the micro saving suggests that the respondents mostly agree that the factors in micro saving are directly affecting once decision to save or borrow in MFI. The developing countries have limited supply of MF which results in a shortage. The positive mean value for demand and supply for micro loan and saving suggests that these two factors are the main ones that are affecting the overall demand for MF.

V. CONCLUSION AND RECOMANDATION

Conclusion:

The researcher in this study, outline number of factors, like the interest rate, payback periods and other factors to understand the demand and supply of MF in the country. To analyses the factors at each stage of Micro loan and saving, this research employs the quantitative method. As the method help in the analysis the large data and some of 397 surveys were distributed through online and offline channels. A few numbers of respondents in this survey were incomplete and this research analysis the result from the completed respondents. Most surveys were answered by the female, which state that countries have a large number of housewives working to support their family. The collected data can suggest that the average person in Myanmar is not much educated and earning per person is low. The more number of people had used the services of MF in the country and this support the literature that stated that the demand is four times greater than the supply in the country. The entire question under the micro-loans had the mean value greater than 4, which state that all questions are agreeable by the respondents. In this section the factors are arranged from highest to lower mean and as

follow; the change in interest rate had the highest mean suggest, that demand and supply is affected by changes in interest rate. The high interest rate is second most agreeable factors which affect the demand and supply for micro-loan. Interest on loan, payment terms and loan on saving with MFIs does affect the demand and supply unders tand micro loan.

The second section of the survey underlines on analyse the factors which directly affected the micro saving in the country. The average mean under this section suggests that most respondents agree with the stated questions, but the overall value is less than the micro loan. The “saving in MFIs affect the demand and supply of MF” had the mean value of 4.053 suggest the all respondents agree that its effect the demand and supply and the “high interest rate help in saving” scores the lowest under this section. This lowest mean value suggests that respondents do agree with the stated question, but ranked the lowest among the asked question.

The mean positive means value for the micro loan and micro saving section suggest that those two elements do affect the demand and supply of MF in the Myanmar. The higher mean for micro –loan suggest that a large number people in the country desire the MF services and this finding is supported by the literature claiming the demand in the Myanmar for micro loan is four times greater than the supply. Due to large miss-match in demand and supply, the people are borrowing money for family, friends or the money lend, who are charged high interest rates and this the reason why a large number of respondents agreed with the statement that the high interest does largely affect the demand and supply in the country.

The high demand of MF and the shortage of supply of MF in country end result in higher interest rate of MF. In order to understand the demand and supply of MF, this research divided the MF into two sections (Micro-Loan and Micro-Saving) and tends to analysing the factors of Micro-loan and Micro-saving. To understand how those factors directly affect the demand and supply of MF in Myanmar.

In addition, micro-loan and micro-saving are mainly affected the demand and supply of microfinance. As the level of demand much more than the level of supply of microfinance the interest rate can go up unexpectedly, the level of demand and supply un-match, which finally impact in Microfinance Institution. To balance the level of demand and supply of microfinance the government interruption is important as well, by setting the interest rate, encourage the MFIs to open more branches, and so on.

The government should encourage more foreign MFIs to develop in the country and help the MFI’s companies in setting the interest rate. This gives the government some control over the interest rate setting and make sure that interest rate are charged fairly. The involving of government does aid in removing the entire illegal MF firm or money lender in the countries.

Recommendation:

The MF offers many opportunities for the poor people worldwide and does give mean for government to fight against poverty. Therefore, the government, non-profit organization and NGO’s must pay more attention in promoting the MFI’s in developing countries. The MFI’s firms must analyse and understand the client need and their need for loans emphasize on exploring the core factors which draws the client towards the MFI’s.

The MFI’s must realize the need for client and reduce the interest rate or charger accord to client capacity for repaying the loan. The MFI’s must provide higher saving to the client in the under develop country and emphasize on creating the saving habit among the client. This saving does help in providing the MFI’s to have pools of cash to loan out.

The government must encourage more foreign MFI’s to development in their country and help the MFI’s companies in setting the interest rate. This gives the government some control over the interest rate setting and make sure that interest rate are charged fairly. The involved of government does aid in removing the entire illegal MF firm or money lender in the countries.

Limitation:

There are some limits for this research that the research presented here. The first limitation is that; as this research base on one single town of Myanmar and the future research could provide another case in order to elaborate more on the research issues in question. Another limitation is that, the researcher was not able to approach different group, so the researcher had to distribute questionnaires to one town in Myanmar. Time constraints are also a limitation in this research. The researcher has to take care of the respondents filling in the survey forms. Some respondent are not committed to answering the question as reflected in fewer rejected surveyed questionnaires.

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