

# AN ANALYSIS OF BENEFITS TO WOMEN FROM DIFFERENT FINANCIAL SERVICES: CASE STUDY IN MEIKTILA DISTRICT, MANDALAY REGION



## RESEARCH HIGHLIGHTS

- Women need access to financial services to improve their livelihoods. Different types of financial services are available for women in different situations.
- Women who own farmland (2-10 acres) prefer agriculture loans at low interest rates. Such loans strengthen their decision-making power in the household, improve housing and nutrition and increase investments in their children's education.
- Women without farmland only have access to 1-year group loans, with low interest rates and no collateral, which they need to repay every 14 days.
- Women with land rights tend to invest in land and increase their income, whereas women without land rights tend to diversify into other micro businesses and earn a small income, which increases their vulnerability.

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In developing countries, governmental and non-governmental organizations have introduced credit programs targeted at lower income cohorts. Many of these target women based on the view that they are more likely to be credit constrained, have restricted access to the labor market, and have an inequitable share of power in household decision making (Pitt and Khandker, 1988). According to the UNDP (2011), although the Micro Finance Programme (MFP) has a large number of clients, demand for credit in rural Myanmar is still substantial and clients must rely on local money lenders because of lack of collateral. In Myanmar, public or private banking institutions, non-governmental organizations (NGOs) and international non-governmental organizations (INGOs) are entrusted with the task of administering micro-level development pro-

grams to mitigate poverty and enhance women's ability, status and empowerment at the grassroots level.

## Literature review

The concept of microcredit was developed in the 1970s and 1980s as a reaction to the subsidized rural credit programmes of the prior decades (Adams & Finchett, 1992). Kabeer (2001) found that the economic agency exercised by women holding loans with the SEDP in Bangladesh varied with household wealth (women from better-off households had a greater decision-making role in loan-supported activities), and that loans to women had a significant positive effect on children's education and health.

Though women tend to save more than men, loans received by women are generally smaller



than those received by men. Also, women do not get loans large enough to buy assets such as land and housing because they require assets as collateral and/or the signature of a male guardian. Men receive the majority of loans because they can simply negotiate loans with male staff; and may even directly negotiate loans in women's names with male credit officers because registration of loans in women's names need not even mean participation in loan decisions.

Khandker (1998) found that children's education improved with access to microfinance, as did trust in government programmes, voting in national and local elections and knowledge of local elected women representatives. Poor clients use their loans and savings efficiently as investments in agriculture, livestock, fishery, trading and services. Indeed, access to microfinance is seen as a basic utility on par with access to clean water, health and education services (Peachey and Roe, 2004).

However, women could become over-burdened with debt if they lack control over its use for material purchases. Where women are not able to significantly increase incomes under their control or negotiate changes in intra-household and community gender inequalities, they may become dependent on loans to continue in very low paid occupations, and they may have heavier workloads and enjoy little benefit. The contribution of microfinance is most limited for the poorest and most disadvantaged women (Ashe and Parrott, 2001).

Mayoux (2010) finds microfinance programs target women for these benefits: (i) ability to create their own employment opportunities increases their income, giving them greater decision-making power within the family; (ii) greater access to financial resources also improves their



decision-making power; (iii) increased economic opportunity gives them new skills, information, organization building capacity and an expanded network of contacts. That said, a woman could experience all or none of these benefits. The degree to which she benefits depends largely on how well the credit delivery is tailored to the activities being financed, their credit records, and how women's savings are used for enterprise investment (Mayoux 2010). Indeed, there are few studies that differentiate the types of financial service required by different types of women. This study aims to fill in this gap.

## Methodology

A reconnaissance visit was carried out during May 24-26, 2019. Subsequently, this study was carried out in Thapyewa and Yoekan villages in Meiktila district, Mandalay region from May to July 2019. The study design consisted of in-depth interviews with women respondents and key informants from Thapyewa and Yoekan villages, and with microfinance institutions and banks in Meiktila and Thazi Townships. Descriptive analysis through qualitative data was used to assess



the effectiveness of poverty reduction through women's access to microcredit financing, women's empowerment and social benefits through an increase in household income. The villages were selected because of their proximity to the Yangon-Mandalay highway, the Meiktila University of Economics and the Meiktila Industrial Zone, a large number of microcredit banks or companies, and different characteristics of doing business.

**Figure 1. Map of Mandalay region showing study villages**



## Thepyewa village

Thepyewa is a model village with clean water

for household use, electricity, good transportation, monastery, pagoda, village library, drinking water, adequate education and healthcare, toilet with offset pit, having cultivated lands and livelihoods, secure and reasonable-paid daily wage jobs. The main sources of income are weaving and agriculture. The majority of the women in the village either sell milk and dairy products, groceries, snacks and betel leaf, rice and edible oil, or work as cooks and charwomen.

Women from Thapyewa village usually take loans from Myanmar Agricultural Development Bank (MADB), Fullerton Myanmar and Cooperative Savings Association. MADB's interest rate is lower than other organizations but they need a land ownership certificate. The other two organizations have higher interest rates than MADB but do not require collateral. (Table 1)

*“Though my husband has died, I have 5 acres of farmland, 1 yarnning machine, 1 motorcycle, personal water motor, and my own house. I have no external debts or loans from any microfinance institutions except MADB. I use the loan for buying paddy seeds and investing in thread yarnning. Now I am getting a regular income from yarnning.” - DYM*

Those who take loans from MADB and Cooperative Savings Association have no external debt and own 2-10 acres of farmland. They themselves manage and use the micro loans for family businesses and agriculture. MADB gives 8-month loans, while the Cooperative Savings Association gives 6-month loans.

*“I bought fertilizers, pesticides and paddy seeds with the agricultural loan, and also used it to pay plowing and farming fees. After getting the loan, I have money to*

**Table 1. Access to credit for women with farmland**

Thapyewa village		
Respondents with land	Farmland Acres	Banks and microfinance institutions
NNW	10	MADB, Cooperative Savings Association
DWH	8	MADB
DKM	6	MADB, Fullerton, Cooperative Savings Association
DHT	5	MADB
DYM	5	MADB
TTH	4	MADB
DWM	3	MADB
DHW	2	Fullerton, Cooperative Savings Association

Source: In-depth interviews in Thapyewa village, 2019

*repair the house. I buy a little gold when farming income is high. In the bad years, I don't need to sell my property, because of the MADB loan."* - TTH

Most women pay off their loans on time, as they have jobs in weaving, yarn weaving or sewing in addition to agriculture and can earn an average of 5,000 Kyats per day.

*"I have 3 acres of farmland. Though my husband is in poor health and cannot work, I am able to support my children's education with money from farming and cattle breeding."* - DWM

Women invest their income in ensuring education, food and housing security for themselves and their children.

*"Mostly they can repay the loan because they only borrow money from banks or microfinance institutions for working capital. Some women want to get a loan*







*for their children's education especially for a private tutoring school. They try their best to give back; however, there are times when a child has to be removed from a private tutoring school because they have no regular earnings and do not use the loans in doing businesses."* – NSK

Therefore, if female clients use the loans for medical expenses, school expenses and household expenses instead of as capital in agriculture or breeding, they find it difficult to repay their loans on a regular basis. In such cases, their groups pay on their behalf, and the women later repay the group.

*"Some poor women are worried about the loans when they are unable to work due to ill health. If that happens, sometimes the group members pay the loan instead."* - UHS

This increases the pressure on women as their social life in the village depends on loan repay-

**Figure 2. Largest lenders in study region**

Name	Type	Key documents required when applying a loan	Interest rate
MADB 	GO	farmland ownership certificate, national ID card, household list	0.68
Cooperative Saving Association 	GO	No need collateral, just show the farm ownership but must show household list, & national ID Card	1.5
Fullerton Finance Myanmar Co., Ltd., 	INGO	No need collateral (must show household list, National ID Card)	2.5
AMDA 	INGO	No need collateral (must show household list, National ID Card)	1.7
Myat Kyun Thar Micro-Finance 	NGO	No need collateral (must show household list, National ID Card)	2.5
Hayman Microfinance 	NGO	No need collateral (must show household list, National ID Card)	2.5

ment. Such pressures are more significant for landless women, rather than landed women. Further, most income-generating activities in this village are land related and there is little diversification of incomes.

## Yoekan village

Yoekan has clean water for household use, electricity, monastery, pagoda, drinking water, toilet with offset pit, cultivated lands and livelihoods, secure and reasonably-paid daily wage jobs. The village is located near the Meiktila-Yangon-Mandalay highway. Most of the villagers are day laborers in the industrial zone, farmers, or workers in the garment industry. Daily wage is 3,000-5,000 Kyats for women and 5,000-7,000 Kyats for men each day. The main source of in-

come is growing onions, rice, chili pepper and sesame. Many farmers also raise cattle and pigs. By the end of July every year, the onion crop is harvested and farmers shift to growing corn, kale, parsley, tomatoes, long beans and green beans. Most women do not own farmlands. They rent land and make money from small agriculture and livestock.

Cooperative Savings Association offers a low interest rate but the loan amount is very small. Women typically do not have savings accounts, and all loans are group loans that have to be repaid every 14 days. The rate of interest, except AMDA (1.7 Kyats), is 2.5 Kyats. There is no need for collateral and group members must pay back if anyone in the group cannot repay. (Table 2)

***“My husband has died. I have taken loans from AMDA and Myat Kyun Thar. I needed a National ID card, a household list and recommendation by the village head to be eligible. I grow onions and have opened my own grocery store.”- MH***

Many women reported taking multiple loans for multiple income-generation activities, as the size of each loan is quite small.

***“I borrowed 300,000 Kyats from AMDA, 400,000 from Myat Kyun Thar, and 300,000 from Hayman. I repay all loans on a timely basis. Now I am able to send my children to private tuition.” – DZO***

Length of the loan, amount of the loan and payment terms required vary by activity as well as the life cycle of the respondent.

***“My AMDA loan goes into onion seed, Myat Kyun Thar into chili cultivation,***

**Table 2. Access to credit for women without farmland**

Yoekan village		
Respondents without land	Farmland Acres	Details of microfinance institutions
MH	-	AMDA, Myat Kyun Thar
DZO	-	AMDA, Myat Kyun Thar, Hayman
DKM	-	AMDA, Myat Kyun Thar, Fullerton
DTH	-	AMDA, Myat Kyun Thar
MSY	-	AMDA
SSW	4	AMDA, Fullerton

Source: In-depth interviews with female clients in Yoekan village, 2019

*and Fullerton into pig farming. The repayment date is too short. In future I will only take loans from AMDA.” – DKM*

Long-term loans would be more beneficial for farmers. For farmers, six months is too short as they are unable to operate in case of a bad season, or a poor crop. However, in this village considerable diversification of income is seen.

*“I have taken loans for my cancer medication, 3 lakh Kyats from AMDA and 2*

*lakh from Myat Kyun Thar. Both my husband and I are regular wage earners. Our salary is nearly 300,000 Kyats a month. In addition, our house is rented out and we stay in the student dormitory as cooks. I am trying to repay the loans, however it is difficult.” - DTH*

A few people have taken loans for health reasons and in such cases, paying back the loans is difficult. Most women who do not own farmland try to repay their loans regularly, so that they are not penalised by the banks and microfinance institutions.

## Conclusion

Women in Thapyewa village prefer MADB and Fullerton loans for business and agriculture. In Yoekan village, the preference is for AMDA, Myat Kyun Thar and Fullerton, in that order. Low interest rates are preferred, but the 14-day payback terms are problematic. Group loans can also be a problem if the group includes defaulters. Another problem is, if there are too many microfinance institutions in a small area and there's easy





access to funds with no collateral, people could be tempted to borrow beyond their ability to repay. Women's land ownership shapes their access to different kinds of credit, which in turn shapes their livelihoods.

Women in Thapyewa village had land rights, so they benefit more from the credit (get access to lower interest loans with easier repayment schedule), while women in Yoekan had access to only micro credit with short repayment schedule and higher interest rates than the bank. Therefore, Thapyewa women were able to invest more strategically to strengthen their core farming activities, while Yoekan women were forced to diversify into small income generating activities, which can increase their vulnerability. In both cases,

women managed their credit and repayment plans as well as credit programs making them proud that they are able to manage their household livelihoods singlehandedly.

Microcredit is a strong tool for rural development. Most women respondents in this study have used the loans to contribute to their empowerment and gain social benefits through an increase in household income. Women having independent land rights ensures women to have more opportunities to strengthen their economic base. Although land rights is important for both women and men, when considering women's lower access to various resources to improve their livelihoods, the study demonstrated the stark importance in women owning land.

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*This is a research conducted by Yangon University of Economics (YUE), with academic support from Socio-Economic & Gender Resource Institute (SEGRI) and Asian Institute of Technology (AIT). The project was supported by International Development Research Centre (IDRC), Canada*

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