



Livelihoods and Food Security Trust Fund



MYANMAR FINANCIAL DIARIES

December 2015

Background

The UNCDF MicroLead programme funded by Livelihoods and Food Security Trust Fund (LIFT) in Myanmar aims to contribute to the development of a strong, inclusive financial sector in Myanmar. UNCDF commissioned Microfinance Opportunities and TNS Myanmar to conduct a year-long Financial Diaries research study to provide in-depth market intelligence on the economic behavior of low-income residents of Myanmar. The study covered low-income women and men living in urban, peri-urban and rural areas of the Mandalay region. The Diaries gathered information each week between August 2014 and July 2015 on the respondents' purchases, sales, earnings, loans (including store credit), loan repayments, savings deposits and withdrawals, and transfers of money both within the household and outside of it. The respondents also reported on any unusual events that occurred each week.

Findings

The research found that the women in the study have a number of different roles within their households as earners, money managers, and financial managers, as well as being in charge of household spending. They earned money through a diverse set of activities including farming, market selling, handicraft production, employment in an informal enterprise, casual labor, and factory work.

Women were the recipients of transfers from other earners within their household, including their husbands. Many of the women not only spent that money on the day-to-day needs of the household but also distributed money back to other members of the household, essentially acting as the household's money managers. Many women also acted as their household's financial manager, holding money in savings at home or borrowing both small and large sums from lenders. Women filled these roles in diverse ways, with no one "typical" mix of roles.

A focus of the study was on the extent to which women had access to financial services. The research found that women were largely financially excluded and relied on their earnings, home savings, and intra-household transfers to fund their day-to-day cash flow and their unusually large expenses. The women in the study showed diverse attitudes towards debt. About one-third did not borrow during the year-long study, while about 40 percent borrowed infrequently. But one-quarter borrowed eight times or more, including a subset who made heavy use of store credit. This last group of regular borrowers was also most likely to have taken a loan from a microfinance institution or a bank. The research also uncovered signs of over-indebtedness and households being caught in a debt trap. One indication of this is that women used new loans to make repayments on existing loans about 30 percent of the time. The most common interest rate the women reported paying was about 20 percent per month on loans with monthly interest rates.

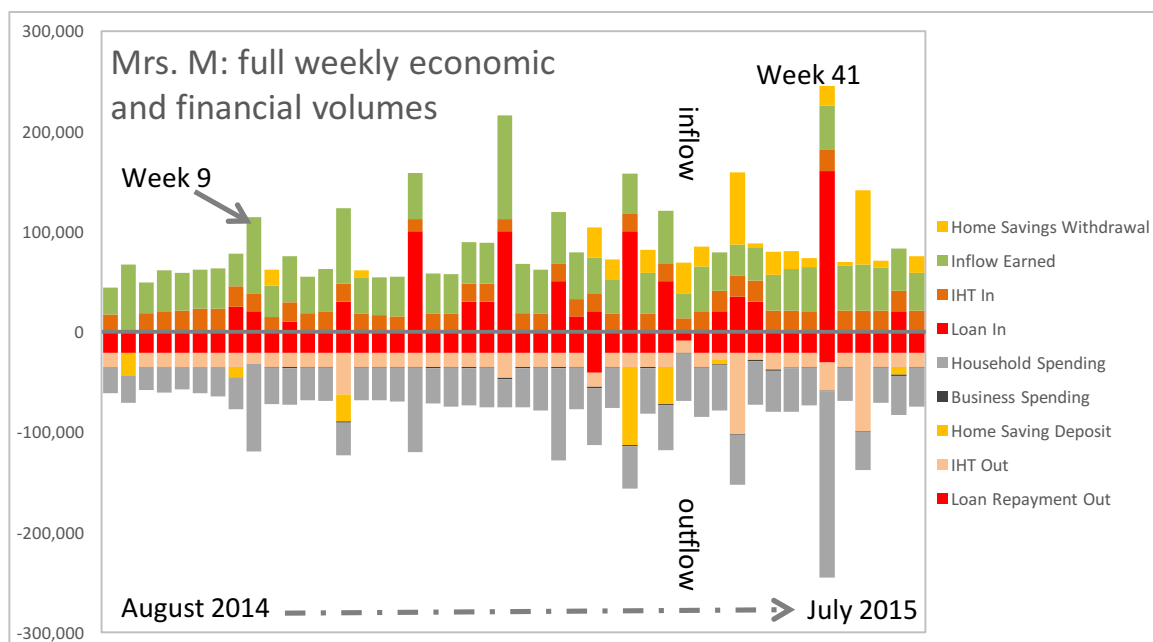
Case Study

Mrs. M, 42, lives with her husband, three daughters and a son. The eldest daughter, 19, is in her second year at college and the second and third, 14 and 10 respectively, are in school. The son, 20, is a porter in the main market in town. Mrs. M is in good health but her husband is not ("he's a drunkard" she says, flatly). She is literate, having completed primary school. They live south of Mandalay near a lake popular with tourists. Mrs. M is her household's manager. Mrs. M's own earnings form the bulk of the income, supplemented by transfers from the son ("IHT In" in the chart). Mrs. M also takes care, herself, of the bulk of the household spending, transferring to others a little for pocket money and other needs ("IHT Out" in the chart). The income flow is unbroken and fairly regular.

A chart of Mrs. M's financial diaries shows the various inflows and outflows of money each week. For example, in Week 9 of the study, which was in September 2014, Mrs. M had inflows totaling over 110,000 Kyats, including: earnings of 76,000 kyats, a loan of 20,000 kyats and transfers from other members of her household

of 18,500 kyats. During that same week she spent 87,850 kyats on household expenses, made a loan repayment of 21,000 kyats and gave 11,000 kyats to other members of her household.

Mrs. M sometimes saves a little at home, out of her earnings, but she also withdraws most of it within a short



time and fails to build up substantial balances. There used to be a reliable savings club in the area which allowed her to get her savings out of the house and out of temptation’s way, but the chairperson of that club moved on, there is not enough trust in the community to keep it going – she was very disappointed of not having this service anymore.

She has found a sort of substitute: a newly-arrived lender that provides short-term loans that have to be repaid at the rate of 2,000 per day for 55 days for each 100,000 borrowed: that is, you repay 110,000 for each 100,000 you borrow, a nominal interest rate of 10% for two months. The lender sends a staff-member to the borrower’s home or workplace each day to collect the repayments. Mrs. M sees this arrangement as a good way of accumulating whatever she can save each day into lump sums of money that she needs for tuition fees, health care and sometimes for consumption. She likes the fact that it is reliable, at least so far, and that it offers an individual service. But, she says, a savings club would be better, not so much because it would be cheaper but because “saving makes you feel joyful while loans make you feel anxious.”

Her anxiety seems to be merited. Her weekly chart of inflows and outflows show her taking on increasing amounts of debt, including a loan of 160,000 kyats in Week 41, without any resulting increases in earned income or spending on her business that might yield future increases in earnings. Instead, she seems to be drawing on her savings to cover her household’s day-to-day expenditures and loan repayments.

Further Reports from the Myanmar Financial Diaries

In the next few weeks, UNCDF will be issuing more short reports from the Myanmar Diaries, including reports on:

1. Financial Transactions: provides a detailed look at how the women in the Diaries use financial tools.
2. Understanding the Drivers of Financial Transactions: builds on the first report to provide an understanding of what drives the choices the women make with respect to the financial tools they use.
3. Financing Lump Sums: provides a detailed look at how the women in the Diaries accumulate “useful lump sums” of money to pay for unusually large purchases such as school fees and bulk rice purchases.
4. Multiple and Diverse Roles of Women in Myanmar Households: provides a detailed look at the roles women play and the diversity in the mix of those roles across different households.

For further information please contact: Paul Luchtenburg, paul.luchtenburg@uncdf.org or visit www.uncdf.org/myanmar.