



FACTORS INFLUENCING THE USES AND EFFECTS OF SMALL LOANS:

The Case of Lamzaang,
a Rural Village in
Northern Chin State

Cin Khan En Do Pau



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Foreword

Myanmar is undergoing an exciting and often unpredictable time of transformation on many fronts after decades of isolation. Outsiders have a only limited understanding of the complexities, dynamics and the depth of change taking place—affecting the social, environmental, economic, and governmental spheres, and directly impacting the livelihoods and practiced culture of the peoples of Myanmar. How are they actively taking part in their country's developmental process, and in the face of what obstacles? In this pivotal moment, Myanmar's need for both mind- and manpower to help fill the gaps of data and research on critical development issues has never been greater.

RCSD has established the Understanding Myanmar's Development (UMD) Fellowship program, supported by the International Development and Research Centre (IDRC), Canada, to enhance the knowledge of Myanmar's development, strengthen the research capacity of Burmese researchers, and encourage them to become actively engaged in the study of development policy and practice. The fellowship seeks to promote sustainable academic exchange and dialogue among researchers from Myanmar, Thailand, and other GMS countries. Under this program, 30 fellowships have been awarded to mid-career researchers in their respective areas of social and economic change, agriculture, environment and climate change, health and health care systems, and social media and innovations.

This research report, 'Factors Influencing the Uses and Effects of Small Loans: The Case of Lamzaang, a Rural Village in Northern Chin State' is one product of this program. Cin Khan En Do Pau,

also known as ‘John’ conducted extensive empirical research on the processes, uses, and effects of microfinance on the community of Lamzaang village. Through extensive fieldwork accompanied by his mentor from RCSD (Prof. Manoj Potapohn from the Faculty of Economics of Chiang Mai University), John analyzed the loan taking and providing process at every step, tracking the economic and social context in which villagers decide to take on debt, and how they utilize that capital—for better or for worse. Significantly, he turns the scale for measuring the ‘success’ of small loans on its head, judging microfinance’s utility from the perspective of borrowers. Here, the question asked of small loans is, do borrowers realize increased enterprise, market access, and income?

The Regional Center for Social Science and Sustainable Development (RCSD) hopes to make a meaningful contribution in the push for new knowledge on development and capacity building in today’s Myanmar—training a new generation of academics and scholars who will continue their individual quests forward with their own research on Myanmar’s development issues. This new body of knowledge gained and the league of new, well-trained researchers exiting the UMD fellowship program will be of importance to Myanmar as it transitions to democratic governance in an ever-more globalized world.

*Chayan Vaddhanaphuti, PhD
Director, RCSD*

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I am very pleased to have had the opportunity to conduct this empirical research on small loans, as I believe these types of loans are most effective in supporting and accelerating the socioeconomic development processes of Myanmar.

I would like to express my sincere and cordial thanks to RCSD at Chiang Mai University for initiating the 'Understanding Myanmar's Development' project and to the International Development Research Centre (IDRC) of Canada for providing funding for this project. The same thanks should go to my mentor, Dr. Manoj Potapohn, assistant dean for research at the Faculty of Economics of Chiang Mai University, for his critical support throughout this research.

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I could not drop my pen without thanking the persons from various government departments and development agencies for providing me valuable information about their activities, and the people of Lamzaang Village who allowed me to record their life stories.

Regarding the quality of this work, I will simply state that I continue to endeavor to become a better socioeconomic researcher. However, I am firm in my belief that some of the findings presented in this report will be useful for transforming the life of the poor through the use of small loans.

Abstract

This study primarily deals with the processes, uses, and effects of small loans. It has been found that most small loan recipients are not able to use their loans as they originally proposed because they are not properly mobilized and their needs (type of business, technology required, capital needed, etc.) are not properly assessed. Loans are usually provided for any livelihood activity verbally proposed by the borrowers, from whom no formal business plan is required. As a result, most borrowers utilize their loans for purposes other than the actual livelihood activities they proposed. Even those who could utilize their loans as proposed fail to utilize them in full for the proposed activities because they lack basic needs, such as food, health, education, etc. These shortcomings are at least partially compounded by the lack of experience among credit staff, especially government-run small loan providers.

Those loan-receiving households who own assets are not significantly more capable of utilizing their loans as proposed than are those without assets. Also, those who take loans from more sources (up to four in the study village) are neither more food-sufficient nor able to generate more income than those without or with fewer loans, and the mean per capita income even decreases and the mean amounts of debt rises as the number of loan sources increases. The state of having more working adults per household is associated with higher food sufficiency, and per capita income gradually increases together with the number of migrated persons. Still, the per capita income is very low. Households with clear business ideas and experience are among those that have been able to utilize their loans as proposed.

Another important finding is that small loan providers are quite selective in complying with the success factors of small loan provision. Most trainings provided to borrowers, such as basic accounting and bookkeeping, are supposed to contribute only to the lend-borrow process of small loans, and no case of training provision on marketing skills has been found. More importantly, there is limited evidence about linking the uses of small loans to microenterprise development, and solidarity group lending is mainly employed for warranting repayment rather than cultivating group behavior among the borrowers. However, the sizes of small loans are not too low, interest rates are not too high, and the repayment schedules not too short (if in installments) compared with those in other parts of the world.

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1

INTRODUCTION TO THE STUDY

This study explores how small loans are utilized, as well as the effects of small loans on the socioeconomic conditions of recipients, focusing in particular on the case of Lamzaang Village in Tedim Township in Myanmar's northern Chin State. Empirical research was conducted from November 2012 to October 2013. I began this research with a strong belief that small loans, either in the form of microfinance or microcredit, can be an effective tool for poverty alleviation in a place like Chin State. Scholars and practitioners in the field of development often hear that most small loan projects are successful and, moreover, microfinance institutions grow year after year. However, in the literature, there is insufficient information regarding the success or failure of small loan recipients in utilizing their loans. Therefore, this study will mainly look at small loans from the perspective of borrowers rather than of lenders.

The report of this study can be divided into four main parts. The first part (chapters 1–3) contains an introduction to the study, a literature review that constitutes the conceptual framework of this study, and an explanation of my research methodology. The second part (chapters 4–5) provides basic information about the study village, Lamzaang, and the people and development activities there, as well as the general socioeconomic situations. Also presented in part two is the historical background and the known problems associated with small loans. The third part of this report (chapters 6–8) describes the processes employed by small loan

providers and the factors governing the uses and effects of small loans by small loan recipients, including some case studies. This part also includes a summary of key findings that are then synthesized to depict a broader picture of small loans as seen through this micro-level study. The fourth and final part of the report (chapter 9) includes my conclusion and recommendations, together with a discussion of emerging challenges and opportunities in Myanmar as it undergoes a political and economic transition.

Study Background

Myanmar is known as a resource-abundant country in Southeast Asia with a strategic location between China and India. According to the official Central Statistical Organization (CSO) of the Ministry of National Planning and Economic Development, the population of Myanmar is estimated to be 58.38 million (CSO 2010). Agriculture remains the major livelihood of Myanmar's inhabitants. The United Nations Development Programme (UNDP) reported that the country ranks 149th on the human development index, and 25 percent of the total population live below the poverty line (UNDP Myanmar 2011). Chin State is in the northwestern part of the country and hosts a population of approximately half a million, with approximately 85 percent living in rural areas. The region is remote, hilly, and characterized by infertile sloping lands.

People in Chin State practice traditional shifting cultivation growing maize, which has a low yield and therefore barely suffices for household food consumption for six months of the year. As agriculture is no longer reliable, mostly due to the shortened land-rotation cycle and decreasing yield, and because non-farm employment opportunities are rare, most households engage in labor migration as a coping strategy: sending their young people to India, Malaysia, and developed countries as migrant workers. According to the Integrated Household Living Conditions Assessment of UNDP in Myanmar, Chin State ranks as the poorest region in Myanmar with 73 percent of its population living in extreme poverty (UNDP Myanmar 2011).

The introduction of systematic money lending practices in Myanmar probably dates to 1850 when Chettiar from India opened their first office in Mawlamyaing, Mon State. The procedures of money lending practiced by these Chettiar were more or less the same as those employed by modern microfinance institutions. The main difference is that the money-lending system required collateral, while modern microfinance relies on group lending and mobilizing of savings. The Chettiar secured their lending through physical collateral such as land properties and household assets, whereas modern microfinance relies on ‘social collateral’ (Turnell 2009; Zöllner 2011). Social collateral is a mutual guarantee among group members to take responsibility for repayment if any member of the group fails to repay the loan.

Modern microfinance in Myanmar by formal microfinance institutions was initiated by UNDP in 1997 through its three local implementing partners: Pact Myanmar, Grameen Trust, and the Groupe de Recherches et d’Echanges Technologiques (GRET). Under the four-phased Human Development Initiative (HDI) program of UNDP, microfinance projects were started in the Ayeyarwaddy Delta, the country’s central dry zone, and southern Shan State, covering a total of eleven townships. All three microfinance institutions adopted the Grameen model of group lending adapted to local contexts.

Actually, these UNDP microfinance projects were preceded by Myanmar government projects that were administered through state-owned banks. Moreover, many international and local non-governmental organizations (NGOs) in contemporary Myanmar also provide informal microcredits to their beneficiaries alongside their other major activities. The International Finance Corporation (IFC) has come up with a longer list of microfinance institutions in Myanmar (Duflos *et al.* 2013).

In Chin State, GRET started a microfinance institution in 1995 as a sub-contractor for the UNDP’s HDI project, which later became known as Community Development for Remote Townships (CDRT). Starting with twenty Village Credit Schemes (VCSs), the project has evolved such that there are now a total of eighty-four

VCSs in Tedim, Falam, and Hakha townships of northern Chin State. In addition to GRET, other microfinance providers include the UNDP and Myanma Agricultural Development Bank (MADB), according to the field staff of respective agencies I spoke with and data from the United Nations Office for the Coordination of Humanitarian Affairs (OCHA Myanmar 2012). Small loans are usually provided to individuals who form themselves into small groups called Self-Help Groups (SHGs) or, sometimes, Self-Reliant Groups (SRGs).¹ As widely accepted internationally, microfinance is believed to be an effective tool for poverty alleviation in Myanmar, particularly in Chin State where poverty is most severe and financial capital is most limited. Moreover, the new quasi-civilian government that came to power in Myanmar in 2011 has established a set of pro-poor policies, including measures aimed at poverty alleviation and rural development through microfinance and small enterprise development.

Problem Statement

In the literature on microfinance, the number of studies conducted in Myanmar, and especially in Chin State, is still very limited. The studies that have been undertaken mainly deal with the effects of microfinance projects, such as the number of borrowers, the amount of savings, the level of women's participation, the repayment rate, changes in income and expenditure, and outreach. However, these studies rarely mention the factors that govern those effects of microfinance, such as types and qualities of transferred technologies, products, business and marketing skills of recipients, the amount of financial capital, income diversification, and access to market. As microfinance projects are implemented in Myanmar, most microfinance institutions report that repayment rates are as high as 99 percent and social impacts are significant; however, recent assessments by development agencies point out that the level of indebtedness in Myanmar is high and new loans

1. As the term 'Self-Help Group' (SHG) is more common in international usage, I will use SHG in this study, rather than SRG.

are being taken for buying food and repaying old debts rather than for new income-generating activities (ACTED² 2010; WFP³ 2010).

Although small loans can be provided for various purposes, including meeting basic needs such as household consumption, health, and education, the most commonly stated purposes of microfinance projects—which are also linked to the original concept of microfinance—are to generate household income, enhance social capital, empower women, and promote micro and small enterprises and market access (UNDP and UNOPS⁴ 1999; Aghion and Morduch 2005; ACTED 2010; Robinson 2001). Moreover, previous studies on microfinance projects, in Myanmar and particularly in Chin State, have not given much attention to the social and cultural aspects of microfinance, the structural capacity of Self-Help Groups (SHGs), or their potential to grow into micro or small enterprises.

In order to understand the contributions of microfinance to socioeconomic development and poverty alleviation of target communities, it is worth knowing also about borrowers' perceptions of microfinance and the situations of the borrowers before the intervention, so that one can better assess the impacts of microfinance. There are still basic questions that need to be raised: Are small loans really needed by the particular people who receive them? Do these borrowers have any other sources of credit? How have they managed their credit needs prior to microfinance being offered? Also, we must ask: How do borrowers make use of their loans? What are the factors that determine the success or failure of microfinance in meeting the objectives of the projects? In other words, what are the factors that determine whether or not a microfinance loan successfully leads to generating increased incomes? And also, what are the borrowers' expectations for microfinance?

2. Agence d'Aide à la Coopération Technique Et au Développement.

3. World Food Programme.

4. United Nations Office for Project Services.

Looking back to the original purposes of microfinance, the common outcome anticipated from microfinance projects, whether stated explicitly or implied, is increased income to reduce poverty, although other social impacts such as women's empowerment and increased social capital are also often mentioned. In my view, these more social impacts can be considered the secondary by-products of small loans rather than the principal purpose of small loan projects. The main purpose, increased income, can be ensured only if small loans are invested in starting up new, or extending existing, micro or small enterprises that are producing marketable products or services. However, information is still very limited about how microfinance clients utilize their loans, what their opportunities and constraints are in making use of the loans, how and to what extent microfinance clients are able to ensure access to markets, and whether or not high repayment rates are ensured through the profits earned from investing the original loans, among other questions.

As previously mentioned, there are questions about whether the target people really need microfinance, and how recipients view and value microfinance. Moreover, previous studies in Chin State have been either project- or organization-specific, so no comparative analysis has been made across different types of microfinance provided by various organizations employing different approaches. The impacts of microfinance projects have been measured, but the opportunities and constraints that determine the success or failure of microfinance schemes have not been addressed. More importantly, microfinance projects have never been assessed by linking them to the promotion of micro or small enterprises and access to market. This study deals with the entire realm of microfinance as a single approach, and addresses the opportunities and constraints of microfinance projects in realizing increased incomes through the promotion of market access and micro and small enterprise development.

Objectives of Research

The overall objective of this study is to describe the factors governing the utilization of small loans and their effectiveness in promoting micro and small enterprises and market access. Specific objectives of the study are:

- To describe how villagers perceive modern microfinance and get involved in microfinance projects
- To identify how microfinance projects are implemented by microfinance institutions and loans are utilized by the recipients
- To analyze the type, extent, and quality of the inputs provided and outcomes achieved through microfinance projects
- To explore the factors governing the success or failure in making use of small loans by individual or group borrowers
- To find out the level(s) of access to market by microfinance clients and their potential growth into micro and small enterprises

Target Population

The target population for this study consists of those rural households in Chin State where microfinance institutions are present and providing small loans for various purposes. It is the researcher's assumption, based on personal experiences and available literature, that the target population is constituted by three categories of people; namely, active borrowers, inactive borrowers, and non-borrowers of microfinance. My study was conducted in Lamzaang Village of Tedim Township. It is a village with 205 households, and all three of the categories of study population mentioned above are represented. In addition, all four microfinance institutions that are present in Chin State were operating actively in Lamzaang, allowing for comparison of their activities.

Research Site

This study was conducted in Lamzaang Village of Tedim Township in northern Chin State (see Figure 1). In fact, there are three villages in Tedim Township where all the four microfinance institutions are active. After consulting key staff of these microfinance institutions present in the village, I selected Lamzaang Village mainly due to its geographical location as it bridges two major agro-climatic zones of Tedim Township, in addition to having all four microfinance institutions present. My assumption, based on my long experience in the area, is that the livelihood systems and coping strategies of the villages in this area are more or less the same, and Lamzaang is thus fairly representative.



Figure 1 Location of the study site

Source: Developed from Google Earth 2014 by the researcher.

In conducting this study in Lamzaang, I do not expect that my findings will be statistically representative of microfinance projects throughout the entire Chin State, but I expect that the case will illuminate the larger picture of microfinance in the region, with reference to all the three categories of the population mentioned above, and all types of small loans provided by the four microfinance institutions.

2

LITERATURE REVIEW

Microfinance and Microcredit

Microfinance is a modern form of moneylending that is bound by legal procedures and specifically aimed at providing low- and moderate-income households and businesses access to financial services, including the provision of credit without necessitating collateral.⁵ Microfinance institutions may provide a range of financial services, including banking, insurance, money transfer, and foreign currency exchange. There is an expectation that the provision of small loans should mobilize savings among borrowers. In addition, the interest charged should cover the delivery costs to ensure institutional and financial sustainability (Johnson and Rogaly 1997; Ledgerwood 2000). Microfinance targets households with low- and moderate-incomes that are not currently serviced, but also not the poorest or most vulnerable. Formal microfinance also frequently aims at empowering women and improving social capital for borrowers in addition to the primary purpose of generating income through increased employment and micro- and small-enterprise development.

The term ‘microcredit’ on the other hand, is mainly used in relation to humanitarian assistance, and the small loans provided

5. See Myanmar Microfinance Law 2011, Sections 2(a) and 2(c), for definitions of microfinance and microcredit.

are heavily subsidized. Microcredit is mostly provided by humanitarian organizations and targets the extremely poor and most vulnerable people in a society (Robinson 2001; Armendáriz de Aghion and Morduch 2005). Despite the difference between microfinance and microcredit, what the borrowers of both categories receive are small loans. Small loans, if provided in the form of microcredits, are not necessarily expected to yield economic impacts and can be used for basic needs, such as consumption smoothing, education fees, healthcare costs, and so on. In this study, I will use 'small loan' as an operational term for both microfinance and microcredit.

Microfinance and Micro/Small Enterprises

It is clear that, whenever and wherever possible, improved employment opportunities and the creation of micro and small enterprises are at the core of the objectives of the provision of microfinance. When small loans are allocated to groups (e.g., Self-Help Groups, or SHGs) and used by individuals, the recipients are expected to generate incomes and develop small enterprises either individually or in groups. This can be an important transition from the non-profit to the private sector. While helping individuals transition from being primary producers to entrepreneurs of any level is almost always easier said than done, it is not an impossible expectation that individuals and groups of microfinance clients will become micro- or small-business entrepreneurs. This section will discuss some of the literature concerning the prerequisites for entrepreneurship and a few successful cases in which small loan recipients have become micro entrepreneurs.

The most simple and concise suggestions for entrepreneurship were made by Adam Smith in 1776 in his *The Wealth of Nations* (Smith 2003). In order to set an industry (which I call micro or small enterprise in this study) into motion, the primary requisites Smith suggested are: materials to work upon, tools to work with, and the wages or recompense for the sake of which the work is done. I would like to simplify those requisites into raw materials, technology, and capital in modern terms. Islam (1995) suggested

six types of requirements for becoming an entrepreneur. These include entrepreneurial traits (initiative, innovative ideas, etc.), financial capital, technology, skills (to complement technology), physical infrastructure (transport, communication, power, etc.), and demand (for products or services). These prerequisites are useful for measuring the impacts of any microfinance project where the objective is microenterprise development.

When income-generating activities of individuals or SHGs at the community level become enterprises of any size, they are supposed to transform into or become private entities that are capable of entering or competing in the mainstream market. In India,⁶ according to Guha (2010), this can be accomplished by individuals joining SHGs and starting with simple activities such as selling knives, raising poultry, land-hiring for cultivation on a lease, cycle repairing, vending vegetables, cooking for a mid-day meal program, and so on. Then they steadily move into work with dairy units, vegetable vending units, grocery shops, flour mills, petty trade, textile shops, brick kilns, imitation jewelry shops, etc. The first distinctive feature of those poor people who became successful in micro/small enterprises is that they joined SHGs and started some income-generating activity. Secondly, as their loan linkages increased, they kept shifting to higher levels of investment by innovating, diversifying, and expanding their businesses. For example, Guha (2010) added that SHG members who had textile shops expanded them to readymade garment shops and also set up shops selling new shoes. Members who were tailors took up embroidery as a new activity of income generation and set up new textile shops. He also stressed that loan recipients in the three selected states of India who did not start any income-generating activity usually utilized their loans for consumption and became trapped in debts.

It is generally thought that micro and small enterprises can be started only through microfinance. However, not all micro and

6. Specifically, in Andhra Pradesh, Gujarat, Jammu and Kashmir, and Himachal Pradesh states.

small enterprises are started with small loans. Ngehnevu and Nembo (2010) have documented a case of SHGs in Cameroon where 31.3 percent of small business owners started their businesses exclusively with their own money, and only 18.8 percent of them borrowed their start-up capitals from credit unions. This indicates that microfinance is not the only solution for the capital needed for promoting micro and small enterprises.

Positive Views on Microfinance

Modern microfinance was first conceived in Bangladesh in 1976 when Muhammed Yunus, founder of Grameen Bank, trailed moneylending to a couple of women who lacked collateral. With the success of that lending experience, as well as the growth of Grameen Bank, microfinance attracted the attention of the international development community during the 1980s and 1990s (Armendáriz de Aghion and Morduch 2005). As mentioned earlier, microfinance, when it is carried out by development organizations, is generally intended for poverty reduction, women's empowerment, employment creation, growth of existing businesses, and development of new businesses. When lending for micro and small enterprises is made, the most common objectives reported in a study by the World Bank (Ledgerwood 2000) include employment creation, increased productivity and income opportunities through the creation and expansion of microenterprises, increased productivity and incomes of vulnerable groups, especially women and the poor, and reduced dependence of rural families on drought-prone crops through diversification of their income-generating activities.

Microfinance became a popular development approach in the 1980s and 1990s because it could be sustainable, meaning that the income earned on the loans could cover the costs of delivering those services, including the cost of capital (Frankiewicz and Churchill 2011). When microfinance is applied for poverty reduction, it is usually implemented by development organizations through group lending (as collateral substitute) that requires a high level of participation by the borrowers. It cannot fully take

the form of a formal business in private sector. According to Marc-André (2003), the involvement of the private sector is important for the development of the poor, especially in terms of entrepreneurship and small enterprises. Most small enterprises, however, are presently confined to the informal sector.⁷ One-third to three-quarters of total employment in most developing countries is in the informal sector. Marc-André also stresses that low income entrepreneurs in most developing countries often rely on small loans from family and friends, or borrow from exploitative moneylenders that charge extremely high interest rates.

Developing countries in Asia and the Pacific have used microfinance services to reduce poverty. It is reported by Asian Development Bank (ADB) that these services also have yielded a significant positive impact on the severity of poverty among the poor. An ADB report describes two different cases with similar success: Grameen Trust in Bangladesh, which extended small loans to poor people, and Unit Desa of Bank Rakyat Indonesia, which, without exclusively targeting the poor, assisted hundreds of thousands of households in lifting themselves out of absolute poverty over the past decade (ADB 2000). In the 1988 sample survey of Unit Desa, mentioned in the report, borrowers showed that the microcredit had a major impact on the living standards of their families. The study said that, in addition to increases in net household incomes of borrowers and increased employment, microfinance services also had a positive impact on specific socio-economic variables such as children's schooling, household nutritional status, and women's empowerment. The report stressed that the involvement of NGOs in semi-formal microfinance had increased remarkably in recent years.

Another positive change brought about by microfinance, and perhaps the most concise description of the possible impacts of microfinance investigated to date, concerns activity that was

7. A small business is part of the informal sector when it is not legally registered and thus not protected by legal instruments. Unregistered businesses are not entitled to the privileges and protections enjoyed by formal, registered businesses.

previously entirely subsidy-dependent that then transformed into a viable business. ADB (2000) also refers to new forms of knowledge that have emerged through these processes of change associated with the development of microfinance in Asia and the Pacific region. It has been learned that savings can be successfully mobilized from poor households; that microfinance providers and the poor are creditworthy; that access to capital is possible without physical collateral; that a process toward broadening and deepening of rural financial markets has been triggered; that the social and human capital of the poor, particularly women, at the household, enterprise, and community levels can be strengthened; and also that positive developments in microfinance policies and practices among all stakeholders including governments have been generated (ADB 2000).

Negative Views on Microfinance

While microfinance is widely accepted by the international development community as an effective tool for poverty reduction, there have been a few recent studies with critical analysis of the rhetoric and realities of the impacts of microfinance on poverty reduction. As a first instance, Johnson and Rogaly (1997), in their analysis of the findings of Hulme and Mosley (1997) on microfinance from a business perspective, demonstrated that better-off borrowers benefit more from microfinance than do worse-off borrowers. They also identified that borrowers who already have assets and skills are better able to make use of their credit. Perhaps the most significant impact they found is that some of poorer borrowers became worse-off as a result of the received credit, which exposed these vulnerable people to higher risks. This is because the poorest households are likely to continually be in need of funds for their daily subsistence and are more likely to use small loans for immediate consumption rather than reproductive investment.

Bateman (2010), referring to the 2005 mass survey report of the National Sample Survey Organization, suggested that a large proportion of microcredit clients find themselves in a less

advantageous position after accessing loans. In fact, it was precisely because most income-generating projects fail, or at least fail to generate sufficient cash to repay the small loan. Another point on which he insisted is that microfinance is now often advanced for consumption smoothing rather than income generation. When clients failed to repay their original loans through the microfinance itself, they had to take another loan to repay the original loan, and thereby found themselves caught in a severe debt cycle. A range of family assets are often simply sold off, from household utensils to roofing equipment, to settle debt problems. Most recently, the *Microfinance in Myanmar Sector Assessment* report revealed that the number of registered microfinance providers in Myanmar has dramatically increased to 118 as of 2012. The report highlights that access to multiple loan sources is a potential cause of over-indebtedness among poor farmers (Duflos *et al.* 2013).

Another important argument about the impacts of microfinance is made by Morduch (1998). His objection is that he could find no real positive impact, admitting only that such programs seemed to reduce client vulnerability to a certain extent. This notion is correlated with the report of World Food Programme Myanmar, which pointed out that 90 percent of households in Chin State are indebted, and 60 percent of those indebted households spent their borrowed money for buying food (WFP Myanmar 2009). According to the integrated livelihood assessment of the Country Agency for Rural Development (CAD) in central Chin State, the average household income is about 300 kyat⁸ (less than \$0.30) per day, while per capita income in the region is about 50 kyat (less than \$0.05) per day (CAD 2012). With such limited income, it is likely that borrowers' real intentions in taking small loans is for consumption smoothing irrespective of whatever productive activity they proposed when applying for credit.

Furthermore, Ledgerwood (2000) points out that the profits resulting from the loan-receiving businesses are usually low,

8. The dollar-to-kyat exchange rate is 1 USD = 850 kyat as of October 28, 2012.

leading to low reinvestment, low output, and a high level of vulnerability to various livelihood shocks. He adds that profits are low mainly due to the unspecialized nature of the product, the lack of timely and complete market information, underdeveloped infrastructure facilities, a lack of value-added services, and a limited number of producers with similar products (leading to limited economy of scale). For many microfinance institutions, risks are high when they lend money to poor people without collateral or prior business skills. Repayment rates are usually higher when small loans are provided to people with existing businesses who have acquired skills, experience, and successful records. From the perspective of funders concerned with sustainability and risk reduction, it is preferable to work with existing micro entrepreneurs. As a consequence, the poorest are deprived of microfinance opportunities.

Microfinance in Myanmar

The demand for rural finance in Myanmar is high, including both credit and secure savings facilities. Over 70 percent of the workforce is engaged in agriculture, which generates 57 percent of the gross domestic product; however, only 1-to-3 percent of formal bank loan volume is extended to the agricultural sector through village banks and group lending. Myanmar has pursued a well-intentioned policy of providing subsidized institutional credit to farmers through the state-owned Myanma Agricultural Development Bank (MADB). The outreach of MADB is fairly high: about three million farmers in 1999 (UNDP and UNOPS 1999). Repayment rates are as high as 100 percent and loan sizes are comparable to those of contemporary small loan providers. Myanma Economic Bank (MEB) lends money to MADB for its lending program. Traders (mostly agricultural traders) make up 75-to-80 percent of MEB's clients and lending volume. The Livestock and Fisheries Development Bank (LFDB), which is nominally private but functions largely as a state-owned bank, lends mainly to fisheries (Government of the Union of Myanmar, UNDP, and Food and Agriculture Organization of the United Nations 2002).

The UNDP Microfinance Project is composed of three projects that were started in 1997 as part of UNDP's multi-sector HDI project and implemented in the Myanmar's Ayeyarwady Delta region, the central dry zone, and southern Shan State as Integrated Community Development Programs (ICDP) and in border areas, especially Chin State, as Community Development for Remote Townships (CDRT). Since their inception, all these projects have focused on sustainability and best practices while targeting the landless and working poor and following a variation of the Grameen Bank model. Interest rates are agreed upon with the Myanmar government. Other semi-formal microfinance providers include licensed cooperatives under the Department of Cooperatives, pawnshops registered under the Small Loans Enterprise Department, NGOs such as Association of Medical Doctors of Asia (AMDA), Save the Children-USA, World Vision, Care Myanmar, Myanmar Women's Entrepreneurship Association, Centre for Integrated Rural Development for Asia and the Pacific (CIRAP), and Yadana Suboo of Total (ACTED 2010; GoM, UNDP, and FAO 2002). In the informal sector, microfinance is mainly provided by moneylenders, traders, input suppliers, and middlemen with interest rates ranging from five-to-twenty percent per month.

As microfinance projects were implemented, the three implementing partners of UNDP reported impressive results, with a total of 37,000 clients and repayment rates as high as 95 percent for Pact, 92.4 percent for GRET, and 100 percent for Grameen Trust. In addition, all of the three microfinance institutions ensured a very high rate of women's participation in their projects (UNDP and UNOPS 1999; ACTED 2010). Amidst these impressive outcomes, Turnell (n.d.) has posted a set of questions about the future of microfinance projects in Myanmar. The first question regards whether the poorest people are really willing to borrow without regard for the perceived high demand of microfinance at the national level. Another important issue he raises is whether group lending will work when group behavior is weak or does not exist. He also stresses that, while savings mobilization is as important as credit provision, the macroeconomic and political instability in the past made savings vulnerable, with the

consequence that people are still reluctant to rely on savings institutions. The lack of a ‘savings culture’ in Myanmar is confirmed by Duflos *et al.* (2013).

Microfinance in Chin State

Of the various microfinance institutions present in Myanmar, only MADB and four other development agencies (UNDP, GRET, Care Myanmar, and CAD) have implemented microfinance projects in Chin State (OCHA Myanmar 2012). In northern areas of Chin State, including Tedim Township, only MADB, UNDP, GRET, and Care Myanmar have microfinance projects. GRET’s ongoing microfinance project was initially subcontracted from the HDI project of UNDP, which later became CDRT (UNDP and UNOPS 1999). Recently, the Administrative Department and Cooperatives Department have initiated microfinance projects. At present, MADB, UNDP, GRET, the Administrative Department, and the Cooperative Department are the major microfinance institutions providing small loans in Tedim Township. Care Myanmar has also provided small loans as part of its ongoing HIV/AIDS project, although the organization is not a formal microfinance institution.⁹

Previous Studies

Academic studies on small loans provided by microfinance institutions (MFIs) in Chin State are still very limited in number. To date, I have found only three studies specifically focused on microfinance in Chin State.

“Impact of microfinance on household welfare in northern Chin State of Myanmar” by Soe Nandar Linn (2009)

This study was conducted in three townships of northern Chin State and mainly focused on the impact of microfinance on

9. Interviews with township managers of Care Myanmar and GRET in Tedim (November 2012).

household welfare of Chin MFI clients, using household income, household expenditure, and per capita consumption of rice as dependent variables. By using an experimental design, the study attempted to measure changes resulting from microfinance projects. The study mainly investigated the relationships between the dependent variables (household income and household expenditures) and such independent variables as gender, head of household, distance from marketplace, the number of loan cycles in different months, the size of the loans, the lifespans of loans, and income from home businesses. Other aspects covered by the study include income generation activities in Chin State, the perception of borrowers regarding the progress of households, and the strategic situations of microfinance institutions and their borrowers.

"Consolidating the sustainability of microfinance institution in Chin State, Myanmar" by N.O. Than (2007)

This study focuses on Chin Microfinance Institution (Chin-MFI), a microfinance scheme initiated by GRET, but also covers general and introductory information about other major loan providers, including the Myanmar government. The purpose of this study is to encourage the development of a strategy to enable Chin-MFI to be more sustainable. The study looked at institutional development, legal aspects and policy issues, implementation processes, utilization of loans, effectiveness and efficiency of loans, and financial and organizational sustainability. The study came up with sound recommendations for strategy formulation and implementation for solving the problems and issues encountered by Chin-MFI in relation to financial sustainability. The strategic options recommended for solving the problems of financial sustainability include borrowers' education, client diversification, product diversification, and geographical expansion. The study combines qualitative and quantitative data in a complementary manner. At the same time, most of the key analyses through which findings and subsequent recommendations were made seemed to be based mainly on secondary information.

"Microcredit and social change in Myanmar (Burma): Economic and anthropological study in Chin State" by Gregory Danel Fédu and François Robinne (2007)

This study is a combination of economic and anthropological approaches with greater emphasis being placed on the latter. It tries to understand the immersion of MFI in the sociocultural context, the historical community, life course, and project monitoring of loan provision, as well as the economic development of villages and how the insertion of credit impacts individual strategies. The study is divided into four parts. The first part deals with how wealth is distributed among villagers. It touches upon the redistribution of wealth according to the changing power structure in the village, the uptake of wealth by churches, and how wealth is shared within the clan group. In the second part, the authors analyze the dynamics of self-sufficiency and the evolution of diversification in farming systems and economic activities. In the third section, the study focuses on the dynamics of social hierarchies. The fourth and last part of the study identifies the important differences between the various departments, different villages, and individual villagers.

Conceptual Framework

The present study is intended to investigate and delineate the factors governing the utilization of small loans and their effectiveness in promoting micro/small enterprises and market access. It covers the socioeconomic aspects of formal and informal small loans with special emphasis being placed on the processes, uses, and effects of small loans, the support services provided, and the potential linkages of small loans to microenterprise development and improved access to market. One main assumption of this study is that most small loans are provided for activities aimed at improving livelihoods through increased food production and income generation.

Based on the literature reviewed, as well as my own observations and personal experiences, the potential success of small loan

programs depends on a number of factors that are interlinked. These factors include, but are not limited to, the business ideas or talents of loan recipients, their previous experience in doing business, their commitment, the marketing skills of the borrowers, and group behavior. From the supply side, the key success factors include the lending agencies' processes of community mobilization, the selection criteria for beneficiaries, the sizes of the loans, the repayment period, interest rates, capacity-building programs, technology-transfer programs, and monitoring. This study has tried to find out the strengths and weaknesses of previous small loan projects in Tedim Township by analyzing the mentioned factors. Unlike other previous studies, I have not put much emphasis on repayment rates because repayment rates can be high for various reasons and are not always reliable for measuring the uses and effects of small loans.

Definition of Key Terms

Small loans

In this report, the term 'small loan' is used for both microfinance loans and microcredits. In this study, I am concerned with the various types of small loans made available by individuals, development agencies, and microfinance institutions. Thus, the term small loan is used interchangeably with microfinance and microcredit.

Success in small loans

Many studies on microfinance measure the success of microfinance projects from the perspective of microfinance institutions, especially emphasizing repayment rates. However, they rarely mention the effects of those microfinance projects on the recipients. This study focuses on the uses and effects of small loans from the particular perspective of the recipients. To measure success, I focus on the original or primary objective(s) of a specific microfinance or microcredit project. In this study, a project is 'successful' if its objectives are met. Again, my study is not

concerned with whether the microfinance institutions themselves can be considered successful or not. It rather aims to investigate how small loan recipients utilize their loans and the effects brought to them with these loans.

When we look at the objectives of small loan projects, we can see that there is no project that does not have objective(s) intended to improve livelihoods, especially through increased income. There is no small loan project targeting only consumption smoothing, asset buying, debt repayment, or expenses for health and education. It is not rational to say a project is successful just because women are empowered if the project was aimed primarily at increased income. Neither can we say that a project aimed at improved food security is successful if it only results in improved access to primary education. Therefore, this study sticks to the principle that a project is successful if its objectives are met—and that means it leads to improved livelihoods, especially income generation.

3

RESEARCH METHODOLOGY

Research Design

Qualitative methods are known for establishing validity, whereas quantitative methods are better at determining reliability (Babbie 1999; Catherine 2002), and the two methods best complement each other when they are properly combined (Sarantakos 1998). This study needs to deal with the processes undertaken, inputs provided, and outcomes achieved throughout the implementation of microfinance projects that can be both qualitative (e.g., processes such as community mobilization and targeting) and quantitative (e.g., inputs such as loan size and outcomes such as increase in household income). Thus, this study combines qualitative and quantitative methods with more emphasis being placed on the qualitative. Qualitative methods were used in collecting information related to the processes of microfinance and utilization systems, whereas quantitative methods were employed for obtaining generalized data for any activity performed or outcome resulted throughout the processes of allocating and utilizing microfinance. The two methods were used in a complementary manner so that the data collected represent a broad picture of the process, inputs, and impacts of small loans distributed in Chin State.

Sampling Procedures

Due to the varied forms of small loan providers present in Lamzaang Village, this study employed stratified sampling, which requires data collection at only one stage (Kothari 1990; Sarantakos 1998). Because the approaches and inputs of microfinance institutions could vary according to their individual types, so too could the impacts of their interventions.

By consulting key staff of NGOs, related line departments, and village authorities, all households in the village were grouped into strata according to the major livelihood groups present in the village (borrowers, non-borrowers, active borrowers, and inactive borrowers) and the types of small loan providers. Then a total of 56 households (out of a total of 205 households) were selected for survey questionnaire. One key informant from every SHG was selected for semi-structured interview (for SHG-level data) using a stratified sampling method. Based on the information obtained through the survey questionnaire and semi-structured interviews, eight respondents of both borrowers and non-borrowers were selected for case studies.

Data Collection

Secondary data were obtained from baseline studies and reports by development agencies, the official documents of related line departments (despite the limited availability), and the Internet. At the village level, qualitative primary data were collected from key informants by means of semi-structured interviews. Quantitative primary data were collected by the use of a short survey questionnaire. Based on the household data collected through survey questionnaires, some households and SHGs with significant cases (success/failure) were selected and interviewed for in-depth case studies in order to support what has been collected during quantitative data collection. For both qualitative and quantitative data collection, triangulation was ensured through direct observation.

Data Analysis

Qualitative data obtained through open-ended questions and semi-structured interviews were descriptively analyzed using grounded theory method. The collected data were coded, memoed, and sorted as necessary for use in comparing different phenomena with a view toward revealing similarities. The idea is to use micro-level events as foundations for a more macro-level explanation (Neuman 1991; Sarantakos 1998). Quantitative data, such as answers to closed questions, were analyzed through descriptive statistics, especially the measures of central tendency and of dispersion (the mean, the median, minimum, and maximum) and contingency distribution (frequency and percentage) with the use of Microsoft Excel. Data were analyzed manually at the village level, with the household as the unit of analysis for this study.

4

COMMUNITY PROFILE

Village History¹⁰

This study was conducted in Lamzaang Village of Tedim Township in northern Chin State. The village is situated about four miles west of Tedim Town and accessed by the Tedim-Ciau road. This road is used as one of the main routes for border trade between India and Myanmar. The village is situated at the middle of a village tract that is spread over a total area of about 36 square kilometers, lying between Tedim ranges in the east and the Manipura River in the west. The village also shares borders with Gawng Mual Village to the north and Phaileeng Village to the south.

According to oral history, Lamzaang was founded by Nan Tal, a mythological man of the Tedim ethnic sub-group. Legends say that Nan Tal and his followers first settled at Munpi Zaang, which is about one mile south of present-day Lamzaang Village. When Nan Tal died, his wife, named Neino¹¹, saw young bovine herders dancing on the tomb of her husband and composed a song of

10. Extracted from the *Golden Jubilee Magazine* of the Lamzaang Baptist Church (1971) and other church records, and verified by interviews with village elders in June 2013.

11. Nan Tal and Neino are mythological persons in the history of other communities of the same region.

lament, imagining Nan Tal dancing together with those boy herders.¹² From that time onward, the area was called Lamzaang, meaning ‘dancing plain.’ But the people of Lamzaang left and the area became reforested and fertile.

Later, Pu Mang Suum, a member of the Guite clan, and his fellows from Lawinuai Village west of the Manipur River settled in Munpi Zaang. As people from other regions joined them, Munpi Zaang rapidly grew to 700 households and the resources in the area were nearly depleted again. Due to the lack of food and security, the villagers explored new places for settlement and most of them migrated to Manipur State in India, leaving only seven households in the village. The seven households made request to Pu Khan Thuam, the chief of Mualbeem, for his permission to settle in the present-day Lamzaang area. He agreed and sent his son, Pu Kam Hau, to be the first headman of the village.

In order to avoid inter-tribal wars, the seven households moved to Salap in 1884, an area about two miles north of the present Lamzaang and very close to the Gawng Mual Village. Led by Pu Kam Hau, they moved again in 1889 to Theita Mual, the present location of Lamzaang, and have resided there until now. In fact, the ancestors portended the village site by worshiping ancestral gods, and the result was not favorable. Since new generations belong to Christianity, they have set superstitious beliefs aside. Nonetheless, the portents have proved correct: throughout its history, there have not been any remarkable incidents in the village.

Topography and Agro-climatic Conditions

The village is situated at 4,600 feet above sea level. As the Tropic of Cancer passes near Tedim Town, it can be said that the region, including the study village, enjoys both sub-tropical and temperate

12. Personal interview with, and personal notes of, Pu Thang Khen Cin (November 2012).

climates. A sub-tropical climate can be found at lower altitudes and a temperate climate at higher altitudes (a summary of rainfall and temperature data for agro-climatic conditions in the village is provided in Appendix C). This allows the villagers to grow a variety of crops. However, most of the village areas are on hillsides with sloping lands, so the arable land is very limited. The topography and the soil types of this village are not much different from those of other villages in northern Chin State. Clay loam soil is common in most parts of the village area, with red clay and sandy loam soils at higher altitudes and alongside streams. The upper soil layer is very thin and not fertile in most parts of the village area.

At lower altitudes near Manipura River grow deciduous trees whose wood is hard enough for use as a building material. Both evergreen and deciduous trees are found at the middle and higher altitudes and are used mainly for firewood. There are no more thick forests in the area around Lamzaang, mainly due to villagers' practices of shifting cultivation and extensive firewood collection. Firewood collection has become a major cause of rapid deforestation because some villagers collect it as a casual job to solve their temporary money problems. Most cultivated lands can be found at the middle and higher altitudes in the area around the village.

Demographics

According to the village administrative data for 2012, there are 205 households in Lamzaang Village with a total population of 1,310 people including 630 males and 680 females. There are fourteen clan groups and nine religions in the village. The fourteen clan groups are Phual, Bawmkhai, Gualnam, Kawngte, Lechil (Lianhil), Naulak, Ngaihte (Hangluah), Phaipi, Suankhup, Tangpua, Tonsing, Zilom, Tawmbing, Thawmte. The Tangpua group is the largest, followed by the Bawmkhai and Gualnam clans. Previous records mention only thirteen clan groups, but there is one Naulak family, the household head of which married a womane of Lamzaang and later migrated to her village.

The nine Christian denominations in Lamzaang are American Baptist Church (ABM), Evangelical Baptist Church (EBC), Roman Catholic Church (RCM), True Jesus Church (TJC), Yaweh, Presbyterian Church of Myanmar (PCM), United Pentecostal Church (UPC), Grace Baptist Church (GBC), Zomi Baptist Convention of Myanmar (ZBCM). ABM members constitute the majority in the village. Despite the many diverse clan groups and religious denominations, there has not been any discrimination or conflict in the village based on clanship or religion since all the villagers are socially connected to each other.

Village Politics and Leadership

The economic development of a village can be influenced by the political and leadership history of that village. As stated earlier, Lamzaang Village is composed of different clan groups who came from different areas and who have lived together for decades. Different sources have recorded the history of political leadership of Lamzaang Village in different ways. Some sources say that the first headman was Pu Kaam Hau of the Sukte clan group. However, others say that Pu Kaam Hau was the leader in Salap, the former settlement area of Lamzaang people, and that the first headman in Lamzaang was Pu Hen Zong from the Tawmbing clan. Pu Hen Zong is listed as the first headman if the village history is counted from the time the villagers first took settlement in the present village site. A list of persons who served as headmen of the village from 1886 through 1971 is provided in Appendix A. In most records, the list of headmen mainly presents the Bawmkhai clan, followed by the Tawmbing clan.

The present headman belongs to the Tonsing group. He had previously served as headman of the village for five years starting in 2003.¹³ He took office for the first time during the previous military regime when village heads were appointed by the local administrative authority rather than being elected by the villagers.

13. *Golden Jubilee Magazine of Lamzaang Baptist Church (1971).*

In fact, the appointment of village heads was never controversial among the villagers since they saw the work of headman as challenging, and it was without salary or any form of remuneration. The current headman's term will come to an end by 2015. For a person to serve as headman, he needs to be physically healthy and able to travel extensively. Moreover, he should have a large household that is economically viable. If a capable person is elected by the villagers as headman, that person is not likely to accept the position unless his family can be economically self-reliant without him.

Since 2011, the new government has reformed local government, and headmen, who are now called village administrators, are entitled to receive salaries. Village administrators are elected, although there is the possibility that the election process might not be entirely free. The new system also targets young people with a proper educational level. It seems in the future, this will lead to a better selection of headmen by the villagers since any person will be able to take the position without regard for the socioeconomic situation of his family. There are now three political parties in the village: the Union Solidarity and Development Party (USDP), the National League for Democracy (NLD), and the Zomi Congress for Democracy (ZCD),¹⁴ of which the USDP remains the strongest. Although the USDP has been the ruling party since the 2010 election, it is likely that the two opposition parties will be strong enough to compete with the USDP in the near future, as the membership of these parties is growing rapidly. Some villagers are expecting changes in village leadership to come with the changes currently happening in the political environment of the country.

From a development perspective, it seems there is a need for changes in leadership. Headmen who have continued from previous regimes are used to the principles and practices of top-down administration. Even after the institution of democratic procedures in Myanmar, the village administration is still top-down in many respects. This might affect the process of village

14. Formerly Zomi National Congress (ZNC).

development in the long run. For example, the headman of Lamzaang Village is involved in all the community-based organizations and development-related committees. Most decisions made at the village level are thus influenced by him. Moreover, any documents pertaining to development activities in the village are held by the headman. Because of this, the institutional development and especially empowerment of women in the village may be weakened too.

The responsibility of the headman is not negligible. He has to sign as a witness on any project document including contract documents for small loans to villagers. Since 2011, the headman's role has become even more crucial as he has responsibility to approve or reject village-level development proposals that are submitted by individuals or groups of individuals in the village.¹⁵ Recently in Lamzaang, members of one SHG wished to apply for small loans from a new partnership program of UNDP/GRET, but the headman refused to approve the application. However, these and other issues have not affected the general cohesiveness among villagers of different clan groups. Villagers feel proud that there have been no lawsuits brought up to the township level despite the diverse clan groups, religious denominations, and political parties represented in the village.

Community Infrastructure

In this report, the term ‘community infrastructure’ includes the physical and social infrastructures that are helpful for the socioeconomic development of the community. As mentioned earlier, Lamzaang Village is situated on the Tedim-Ciau road that connects Tedim Town, Laitui Village, and the Indian border. This road is used as one of the main routes for border trade between

15. The civilian government has established ‘Development Support Groups’ at the township level. This function has extended to the village level where the village administrator is supposed to play a key role in coordinating development activities.

India and Myanmar. There is also another car road connecting Tedim, Lamzaang, and Kaptel Village, and Lamzaang serves as a cross-road. Lamzaang has a post-primary school, a Sub-Rural Health Center (Sub-RHC), six church buildings (of different denominations: ABM, EBC, RCM, TJC, PCM, and UPC), a small hydro-power plant, and a day care center established by ABM. For village affairs, there is the Lamzaang Youth Fellowship. As a result of previous development activities, there remain some community-managed CBOs: the Livelihood Development Committee (LDC) and two Self-Help Groups formed by UNDP and a Health Working Group (HWG) formed by Care Myanmar. Details about these groups and their activities are elaborated upon in later sections.

Household Assets

Land is the most fundamental asset for households in the village as villagers' livelihoods are mostly farm-based. There has been no restriction on land holding or land tenancy since the establishment of the village. After the initial British demarcation, which was led by Pu Kaam Hau (the first headman), village leaders have administered the distribution of land. Traditionally in Lamzaang Village, four village leaders including the village headman chose their lands by peeling tree bark to mark the borders, with the village headman getting the largest area of land. The rest of the land was distributed among other villagers. Those lands later became freehold lands, i.e., inherited according to customary laws that were recognized in the past by the central government. However, the present situation of landholding is not the same as before because villagers have increasingly tended to utilize their freehold lands for cash-earning purposes. Because the price of land has become higher, households now tend to sell their freehold lands, especially to their extended family members.

Village leaders continue to administer the distribution of land for farming. Within the sample of this study, 7 percent of the households are technically 'landless.' But landlessness should not be equated with lack of access to land for cultivation since land is made available through networks of social relationships without any charge, but through social capital.¹⁶ In Lamzaang, all households are linked to one another through various forms of social ties. The average landholding is 4.6 acres (max. = 20; min. = 0.5; median = 3). Not all the land held is consistently cultivated. Of the sample, 73 percent of households raise livestock, but only 17 percent of them use their livestock for earning money.

Other assets that are owned by individual households but can be occasionally shared among the villagers are: 85 motorcycles (belonging to 77 households), two landline telephones, seven mobile phones, and 30 TVs and video players (including four satellite TVs). Within the sample, 37.5 percent own motorcycles, but only 47.6 percent of them use their motorcycles for business purposes, whereas another 42.8 percent use them for social purposes. The other uses of motorcycles include 4.7 percent for accessing health and 4.7 percent for education. In addition, 26.8 percent of the sample households own sewing machines, but only 6.7 percent use them for earning money. Again, 17.8 percent of the study households own telephones, and none of them use their telephones for business purposes. The proportion of households who own televisions and/or video players accounts for 19.6 percent of the sample.

Educational Situation

Prior to the British colonial era, people in the village engaged only in farming and hunting. But from 1886 through 1971, there was

16. Social capital here refers to various forms of voluntary contributions (of labor, food, money, etc.) among villagers, especially in times of illness, weddings, funerals, and so on. These voluntary contributions are reciprocal in nature and are based on (and help to reinforce) relationships such as ties of clanship and marriage.

a transformation regarding education. Villagers working in military service realized the importance of education and provided support for the emergence of a primary school in the village. In 1954, the construction of a brick building for a primary school was completed through the efforts of village leaders, villagers, and those working in the military service. For the building of this school, the government awarded the ‘General Aung San Shield,’ which is still kept proudly in the village. Later, the school was promoted to a post-primary school. Since the academic year of 2002–2003, children can study up to the eighth standard in the village.

It has been also observed that drop-out rate of boy students (21.1 percent) appears much higher than that of girl students (10.5 percent). At present, there are six teachers and one general worker at the school. According to my study, 82 percent of the sample has school-age children (16 years and below), and of these, 91 percent are able to school their children. The mean number of school-age children for the study households is 3.1, whereas the actual enrolled number of school-age children is only 2.8. Enrollment and drop-out rates of students for the academic year 2012–2013 are provided in Table 1 below.

Table 1 Enrollment and drop-out rates of Lamzaang Post-Primary School (2012–2013)¹⁷

Description	Boys	Girls	Total
Students enrolled (June 2012)	123	114	237
Students retained (February 2013)	97	102	199
Drop-out rate (%)	21.1	10.5	16

17. Interview with the headmistress of the post-primary school, Lamzaang (May 2013).

Health Conditions

According to villagers and village leaders, the most common health problems for this village in the past were maternal and child deaths. Village leaders worked to solve these problems for many years by hiring midwives from other areas. With the efforts of Pa Thuam Khen Thang and Pa Khual Khen Thang, both natives of Lamzaang who live in Hakha (the capital city of Chin State) for business purposes, the government sanctioned the establishment of a Sub-Rural Health Center (Sub-RHC) for this village in 1982. Since then, there has been a midwife regularly providing healthcare services in the village.

In the past, the rate of maternal and child mortality was significantly higher in comparison with those of other health-related issues. It was a consequence of the lack of qualified health staff and support services for public health. With the appointment of a midwife by the government and the health services provided by Care Myanmar, maternal and child death has been significantly reduced. Under-five mortality rates for the years 2011 and 2012 were 6 and 6.25 (per thousand), respectively. It is worth noting that the proportions of under-five mortality rates for those years were related only to a single case of child death in each mean year.

According to the midwife at Sub-RHC of the village, the cases of child death in the last two years were caused by mothers neglecting midwives' advice, and because of superstitions and taboos. The midwife I interviewed told me that the decrease in maternal and child death rates was also due to the health education and materials supported by Care Myanmar in collaboration with the government. She said that the use of contraceptives and birth spacing has been of critical importance to improving maternal and child health. Other common diseases include diarrhea and malaria that are seasonal. The villagers believe that the incidence of these diseases has also been significantly reduced because of the health education and related material supplies provided by Care Myanmar.¹⁸ HIV/

18. Interview with the midwife of Lamzaang (May 2013).

AIDS also is believed to be a common disease in the village (likely introduced by labor migrants in the village). However, there are no official figures about HIV/AIDS infection rates. The disease is considered culturally and religiously sensitive.

Livelihood Patterns

Almost all of the villagers call themselves ‘farmers.’ Some households also engage in other non-farm activities for a living. There are no standard criteria for classifying households by their livelihood types. Previewing the criteria used by development agencies in making livelihood categories of the village, however, I observed that each agency uses its own criteria, putting emphasis on a particular sector which is their focus (see Section 5.1 for more details). For instance, in the village profiles prepared by Care Myanmar and the one made by UNDP, there are significant variations regarding the number of farmers. Care Myanmar has categorized most of the villagers based on labor migration,¹⁹ whereas UNDP has counted them on the basis of their livelihoods.²⁰ As an outsider, I think that the criteria based on livelihoods might be easier to handle and to link with other socioeconomic issues of the village.

Most farm households grow maize as their staple food crop using shifting cultivation systems with various intervals. The practices of some farmers with well-positioned, good-quality land are semi-permanent. Maize and vegetables are usually grown alternately. Other crops grown are millet, various beans, sulphur bean, groundnuts, various vegetables, *zawngtah* (*Parkia speciosa*), avocado, mangoes, and coffee. Although maize cultivation remains villagers’ major means of livelihood, most farm households are not

19. The assumption is that migratory people are more vulnerable to HIV/AIDS.

20. Care Myanmar baseline documents (provided by the Field Officer Manager) and UNDP wealth ranking (provided in LDC files of Lamzaang village).

self-sufficient in terms of food. Their coping strategy for food insufficiency is to purchase food with earnings from various income-generating activities including, but not limited to, brick baking, labor migration, and wage labor. Large and small livestock also are raised by some households, but they contribute to major household incomes for only a few households. Since a few years ago, some households have shifted to vegetable cultivation as their major livelihood means by adopting improved irrigation facilities.

Social Safety Nets

In Lamzaang, there are obvious disparities between better-off and destitute households in terms of consumption patterns. When people stay together as a community, however, there emerge social networks that, when needed, contribute to the economic and social well-being of the community members. In the study village as well, a majority of households are involved in various forms of social connections, including relationships among relatives and among members of religious and community groups. Some of these social networks formed at the community level are helpful in times of destitution, providing assistance for those without kin networks. For example, Lamzaang Youth Association becomes active when households conduct wedding or funeral ceremonies.

In the village, churches constitute important social networks of the village. They have committed themselves to giving some portion of donations to the most destitute households. Households are also aware of their social responsibility to contribute to others' funerals or weddings, and the contributions may include food, money, labor, or firewood. In such cases, relatives of the household in question have different responsibilities based on their degree of connection, and relatives donate more compared with non-relatives. Some social safety nets are persistent, as they are based on persisting social ties, especially marriage. Various kinds of social ties exist among members of churches according to the churches' specific teachings.

Development Activities

Since 1996, various development activities have been carried out in the village by UNDP, GRET, Care Myanmar, KMSS (Karuna Myanmar Social Services) in partnership with WFP, MADB, and the Myanmar government's Administrative Department and Cooperative Department. However, UNDP and Care Myanmar phased out their development activities in Lamzaang in 2012. UNDP phased out from the village because of structural changes occurring at UNDP, while Care Myanmar left because its project was completed. At present, KMSS remains the only development agency performing direct implementation of projects in the village. All the rest are microfinance institutions providing small loans primarily for livelihood improvement. Even among the existing microfinance institutions, only GRET has been doing direct implementation in the village, while the others do the disbursement and collection of small loans through the village authority.

1. UNDP/CDRT Project²¹

UNDP started its socioeconomic development assistance project in Myanmar in 1994 under its Community Development for Remote Townships (CDRT) project. Implementation of the project began in 1994 and Lamzaang was one of the 45 villages covered by the CDRT project in Tedim Township. The largest proportion of project funds was allocated for livelihood improvement, with the rest earmarked for building social infrastructure with emphasis being placed on ensuring transparency and community participation. The development project of UNDP comprises three broad categories: establishment of self-reliant groups, assistance for the most needy (the poorest of the poor), and establishment of community-based organizations (CBOs). The project covers a variety of sectors under which various activities for enhancing community infrastructure and capacity building are implemented, including:

21. CDRT Project Paper (2002) and interview with UNDP Senior Community Facilitator (June 2013).

- Education sector
- Health sector
- Water and sanitation sector
- Trainings
- Capacity building for CBOs
- Livelihoods sector
- Livestock and fishery
- Environmental conservation
- Support for other income-generating activities

From 2003 until 2012, the CDRT project implemented a number of development activities in the study village. In fact, the development activities carried out by UNDP were various and included a number of sectors integrated under the broader categories of livelihood and infrastructure as listed above. The total cost of project support provided to the village under UNDP/CDRT projects amounted to 15,815,203 kyat (15,792,906 in cash and 22,297 in kind). The activities and their associated financial support are listed in Appendix B.

The development activities of UNDP also included those aimed at institutional development. These were implemented by certain Self-Reliant Groups (SRGs) and a Livelihoods Development Committee (LDC). UNDP started with the formation of SRGs and ended with the LDC, with the former being intended for small loans and women's empowerment and the latter mainly targeting livelihood improvement. Of the four SRGs formed by the UNDP, two of them are still active in promoting savings. Also, small loans were disbursed through the LDC for livelihood activities. Many households are still unable to repay their loans. Details about these small loans and the activities of the SRGs are provided in Chapter 6.

Another important initiative of UNDP/CDRT in this village was the establishment of a rice bank in 2010. The main objective was to enhance food security among the poorest of the poor. However, only those who were informed about the establishment of the rice bank were able to take advantage of it. After the community was mobilized and the procedures of the rice bank explained, the rice bank was established partly through the contributions of villagers

using locally available resources. UNDP contributed 783,200 kyat to the rice bank as start-up capital, and later the capital was increased to 3,080,000 kyat. Under this program, rice was loaned out depending on the household size, and the program ran on a six-month cycle with an interest rate of 200 kyat/bag. The rice bank was a means of filling food gaps that villagers face. Although villagers appreciated the rice bank, it is not currently active.

2. Care Myanmar²²

Care Myanmar started working in Lamzaang through its Primary Education Assistance Program for Girls in 2002. This was followed by the Border Area Chin Health Improvement Project (BACHIP) from 2003 to 2007. Since 2012, Care Myanmar has implemented a Mobilizing Community Capacities for Health (MCCH) program focusing on health education. The health education covers topics including malaria, diarrhea, acute respiratory infection (ARI), sexual and reproductive health, and HIV/AIDS. As I mentioned, Care Myanmar has provided material supplies and raised awareness on health issues and the support was disseminated to the community by a committee with nine members. Care Myanmar also distributed condoms alongside the introductory training on sexual and reproductive health. Regarding women's empowerment, Care Myanmar also facilitated the formation of a health working group (HWG) in 2009 and provided start-up capital of 200,000 kyat for fundraising activities. The core activities of the HWG include health education, environmental sanitation, fundraising, library, and the referral of patients to hospital. With the start-up funds from Care Myanmar, HWG opened a small grocery shop and a library. They bought household items and medicines from Tedim and sold them in the village at prices less than those charged by any other shop in the village. Through the profits earned from the shop, the group has been able to provide small financial contributions for the emergency needs of individual members. At the library, they have made journals and periodicals from Care Myanmar and books on health available for public reading.

22. Interviews with the field manager of Care Myanmar in Tedim and a shopkeeper with the Health Working Group (January 2013).

3. Cash for Work of KMSS²³

Since 2012, Karuna Myanmar Social Services (KMSS) started a terrace development in Tedim Township in partnership with the World Food Programme (WFP). KMSS is a faith-based social services organization established under the patronage of Catholic Bishop Conferences of Myanmar (CBCM). It has been implementing the establishment of terraces through Cash for Work program in Lamzaang, providing financial support of 500,000 kyat per acre. Each beneficiary household is entitled to establish 0.5 acres of terrace, and there are twenty beneficiaries in the village. The assistance enables each beneficiary household to earn 250,000 kyat for terrace development.

4. Small Loan Projects

Other significant development activities carried out in the study village in the past include small loans from formal microfinance institutions. The major small loan providers of the village include GRET, MADB, and the government's Administrative Department and Cooperative Department. Unlike the small loans provided by UNDP/CDRT (through the LDC and SRGs), these microfinance institutions have provided small loans by charging proper interest rates. Although these small loans look more like rural financial services for profit, they have increasingly become essential components in fostering rural development. Small loans at least fill the financial gaps of the recipients even though their impacts on the recipient's livelihood situations might not be significant. More details on small loan projects are provided in Chapter 6.

23. Interviews with terrace beneficiaries in Lamzaang (May 2013).

5

LIVELIHOODS IN LAMZAANG

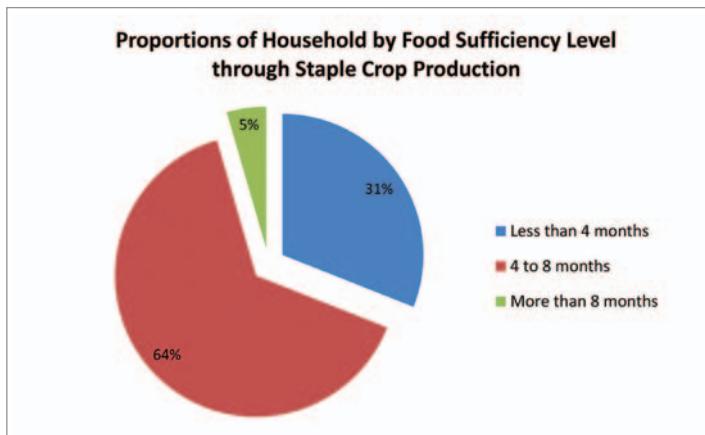
Major Food Sources

Development agencies operating in Lamzaang have classified the village's 205 households in different sorts of livelihood categories following systems that are apparently dependent on the interests and emphases of particular agencies. For example, Care Myanmar has categorized most households as migrant laborers, whereas according to UNDP, the majority of the villagers are farmers. According to the quantitative survey of this study, 82 percent of households in Lamzaang grow staple crops as their major food source and, of these, 98 percent grow maize and another 2 percent grow local varieties of rice. The mean area cultivated with the major staple crop in 2012 was 1.4 acres (max. = 4; min. = 0.5; median = 1). This can also be presented in range as being less than 1 acre (14 percent), 1-to-3 acres (81 percent), and more than 3 acres (5 percent). No household reported the use of fertilizers, and the mean yield for maize is 29.8 tins/acre (max. = 60; min. = 2; median = 30).²⁴ Only 4.5 percent of households across the sample were self-sufficient through their own production of the major staple food crop. Among those households that were not self-sufficient, 88 percent purchased and 12 percent borrowed food for

24. Local measure of one tin is equal to approximately fifteen kilograms by weight or half a basket by volume according to the key informants.

household consumption. Figure 2 below shows the level of food sufficiency through staple crop production.

Figure 2 Levels of food sufficiency through staple crop production



In this study, food sufficiency is presented in two aspects. One aspect is food sufficiency through one's own staple crop production and the other is the overall food sufficiency of a household through all means of production, including wage labor. Some households earn money and buy food rather than relying on their own staple crop production while others supplement their own crop production with food they buy with earned income. The term 'overall food sufficiency' applies as long as the self-sufficiency is achieved through households' own productive capacity.

The major sources of food for 19.6 percent of households is 'own production,' while 80.4 percent of households depend on purchasing. The average food sufficiency level for the study households was 8.6 months for the year 2012. This includes food that is available to the households through any source and not necessarily just the household's staple crop production. The mean for overall food sufficiency level for 2012 is 8.6 months (max. = 12; min. = 3; median = 8.5). Only 4 percent of households were self-sufficient for less than 4 months, while another 46 percent of households were self-sufficient for 4-to-8 months, and up to 50

percent for more than 8 months. A total of 27 percent of the households were self-sufficient for the whole year through overall production. The level of food sufficiency through own staple crop production is 4.7 months (max. = 10; min. = 0.5; median = 4) on average.

Major Income Sources

The major income sources for households in the sample are: 34 percent wage labor, 14 percent salaries, 14 percent brick contracts, 13 percent remittances, 7 percent mason/carpenter, 5 percent trading/small shop, 5 percent livestock, 4 percent agriculture, and 4 percent ‘others,’ which includes activities such as liquor production. For income-generating activities, 62.5 percent of the households made investments of capital. The major sources of capital for the income-generating activities above include: 18 percent own money, 46 percent microcredit, 27 percent money lenders, 6 percent relatives, and 3 percent others. The mean number of persons involved in income-generating activities is two (max. = 6; min. = 1; median = 2). The major sources of capital and household incomes are shown in Figures 3 and 4 below.

Figure 3 Proportions of households by sources of capital

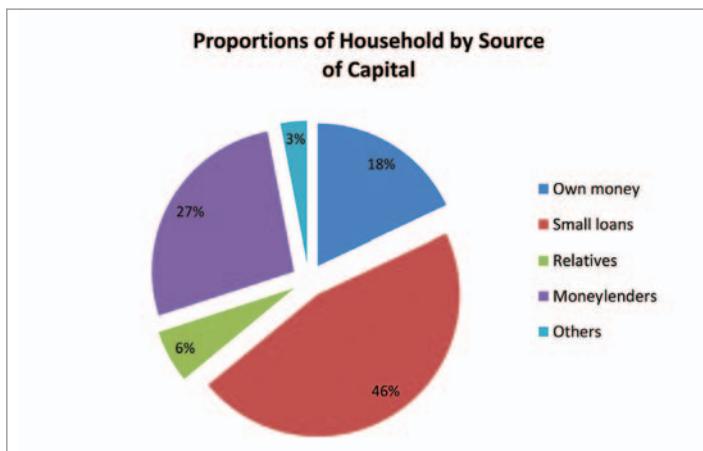
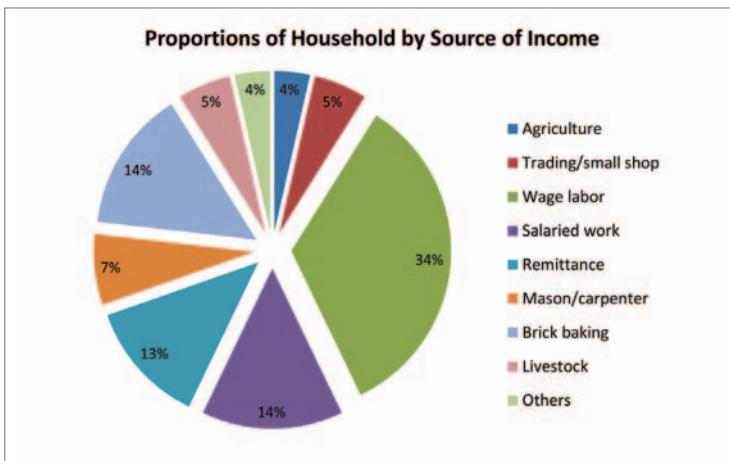
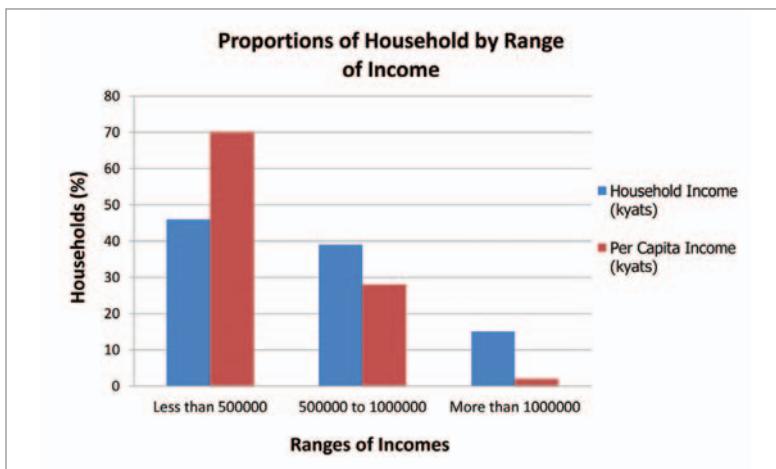


Figure 4 Proportions of households by sources of income



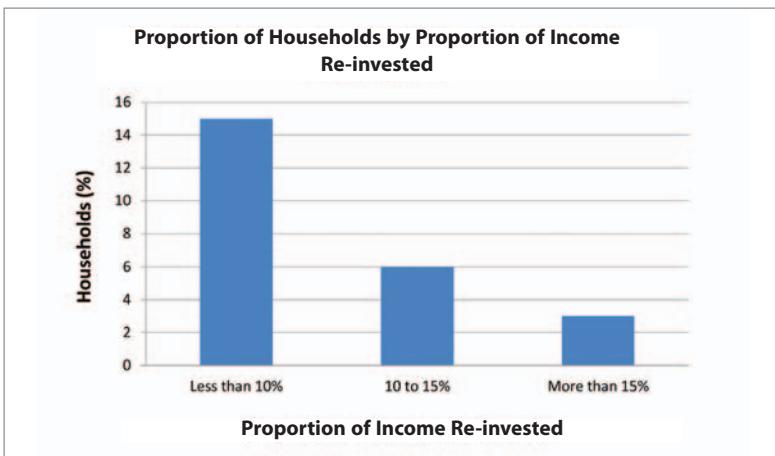
The average income for the study households from their income-generating activities last year was 653,519 kyat (max. = 4,000,000; min. = 10,000; median = 500,000). In the village, 46 percent of the households earn income of less than 500,000 kyat and 39 percent have incomes ranging from 500,000-to-1,000,000 kyat. Only 15 percent of households earned income of more than 1,000,000 kyat last year. As per capita income for the study households also is calculated, the mean per capita income is 70,302 kyat (max. = 266,667; min. = 3,333; median = 64,584) per year. Overall, 70 percent of households have a per capita income of less than 100,000 kyat and another 28 percent have per capita income ranging from 100,000-to-200,000 kyat. Only 2 percent of the households have a per capita income of more than 200,000 kyat per year. Figure 5 below indicates the range of household incomes and per capita income.

Figure 5 Proportion of households by ranges of income



My results indicate that household incomes are fairly low; moreover, the proportion of households who reinvested their income for income generation and the proportion of the reinvested amount also are relatively low. Only 44 percent of households in the sample reinvested their income for income generation. Of the household income, the average amount (in kyat) re-invested in income-generating activities is 126,125 kyat, or 19.3 percent of their average household income. About 63 percent of households reinvested less than 25 percent of their household income and 33 percent of the study households reinvested 25–50 percent of their household income. Only 4 percent of the households reinvested more than 50 percent of their household income. The major markets for study households in relation to their income generation are Lamzaang Village for 22.5 percent of the study households, Tedim for 14.3 percent, Kalay for 2 percent, and India for up to 61.2 percent of the study households. The proportions of households by income reinvested are shown in Figure 6 below.

Figure 6 Proportions of households by proportions of income re-invested



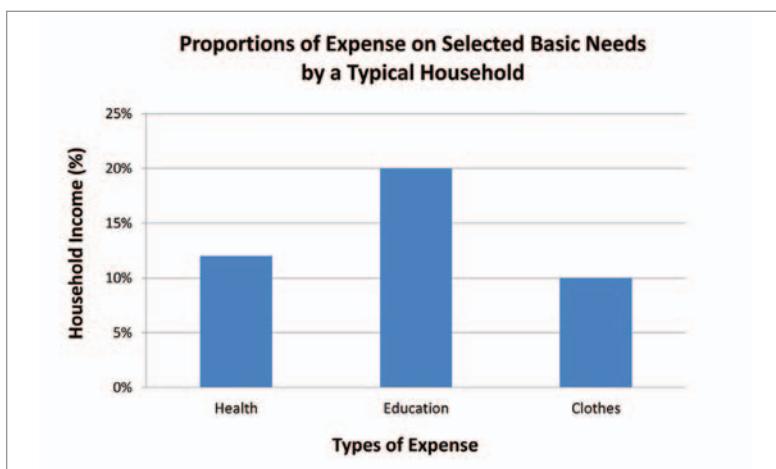
Household Incomes vs. Expenditures

While the mean income for study households is 653,519 kyat, it is also interesting to look at how incomes are spent on meeting the basic needs of the households besides food—that is, healthcare, education, and clothing. First, expenses for these three basic needs and their proportions to household incomes are calculated. Then the mean for the proportions of each type of expenditure is calculated again. The mean expenditures for the three types of basic need are 12 percent for health, 20 percent for education, and 10 percent for clothes. Regarding expenditure for health, 31 percent of households spent less than 10 percent of their household income, 64 percent spent 10–20 percent, and another 5 percent spent more than 20 percent.

The educational expenses for school-age children are high compared to the mean income of individual households. For the year 2012, the mean educational expenditure for respondents of this study was 209,488 kyat. Wealthier households spent up to 1,500,000 kyat for educational expenses, whereas the mean educational expense for worse-off households is as low as 5,000 kyat. This study also investigated the proportion of educational

expenditure against the total household incomes. With similar regards, 79 percent of households spent less than 25 percent of their income, and another 12 percent spent about 25–50 percent of their income on education. Only 9 percent of households spend more than 50 percent of their household income on education. The mean proportions of income spent on basic needs other than food are shown in Figure 7 below.

Figure 7 Proportions of expenses of a typical household on basic needs



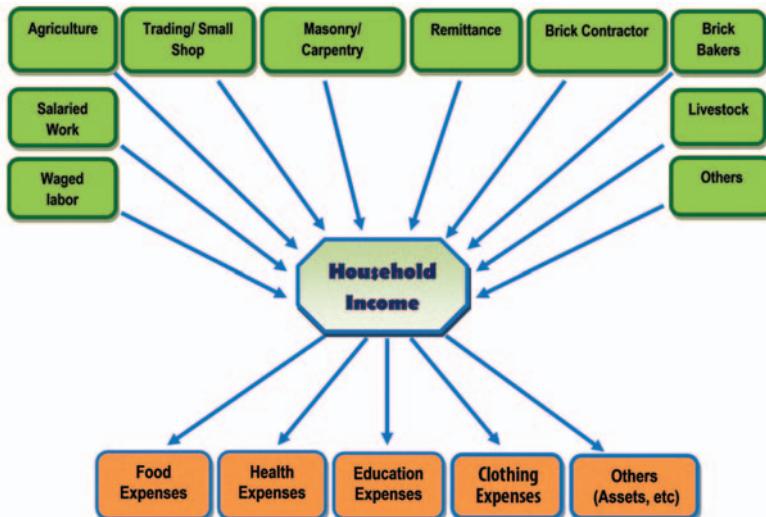
When it comes to health expenses, quantitative data indicate that most of the villagers spent a relatively higher proportion of their income on health than on other needs. But this study could not provide a clear idea about whether higher or lower expenses for health result in improved health outcomes. If a household spends more on health, is it due to their poor health or in order to maintain better health? On average, each household spends 12 percent (max. = 25; min. = 6; median = 13) of their household income (157,053 kyat) on health and health-related issues. The figure also indicates that the highest relative expenses on health, for about 35 percent of the study households, fall between 10-to-20 percent of the total household incomes.

Expenses for Clothing

Clothing is another important need for these households since the region is in both temperate and cold climate zones. For Lamzaang, the amount of money spent on clothes and the types of clothes for which the money is spent can be good indicators of households' livelihood situations, since the households have limited options regarding clothing. However, this study shows that a larger proportion of expenditure on clothes goes to schoolchildren. When expenses for clothes are calculated in the same way, 35 percent of the households spent less than 10 percent, while 65 percent of the households spent about 10–20 percent of their household income on clothing. But no household (0 percent) spent more than 20 percent of their household income on buying clothes. On average, every household spends about 112,182 kyat, or 10 percent (max. = 20; min. = 7; median = 10) of their household income on clothes.

With this information, we see that most households in the village spend their incomes on such basic needs as food, health, education, and clothing rather than initiating new or expanding existing livelihood activities. Although there are various sources of household income in this village, most of household incomes are earned through migration and brick baking. The proportion of households earning incomes through farmwork is very limited, though most households report farming as their major means of livelihood. Other expenses of household income and small loans include purchasing assets such as land, motorcycles, and televisions, and building of houses which are not meant for solving immediate livelihood problems of the households. The incomes and expenses for a typical household in Lamzaang Village are illustrated in Figure 8 below.

Figure 8 A cash flow diagram of a typical household in the study village



In Lamzaang, yield rates of major cereal crops, especially maize, are fairly low. When I interviewed villagers, many emphasized that crop yields are low because they cannot afford to buy fertilizers. In my view, the sizes of the household incomes are not so low as to prohibit the purchase of fertilizer and other sorts of reinvestment. Nonetheless, we see that household incomes are not significantly directed toward livelihood improvement. When crop yields are low, households become food insecure and need to buy food for daily sustenance. The purchase of food and other non-reproductive assets (such as motorcycles and televisions) substantially reduces the amount of household income available for reinvestment in food production or income generation.

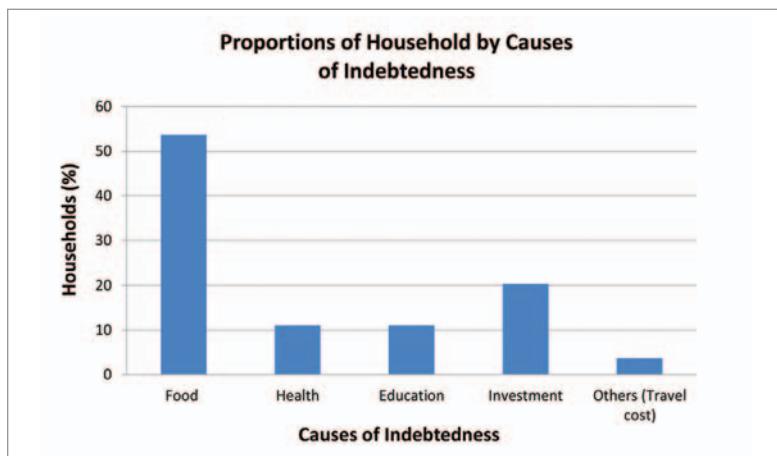
Indebtedness

Indebtedness is a common phenomenon for the village. Of the study sample, 93 percent of the households reported that they are indebted, and the average debt amount for the study households is

522,346 kyat (max. = 3,000,000; min. = 26,000; median = 400,000). More significantly, 54 percent of the sample households have a debt of less than 500,000 kyat, and 38 percent have between 500,000 and 1,000,000 kyat of debt, while 8 percent of the study households have debt amounting to more than 1,000,000 kyat. The causes of indebtedness for most households are various and complicated and it is at times difficult to find out the starting point of indebtedness. For this village, the primary cause of indebtedness is food insufficiency.

In my study, 54 percent of the study households cited food insufficiency as the cause of debt; 11 percent reported health expenses; 11 percent education expenses; 20 percent took on debt for investment, and 4 percent of the households cited 'other expenses' such as debt settlement and travel costs. Travel costs here means the money borrowed to travel to India for brick-baking work. Some worse-off villagers become indebted in this way as they have to take loans from informal moneylenders with very high interest rates. Based on this information, it is clear that the number of households that borrow money mainly for food and the extent of indebtedness would be greatly reduced if households are able to ensure food sufficiency through their own production. Figure 9 below indicates the major causes of indebtedness for the study village.

Figure 9 Proportions of households by causes of indebtedness



Coping Strategies

Brick-baking economy

The people of Lamzaang are very fortunately talented with construction and other skills and consequently have been pioneers in skills-based livelihoods such as carpentry and brick baking in the area. During the British period, villagers learned the skills of carpentry and masonry from foreigners. For example, Mr. Angun, a Chinese migrant, introduced carpentry skills; Mr. Tamta, a Manipurian, brought brick-baking skills, and Mr. Kailat, an Indian who came along with British, sawing skills. The skills learned from these persons later constituted a large part of the livelihood system in the village. Nowadays, many households from the village do brick baking in India's Mizoram State as a major source of income or coping strategy.

The common period for brick making is the dry season, which spans from November to March. There are two types of employment in the brick-baking business. Brick contractors are entrepreneurs who establish and run the business, while brick bakers are those who work at the business as paid laborers. Typically, members of the better-off households that have start-up capital work as brick contractors, whereas those from worse-off households take jobs as paid workers. There are thirty-one contractors in the village and about eighty households with members who engage in the business as paid workers. Typically, people first pursue their own livelihood activities, and when those activities fail or cannot be continued, they engage in brick baking as a livelihood solution. Normally villagers do brick baking in the area of Rih Lake (near the Indo-Myanmar border), Laitui Village, and Mizoram State of India.

While anybody can work as brick bakers, brick contractors require some special skills and traits: for example, skills of persuasion. Some people choose to work as paid workers since they do not want to bear the responsibilities of brick contractors and the difficulties involved in managing people and obtaining start-up capital. Those who choose to work as contractors do so for various

reasons. Some do it because they find the work is impressive and the earnings are higher compared with brick baking. In order to work as a contractor, there are essential skills, including communication skills, skill with social relationships, ability to manage people, and knowledge of local contexts. Some first work with experienced contractors to learn the business. Contractors also need a proper financial background. Even if contractors do not have enough money, they can start a business on their own. A group of seven persons can start the business with around 500,000-to-700,000 kyat of capital. If the group does not have sufficient capital, they can borrow from others at an interest rate of 5-to-20 percent per month for at least five consecutive months based on the need and urgency. The debt will be doubled if the borrowers fail to repay the loans in the designated time.

Contractors need to inquire about any projects from the government or other organizations, and it sometimes takes about 1-to-2 months to find a contract. If sufficient capital is available, the profit from a brick contract can be as high as 300 percent of the investment. At the same time, some contractors have to deal with untrustworthy buyers and they may fail to gain the money in time to disburse the wages of their paid workers. When this is the case, contractors may pay the workers anyway by borrowing money (at interest) or settle the problem by selling their own assets. Normally, one contractor can hire up to 10-to-20 brick bakers. Earnings for a brick contractor vary from 800,000 to 2,000,000 kyat per season, but not all contractors can earn this much. Prolonged heavy rains before the bricks are baked can cause all their work to be destroyed or delayed, affecting both contractors and paid workers. In addition, contractors may have difficulties managing people since some brick workers drink excessively.

“I am not as lucky as other contractors. I often have to face heavy rains before my bricks are baked. I also have to borrow money for start-up capital with high interest rates and I can barely repay those debts.”—a brick contractor

The work of brick bakers is less risky since less investment is required. However, the bakers also need to borrow small amounts of money for travel costs to India. They usually take small loans

from microfinance institutions with lower interest rates and longer repayment periods. The wages of paid workers vary based on their level of skill and the type of work they do. A female paid worker earns 70,000–100,000 kyat, whereas male paid workers earn about 300,000–600,000 kyat per season depending on their skills. However, the earnings of brick bakers can be much reduced if bad weather keeps them from working for several days. This also affects brick contractors as they have to feed their workers everyday whether they work or not. If the contractor fails to pay their wages, brick workers may have to go home empty handed or even borrow money for travel expenses. Some other problems for workers are that some contractors provide poor quality food, or make brick bakers work until dark without any additional pay.

Although earnings from brick baking are relatively high compared with those from other livelihood activities, the money earned is mainly used for non-productive purposes like buying food, buying assets, debt settlement, etc. According to the respondents, the most significant benefits of brick baking are that more food becomes available for the households, and that households are able to buy items like solar panels, kitchen utensils, and clothes. For brick bakers whose households are worse-off, the earnings are usually used to repay small loans from microfinance institutions and to buy basic household needs. The daily wage rates for various types of brick-baking work earned in India are shown in Table 2.

Table 2 Classification of wages for paid brick workers in the study village

S No.	Types of brick-baking activities	Daily wage (Rupees) ²⁵
1	pounding (<i>aseek</i>)	300
2	treading (<i>acil</i>)	250
3	rolling (<i>alom</i>)	250
4	drying (<i>apho</i>)	250
5	moving (<i>atuah</i>)	150

25. As of May 2013, 1 rupee is equal to 16 kyat.

Remittance economy

Labor migration to Yangon or to third countries has become a common income-earning activity for people in Chin State.²⁶ Outsiders may think that the poorest households in the village are most likely to have members who are migrant laborers. In fact, the investments required for migration are so high that only those who are better-off can afford it. As supporters of microfinance have noted, remittances sent back to a village from a migrant laborer can be an effective means of poverty reduction in a village. According to my study, however, labor migration in Lamzaang is usually undertaken without any specific purpose, so the remittances that are sent back rarely contribute to livelihood improvement. The migrants keep on earning and sending money to their homes, while the people at home in Lamzaang keep on spending the money for unproductive purposes.

For the people in Lamzaang, remittances have increasingly become a major income source. There are a total of 68 international labor migrants from the village. Of these, twenty-four work in Malaysia, eleven in Singapore, thirty-two in USA, and one in Australia. Most of these migrants cannot send money to their families regularly. Indeed, households are engaged in labor migration without any particular objective or business plan for the use of remittances. Members of the studied households said that they chose labor migration as a solution to poverty, but, when asked, most of them were not able to detail the actual benefits and problems associated with labor migration.

Within the sample, quantitative data indicates that 79 percent of households contain labor migrants. Of the migrant-sending households, 27.6 percent have domestic migrants (in Yangon or other urban centers), 55 percent have cross-border migrants (in neighboring countries), and 29.8 percent have international migrants. The mean number of labor migrants is 2.1 persons

26. In this paper, “labor migration” refers to villagers on extended stays, living and working in Yangon, neighboring countries, or overseas. It does not include the temporary, seasonal work in India baking bricks.

per household (max. = 6; min. = 1). Of the migrant-sending households, 12 have domestic migrants, 24 have cross-border migrants, and 14 have international migrants, together totaling 93 persons for the entire village. The numbers are not worth presenting in proportion (percentage) as multiple counting applies due to the fact that some households engage in more than one type of labor migration. Table 3 shows the types of labor migration and the numbers of households and persons engaged in each type of labor migration.

Table 3 Number of migrated persons in the study village as of May 2012

S No.	Types of labor migration	# of households engaged	# of persons engaged	Remarks
1	Domestic migration	12	17	only within Myanmar
2	Cross-border migration	24	58	via border pass, visa not needed
3	International migration	14	18	visas needed, but people go with/without visas
Total		50*	93	

* multiple counting applies

In fact, the investment required for labor migration is not negligible either socially or economically. A person going to Malaysia requires about 1,200,000 kyat if he/she uses formal channels with a visa, work permit, etc. Some are fortunate to be able to pay 800,000 kyat in Myanmar prior to departure, and the rest in Malaysia after they start earning money. If the channel is informal, the charges are as low as 700,000 kyat per person, but this form of migration is understood to be risky and fewer people choose that channel. For many households, capital money invested in labor migration mainly comes from formal and informal sources of loans. Most migrant workers in Singapore are female and while they pay nothing in Myanmar, they have to settle the agent fees after seven-to-eight months in Singapore when they have earned

some money. This type of service follows formal channels, and the processes are legal. The only problem with this type of migration is that the agents are not always trustworthy. Some migrants have had to return to their village after having encountered a number of difficulties in Yangon.

As mentioned earlier, some labor migrants go to developed countries such as Australia, USA, and Singapore. Most of these labor migrants first registered themselves as refugees in Malaysia and were later sent to third countries. Many people think that being a refugee in a developed country is a blessing. According to my findings, however, labor migrants were better able to send home remittances while they were in Malaysia than after they relocated to a developed country such as USA or Australia. These migrants seem to have no vision beyond arriving in the third country. They also have no intention to come back to Chin State. For these reasons it seems that these migrants cannot help solve the poverty problems of their households, although poverty is usually referred to as the main reason for migrating.

A migrant worker in Malaysia can remit about 150,000-200,000 kyat per month, whereas one working in Singapore can send around 200,000 kyat per month. As the time spent living in the country of destination gets longer, the remittances sent back become less and less regular. The migrant-sending households spend their remittances in various ways depending on their individual situations. The most common uses of remittances are for education, debt settlement, and purchasing household assets. If the household is better-off, the migrant sends back money to their home only as requested, whereas the worse-off households need remittances to be sent more regularly. Overall, there is no significant evidence that migrant-sending households have better livelihood situations than those without migrants.

As mentioned in previous chapters, the major credit providers in Lamzaang Village are GRET, MADB, and the government's Administrative Department and Cooperative Department. UNDP has also provided money to SRGs as a contribution (injection) to SRGs savings accounts; likewise, the money provided by Care

Myanmar was an outright grant. GRET, MADB, the Administrative Department, and the Cooperative Department all provide formal small loans. These institutions have either legally registered themselves or have been recognized as microfinance institutions. Actually, it is not certain whether or not the Administrative and Cooperative Departments regard themselves as formal microfinance institutions, but it is clear they do function in this way. All the small loans have been provided in Lamzaang for different objectives in different ways. The next section considers the uses and effects of small loans in general.

6

MICROFINANCE INTERVENTION

Social Meaning of Loan and Debt

The state of being indebted and its sequential implications are mostly social and sometimes abstract. Indebtedness can be a measure of the social standing for those households who are indebted. For one small loan beneficiary I interviewed, it was inevitable for her to take small loans since her family lacked its basic needs, especially food. Other beneficiaries told me similar stories. Thus, we see that if the problem of basic needs is not solved, the vicious cycle of indebtedness will continue. When basic needs are unmet, no small loan can be effectively utilized for further investment, and the cycle of indebtedness becomes prolonged, chronic, and more complicated. People in indebted households also lose self-confidence as they feel inferior to others, especially to those from whom they borrow.

Another aspect of indebtedness is trust. Trust enables someone to borrow money from others. Moneylenders lend money to others only to the degree that the borrowers are trustworthy. They normally look at the borrower's potential capacity to repay to decide whether to lend money or not. In the study village, it has been observed that some households are not indebted at all, while many households are highly indebted. Among the non-indebted households, some did not borrow money because they could sustain themselves without assistance, whereas others sought but failed to find loans due to lenders' lack of confidence in their

trustworthiness. With indebted households, in some cases, the households are accustomed to borrowing money regularly for their ordinary needs. Borrowers who fail to repay in time need to explain and negotiate a lot, and in this way, their relationships can be affected. The individual's dignity is disgraced. However, in some cases, borrowing can also improve relationships between lenders and borrowers due to their closer interactions. Of course, these results can be reversed when the lender is in need and the borrower fails to help in return. Regardless, indebtedness can be seen as an indicator of trust among lenders and borrowers. The degree of one's indebtedness is also a measurement of one's capacity in managing household affairs and one's social status within the village.

Indebtedness can be categorized into two forms: formal borrowing of small loans from organizations, and less formal borrowing from relatives. The former is more strictly commercial and as long as the loans are repaid does it not lead to dependency, whereas the latter is more social and any difficulties resulting from the loan settlement are dealt with by informal social negotiations. Such loans more readily lead to relations of dependency. For these reasons, some households in the village have no intentions of taking loans from any source, but rather try to be self-reliant so as to avoid the social problems associated with borrowing money. Some non-borrowers of small loans say that borrowing is usually easy and repaying is difficult. Of course, there are some non-borrowers who do not take loans due to a lack of any business ideas or a lack of capacity, or because they believe the loans are not intended for them.

MADB Small Loans²⁷

Since 2000, Myanma Agricultural Development Bank (MADB) has provided small loans to farmers every year. The program began with rice farmers and was extended to maize farmers in

27. Interview with the township manager and the credit in-charge at MADB, Tedim (January 2013).

2001. Most of the borrowers are maize growers since rice cultivation is very limited in Tedi Township. In the study village, I have found through the survey that some respondents reported themselves as rice growers for the sake of obtaining small loans. I learned in interviews that, in fact, only one of the ten households that reported themselves as rice growers actually grow rice.

The objectives of MADB in providing small loans are:

- To make sufficient loans available
- To make loans available efficiently
- To ensure that loans are repaid in full
- To help farmers accumulate capital through saving
- To establish farmers' lives without debt
- To have the bank be self-reliant

The loan size for maize farmers is 10,000 kyat/acre, whereas that for rice farmers is 50,000 kyat/acre. The repayment period was set at eight-to-nine months and the interest rate at 8.5 percent per year, according to the contract document. The loan sizes were later increased to 20,000 kyat/acre for maize farmers and 100,000 kyat for rice farmers, but the number of acres proposed for small loans should not exceed ten acres. Small loans are disbursed on the basis of cultivated area, records of which are available from the Departments of Agriculture and Land Records. A village committee was formed and the Village Administrator serves as chairman of the committee. In principle, there is also a monitoring team. However, the utilization of small loans is rarely monitored. In order to obtain the loans, potential borrowers need to open bank accounts with an initial 50 kyat deposit, and then save 3,000 kyat later on. MADB gives an annual interest of 8 percent to the borrowers on their savings. Provision of loans is made upon signing a legal contract within which mutual guarantee also is applied.

In Lamzaang Village, the total number of clients in MADB's small loans program is 161 households, of which a few have stopped borrowing from the bank. The small loans were disbursed after clients signed a contract. Moreover, the village headman had to

sign the contract as a witness. The loan amounts range from 90,000-to-100,000 kyat with an interest rate of 8.5 percent per year. In the contract, it is mentioned that the loans are disbursed through mutual guarantee and failure to repay the loans is subject to legal action. It is also mentioned in the contract documents that the loans are intended for supporting agriculture and livestock breeding. A summary of small loans provided by MADB is provided in Table 4.

Table 4 Small loans allocated by MADB for monsoon crop production in Tedim Township

S No.	Year and Loan	Disbursement				Dates fully recollected
		V/B*	Group	Population	Loan	
1	2009 Monsoon	22	6191	1762	90,700,000	26/2/2010
2	2010 Monsoon	23	194	1784	168,300,000	28/2/2011
3	2011 Monsoon	25	198	1842	194,300,000	3/4/2012
4	2012 Monsoon	27	20	1919	190,620,000	

* village bank

Expenses and Profits from Activities (kyat)

Particulars	2009-2010	2010-2011	2011-2012
Income	11,933,987.70	21,428,704.43	23,547,666.51
Expenditure	9,144,881.14	17,106,879.00	13,395,125.15
Profit	2,789,106.56	4,321,825.43	10,152,541.36

Source: MADB Tedim 2013.

Despite the objectives, my study found that most of the loan recipients could not use their loans to grow rice or maize. According to the villagers I interviewed, loan disbursement was usually delayed with the effect that they could not use the loans for the activities they had proposed. As the time of loan disbursement was often concurrent with school opening, most borrowers spent the loans on tuition fees and study materials for their schooled children. Consequently, many of them faced difficulties when repayment was due. However, one good feature

of MADB loans is that the repayment period and interest rates of the loans are relatively low and borrowers are not required to repay on a monthly basis. The borrowers have more time to prepare for repayment.

On the supply side, MADB staff has to allocate the loans to meet their targets. They must also collect them in full in a timely manner, since all their salaries are paid with the interest collected on the loans. Only in very few cases in the region (and no case in the study village) have borrowers failed to repay their loans. This may be because of the warning about possible legal action mentioned in the contract. The loan recipients always try to repay their loans in time and there has never been any legal action taken against any borrower in the study village.

An example I observed during my fieldwork: an MADB staff person came to the village headman with a warning letter issued by the township police office. The letter was about a recipient of an MADB loan who had failed to repay by the designated date. The MADB staff person said that the loan and the interest (about 500,000 kyat total) should be repaid the next day. However, the official borrower was away and only his aged, unhealthy mother and his wife who was also not in good health were at home. The headman called the mother of the borrower to his house where the MADB staff person explained the situation. The elderly woman was clearly terrified. Because the headman was unhappy witnessing the scene, he brought the MADB staff person to the borrower's house to speak with the wife. With the earnest request from the headman and the wife of the borrower, the repayment deadline was extended an additional ten days.

GRET Small Loans²⁸

Groupe de Recherches et d'Echanges Technologiques (GRET), a

28. Interviews with manager of Chin MFI (January 2013) and credit supervisor in Tedim (June 2013).

French microfinance institution, initiated a microcredit scheme in Chin State in 1995 with a mission to contribute to the development of Chin villagers by providing access to capital. The group formed eighty-three Village Credit Schemes (VCSs) in seventy-seven villages of Hakha, Falam, and Tedim townships in northern Chin State. The target villages were selected on the basis of their socioeconomic data, the possibility of a cluster approach, and the accessibility of the villages. Villages had to be a minimum size of at least forty households. At the level of beneficiaries, it was required to have a certain proportion of women among the borrowers. The program's priorities include income generation, sustainable financial services without material guarantee, and education on economic planning and activities implementation. Small loans were provided in four categories: normal loan, special loan, performance loan, and emergency loan.

In 1996, the scheme started disbursing small loans to groups of five members using mutual guarantee as the social collateral. The initial size of a normal loan was 2,000 kyat, but this was later increased to 7,300–7,700 kyat in 1999 and 10,000–14,000 kyat in 2001. Performance loans are 14,000–18,000 kyat and special loans are 25,000–27,000 kyat. Currently, the program offers 120,000 kyat for a normal loan and 600,000 kyat for a performance loan, which is now called a microenterprise (ME) loan. ME loans are made available to those borrowers who have demonstrated good repayment for more than two loan cycles. The interest rate was originally 4 percent per month and the loan period was 12 months. After negotiation with MADB, the interest rate was reduced to 3.75 percent in mid-2001. The interest rate of 3.75 percent includes 1.75 percent for covering imputed costs, 1.5 percent as service fees, and 0.5 percent for operating costs at the VCS level. The interest rate was further reduced to 2.5 percent in 2013 due to structural changes in Myanmar. The size of normal loans and performance loans from GRET are quite different, but the interest rates and the repayment period are the same.

The GRET microfinance institution (MFI) reached operational self-sufficiency in 2003 (Nyan Lynn n.d.; Turnell 2009). In the study village in 2012, the number of normal loan borrowers was

102 households, whereas six households received the ME loans. Each borrower is entitled to free choice of economic activities for using the loan, but must present his or her project to the group and get the group's approval. Together with the loans, GRET has also provided technical trainings on starting and managing microenterprises (GRET Chin 2001; Nyan Linn n.d.). It has also developed a training manual for microenterprise development.

After interviewing the recipients of the ME or performance loans, I learned that most recipients used the loans to expand their existing business rather than to start a new one with the loan as seed capital. For example, a 47-year-old woman who owned the largest grocery shop in the village received an ME loan from GRET to support her ongoing businesses. She said that after comparing the SRG program of UNDP and the microfinance scheme of GRET, she preferred the latter. She said many people think of small loans as outright grants and thus face problems when the repayment time comes. This woman is also the secretary of an SRG called Zingsol and she contributes regularly to weekly savings. Zingsol is one of the two SRGs still active in the village. This shopkeeper criticized some members of their SRG who borrowed money but hesitated to repay the loan even though they were able to. She also agreed with the amount and the interest rate for performance loans, but she argued that the repayment period (one year) was too short. She said she finds it difficult to earn enough money to repay the principal and interest at the designated time. She explained her use of the loan as follows:

“My mother started this shop and I learned from her how to run the shop. Now the total cost of the shop might be around 4,000,000 kyat. What I borrowed from GRET is only 600,000 kyat. Unlike other people, I do believe in small loans and it really works for those who really work. Before this performance loan, I once borrowed 100,000 kyat from GRET. I bought two piglets with 50,000 kyat. I also bought the feed with another 30,000 kyat. Then I spent the remaining 20,000 kyat for other needs of my family. After ten months, I sold the two pigs at 80,000 kyat each and I could repay the loan in time. I think small loans

provided to those who do not work hard will never be fruitful..."

Administrative Small Loans²⁹

Like other microfinance institutions, the Administrative Department provides small loans for purchasing livestock (hereafter, administrative loans). They initiated this in late 2012 after the Workshop on Rural Development and Poverty Alleviation in Myanmar which was held in Naypyidaw, the capital city of Myanmar, during May 20–21, 2011. The workshop was followed by the speech of President U Thein Sein, Chairman of Rural Development and Poverty Alleviation Central Committee, at the central committee meeting in June 2012. The speech outlined a series of national tasks for rural development and poverty alleviation in Myanmar as detailed below:³⁰

- (a) Development of the agricultural production sector
- (b) Development of rural productivity and cottage industries
- (c) Development of micro saving and credit enterprises
- (d) Development of rural cooperative tasks
- (e) Development of rural socioeconomic
- (f) Development of rural energy
- (g) Environmental conservation.

Administrative loans are intended mainly for the purchase of livestock. There are no specific selection criteria for becoming recipients of this loan. The government gives information about the loan program to village administrators who then select the beneficiaries. The village administrator is also responsible for receiving the loans from the township-level Administrative Office and for allocating these to the borrowers in the village. No new committee has been formed in the village, and the existing LDC

29. Interview with key staff members of the Administrative Department, Tedim (January 2013).

30. <http://www.president-office.gov.mm/zg/?q=issues/rural-urban/id-1343>

(Livelihoods Development Committee) has been serving as the committee. Loans are allocated through mutual guarantee as is done in other small loan projects. The Administrative Department outlined the types of business activities that could be supported through the small loans. However, most of the loan recipients did not implement the businesses they had proposed. In the program, there is no monitoring mechanism to check whether the recipients utilize their small loans as proposed. Similarly, I found no evidence of monitoring the impacts of those small loans on the borrowers' livelihoods.

In Lamzaang, ten households have taken administrative loans. The types of livestock for which small loans were made available include pig, chicken, fish, goat, horse, cow, and mithun.³¹ The loan sizes varied based on the type of animals the borrower wanted to raise. The loan size for raising piglets, chicken, and fish is 250,000 kyat, whereas that for goats is 300,000 kyat. For large livestock like horses, cows, and mithun, the loan is as high as 400,000 kyat. The distinctive feature of this loan is that the minimum heads of livestock to be raised is fixed at five for piglets, four for chickens, ten for goats, and two for the larger animals. The interest rate is set at 0.30 percent per month or 4 percent per year. In Lamzaang Village, all the ten borrowers received the same amount of 250,000 kyat irrespective of the activities they proposed.

Cooperative Small Loans³²

So-called 'cooperative loans' also appeared after the Workshop on Rural Development and Poverty Alleviation was held May 2011. President U Thein Sein also referred to the program at the Rural Development and Poverty Alleviation Central Committee meeting in June 2012. Cooperatives have been in existence in Myanmar

31. Mithun is a type of semi-domesticated ox found in western Myanmar and northeastern India.

32. Interviews with credit in-charge (May 2013) and training in-charge (June 2013) of Cooperative Department, Tedim. Also consulted are intra-departmental documents.

since the earlier era of parliamentary rule (1947–1961) and the socialist regime (1962–1988). However, the functioning of cooperatives during those times was quite different from the current activities of the Cooperative Department. The cooperatives in the past were collective businesses initiated with shareholders' deposits and with profits shared among shareholders. The most significant benefit of the cooperative businesses was that consumer goods were available at cheaper prices.

Under the new (post-2011) government, the Cooperative Department has provided small loans in various parts of Myanmar.³³ It has also initiated microfinance programs in parts of Myanmar and established a total of seventy-two microfinance institutions and microfinance cooperatives (Myint Soe 2012). The initiative was extended to Tedim Township in Chin State in 2013. Since 2013, small loans have been provided to needy people from villages and urban areas. In urban areas, the program mainly targets small traders of fresh vegetables, meat, and fish, sellers of snacks and venders; however no specific target group has been defined for rural villages. The objectives of the cooperative loans program are:

- To reduce the poverty of grassroots communities
- To enhance the social, educational, health, and economic conditions of grassroots communities
- To generate employment opportunities
- To create a culture of savings
- To encourage the emergence of small enterprises
- To generate and expand cottage industries
- To support grassroots communities through other income generation in addition to agriculture
- To acquire and disseminate technology from domestic and external sources

Regarding the practices and procedures of the Cooperative Department in urban Tedim, small loans are provided as normal

33. *Wealth Seedling Journal* (October 2012).

loans, special loans, and emergency loans. Normal loans are provided through group lending and do not require any collateral, but are made available to group members through mutual guarantee. Loan sizes are based on regular repayment by the borrowers. The loan period is 60 days (approximately two months) and the interest rate is set at 2.5 percent per month. The initial size for a normal loan is 45,000 kyat but can be increased to 60,000 kyat, 90,000 kyat, and 120,000 kyat based on the borrowers' business conditions. The loan requires compulsory saving of 0.25 percent (of the loan amount) and also accepts voluntary saving with the maximum amount to be determined by a committee including the branch manager.

Special loans are provided to those borrowers of normal loans who wish to expand their businesses. The lending agency assesses the business proposed for expansion. Adequate loans are provided according to the decisions of the group including the branch manager. The amount of a special loan is set at 300,000 kyat and the interest rate should not exceed that of normal loans. Special loans are provided through the guarantee of the borrower and are not necessarily related to mutual guarantee. Another type of loan is an emergency loan that can be provided for social, educational, and health needs of the borrowers. Emergency loans with a maximum of 50,000 kyat are provided through the decision of the group on the borrower's request. In this case also, the interest should not exceed that of normal loans. Both special loans and emergency loans are subject to weekly or monthly repayments and the loan periods are four months for special loans and two months for emergency loans.

One good element of the loan for the borrowers is that they are entitled to receive interest (of 1.25 percent) on their compulsory and voluntary savings. Interest on savings is added to the saving deposits twice a year. Compulsory savings can be withdrawn only after one year for 50 percent of the saved amount. The group and the branch manager are responsible for deciding whether or not to disburse the savings. In the case of outright resignation from the group, compulsory savings should be disbursed only after a clearance of balance. Voluntary savings are disbursed after a

request made one week in advance (Central Cooperative Limited-Microfinance Unit 2012).

In Lamzaang Village, twelve persons have taken loans from the Cooperative Department. The loan sizes range from 100,000–200,000 kyat, and the monthly interest rate is 2.5 percent including 0.75 percent reserved for administrative costs. The repayment period is one year and the loans require a mutual guarantee. Normally, the staff members of the cooperative department are responsible for forming a new committee in the village. In this village, however, the staff just relied on the existing committee formed by UNDP. The small loans are mainly intended for agriculture and livestock. The program also has formulated plans for promoting knowledge of microfinance activities through organizing seminars and workshops, conducting trainings, and writing and discussing microfinance in newspapers, journals, radio, and television.

UNDP/CDRT Small Loans

Semi-formal small loan providers include the LDC (Livelihood Development Committee) and the SRGs (Self-Reliant Groups) that were formed by UNDP (United Nations Development Programme) under its CDRT (Community Development for Remote Townships) project. The UNDP, alongside its other development activities, also provided informal small loans. It started with forming SRGs that initially targeted the poorest of the poor who belong to C and D categories on the wealth ranking. Households in the A and B categories did not receive assistance, so their participation in project activities decreased. In 2005, UNDP formed a Participatory Technology Development Committee (PTDC) mainly focusing on agriculture and livestock and including all households. At the same time, the UNDP received funding from Danida (Danish International Development Agency) so the activities covered under this fund were implemented separately, under Farmers User Groups (FUGs) for budget monitoring purposes. However, PTDC was found to be too technical and the staff and beneficiaries became confused about

the various names given to different projects. Later, all the activities were integrated into the LDC. Since then, no more funding has been allocated to SRGs.

The LDC charged a membership fee of 1,000 kyat to cover administrative costs such as office materials. With both the SRGs and LDC, Micro Project Proposals (MPPs) were required for obtaining funding from UNDP for livelihood improvement. Draft MPPs were provided by the beneficiaries and the staff facilitated the development of the final proposals. Once an MPP was approved, the beneficiaries needed to sign a Memorandum of Agreement (MOA). The funds provided under the LDC were to be repaid so that the money could revolve among LDC members within the village. However, saving was not encouraged as part of this particular program. In fact, UNDP provided the loans as assistance to the village, not as grants to individuals, as was thought by most beneficiaries in the village. Borrowers needed to repay to LDC, so the money would revolve within the village. Those members who borrowed from LDC were exempted from paying interest for the first year, but had to pay interest from the second year onwards, first at 3 percent per month and later decreasing to 2 percent per month on the small loans borrowed.³⁴

Together with the forming of LDC and SRGs, the UNDP also mobilized savings through SRGs and gave villagers skill trainings in topics such as basic accounting, cultivation practices, seed production, compost making, animal health worker training (or blue-cross training),³⁵ masonry/carpentry, and so on. The UNDP also taught SRG leaders about how to formulate rules and regulations for their respective groups, how to hold regular meetings, and how to keep meeting records (UNDP/CDRT Tedim & MAS Tedim 2010; UNDP/CDRT Tedim 2010; UNDP/CDRT Tedim 2011; UNDP/CDRT Tedim 2012). As the groups became familiar with those essential practices, each group started saving

34. Interview with the ex-community development facilitator of UNDP/CDRT for Lamzaang Village.

35. Actually, the participant who joined this training resided in another village.

with an agreed small amount of money contributed on a weekly basis. Then group members could start borrowing money from the pooled savings with an agreed-upon interest rate and at different amounts based on the total amount of savings available.

The UNDP formed four SRGs in the village. The group members chose the names for their groups, which are Zingsol, Lenggui, Gennevi, and Zoheisa. Formed in 2000 with nine to sixteen like-minded people, these SRGs started with weekly contributions of savings of an affordable amount ranging 10 to 500 kyat per week. Every SRG member could borrow a small loan from the group at an interest rate agreed on by the group. After some time, especially when group savings reached larger amounts, the UNDP injected money into the program without disrupting the ongoing processes of saving and borrowing. The money injected into these SRGs ranged from 15,000 to 20,000 kyat per member. To be clearer, the money was allocated to the groups and not to individual members. Of the four SRGs formed by UNDP in the study village, only two (Zingsol and Gennevi) continue until today (2013). The other two have ceased to exist due to various difficulties.

Private Moneylending

Because of the high interest rates (i.e., up to 10 percent per month) charged by private moneylenders, most respondents turn to such lenders only when more formal loans are not available and the need is vital. For many households, informal moneylenders are unavoidable when the need is urgent. In this village, there is no publicly recognized moneylender: villagers who are better-off loan to those who are worse off. When lending is made, the interest rate is as high as 10 percent or more per month, even between relatives. These informal loans are made only for urgent needs such as transport costs for travelling to India for brick-baking work and for going to the hospital. While formal and semi-formal credit providers rarely take collateral, moneylenders will claim the collateral if the borrower fails to repay the loans, irrespective of whatever social ties they may have.

Informal moneylenders in this study village never identify themselves as such since they do not rely on moneylending as their primary business. They are just farmers or traders like other people in the village, but happen to have some surplus money. They lend money only at the request of the borrower, and that is why their interest rates are high. The most common forms of collateral are farm land and houses, and the proposition of these assets is not just nominal. There have been cases where moneylenders actually took possession of the land or houses of the borrowers who failed to repay loans in time. Many borrowers from informal moneylenders think that the process is unfair and that the lenders exploit their difficulties.

Processes of Small Loans

Social mobilization

Most of the small loan providers engage in community mobilization before the implementation of their programs. First, they inform the village head and organize a community meeting in the target village. At the community meeting, the objectives and procedures of the small loans are supposed to be explained, along with the criteria of the organization. This stage is usually followed by the formation of groups with a pre-determined number of members. For most small loan providers, the typical criteria for membership in the group include permanent residence in the village, being at least 18 years old, and so on. Usually, small loan providers require a business plan of some sort, sometimes in the form of a micro proposal (e.g., UNDP) or a more formal application (e.g., GRET and MADB).

According to my research, non-governmental organizations such as UNDP and GRET were diligent about social mobilization at the outset of their small loan projects. Social mobilization was then followed by villagers developing and submitting micro proposals or business plans. Even with these organizations, there was limited or no monitoring of the utilization of loans and their impact on livelihoods. In government-administered programs like the MADB

loans, the Administrative loans, and the Cooperative loans, social mobilization was rarely done. Instead, the information about loan procedures was made known via village authorities. The process resembled many other public services performed by government staff who might or might not be interested in or committed to the program or community development. In such cases, it seems that the small loan providers give what they want to give, while the recipients do what they want to do with what is given to them. This generates room for the borrowers to be unaware of the process and obligations of small loans, which leads in turn to unnecessary defaults. Moreover, as providing microfinance services may be an additional burden for government staff, it may interfere with the provision of their other, regular public services.

The MADB, Administrative, and Cooperative loans are run by the government and are mostly channeled through the village authority, despite the community mobilization process established by the departments. As I have mentioned, MADB loans are mostly for agriculture, Administrative loans are for livestock purchase, and Cooperative loans are for both. The borrowers propose an appropriate activity and then spend the loan for other (frequently non-productive) purposes. As previously mentioned, MADB loans are disbursed when schools are opened, so most borrowers spend their loans on school expenses. They then repay the loans with money from brick baking or remittances, or perhaps by taking another loan with higher interest rates. For these three types of small loans, responsible persons are government staff and they rarely monitor the utilization of the loans.

Most borrowers I interviewed stated that the amounts of loans are too small to start any income-generating activities. They also stressed that repayment periods are too short for the new businesses to yield profits even if the borrowers do invest in business. The actual loan periods for the MADB and Administrative Department loans are as short as seven-to-nine months, although the contracts say that the loan period should be one year. Some borrowers also said that they do not receive loans from MADB in the full amount. Borrowers reported receiving only 90,000 kyat, although the actual amount mentioned in the contract is 100,000

kyat. According to the staff I interviewed, the discrepancy is because of the compulsory saving and additional administrative expenses at lower levels of the process. Moreover, there are cases where a single person takes three or four loans from a single provider. In such cases, the borrower has to give a certain portion of the principal loan in fees. This can be a serious problem for borrowers without any pre-existing, reliable income sources.

Regarding the interest rates on small loans, borrowers held different views. Some told me that settling the interest on a monthly basis is better since they find it difficult to pay all the interest plus the principal together at one time. Others insisted that paying the interest monthly is less convenient, unless the household has a regular source of income. In both cases, the households with the most difficult situations for repaying the debt plus interest are the ones that do not use the small loans for productive purposes. Only a few households with other income sources (such as remittances) are able to ensure timely repayment. Table 5 below presents the characteristics of small loans provided by the various small loan providers in Lamzaang.

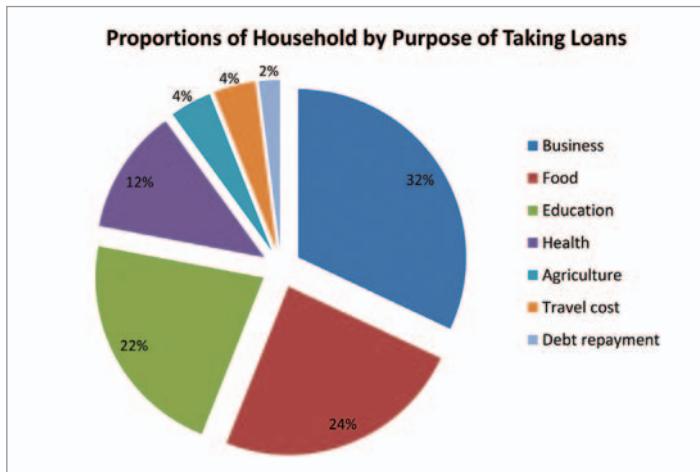
Table 5 Selected characteristics of small loans provided in the study village

Small Loan Provider	Amount (kyat)	Monthly interest rate (%)	Repayment period (month)	Collateral needed	Saving mobilized
MADB	100,000	0.7	12	No	Yes
GRET-Normal	120,000	2.5	12	No	No
GRET-ME	600,000	2.5	18	No	No
Administrative	250,000	4	12	No	No
Cooperative	100,000	2.5	12	No	Yes
UNDP-LDC	5,000-100,000	3	Various	No	No
UNDP-SRG	20,000	Various	Various	No	Yes
Moneylenders	Various	10	Various	Yes	No

Taking small loans

Of the sample, 89.3 percent of households reported that they had taken small loans at some time in their lives. The remaining 10.7 percent had never taken small loans, most commonly because they did not want to deal with repayment and other associated responsibilities. These non-borrowers include the poorest and the richest segments of households in the village. However, some better-off households in the village do take small loans. The purposes of the loans vary mainly based on the pre-conditions of their livelihoods. About 32 percent of the studied households took small loans for business; 24 percent took the loans to purchase food; and another 22 percent took the loans for educational expenses. Other purposes include: health expenses (12 percent), agriculture (4 percent), travel costs (4 percent), and for debt repayment (2 percent), respectively (see Figure 10 below).

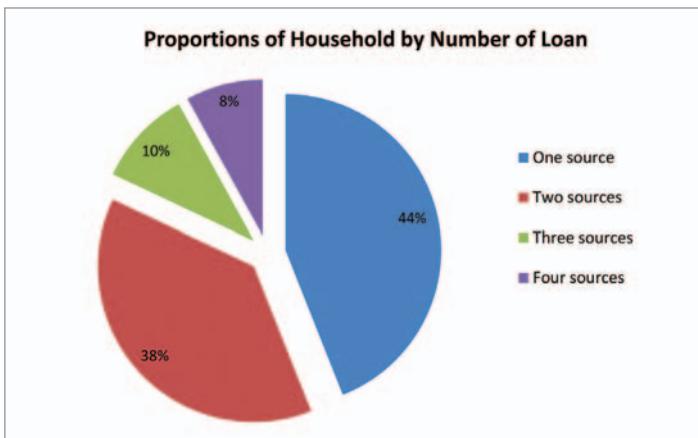
Figure 10 Proportions of households by purposes for loan-taking



Regarding the sources of small loans, 44 percent of households took small loans from only one source and another 38 percent took from two sources. Meanwhile, 10 percent of households had three sources of small loans, and 8 percent had four sources. The following figure (Figure 11) shows the proportions of households by the number of loan sources they engage with. Thus, while some

households take no loans, others in the village take loans from up to four sources. In later sections, I will discuss the livelihoods of households in relation to whether or not the households took loans, and, if yes, the number of loan sources (see Chapter 7 for more details). More specifically, I explore whether borrowing from more loan sources results in higher household income or not.

Figure 11 Proportions of households by number of loan sources



Regarding villagers' comprehension of the loan process, of the loan-taking households, 94 percent said that they understood the process of small loan taking. Here, knowing the process includes understanding the objective(s) of the loan providers, the criteria for selecting beneficiaries, the repayment period and interest rates, and the legal consequences for failure to repay. I also asked if the borrowers submitted any business plan with their application for small loans. 66 percent said that they submitted some forms of business plan, while the remaining 34 percent said they did not. The business plan here does not necessarily mean a formal business plan; it could be a proposal for any kind of income-generating activity. In the case of some loans like those provided by Administrative and Cooperative Departments, the types of activities are already designated by the departments. Of the households who submitted a business plan, 70 percent responded that they submitted a plan they truly want to pursue and 30 percent said that they did not.

Implementation processes

Microfinance projects, like other development projects, are more effective if they complete the stages of the project cycle management: that is, assessment, planning and design, implementation, monitoring and evaluation, and review. In my study, I learned that small loan providers carried out their projects in distinctive ways. The development agencies (UNDP and GRET) did community mobilization, explaining to the villagers the objectives and procedures of the loans. They also provided capacity-building and skills trainings for loan recipients (as I discuss in the next section) and monitored the implementation of loan uses.

With the small loans provided by the two government departments, the most critical steps in the project cycle were not accomplished: the needs of the borrowers were not assessed, communities were not properly mobilized, the implementation of projects was not monitored, and impacts were not measured. The main activities were the disbursement and recollection of small loans. Repayment rates are generally high since people know well about the possible legal consequences of failure to repay, and people repay even when they are not successful in utilizing the small loans. Clearly, for microfinance to work well for poverty alleviation and rural development, effective utilization of small loans by individual recipients is important and effective utilization is probably best ensured through close monitoring by the lending agencies.

Capacity building

To use small loans effectively for income generation requires skills, knowledge, and expertise about the production and marketing of a particular product or service. As mentioned above, the non-government small loan providers like UNDP and GRET have provided capacity-building trainings and exposure trips, especially for the leaders of the local clients. These trainings include, but are not limited to, leadership skills, managerial skills, and basic accounting skills (GRET Chin 2001; UNDP/CDRT Tedim & MAS

Tedim 2010).³⁶ The idea behind such programs is that trained leaders will share their acquired skills with other loan recipients and the activities initiated with the loan will become more successful. However, my study found that the application of skills by persons who have attended the trainings is still very limited.

Generally, the government-managed small loans programs do not provide capacity-building trainings to their clients. Recently, the Cooperative Department in collaboration with UNDP provided capacity-building trainings to village leaders especially for operational purposes. According to information acquired and observations made, however, only a small proportion of persons who received the trainings have been able to apply their acquired skills in utilizing their small loans.

Of course, capacity building will be effective only if the skills provided are the ones really needed by the target people, and this requires performing a comprehensive needs assessment beforehand. Going back to my study findings, 84 percent of households said that their training needs had never been assessed, and only 10 percent of households received any business training. The trainings provided include business management, accounting, health education, and livestock breeding. According to my study, only 6 percent of households said that they had received technical trainings. Of those who had received technical trainings, only one-fourth said they could apply their acquired technical skills in utilizing their loans. For those who could not apply their acquired skills in using their loans, the major constraint they mentioned was limited capital.

Transfer of technology

In this study, ‘technology transfer’ refers to the provision of specific technical skills for income-generating activities; I consider this kind of training separately from more general capacity building. Of the small loans providers present in the study village, UNDP

36. See also UNDP/CDRT Tedim (2010), UNDP/CDRT Tedim (2011), and UNDP/CDRT Tedim (2012), and Nyan Linn (n.d.).

and GRET provided a number of improved technologies for food production and food processing especially to support of loan utilization by clients. These two agencies have provided technologies for boosting farm yield and adding values to farm products. They have offered improved seed varieties, improved crop production (e.g., SRI-System of Rice Intensification by GRET), seed production, compost making, pesticide making, wine making, fruit jam production, masonry and carpentry, weaving, pipe fitting and sprinkler assembling, and blue cross training for animal health (GRET Chin 2001; UNDP/CDRT Tedim & MAS Tedim 2010).³⁷ Most of the technologies transferred to small loan recipients are of superior quality as compared with those of the products sold in local markets. Unfortunately, however, the chicken species and seed varieties provided by UNDP were not adaptable to the area.

As part of my research, I also investigated whether or not farmers adopted these new technologies, and if not, why. One clear problem was that, as the technology needs of the loan recipients were not assessed, there is no way for outsiders to understand the local needs and to sort out the most appropriate technology for them. Another issue is whether the farmers themselves are aware of the technologies they need. Of course, they will not know their technology needs unless they have had previous exposure to new technologies. In addition, farmers with business ideas will have a sense of what technologies they need to pursue for their proposed businesses. Of the successful small business owners I interviewed, most do trading or trade-related activities and none engages in any technology-based business. Looking at the application of technologies transferred, I learned that there is no stage (of the production cycle) at which small business owners applied the technologies they acquired.

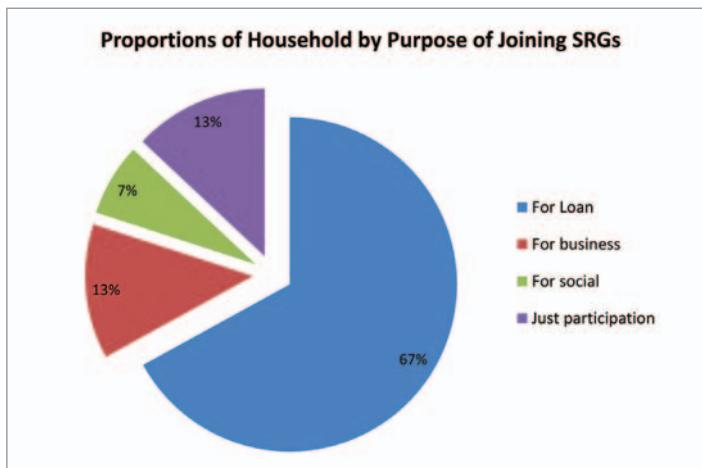
Self-Help Groups (SHGs)

Self-Help Groups (SHGs) or Self-Reliant Groups (SRGs) as used

37. See also UNDP/CDRT Tedim (2010), UNDP/CDRT Tedim (2011), and UNDP/CDRT Tedim (2012), and Nyan Linn (n.d.).

by UNDP are widely recognized as an effective tool for mobilizing savings. These groups are also a means for cultivating entrepreneurial behavior in the group of loan recipients. As mentioned, UNDP started its CDRT project with the formation of SRGs. In this village, there were four SRGs and two of them ceased to exist due to various constraints as I will describe in later sections. According to my findings, 30 percent of the small loan borrowers joined one or more SRGs. Their purposes for joining SRGs varied widely. Some joined SRGs to get loans (67 percent), some for business reasons (13 percent), some for social reasons (7 percent), and some for just participation (13 percent) as a result of community mobilization. Some households did business through SRGs (40 percent) and all of them reported that they are successful. In my assessment, borrowers are deemed 'successful' when they are able to utilize the loans for the activities they proposed. The successful borrowers are also expected to be able to repay their loans in full and in a timely manner. See Figure 12 for the different purposes of joining SHGs by villagers.

Figure 12 Proportions of households by purposes of joining SRGs



Looking at the process of SRG formation by UNDP, it seems these SRGs functioned primarily for institutional development in the village rather than for providing small loans or mobilizing savings.

A large majority of respondents (87 percent) recognized that the most significant change resulting from the formation of SRGs in the village was that women had become much more empowered, especially in terms of their participation with decision making in community affairs. This is a significant change because previously women had virtually no voice in any aspect of community affairs, mainly due to cultural traditions. In addition, 60 percent of the respondents who joined SRGs believe that SRGs really work. Although SRGs in the study village were formed with an aim to attract small loans from UNDP, members from the four SRGs were still very keen to continue saving even without any external funding.

According to the secretary of the Leenggui SRG, who is a female, the major problem for their group was the sudden increase in the income of some members due to remittances received from family members. The weekly savings amount was first agreed at 10 kyat per week and was later increased to 100 kyat. But some members of the group who became better-off through remittances thought that the weekly savings rate was too small. They proposed increasing the weekly amount, which then the poorest members could not afford. Another thing that worsened the problem was that three or four persons monopolized the decision-making process and financial transactions of the group. Eventually, the poorer members quit the group. Then the leaders withdrew their group money but did not redistribute it among the members. Regarding the collapse of their SRG, the secretary made the following remarks:

“As the incomes of members became different, their ways of thinking varied and there was no more integrity in the group despite our being so-called ‘like minded’. We were united until some members had remittances from their family members working overseas...”

The Zoheisa SRG also experienced difficulties, in part because of the view of some members that loans from the SRG do not have legal requirements. In addition, it seems that the implementing agency failed to accurately assess whether or not these villagers

really had the same interests. Regarding the first issue, some members only wished to borrow money, and hesitated to repay the loan even though they were able to repay the money they had borrowed from MADB or GRET. In other words, they did not have a real interest in the works of their SRG. The failure to carefully assess whether members have the same interests can be blamed on the organization that initiated the SRG. According to the secretary of the Zoheisa SRG, the best approach would be a careful assessment of potential members at the beginning before forming the group. She also made comments on the collapse of their group:

“I think it is difficult for many people to have the same interest, so the size of SRG should not be too large. It should be formed with like-minded people who have mutual understanding. Like GRET and MADB, there should be legal actions for failure to repay any loan taken, and legal contracts should be written and signed. Members need to agree to take property from whosoever fails to repay and to be frank and transparent...”

As stated earlier, the loans from the SRGs were mainly used for education, food, and health, and rarely for productive purposes. The most productive use of the loans was the purchase of land for agriculture. Landless households can have valuable livelihood assets. In my observation, the household economy of those SRG members who bought land with their loans did not become better-off in the short run, because most of them engaged in longer-term investments, like growing perennial crops. Moreover, to be able to utilize farm land requires a certain level of prior self-sufficiency in terms of basic needs, such as food, health, and education. Mostly, the members I spoke with did not mention the problem of basic needs, but emphasized that the size of the loans available from SRGs were too small to start a formal small business.

Savings and insurance

Most small loan providers (except the Administrative Department) mobilize savings as part of their small loans. There are two types

of savings: compulsory saving and voluntary saving. With compulsory saving, a certain amount is deducted from the principal loan at the time of loan disbursement. Borrowers are entitled to receive interest on the saved portion of the small loan, but the interest rate the borrowers must pay on the principal is a bit higher than the interest rate they receive on the savings. For example, borrowers of small loans from MADB are required to contribute to compulsory saving of 10 percent of the principal loan and receive 8 percent interest per year on the saved amount. It has been found that many households are still confused about the compulsory savings that reduces the amount of money they receive at the time of loan disbursement.

The strongest traditions of voluntary saving have been found among members of the SRGs of UNDP. As I mentioned, UNDP started its small loan program only after having mobilized savings. It seems that small loan recipients who were mobilized to begin saving (rather than simply being provided with small loans) were better equipped to understand the concepts and processes of small loans, microenterprises, and group work.

In my study, no small loan provider offered insurance as part of their small loans. In the microfinance world, there are ways to insure against losses resulting from the utilization of small loans. Small loans providers often have certain conditions in their contracts that recognize the possibility of losses from unavoidable incidents such as death of the borrower or damage due to disaster. However, common forms of insurance, such as health insurance and life insurance, are not yet widely available in Chin State and not at all in this study village.

This chapter deals with why some borrowers utilize their loans effectively and some do not. The variables I use in this analysis are taken from those most commonly reported in the literature as factors influencing the utilization of small loans. Such factors include landholding, motorcycle owning, telephone owning, labor migration, sources of small loans, having a business idea, previous business experience, the number of working adults in the household, and microenterprise development. I consider these

factors to be most relevant to the purpose and objectives of this study. For example, some scholars have emphasized that small loan recipients who have assets are better able to utilize their loans for productive purposes. Other scholars have argued that small loan utilization is significant if the recipients already have their own businesses. This report thus deals only with selected variables that can be expected to confound the uses and effects of small loans.

In fact, other variables have been considered in previous studies of microfinance, such as needs assessment, social mobilization, loan size, interest rates, repayment periods, outreach efforts, peer monitoring, capacity building, savings, and so on. However, these variables are governed by small loan providers. Such variables may be quite important for the success of small loans, but they are not my concern here because the recipients of the loans have very limited voice concerning such variables. As mentioned, my concern in this study is with the uses and effects of small loans mostly from the perspective of the recipients.

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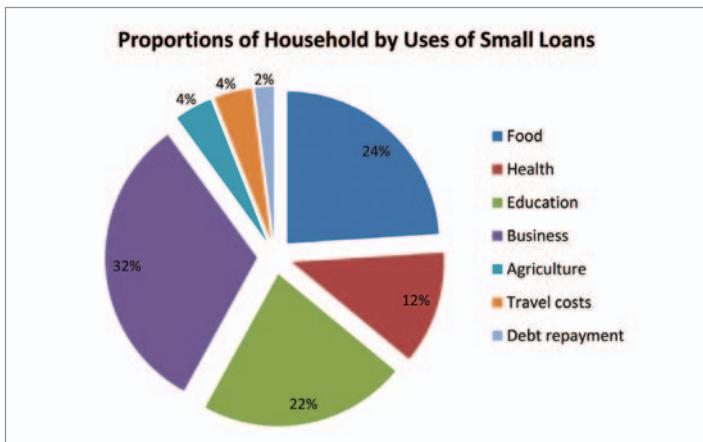
USES AND EFFECTS OF SMALL LOANS

Uses of Small Loans

This study places equal emphasis on the processes of the allocation of small loans, the uses of the loans by the recipients, and the effects that have resulted from the uses of small loans. It is my belief that how borrowers utilize small loans is decisive to the success of any small loan project. Of course, how borrowers use small loans also depends on how these borrowers were mobilized or their capacity built at the very beginning of the project. Another critical issue worth considering is whether the loans were proposed to the borrowers by the providers, or whether they were requested by the borrowers on their own initiative. In the latter case, borrowers as well as providers will have a stake in the outcome.

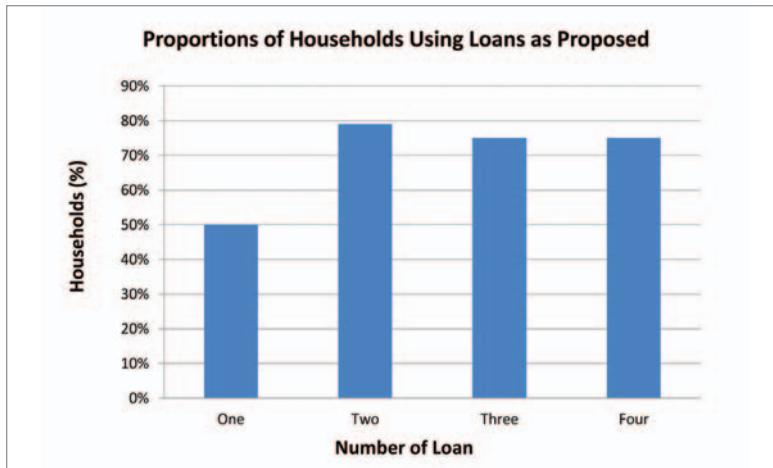
As I have discussed previously, the most common uses of small loans are for the purchase of food, lands, and livestock; school expenses; transport costs to India for brick baking; and health expenses. The proportions and ranges of loan uses in the study village are illustrated in Figure 13.

Figure 13 Proportions of households by uses of small loans



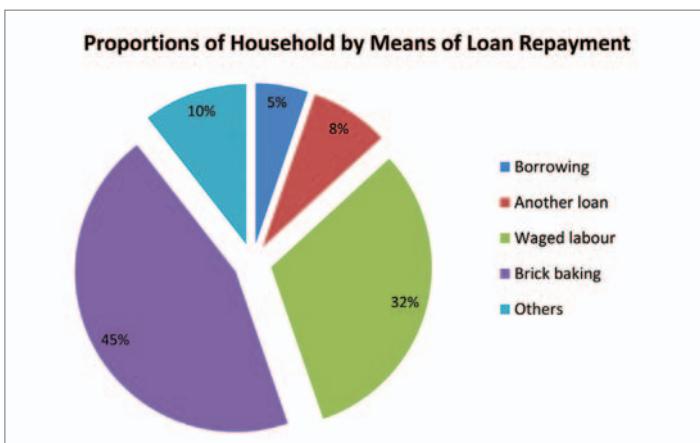
In this study, 68 percent of loan-receiving households reported that they were able to utilize the loans as they proposed. This suggests that there has been effective utilization of small loans. However, through other inquiry, I learned that the number of households who submitted formal business plans was relatively small. In many cases, small loan providers simply asked the villagers what they intended to do with the loans without going into details. In that situation, villagers might propose any appropriate activity for the sake of obtaining a loan and later report that they used it as they proposed. As I have mentioned previously, some households use their small loans for non-productive purposes such as building houses and accumulating assets such as televisions and motorcycles. These households may report themselves as having used their loans for business purposes. Figure 14 illustrates the situations of small loans being used as proposed.

Figure 14 Proportions of households using loans as proposed



According to my research, 76 percent of loan-receiving households reported that their loans were not large enough to accomplish the activity they proposed. Conversely, only 24 percent said that the loans were enough to do what they proposed. While 92 percent of households said that they were able to repay their loans in full, only 30 percent of households could repay the loan with profit gained by utilizing the loan. When they fail to repay the loan in time with their own income, the borrowers try to repay by various other means. The following figure (Figure 15) illustrates the loan uses and means of repayment in the study village.

Figure 15 Proportions of households by means of small loan repayment



For the study village, the various means for repaying loans include brick baking, wage labor, taking another small loan, borrowing from money lenders, and other sources such as remittances and odd jobs. Of these, the most common means of repaying small loans include brick baking (44.7 percent), wage labor (31.6 percent), and taking another loan (7.9 percent). These strategies for loan repayment are also associated with the most destitute households. As I have mentioned previously, non-borrowers in the study village mention the difficulties of repayment as one of their major reasons for not taking small loans.

Effects of Small Loans

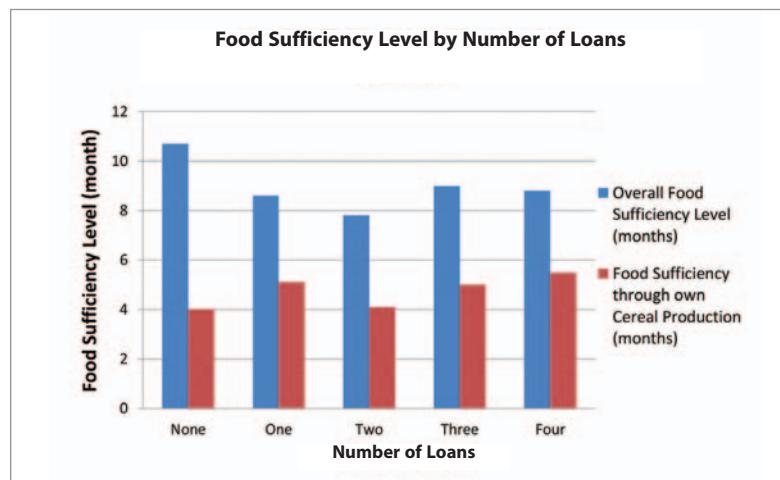
This study is concerned with the conditions of borrowers that may contribute to the effective utilization of small loans for improving livelihoods. Drawing on the microfinance literature and my own observations, I have chosen to focus on such factors of the household as livelihood assets, food sufficiency level, number of working adults, number of migrant laborers, number of loan sources, business ideas, previous business experiences, and so on. I offer here a critical analysis of the potential relationships among these variables using the information from cross-tabulation. The cross-tabulations and the subsequent analysis have been made only among the variables that I deemed most relevant.

My further concern is with the potential effects of small loans on various aspects of the household economy of the recipients. Accordingly, my analysis deals with the potential impacts of small loans on livelihood situations, especially the levels of food sufficiency, income, and indebtedness. Then cross-tabulations are also made between those selected independent variables that are deemed supportive to effective utilization of small loans and those selected independent variables that are expected to change due to small loans.

When asked about their food sufficiency levels before and after microfinance intervention, 86 percent of the study households said that their food sufficiency level increased by 3.3 months (from

4.6 months to 7.9 months) while another 78 percent said their annual income increased by about 360,000 kyat (from 232,568 kyat to 600,049 kyat) after microfinance intervention. The average levels of food sufficiency as related to the number of loan sources for the year (2012) are: eleven months of food sufficiency for no loan, nine months for one loan, eight months for two loans, and nine months for three and four loans. The average incomes of the study households in the year 2012 related to the number of credit sources are: 750,000 kyat for non-borrowers, 645,455 kyat for one loan, 747,000 kyat for two loans, 287,500 kyat for three loans, and 500,000 kyat for four loans. This information indicates that having access to more sources of small loans does not ensure higher income for a household; rather, incomes decrease as the number of loan sources increases (see Figure 16 below).

Figure 16 Food sufficiency levels by number of loan source

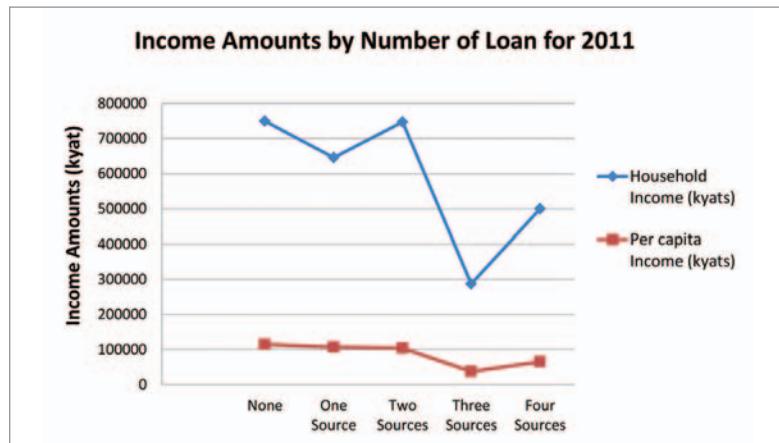


Regarding the relationship between the number of loan sources and overall food sufficiency level measured by month for 2012, households with more sources of small loans are not more food sufficient than those with fewer sources. In fact, the mean incomes (both household and per capita) of households with no or fewer (one or two) sources of small loans are relatively higher than those with three or four sources of small loans. At the same time, we see

that the proportion of indebted households increases as the number of small loans increases. Similar consideration applies to the amounts of debt. We see that indebtedness is not lower for households with more sources of small loans, and indeed, the small loans themselves constitute a significant part of the debt amount for some particular households. The correlation between the number of loan sources and the average debt of study households is positive since the amount of debt increases alongside the number of loan sources.

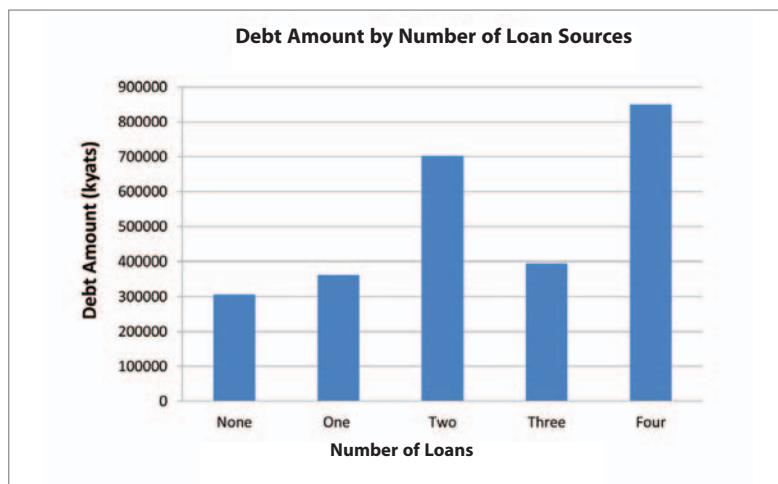
The various amounts of debt related to number of loan sources for the year 2012 are 306,500 kyat for non-borrowers, 362,190 kyat for borrowers with one loan, 702,632 kyat for two loans, 395,000 kyat for three loans, and 850,000 kyat for four loans. The correlation between households with more sources of loans and their various amounts of debt indicates that higher numbers of loans eventually means higher levels of debt for the borrowers. However, higher incomes, smaller amounts of debt, and higher levels of food sufficiency cannot be simply equated with the productive capacity of the households concerned. Food sufficiency and income levels by number of loan sources are presented in Figure 17 below:

Figure 17 Amounts of household income by number of loans



Regarding entrepreneurial behavior, I found that only 46 percent of the sample households reported that they had operated a business before, and 68 percent of the households said that they had an idea to start their own business. Again, another 52 percent thought that they could start their own business, but their major constraint was a lack of capital. Moreover, 20 percent of the respondents reported that they had been involved in group businesses. ‘Group business’ here refers to any business activity done by more than one person and not necessarily a large enterprise or formal private company. According to quantitative data, many respondents reported that lack of trust among each other is the major problem and a major reason why some never do group business. At the same time, 48 percent of respondents said that they would join a group business if there was an initiative, and 52 percent think that group business is possible. The following graphic presentation (Figure 18) below indicates debt amounts against number of loan sources.

Figure 18 Debt amounts by number of loan sources



Some of the other changes or effects of small loans reported by respondents include: improvements in health (59 percent of respondents), education (32 percent), women's empowerment (22 percent), changes in participation (10 percent), and food security (8 percent). As to potential microenterprise development, 84

percent reported that they believe linkage to microenterprise has improved. Another 64 percent of respondents said that access to market had also been improved. Overall, 92 percent of respondents reported that the impacts of microfinance are positive, whereas 4 percent said that the impacts of microfinance are negative. The remaining 4 percent had no opinion on the impacts of small loans. For those who said they had a vision for further development beyond microfinance, 63 percent of respondents said they would have their own business. Other responses include 17 percent for subsistence, 8 percent for loan repayment, and 6 percent for education, while another 6 percent have no intention to take small loans.

Factors Affecting Uses and Effects

Landholding

The differences between the livelihood situations of land-owning and landless households are evident in four interrelated aspects, namely: food sufficiency, income level, loan utilization, and business experience. According to this study, the mean level of food sufficiency of land-owning households (4.6 months) is lower than that of landless households (6 months) in terms of overall production. Regarding household income for the year 2012, the mean annual income of land-owning households (663,800 kyat) is higher than that of landless ones (525,000 kyat), but the per capita income of land-owning households is lower than that of landless households. My study also finds that landless households are more capable of utilizing small loans for the activities proposed. Again, the proportion of households with business experience is higher among landless households than among land-owning ones.

It seems paradoxical that landless households are more food-sufficient than land-owning households. On the other hand, as it has been mentioned in previous sections, overall food sufficiency is not confined only to farm activities and can be ensured through other livelihood activities such as income-generating activities. Another consideration is that landlessness does not necessarily

mean lack of access to land. As mentioned, in this village, land tenure is sometimes possible through networks of social relationships (or social capital). At the same time, it makes sense that land-owning households earn higher amounts of income than landless households. However, it is possible that the higher income secured by land-owning households is not earned primarily through utilization of small loans. In fact, my results showed that landless households reported being able to utilize their loans as proposed more often than land-owning households.

In addition, I considered possible linkages between previous business experience and the utilization of loans as proposed. As we might expect, people with previous business experience are more capable of utilizing their small loans for the activities proposed. There is a clear, positive relationship between previous experience in doing business and the proportion of households that could utilize their loans as proposed. The idea is drawn from the information that the proportions of households with previous business experience and households who could utilize their loans as proposed are, in both cases, higher for landless (75 percent) than land-owning (56 percent) households. In other words, landless households are more active in business, although their earning potential is limited compared with that of land-owning households.

Motorcycle ownership

This section deals with a comparison of the livelihood situations of households with members that own motorcycles and those without. It attempts to find out whether owning a motorcycle makes the livelihood situations of a particular household better. According to this study, the overall food sufficiency level of households that own motorcycles is a bit higher compared to those that do not. On the other hand, a higher level of food sufficiency through own staple crop production is scored by those households who do not own a motorcycle. In both cases, the differences are not significant enough to draw any conclusions regarding the relationship between the two phenomena. In fact, it is more likely that households become capable of buying a motorcycle as their

level of food sufficiency increases, than that they become more food-sufficient as a consequence of purchasing a motorcycle.³⁸

Again, the incomes for households owning motorcycles are higher than those who do not. In this village, only a small proportion of households use their motorcycles for productive purposes. At the same time, households rarely buy motorcycles by borrowing money from other villagers or from small loan providers. Thus, the state of owning a motorcycle is rather an indicator of the income level of the households concerned but not necessarily for the success in utilizing small loans or success in business.

The owning of a motorcycle does not have a significant relationship with the utilization of small loans as proposed: households with and without motorcycles do not differ much in this regard. But we do see that the proportion of households with previous business experience is lower for households with motorcycles than those without. This does not provide sufficient information with which to draw a conclusion.

Telephone ownership

The economy of telephone-owning has also become a popular issue among the villagers since a few years ago. The purposes for buying telephones are various, and the types of telephones one can buy are also various. Officially, there are two landline telephones and seven CDMA (Code Division Multiple Access) telephones in Lamzaang. But there are also a number of households that own Indian mobile phones and they are not publicly recognized as telephone owners by the villagers. Within the sample of this study, there are ten households owning telephones and, of these, nine have Indian phones. According to this survey, only five out of the ten telephone owners used their telephones for business, while the rest used them only for social purposes.

Both landline and mobile telephones from Myanmar Posts and

38. A new Chinese-made motorcycle costs about 550,000-650,000 kyat.

Telecommunication (MPT) are considered expensive and only better-off households with regular incomes or strong financial backgrounds can afford to buy them. They buy them if they need them either for social or business purposes. In the households who bought Indian phones, members used them mainly for communicating with household members working abroad. Indian phones are much cheaper than Myanmar phones, and there are more Indian phones in the village. Some respondents reported their communication with household members abroad as being social, while some interpreted it as business communication. Regardless, seven of the ten telephone owners of the village are those who have family members working as labor migrants in other countries.

Regarding household economy and food sufficiency, my study showed that food sufficiency is higher for telephone-owning households (5.4 months of sufficiency) than for households that do not own telephones (4.6 months). Again, the mean per capita income of households who own telephones (139,383 kyat) also is much higher than that of those households (88,529 kyat) who do not have telephones. Moreover, the proportion of households that could utilize the loans as they proposed is higher for telephone-owning households, while the mean amount of loan utilized is higher for households without telephones. Finally, the proportion of households having previous business experience is higher for telephone owning households than for households without telephones.

Labor migration

In recent years, Chin State has experienced a rapid increase in the rate of labor migration. It is the region in Myanmar with the most young men and women working in other countries. For many years in developing countries, labor migration has been viewed as an alternative livelihood strategy. Although the purpose of labor migration seems to be poverty reduction, this study has found that most households with labor migrants are not in the poorest category of the study village. Only better-off households are capable of sending labor migrants since the investment for sending

a labor migrant to Malaysia is high, ranging from 700,000 to 1,200,000 kyat. The lower end of this range refers to the costs for illegal migration and the higher end is the cost for legal migrants who use formal channels that require passports, visas, and work permits. The amount that must be invested for labor migration is higher than the mean annual income (653,519 kyat) of the village where about half of the total households earn less than 500,000 kyat a year.

The rate of labor migration is relatively high in the study village: 78.6 percent of the study households have at least one labor migrant and the mean number of migrated persons is two (max. = 6; min. = 1). At the same time, the number of labor migrants does not have a significant relation to food sufficiency level or household income. Actually, households with fewer labor migrants have higher percentage of loans utilized as proposed. Moreover, households with fewer labor migrants are more likely to be those with previous business experience.

Sources of small loans

One of the more interesting parts of this study concerns the number of sources from which the study households take small loans. In the study village, as I have noted, a household can take loans from up to four sources, and there is a total of five sources of loans available to the villagers. When I looked at the relationship between food sufficiency level and the number of loan sources, I found that there is no remarkable correlation. For example, the food sufficiency level for households with one loan source is 8.6 months, while that for households with four sources of loan is 8.8 months. To further understand the potential relationship between food sufficiency and the number of loan sources engaged, I investigated whether or not the loans are used for food production. I found that the use of small loans for food production is very limited.

One might imagine that greater availability of capital will result in improved incomes, as lack of capital has long been seen as a major constraint for income generation. Furthermore, more sources of

small loans mean more capital for investment. However, my data show that more sources of small loans do not result in higher household incomes. Household incomes actually decrease as the number of loan sources increases. My data also show that there is no clear relationship between the numbers of loan sources and the degree to which households utilized their loans as proposed. The important correlation I observed is that households with more sources of loan are those with more previous business experience.

For all small loan providers in the study village, the shared objective is livelihood improvement. This is true for SRGs and LDC of UNDP whose small loans are not targeted for any specific activities, but are given out for any livelihood activity proposed by the borrowers. Livelihood improvement is also the aim of the other small loan providers such as GRET, MADB, Administrative Department, and Cooperative Department, agencies that specify the types of activities that can be proposed for the small loans. No matter whether the types of activity are specified or not, the loans are intended for livelihood improvement. In the study village, this means improving food security and income generation. The idea behind the provision of most small loans is thus that small loans will be used for either food production or income generation.

Business ideas

This study also investigated whether borrowers of small loans have business ideas or plans in order to know if they considered in advance any productive activity to attempt with their loans. However, I do not intend to assess the quality of their business ideas. I found that 68 percent of the study households did have an idea to start their own business. I also looked at changes in selected aspects of livelihood in conjunction with respondents with and without business ideas. I found that respondents with a business idea demonstrated higher levels of food sufficiency than those without a business idea. However, there was no distinction between those respondents with and without business ideas regarding food sufficiency through own staple crop production.

Concerning household incomes, the mean income of households

with a business idea was remarkably higher than that of households without a business idea. This is probably the most relevant correlation since small loans are supposed to be utilized for generating income based on a business idea. Yet this information is contrasted again with the proportions made in relation to the utilization of loans. The proportion of households who were able to use their loans as proposed is lower for those with a business idea. Another contrasting finding is that the proportions of households with previous business experience are the same for those with and without business ideas.

Previous business experience

One might assume that people with talent and commitment for having their own business probably have had previous experience in doing business, and, furthermore, that previous business experience might contribute to the effective utilization of small loans. In this study, 46 percent of households said that they had operated a business in the past. Of these, 15 percent did not take small loans from any source. The proportion of households who have experience in doing business and have not taken any small loan is very high compared with the total proportion of households that have business experience and engage in small loan taking. Again, of the 11 percent of the households who did not take loans, 67 percent had previous experience in doing business.

The relationship between previous business experience and the proportion of loan amounts used as proposed was also investigated. Of the households with business experience, 73 percent were able to use their small loans for the activities they proposed. Meanwhile, 57 percent of households with no experience in doing business were able to use their small loans as proposed. When the mean percentages of the amounts of small loans actually utilized as proposed are further investigated, it is found that the households with business experience could utilize up to 67 percent of their loan amount, whereas those households without business experience could use only about 57 percent of their loans for the activities proposed. The proportions used here are the mean percentages of the households concerned according to the

purposively classified categories.

According to this information, it can be seen that households that have previous experience in doing business are better able to utilize their small loans as proposed. In addition, households with previous business experience could utilize a higher proportion of their loans for their proposed activities. An exception is that the highest proportion (67 percent) of households who did not take any small loans were households with previous business experience. For most of them, the common reason for not taking small loans was that they felt anxious about possibly failing to repay the loan in time. This suggests some uncertainty about the utilization of small loans.

Number of working adults

This study also deals with the effects of small loans in relation to the numbers of working adults within households. The mean household size for the study village is 7.1 persons (max. = 15; min. = 1) whereas the mean number of working adults is 2.9 persons (max. = 8; min. = 1). On average, 4.2 out of 7.1 persons are dependents, and this can be presented as a dependency rate of almost 60 percent or three-fifths of household members. In this study, the numbers of working adults are presented in percentage and the percentages are categorized into three ranges so we can find out the relationship between the proportion of working adults, the livelihood situations of the study households, and their use of small loans.

The mean proportion of households in which working adults constitute less than 25 percent of the household size is 18 percent, and households in which working adults constitute between 25–50 percent is 39 percent. Also, the mean proportion of households in which working adults are more than 50 percent is 72 percent. As we might expect, the level of food sufficiency increases as the proportion of working adults increases. However, the amount of household income decreases as the proportion of working adults increases. The reason for this is that most working adults engage in food production rather than income generation. What can be

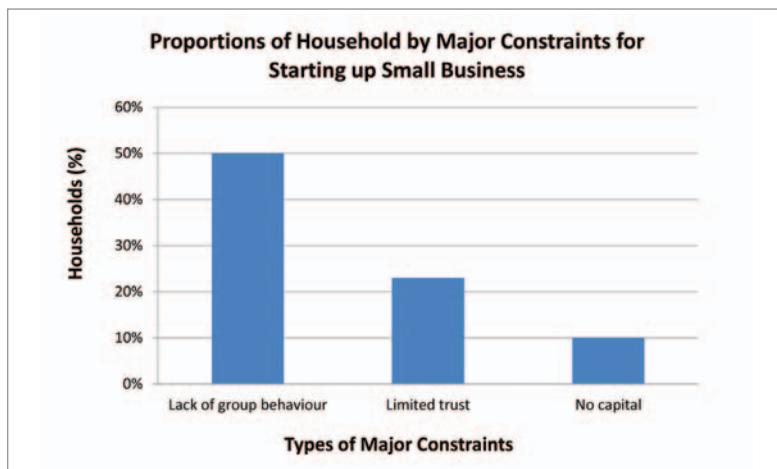
drawn from this information is that the proportion of working adults is more related to food production than income generation.

As far as loan utilization is concerned, the proportions of households who were able to utilize their loans as proposed do not demonstrate any difference based on the proportions of working adults in household. But there is a positive relationship between the proportion of working adults and the proportion of loans utilized. Households with higher proportions of working adults are found to utilize higher proportions of their loan amounts as proposed, irrespective of the type of activities they do. However, this study also found that the proportions of households with previous business experience are not evenly distributed across different categories of the proportions of working adults.

Micro/small enterprise development

As stated in earlier sections, only 46 percent of the sample reported that they had done business before, and 66 percent of respondents said that they had an idea to start business. Again, another 52 percent think that they could start their own business but that their major constraint is the lack of capital. Moreover, 20 percent of respondents reported that they had been involved in group business. Those who had never been involved in group business identified their major constraints as lack of group behavior (50 percent of respondents), limited trust (23 percent), no initiative (13 percent), and other reasons such as poor health and no capital (10 percent each). Group business here refers to any business done by more than one person, and not necessarily a formal enterprise or registered company. The proportions of households citing different kinds of constraints for business start-up are shown in Figure 19 below.

Figure 19 Major constraints for business start-ups



Only 48 percent of respondents thought that group business is possible. At the same time, 46 percent said that they would join a group business if there were to be an initiative and if the constraints mentioned above were resolved. When asked their opinion about which form of business works better, 54 percent chose individual business, while another 29 percent chose group business. The remaining 11 percent reported no preference between the two forms of business due to their family difficulties. The respondents were also asked their opinion on the possibility of operating a group business in their village, and more than half of them (52 percent) said that they did not think that group businesses would be possible.

Despite the potential linkages between small loans and microenterprise development, this study shows that while most small loans in the village were provided for the generation of income, they were taken for various purposes and not necessarily for microenterprise development. As I have discussed previously, the income-generating activities that can be proposed are often predetermined by small loan providers (except in the cases of GRET and UNDP loans). I have also already noted that borrowers might or might not actually implement the activities they propose.

This study is also concerned with the characteristics of 'successful' and 'unsuccessful' loan borrowers. It is generally accepted that a project is successful if its objectives are met. For this study, I consider loan borrowers to be successful if they have been able to use the loan money for the activity they proposed and if they are able to generate income.

By studying the existing microenterprises in the study village, I learned that businesses may or may not be initiated through the utilization of small loans. In many cases, these businesses were started with the entrepreneur's own capital and small loans were taken simply to supplement this capital. Certain characteristics are shared by successful small business owners: they have business ideas and strong desire to do work to earn income. I also observed that those people who are successful in starting and running microenterprises are not selective as to the types of business they will do. For example, the two successful persons who were visited for this study are always busy and have little time to sit down or chat with others. They pay attention to whatever they do and never rely on just one activity.

People who become successful with microenterprises often already had some previous background with doing business. They encountered a number of difficulties and adverse challenges as they started doing business. In addition, they have the idea to diversify their income sources so that any loss in one activity does not affect their entire livelihood. They do not insist on a certain amount of capital, but they rather do something with the capital they have available. In comparison, those people who are unsuccessful in utilizing their small loans are those who quit when their first initiative failed. They usually think that they cannot afford to do business due to the capital required for a particular business.



Case Studies³⁹

1. Pa Thang (male, 50), successful case

In the past, during the 1980s, Pa Thang sold beans in Champhai, India, and brought back wheat flour, earning about 300 kyat per trip. At present, he leads horses carrying goods to places unreachable by cars. His family owns twenty-one horses and can earn 100,000 to 150,000 kyat per trip. He took a microenterprise loan of 600,000 kyat from GRET with an interest rate of 15,000 kyat/month and bought a horse to expand his business. He also took another loan of 90,000 kyat from MADB, but that loan was not enough to buy a horse, so he spent it for his family's immediate needs. He does not complain about the interest rates of available loans, but wishes the loan sizes could be larger and the repayment periods longer. I consider him 'successful' because he was able to utilize the loan money for the activity he proposed and earn income.

39. Pseudonyms have been used to protect respondents' anonymity.

2. Pa Nang (male, 61), successful case

Pa Nang has no formal schooling, but has a vision to establish an orphanage, a cultural gallery, and a space for religious conferences. Originally, he opened a restaurant, but later quit this business due to the poor health of his family members. He then established an integrated farm of seven acres where he currently grows fruit trees, cereal crops, vegetables, and flowers, and raises cows, pigs, goats, chickens, and fish. From these various farm activities, he normally gains an income of about 700,000 to 1,000,000 kyat per year. He also grows maize on another two fields. His family remains one of the very few food-sufficient households in the village. He never takes loans from any microfinance institution or support from even his daughters working abroad. He believes that his success thus far is mainly due to his strong commitment and the efforts made to ensure that commitment. He is deemed 'successful' because he was able to ensure both food security and appropriate income even without any small loans.



3. Pa Khup (male, 54), successful case

For the most part, Pa Khup and his family members do farm work—growing maize on more than three acres of land—for their livelihood. Another major source of income is brick baking. Pa Khup is a contractor, and two other persons from the family also engage in that business. As they have no other source of income, they have previously borrowed money from informal moneylenders with an interest rate of 10 percent per month, typically for their travel costs and start-up capital. They are usually able to earn about 400,000 to 500,000 kyat per trip, unless they meet with untrustworthy buyers in India. Until recently, they had never taken small loans from any source due to their fear of failure to repay. They had wished to take loans, but only if the amounts were considerable enough to do something with and if the interest rates were low. Recently, they took a small loan in order to renovate their home. I consider Pa Khup as ‘successful’ because he could use the loan money for a specific purpose that he proposed prior to loan disbursement and was able to make income.

4. Pa Khai (male, 36), successful case

Pa Khai is the head of an extended family with eight members, of which the eldest two children are currently in school. He has two acres of land and uses it for growing maize, but until recently his family was food self-sufficient for only half a year and mainly depended on purchasing food. Two years ago, he changed his livelihood patterns and started growing tomatoes by adopting improved cultivation methods acquired from a friend in Tedim. He took small loans from two sources and used them as investments for growing tomatoes. However, these loans only contributed to around half of his needed capital. Pa Khai’s tomato cultivation has become reasonably successful and he now earns an income of around 300,000-600,000 kyat per season of four-to-five months. He does not complain about the interest or repayment periods of small loans, but does wish that the loan amounts were higher so that he could meet his full capital needs for expanding his business.

5. Pa Kham (male, 50), unsuccessful case

Pa Kham is an army retiree and is highly literate. He has a family with eight members and his eldest daughter is in university. His major income source is livestock breeding and he is very keen to do a lot of agricultural activities. Most of the farm activities he engages in are experiments in his own garden. However, he has not started any income-generating activity large enough to significantly contribute to the essential expenses of his family. He took loans from four sources and has not invested the loans in any specific activity despite the many business ideas he has. He raises animals, especially cows, grows vegetables, and also travels to India for trading purposes. Finally, his loans have constituted the amount of his debt. Yet he is still very keen to take loans if there arise any opportunity. I consider him ‘unsuccessful’ because although he appears to be interested in various farm activities, he uses the loan money for other, nonproductive purposes.

6. Nu Nuam (female, 60), unsuccessful case

Nu Nuam has a five-member family. Her son and one of her daughters have worked in Malaysia for five years. Her son and daughter in Malaysia together regularly remit about 300,000 kyat a month. She uses the remittances mainly for establishing a fruit plantation. She has also borrowed small loans from four sources not including GRET or MADB. Her household has taken as many small loans as are available for repaying their debts. For example, they took five loans from MADB (each loan under a different family member’s name). Nu Nuam took the loans because she knew they had the capacity to repay through remittances. However, in practice, she was usually late in repaying the small loans, and the staff of microfinance institution finally prohibited her from borrowing further. Nevertheless, she is quite confident about borrowing and repaying loans. She intends to take more loans in the future. The reason why she is included in the ‘unsuccessful’ group is that, despite her timely and full repayment of the loans, she has not used the loan money she has received for the activities she proposed when the loans were disbursed.

7. Nu Niang (female, 39), unsuccessful case

Nu Niang belongs to an extended farm family with four young children. Her husband worked in Malaysia for a time, but he could not earn enough money to start an income-generating activity. Being the secretary of an SRG, Nu Niang was able to attend a number of trainings provided by UNDP. She believes in SRG systems and is very keen to start a small business. Although she has had access to four types of loans, she only bought a small plot of land for a fruit crop plantation and spent the rest of the loan money for family consumption. Consequently, her family is not yet able to start growing fruit trees on the land. According to Nu Niang, the loan sizes should be large enough for income-generating businesses as well as for family consumption before the new business yields any profit. She also remarked that, in many cases, small loans are not effective for income generation because families lack their basic needs. Her case is presented here as 'unsuccessful' because of her failure to effectively utilize her loans to generate new income.

8. Nu Cing (female, 42), unsuccessful case

In the past, Nu Cing engaged in subsistence farming for food and wage labor for income, and she took on other work as it became available. At present, her husband works as a brick-baking contractor in India together with their son and one daughter. She took a small loan of 90,000 kyat from MADB and another small loan of 200,000 kyat from SRG. She bought a mithun and some land with the loans and later started small grocery shop in Tedim. Because most customers are her relatives or neighbors in the village, she used to sell her goods on credit. Later, she was unable to restock her shop. Finally, she had to quit the business as she had lost her start-up capital. A worse problem was that she could not repay the loans in full when the repayment came due. Eventually, her household repaid the loans with the brick-baking earnings of the other family members. Nu Cing found that the MADB loan is useful as it is disbursed at the time of school opening, and the loan from SHG is helpful as it can be repaid little-by-little (in installments of 100 kyat, 200 kyat, etc.). In my evaluation, she is

rated as ‘unsuccessful’ because the business she started herself was not successful.

Other Effects of Small Loans

Access to market

The original assumption behind the conceptualization of this study, as mentioned in earlier sections, is that small loans are primarily intended to increase the incomes of recipients, either through income-generating activities or small enterprises. Based on this, there is an expectation (among the lending agencies) that the small loans will be utilized for starting some income-generating activity or micro/small enterprise. My study is concerned, in part, with the conditions that make this possible. After doing this research, it is my general view that in Lamzaang Village it is difficult or even impossible for a microfinance project to be effective and sustainable unless certain other requirements are met. Most importantly, there should be capacity building in technical and business skills, especially marketing skills. Related to this, there must be access to a viable market where goods and services can be sold.

I have learned from this study that most existing small businesses in Lamzaang are conventional and the owners have few innovative ideas for how to expand their businesses. Most people have limited thinking about business, and rarely think beyond the village or existing businesses. Most existing businesses are service-based and have little potential for expansion. Moreover, the proportion of businesses linked to a larger market outside the village is very limited.

Development specialists usually consider ‘access to market’ as a critical factor to allow poor rural people to escape from poverty. However, in my view, ‘access to market’ should mean more than just the existence of a bazaar or some other place where goods are bought and sold. It should include the idea that a villager is equipped with some basic concepts about product quality,

marketing, sales volumes, competitiveness, selling prices, etc. In Lamzaang, there are very few business initiatives undertaken with this kind of larger market sensibility.

Livelihood improvements

Compared with the situation in Lamzaang ten years ago, it could be said that livelihoods have improved. However, I would argue that the apparent improvements we see are not due to effective small loan utilization or the development of micro/small enterprises. Rather, my study shows that while incomes have increased, food production has decreased, and the increase in income cannot offset decrease in food production. As a result, most of the new income is being spent on the purchase of food so there is no more additional cash for investment in business. I have observed that as the villagers are trying to achieve certain standards of living, they pay more attention to cash income than to food production.

Almost all households in the village engage in growing staple food crops, especially maize. They also regard themselves as maize farmers. However maize yields are usually too low to meet family consumption needs in most households. As a consequence of the low yields, households spend more time and put more effort into earning cash. While the mean income for the sample households is relatively high, many households need to spend a lot of their cash income on food. If they were more self-sufficient in terms of food, the cash incomes could be used more effectively for earning additional incomes. In addition, we see that many of these farmers purchase modern conveniences (motorcycles and telephones, for example) even when their basic needs (such as food) are not met. As I reviewed the local agricultural system, it is likely that the maize yields could be significantly increased if farmers spent more of their earnings on inputs such as fertilizers.

In any case, it is clear that the rising emphasis on earning cash, without first ensuring food sufficiency, makes the livelihood system of the villagers more complicated and less reliable. There are some households that recognize that food sufficiency is

fundamental for the security of the household, but they find it difficult to shift away from a cash-based livelihood system. The following quote is from a 39-year-old woman from an extended family. Although she is talented and ardent about doing business, she has been unsuccessful in utilizing her small loans:

“I have an idea to start up an income-generating business, but I am not able to realize my ideas due to the incompetency of our family in terms of meeting basic needs. I bought a small plot of land with the small loans we borrowed, and we intended to grow fruit crops on that land. But this is not an immediate solution for our present family difficulties...”

Women’s empowerment

Most respondents who joined SHGs (86 percent) thought that women became more empowered after the small loans programs came to be executed by development agencies in the study village. It is worth keeping in mind that only 25 percent (14 households) of the study sample (total 56 households) joined SHGs. The development goals of UNDP and Care Myanmar (and other organizations) include women’s empowerment among their objectives. When UNDP initiated SRGs, it trained women in various skills, such as leadership and basic accounting. The most remarkable change that has resulted is that women have started speaking in their Self-Help Groups and also now dare to speak in public places such as community meetings. This has had effects on the process of household and community decision making.

As I mentioned, Care Myanmar facilitated the formation of a Health Working Group (HWG) comprised of women. The group members organized themselves for health education and also started a small shop and a library that promoted women's empowerment and health education. These women became familiar with one another by working together. They also learned about women's leadership. However, in Lamzaang, most small loans have been taken out in the names of women who in practice do not make decisions on the use of small loans. It can be said that

there has been no significant improvement in women's empowerment with respect to business decision making. More efforts will be needed to change these traditions.

Institutional development

At first, it might seem that a significant benefit of microfinance projects in the village is a change in how people communicate with others, including strangers. Closer relationship among villagers (including non-relatives) is a basic requirement for doing something together as a group. However, upon closer inspection, we see that although various SHGs have formed, people in Lamzaang have difficulty working together due to a lack of trust, especially when the work is related to money. Observing most of the existing institutions like SRGs and LDC, it can be said that institutional behavior is not yet well-grounded in the village, despite the many efforts of development agencies.

Of course, the village has maintained social institutions since the remote past: villagers have always helped each others in times of funerals, ill health, weddings, etc. But it seems that this traditional 'social capital' is not applicable to new forms of institutional development in the village. In fact, there are some groups devoted to enhancing relationships among individuals within the family, clan, and religious community. But these social networks do not function when development activities are planned at the community level. In order to have the existing social networks work as effective institutions, a system that is trusted and understood by all participants is needed and such a system may be more possible through external intervention, i.e., the involvement of development agencies. Paradoxically, it is easier to establish trust between villagers and outsiders than among the villagers themselves.

If group behavior is not well developed, it is almost impossible to expect the development of group businesses in the form of micro or small enterprises. In Lamzaang, there is no small business done together by two or more non-relatives. SHGs can be the starting point for cultivating group behavior. However, I have learned that

the culture of group behavior is not yet well-developed among these SHG members.

Discussion: The Changing Environment

Changes in the past ten years

Many things that we can see now in the village have appeared in the last ten years. In the past, there was no road suitable for cars, post-primary school, labor migrants, motorcycles, telephones, or micro-hydropower. The road through the village to the Indian border was used with horses, but that mode of transportation has been totally replaced now by the use of automobiles. These also carry goods for export. Previously, middle school students had to walk to Tedim everyday for education. Now they can study at a middle school in their own village as the primary school was promoted to post-primary school in 2002.

Alongside other development trends, the livelihood system and consumption patterns in Lamzaang have also changed. In the past, most households grew maize for personal consumption. But now people earn money, buy rice, and consume it as their major staple food. As labor migration has become one of the major income sources for the villagers, it has also resulted in greater rice consumption. This might be a positive change if rice could be produced in the area.

Because of these trends, there is now a new culture of talking about money among the villagers. The values of social relationships in the village have been gradually declining. It has also become much easier to make cash earnings now compared with the situation ten years ago. The brick-baking business is one of the new forms for earning cash: it is possible to make more money with brick baking than with normal wage labor within the same period of time. In farm-based income generation, irrigated potato and tomato production are pursued by three households. With irrigation, potatoes and tomatoes can be grown during off-seasons when they bring higher prices. Many other households also

wish to do this, but they lack the financial capital for purchasing essential farm inputs that are not available locally.

Other developments in the past ten years include the introduction of new items such as motorcycles, telephones, and small hydropower units. There are a number of motorcycles and telephones in the village, but few households utilize them for livelihood improvement. Some households even own two motorcycles. It seems that the villagers purchase motorcycles as a form of competition rather than for improved production. However, some developments like the establishment of mini-hydropower have brought a number of benefits to the villagers. First and foremost, students can now read at night without using kerosene lamps or candles. Moreover, more than ten households have televisions or video players. As a result, villagers, particularly students, can now learn additional knowledge about the outside world.

Villagers recognize that the food sufficiency level today is lower than it was ten years ago. The common issues they cited include deterioration of land and disappearance of natural forests. It has been learned from this study that only a limited number of households makes investment in agriculture. Moreover, the spending of household income on education is much higher now than it was ten years ago, and there are higher expenses for the purchase of clothing by the studied households. The number of young people who leave the village in search of better employment has been increasing rapidly. These, together with the presence of development agencies, make the villagers more efficient in communicating with outsiders.

Reforms in Myanmar

Since the 2010 election, Myanmar has initiated a political transition away from military rule toward more democratic governance. The changes in Myanmar can be mainly seen in the forms of amendment of laws, enactment of new laws, and the issuing of orders and notices. Since 2010, there have been various movements in Myanmar by the government and humanitarian organizations

focusing on issues such as good governance, civil society, civic education, transparency and accountability, and human rights, topics which were quite sensitive in the past. The new government has also held peace talks with a number of ethnic armed groups.

Probably the most significant among these changes has been the formulation of policies aimed at poverty alleviation and rural development. The new program of poverty alleviation was conceived at a workshop in Naypyidaw, as was stated earlier in this report, and involves promotion of microfinance and small enterprise development. The government has also enacted some new laws (e.g., microfinance law, land laws, labor laws, human rights laws, etc.) in support of poor citizens. However, much still needs to be done for the realization of a genuine political and economic transition. Moreover, the implementation of these various new laws and policies will depend on how citizens understand and practice the policies. For example, I have revealed that poverty alleviation and rural development policies are greatly influenced by the concepts and approaches of both local and international NGOs. The way 'development' is understood also is influenced by the concepts of NGOs. In the Myanmar context, development activities are often seen as the work of NGOs, while the roles of public and private sectors seem to be ignored or limitedly recognized as development actors.

In my view, the work of community development, including the provision of small loans, will never yield tangible results without the active involvement of public and private sectors. Every step in formulating transitional policies is vitally important and will likely be decisive for what the future democratic country will be like. And this long way of democratic transition and the expected development might be realized only through the active participation and collective actions of grassroots communities, the public and private sectors, and civil society organizations in an accountable and transparent manner.

Policies related to small loans

The government's goals of poverty alleviation and rural development are supposed to be implemented through the promotion of microfinance and small enterprises. The government has reset the interest rates for formal small loans, and small loan providers are supposed to register as legal microfinance institutions. For microfinance institutions, the interest rate is restricted to be no more than 2.5 percent per month and most microfinance institutions have been following this. For example, the monthly interest rate of GRET, which was 3.75 percent in the past, is now 2.5%. The Administrative and Cooperative Departments also initiated microfinance schemes within the new ceiling of interest rate. In addition, assistance for most development activities seems to be channeled through government departments.

A critical review of the processes and results of previous microfinance projects is needed if the policy is to be successful for poverty alleviation and rural development. Merely allocating small loans irrespective of whatever amounts they are will not make positive changes in the lives of the rural poor as publicly claimed by the government. This study finds that most existing microfinance projects do not pay proper attention to community mobilization, capacity building, technical training, marketing skills, or monitoring of the implementation and impacts. Of the agencies covered by this study, only GRET and UNDP provided community mobilization, capacity building, and monitoring, for example.

Potential future developments

Small loans have been provided in this village for almost two decades, and there have been a number of changes in the livelihood situations of the villagers. For instance, consumption patterns of the villagers have changed: most households in the village now consume purchased rice as their staple food. It should be noted, however, that the sustainability of such food consumption patterns is uncertain since rice is not produced in the village or even in the region. Moreover, the shift from maize to rice itself indicates increasing dependency and a shift to a cash-only livelihood pattern.

As many households have adopted cash-earning businesses as their main livelihood approach, the need for capital becomes the major problem for the villagers. Villagers assume that cash incomes can only be generated through cash investment. They used to talk about 'financial capital,' with which they deem cash incomes can be generated. What is less talked about is how to utilize and multiply that capital, and how to generate a sustainable source of income. As I have shown, a number of small loans have already been provided in the village. But only a small number of households have been able to improve their livelihoods through the utilization of small loans. For many more households, small loans are the major reasons for having become indebted.

Currently, the need for small loans is high among the villagers. But if current trends continue, small loans will not be the most appropriate solution for the problems of poverty in the village. Small loans cannot be seen as fruitful unless and until they are used for productive purposes. Most previous loans were not used for the businesses originally proposed and were not repaid through the income obtained from the utilization of the loans. At the same time, small loan providers still follow formal microfinance procedures which generate profits for themselves and burden for their clients. Their attention mainly concentrates on the interest, repayment, and outreach that all maximize their profits rather than the uses and effects of small loans. Most critically, most small loan providers do not aim to promote micro/small enterprises and rarely link their interventions to market access. A rough estimate of annual financial inflows for Lamzaang Village is provided below in Table 6.

Table 6 Estimations of approximate annual financial inflows for the study village

S No.	Major financial inflows	Amount (kyat)	Means of calculation
1	Remittance (international only)	136,000,000	68 at 2,000,000/kyat/person
2	Brick baking (waged labor)	14,400,000	160 at 90,000 kyat/person
3	Brick baking (contractor)	18,600,000	31 at 600,000 kyat/person
4	Small loans (MADB)	16,100,000	161 at 100,000 kyat/person
5	Small loans (GRET)	12,240,000	102 at 120,000 kyat/person
6	Small loans (UNDP)	1,200,000	24 at 50,000 kyat/person
7	Small loans (Administrative)	2,500,000	10 at 250,000 kyat/person
8	Small loans (Cooperative)	2,000,000	12 at 200,000 kyat/person
9	Terrace establishment (KMSS)	5,000,000	20 at 250,000 kyat/person
Total		208,040,000	

Alongside the political transition, one can observe that changes in Myanmar are rapid in all aspects. These changes might enable the government to attract Foreign Direct Investments (FDI) and Overseas Development Assistance (ODA). They can also be useful in removing economic sanctions imposed by Western countries. At the same time, the government has formulated the ambitious poverty alleviation and rural development policies and those policies are supposed to be implemented by promoting microfinance and small enterprises. Moreover, such major financial institutions as the World Bank, International Monetary Fund (IMF), Asian Development Bank (ADB), etc. are ready to support development activities in Myanmar. If so, the impacts of development projects will be characterized in part by how microfinance and small enterprises are promoted.

8

SYNTHESIS OF RESEARCH FINDINGS

In this section, I propose a ‘micro model’ that depicts the similarities among recipients and providers in relation to the success and failure in the uses and effects of small loans. The analysis employs grounded theory using micro-level events to enable a macro-level explanation of the common features of small loans in the context of Chin State. The collected primary and secondary data were coded and sorted to compare different phenomena with a view toward identifying similarities. In order to have the explanation more valid and reliable, dependent and independent variables for the analysis were drawn from both qualitative and quantitative data, and primary and secondary information, that have already been presented in the general finding sections of this report. My analysis also looks at the two sides of small loans: the supply side and demand side.

On the supply side, the analysis deals with each stage of the process of small loan provision, including community mobilization, loan size, repayment period, interest rate, saving mobilization, capacity building, technology transfer, and monitoring mechanism. The focused independent variables for the demand side include landholding size, presence of a business idea, livelihood assets and proportion of working adults in household, the sources of small loans, investment behavior, and previous experience in doing business. The dependent variables for the demand side analysis are utilization and effects of small loans, such as increases in household income and food sufficiency levels, the levels of access

to market, and the potentials of the households under study for micro enterprise development.

Success Factors

This study attempts to synthesize the positive and practical features of successful microfinance institutions and identify the common phenomena that can be replicated in future microfinance projects. For this purpose, the study has sorted out the core extracts of its findings that are in common for various microfinance projects in the world and linked them to the success factors of successful microfinance projects including Grameen Bank in Bangladesh, BancoSol in Bolivia, Bank Rakyat Indonesia (BRI), Badan Kredit Desa (BKD) of Indonesia, and the Foundation for International Community Assistance (FINCA) of Costa Rica. The consequences for each factor have been drawn based on the most replicated cases by sorting those with highest counts, so that this micro-level study can depict the larger situation of microfinance in Chin State.

No doubt microfinance can have an impact on poverty alleviation, women's empowerment, and financial sustainability for the receiving households. It can also be effective in creating employment, increasing productivity, and improving income opportunities through creation and expansion of microenterprises. It may also result in reduced dependency among rural families through diversification of income-generating activities (Ledgerwood 2000). On the other side, Hulme and Mosley (1997) have found that better-off households benefit more from microfinance than do worse-off households. They also insist that borrowers who already have assets are able to make better use of their loans. Again, Bateman (2010) argues that microcredit clients are worse-off after accessing loans because income-generating activities actually fail or fail to generate sufficient cash to repay small loans, and microfinance is now largely advanced for consumption smoothing. Regarding the success of borrowers, Guha (2010) says that those successful borrowers in India first joined SHGs, started income-generating activities, and expanded and diversified their businesses.

Morduch (1998) reports that there is no real positive impact of microfinance other than some reduced client vulnerability. Likewise, Ledgerwood (2000) says that profits resulting from microfinance-receiving businesses are usually low, leading to low investment, low output, and a high level of vulnerability. This is mainly due to the unspecialized product, and the lack of timely and complete market information. Underdeveloped infrastructure facilities, a lack of value-added services, and a limited number of producers with similar products seem to contribute to a lack of economy of scale. Alternately, ADB (2000) reports that there have been positive impacts from microfinance policies, including the savings mobilized from poor households, ensuring access to capital without collateral, and strengthening social and human capital for the poor.

From a critical analysis of the five most successful microfinance institutions (Grameen, BancoSol, BRI, BKD, and FINCA), a number of features pertaining to and constituting the success factors of those institutions have been drawn and grouped into four broad categories as outlined below. The features listed are a collection of the success factors of effective successful microfinance institutions. This does not mean that all these features necessarily belong to each successful institution, but they are synthesized with the purpose of generating a summary of the factors that underpin the potential success of a microfinance institution. I will use these factors later for sorting out the similarities and differences between successful and unsuccessful providers and recipients of small loans, and thereby generate a model regarding the uses and effects of small loans in Chin State's context. The following are the factors taken into consideration in conceptualizing my proposed model:

(1) Access to small loans

- Conducive policy environment
- Simple procedures and no complicated documents
- Client self-selection
- Solidarity group lending
- Flexible collateral requirements (collateral substitutes)

(2) Motivation of staff/clients

- Savings mobilization
- Regular group meetings
- Profit sharing incentives (for staff)
- Progressive lending for timely repayment
- Female empowerment

(3) Utilization of small loans

- Assessment of clients and needs
- Modest loan sizes
- High interest rates
- Repayment in installments
- Social loans

(4) Effectiveness of small loans

- Social mobilization
- Capacity building
- Flexible loan period
- Flexible loans utilization
- Close monitoring process

Sources: ADB (2000), Bateman (2013), Boysen & Sahlberg (2008), Duflos *et al.* (2013), Dusuki (2007), Jain & Moore (2003), Khawari (2004), Koreen (1999), Mamun (n.d.), Morduch (1999), Ohanyan (1999), Sarker (2001), Seibel & Schmidt (2000), UNDP & UNOPS (1999), Valadez & Buskirk (n.d.).

Consolidation of Key Findings

My research shows that in Lamzaang of Chin State, larger landholding does not correlate with a higher level of food sufficiency nor increased cash income. Moreover, owning land does not ensure that a household will more effectively use their small loans. In fact, the mean level of food sufficiency gained by land-owning households (4.6 months) is lower than that gained by landless households (6 months) in terms of overall production. Regarding household income for the year 2012, the mean income of land-owning households (663,800 kyat) is higher than that of landless ones (525,000 kyat). However, the per capita income of land-owning households is lower than that of landless ones. In this study, the overall food sufficiency level and income for households owning motorcycle(s) is higher than that of those that do not. Again, the levels of overall food sufficiency and mean income of households who own telephone(s) are also much higher than those of households who do not have telephones. It is also true that telephone-owning households managed to use their loans as proposed more often than households without telephones.

The number of labor migrants in a household does not seem to have an effect on the food sufficiency level or income amount of the households concerned. However, the proportion of households who could use loans as proposed increases as the number of labor migrants decreases. Similarly, households with fewer labor migrants have a higher percentage of loans utilized as proposed. It has been also found that more small loan sources do not result in a higher level of food sufficiency or household income. Household incomes even decrease as the number of loan sources increase. Moreover, the level of food sufficiency increases as the proportion of working adults in a household increases. This contrasts with the relationship between the number of working adults and the amount of household income: we see that income decreases as the proportion of working adults in a household increases. What can be drawn from this information is that the proportion of working adults in a household is more closely related to the household's food production than its income generation.

The study also finds that households in which a respondent has a specific business idea demonstrate a higher level of food sufficiency than do households with no business ideas. Again, the mean income of households with a business idea is remarkably higher than that of households without business ideas. The proportion of households that were able to use their loans as proposed is lower for households with a business idea and the same proportion applies to the proportion of loan amounts utilized. Of the households with business experience, 73 percent were able to use their small loans for the activities they proposed. In addition, households with previous business experience could utilize a higher proportion of their loan amounts for their proposed activities. It is noteworthy that of the households who do not take any loans, 67 percent have had previous business experience. In other words, many of the people with business experience choose not to get involved with microfinance.

In fact, many people have business ideas and some also have experience doing business. But many of these people have difficulty meeting their basic needs, especially for food, health, education, and clothes. Many also said that they need capital for income-generating activities, so they need small loans. However, when they get the small loans, most of them use the loans for non-productive purposes like consumption and accumulation of new assets. In my view, this is because they have never been mobilized to create their own business. For those who really wish to do their own businesses, the types of businesses they propose vary, and so do the amounts of capital they need. Some proposed businesses are long-term and some are short-term. Some households have regular incomes and some do not, but small loans of similar amounts are provided with the same period of repayment and the same repayment schedules because there has been no assessment of the needs of the borrowers.

My findings suggest that the poor and low-income households in the village now have access to small loans with flexible collateral requirements or collateral substitutes. But the sizes of small loans available in the study village are fixed and relatively small and the loan terms are short. Most loans are subject to one-time bulk

repayment at the end of the loan term, except for UNDP-SRG loans whose recipients are allowed to repay in installments. The monthly interest rates of small loans available in the village, as stated earlier, are about 2.5 percent or even less, although GRET previously charged 4 percent before the government set new regulations. In any case, it seems the clients are more concerned about loan size than interest rate. Regarding regular repayment schedules, some clients without regular incomes prefer one-time bulk repayment, while others with a regular income source said repayment in installments is more convenient. Once again, we have observed the need for assessment of borrowers' needs. Repayment schedules should be arranged based on the income schedule of loan-receiving households.

Qualitative data show that small loans from formal microfinance institutions (MADB and GRET) usually achieve higher repayment rates. Small loans are used more effectively when there is some social mobilization, for example as performed by GRET and UNDP-SRGs. Moreover, close monitoring of how loans are used also better ensures that loans are utilized for productive purposes. However, evidence shows that capacity building in the form of technology transfer does not correlate with significant improvement in the uses of small loans. This is seemingly because the transferred technologies are not the actually needed ones as identified through assessment. In fact, no household applied the new technologies as they were not adapted to local conditions. However, capacity building in accounting and book-keeping—that is, skills that directly contribute to small loan transactions—were found to bring significance improvements.

From case studies, I learned that livelihood assets like land, irrigation facilities, and livestock partly contribute to the successful utilization of small loans. However, this was not always true for all households with livelihood assets; some households with livelihood assets were not successful. Moreover, some households with innovative business ideas also became successful even without any livelihood assets. At the same time, too many business ideas are not always helpful for the successful use of small loans if the ideas could not be translated into actions. I found that some better-off

households also take small loans for purposes other than productive activities, while some worse-off households find it difficult to obtain a small loan. Again, food-insufficient households also find it difficult to effectively utilize their small loans, and small loan recipients who buy fixed assets usually fail to repay their loans. For those households who do not take small loans, the reason commonly is fear of defaulting on repayment and facing legal actions.

Synthesis of Findings and Factors

Unlike the situation five years ago, there is now a policy environment that is conducive for the provision of small loans and microenterprise development in Myanmar. Moreover, the procedures for loan provision are simple enough: there are no complicated documents for the borrowers to complete. Most small loan providers mobilize savings and seek to empower women. Some small loan providers like GRET and the Cooperative Department also have policies for providing social loans, so there is a tendency for more borrowers to utilize their small loans as proposed. In addition, the utilization of small loans is often flexible enough for the borrowers to make choices. However, government departments still confine their loans to some specific sectors like agriculture and livestock, perhaps based on the assumption that most potential borrowers are farmers. As the sectors are broad enough for the borrowers to make choices, one wonders why all the borrowers from Chin State choose to raise pigs or chickens.

Most formal microfinance institutions in the village practice solidarity group lending together with client self-selection and rely on peer pressure as a substitute for collateral. Most find that the system works. Many borrowers emphasize that the sizes of small loans are too small and insufficient to start anything. In my view, it would be more practical if the sizes of these loans were determined by the types of businesses that borrowers propose. Also, the interest rate of 2.5 percent per month is actually very low compared with what is charged by most successful microfinance

institutions throughout the world (indeed, no borrower in the village has complained about high interest rate). Moreover, as I mentioned above, most microfinance institutions in the village have the same schedule for loan repayment, but some borrowers who have regular incomes would prefer to repay in installments. I have also discussed how microfinance institutions like MADB and the Cooperative Department mobilize savings and pay borrowers some interest on their saving deposits, but borrowers are not clear about these procedures: for example, they do not understand that a certain amount of the principal loan is deducted as an initial compulsory savings deposit at the time of disbursement.

In fact, most microfinance institutions in Myanmar, and particularly those in the study village, share some of the success factors of successful microfinance institutions from other parts of the world. These success factors are those that contribute to higher repayment rates, outreach to borrowers, and the financial sustainability of the institutions concerned. According to the respondents in this study, these indicators of success would not be met without the legal requirements. However, there are other best practices that are not followed well by microfinance institutions in Myanmar, and in my view, these are the most critical for the success of the borrowers and the microfinance projects in general. Here I am referring to practices such as assessing borrowers' real needs and close monitoring of how the loans are utilized. Of course, this comparison raises the question of what is meant by 'success' in microfinance, and whether it refers to providers or borrowers. In my view, one must consider 'success' from the perspective of poor borrowers. Otherwise, there is no sense in claiming that these institutions target poverty alleviation.

In the course of this study, I learned that staff members of microfinance institutions are only nominally engaged in such practices as forming small loan committees, mobilizing community meetings, and monitoring activities. Although the microfinance institutions do have such policies and procedures, staff members commonly fail to follow through with them. This is probably because there is no personal incentive for staff members to pay more attention and to work harder in fulfilling their assigned tasks.

Until recently, only the Cooperative Department and GRET offered progressive lending for timely repayment, in other words, a promotion from normal loan to ME loan if the borrower completes timely repayment. However, it seems that the conditions set by GRET for progressive lending are difficult for most borrowers. As they only qualify for increased loans when they are successful in utilizing their small loan, success is only possible if they do the right business. What is needed is a thorough assessment of business potential of a proposed project, but most microfinance institutions in the village rarely do such assessment.

Another important success factor is proper capacity building for the staff and the borrowers. Capacity building here includes business and technical trainings that are directly linked to the allocation and effective utilization of the small loans. In the study village, capacity building has been done by GRET and UNDP for the first time, and later by the Cooperative Department. Most of the business trainings included information about the procedures of microfinance, basic accountings, and bookkeeping. Although UNDP and GRET have also provided both business and technical trainings, the technology provided was not always adaptable to local contexts. Even when business trainings are provided, they rarely cover marketing skills, even though when marketing fails, it can cause the loss of the entire business.

It has been found that most households of the study village have a business idea, but a smaller proportion of them wish to realize their business ideas. They reported that they lack the required capital. However, as I have noted, many small loan recipients use their loans for such non-productive purposes as food, education, health, asset accumulation, etc. My view is that if they are properly mobilized, their needs are assessed, they are provided with proper business and technical trainings, and their activities are closely monitored, the borrowers are more likely to use the loans productively. I have also noted that the number of those loan-receiving households who utilize their loans for some sort of income-generating activity is very limited. Most households that appear to be successful users of small loans have expanded and/or diversified their existing businesses. In a few cases, the borrowers

are people with innovative ideas, specific business focus, and distinctive perseverance. While the valuable features of SHGs are recognized by lending agencies, there is no follow-up support for these groups to grow into microenterprises.

When a development activity fails, it is common for analysts to suggest that the policy environment is not conducive, with the phrase ‘not conducive’ being coded language for ‘undue restrictions from the government.’ However, the current government in Myanmar has made a series of structural transformations toward economic liberalization and has recognized the role of microfinance and its impacts on poverty alleviation. These structural adjustments have created room for microfinance institutions to demonstrate how microfinance can be effective in poverty alleviation. If current microfinance projects fail despite the new conducive environment, then the approaches and practices of microfinance institutions themselves should be subject to further scrutiny. Current trends in microfinance make the term ‘success’ ambiguous. While poor clients remain poor, microfinance institutions may grow into commercial banks and other higher levels of business. The question is what these microfinance institutions really do: whether they alleviate poverty, or create their own businesses.

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CONCLUSIONS AND RECOMMENDATIONS

Conclusion

This study has considered the processes, uses, and effects of small loans. In the literature review, I noted the most common measures indicating the success of small loans, including repayment rate, outreach, financial sustainability, and so on. The literature review also served as a foundation for the conceptual framework of this study as the source of the indicators with which this study is concerned. I extracted from the literature certain success factors in microfinance to consider the similarities and differences among successful and unsuccessful small loan projects, focusing specifically on Lamzaang Village in northern Chin State. Comparing and contrasting these various situations has revealed the phenomenal characteristics of microfinance: the processes, uses, and effects of small loan projects. My final interpretation is made by synthesizing findings from my survey, key informant interviews, academic literature, case studies in the village, and successful cases of microfinance projects in the study village and elsewhere in the world.

Supporters of microfinance insist that microfinance projects have brought positive impacts in the form of poverty alleviation, women's empowerment, and improved health and education. In their attempt to prove the positive impacts of microfinance, some supporters emphasize that there are multiple factors that can lead

to poverty, and that poverty is not just a matter of not enough income or food. On the other hand, critics of microfinance argue that there are only limited positive impacts for poor households: the primary benefit being that the poor borrowers become less vulnerable. However, some critics even argue that many poor households actually become worse-off after receiving small loans. In my view, the critics of microfinance have a more accurate assessment of the socioeconomic conditions of poor households than do the supporters of microfinance, even as they recognize positive social impacts, such as improved health, education, and women's empowerment.

It is my argument that small loans are an effective tool for poverty alleviation and social benefits such as female empowerment only in the context of general socioeconomic development. I also argue that the desired and expected results of microfinance can be realized only when the identified success factors are present. As I have shown, in Lamzaang, many small loan borrowers take the loans and utilize them for non-productive purposes, such as expenditures for food, assets, health, and education. While most of them are able to repay their loans in full, they do not necessarily do so with the income earned from utilizing their loans. In fact, even when poor households have certain business ideas, they fail to utilize the small loans to realize their business ideas because they have more urgent needs for their family survival. The study finds limited evidence that households with more assets and prior incomes (such as remittances) are more capable of effectively utilizing their small loans, although it is true that these households have less difficulty in repaying the loans. Similar results are found regarding the number of loan sources. Households that received loans from more sources are not more food sufficient, nor are they able to improve their income. The households that take more loans are the ones that already have more income, so they have a greater capacity to repay.

Another factor I deem quite critical is the relationship between repayment schedules and interest rates. The maximum monthly interest rate set by the government (2.5 percent), as well as those charged by government-operated microfinance institutions, are

quite low, and therefore it might be difficult to ensure the financial sustainability of the lending organization. This happened to Grameen (20 percent annual). Even BKD and FINCA, whose annual interest rates are 55 percent and 36-to-48 percent, respectively, are not considered as having ensured their financial sustainability. It seems most important to set interest rates based on loan disbursement schedules. For example, loans with a monthly interest rate of 3 percent should be allocated for annual repayment; the annual interest rate will become 36 percent on that loan. It is quite difficult for those who take small loans for long-term plantations if they repay the loans in installments. Thus, I would argue that linking interest rates to repayment schedules is much more important than the interest rate itself. It is important to have a clear assessment of the nature and characteristics of the activities for which the small loans are taken.

In many cases in Lamzaang, the activities that are carried out are not actually related to the activities that were proposed for the small loans. I have also discussed the business and technical trainings provided by the small loan providers and their lack of fit to the real circumstances in the village. I have argued that these inconsistencies and discrepancies are a consequence of microfinance institutions failing to follow the best practices that have been established by successful microfinance institutions. These best practices or 'success factors' are the common characteristics shared by microfinance institutions in the actual implementation of their projects. Most successful microfinance institutions assess who their clients are and what their needs are before the loans are allocated. Understanding ones potential clients' situations via a thorough assessment is helpful in determining the appropriate size and interest rates for small loans. In addition to assessment, it is necessary to provide the borrowers with the business skills needed for managing and utilizing their small loans. In order to have the small loans effectively utilized, the borrowers need capacity building in technology, business management, and marketing skills. Currently, some small loan providers in the study village offer these trainings, but only selectively.

Small loans are utilized effectively only when good mobilization, assessment, and monitoring have been done. Small loan providers should do these things both for their own success (usually measured in terms of repayment) and the success of their clients (that is, improved food production or income generation). It is important to ask if microfinance is really beneficial for the well-being of the poor and effective in alleviating poverty, or if it is aimed primarily at expanding the small microfinance institutions into commercial banks. If it is the latter, then microfinance institutions should be categorized as private businesses rather than humanitarian operations.

The solidarity group lending model, which is an innovative strategy for ensuring higher repayment rates, has been adopted by the small loan providers who are active in Lamzaang. But it seems in Lamzaang that group lending (from the supply side) has been adopted to ensure a higher repayment rate and not to encourage the borrowers to do a group business. From the demand side, group lending is viewed as a formality for obtaining small loans without physical collateral.

As I have pointed out, in Lamzaang, there are some households that have not taken any small loan from any source but are among the better-off households of the village. In fact, households in this category are in need of small loans for improving their businesses, but they do not take them because they are afraid of defaulting on repayment. These kinds of problems could be addressed if the providers of small loans really considered the situations and the needs of the borrowers, and if the small loan projects were truly intended for poverty alleviation.

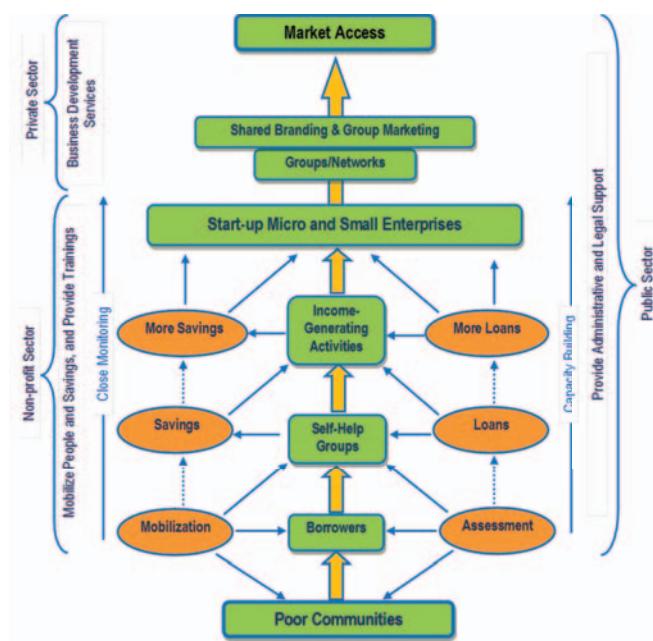
Recommendations

This study was undertaken with the expectation of contributing to poverty alleviation and rural development policy of the Myanmar government. I have discussed the different views of supporters and critics of microfinance and my empirical evidence from Lamzaang. Of course, the successful implementation of

microfinance, like other development projects, is easier said than done. At the same time, success is not impossible if microfinance projects are carefully managed so that small loans are effectively utilized for productive purposes. Accordingly, this study seeks to strengthen and broaden microfinance interventions in Myanmar by identifying various constraints and opportunities.

A conceptual model for making microfinance projects more effective in improving livelihoods (including ensuring increased access to market) is presented in Figure 20 below. The model emphasizes the distinct roles that should be played by public, private, and non-profit sectors. The model suggests that increased access to market can only be ensured when the different sectors play each role according to their expertise and experience. The public sector may be very good in providing administrative services, while NGOs may be very good in mobilizing and working with grassroots communities. Similarly, private companies may be better than both public and non-profit actors in doing business for profits. The idea behind this conceptual model is that microfinance will work well only when all three sectors work collaboratively.

Figure 20 A conceptual model linking small loans to microenterprises



According to this model, microfinance projects (perhaps other development activities) may be more successful if the public sector does not implement them by itself. This is because the private sector will probably not perform well in working with communities, and the non-profit sector will not be as good as private sector in doing business. The independent work of the private sector in doing business and the non-profit sector in carrying out development activities will be effective only through proper and timely administrative support from the public sector. In fact, the direct involvement of the government in the implementation of development projects could limit the capacity of government employees for doing public service as has been evidenced from this study.

Thus, the following recommendations are targeted at planners, policy makers, and implementers at all levels of the government, development agencies, and civil society organizations in Myanmar. In general, I am recommending a thorough collaborative effort of the public, private, and non-profit sectors in the formulation, implementation, monitoring, and evaluation of the approaches and strategies of microfinance projects associated with micro/small enterprise development.

(1) Policy Makers and Planners:

- While the poverty alleviation and rural development policy of the Myanmar government is a beneficial step, it seems the policy is much influenced by the concepts and approaches being employed by actors in non-profit communities. More innovative approaches should be researched and developed.
- Since microfinance and micro-enterprise development is intended to support poverty alleviation, these programs should combine the concepts and approaches of private and non-profit sectors.
- As the majority of the population in Myanmar is poor and lives in rural communities, the non-profit sector is closest to grassroots communities and the private sector is closest to the market. There lies a huge gap between poor communities and the market. Thus, the poverty alleviation and rural

development policy of Myanmar cannot be realized by the non-profit or private sector alone. It should be implemented together by the public sector, private companies, and development agencies.

- The public sector should be ready to facilitate the regular operations as well as the partnership between non-profit and private sectors through prompt and transparent legal and administrative support. The government itself needs to do necessary structural transformations by reducing or removing certain restrictions in a way that simplifies formal processes.
- The government should not be directly involved in the implementation of small loan projects, but should rather play a catalytic role providing administrative and legal supports for microfinance providers in an accountable and transparent manner.
- The government should establish a public monitoring system in which the progress of policy implementation by the public sector can be monitored and feedback received. Such a mechanism should increase the accountability and transparency of the government.

(2) To Small Loan Providers:

- The success of small loan projects depends on how small loan providers perform. Small loan projects would be more successful if they practiced project cycle management (as practiced, for example, by larger development projects).
- There should be a thorough assessment of potential clients and their needs. That assessment needs to be followed by community mobilization so that community members and potential clients are informed and convinced about the objectives, processes, and incentives of small loans.
- More time and effort should be dedicated to assessment and community mobilization, and community members should be facilitated to develop business ideas during those sessions.
- Based on the assessment, proper capacity building should be provided to participating clients. These trainings should cover business skills, management skills, technical skills, and marketing skills comparable to the skills required in the private sector.
- The interest rates currently charged are neither too low nor too high, and likewise the sizes of loans seem appropriate. However, different people have different needs, ideas, and business capacities, so interest rates and loan sizes should be better calibrated to the individual borrowers.
- Blanket distribution of small loans to people, only some of whom have business ideas, may offer the appearance of increased outreach, but actually has a detrimental impact on the borrowers' use of the loans. Potential clients should be assisted in developing simple micro-business plans and the feasibility of those plans should be analyzed in terms of production, marketing, and sustainability.
- There is a need for close monitoring to verify whether the borrowers are utilizing their loan money as proposed. The monitoring should also include measuring important socioeconomic indicators such as increases in income, food sufficiency, and women's empowerment, instead of defining 'success' only in terms of the funding agency's outreach and clients' rates of repayment.
- New start-up microenterprises are always vulnerable to

various risks. Borrowers of small loans should be encouraged to diversify their income sources while expanding their businesses as they progress.

- Group behavior, and especially group businesses, should be cultivated among the borrowers by promoting self-help groups and mobilizing savings. Group businesses may allow for economy of scale in production, improving the marketability of products.
- Currently, the repayment schedules for small loan borrowers are reasonable: they are not too short for the average borrower. However, poor borrowers have very limited business options and some households have to choose long-term activities with higher capital needs. Thus, small loans programs will have more significant impact if loans can also be provided for certain longer-term activities, perhaps with lower interest rates.
- As I have shown, a major reason that small loan borrowers fail to utilize loans as proposed is because of household food insufficiency and other basic needs. Therefore, small loans programs will be more effective and the impacts more significant if they are preceded by support for food sufficiency.
- While some clients of small loans have business ideas and plans, many more lack business initiative. Some even rely on subsidized loans in a spirit of dependency. There should be programs aimed at changing this way of thinking before small loans are allocated.

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Appendix

Appendix A: List of persons who have served as headman in Lamzaang (1886–1971)

S No.	Name of Headman	Clan group	Place
1	Pu Kam Hau	Sukte	Salap
2	Pu Hen Zong	Tawmbing	-do-
3	Pu Hong Thual	Tawmbing	-do-
4	Pu Zong Kham	Tawmbing	-do-
5	Pu Khup Gin	Thawmte	-do-
6	Pu Pawng Thang	Bawmkhai	-do-
7	Pu Pau Kham	Bawmkhai	Lamzaang
8	Pu Za Kang	Bawmkhai	-do-
9	Pu Thang Za Kap	Bawmkhai	-do-
10	Pu Khup Za Kham	Bawmkhai	-do-
11	Pu Gin Thang	Bawmkhai	-do-
12	Pu Vungh Za Nang	Bawmkhai	-do-
13	Pu Dam Lian	Bawmkhai	-do-
14	Pu Neng Khaw Zam	Suan Khup	-do-
15	Pu Gin Khaw Zam	Lianhil	-do-
16	Pu Suan Za Vungh	Thawmte	-do-
17	Pu Khup Khan Pau	Lianhil	-do-
18	Pu Neng Hau Cin	Ngainhte (Hangluah)	-do-
19	Pu Kham Za Tuang	Phual	-do-
20	Pu Gin Khan En	Tonsing	-do-
21	Pu En Khan Thang	Tangpua	-do-
22	Pu Gin Khan En	Tonsing	-do-

Sources: Lamzaang Baptist Church. (1971). *Golden Jubilee Magazine*; village elders.

Appendix B: Assistance provided by UNDP/CDRT in Lamzaang (2003–2012)

S No.	Activities	Project Support (Kyat)	
		In Cash	In Kind
1	School furniture	629,000	
2	School latrines	200,000	
3	Water supply repairs	1,800,000	
4	SRG fund (Heisa)	150,000	
5	SRG fund (Zingsol)	180,000	
6	Groundnut seeds to Zingsol SRG	165,000	
7	HYV maize seeds	94,100	
8	Field trial of bean seeds	15,000	
9	Vegetable seeds	14,306	6,157
10	RIR chicken	33,000	16,140
11	Provision of fish fingerings	162,000	
12	Vegetable seeds	278,000	
13	Stone-lined terraces	750,000	
14	Sprinklers and water pipe	420,000	
15	Tomato growing	200,000	
16	Sprinklers and water pipe	3,262,800	
17	Field trial of upland rice	110,000	
18	Field trial of betel leaf growing	110,000	
19	Provision of seeds	225,000	
20	Upland rice growing	300,000	
21	Establishment of irrigation canal (DANIDA)	492,000	
22	Small-scale income generating activities	1,400,000	
23	Start-up capital	150,000	
24	Agro-forestry	280,500	
25	Chicken farming	420,000	
26	Establishment of rice bank	2,224,000	
27	Pig raising	945,000	
28	Support to rice bank	783,200	
Total		15,792,906	22,297

Source: Records of village administrator, Lamzaang.

Appendix C: Rainfall (mm.) and Temperature (°C) of Tedim (1995–2012)

Note: All data are sums of the month presented in maximum and minimum unless specified. In order to obtain means of a month, the sums need to be divided by the number of days of the month.

Year	1995			1996			1997		
	Months	Rainy Days	Rain-fall	Temp. (max.)	Temp. (min.)	Rainy Days	Rain-fall	Temp. (max.)	Temp. (min.)
January			nil			558.0	205.5	nil	515.0
February			1			566.0	254.5	1	602
March*			7			19.8	9.0	3	028
April	2	547.7	335.2	4		351.4	199.2	6	092
May	8	795.0	532.8	6		742.7	444.0	9	41
June	17	693.7	533.5	10		714.9	468.4	10	097
July*	21	721.5	534.8	19		724.0	501.0	25	263
August	20	712.0	531.0	25		680.0	499.3	20	348
September	14	814.0	387.5	18		696.3	483.5	17	273
October	10	680.0	488.5	6		705.5	455.0	3	033
November	11	564.0	586.0	3		617.5	485.0	4	024
December	nil	1675	536.5	220.5	1	1440	573.0	270.5	3
									044
									537.4
									254.4

* Temperatures for March 1996 are means of up to 20th of the month. Temperatures for July 1997 are means of 17th to 31st of the month and data for before 17th of the month are not available.

Year		1998	1999		2000			
Months	Rainy Days	Rain-fall	Temp. (max.)	Temp. (min.)	Rainy Days	Rain-fall	Temp. (max.)	Temp. (min.)
January	2	036	548.3	214.1	nil	574.9	263.9	1
February	4	020	529.1	247.9	nil	694.9	359.8	3
March*	4	108	658.7	339.1	2	705.7	362.7	8
April	5	093	720.1	427.6	4	034	839.6	488.9
May	8	176	764.2	523.4	16	228	757.1	491.7
June	18	272	756.1	527.6	19	177	717.3	525.9
July*	14	275	746.2	543.1	19	344	726.6	538.6
August	20	405	739.1	535.5	17	297	742.8	556.2
September	16	342	718.0	506.4	24	236	680.3	493.9
October	6	043	748.3	501.9	18	189	712.6	488.2
November	2	009	659.7	404.4	5	12	621.3	322.0
December	nil	nil	521.9	299.5	4	062	531.0	200.5

* Temperatures for March 1996 are means of up to 20th of the month. Temperatures for July 1997 are means of 17th to 31st of the month and data for before 17th of the month are not available.

Year	2001			2002			2003		
	Months	Rainy Days	Rainfall	Temp. (max.)	Temp. (min.)	Rainy Days	Rainfall	Temp. (max.)	Temp. (min.)
January	nil	nil	597.6	118.4	5	025	577.1	80.0	nil
February	2	005	603.4	204.5	nil	660.4	188.8	1	602
March	1	003	705.0	291.8	4	34	766.3	287.3	5
April	4	030	760.8	389.1	7	075	754.5	394.8	7
May	15	255	635.4	432.8	16	157	769.3	311.8	12
June	23	336	649.3	429.6	12	217	728.0	354.0	21
July	23	272	699.5	503.2	15	237	709.6	445.3	16
August	16	151	692.5	509.7	18	0329	686.5	444.0	15
September	20	206	686.0	486.2	10	166	720.8	349.5	19
October	16	159	712.5	465.3	3	034	736.2	450.3	9
November	9	093	611.8	340.4	5	066	669.3	229.0	nil
December	nil	622.5	302.2	1	015	612.7	83.0	3	25
								618.0	120.8

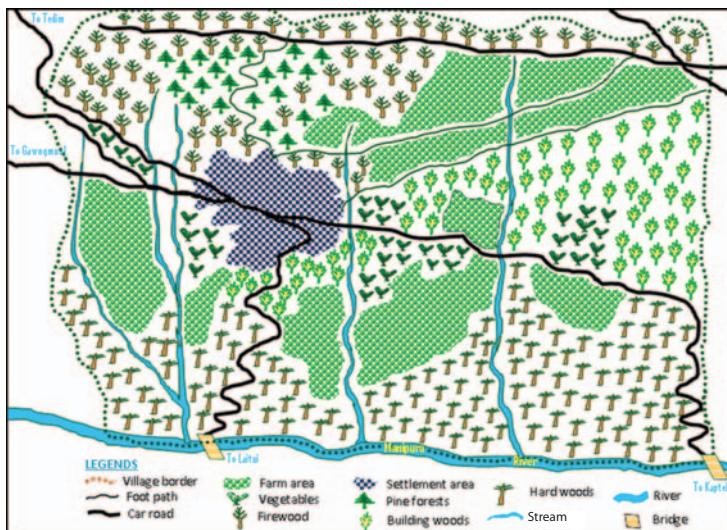
Year	2004				2005				2006			
	Months	Rainy Days	Rainfall	Temp. (max.)	Temp. (min.)	Rainy Days	Rainfall	Temp. (max.)	Temp. (min.)	Rainy Days	Rainfall	Temp. (max.)
January	nil	nil	636.1	168.5	1	002	666.0	124.0	nil	nil	707.5	201.0
February	nil	nil	632.6	198.2	nil	nil	694.0	200.0	nil	nil	676.7	234.7
March	1	003	799.3	319.5	6	40	752.0	347.0	nil	nil	800.4	350.6
April	13	163	751.5	336.2	5	46	815.0	415.0	3	15	822.8	388.3
May	8	135	832.0	408.5	11	69	804.0	389.0	14	105	775.8	399.5
June	19	220	774.0	342.5	10	192	789.0	381.0	16	314	744.0	434.0
July	18	158	724.0	421.0	17	210	787.0	447.0	29	213	740.0	430.0
August	19	330	690.5	500.0	18	139	763.0	485.0	20	277	723.0	492.0
September	16	395	680.0	477.0	21	302	719.0	461.0	14	244	690.0	454.0
October	10	93	740.0	460.0	13	162	745.0	438.0	11	42	756.0	459.0
November	nil	nil	672.0	246.0	3	20	698.0	285.0	nil	002	690.0	298.0
December	nil	nil	611.0	176.0	4	021	697.0	308.0	nil	nil	703.0	167.0

Year	2007				2008				2009				
	Months	Rainy Days	Rain-fall	Temp. (max.)	Temp. (min.)	Rainy Days	Rain-fall	Temp. (max.)	Temp. (min.)	Rainy Days	Rain-fall	Temp. (max.)	Temp. (min.)
January	nil	632.1	165.0	4	101	642.0	96.1	nil	687.1	151.8			
February	5	48	556.8	157.0	3	14	619.0	99.0	nil	717.8	187.6		
March	nil	001	797.5	259.0	2	009	781.0	226.0	1	005	822.2	294.9	
April	13	165	793.0	353.0	1	002	863.0	329.0	4	66	863.5	380.6	
May	16	192	822.0	427.0	5	106	842.0	365.0	11	111	886.3	364.0	
June	16	198	782.0	427.0	18	257	762.0	394.0	11	147	808.5	441.7	
July*	25	277	722.0	433.0	19	305	761.0	409.0	20	192	782.3	451.7	
August	21	212	750.0	431.0	21	260	691.0	420.0	19	332	747.2	457.9	
September	20	189	714.0	398.0	19	319	731.0	368.0	21	263	715.6	431.9	
October	13	136	725.0	357.0	9	60	753.0	344.0	8	127	750.0	414.3	
November	9	79	635.0	241.0	2	030	676.0	167.0	3	31	680.0	496.7	
December	nil	nil	647.0	83.0	nil	637.0	127.0	nil	638.0	nil	148.1		

Year	2010			2011			2012					
Months	Rainy Days	Rainfall	Temp. (max.)	Temp. (min.)	Rainy Days	Rainfall	Temp. (max.)	Temp. (min.)	Rainy Days	Rainfall	Temp. (max.)	Temp. (min.)
January	nil	001	685.7	227.1	1	003	639.8	149.6	1	003	639.4	207.8
February	nil	nil	647.9	258.7	nil	nil	654.4	207.9	nil	nil	723.1	243.7
March	3	066	821.8	393.7	4	036	793.9	362.8	3	19	812.3	371.7
April	9	76	826.4	394.6	10	074	803.1	432.3	13	137	770.5	411.8
May	9	99	839.1	420.1	15	172	842.3	466.8	7	92	891.0	479.9
June	18	218	764.1	439.0	21	309	770.8	451.6	19	227	777.0	513.8
July*	25	309	809.5	484.6	20	245	776.0	465.5	21	181	783.5	539.3
August	17	160	778.6	464.8	22	443	748.3	460.0	19	302	773.0	525.2
September	16	234	726.3	426.5	17	179	743.3	456.3	17	314	750.5	480.8
October	14	171	724.8	402.2	9	142	774.8	453.0	9	90	757.5	404.0
November	1	6	671.8	262.6	nil	nil	695.5	268.9	5	28	674.5	312.5
December	3	038	632.1	159.6	nil	nil	654.0	199.6	0	Trace	686.5	202.5

Source: Extracted from meteorological data of Township Meteorological Office, Tedim Chin State (July 2013).

Appendix D: Illustration of land usage and resources in Lamzaang Village



Source: developed together with key informants.

Appendix E: Seasonal calendar of Lamzaang Village

S No.	Particulars	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1	Food most scarce												
2	Water most scarce				↔	↔							
3	Activities most intense (farming)				↔		↔	↔					
4	Departure of young migrants				↔					↔	↔		
5	Returning of young migrants								↔	↔		↔	↔
6	Departure of brick workers/contractors										↔	↔	
7	Returning of brick workers/contractors				↔	↔							
8	Malaria most prevalent								↔	↔			
9	ARI most prevalent				↔	↔				↔	↔		↔
10	Diarrhea most prevalent				↔	↔		↔	↔				
11	Festivals most common (cultural and religious)						↔			↔	↔		↔

Source: Adapted from crop calendar developed for the village by Care Myanmar Tedim (2012).

Appendix F: Calendar of crops and related activities for Lamzaang Village

S No.	Activities	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Remarks
1	Land clearing for cereals		█											
2	Seed sowing for cereals			█	█									
3	Bush clearing for cereals					█	█							
4	Weed clearing for cereals							█	█					2-3 times based on weeds
5	Harvest of cereals									█	█			
6	Harvest of mung and sulphur beans									█		█		
7	Search for new farmland											█	█	
8	Land preparation & seed sowing for groundnuts			█	█									
9	Harvest of groundnuts									█	█			
10	Vegetables (tomato, cabbage, garlic, onion, etc.)	█	█	█	█	█	█	█	█	█	█	█	█	
11	Harvest of mangoes					█	█							
12	Harvest of avocadoes	█	█	█	█							█		
13	Harvest of zawngtah (<i>Parkia speciosa</i>)	█	█	█	█							█	█	
14	Harvest of coffee										█	█		
15	Harvest of citrus fruits									█	█			

About the Author

Cin Khan En Do Pau (John) holds a Bachelor of Arts (Honors) in International Relations from Mandalay University and a Master's in Rural Development Management from Khon Kaen University. Since 2008, he has worked with various aid agencies in development and emergency contexts, holding key positions especially in accountability, coordination, monitoring and evaluation, and program development. He has also engaged in part-time consultancy services with a local non-profit organization active in Chin State in Myanmar.

In late 2012, he established an organization, the Center for Resources Mobilization (CRM), that focuses on food security, income generation, and household energy through research, training, and consultancy services. He has conducted several intensive, week-long trainings on microenterprise development, planning and management of development projects, and mobilization of resources for development in Yangon and Chin State since December 2012 with funding support from the French Embassy in Yangon.

FACTORS INFLUENCING THE USES AND EFFECTS OF SMALL LOANS:

The Case of Lamzaang, a Rural Village in Northern Chin State

In this first volume of the Understanding Myanmar's Development series, the author Cin Khan En Do Pau (also known as John) takes a deep and methodical look into micro-finance in the community of Lamzaang village. Through careful analysis of the entire process of debt-taking and the provision of small scale loans, John penetrates to the heart of the issues and social context in which villagers decide to enter microfinance schemes and, in the end, how they utilize that capital—for better or for worse.

The Understanding Myanmar's Development series is an exploration of the processes of development and transformation taking place in Myanmar on the social, economic, and political levels. In releasing this series, RCSD hopes to realize the dual goals of both contributing to the body of knowledge on Myanmar and, simultaneously, strengthening the research capacity of Burmese academics and scholars in their study of development policy and practice. This first volume is the opening of the door onto the reality of development as felt by people and communities throughout all of Myanmar.

Cin Khan En Do Pau (John) finished his Master's in Rural Development Management from Khon Kaen University. He has worked with various aid agencies in development and emergency contexts, and is engaged with a local non-profit organization active in Chin State in Myanmar. In late 2012, he established the Center for Resources Mobilization (CRM), which is focused on food security, income generation, and household energy.

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