Microfinance Sector Outreach and Financial Inclusion in Myanmar

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- Microfinance Sector Overview in Myanmar
- Access to Financial Product provided by MFIs
- Mixed Microfinance Products Innovation
- Summary on Microfinance Sector
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Introduction

✓ Necessary reforms for the development of the economy.

✓ Microfinance business
  - have been gaining its momentum in some areas (deltas, dry zones, and highlands) since 1997
  - After the enactment of Microfinance business law, formal microfinance business came into action and MF sector as well within a short period.

✓ Financial inclusion
  - access to financial services for all of the businesses,
  - for the low-income households and MSMEs,
  - creating jobs opportunities and improving their socio-economic environment.
  - implementing in the process of rural development and poverty alleviation
  - financial services to the rural and remote areas.
Microfinance Sector Overview in Myanmar

✓ Microfinance Business: credit, saving, remittance, insurance, and payment to the low income people and MSMEs.

✓ Main Objective: to raise socio-economic lives of the people by providing financial services as well as the technology and other means for additional income generating activities.

✓ Historical Background: has started its journey since 1997 by the UNDP program of Human Development Initiative (HDI).


✓ Regulated Microfinance Sector has started since then.
### The number of Current operating Microfinance Institutions (in types)

<table>
<thead>
<tr>
<th>Type</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>INGO</td>
<td>3</td>
</tr>
<tr>
<td>NGO</td>
<td>15</td>
</tr>
<tr>
<td>Foreign Companies</td>
<td>53</td>
</tr>
<tr>
<td>Local Companies</td>
<td>112</td>
</tr>
<tr>
<td>Joint Venture</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>189</strong></td>
</tr>
</tbody>
</table>

Deposit Taking MFI 17

Non Deposit Taking MFI 172
## Microfinance Coverage Area

<table>
<thead>
<tr>
<th>Target Area</th>
<th>Existing in Myanmar</th>
<th>Implemented Areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Township</td>
<td>330</td>
<td>244</td>
</tr>
<tr>
<td>Wards</td>
<td>3183</td>
<td>2060</td>
</tr>
<tr>
<td>Village Tract</td>
<td>13602</td>
<td>7282</td>
</tr>
<tr>
<td>Villages</td>
<td>64134</td>
<td>23766</td>
</tr>
</tbody>
</table>

### Township
- Remaining Areas: 21%
- Existing in Myanmar: 79%

### Wards
- Remaining Areas: 32%
- Existing in Myanmar: 68%

### Village Tract
- Remaining Areas: 37%
- Existing in Myanmar: 63%

### Villages
- Remaining Areas: 43%
- Existing in Myanmar: 57%
Financial Access for Adults provided by MFIs: The number of adult clients served by MFIs about 3.3 millions (11.67\%) of the adult population of the whole country.

Credit: (1702) billion MMKs (6.13\%) of total credit provided by State Own Financial Institutions and Private Financial Institutions.

Saving: The Saving Outstanding of the clients is (235) billion MMKs.

Total Assets: in August 2019 is (2035) billions MMK.
Mixed Microfinance Products Innovation

- Micro-credit, business or individual loans, payment and collection practices are changing by the support of DFS.
- Hire-purchase products and services are also increasing and needed to be monitored closely. Will have Hire-purchase Directive in the very near future.
- Micro-Insurance; will be complementary product of Microfinance Sector.
- International Financial Institutions, Banks, Technical Providers, Telecom Operators, MFIs, DFS Agents, Insurers, and Dealers, and clients are participated and Inter-connected.
- Disclosure, Transparency, accountability, responsibility, rules and regulations on Money laundering and terrorist financing and client protection principles are strictly complied by all regulated entities.
- Digital Literacy and Financial literacy are essential needs for consumer empowering.
Summary on Microfinance Sector

- growing steadily and rapidly in short time.
- no serious issue for the time being by recognizing the possibility of heated competition and potential over-indebtedness.
- Digital and Financial literacy is becoming critical due to the emergence of digital financial services and financial technology.
- Disclosure, transparency, accountability and responsible financing need to be applied by relevant stakeholders participating in financial sector.
- Clients protection principles need to be complied by all stakeholders playing in Microfinance sector.
- Cooperation and collaboration among the regulators and the players will be increasingly demanded for long-term stability and sustainable growth of Microfinance industry.
- The volume of business loans or individual loans is significantly increasing should be careful not to have mission drift of social objective of microfinance.
Drafting New Microfinance Law was completed in late August, 2019 and was submitted to the bill committee of the Union Parliament.

New products and services, technology based-services, Distribution Channels, and new advantages for information sharing and abundant opportunities will be provided when the new law is enacted.
Myanmar is also striving to have higher Financial Inclusion rate in cooperation with Government Agencies, Development Partners, Stakeholders and Investors.

In current situation, Ministry of Planning and Finance has been implementing Myanmar Financial Inclusion Roadmap (2015-2020) by the support of UNDP-UNCDF.

The target of the Financial Inclusion Roadmap is to raise Myanmar financial inclusion level 30% in 2014 to 40% in 2020 and adults with more than one product from 6% in 2014 to 15% in 2020.

The Focus Areas for Financial Inclusion are agricultural sector financing, MSME Financing and Low income Segment Financing.
There have already carried out 2018 MAP Refresh Survey in 5500 households in State and Regions supported by UNCDF and DaNa Facility.

According to this Survey, we can see that Myanmar Financial Inclusion level raises up to 48% and adults with more than one product is 17%.
Overall Status of Financial Inclusion

Positive progress since 2013

# Achievement Against Top Level Objectives in Roadmap 2015 - 2020

<table>
<thead>
<tr>
<th>Objective</th>
<th>Baseline 2014</th>
<th>Target 2020</th>
<th>Actual 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sector level objectives</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase access from 30% in 2014 to 40% by 2020;</td>
<td>30%</td>
<td>40%</td>
<td>48%</td>
</tr>
<tr>
<td>Adults with more than one product from 6% to 15%,</td>
<td>6%</td>
<td>15%</td>
<td>17%</td>
</tr>
<tr>
<td><strong>Segmental objectives</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increased financial access to farmers</td>
<td>43%</td>
<td>51%</td>
<td>52%</td>
</tr>
<tr>
<td>Increased financial access to MSME</td>
<td>30%</td>
<td>40%</td>
<td>50%</td>
</tr>
<tr>
<td>Increased financial access to low income households</td>
<td>15%</td>
<td>28%</td>
<td>38%</td>
</tr>
</tbody>
</table>

Source: FI Roadmap, FinScope 2018

Steady progress across all Roadmap objectives and priorities
Anticipated top 5 drivers of financial inclusion:

1. Reform of MFI regulation and supervision, including introducing tiered supervision, and increasing the deposit taking capacity

2. Get a credit bureau up and running, in the short term servicing all providers with the capacity to participate, and eventually rolling out to all providers; and with compulsory credit report filing and credit status checking for all borrowers.

3. Success of DFS partnerships in the short to medium term, particularly in developing and rolling out products that achieve traction

4. Liberalization of interest rates (in the longer term).

5. Reform of SOBs, to ensure future sustainability, and provide a modern platform to reach rural populations (in the longer term)
In summary, the 2018 assessment found a significant increase in financial inclusion growth from the MAP 2013 findings.

Adult access to at least one formal regulated financial service increased from 30% in 2013 to 48% today as well as the reliance on informal financial services fell by 30% from 10 million to 7 million adults over the past five years.

In conclusion, Financial Inclusion plays a key role to develop our country’s economy and improve the socio-economic life of the people.

Financial Inclusion is the national, regional and global agenda for economic and social inclusion of the people of the respective regions that is in line with 12 points Economic Policies, Myanmar Sustainable Development program (MSDP), ASEAN Economic Community and United Nation’s Sustainable Development Goals.
Thank you