

Novemehr 2017

BRACED Myanmar Microfinance: Short-term Outcome Assessment

A Summary Report



1. Introduction:

Myanmar, the second most vulnerable country to climate extremes globally, is at a moment of unprecedented institutional, economic and social change. The Building Resilience and Adaptation to Climate Extremes and Disasters (BRACED) Myanmar Alliance Project works, from household to national policy level, to build the resilience of over 350,000 individuals (directly working at 155 villages in 8 townships) across three at-risk climatic zones (dry, hilly and coastal). Through a unique model of policy, action and media outreach, a diverse collaboration amongst local and international partners will combine DRR, CCA, environmental, community-development, policy, gender, and livelihoods expertise, to improve community and institutional understanding of climate risk, drive increased responsiveness, and promote scale-up and replication of resilient practices in the face of climate extremes.

Microfinance is one of the key services offered by BRACED Myanmar to target communities and households to improve their resilience to climate extremes and disasters through improving access to affordable financial services and credits. BRACED Myanmar's consortium partner, World Vision together with Vision Fund leads the microfinance component reaching over 900 clients in Mawlamyine Township and Kyentong Township.



Microfinance client sharing experiences with other members in Mawlamyine

In September 2017, BRACED Myanmar conducted a short-term outcome assessment of its microfinance services component to assess efficiency, effectiveness

and sustainability of delivered services and use of loans. The assessment surveyed a representative sample of 120 target clients proportionately from Mawlamyine and Kyentong Townships through a structured questionnaire and 5 focus group discussion (FGDs) with over 50 microfinance clients.

2. Access to Financial Services for Climate Resilience

Access to financial services including availability of affordable credit support have been a big challenge to BRACED target communities. The poor and vulnerable communities either did not have access to credit when they need or had to pay very high interest rate – above 60% per month for individual money lenders. Initiating income generating activities or expanding existing business was very difficult to the community member, due to lack of capital funds. The community members have not been able to access credits when during household related emergencies even if they were willing to pay higher interest rates. The increasing shocks and stress experienced and projected due to climate change from floods, storms, heavy rain, forest fire, and salinity – have added pressures to the communities in the target areas.

In order to help these communities, BRACED Myanmar through World Vision/Vision Fund implemented microfinance activities targeting to poor and vulnerable people who had or very limited access to credit facilities. BRACED microfinance aims to support poor and vulnerable groups to improve their resilience to disasters and climate extremes through providing access to affordable credits.

BRACED microfinance theory of change understands that access to financial services or credit facility is one of the key barriers that limit poor and vulnerable groups to anticipate or adapt climate shocks and stresses. In order to mitigate the barrier, BRACED microfinance provides credit access to poor and vulnerable groups and help them to invest the loans on those activities/businesses to improve their resilience to disasters and climate extremes. The provided loans focuses on:

- Initiate or expand agriculture/livestock and small-business leading to more income or diversification of income sources so that family continue livelihoods even during and after the shocks and stresses
- Support education for children so that they continue schooling even they family suffers from climate shocks and stresses
- Housing improvement to enable home-owners to strengthen household structures to withstand storms
- Assets to enhance early warning communications of residents within disaster prone communities through mobile phone ownership, TV or radios
- Support emergency need of the clients

BRACED improved access to affordable credit services and, raised awareness of communities on availability of financial services. Credit services are offered without collateral, and encourage communities to use credit facility to initiate/expand small scale business and address other household problems. Communities were educated on disasters and climate extremes risks and techniques to cope those risks. BRACED Myanmar helped the community people to prioritize and invest the received microfinance loans on such activities that help their household to cope with shocks and stresses from disasters and climate extremes. Support and skill development was also offered to microfinance loan recipients on business management techniques, supply chain management and risk informed decision making for investments.

3. Key Findings

- a. Average BRACED Microfinance loan size was 390,000 MMK with the maximum loan size 1,000,000 MMK and the minimum loan size 100,000 MMK. Interest rate to the loans was charged 2.5% per month. 63 % of loans were for 6 months term, 31.5% of loans were for 9 months term, and 8.5% of loans were for 1 year term.
- b. When the clients were asked about the reasons why they took a microfinance loan, 95% of them said 'low interest rate', 89% said 'loan can be available without collateral', 48% said 'loan was easily available at ward or village level' and 36% said 'friendly microfinance staff's supports.
- c. 46% of the BRACED Microfinance loans were invested to expand existing businesses followed by 10% to establishing a new business and Fishery/livestock. 8% of loans were invested to support children's education, 7% buying machineries for business/agriculture, 4% health treatment for family members and 2.4% for purchasing for food stocks. The loans were also used for buying mobile phone, TV or radios to access information, and repair houses.
- d. 79.8% of BRACED microfinance loans investment directly contribute to improve resilience of the clients against climate



Owner working at microfinance supported sewing business

extremes and disasters. 73.7% of clients used the loan for agriculture/livelihood, small-business development and diversification.

- e. 85.5 % of clients reported that they have generated profits from their microfinance loan investments.
- f. 90.1% of clients reported that they have planned to continue their business started/initiated with microfinance loans.
- g. 74.2 % of clients do market analysis before making investment decisions.
- h. 65.8% of clients attended the climate change resilience training and 50% attended the gender awareness training provided by BRACED project. 53.3% of clients analyze climatic and disaster risks before making investment decisions.
- i. 85 % of respondents' household have access to weather forecasts whereas 67.5% of them have used the received forecasts to make investment and business decisions - such as plan ahead to avoid or reduce damages from floods or heavy rains while purchasing raw materials or delivering products to markets. 87.5% of respondents have access to early warning information, whereas 70% them have had made investment and business decision using early warning information.

4. Lessons

- Access to locally available credit facility with lower interest rate and without collateral along with business guidance better motivates the poor and vulnerable people to initiate small business or expand existing business to increase income and diversify livelihood options.
- The supplementary resilience training around accessing weather and risk information and using them for business decisions making provided to loan recipients was found helpful for identifying and analyzing risks to investments,
- Increased income from the microfinance loans supported small businesses help to improve the clients' wellbeing through improved access to basic services including health treatment, sending children to school, improving houses to make flood and storm resilient, using electricity for lights or cooking, feed quality meal to family among others.
- Microfinance loans without collateral facility and simplified loan approval procedure have served as emergency funds for the poor and vulnerable which they can access in reasonable interest rate to address their various foreseen or unforeseen problems such as emergency health treatment, paying fees for their kids, donating at religious

Microfinance Client's Story: Diversifying family income and livelihood

Ms. Mi Mi Khaing lives at her small house nearby Thanlwin River in Mawmyine with her family. She had taken three rounds of loans from BRACED Microfinance since November 2015. Her first loan amount was 100,000 MKK from which she bought a fishing net for her husband. After buying the net, Ms. Khaing and her husband realized that if they have a small fishing boat, they could catch more fish. Once they paid back the first loan, they applied for 300,000 MMK as second loan with BRACED Microfinance, and bought a fishing boat with an engine. Ms. Khaing's family applied for third loan of 350,000 MMK and bought additional sewing machines to expand her existing sewing business.

With the investment on fishing nets and a fishing boat, Ms. Khaing's husband improved their fish catch and earns around 40,000 MMK per day for a fishing season which runs for four months a year. Ms. Khaing herself expanded her sewing business and earns 8,000 MMK per day with average monthly income 200,000 MMK. They manage household expenditure including - food, sending children to schools, etc. - from the sewing business income, and save fishing income for future. With the savings, Ms. Khaing is planning to replace her manual swing machines with electric machines to produce more clothes and increase income with same level of efforts.

Ms. Khaing and her family say that "now they can secure foods and have savings. They feel more confident to cope even if there is floods and heavy rain".

1 USD = 1,350 MMK