



*Afford TWO,  
Eat ONE*

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Financial Inclusion in Rural Myanmar



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# INTRODUCTION

Saving, spending and investing money are universal actions. But how and why we make financial choices depend largely on local factors: Government regulations, regional banking operations and technologies and, most importantly, individual needs.

Our research team has set out to explore how such influences are driving decisions about money in Myanmar, one of Asia's poorest countries that, until recently, was relatively closed to the outside world. Even today, as Myanmar's economy steadily opens up, many people still struggle to access the formal financial instruments like bank loans and credit cards that many of us take for granted.

Afford Two, Eat One aims to explain how Myanmar's poor are formally and informally transacting, saving and investing—and to identify some of the vast opportunities for stimulating local financial activity. Our findings reveal both traditional practices and new trends shaping Myanmar's changing financial landscape, and they offer insights critical for developing future services that address the needs of the poor.

Funded by the Institute for Money, Technology and Financial Inclusion at the University of California, Irvine, the team includes designers, analysts, strategists and researchers from Yangon-based Proximity Designs, design strategy consultancy frog, and Studio D Radiodurans.

## MYANMAR TIMELINE

(1947 – 2015)

**1947**

### CONSTITUTION OF BURMA

Burma (today Myanmar) adopts the 1947 constitution in an attempt to develop a parliamentary democracy in a multi-ethnic state.

**1948**

### INDEPENDENCE

The country ends 60 years of colonial rule and declares itself independent from Britain.

### FIRST CIVILIAN GOVERNMENT

Sao Shwe Thaik is elected president and U Nu becomes prime minister. A bicameral parliament is created and includes the Chamber of Deputies and Chamber of Nationalities. The post-independence period is marked by successive insurgencies, armed conflicts, political strife, and economic instability. (1948 – 1958)

### UNION BANK OF BURMA

Burma begins developing its own banking system by creating the Union Bank of Burma, which takes over central banking functions from the Reserve Bank of India.

**1958**

### CONSTITUTIONAL MILITARY COUP

Amid widespread political and ethnic conflicts, Prime Minister U Nu is forced to accept an interim period of military rule by General Ne Win.

### CARETAKER GOVERNMENT

The military-led Caretaker Government holds power for 18 months before allowing elections that bring U Nu back into power. The government's three key objectives are to restore law and order, eliminate "economic insurgents" and prepare the country for civilian elections. (1958 – 1960)



Over the course of two months, the project team traversed Myanmar, visiting villages, using financial services and interviewing dozens of farmers, traders, and day-labourers—the people who are often excluded from traditional financial markets. By collecting evidence, stories, photographs and other data, we aimed in particular to:

- Build a comprehensive understanding of poor people's formal and informal transaction practices..
- Establish a baseline of findings, insights, and frameworks that will guide and inspire future developments in transformational services and concepts.
- Identify opportunities for expanding use of and access to financial services and products in under-served and newly opportune areas.

As our report shows in depth in the following section (Background & Context), Myanmar is at a defining moment in its history: The economy is expanding, international sanctions are easing, significant investments are pouring in, and land values are increasing dramatically. In some areas, property is more expensive than it is in nearby Singapore.

Technology adoption is also sky-rocketing as Myanmar—previously on par with North Korea in terms of mobile adoption ranks—aims to catch up to its neighbours. The cell phone penetration rate is expected to increase by 50 per cent over the next three years, up from just 12 per cent today (Deloitte/Ericsson 2012). High-speed 3G wireless networks now being built will enable access to mobile computing for the first time in Myanmar. The country will have unprecedented choices, options and opportunities around money.

This report presents a snapshot of Myanmar's local economic landscape from a qualitative, behavioural and cultural perspective. It profiles a subset of individuals for whom the appropriate formal financial services have not yet materialised, and offers clues about how that might soon change.

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## 1960

### ELECTIONS

U Nu wins the 1960 parliamentary elections, returning the country to civilian rule. U Nu received the majority of the Buddhist vote after promising to make Buddhism the state religion.

### U NU ADMINISTRATION

After the Caretaker Government successfully stabilises ongoing political conflicts, U Nu's Union party wins a majority of votes in civilian elections. However, the situation does not remain stable for long under U Nu Administration.

(1960 – 1962)

## 1961

### BUDDHISM MADE STATE RELIGION

U Nu's declaration alienates minority groups and fuels ethnic insurgencies.

## 1962

### MILITARY COUP OF MARCH 2

General Ne Win stages a bloodless coup d'état and ousts U Nu. The general establishes a socialist state run by a revolutionary council of senior military officials. U Nu is arrested, along with anyone else who might question the military rule. Ne Win founds the Burma Socialist Programme Party, now the country's only legal political party.

### BURMA SOCIALIST PROGRAMME PARTY (BSPP) PERIOD

Shortly after the coup, Ne Win's BSPP regime introduces the Burmese Way to Socialism, an economic development plan that reduced foreign influence and expanded the military's role. Critics blame the plan for increasing poverty and isolating the nation. Ne Win's persecution of non-Burmese residents forced some 200,000 Indians to leave the country. (1962 – 1988)

# MYANMAR: PAST & PRESENT

In the two decades that Proximity Designs has engaged in development in Myanmar, the last two years have been the most hopeful. We've seen an unprecedented opening—shaped by President Thein Sein, democracy advocate Aung San Suu Kyi and others—that has transformed the political landscape. Yet despite this progress, Myanmar faces a future fraught with difficult political, economic, and social challenges.

Myanmar was governed by military rule for more than 60 years, from its independence from Britain in 1948 through the 2012 elections. The damaging effects are still felt on many levels. Past repression of non-military-affiliated businesses casts a shadow over today's entrepreneurs. Repeated demonetisation of Myanmar's currency has eroded trust in the kyat. The 2003 banking crisis and a lack of central regulation still breed tensions between individuals and institutions. Finally, a legacy of foreign hostilities and economic sanctions makes investment and trade feel volatile and risky.

As it attempts to shake itself of the past, Myanmar is striving for a triple transition: From the de facto control of a military junta to a democratically elected government; from ethnic conflict to real and lasting peace; and from poverty to development. Each of these steps reinforces the others. Myanmar remains one of the poorest countries in the world, and it is still unclear whether the country will achieve a sustained period of rapid and inclusive economic growth.

## 1963

### FIRST DEMONETISATION

Ne Win decrees that 50 and 100-kyat bank notes are no longer legal, claiming that the money is funding the black market and ethnic insurgencies. Many people's savings are wiped out overnight.

### ENTERPRISE NATIONALISATION LAW

The government nationalises large enterprises, including foreign-owned companies.

## 1967

### ANTI-CHINESE RIOTS

Riots break out in Rangoon after Chinese students defy the government's ban on wearing Mao badges in school. Burma and China had maintained good relations for decades, but Ne Win's nationalist agenda and China's ongoing Cultural Revolution create tensions. The Rangoon riots spark a series of anti-Chinese demonstrations that further strain relations between Beijing and Rangoon over the next few years.

### PEOPLE'S BANK OF THE UNION OF BURMA ACT

The military government enacts law to nationalize all of Burma's 25 private banks (15 foreign and ten local) and merge them together, which happens in 1969. By 1970, all remaining state-owned banks are merged with the People's Bank of Burma, which has already been producing its own bank notes. There are no private banks until 1992.

## 1974

### 1974 CONSTITUTION

Burma's new constitution establishes a socialist democratic state with one legislative chamber, represented by the Burma Socialist Programme Party. The constitution creates seven ethnic minority states and seven predominantly ethnic Burman divisions.

The steady shift away from an extractive economic and exclusive political system is especially difficult where natural resources are concerned. Myanmar's military and well-connected elites have long exploited resources in the country's ethnic-minority states (such as Shan, Kachin and Karen on the country's borders). Continuing this practice would undermine any attempt at long-standing peace. Recent armed conflict in Kachin, for instance, has displaced nearly 100,000 people and throws divisions between the military and government into stark relief.

Unless ethnic groups are given a degree of autonomy and a rightful share of mineral revenues, the states will remain occupied territories, with their people more like inmates than willing members of a union. While the ethnic states aspire to self-governance, they lack the legal and institutional infrastructure required for effective electoral politics.

Peace is critical to spurring the foreign direct investment and further domestic investment needed to stimulate Myanmar's economy. Strengthening the country's supporting institutions, including the judiciary and civil services, is equally essential to rapid progress.

Myanmar's foreign relations are similarly in flux. Ties with China have long been strained, and achieving balance in the countries' economic and political relationship requires a delicate mix of policies that have thus far proved elusive. At home, the potential for violence is brewing ahead of the 2015 general elections, given the popularity of the National League for Democracy (NLD) party and the legal ability of the military to intervene.

The past has not been kind to Myanmar, and a new day is desperately needed. The country has lost millions of workers to migration, and will need to work hard to retain its rising middle class. Without dramatic changes, repression, conflict and poverty will continue to drive out even more citizens who are critical to the country's future. Myanmar is at a juncture today and faces numerous complicated challenges. It will be a long and messy road ahead, but if inspired, courageous leaders and people come together, the future can provide a hopeful path forward.

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## 1975

### RESTRUCTURING OF THE PEOPLE'S BANK OF BURMA

People's Bank of Burma is restructured into four state-owned banks: the Myanmar Agriculture Bank, the Myanmar Economic Bank (MEB), the Union of Burma Bank and the Myanmar Foreign Trade Bank.

## 1982

### CITIZENSHIP ACT

Ne Win's nationality law recognises only the people from so-called indigenous "national races", whose ancestors must have lived in Burma prior to 1823 as full citizens. Only full citizens can run for office or qualify for certain governmental positions.

## 1985

### SECOND DEMONETISATION

The government demonetizes the 25, 50 and 100-kyat bank notes without warning.

## 1987

### THIRD DEMONETISATION

Ne Win declares that the 25, 35 and 75-kyat notes are no longer legal tender, making nearly three-fourths of Burmese currency worthless. People lose faith in the kyat, and farmers refuse to sell their only asset, rice, which increased the urban price of rice tremendously. Both the legal and black market economies are thrown into chaos.

### BANK NOTES INTRODUCED

New notes are minted, at values in multiples of 9 (e.g. 45, 90-kyat), based on the superstitious preferences of Ne Win.

## 1988

### 8-8-88 PEOPLE'S REVOLUTION

Mass demonstrations reach their apex on August 8, 1988. Demonstrators face extremely brutal suppression by the military government. Thousands are mercilessly killed and arrested. Some 10,000 people flee Burma in fear. Torture and long-term imprisonment ensue without trial. Schools and universities are closed for long periods.

### NE WIN RESIGNS

Student-led demonstrations spark a nationwide uprising, forcing Ne Win to resign as chairman of the Burma Socialist Programme Party.

### SLORC/SPDC REGIME

On September 18, 1988, the military forms the 19-member State Law and Order Restoration Council (SLORC), which takes government control. Socialist policies are abandoned. In 1997, SLORC becomes the State Peace and Development Council (SPDC). Military power remains strong. (1988-2010)

### FOREIGN INVESTMENT LAW

Burma adopts a law to promote foreign investment in the country, which was largely prohibited in the past. The country also signs oil exploration and extraction contracts with foreign companies, and legalises cross-border trade with China and, eventually, India.

## 1989

### BURMA BECOMES MYANMAR

The military government changes the country's name from Burma to Myanmar, in part an attempt to distinguish the leadership from previous socialist regime and pro-democracy demonstrators.

## 1990

### MILITARY BUILDS MAJOR CONGLOMERATES

The military sets up the Union of Myanmar Economic Holdings Limited (UMEHL) in 1990 and the Myanmar Economic Corporation (MEC) in 1997. Each conglomerate has a significant portfolio in various industries including oil and gas, mining, gem production, banking, tourism, real estate, transportation, construction, and telecommunications. (1990 - 1997)

### 1990 NATIONAL ELECTIONS

Myanmar holds general elections—the first since 1960—to form a constitutional committee to draft a new constitution. Aung San Suu Kyi's National League for Democracy wins most of the seats, but the military junta annuls the results and refuses to allow the committee to meet. Instead, it arrests Suu Kyi and other opposition leaders and cracks down on protests, leading to Myanmar's international diplomatic isolation.

### CENTRAL BANK OF MYANMAR LAW

New legislation allows for private banks and re-establishes the Central Bank of Myanmar.

### U.S. ECONOMIC SANCTIONS

The U.S. Customs and Trade Act of 1990 gives the George H.W. Bush administration authority to impose economic sanctions on Myanmar. Major U.S. corporations, including Levi Strauss & Co. and Liz Claiborne, eventually withdraw operations from the country.

## 1992

### PRIVATE BANK LICENSES ISSUED

The Central Bank of Myanmar begins to grant licenses to private banks. Although the banks are supposed to operate independent of the government, they are under tight state control.

## 1993

### FOREIGN EXCHANGE CERTIFICATES

The military regime issues foreign-exchange certificates, officially the only legal way of handling foreign currency in Myanmar, although dollars circulate widely. The reformist government gradually phases out the certificates in 2013.

## 1995

### PRIVATISATION PLAN

Myanmar introduces the privatisation plan to turn the state-owned enterprises into more effective ones under its market-oriented economic policy. There are almost 1,800 state-owned enterprises in the mid-1990s. However, progress has been slow until recent years.

## 1996

### MYANMAR STOCK EXCHANGE

The Myanmar Securities Exchange Centre (MSEC) is formed as a joint venture between Daiwa Securities Group and state-owned Myanmar Economic Bank.

### FIRST EXPANSION OF U.S. ECONOMIC SANCTIONS

U.S. President Bill Clinton suspends visas for people who "impede Burma's transition to democracy" and bans all new investments in the country by U.S. citizens.

### EU SANCTIONS

The European Union adopts a sanction regime that includes a ban on the sale or transfer of arms and weapons expertise to the country, visa restrictions on members of the military regime and their families and allies, and a freeze on officials' overseas assets. It also suspends all bilateral aid other than humanitarian assistance.

### CREDIT CARDS AVAILABLE

Asia Wealth Bank (AWB) begins to offer credit card services. By 2002, it has issued 15,000 credit cards and becomes the largest local bank.

## 1997

### MICROFINANCE ARRIVES

The United Nations Development Programme (UNDP) begins its Human Development Initiative in Myanmar to alleviate poverty and spur economic growth with microfinancing schemes.

## 2003

### 2003 BANKING CRISIS

The crisis causes the closure of three major banks: Asia Wealth Bank, Mayflower Bank, and Myanmar Universal Bank. People lose trust in the formal banking system.

### FIRST GSM NETWORK LAUNCH

Myanmar's first Global System for Mobile Communications (GSM), supplied by Siemens and China's ZTE, is launched commercially after a two-year trial period. However, the sector remains monopolised by the state-owned Myanmar Post and Telecommunications (MPT) and its affiliated crony companies.

### SECOND EXPANSION OF U.S. SANCTIONS

The expansion includes banning all imports into Myanmar, freezing all financial assets and property holdings of junta members and halting all foreign remittances. This initiative leads to some 20,000 textile workers being laid off and the closure of small and medium-sized production facilities.

### EXTENSION OF EU SANCTIONS

## 2007

### SAFFRON REVOLUTION

Spurred by sudden drops in fuel subsidies, students and monks lead a series of protests against the military regime. A campaign of peaceful civil resistance faces a brutal military crackdown, which leads to an increase in international economic sanctions and pressure against the Myanmar government.

## 2008

### CYCLONE NARGIS

Cyclone Nargis is considered to be the most devastating natural disaster to strike Myanmar in recorded history.

### CONSTITUTIONAL REFERENDUM

A new constitution proposed by the military government is approved in a public referendum. The military calls it a "return to democracy," but critics say it's a sham. Significantly, the constitution includes an article against demonetisation.

## 2009

### ASEAN COMPREHENSIVE AGREEMENT

Under the agreement, Myanmar commits to opening up its financial services sector to foreign banks headquartered in its ASEAN partners by 2015.

## 2010

### 2010 GENERAL ELECTIONS

Myanmar holds the first multi-party election in more than two generations. The military-backed Union Solidarity and Development Party (USDP) dominates the elections and takes sweeping control of the parliament.

## 2011

### 2011 SPECIAL ECONOMIC ZONE LAW

The State Peace and Development Council adopts the Special Economic Zone Law, which grants income tax exemptions for the first five years of export sales; 50% tax relief for the second five years; and 50% tax relief for the third five years if profits from export sales are re-invested in Myanmar.

### THEIN SEIN ADMINISTRATION

The USDP's Thein Sein, a former military general and prime minister, becomes president in March 2011. He undertakes a series of political and economic reforms, including the release of political prisoners, the creation of a free press, and the restoration of trade union rights. (2011 – 2015)

### MYITSONE DAM SUSPENDED

President Thein Sein wins massive public approval when he suspends the controversial dam project in Kachin State.

### CAR PRICES PLUMMET

As part of a wider economic reform efforts, the government announces a three-stage plan to substitute older cars for newer imports on September 11. Within a day of the announcement the market begins to shift, with prices for cars falling steeply. In the past, car prices were kept extremely high due to severe restrictions on car imports.

### MYANMAR PAYMENT UNION LAUNCH

The Central Bank launches the Myanmar Payment Union (MPU), which sets up the first ATM card payment system in the country and includes 18 local banks. The infrastructure for payments today remains underdeveloped, but banks are slowly addressing the issue. MPU plans to become a public company by the end of 2014.

### MICROFINANCE LAW

Myanmar passes a law allowing local and foreign investors to establish fully privately owned MFIs, including existing microfinance providers that previously operated "illegally."

## 2012

### BY-ELECTIONS

By-elections are held to fill 45 vacancies created by the promotion of parliamentarians to the Cabinet and other posts in 2011. Pro-democracy leader Aung San Suu Kyi's party wins a landslide victory.

### NEW STOCK EXCHANGE PLANNED

The Tokyo Stock Exchange and Daiwa Securities agree to help Myanmar set up a new stock exchange by 2015.

### TOURISM TAKES OFF

The New York Times lists Myanmar as the third best place to visit in the world in 2012.

### RELAXATION OF SANCTIONS IMPOSED BY US, UK, EU

### ANTI-MUSLIM RIOTS

Deadly inter-communal clashes between Muslims and Buddhists breaks out in Rakhine State in June and October 2012, leaving almost 200 people dead and around 140,000 displaced, the great majority of them Muslims. Following the riots, anti-Muslim sentiment and violence spreads to other parts of Myanmar. The worst incident occurs in the town of Meiktila in early 2013, where a dispute at a shop leads to anti-Muslim violence. The brutal killing of a Buddhist monk sharply escalates the situation. Two days of riots by a thousand-person mob results in widespread destruction of Muslim neighbourhoods, and leaving at least 44 people dead, including twenty students and several teachers massacred at an Islamic school. The violence occurs in the context of rising Burman-Buddhist nationalism, and the growing influence of the monk-led "969" movement that preaches intolerance and urges a boycott of Muslim businesses.

### MEDIA CENSORSHIP LIFTED

The government abolishes direct censorship of the media. Journalists are no longer required to submit their work to state censors before publication.

### WORLD BANK ENGAGES

World Bank Group and other agencies directly re-engage with Myanmar.

### FOREIGN EXCHANGE MANAGEMENT LAW

The Foreign Exchange Management law is introduced. Citizens, foreigners and companies in Myanmar are required to obtain permission from the Foreign Exchange Management Board (FEMB) for all of their foreign exchange dealings, including borrowing foreign exchange from abroad and repaying the related principal and interest, as well as opening accounts in foreign banks or making payments to people abroad.

### VISA, MASTERCARD, WESTERN UNION ARRIVE

### BIG FOUR GLOBAL ACCOUNTING FIRMS ENTER MARKET

Deloitte, E&Y, PwC and KPMG open offices in Yangon in a response to growing interest from both Asian and Western corporations since the opening up of Myanmar's economy at the start of 2012.

### FOREIGN INVESTMENT LAW (FIL)

The new law replaces the Foreign Investment Law of 1988, and affords benefits such as a guarantee against expropriation, foreign exchange benefits, a permission to legally lease real estate for longer than a year, and a tax holiday. The FIL also provides an obligation to increase the use of local Myanmar staff over time to at least 25% of a company workforce during the first two years, at least 50% during the second two years, and at least 75% during the third two years.

### U.S. PRESIDENTIAL VISIT

President Barack Obama is the first sitting U.S.

president to visit Myanmar.

### MYANMAR MICROFINANCE SUPERVISORY ENTERPRISE (MMSE)

Formerly the Myanmar Small Loans Enterprise, established in 1952, the new MMSE takes on an additional role of supervising the entire microfinance sector. MMSE employs 1,800 people in 15 states across the country, though not all are involved in MFI supervision.

### FIRST INTERNATIONAL MASS PUBLIC CONCERT

Jason Mraz was the first international star to perform at an open-air mass public concert in Myanmar. A crowd of 50,000 people showed up for the concert.

### FIRST MASS MOBILISATION IN SOCIAL MEDIA

Miss Myanmar wins the "Miss Internet Award" in Japan. As she is the first Miss Myanmar to enter an international pageant, her Burmese fans launch social media campaigns. As a result, she receives 21.5 million Internet votes, outshining Miss Macao, who received 16.7 million votes.

## 2013

### PRIVATE DAILY NEWSPAPERS PUBLISH FOR FIRST TIME SINCE 1964

President Thein Sein's administration allows private daily newspapers to re-open as part of democratic reforms to ensure press freedoms. Private dailies once thrived in Myanmar but were all forced to shut down when dictator Ne Win nationalised private businesses in 1964.

### MICROFINANCE SECTOR EXPANDS

Nearly 180 microfinance institutions receive licenses to operate from the Myanmar Microfinance Supervisory Enterprise by May 2013, and the number continues to increase. Global leading players such as ACLEDA Bank receive licenses as well. Other global champions such as Basix and ASA are expected to follow soon.

### TELECOM SECTOR EXPANDS

Telenor and Ooredoo beat out nearly 100 international firms for the government's 15-year telecom licensing bids. Telenor has committed to cover 83% of the country for voice and 78% for data after five years. Ooredoo has committed to reaching 84% for both voice and data. In terms of points of sale, Telenor expects to have 70,000 for SIM cards and Ooredoo has planned 240,000.

### 50 YEARS OF STATE-RUN INSURANCE MONOPOLY ENDS

Myanmar Insurance and the Insurance Business Supervisory Board conditionally approve 12 private insurance companies, out of 20 applicants for licenses, to begin operations in Myanmar.

### NUMBER OF INTERNATIONAL COMPANIES CONTINUES TO RISE

International companies such as GE, HTC, Marrybrown, Nok Air, Coca-Cola, Pepsi, Microsoft, Best Western, Cisco System and Standard Chartered Bank launch operations in



Myanmar.

### **NEW CENTRAL BANK OF MYANMAR LAW**

The law separates the Central Bank of Myanmar (CBM) from the Ministry of Finance and provides adequate autonomy. The CBM has since implemented net open foreign exchange position regulations, formed a monetary policy committee, adopted a reserve money target, and improved its liquidity forecasting capacity.

### **CHINA-MYANMAR GAS PIPELINE**

During the military junta rule, China National Petroleum (CNP) and Myanmar Oil & Gas Enterprise (MOGE), both state-owned energy giants, signed a \$2.5 billion agreement to lay down more than 500 miles of oil and gas pipelines across Myanmar to Yunnan Province. The gas pipeline goes online in July 2013 and can transport as much as 12 billion cubic metres of natural gas per year. The oil pipeline is expected to go alive in 2014. Tankers carrying crude from the Middle East and Africa will dock at Myanmar's port of Kyaukphyu and the pipeline will send as many as 440,000 barrels of oil a day to China. The pipeline project has created anti-Chinese sentiments across Myanmar.

### **CREDIT CARD ACCEPTANCE UP**

Some merchants, mostly in the tourist industry, start accepting Visa and Mastercard for the first time.

### **MOBILE MONEY SERVICE LAUNCHED**

Only a single license for mobile money services has been granted to military-affiliated Innwa Bank. The mobile application developed for the service is in English language only, alienating underprivileged customers with a limited education background.

## **2014**

### **2014 SPECIAL ECONOMIC ZONE (SEZ) LAW**

President Thein Sein enacts the new Special Economic Zone Law, which revokes Dawei Special Economic Zone Law and Myanmar Special Economic Zone Law (2011). The new law allows for income tax exemptions for up to 7 years for local and foreign investors and up to 8 years for constructors in the "exemption areas". Myanmar currently has three ongoing SEZs: Kyauk Phyu SEZ, Dawei SEZ and Thilawa SEZ.

### **MYANMAR ASSUMES ASEAN CHAIRMANSHIP**

Myanmar takes the rotating chairmanship of ASEAN for the first time after joining the organization 17 years ago. Becoming chair of ASEAN has helped Myanmar gain political legitimacy, and offers an opportunity to be viewed as a responsible member of the international community.

### **BANKING AND FINANCIAL INSTITUTIONS LAW REDRAFTED**

A new Banking and Financial Institutions Law to modernize the prudential framework is in the final stage of drafting. It is expected to allow a limited number of foreign banks to operate in Myanmar in 2014. Several foreign banks already have representative offices, including Standard Chartered Bank, Malaysia-based CIMB Bank, Singapore's DBS Bank and Japan's Sumitomo Mitsui Banking Co. Large international companies in the insurance sector (e.g. ACE, MetLife, Prudential) now have offices in Yangon as well.

### **FIRST PUBLIC GAY MARRIAGE**

Following the political and societal transition, LGBT groups have gained a voice. A gay couple marries in public, and photos of the event spread

across social media and local newspapers. However, same-sex marriage is still illegal in Myanmar. A colonial-era anti-sodomy law criminalises same-sex relationships and, while it is unenforced, many gay couples still live in fear.

### **MYANMAR'S FIRST HACKATHON**

A 48-hour contest is held to create tech-based solutions for some of the country's pressing development challenges. The event attracts many young tech enthusiasts, and encourages broader collaboration between coders and do-gooders.

### **FIRST NATIONWIDE CENSUS IN 30 YEARS**

As the last nationwide census was conducted in 1983, Myanmar is in dire need of statistical information on social, economic, and demographic characteristics of its people and households. Census takers will visit more than 12 million households (out of an estimated 60 million) during the census period. Critics warn that the census could intensify ethnic and religious conflicts in Myanmar in a context where ethnic communities have long believed that the government manipulates ethnic categories for political purposes.

### **DATA CENTRE TO LAUNCH**

Myanmar's Central Bank announces plans to launch the country's first modular data centre, with help from the Daiwa Institute of Research's, KDDI Corporation and Toshiba.

### **CREDIT BUREAU TO OPEN**

## **2015**

### **YANGON STOCK EXCHANGE TO LAUNCH**

### **NATIONAL ELECTION**

### **ASEAN FREE TRADE AGREEMENT (AFTA)**

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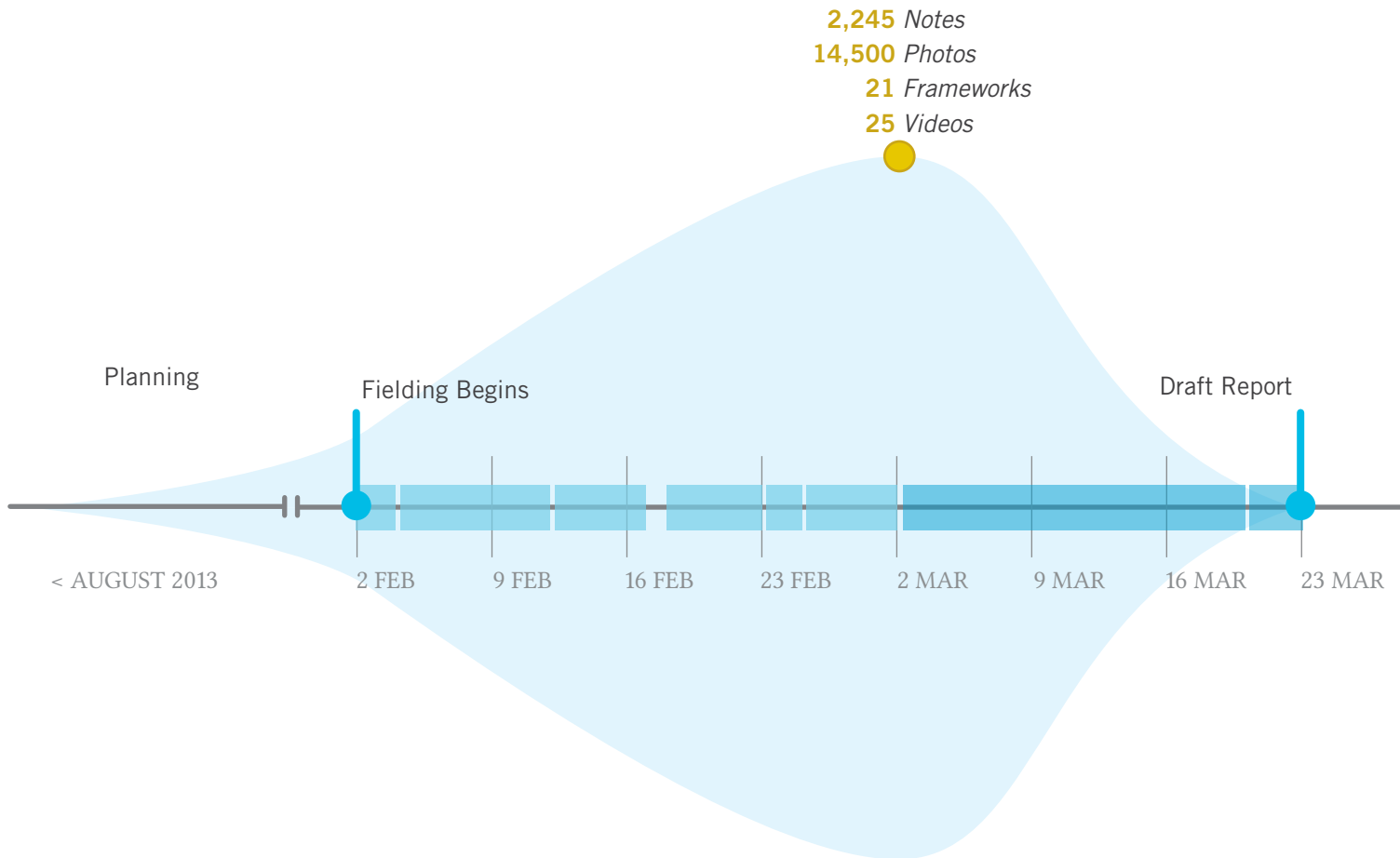
*It will be a long and messy road ahead, but if inspired and courageous leaders and people come together, the future can provide a hopeful path forward.*

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# METHODOLOGY



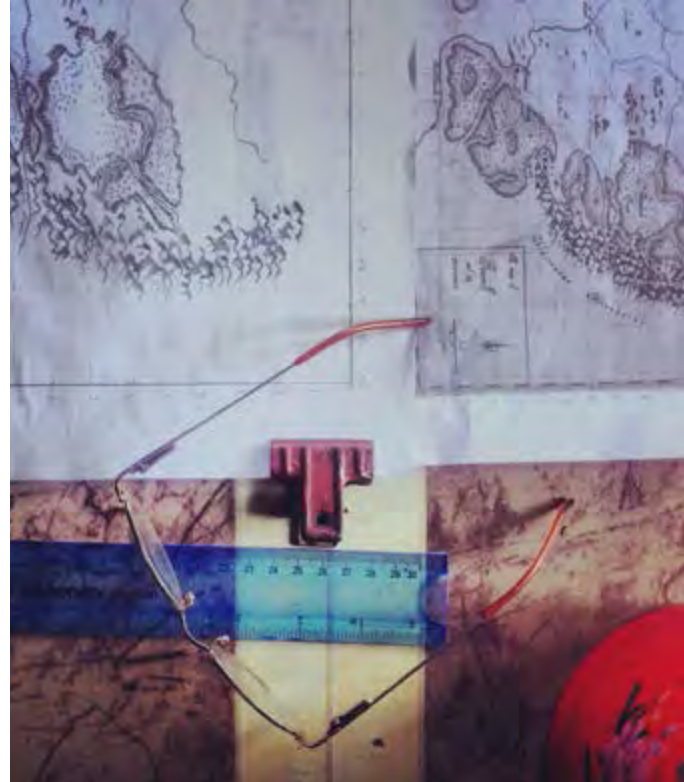
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*The on-the-ground research  
and synthesis involved  
nine people working for  
a total of 45 days.*

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We used qualitative research methods based on well-established, human-centred design and ethnographic research principles.

Research in Myanmar began in February 2014 following five months of planning and coordination. The on-the-ground interviews, data collection and synthesis involved nine people working over six weeks.





## TEAM

The team combined a deep understanding of the financial inclusion space to bring basic banking services to the poor, with well established human centred design practices.



The team's skill levels range from those new to the practice of design research to those with more than a decade of immersive design research experience, particularly in the social impact and financial inclusion space. The team is experienced in human-centred design practices, with specialisations in ethnographic research, product and service design, print design, user experience design, program management and business strategy. Project leaders have extensive qualitative research experience, across the financial inclusion space, developing markets, high-risk environments and highly sensitive topics. (Chipchase 2006-2015, Proximity Designs 2014).

The Proximity Designs team provided top cultural expertise and are bilingual (primary language is Myanmar/Burmese). They had experience working in country, conducting urban and rural research for both generative and evaluative/assessment purposes. The team involved Proximity's core leadership members, who are responsible for design, distribution, sale and support of both physical products (such as irrigation and rural energy) as well as financial and advisory services. (Proximity Designs 2014)

Most of the in-field interviews were conducted in Myanmar/Burmese or in Shan, one of the country's approximately 100 ethnic dialects (Goddard 2005). The sessions were either translated in real-time, in cases where the translator was also a facilitator, translated at key points of the session, with notes taken in Myanmar/Burmese. The local and international teams developed a familiarity with the subject matter and research questions, which allowed the local team to conduct interviews independently, with intensive conversation and debriefings held in an English-speaking session post-interview. At various points the team was joined in the field by a fixer, an administrative assistant, interpreter and driver.

Teams ranged from four to eight people, depending on the stage of the project, location and team availability. Having a large group allowed us to simultaneously send out three field teams to engage in separate research activities. In most cases, each field team included at least one local person and one international team member. We typically had a traditional research makeup, with two or three researchers filling the four key roles of facilitator, translator, note-taker and photographer. In situations where the presence of a foreigner would negatively impact the interview (for instance, if the participant was unduly suspicious of authority and the team hadn't established credibility), then local team members worked solo, or in pairs. Field teams rotated on a daily basis to maximise learning, best practices and working styles.

## RESEARCH PROTOCOL

Our research aimed to understand what is happening on the ground in Myanmar, and how people's needs and opportunities could be best addressed through future services. A follow-up project will focus on developing concepts and pilots of one or more products or services.

The team used the following qualitative and empathic research techniques:

- In-depth Contextual Interviews held inside the home or workplace, and sometimes including additional contextual visits, e.g. to the market or pawnbroker. These sessions focused on one family member, such as the head of the household, but often included other people nearby. Home and business tours also included research on personal financial tools, such as money storage or savings management. Occasional participatory design methods were used where appropriate. Interview lengths ranged from 60 to 180 minutes.
- Ad-hoc Interviews conducted in local markets, financial institutions, health care facilities and betel nut shops, among others. These sessions were focused on one person and lasted from five to 50 minutes.
- Dyads, or pair interviews, held occasionally to leverage the relationship between two participants (often married couples). This format prompted a couple to talk about their different roles and daily responsibilities in making large purchase decisions or, in professional cases, business decisions.
- Group Interviews conducted between three to eight people. Group sessions often led to snowball recruiting of one or two group members for further in-depth interviews. Sessions lasted up to one hour.
- Expert Interviews held with people working in the financial inclusion space and with experience in Myanmar. Interviews lasted up to one hour.
- Observations, including sitting in a teashop on the edge of the market,

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*The research sought to undercover attitudes, perceptions and practices around money, borrowing, savings, and investments from the point of view of the consumer and the service supplier.*

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watching the “gambling” at a local arcade or observing the Monastery cooperative lending process. Sessions ranged from a few minutes to half a day, and often led to ad-hoc and in-depth interviews.

- Use of Existing Services, the trying out of services and products, used to gain a functional understanding of each step of a process, its limitations, and the overall experience. Examples include sending money to another city via bus driver, buying and selling gold, and commissioning fake motorbike license plates (a common practice).

These methods were complemented by a literature review (covered in the references section) and internal reports from Proximity Designs.

Our immersive research approach enabled us to have a stronger empathic understanding of participants. Simply writing about owning a piece of gold worth US\$7,000 is quite different from actually owning and walking around town with gold in your pocket. Hearing about motorbike ownership is different than standing toe-to-toe with a vendor and haggling on price before driving off into the distance with fake license plates. Our principle, wherever possible, was to try, use and explore the boundaries of the products and services that we needed to understand.

This approach, of course, raised a number of ethical issues, given that the research also explored casual and formal gambling (e.g. Myanmar lottery, Thai lottery, cock fighting), recreational drugs, prostitution and underground economies, including emerald and gold mining and the opium trade. The team discussed ethical boundaries as they arose.

## PARTICIPANTS

Based on our project goals, we primarily sought to speak with people who could benefit most from rudimentary formal financial services, including the convenient storage of money, loans, and money transfers.

In Myanmar today, less than 20% of people have direct access to formal banking services (IFC/CGAP 2013). Our interview subjects predominantly use informal services, though we also spoke with some who use formal banking tools, as well as those taking advantage of both. Participants included day labourers, business owners, market stallholders, entrepreneurs, small farm holders, transport vendors, tuk-tuk drivers, beauty shop workers and seasonal migrant workers.

We also recruited individuals who are providing financial services, primarily through informal or unregulated groups, as well as people involved with formal banking. Participants in this group included the head of a monetary savings and loan cooperative, informal moneylenders, pawnshop owners, gold merchants, and formal micro-loan coordinators.

Our exploratory research approach allowed us to refine the protocol for interviews and data collection over time and to develop more nuanced questions as we acquired more knowledge. As such, after each day's research we often adapted the recruiting profile of our participants, based on whom we had met and what we learned that day. Our local team recruited the participants, with significant support from Proximity's area managers. In-depth interviews were arranged ahead of time.

We explained the purpose of our research to in-depth interview participants and encouraged them to ask questions about our process and how the data would be used. Our equipment included a mobile printer that was used to provide hard copies of photos taken as a small thank-you gift.

The team engaged just over 200 total participants, 55% male and 45% female.



## INTERVIEW TYPES:

### IN-DEPTH CONTEXTUAL

- 39 interviews
- 3 group interviews
- 9 dyads
- 5 expert interviews

### AD-HOC

- 88 interviews
- 11 group interviews
- 5 dyads



## LOCATIONS

The team focused on five locations representing a range of climate zones, ethnic diversity, economic and agricultural activities and suitable participants. We started in the hilly North-Eastern Shan State and proceeded via the Dry Zone through to the Ayeyarwady Delta.

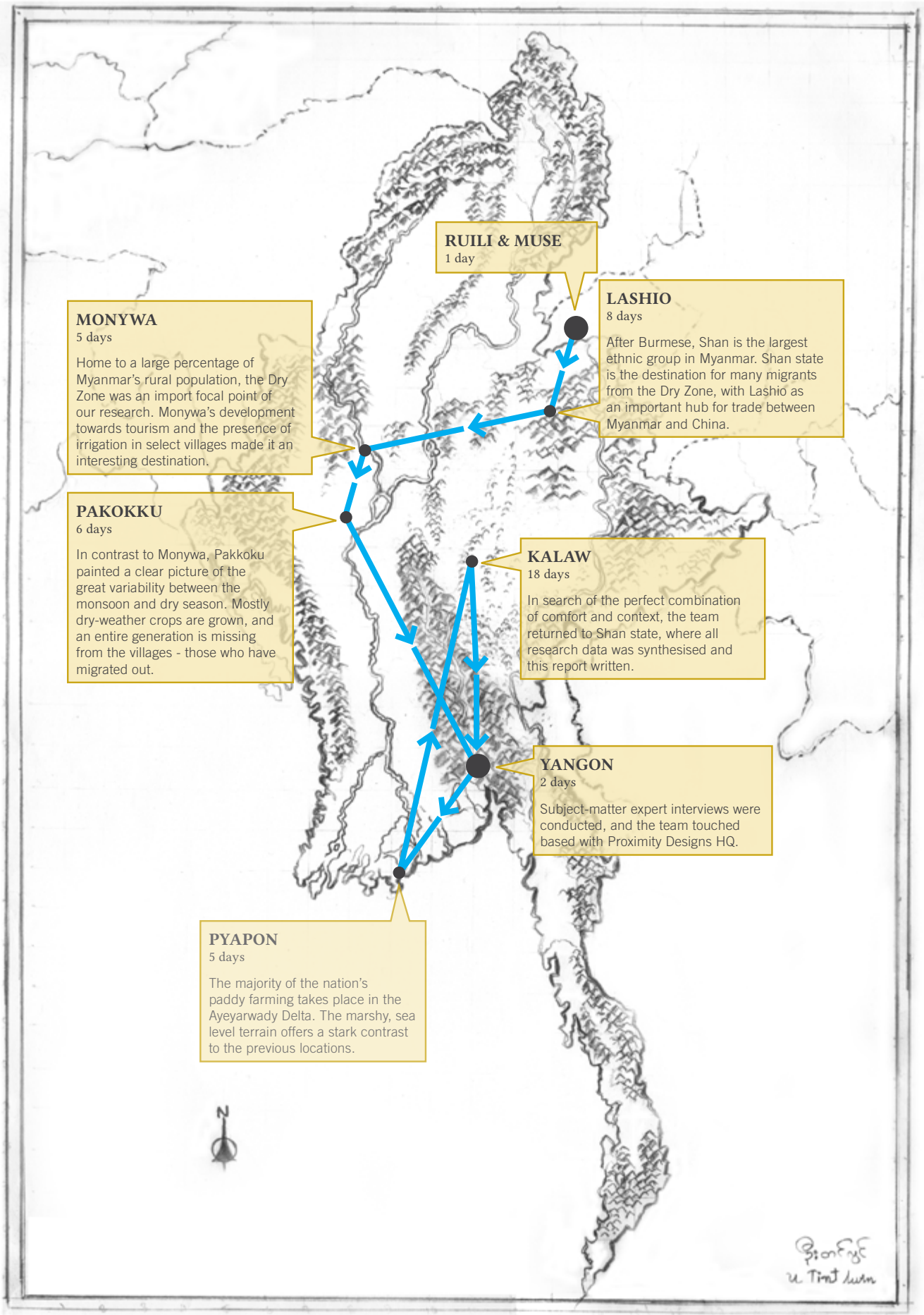
Key factors in determining the townships and areas of focus included type of agriculture, ethnicity, language, the current vibrancy of the local economy, and the likelihood of migration.

The team spent one month on the road, starting on the China/Myanmar border towns of Ruili and Muse, then carrying on through Lashio, Monywa and Pakokku, with a short stop in Yangon before heading to Pyapon. The international team began the journey in Kunming, China, and passed through the Ruili/Muse border towns in order to research and experience cross-border trade, remittances, gambling and smuggling (as opposed to arriving and traveling via Yangon). In each location the team set up a Popup Studio as a base from which to conduct research, which is discussed in detail later. The number of days scheduled in each location balanced our need to collect a baseline of comparative data and build out a meaningful network while minimising travel fatigue.

Approximately 35% of the research was conducted in villages and the rest in small towns or townships, with the towns used as a base from which to explore villages via a 40-minute to 2-hour-long commute by motorbike, boat or otherwise. According to the World Bank, 67% of Myanmar's population is rural, while 33% is urban. (World Bank/Data Bank 2014)

While the team would've preferred to stay overnight in villages, the strict formalities and licenses required for hosting both native and international guests make it difficult to do so and required pre-approvals. The Proximity Designs team does have extensive rural experience, but the costs of commuting back and forth were ultimately considered lower than splitting up and having the local team spend the night. The long exposure to the elements inherent to village visits, can be gruelling and team members generally alternated days running urban and rural research.

The team passed through the large urban centres of Yangon and Mandalay but deliberately excluded them as primary research locations, both because it was easier to access the core participant profile elsewhere, and because the level of friction (e.g. non-productive research time sitting in traffic-jams) is high. The Field Study Handbook (Chipchase 2015) estimates that smaller towns are 20 to 30% more effective for gathering data compared to larger cities. We acknowledge the potential for opportunities and services in large cities but this was not the focus of this study.



**RUILI & MUSE**  
1 day

**LASHIO**  
8 days  
After Burmese, Shan is the largest ethnic group in Myanmar. Shan state is the destination for many migrants from the Dry Zone, with Lashio as an important hub for trade between Myanmar and China.

**MONYWA**  
5 days  
Home to a large percentage of Myanmar's rural population, the Dry Zone was an import focal point of our research. Monywa's development towards tourism and the presence of irrigation in select villages made it an interesting destination.

**PAKOKKU**  
6 days  
In contrast to Monywa, Pakkoku painted a clear picture of the great variability between the monsoon and dry season. Mostly dry-weather crops are grown, and an entire generation is missing from the villages - those who have migrated out.

**KALAW**  
18 days  
In search of the perfect combination of comfort and context, the team returned to Shan state, where all research data was synthesised and this report written.

**YANGON**  
2 days  
Subject-matter expert interviews were conducted, and the team touched based with Proximity Designs HQ.

**PYAPON**  
5 days  
The majority of the nation's paddy farming takes place in the Ayeyarwady Delta. The marshy, sea level terrain offers a stark contrast to the previous locations.

Proximity  
u. Tim Luhn

## PROCESS

Every project has a learning curve. The trick is to understand the team's starting point, what is needed to rapidly get up to speed, and when the current methodological mix is no longer producing a good return on investment.

On commercial research programs, client pressures typically limit the team's ability to step away from agreed numbers of participants, or to adapt methodology and approach as insight is gained. Based on the aims, funding and qualitative/exploratory nature of this project, our team had no such constraints.

For each location, an advance team traveled ahead one or two days to scout out a suitable Popup studio location (Chipchase 2015), lay the groundwork for in-depth participant recruiting and build initial relationships with village leaders. Although the team aimed for five or more in-depth participants in each location, the team only required at least three to be fixed ahead of time, this being a relatively easy market in which to snowball recruit. The team fixer played a key role in presenting village options to the research team prior to their arrival, so that the villages visited could be prioritised per the project aims and the team's time spent optimally.

Building on the Portfolios of the Poor's Financial Diaries methodology (Collins et al. 2009), the team sought participants, contexts and situations that could help explain local behaviours and practices around money. They learned that a couple that is expecting a baby, for instance, has changing priorities and a greater appetite for new types of services than a mother who recently migrated to another part of the country for work. This allowed the team to not only understand various perceptions and attitudes, but also what can trigger particular forms of savings and loan activities. These conversations often uncovered key perceptual factors; for example, when a loan is considered as debt, versus an advance.

In-field synthesis took place in three ways:

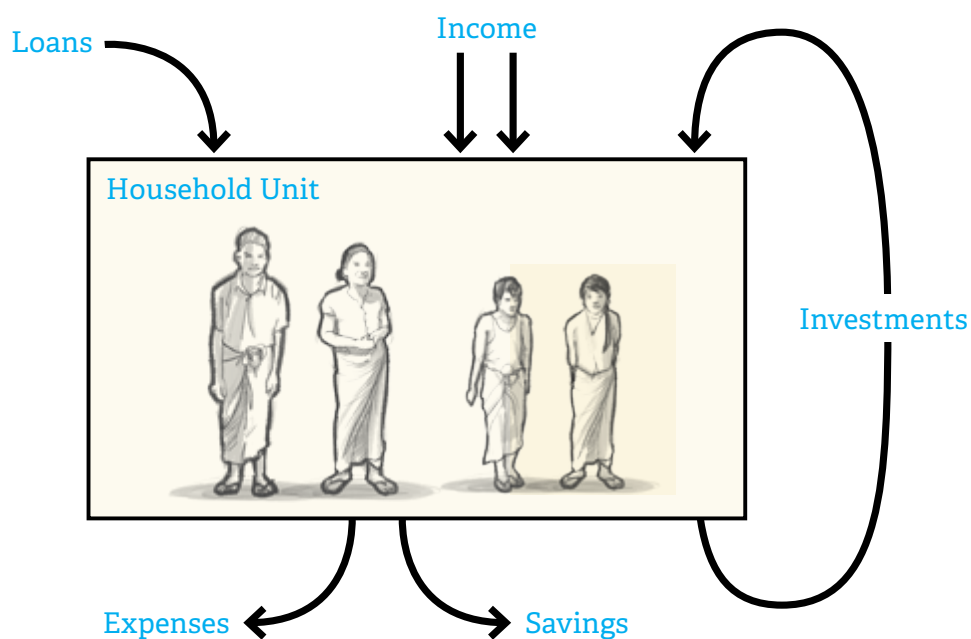
- Informal debriefings with field teams after each research session.
- Daily full-team debriefings to discuss key findings, possible improvements to the process and goals and plans for the following day.
- On-site meeting of field team to create a high-level synthesised summary of findings for that location.

While the length of time spent in field is shorter than many academic studies, it is still greater than most corporate research projects.

## THE HIESIL FRAMEWORK

### Household Income, Expenditure, Savings, Investments and Loans

We developed a framework called HIESIL (Household Income, Expenditure, Savings, Investments and Loans) for mapping the family and household income. This consistent yet flexible data-collection method, allowing the team to understand money and value movement through the family unit, as well as perceptions and attitudes towards loans, savings and investments.





# DATA

One team member, the data manager was responsible for cataloguing and backing up data.

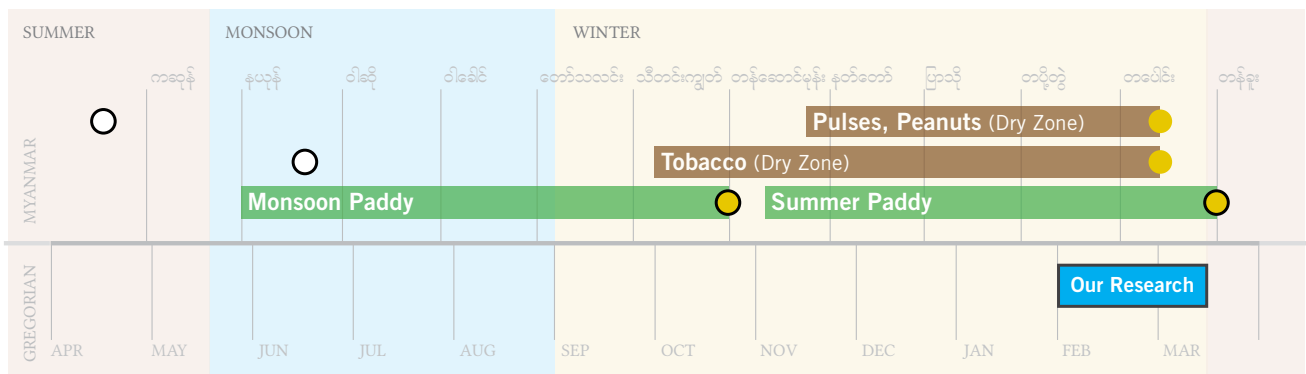
All written data was scrubbed of identifying information (name, village) before entering the workflow and names of people and places used in this report have been changed.

Small gifts and small financial rewards were prepared for in-depth interview participants and were handed over depending on what was appropriate in each context. On a couple of occasions, participants politely declined financial rewards and when appropriate, receipts were obtained.

The study generated 2,245 observations and insights, 14,500 photos, and 25 video clips -- a fairly typical amount for a study of this nature.

## Time of Year

Agrarian societies such as Myanmar are shaped by the wet and dry seasons. This impacts which contexts and activities can be observed, the participants available (given increasing seasonal migration in some parts of Myanmar), the topics on participants' minds, the direction of interviews and the likelihood that responses are accurately recollected.



- Harvest Crop
- Sell Crop
- Harvest & Sell Crop







## CHALLENGES AND OMISSIONS

Every research project comes with its fair share of challenges, and some of these are unique to Myanmar.

- While it is possible to enter the country on a tourist visa, the sensitive nature of the research and entering the country overland forced the visiting team to obtain business visas. These are tied to the host company which placed a social obligation on the visiting team to reign in some of the more (ethically sound) but provocative research methods, such as the immersive research of informal and illegal money flows.
- The Office of Foreign Assets Control (OFAC), the U.S. economic and trade sanctions program, required additional checks on the types of institutions with whom the team could conduct research.
- The full team and research questions needed to be approved via the U.S. Institutional Review Board (IRB) ethics committee.
- Foreigners are supposed to stay only in registered accommodations and must check in with local authorities, which limited the Popup studio options and required a local liaison at each location.
- Overnight access in villages by foreigners needed to be pre-approved by the Office of the Township Immigration and National Registration Department, thus access was largely limited to the daytime.
- Money remains a tricky topic to research, with participants often over- or underestimating income, savings and investments. Topics such as bribery, secondary earnings, and taxes are rarely discussed with strangers. Mistrust of outsiders and authority figures lead to greater distortions. These issues also apply to quantitative surveys and other research methods but are rarely called out by authors.
- As an agrarian society, Myanmar's economic activity is highly dependent on the harvest, and 2014 was considered the first "good year" after a string of "bad ones". The team recognises that its international members have experienced a sliver of life in Myanmar, and the current economic climate will bias responses.
- The timing of the research during the cool season meant that the members did not experience any travel challenges which are more associated with the monsoon and hot seasons.
- Significant grey economies exist in industries such as logging, gold, gem

and jade mining, and opium. Widespread suspicion of outsiders hampered our efforts to recruit research participants in these sectors

- Myanmar is a nation of diverse languages and ethnicities. While we focused on the two primary ethnic groups (Burmese and Shan), some nuances and variance of other ethnic groups may not be accurately represented.
- Foreign members of the research team experienced new money-related challenges while in Myanmar. Inaccessibility to all bank accounts (even to check the balance of an account) forced the team to carry enough cash to cover all expenses.. For many locally based members of our team have had similar issues. For example, due to international restrictions, one cannot renew a credit card issued by a U.S.-based bank from Myanmar.

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## *for reference:*

As of 20 March 2014, the exchange rate is 975 kyat to US\$1. For the purpose of the report and the ease of conversation, we used the following estimate:

**kyat** = Myanmar's currency

1000 kyat ~ US\$1

**lakh** = A commonly used monetary measure

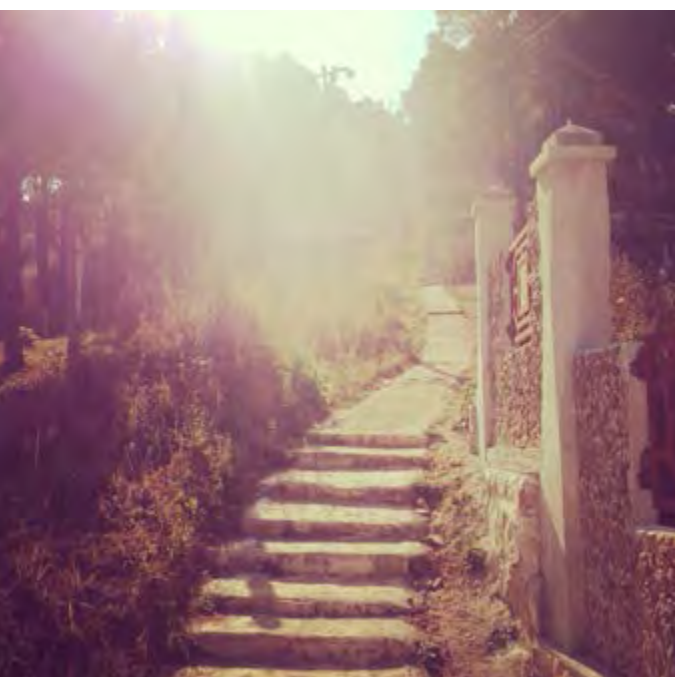
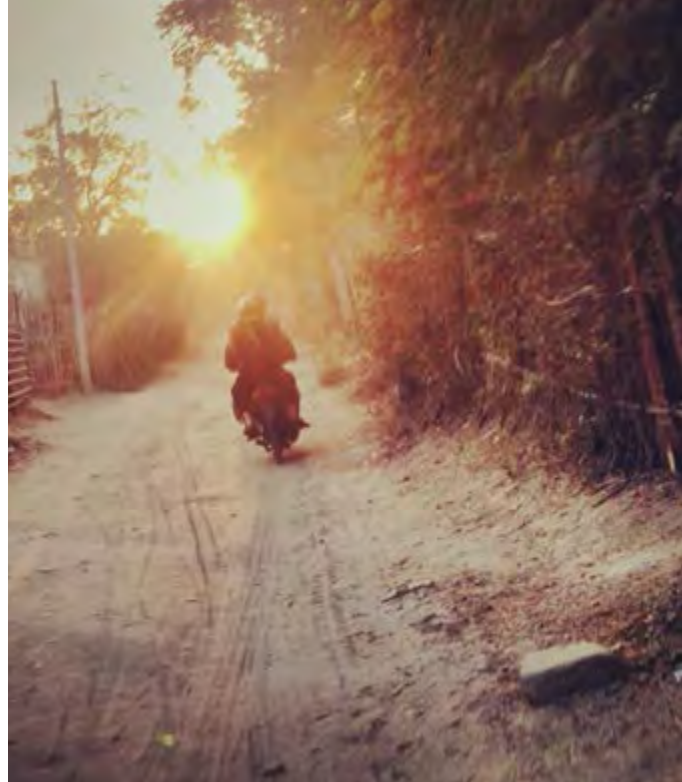
1 lakh = 100,000 kyat

1 lakh ~ US\$100

### **Quotes**

Throughout this document, we use direct quotes, translated from Myanmar to English. Each quote is attributed to the participant using a participant coding system e.g. a quote attributed to the fifth female in-depth participant is [IND F05].

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# ARCHETYPES

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Does a stockbroker make decisions about his business in the same way he does for his family? Does he embody different archetypes at work versus at home? Each archetype comes with a richness and description that can act as a foundation for design decisions.

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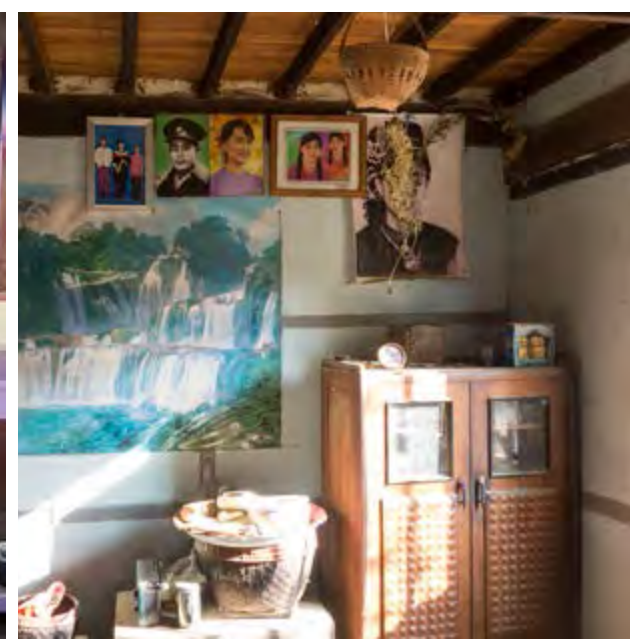
An archetype is a model of human traits and behaviours that describes patterns shared across people. Archetypes can capture a person in a particular moment in time while acknowledging that individuals are dynamic, changing with the season, over the course of time and sometimes even within a single day. Circumstances decide a person's archetype, allowing us to explore varying characteristics based on the situational context.

## OUR ARCHETYPES

From the more than 200 participants we met, we observed six Archetypes. To give a sense of how these relate to one another, we've mapped them out based on two key attributes: Where people are likely to live (rural vs. township), and the volatility of their income. People with highly volatile incomes, for instance, often struggle to save, and any mishap may cause them to fall into debt. People with lower volatility have more income stability and a higher propensity to save. The archetypes help to explain people's behaviours, which financial instruments they can access, their Household Income, Expenditure, Saving, Investments and Loans (HIESIL), how their income varies during the year and what collateral they have to borrow against.









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“My aspiration for my children is for them to be able to study 'til the 5th grade.”

-IND F11

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## KYAW HTUN

### EVERY-DAY ADAPTIST

Day Labourer

Lives in: Dry Zone

FINANCIAL SERVICES USED:

Informal loans

COLLATERAL:

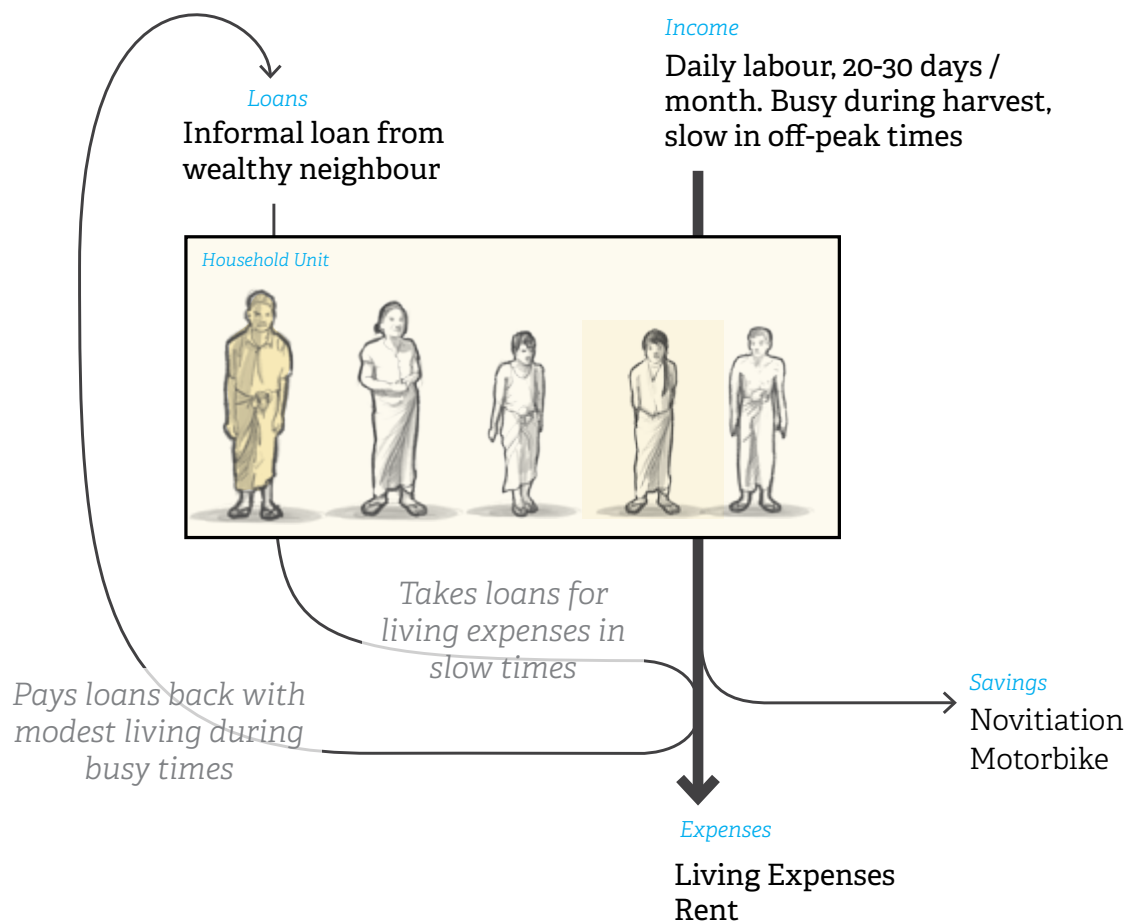
N/A

Kyaw Htun is a manual worker and, when he can find work earns between 2000 kyat and 4000 kyat (US\$2-4) per day. He often works repairing roads and on construction sites in the nearby township. His family lives day-to-day, sometimes taking loans for basic necessities. His children go to a local school but will likely only be able to complete the fifth grade, as the middle school is in the next village over.

With no assets to borrow against, and social capital limited to his friends in the village, Kyaw Htun's only option, if he can't find work or gets sick, is to take out high-interest loans - sometimes compounded daily. Kyaw Htun is able to provide for his family now and saves about 500 kyat (US\$0.50) per week for his son's novitiation<sup>1</sup>. However, any disruption could cause him to fall into debt.

“We borrowed 3 lakhs from our relatives at 8% per month. By the time we paid it back, the interest added up to half of the amount we borrowed.” -IND COU06

## KYAW HTUN'S HIESIL



<sup>1</sup>Buddhist parents in Myanmar send their sons to the monastery to be ordained as novices, typically when the boys are seven or eight years old. Most families celebrate the occasion with extravagant, multi-day parties open to the entire community. For further reading, see Case Study - Novitiation.

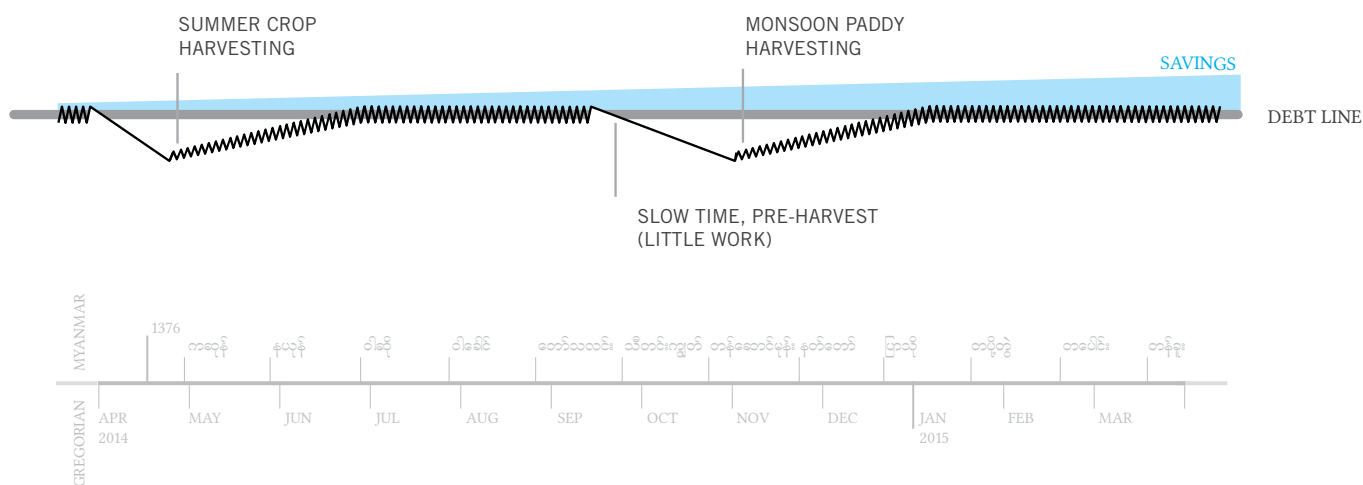
# FINANCIAL SNAPSHOT: KYAW HTUN

(IN KYAT)

INCOME		EXPENSES		LOAN	
20 days of work* (monthly)	60,000	Rice	20,500	Loan taken	10,000
		Oil	12,000	Interest rate per month	1,000
		Vegetables	15,000		
		Snacks for children	5,000		
		Donations	5,000		
		Interest on loan	1,000		
SAVINGS		<b>Estimated</b>	<b>58,500</b>		
Novitiation (monthly)	2,000	<b>Total Expenses</b> <b>(month)</b>			

\*During planting/harvest season, Kyaw Htun can earn 120,000 kyat a month. This is the only time he can save beyond novitiation and repay the principal on his loan.

## INCOME TIMELINE











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“I will tell you how not to be poor. You need to diversify your income: daily, weekly and seasonally.”

-IND M21

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# SOE THEIN

## AGILE AGRARIAN

Multi-crop farmer, goat farm investor and shop owner

Lives in: Dry Zone

### FINANCIAL SERVICES USED:

SFIs (agricultural) loans, micro-finance savings & loans, faith-based organisation/ community savings & loans, merchant & broker loans and informal loans

### COLLATERAL:

Gold, Land and Social Capital

Soe Thein owns a 15-acre farm where he grows cauliflower, tobacco and peanuts, like many of the farmers in his village. Unlike most, however, Soe Thein is economically resilient thanks to various income sources. He is a multi-crop farmer, a goat farm investor and a provision shop owner. With his children grown and a history of smart investments, he is rarely in debt, though he takes loans for his businesses. He seeks exposure to things beyond the village, like new farming techniques, and is willing to try new technologies. He recently began experimenting with growing mango, a risky crop that, if done right, can be quite lucrative.

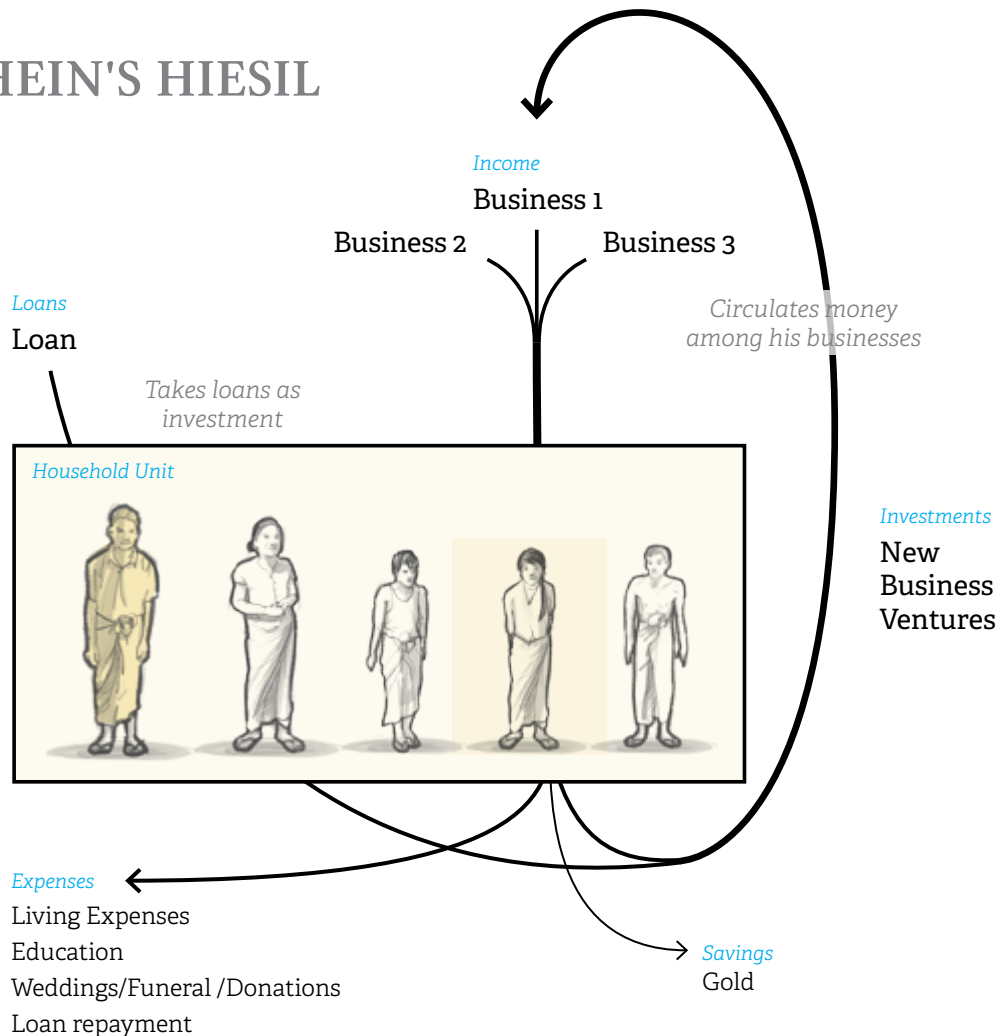
Soe Thein also lends money to other farmers to start their own goat farms, dictating the lending terms and receiving a percentage of the profit. His provision shop provides him a modest but steady daily income, and when he has excess capital he buys gold, knowing that he can easily sell it later. He circulates his money among his enterprises and takes advantage of all the loans that are available to him to grow his businesses.

With financial stability and growth-oriented mindset, he makes decisions based on medium-term returns, and tends to think past his current crop to 2-3 years out.



“Other farmers do not want to try new technology because they are afraid to break away from the traditional method.” -ADH M19

## SOE THEIN'S HIESIL

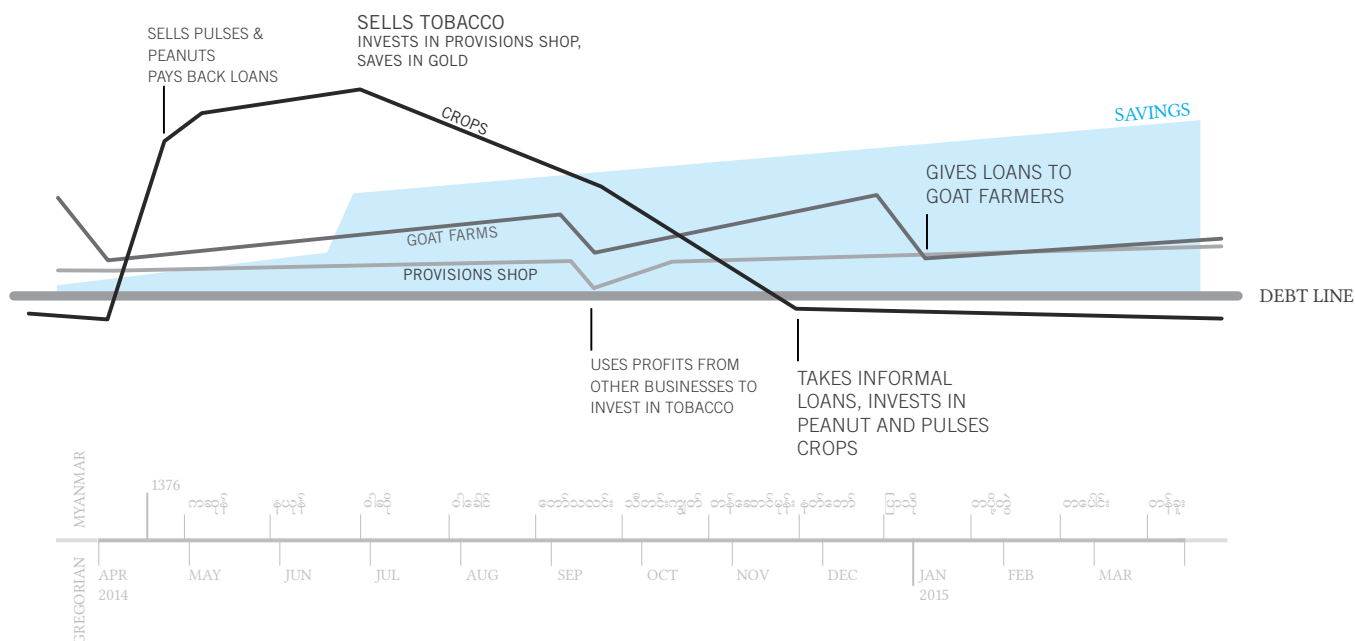


# FINANCIAL SNAPSHOT: SOE THEIN

(IN KYAT)

INCOME		EXPENSES		INVESTMENT	
Farm income (annual)	10,510,00	Vegetables/Meat	20,000	Capital in Shop (revolving credit)	600,000
Provision shop (monthly)	80,000	Rice	48,000	Power tiller (Paid-up)	1,900,000
Goat rearing business (monthly)	120,000	Cooking Oil	12,800	Loans to goat farmers (annual)	1,800,000
<b>Estimated total income (annual)</b>	<b>12,910,000</b>	Utilities	28,000		
		Donations/Weddings/Funeral	10,000		
		Allowance for children	30,000		
		<b>Total (month)</b>	<b>184,000</b>		
		Farm expense (annual)	3,403,000	<b>LOAN (ANNUAL)</b>	
		Education (distance learning for 1 child) (annual)	450,000	Take loan from informal lenders	2,500,000
		<b>Estimated total expense (annual)</b>	<b>4,037,800</b>	Interest rate (4% per month for 8 months)	800,000

# INCOME TIMELINE







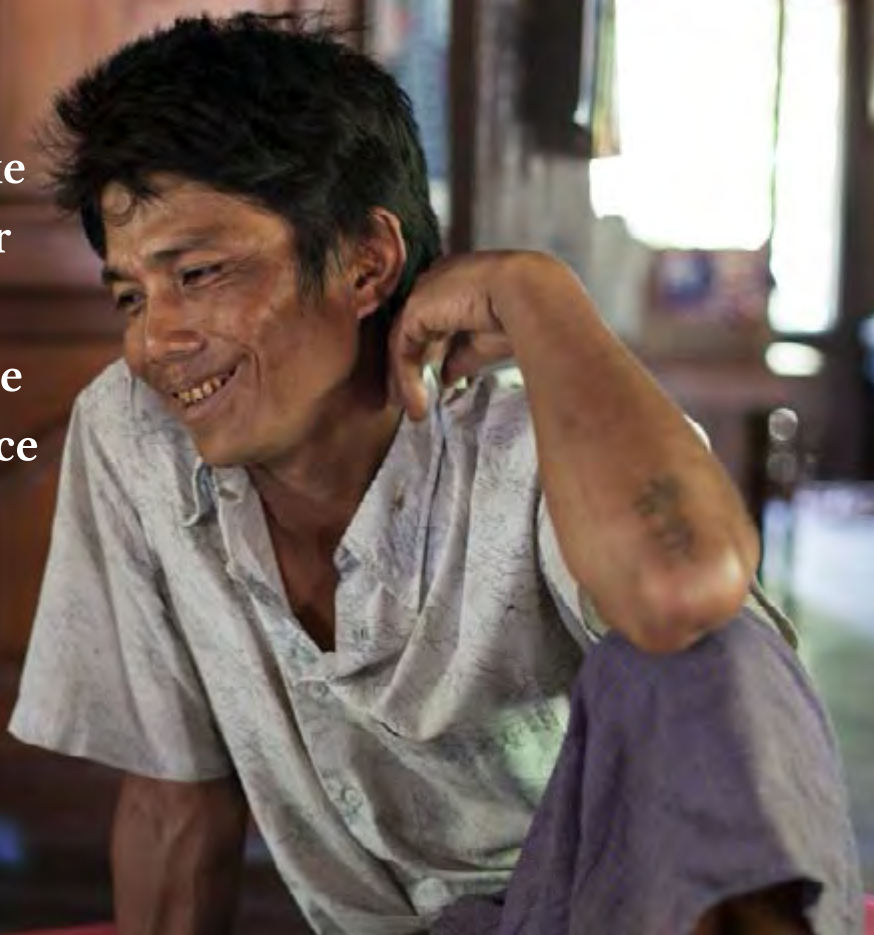


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“I am afraid when I take loans to buy inputs for the farm because it is very unpredictable. The crop might fail. The price might drop. The rain might not be regular”

-IND F09

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## NYO GYI

### CONSTANT FARMER

Paddy Farmer

Lives in: Ayeyarwady Delta

#### FINANCIAL SERVICES USED:

SFIs (agricultural) loans, micro-finance savings & loans, faith-based organisation/ community savings & loans, merchant & broker loans and informal loans

#### COLLATERAL:

Land, Gold and Social Capital

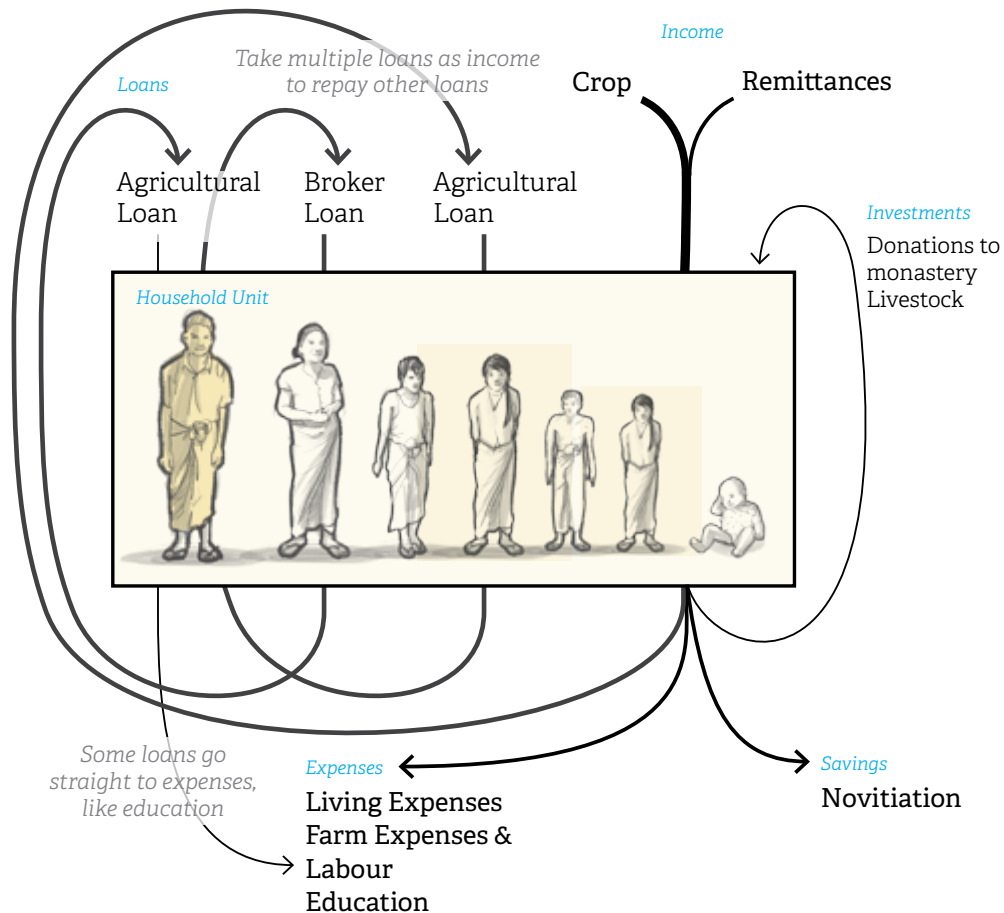
Nyo Gyi farms ten acres, enough to put food on his family's table and sell produce at the market. He is a faithful Buddhist, has strong family values and believes the community should always support one another. His family donates to the monastery every day and, when it can, saves small amounts for the education of their five children and for their 3-year-old son's future novitiation. While Nyo Gyi believes secondary education can provide a better life beyond the village, he worries he will only be able to afford to send one of his children to secondary school.

Nyo Gyi juggles loans throughout the year, often using one to repay another. He often barter with neighbours, and might offer a day's work or the use of his water buffalo in exchange for labouring on the farm. He occasionally receives money from his daughter, who works in a township 20 miles away. He saves incrementally, either keeping cash at home or with community savings and lending groups. If he has money after harvest, he invests in livestock. Though his entire farm operation is dependent on loans, he is generally risk-averse, and will only be involved in investments he knows works or is recommended by someone he trusts.

As his harvest determines his income, his typical outlook is to the next harvest time, with the exact date depending on the crop.

“Farming is labour intensive and the benefits are not great. However, it's the only things we know and we want things to be different for our children.” -ADH F31

## NYO GYT'S HIESIL



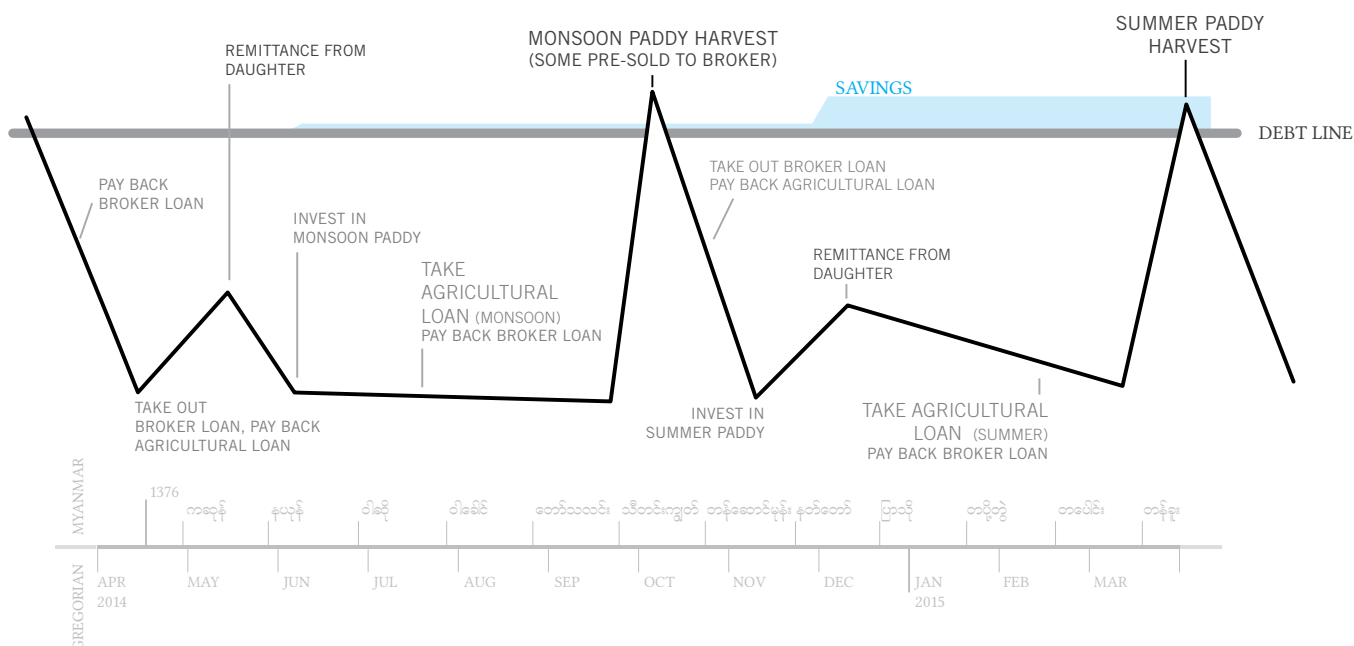


# FINANCIAL SNAPSHOT: NYO GYI

(IN KYAT)

INCOME		EXPENSES		LOAN	
Farm Income (monsoon)	2,500,000	Rice	85,000	Loan from broker (May-Nov)	300,000
Farm Income (summer)	3,500,000	Oil	22,500	Interest rate (5%)	105,000
Remittance	600,000	Vegetables/Meat	10,000	Take loan from Agriculture Bank (July-Nov)	1,000,000
<b>Estimated total income (annual)</b>	<b>4,100,000</b>	Donations/Funeral/Wedding	5,000	Interest rate (8% per annum)	35,417
		Lighting cost	6,000	Agriculture Bank (Feb - May)	1,000,000
		Allowance for children	60,000	Interest rate (8% per annum)	28,333
		Boarding school (1 child)	100,000		
<b>SAVINGS</b>		<b>Total (monthly)</b>	<b>185,000</b>		
Novitiation (monthly)	3,000	Farm expenses (monsoon)	1,200,000		
		Farm expenses (summer)	1,450,000		
		<b>Estimated total expenses (annual)</b>	<b>2,650,000</b>		


# INCOME TIMELINE











"I'm a seller, so I  
have to always be  
investing."

-ADH F33

# NANG PHONG

## SOCIALLY SAVVY VENDOR

Fruit and Vegetable Seller

Lives in: Shan State

### FINANCIAL SERVICES USED:

Peer saving groups & community loans,  
faith-based organisation savings & loans,  
merchant & broker loans and informal loans

### COLLATERAL:

Gold, Business and Social Capital

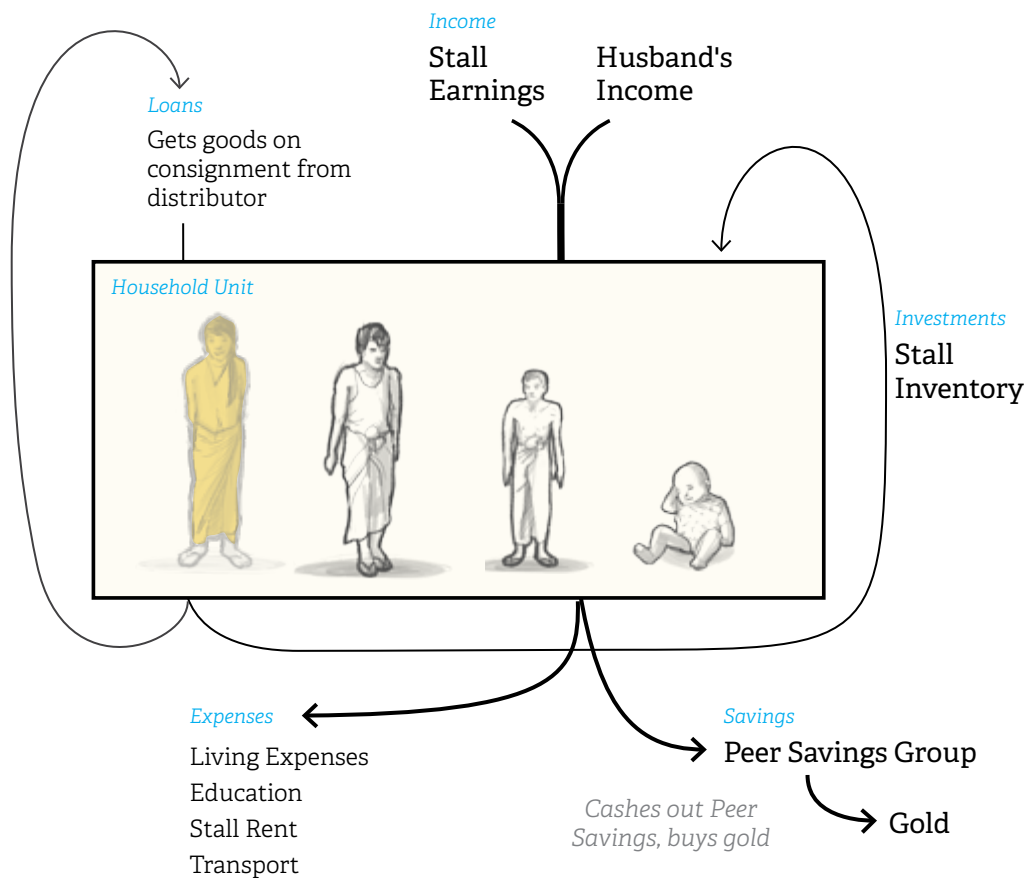
Nang Phong is a well-known fruit and vegetable seller with a small stall at the market in the township near her village. Her marketing stall offers produce from her farm and occasionally buys it on credit through other farmers or a market distributor. Nang Phong uses the market/community peer savings group to save money, which reinforces her position in the market community. Nang Phong lives with her husband, two children and her parents, who look after the children while she works.

Nang Phong is inclined to save with a peer savings group, though she also invests in inventory, gold or land when she gets her payout. To her, gold is both an investment and a status symbol. Despite her consistent income, however, she believes that she does not have enough surplus to save with a bank.

Her stable income makes it easy for Nang Phong to plan for busy times and invest in inventory (often taking it on consignment) for festivals and other events that happen a few times a year.

“I save 10,000 kyat every day with the market savings group and get a payout every 3 months. I use the money to buy myself a gold bracelet.” -IND F15

## NANG PHONG'S HIESIL

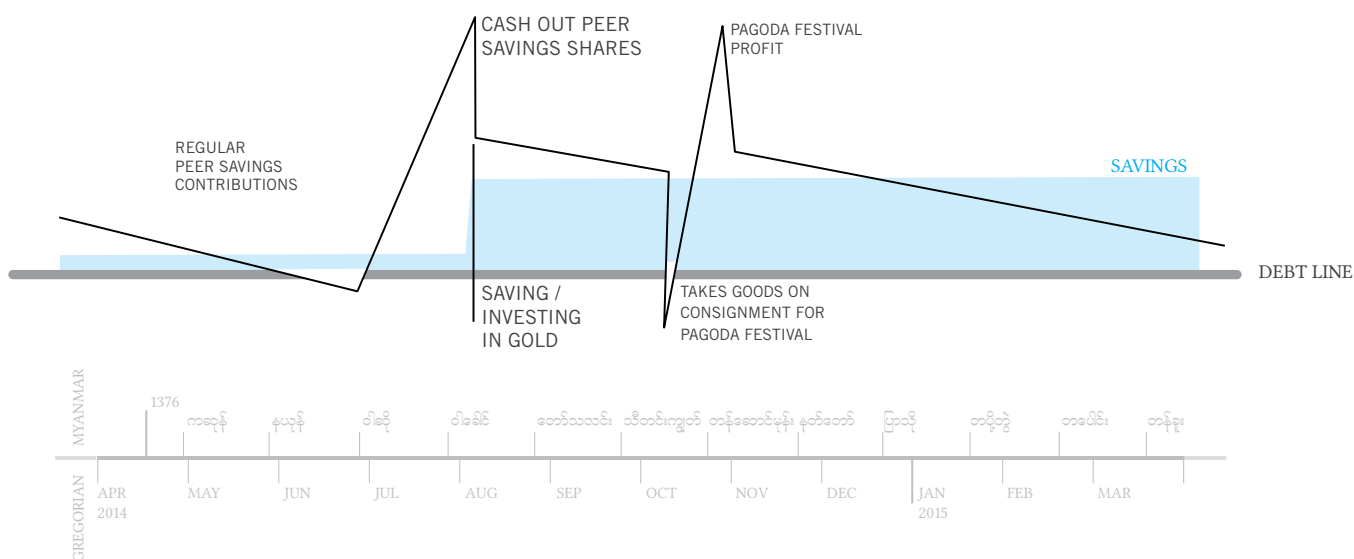


# FINANCIAL SNAPSHOT: NANG PHONG

(IN KYAT)

INCOME		EXPENSES		LOAN	
Earning from her stall	150,000	Rent (stall)	40,000	Takes loan from informal lender for inventory	500,000
Earning from husband	100,000	Food	100,000	Interest rate (5% per month)	25,000
<b>Estimated Total Income (monthly)</b>	<b>250,000</b>	Utilities	7,000		
		Transport (Gas)	20,000		
		Betel (husband)	5,000		
		Donations/Funeral/Wedding	10,000		
		Allowance for children	15,000		
		Education (Tuition)	18,000		
		Phone bill	5,000		
		<b>Estimated Total Expenses (monthly)</b>	<b>220,000</b>		
SAVINGS					
Peer saving group (monthly)	30,000				

# INCOME TIMELINE









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“If this does not work, I’ll just  
try something else.”

-IND M18

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# SOE MOE AUNG

## URBAN OPPORTUNIST

Fertiliser Distributor,  
Lives in: Ayeyarwady Delta

### FINANCIAL SERVICES USED:

Private bank savings, faith-based organisation savings & loans and merchant & broker credit

### COLLATERAL:

Business, Land/Property

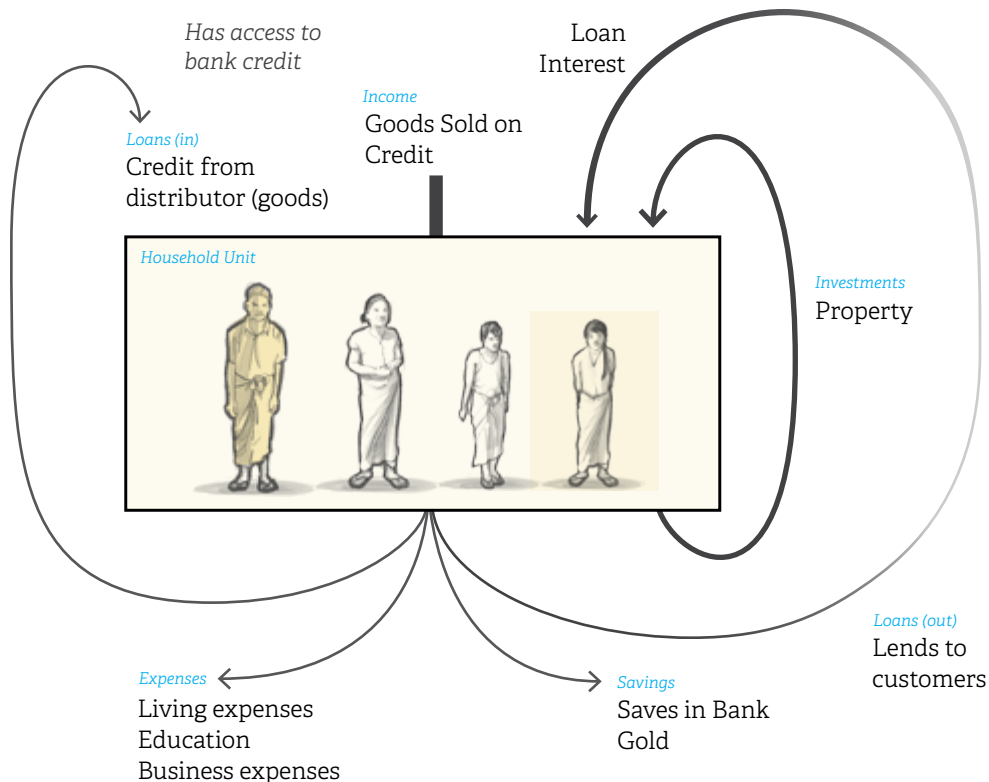
Soe Moe Aung started a fertiliser business when he saw the need for a smaller, more local outlet for farmers than what was available. To fund the start-up he sold land that had been passed down through his family. He has spent time learning the trade and thinking of ways to make his business, now more established more efficient and profitable.

Financially savvy, Soe Moe Aung chooses to invest in either growing his business or in buying property and land. His business reputation grants him access to capital and credit from formal institutions, and he uses them to his advantage. Soe Moe Aung regularly provides fertiliser on credit to his customers, an act that has established a strong relationship between him and customers in nearby villages.

Based on his financial stability and entrepreneurial mindset, he is adaptable and always has his ear on the ground to find opportunities that will support him 2-3 years out.

“After saving for a few years, I set up this shop in the market. The initial investment was 10 lakhs and my parents sold some of their lands for me. I also traded my Japanese motorbike with a Chinese one for extra 5 lakhs.” -ADH M23

## SOE MOE AUNG'S HIESIL

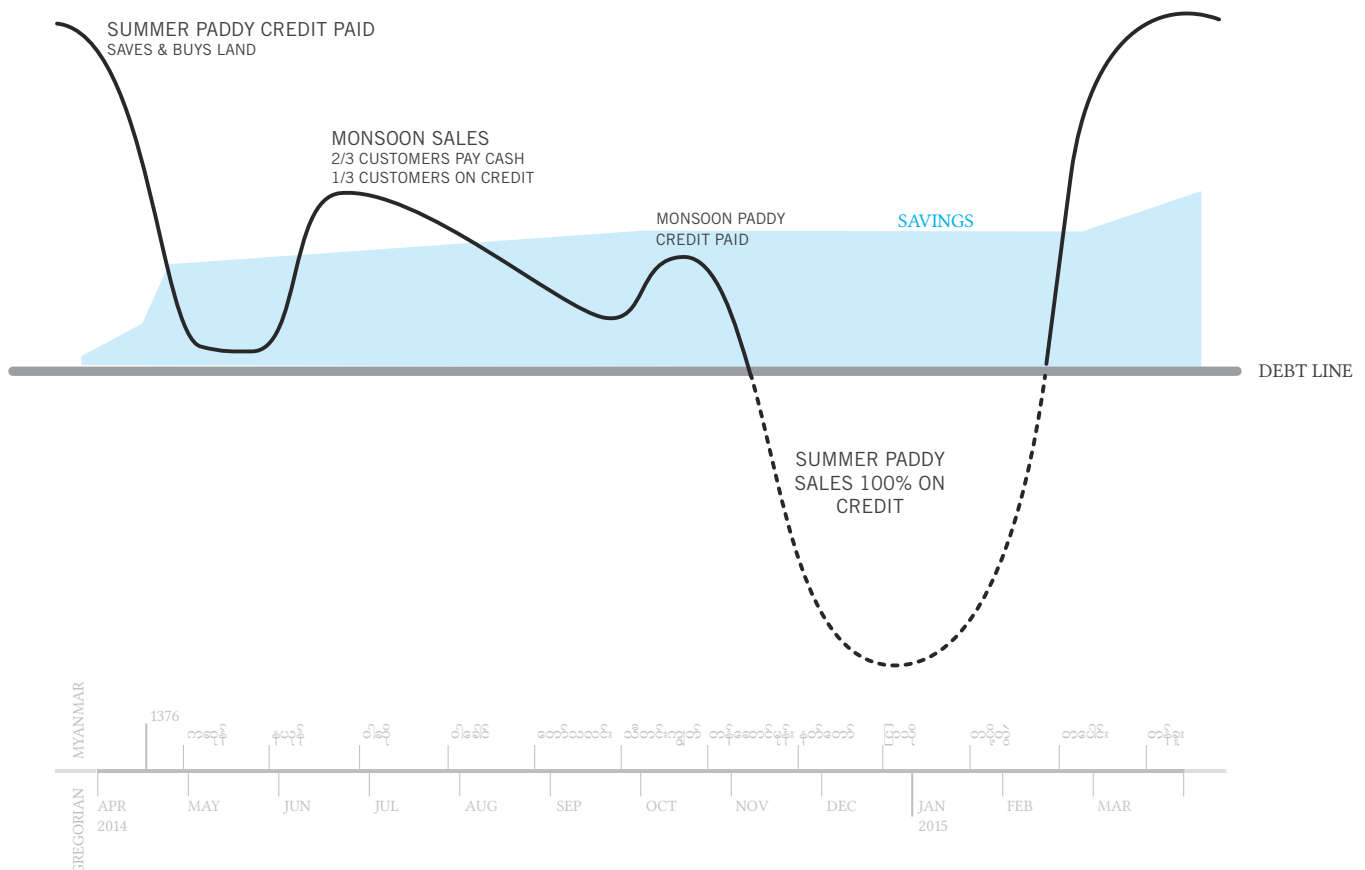


# FINANCIAL SNAPSHOT: SOE MOE AUNG

(IN KYAT)

INCOME		EXPENSES		INVESTMENT	
Earnings from store (annual)	23,000,000	Overhead for business	200,000	Land	45,000,000
Interest earned from lending (annual)	18,000,000	Food	120,000	Loans at 3% per month	5,000,000
<b>Estimated Total Income (annual)</b>	<b>41,000,000</b>	Utilities	15,000		
		Transport (Gas)	20,000		
		Donations/Weddings/Funeral	30,000		
		Allowance for children	30,000		
		Education	40,000		
		Phone bill	20,000		
		Total (monthly)	475,000		
SAVINGS		<b>Estimated Total Expense (annual)</b>	<b>5,700,000</b>		
Gold	6,000,000				
Current account	800,000				

## INCOME TIMELINE











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“I came to Lashio with only two sets of clothes and left my 12 year old son at home with my sister.”

- IND F06

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# PANN SABAI

## SMALL TOWN STRIVER

Beauty Shop Worker

Lives in: Shan State

### FINANCIAL SERVICES USED:

Faith-based organisation savings & loans and informal loans

### COLLATERAL:

Employment

Pann Sabai recently migrated to Lashio in search of work and a better future. As the drought plaguing her home village in the Dry Zone intensified, she and her family have had a hard time making ends meet, and she took it upon herself to keep them afloat. She relocated with minimal assets but is very thrifty and sets aside savings rather than buying unnecessary items.

She managed to find job at the beauty salon in town and earns a monthly salary. When possible, she sends money home to her family. As she's only been in Lashio for three months, Pann Sabai does not have a strong and reliable community around her. She lacks access to communal savings or loan networks, and has no safety net should she need money in an emergency. She is saving for the day that she can afford to reunite with her family.

Although she is still getting on her feet, Pann Sabai is determined to make a home for herself in Lashio and make good for her family. Rather than focus on her slow progress towards day-to-day financial stability, she tends to think six months out, to the next time she and her family will be together.

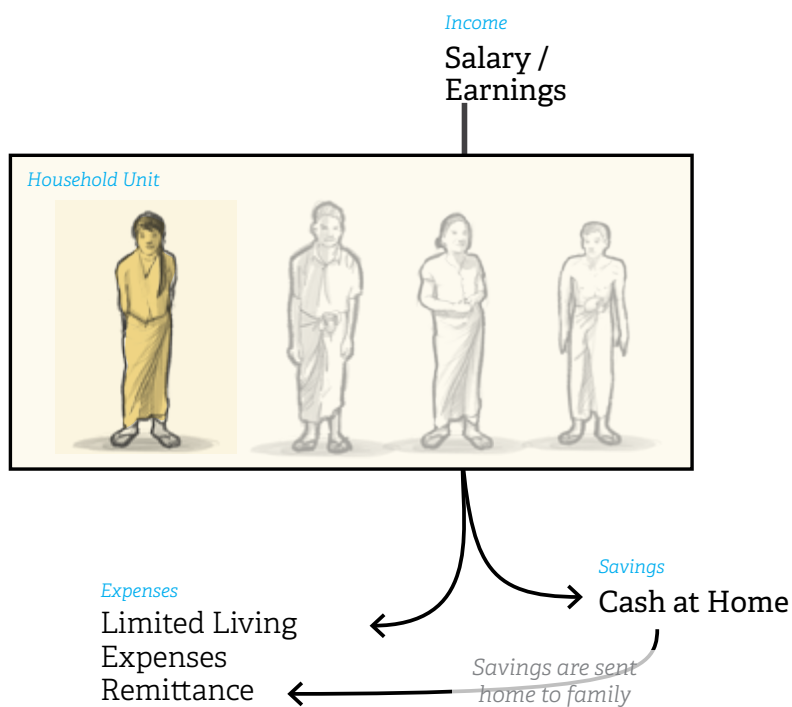
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“As I stay at the teashop and they provide all my meals for me, I send all of my salary to my parents.”

-ADH GRP07

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## PANN SABAI'S HIESIL



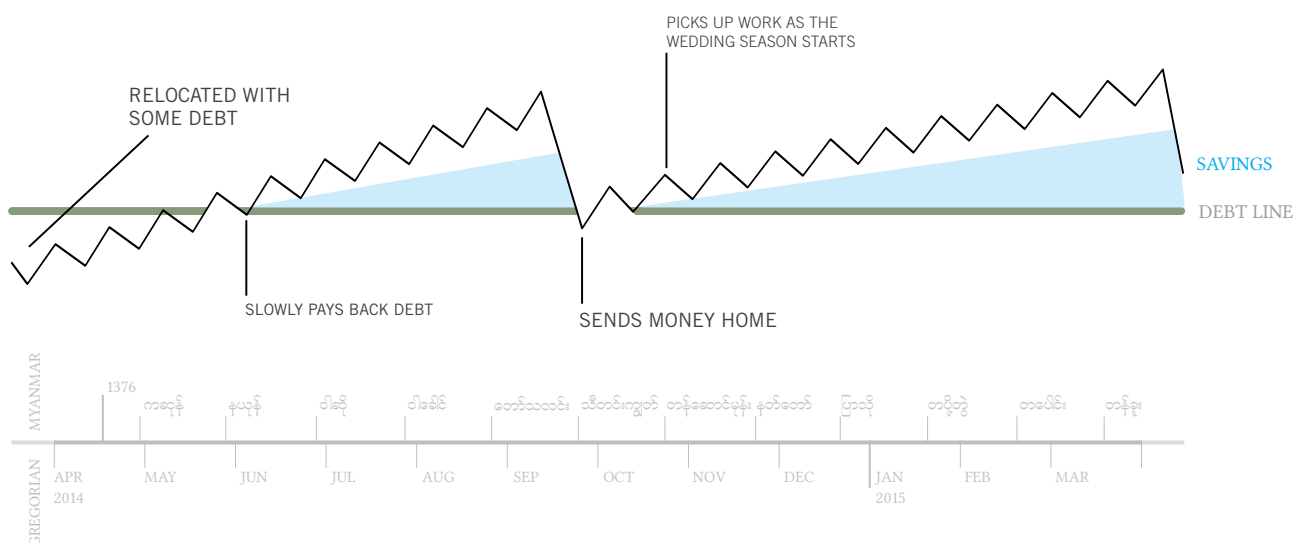
# FINANCIAL SNAPSHOT: PANN SABAI

(IN KYAT)

INCOME		EXPENSES		LOAN	
Salary	50,000	Rent	18,000	Repayment of loan	22,000
Commissions*	30,000	Food	24,000	plus 10% interest	
<b>Estimated Total Income (month)</b>	<b>80,000</b>	Clothes	8,000		
		Cosmetics	5,000		
		Phone bill	5,000		
<b>SAVINGS</b>		<b>Estimated Total Expenses (month)</b>	<b>60,500</b>		
Savings to remit home annually	240,000				

\* During wedding season, she can earn 70,000 kyat in commissions a month. Everything she saves, she gives to her family.

## INCOME TIMELINE











## SHIFTING ARCHETYPES

As circumstances change, the participant can shift from one archetype to another. Here are some examples on how this might happen.

### SMALL-TOWN STRIVER > URBAN OPPORTUNIST

Shwe Myint, a goldsmith in Lashio, would have been considered a Small-Town Striver after he migrated to the township from a village in the Dry Zone a few years ago. After working up through apprenticeships and establishing his own shop, he is now considered an Urban Opportunist, evolving his trade and thinking ahead for his business.

### CONSTANT FARMER > EVERY-DAY ADAPTIST

During the monsoon, Khin Khin Lay is busy working in her family's paddy field. However, after the harvest, she sometimes takes daily work as a bricklayer at a construction site.

### CONSTANT FARMER > SOCIALLY SAVVY VENDOR

Twice a week, Nyein Su brings vegetables from her family's land to the township market to sell. The other days, she works in the field and runs a small shop that sells snacks to schoolchildren out of her home in the village.

### CONSTANT FARMER > SMALL TOWN STRIVER

Ei Ei Phyu is a daughter of a farmer in the Dry Zone. Since she went to Malaysia to find work, she sends money back to her family once a month, and visits home once a year.



A photograph of a concrete floor with a bright orange rug and stacks of papers. The text "DIVERSITY OF THE FINANCIAL LANDSCAPE" is overlaid in white serif font.

# DIVERSITY OF THE FINANCIAL LANDSCAPE





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**“My daily routine is all about money.  
Money Money Money!”**

**-IND F08**

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Myanmar's financial landscape is diverse yet underdeveloped and unsophisticated. The Central Bank of Myanmar became an independent entity from the Yangon branch office of the Reserve Bank of India and has since taken several important steps to develop the country's financial sector. Still, formal financial instruments for credit, savings and investment are largely inaccessible. Debit cards and pre-paid ATM cards were only recently introduced, and online banking and mobile money are still unavailable in Myanmar, though a handful of banks have recently introduced mobile banking applications. Mortgages and automobile loans are new concepts to most Myanmar people, and the options on the market for both are very limited. Financial instruments such as stocks, mutual funds and commodity futures don't exist. These financial voids, however, also spell an opportunity to bring financial inclusion products and services to match the diversity of Myanmar's people.

As Myanmar's economy matures and as businesses grow, key questions are emerging: Will informal forms of lending and savings be forced out of the market or marginalised? Who or what in the market will replace them? What will be left?



*Like the chaos of transportations options, there is a hodge-podge of financial services available in Myanmar.*

# CREDIT & LOANS

Myanmar's credit and loan landscape is made up of a handful of formal institutions—including four financially regulated State-owned Financial Institutions (SFI), and 19 domestic private banks (IFC/CGAP 2013). An additional cacophony of informal institutions offer loans at various, sometimes appalling, terms. The four SFI's, such as the Myanmar Agriculture Development Bank (MADB), which is subsidised by Myanmar Economic Bank (MEB), provide a significant number of loans to the rural poor. The private banks also provide loans, but most of the participants we met do not see private banks as an option because of extensive paperwork, the requirements for collateral and large loan sizes. While we have learned through secondary research of other formal lending institutions such as cooperatives, government organisations and specialised agricultural development companies, we did not encounter anyone who took loans from them in our fieldwork.

In Myanmar, most people don't have the assets needed to tap formal lending instruments. The average annual income is just US\$832 (IFC/CGAP 2013), and few folks can offer formally recognised forms of collateral, like land or business. As a result, many rely on informal institutions and borrow against items such as gold and land. In some cases, people turn to wholly informal methods that require some collateral but largely take into account the borrowers' less tangible social capital: How trusted and established they are within the community. Merchants and brokers give out credit for crop supplies (namely fertiliser and pesticide), and pawnshops lend money while holding gold as collateral. By contrast, the models of faith-based lending groups and community lending groups are built around lending out as much money as people voluntarily contribute. These groups are heavily reliant on the intangible, and the largely faith-based or social impetus that people feel to repay a loan.

Microfinance institutions (MFIs) also play a part in providing loans to the unbanked poor. Organisations like the Pact Global Microfinance Fund, GRET<sup>1</sup> and Save The Children have helped bridge the gap between formal financial institutions and informal services. Similar to many SFIs, MFIs often employ group-borrowing models to mitigate lending risk.

In general, however, because of loan terms and restrictions, limits to areas served or a lack of strong social dynamics, there are still many cases in which people have to seek out informal sources, such as wealthy farmers, family and friends. Informal moneylenders often determine their own lending terms and, in some extreme cases, can demand high monthly or daily interest rates.

While it seems like Myanmar has a diverse lending market, many of the loan options available are quite similar, with comparable caps in loan sizes and repayment periods. In short: Many people's borrowing needs are still not being met. In the Insights & Findings section, we explore the gaps in this space, and begin to discuss some solutions for more comprehensive financial inclusion.

<sup>1</sup>GRET (*Groupe de Recherche et d'Échanges Technologique*)



# LENDING LANDSCAPE

	TYPE	INTEREST RATE	COLLATERAL	DURATION	LOAN SIZE
FORMAL INSTITUTIONS	State-owned Financial Institutions (MADB)	<b>8.5%</b> annually	Land title	Harvest (6 months)	1 lakh/acre (paddy), 20,000 kyat/acre (other). Max of 10 acres
	Private Banks	<b>13%</b> annually	Land/ Property/ Business title or Salary	1 year	Max of 50% of the value of collateral
	MFIs/NGOs	<b>2.5%</b> monthly	Social Capital or N/A	Up to a year	Not more than 5 lakhs (US\$500)
	Pawnshops	<b>2.5% - 4%</b> monthly	Gold	5 months	Based on value of the collateral
	Merchants/ Brokers	<b>4% - 5%</b> monthly	Relationship	Harvest (6 months)	Based on credit terms
INFORMAL INSTITUTIONS	Faith-based Lending Association	<b>3%</b> monthly	Social Capital	9 months - but flexible terms	Based on value of the collateral, but less than 10 lakhs (US\$1,000)
	Savings & Loans Associations (Community-based)	<b>3% - 5%</b> monthly	Social Capital/ Gold	Up to a year	Based on value of the collateral, but less than 10 lakhs (US\$1,000)
	Informal money lenders (Loan sharks, wealthy neighbours)	<b>10% - 20%</b> monthly <small>Daily 500 kyat for every 10,000 kyat Monthly 12,000 kyat for every 10,000 kyat</small>	None	Daily or Monthly	N/A
	Family & Friends	<b>3% - 8%</b> monthly	Relationship	Flexible	N/A

Source: Interviews with participants



*Crop-related loans are the centrepiece of Myanmar's rural borrowing*

#### TRIGGERS FOR VOLUNTARY BORROWING

- A business proposition that can be realised within the repayment period (e.g. crop loans)
- Business expansion (e.g. inventory)
- Education expenses (e.g. school fees, uniforms)
- Repayment of another loan with higher interest rates

#### TRIGGERS FOR INVOLUNTARY BORROWING

- A bad or under-performing crop season
- A disruption to a loan payback cycle (e.g. drop in rice prices)
- Natural disasters and respective repairs / time out of work or crop failures
- Medical expenses
- Lack of work and inability to afford living expenses (e.g. food and water)
- Untimely repayment of other loans

# SAVINGS

Myanmar's savings landscape is dominated by informal mechanisms.

Fewer than 20% of people currently have direct access to formal banking services (IFC/CGAP 2013). SFIs and private banks offer current accounts, savings accounts, and fixed deposit accounts with terms of 3, 6, 9, and 12 months. Beginning June 1, 2012, the Central Bank of Myanmar set the annual interest rate of deposits at no less than 8%<sup>1</sup>.

In order for MFIs and financial cooperatives to offer saving products to their borrowers, they must first secure deposit-taking licenses from the Myanmar Microfinance Supervisory Enterprise (MMSE). The agency does not allow MFIs to take deposits from non-borrowers, but they are allowed to take compulsory savings from their members. Microfinance law requires MFIs to offer an interest rate floor of 15% per year.

While formal financial institutions offer high interest rates, their existing savings products do not offer the flexibility, accessibility, and liquidity that many savers in Myanmar require. The institutions simply do not have an extensive physical outreach and distribution network to reach rural customers, who make up 67% of total population (The World Bank /Data Bank 2014). Banks are also known for having very poor customer service for lower-income families. A number of people we met consider banks as institutions that only cater to “rich people”. On a more practical level, lower-income families save frequently in small amounts, and they need to be able to access their savings easily and conveniently at a moment’s notice.

In Myanmar, a common savings mechanism is accumulating fungible assets such as cash, gold and rice at home. Low crime rates make it possible for people to store their savings in wooden boxes, zinc tins, and clay pots. Not a single person we met mentioned being robbed. Women often purchase gold as a form of savings, knowing that its price is stable since international markets—not local politics or domestic fiscal and monetary policies—dictate gold prices. Gold is also easy to come by, thanks to the ubiquitous presence of pawnshops.

Peer savings groups are another popular informal financial tool in Myanmar. Each group operates independently of one another and is unregulated by the government. Instead, they're monitored by the community.

## TRIGGERS FOR SAVING

- Short-term savings for levelling the consumption of people with cyclical incomes
- Coping with short-term needs (e.g. rent)
- Preparing for foreseeable life events such as child delivery, schooling for children, novitiation ceremonies and weddings
- Accumulating capital to expand business or restock inventory
- Planning to purchase costly necessities such as mobile phones or motorbikes
- Preparing to face health emergencies

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1. Formal institutions include state-financial institutions (SFIs), micro-finance institutions, private banks and cooperatives.





*Micro-finance institutions like PACT provide villagers formal systems to save informally.*

We were surprised to learn just how prevalent peer savings groups are in Myanmar. Among the country's limited savings mechanisms, they have proven to be longstanding, viable solutions.

These unregulated groups operate mostly under the radar and are often established by a common network of people; for example, market vendors, business owners or neighbourhoods.

Joining a peer savings group might require an invitation from the group leader. Otherwise, a long-standing member must vouch for the applicant. Little paperwork is required to sign up, due to the deep-seated trust between the group leader and the members. Although most groups don't include any formal application process, we encountered one group that requires applicants to present evidence of property ownership, such as land-title certificate or a business license, to a lawyer hired by the group.

These groups are typically so successful because of how they're organised. Since peer savings networks are comprised of people from similar social networks, financial strata and occupations, the members have similar income cycles. This allows members to shape the savings plan to fit their needs. The amount saved depends on members' income levels, which range from 5000 kyat (US\$5) to 10,000,000 kyat (US\$10,000) per month. When savings are made depends on the group. Market vendors, for instance, count profits against each market day and make daily savings installments. Tuk tuk drivers, on the other hand, make weekly deposits after accounting for weekly expenses like petrol.

How long savings stay in the pot and when they're paid out varies widely as well. The group leader is always entitled to receive the first payout. For the rest of the group, a lottery system determines the order they will receive their payout. The Mandalay gold shop owners' savings group, for example, has 16 shares and makes payouts every 15 days. The group leader receives 4,800,000 kyat (US\$4,800) on the 15th day. Lottery numbers, from 2 to 16, will be drawn on the 30th day. If a member receives lottery number 2, she will receive 4,800,000 kyat immediately after the lottery. If she receives number 10, she has to wait for four more months. If she gets 16, she will be the last person to withdraw her savings.

The group leader's effectiveness as head of the peer savings group is critical, as he or she sets the consistency and structure and maintains a strong relationship with all savers. In some cases, leaders use their first cash-out as capital for investments, or to reinvest in their other businesses. They are compensated for their service by charging members a small fee during each payout period.

Crucial features of this lottery cash-out system include: Members knowing the exact time they will receive their savings, so that they can plan ahead; each member having an equal opportunity of being selected for early cash-out; and the early winners getting to use the lump sum of savings ahead of time without interest. Considering the high informal interest rates in Myanmar, access to capital without interest is a significant perk for the members, even if they must wait a few months for their payout. If one member was saving alone, it would take him eight months to save this same amount. Members that draw low numbers in the lottery are essentially receiving an interest-free advance, with payback in installments.

# PEER SAVINGS GROUPS

We learned about a few varieties of these savings groups. Below is a catalogue of five such organisations that explains the key differences between them. It is clear that the employment or occupation-specificity of the groups is key to their success.

Group Type	Members	Shares	Duration	Amount of each deposit	Collection frequency	Collection process
Lashio Market Vendors	20	24	24 months	3,000 kyat (US\$ 3)	daily	Group leader visits each market stall between 2pm and 4:30pm daily
Kalaw Street Vendors	60	93	15 months	5,000 kyat (US\$ 5)	every 5 days	During market day, (every 5th day) the group leader visits each shareholding vendor between 10am and 12pm.
Monywa Tuk Tuk Drivers	18	18	16.8 months	10,000 kyat (US\$ 10)	weekly	Group leader, who is also a tuk tuk driver, collects savings from member drivers every week at a convenient time for him.
Mandalay Gold Shop Owners	16	16	8 months	20,000 kyat (US\$ 20)	daily	Group leader employs a trusted cash-collector to visit members daily to collect the savings.
Pyapon Store Owners	5	5	5 months	10,000 kyat (US\$ 10)	daily	Each member drops off his/her savings daily at the group leader's house at a convenient time. If payment is late, the leader will go to the member.

Source: Interviews



# INVESTMENTS

Investing is, at its core, the buying of assets or items in the hopes that it will generate income or appreciate in the future. But in Myanmar, the opportunities for doing so are slim.

The country's investment market is unsophisticated, and the only instruments available are Treasury bills. However, this may change when the Myanmar Stock Exchange opens in 2015. The Central Bank has set a high saving interest rate of 8% per annum for private banks, but because of the past volatility of the kyat, poor people tend to not consider interest on cash as an investment. For the rich, there are generally only four avenues for investment: gems, gold, cars and property.



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**"Every household needs a motorbike."**

**-IND M08**

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Motorbikes are one of the most desired and easily attainable investment asset for the rural poor in Myanmar.

## TRIGGERS FOR INVESTING

- Desire for more stability
- Efficiencies or growth in business (e.g. irrigation, equipment purchase)
- Increased labour cost / insufficient labour (e.g. mechanisation)
- Access to more employment opportunities (e.g. motorcycle, mobile phone)
- Access to higher income opportunities (e.g. migration)
- Spiritual merit

When investing, the poor often turn to land, livestock, mechanisation, education, transportation and migration -- things that directly and positively affect their income or offer tangible, near-term returns. Livestock is bought, bred and traded up as a way to increase income, until people can afford to save, at which point they buy gold.

Insurance and risk mitigation instruments are not prevalent in Myanmar's financial markets today, and only a handful of such companies exist. In our research, we saw livestock used as a common form of investment, though we also heard many stories about entire litters of livestock dying from disease. We also met people who racked up debt after falling ill, as formal health insurance is limited and saving for health care is uncommon.

Education is a similarly risky bet. Many families invest significant sums to educate their children, who have no guarantee of finding a job in the city and often return home to work on their family's farms.

For Myanmar's predominant Buddhist population, returns on investment go beyond the financial, and also include spiritual returns that carry over into the next life.

Buddhists across the country make daily donations to local monks or monasteries. And while many people shy away from classifying these offerings as a type of investment, donors expect that their gifts will ensure them many good merits for a prosperous life.

# INVESTMENTS



## LIVESTOCK

	Purchase Price (youth)	Duration	Selling Price (adult)	Benefit
Water Buffalo 	3 - 4 lakhs	4 - 5 years	7 - 9 lakhs	Works in the field
Pig 	30,000 kyat	3 years	3 lakhs	Sells for higher profit
Chicken 	900 - 1,000 kyat	6- 7 months	3000 - 4000 kyat	Sells for higher profit and eggs
Fighting Cock 	50,000 - 100,000 kyat	6- 7 months	120,000 kyat - 5 lakhs	Enters cock fights and wins
Goat 	30,000 - 40,000 kyat	1 year	90,000 - 100,000 kyat	Sells for higher profit. Goats breed 3 times a year
Cow 	150,000 - 200,000 kyat	4 - 5 years	5 - 6 lakhs	Works in the field

Source: Proximity Designs Area Managers

## FARMING

(For 5 acres)

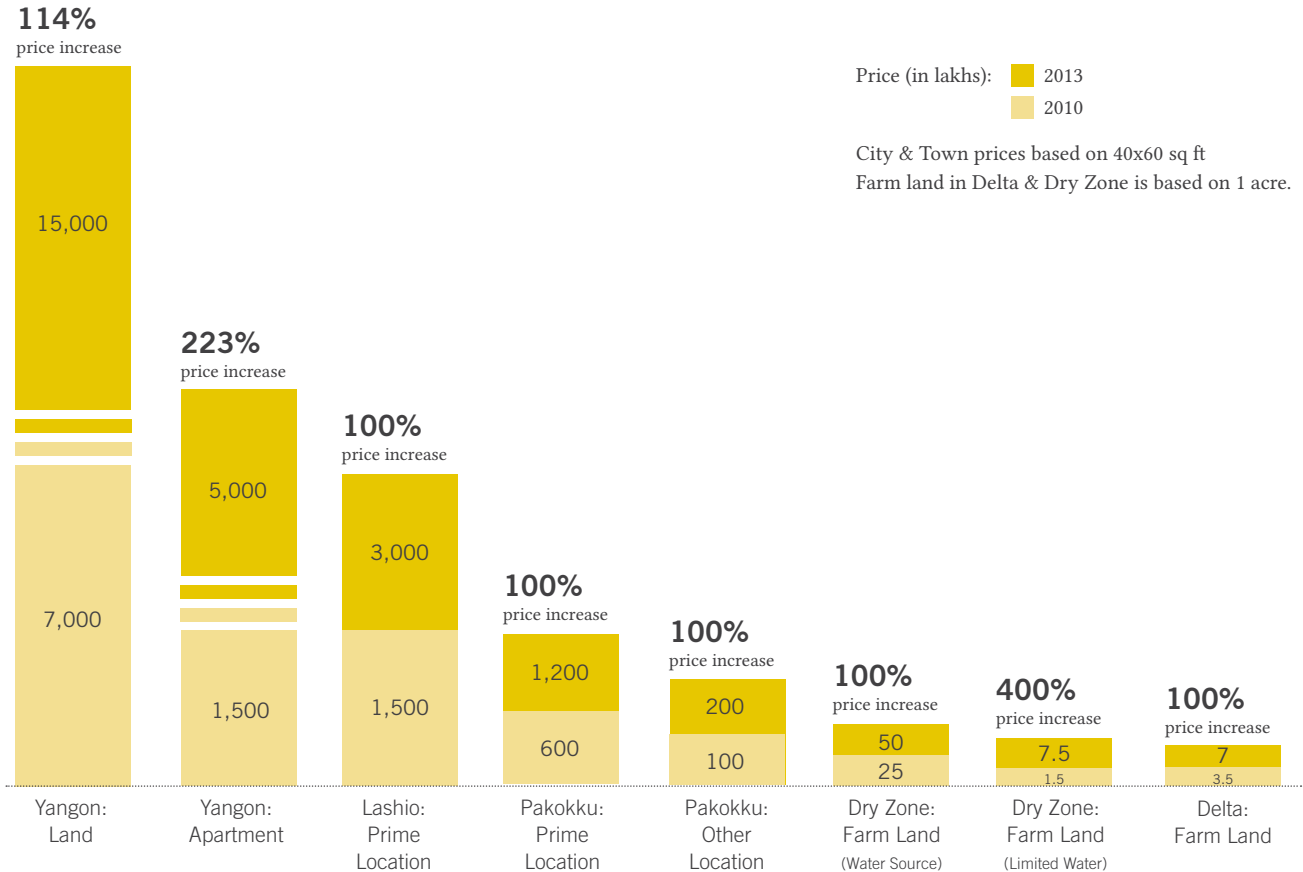
	Mechanisation 	Manual Labour 
Investment	120,000 kyat	N/A
Time required	13.3 Hours	40 Hours
Labour cost	6,650 kyat (1 Worker)	100,000 kyat (5 Workers)
Total cumulative cost of 3 harvests	329,955 kyat	450,000 kyat

Source: Proximity Designs. 2014. Paddy Cutter Impact Analysis March 2014.



# REAL ESTATE & LAND

In the past 3 years, land costs have skyrocketed, making investment in land quite lucrative. In the past, fear of military land reclamation discouraged purchase. Although owners may now apply for official land deeds, some are still skeptical of the stability of this investment.



Source: City Prices: Real Paradise, Real Estate, Money Changer & Car Sale Centre  
Town: U Win Myint-Light Truck Rental Service and Shwe Cherry Restaurant  
Farm land: Proximity Designs Area Managers

# OTHERS

	Cost	Benefit
Touch Screen Phone	45,000 kyat	Liaise with business partners
Motorbike	3.5 lakhs	Access work opportunities in other areas
Education: Long distance university	3 lakhs	Job in the city: 90,000 kyat/month income
Migration cost: India (weaver) <sup>2</sup>	50,000 kyat	5,000kyat/day (vs. 2,000kyat/day in Myanmar)
Migration cost: Korea (factory worker) <sup>3</sup>	20 lakhs	5 lakhs/month

2: Participant IND-F09.

3: Participant IND-M20. There is an official contract between the Korean and Myanmar governments. In order to become a worker, one needs to pass a Korean language exam. It can take two years to apply, six months to study and 20 lakhs to pay an agent for all the fees, exams and airfare.











# INSIGHTS & FINDINGS

In this section we cover how people manage and invest their money, where their money comes from, and where it is going. You'll learn of the larger factors at play, and how they are shaping the financial behaviors of the Myanmar people.

We have broken these learnings into two different types, Insights and Findings. An Insight is a statement of truth, based on observations we've made, things we've experienced and conversations we've had. Findings, on the other hand, go a step beyond - considering what we have learned, and provoking as to what it might mean. Findings are meant to highlight opportunities, providing a jumping off point for the creation of something new, or to introduce a variable that is important to consider when doing work in Myanmar.

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# THE MYANMAR DREAM

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## TO BE RICH IS TO BE DEBT FREE

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In the course of our research, we asked participants about their relationship with money, including their personal, family and business aspirations; how they define "The Myanmar Dream"; and what they believe it means to be "rich". Their responses revealed a surprising lack of material concerns and an overwhelming desire for stability.

For most, any boost in income goes straight toward a donation ceremony (See: Case Study: Novitiate Ordination Ceremony), an investment in both faith and the community. Achieving The Myanmar Dream means living with close family and in a strong, supportive and vibrant community. And being "rich," as one participant aptly put it, "is stability, no debt and a stable income [IND GRP02]." Participants emphasised having a "peaceful mind" [IND M09] and being able to "have time to donate, meditate and be peaceful" [IND F04]. The notion that richness does not equal financial wealth is fundamental, and it arose every time we asked a participant to describe the "rich family" in the village.

Throughout this report, we highlight the role that faith plays in the decision-making process. This is best described as *majjhimā paṭipadā*, the traditional Myanmar lifestyle that dictates a path of moderation away from the extremes of self-indulgence and personal gain.

The title of this report, "Afford Two, Eat One," comes from a woman in Kaing Pin village as she reflected upon her family's well-being and her outlook for Myanmar—thoughts that were echoed in the words and deeds of numerous participants in this study. Although Myanmar is experiencing a period of openness, growth and opportunity, the poor still face significant challenges to achieving a stable income and lifestyle. Many people prefer to re-invest their earnings in business, family and the community rather than spend it on short-term comforts. For example, one family put any additional money toward education for a one-year-old granddaughter [IND COU05] or growing the business [IND F13]. A participant in a village in Kalaw said that if he won the lottery, he would build infrastructure to provide water to the village [IND M22]. Myanmar's recent history, such as the repeated demonetisation of the currency, has proven that nothing can be taken for granted.

At the same time, however, new ideas about money are flooding in as the country's borders open up. We predict a gradual shift away from this faith-driven focus on financial modesty and a lack of debt, and a shift towards material aspirations and a white-collar lifestyle. The following pages describe what we see in Myanmar today and the changing attitudes that we're seeing hints of, which are likely to grow in importance.



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*"My dream is to own a big store that sells everything, and to live with my family surrounded by my children. I didn't finish the ninth grade but I hope my kids will have university degrees."*

**- IND F05**

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A close-up photograph of a metal safe with its door open. The interior is filled with stacks of cash. On the right side, there are stacks of Indian Rupee banknotes, including a prominent 500 Rupee note. On the left side, there are stacks of US Dollar banknotes, including a 100 Dollar note. The safe is mounted on a wall with a green and white patterned wallpaper. The text 'SAVING versus INVESTING' is overlaid on the left side of the image in a white serif font.

SAVING *versus*  
INVESTING





## INSIGHT 1:

# CASH IS FOR TRANSACTIONS, NOT FOR SAVING

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Myanmar's currency, the kyat, is seen more as a tool for transactions than a form of savings. Cash is volatile, cumbersome and often tattered and, given the country's history of currency demonetisations, it is not considered a valuable long-term investment.

Rather than keep thick wads of kyat on hand, the poor prefer to acquire tangible assets that provide other benefits, as was similarly found in other country studies (Chipchase et al. 2011, 2013). Many people choose to save in gold, currently a thriving market. Gold shops offer convenient locations and options for cashing in or out, unlike traditional banks.

People framed their logic for savings like this: "If I pay X amount for this asset now, I can sell it later when the need arises".

*"I save a little bit everyday in two saving cans. One is not enough. Once they are filled up, I open them and buy gold with the money. When I need money, I will sell the gold". - ADH F28*



## INSIGHT 2:

# BANKS ARE CONSIDERED INCONVENIENT, UNSTABLE AND UNATTRACTIVE

In a country with a nascent financial system and where the memories of bank defaults and demonetisations are still fresh (see Myanmar: Past & Present), it was not surprising to find that the majority of our participants do not use banks or see them as a viable option for keeping savings. This is consistent with insights from other IMTFI research projects in various countries (Maurer et al. 2013).

People who considered using a bank but decided not cited two key drawbacks: Long physical distances from a village to the bank, and limited business hours (7am-2pm, Monday to Friday). A participant complained that, “We have to take time to withdraw the money from bank” [IND M10]. Participants said they considered setting up an account to be a lengthy process riddled with paperwork [IND GRP03]. As with similar studies, we heard that people did not think they had enough money to start a bank account, as they believed that only wealthier people could access banks (Chipchase et al. 2011, 2013; Maurer et al. 2013). One farmer in Pakokku believed that in order to start a bank account, he would need about 10 million kyat (US\$10,000) [IND GRP03]. In reality, the barrier to opening an account is low and requires only 1,000 kyat (US\$1), making it quite accessible.

While all savings accounts offer an 8% annual interest rate (the minimum mandated by the Central Bank), most of our participants did not consider this an attractive benefit, as they might not hold on to their savings long enough to reap the rewards. A migrant worker mentioned that although he saves 2,000 to 3,000 kyat a day, he cannot save in the bank as he has to send his son remittances at the end of each month [ADH M21].

*“We are poor farmers, and we don’t have extra money to save in the bank. We only have just enough to use, not enough to go to the bank”. - IND GRP03*





### INSIGHT 3:

## PEER SAVINGS GROUPS BALANCE TRUST AND ACCESSIBILITY

Rotating savings and credit associations (ROSCAs) is a common form of informal savings in the developing world, as documented in *Money-go-rounds: The importance of ROSCAs for women* (Ardener & Burman 1996). It did not come as a surprise that informal savings groups are extremely popular despite the number of stories we heard about group leaders running off with the money. As described in detail in *Diversity of the Financial Landscape: Savings*, the combination of a shared physical network (e.g. a market), the ease of saving (the leader comes to you and picks up your savings) and the commitment and peer pressure to maintain regular savings makes informal groups a relatively effective mechanism. In some instances, multiple family members save through a parent who is part of a peer savings group, a form of proximate membership (Chipchase, 2006a). We saw this in Lashio, where a participant believed that her sister saved the family's money in a peer savings group, though she herself was not a part of it [ADH F11].

Many informal savings groups we saw paid out no interest and had a small administrative fee. But aggregating a person's money over a period that is long enough for it to accumulate but short enough for a foreseeable cash-out proved sufficient incentives (See Peer Savings Group chart). This is similar to *Susu Saving's Operations in Ghana* (Osei-Assibey 2014), in which savers pay a small monthly fee to save even if banks offer high savings interest rates.

In the instances where participants told stories of runaway group leaders or defaulting members, the cases usually involved people who did not have a stake in the community.

*"Having [a means for tracking] forces us to save. If not, I'll spend here and there. Saving at home doesn't last for long". - ADH F31*



Most vendors we met keep cash in a drawer; While some are quite organised, others mix cash and a variety of other items.



#### INSIGHT 4:

## INVESTORS AND SAVERS PREFER PRODUCTS THAT BENEFIT THE COMMUNITY

People prefer informal financial products that circulate money within the community to more formal options that take the cash elsewhere. We saw this most frequently in local savings schemes tied to the monastery (See Case study: Monastery Lending Group). In Maing Pin village, we came across one instance where money donated to the monastery was, in turn, invested in the education of a villager, who was expected to—and did—return to the village and use his education to help the community. Participants also told us that they make a conscious effort to save with the monastery or the village savings groups so that their money can be used to provide loans to the community. The flexibility of terms, in combination with social pressure from neighbours and other community members, makes this a favourable option for informal, small-scale loans.

*“The main reason I have a savings account here is that I get good merits while saving. Our group intends to help the people from cradle to grave. We give 50,000 kyat to member households who just delivered a baby or who had a funeral”. -IND F04*



This farmer from Hnaw Pin village hosts a PA system, which is used by all members of the village to make village-wide announcements.

**FINDING 1:**

**NO BANK PRODUCTS CURRENTLY MATCH  
THE ACCESSIBILITY AND FLEXIBILITY  
OF THE INFORMAL MARKET**

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Most savers in Myanmar don't use formal financial products because of the lack of convenience and physical access. This market gap hits the poor especially hard, including our Constant Farmer, Every-day Adaptist, Small-Town Striver and Socially Savvy Vendor archetypes, as their savings patterns are often based around small, daily amounts of money.

*What kind of banking product would support daily savings of 2,000 kyat (US\$2)?*

*Where is the most appropriate place to physically locate formal financial products so they can reach the poor?*

*How can informal savings options be supported by formal alternatives?*

*“I use a hundi because I can transfer money any time. The banks aren't open on Saturday.” -IND M18*

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*“Even to save 200 kyat per day, I am struggling. The amount is not substantial enough to save in a bank.”*

*-IND F12*



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FINDING 2:

## A FAMILIAR, CONVENIENT “INTERFACE” OUTWEIGHS INVESTMENT POTENTIAL AND HIGH INTEREST RATES

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*“We used to save money in a government bank before, but the procedure was too complicated”.*

-IND M03

Saving with known, trusted institutions such as monastery savings groups—even at lower interest rates—is considered a smarter choice than saving with unknown entities. While monastery saving and lending groups offer a different product proposition than formal institutions, they serve as a direct interface between the bank (where money is kept) and their customers (community members who save with or borrow from them). One could argue that people who save with monastery and other informal groups are actually proximate banking customers, ones who rely on trustworthy, more literate individuals and institutions for help. For instance, the Constant Farmer may turn to the head of his village or early adopters of mobile phone banking for financial advice.



# PROXIMATE BANKING

*“My son sends back money by a hundi. He gives the hundi the money and details, and the hundi calls the office in Mandalay to transfer money into the bank. I will receive a call from the bank to pick up the money with my state ID”.*

-ADH M35

The “proximate use” concept was first documented in research on how illiterate users managed to use products designed for people who could read and write (Chipchase 2006a). It extends to any situation in which the end user relies on a third party to navigate a particular service and overcome its drawbacks. Proximate use tends to be more prevalent in low-income, low literacy, resource constrained communities with strong, well-established social ties. There are costs to being a “proximate” customer, however. The middle person or institution may charge fees or decline to pass on additional benefits of the service to the end user. Tasks take longer to complete, and

the customer's privacy is often lost. In many markets this would be enough to encourage direct use of formal services, however in the contexts mentioned above, such costs are rarely enough to deter customers.

The notion of proximate use (and in this case, proximate banking) recognises that, under the right conditions, solutions (often informal ones) can address gaps in the market. It challenges the idea that every part of the service ecosystem needs to be designed from the top down. Similarly, it helps to identify where the proximate user's needs still aren't being met.

*Do people need to be direct users to be considered customers of a banking service?*

*In what contexts can a person enjoy sufficient benefits of a banking service without formally signing up for that service?*

*Who or what entity is best suited to address “the last mile challenge” of bringing essential financial services to poor and rural communities?*



*Case Study:*

# MONASTERY LENDING GROUP



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**"Stealing Buddha's money  
bears grave consequences. The  
punishment in the next life will be  
too harsh."**

*-head nun, Lashio*

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## The loan process is highly ritualised and includes an unusual collateral: the well-being of the borrower in this life and the next.

When you take out a loan, what guides your decision to pay it off? What are the underlying risks, opportunities and deep-seated beliefs that shape that decision? And can it be leveraged to offer better financial services for people in need?

The Wong Metta Saving & Credit Union is a members-run savings and loans scheme with a significant presence in Shan State and a few in Mandalay Division, Bago Division and Kachin

State. While there are many different types of informal and semi-formal savings associations around the developing world that have been documented in *Portfolios of Poor* (Collins et al. 2009) and *Poor Economics* (Banerjee & Duflo. 2011), having a religious institution run the saving and loan scheme provides new interesting insights to the practice. The Wong Metta Saving & Credit Union business model is underpinned by a nuanced understanding of community dynamics, established lending practices and its members' Buddhist faith.

Existing savers can borrow up to ten times the amount in their credit union account, or at a lower multiple the first time they take out a loan. The loan process is highly ritualised and includes an unusual collateral: the well-being of the borrower in this life and the next.

The credit union is based out of a monastery or nunnery and is made up of (mostly, but not exclusively) Buddhist members in the nearby town or village. We visited three Wong Metta Saving & Credit Unions in Shan State: Taw Ya monastery on the outskirts of Lashio, Tharthana Hitakari nunnery in Lashio town, and the monastery in PyNar Piang village. We attended a savings and lending ceremony and interviewed the attending monks, volunteer staff, savers and borrowers. Established in Myanmar in June 2008, Wong

Metta has grown to include 380 credit unions serving more than 130,000 members. Taw Ya monastery credit union, for instance, is two years old and has 900 members, and last year's loan book was 340 lakhs (US\$34,000).

New members are introduced to the unions mainly through word of mouth, and membership is usually comprised of people from the town, village and surrounding villages. In the words of a relatively well-off borrower, "If I save in the credit union, the money benefits the community. If I save with a bank, the money goes elsewhere."

The credit union meets monthly in the temple grounds, mostly on the Sabbath, the one rest day of the week in rural communities. Savers arrive in the morning from the surrounding









*A woman collects loan repayments and manages borrowers' accounts outside of the monastery.*

villages on foot or motorbike, carrying loan books in hand. The savings and loan process is conducted in front of other members and takes several hours to complete. Volunteer credit union staffers fill in ledgers on tables, in the center of which sits a large silver cauldron. Over the course of the morning these are filled to the brim with bundles of bank notes. In a culture where hidden fees and graft occurs in the most mundane of circumstances—including taking out a bank loan—the temple location, the head monk's presence and the level of transparency creates a significant level of trust in the system. It helps that Myanmar has low levels of street crime. In other countries, it would be far riskier to handle that much cash out in the open. On the day we attended 120 lakhs was collected, and almost all of it was lent to borrowers.

While the money is collected from loan repayments and savers, the borrowers wait on a bench off to the side. Their borrowing needs range from paying off unexpected bills to investing in businesses. And while there appeared to be no stigma associated with borrowing money, the process is designed to take time and be visible to other members of the community, reinforcing the gravity of taking a loan. Their requests for loans are vetted by members of the committee.

If borrowing requests exceed the amount of money in the pool, then loans are given in descending order of importance, for: The



**"During the ceremony, the borrowers swear an oath in front of Buddha to truthfully state the reason for borrowing and their sincere intention of paying the loan back. If they repay the loan they will prosper. If they do not repay the loan, or lead a good life, their business will be ruined."**

*-monk, Lashio*



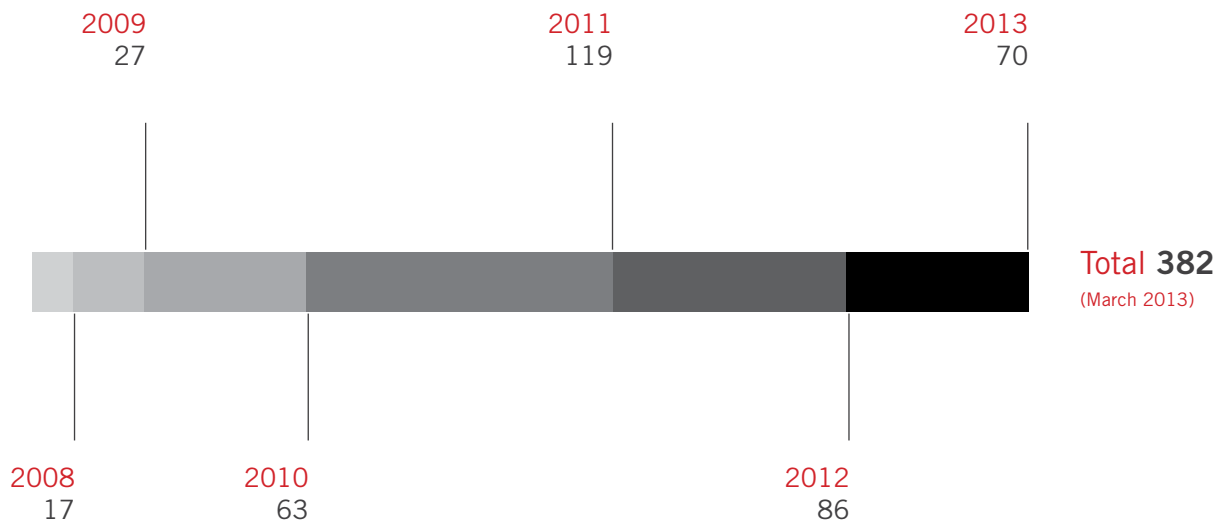
seriously ill; people who need money for food; victims of loan sharks; family paying school fees; and finally for investments in agriculture and local businesses. Loan criteria include the available amount of money, the credit-worthiness of the borrowers (how long they have saved, whether they have family members, how long they have lived in the town or village, their guarantors), and the amount they have saved. The credit union committee ultimately decides whether to issue a loan. Interest rates start at 4% per month and drop to as low as 2% per month after four years of borrowing. This compares favourably to commercial interest rates and to informal sector lending (See Lending Landscape chart). The borrower can arrange to make monthly loan repayments, or a one-off payment at the end of the loan term. There is one rule for the use of borrowed money: It cannot be lent to someone providing loan shark services.

The loans range from 1 to 100 lakhs (US\$100-10,000) with most falling with the 3 to 5 lakhs range. The credit unions are not centrally controlled, and it is difficult to accurately

estimate the total default rate. The village monastery estimated defaults at less than 1%, while the town-based nunnery we visit put its figure closer to 5%. While banks and commercially driven microfinance organisations have loan default targets, this does raise questions for a socially-driven community organisation about what is a viable maximum default rate, or a rate that is socially acceptable within the community.

The lending process we observed at the Taw Ya monastery is, according to the monks, typical of others. At midday the lending process begins. It starts with credit union members and borrowers sitting in the shrine as the head monk chants incantations. The money in the cauldrons is presented as a donation to Buddha. In the words of one borrower, "it becomes Buddha's money". During the ceremony, the borrowers swear an oath to truthfully state the reason for borrowing and their sincere intention of paying the loan back. If they repay the loan, they will prosper; if they don't, their business will be ruined. Some lenders believe that

### NUMBER OF NEW LENDING GROUPS PER YEAR



Source: Harn Zai Leng of Wong Metta (Metta Circle). Phone interview. Lashio. March, 2014.

*Upon arriving, borrowers and loan repayers gather outside of the pagoda.*

their commitment to Buddha will lead them to be cursed in the next life if they fail to repay the loan and that they will come back as a servant, cockroach or other unfortunate being. In the words of one monk, this can last "several lifetimes".

In the Tharthana Hitakari nunnery, the head nun told us that she considers the swearing of the oath a step too far, and that "stealing Buddha's money bears grave consequences. The punishment in the next life will be too harsh. We feel pity for the defaulters. That's why we don't donate the savings to Buddha and request back from him for loan disbursement like the Shan Monastic Saving Group do".

A borrower is given a small loan book for each loan that is updated by a committee member with each transaction. It is possible to apply for overlapping loans if the loan criteria are met.

As a member's credit union, savers receive interest that is calculated by taking the borrower's interest, minus (mostly volunteer) running costs, plus one-off life-event payments for family members such as: a family with a newborn will receive a one-











off payment of 50,000 kyat (US\$50), as will a family mourning a death. They also donate to the elderly during Shan new year. At the end of the financial year they close the books with approximately 50% of the "profit" being split between members; the remaining 50% paid into a community welfare fund that is distributed to the elderly, for funerals, to parents of new children and the sick.

Any excess at the end of the day is placed in a bank for safe keeping and to earn interest. As such, it could be argued that although villagers don't consider themselves banking customers, they are in effect proximate customers who benefit from its use. While the direct use of formal banking services is low at less than 20% [IFC/CGAP 2013], this notion of

proximate banking would dramatically expand the numbers of formal banking "customers".

Signing up with the credit union requires a family registration card that lists the current home address and family members. Two guarantors also need to present their National Registration Card (NRC) and, while they are not legally bound by the debt, they are required to check in at least three times on "their" borrowers who have fallen behind on payments.

The loan period is nine months and is a fixed amount each month, except in villages post harvest, when savers can make additional payments.

Those in financial difficulty are initially given a three-month extension to make the repayment, after which they can receive an extension of up to 15 months. After this, if the loan is not paid back they will be considered to have defaulted, their name will be added to a blacklist and their families will be banned from the credit union. The length of this extension period is often enough to carry the borrower over one more harvest cycle. In the two years that the Taw Ya credit union has been in operation two loan defaulters, borrowers – both migrant workers who moved to other towns – have defaulted.

It will be interesting to observe how better road infrastructure and the availability of cheaper transport, notably cheap Chinese

motorbikes, will impact what constitutes "a local community" and levels of migration. The mobile phone and the Internet will also bridge distances and leave a data trail as well as more persistent identities, things that could encourage the sharing of creditworthiness data between towns and villages. As in other parts of the world, a person's ability to reinvent themselves online is changing.

Consultants often look to technological solutions to social problems. The Compassion Network Credit Union is a reminder of the role of community, compassion and faith in guiding what constitutes good service design for rural communities, and of the nuanced understanding that is required for it to function well.

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**"A designer knows he has achieved  
perfection not when there is nothing  
left to add, but when there is nothing  
left to take away."**

*- Antoine de Saint-Exupery*

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### FINDING 3:

## TANGIBLE AND FUNGIBLE ASSETS ARE CRUCIAL.

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*“I borrowed from PACT to buy pigs. With the next loan, I will buy pigs and goats. Goats are like my long-term savings because I need to wait for about a year to sell them, whereas pigs can be sold after a few months. I usually keep goats till I really need to sell them”. -ADH F35*

The lack of a government social safety net has conditioned people in Myanmar to be self-reliant and to desire control over their day-to-day lives. This sense of independence can affect investment decisions. For instance, farmers are more likely to invest in agriculture and livestock, which rely on the farmers' skills to deliver a return on investment. Rice, goats, pigs and other fungible goods are considered assets, as they are dietary staples that, regardless of market value, can always be bought, sold or consumed. There is variety, however, in the investment mixes of each business or family. An Agile Agrarian will diversify, choosing assets with varying returns, risks, and time horizons to balance his or her cyclical income. An Urban Opportunist, on the other hand, will invest in more stable and steady assets like land, vehicles or property.

*Where else can asset diversification play a role in the financial landscape?*

*How might fungible goods be leveraged as collateral or assets in a formal financial context?*

*What role does the market play, and how can it work to the investors' advantage?*





## INSIGHT 5:

# RETURN ON INVESTMENT CAN BE FINANCIAL, SOCIAL OR SPIRITUAL.

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In rural areas, most of the Buddhist families we surveyed donate small amounts of food or money to the monastery each day. These gifts are driven by the Buddhist belief that one should consistently be good and generous rather than repent over past mistakes. We often heard people at the country's ubiquitous roadside donation huts persuading passersby to donate. Their pitch implied that current generosity would bring future prosperity.

Donation ceremonies, or parties that gather multiple villages together to share food, music and good deeds, are considered both social and spiritual investments (Mesfin & Ababa. 2012). Many people said that, should they come upon a fortune, they would hold a donation ceremony in their village. It is common for people to say “*Ahmya-Ahmya-Ahmya* (I share, I share, I share)” to others after making a donation, and for the surrounding guests to respond, “*Sadhu-Sadhu-Sadhu* (Excellent, Excellent, Excellent)” to express their happiness for the gift. Donation ceremonies are described in greater detail in Case Study: Novitiate Ordination Ceremony.

*“If I win the lottery, I will go back to my village and have a huge donation ceremony. I will give money to the poor and elderly and celebrate together with the people in my village”.*

*- ADH M15*



A Nun circulates at market day in Kalaw, collecting alms for the Nunnery.

## INSIGHT 6:

# THE VALUE OF GOLD IS NUANCED.

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As in many Asian countries, gold is considered an important store of value in Myanmar. However, there are a number of nuances that may not have been documented elsewhere (Raza 2012) and (Kumar & Mukhopadhyay 2013).

Until recently, Myanmar's largest bank note was a 1,000 kyat (US\$1) bill, meaning that any moderately successful trader had to carry bricks of cash in order to conduct business. The size and portability of gold makes it an attractive alternative; a gold ingot worth US\$7,000 only measures 5 x 2 x 0.5 cm. We found a reasonably accurate awareness of gold prices among people, as the media track the daily price and use it as a benchmark to observe inflationary patterns in the market.

Not all gold of equal purity has the same value here. For example, Academy and Aung Thamadi-brand ingots are more trusted than those of lesser-known brands, which carry a slightly higher risk of being fake or adulterated. Still, gamut of tests exists to verify purity, including the use of a touchstone (pictured)

through the trained eye of the *Padain Sayar* (goldsmith). A chemical test involving acid is used if, after conducting primary tests, the goldsmith is still unsure of the gold's purity.

Some believe that it's best to buy gold on "auspicious" days, determined by the buyer's astrological signs, though there aren't auspicious days for selling. On the other side of the counter, however, "every day is auspicious when it comes to trading gold," according to one gold shop owner.

Newlyweds often receive gold ingots and jewellery as wedding gifts from family and close relatives. Affluent grandparents give gold jewellery to newborn granddaughters as lucky charms. Worried mothers commonly leave gold to their daughters so they can use it for emergency funds.

During our research, we were taken aback by the willingness of people to show us where they hid their cash. However, we never once witnessed the storage location of gold ingots.

*"We give our daughters gold jewellery - always an equal amount for each - as an investment".*  
- IND COU03





## FINDING 4:

# INGOTS AND JEWELLERY ARE NOT WORTH THEIR SIMILAR WEIGHT IN GOLD

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*“Two to three bangles are fine, but eight or more is showing off”.*

-IND F01

What is the difference in value between 100 grams of gold jewellery and a 100-gram gold ingot? It depends.

For gold ingots, a number of factors play into their price. Academy and Aung Thamadi-brand ingots are sold at the market rate, while everything else is sold at a discount. Along with the brand stamp, the paperwork, supplier and size-to-weight ratio are all included in a calculation to determine the ingot's value. When we bought our gold, the goldsmith stressed that we not warp the branded stamp on the 10-tical (164-gram) bar (shown), and that we should keep the certification of authenticity for verification. Ingots are typically classified at around 24 karat.

Gold jewellery is typically made from an alloy (averaging 14 to 16 karat) that is more durable but is inherently less valuable than a pure gold ingot. So why would anybody save or invest in gold jewellery? As with other cultures in Asia, gold is considered a status symbol and a sign of the family's financial

well-being. While generally modest—in contrast to say, hip-hop subcultures in the U.S., or extreme gold loving and adorning cultures in India—gold jewellery in Myanmar still implies sophistication and prestige. In this regard it is both a social investment and a form of savings. For entrepreneurs, gold subtly indicates business acumen, which in turn attracts customers, inspires new business ventures and conveys authority to make or receive loans. A stroll through a small town market reveals the successful businesses by counting the number of gold bangles worn by female market traders, or the size of the necklaces or rings on men.

Gold is the most common form of collateral for loans, particularly at pawnshops. We saw a number of instances where, out of desperation, people sold their gold jewellery for a significant discount to its value by weight. Pawnshop owners turn to local goldsmiths to smelt jewellery, which is then crafted into new pieces.

*What, besides gold jewellery, has a similar non-financial return on investment?*

*How can the propensity to “invest” in gold jewellery be leveraged to introduce other financial tools or products?*



*The*

**NUANCES of INCOME**

*and* **LOAN CYCLES**

**DECEMBER 2013**

SUN	MON	TUE	WED	THU	FRI
1	2	3	4	5	6
8	9	10	11	12	13
15	16	17	18	19	20
22	23	24	25	26	27
29	30	31			

**JANUARY 2014**

SUN	MON	TUE	WED	THU	FRI
			1	2	3
5	6	7	8	9	10
12	13	14	15	16	17
19	20	21	22	23	24
26	27	28	29	30	31

**FEBRUARY 2014**

SUN	MON	TUE	WED	THU	FRI
2	3	4	5	6	7
9	10	11	12	13	14
16	17	18	19	20	21
23	24	25	26	27	28





SAT	7
	14
	21
	28
SAT	4
	11
	18
	25
SAT	1
	8
	15
	22

၂၀၁၃ ခုနှစ် ဇန်နဝါရီလ ၁ ရက်နေ့ စတင်

၂၀၁၄ ခုနှစ် ဇန်နဝါရီလ ၁ ရက်နေ့ စတင်

	၅	၁၂	၁၉	၂၆
<b>SUN</b> တနင်္ဂနွေ	5	12	19	26
<b>MON</b> တနင်္လာ	6	13	20	27
<b>TUE</b> အင်္ဂါ	7	14	21	28
<b>WED</b> ဗုဒ္ဓဟူး	၁	8	15	22
<b>THUR</b> ဤသောနေ့	၂	9	16	23
<b>FRI</b> သောကြာ	၃	10	17	24
<b>SAT</b> စနေ	၄	11	18	25

၂၀၁၃ ခုနှစ် ဇန်နဝါရီလ ၁ ရက်နေ့ စတင် - ၂၀၁၄ ခုနှစ် ဇန်နဝါရီလ ၁ ရက်နေ့ စတင်

**FINDING 5:**

## THE PSYCHOLOGY OF DEBT

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*“If I die before I repay my loan, in my next life, I’ll become a servant to the person who lent me the money”.* -IND F06

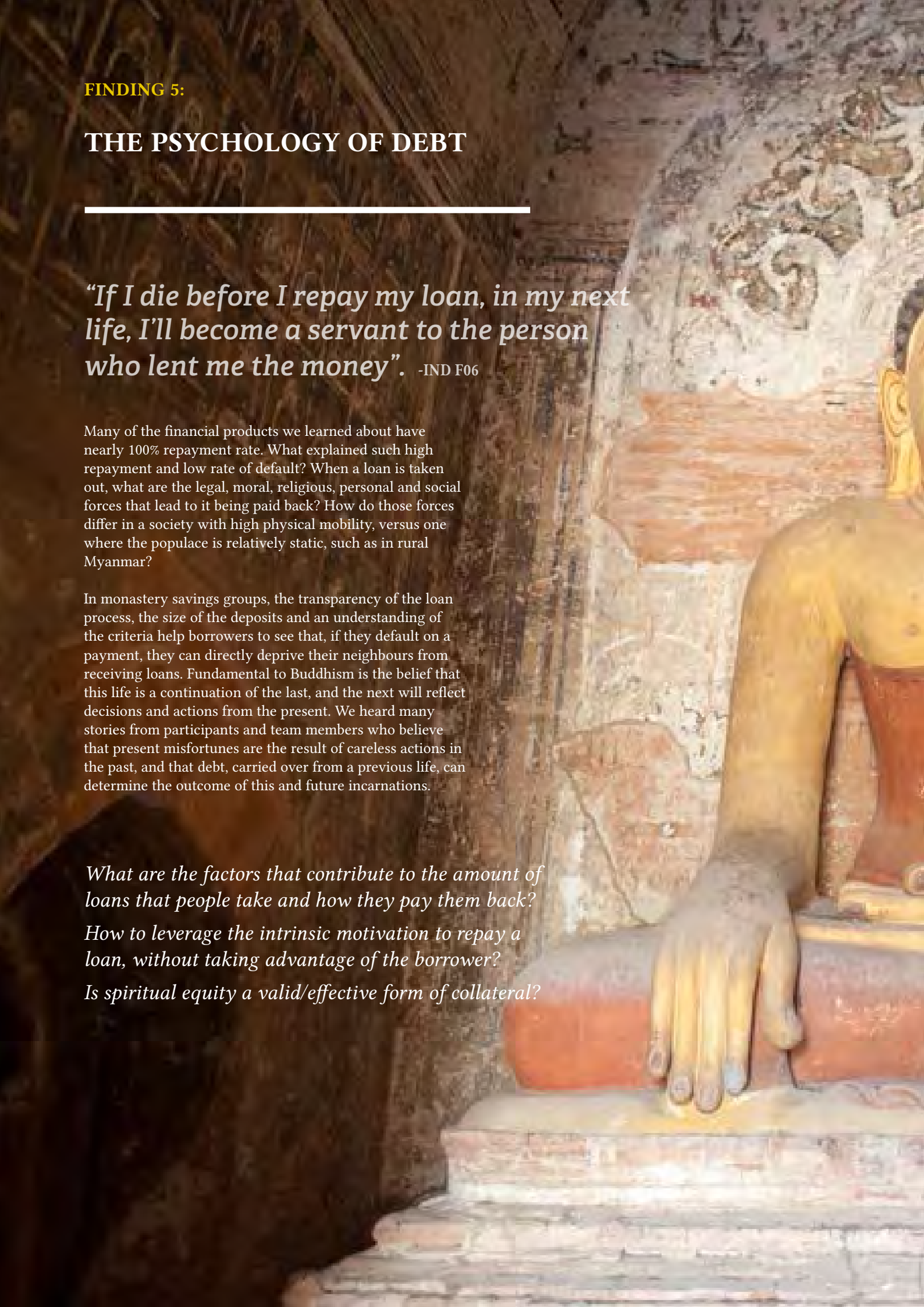
Many of the financial products we learned about have nearly 100% repayment rate. What explained such high repayment and low rate of default? When a loan is taken out, what are the legal, moral, religious, personal and social forces that lead to it being paid back? How do those forces differ in a society with high physical mobility, versus one where the populace is relatively static, such as in rural Myanmar?

In monastery savings groups, the transparency of the loan process, the size of the deposits and an understanding of the criteria help borrowers to see that, if they default on a payment, they can directly deprive their neighbours from receiving loans. Fundamental to Buddhism is the belief that this life is a continuation of the last, and the next will reflect decisions and actions from the present. We heard many stories from participants and team members who believe that present misfortunes are the result of careless actions in the past, and that debt, carried over from a previous life, can determine the outcome of this and future incarnations.

*What are the factors that contribute to the amount of loans that people take and how they pay them back?*

*How to leverage the intrinsic motivation to repay a loan, without taking advantage of the borrower?*

*Is spiritual equity a valid/effective form of collateral?*







## INSIGHT 7:

# INCOMES ARE VOLATILE

---

In an agrarian society like Myanmar, the amount of money circulating in the community varies considerably with each farming cycle: Sowing, growing and harvesting (Kumar & Mukhopadhyay 2013). While this directly impacts the Agile Agrarian, Constant Farmer and Every-day Adaptist, it also affects anyone doing business in the same ecosystem.

Swings in market prices and bad weather further add to this variation, which can force farmers and workers to make decisions such as pre-selling a crop, abandoning a crop or moving away to find more stable work. A bad crop year, whether due to late rain or a pest infestation, affects the farmer and the people they employ. According to a participant, it can take a farmer five to six years to

recover from a single problematic year [IND M14]. Some people, like the Agile Agrarian, invest in new skills, or in secondary businesses that can carry them through volatile times and allow them to operate outside the farm cycle—for example, a carpenter who makes furniture for the urban market, a fisherman who provides a river boat taxi service, or a farmer who opens a provisions shop [IND F13].

*"I learned to be a carpenter, to make money between farming seasons."*

- ADH COU05



Pawn shop loans are taken for myriad reasons. Of those we met, some had pawned to pay medical bills, others to donate to the monastery.

**INSIGHT 8:**

## **MYRIAD LENDING OPTIONS EXIST, BUT MORE ARE NEEDED**

---

Despite the lack of formal savings tools, rural consumers have myriad options when it comes to borrowing—but with positive and negative impacts.

Loans provided by NGOs and other formal institutions like PACT can provide a systematic approach to saving in the community. However, we heard a number of instances in which people took out informal loans to pay back formal ones, with less than ideal terms or payment schedules. We heard about people giving out loans at 3% to those needing to pay back UNDP loans, lending from 40,000 to 100,000 kyat (US\$40-\$100) on an as-needed basis. In some villages, women sell their long hair to be able to cover a loan repayment (Wai 2007).

For some item-specific NGO loans (e.g. for livestock) borrowers are required to show evidence that the loan went towards the appropriate purchases. People in Tha byay Nyo village candidly told us stories of “borrowing” livestock, which suggests both a flawed system, a miscalculation of risk and an unmet need for loan types.

*"I sometimes give out loans. When others need to pay back a loan by UNDP, but don't have the money in time. I use the interest to pay for my son's school." - IND*

M21



Women meet to collect payment on PACT loans.



## INSIGHT 9:

# A NEED FOR NO-COLLATERAL LOANS

---

Collateral forms the basis of any loan, and it come in many types: Land titles, business ownership titles, cars, gold, employment and social capital. As rural Myanmar has no formal credit system in place, collateral is required for even low-interest loans, making it nearly impossible for people without valuable assets (namely land or gold) to get a business loan. The opportunity exists for creating business models that provide loans with reasonable terms to people, particularly the Perpetual Seekers, who have minimal assets in their name.

*"People in the community borrow money from informal lenders at 10-15% interest per month because they have no collateral." -ADH GRP04*

*"Low-income people in the village have no assets - no cows, no oxen. Most of the low-income people have been unable to get loans because they have no collateral." -IND M12*



A new thatched roof or a zinc roof is an indication that a villager has recently come into money.







## FINDING 6:

# MORE FLEXIBLE LOAN TERMS ARE NEEDED

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*“If you don't have money, you can presell your crop for 3.5 lakhs per bucket. The going rate is 5 lakhs”.* -IND COU08

Convenience is a key factor for people in deciding where to take out a loan. But it means different things to different people?

For a farmer, convenience is having access to credit with payback terms that coincide with the harvest cycle. Currently, the MADB offers loans to farmers at the rate of 100,000 kyat (US\$100) per acre, for a maximum of 1 million kyat (US\$1,000). There are two problems with the way these loans are structured: One, it costs a farmer an average of 150,000 kyat (US\$150) per acre to produce a rice crop, and two, the loan is issued after the farmer needs capital, with a term that is due just after harvest time, when prices are at their lowest. This leads to a cycle of borrowing, where farmers take loans from other sources (such as brokers) to pay back agricultural loans. On top of that, the farmer's need for supplementary capital might cause him to pre-sell his paddy for about 70% of the harvest market price. This means the farmer rarely sees the full return on his investment and the profit for the full worth of his paddy. Although loans issued by MADB are regionally adjusted for timing, there is still a disconnect between the loan offering and the farmer's needs.

Opportunities to help the farmer maximise profits include adjusting his access to capital, such as by selling at off-peak times (when market price is higher), and structuring a loan to allow for a flexible payback period. This has been explored in the recent IMTFI study, *Betting on Chance in Colombia* (Echeverry Villa & Herran Cuartas 2013), in which case those with irregular incomes could have access to loans in small amounts with flexible repayment cycles.

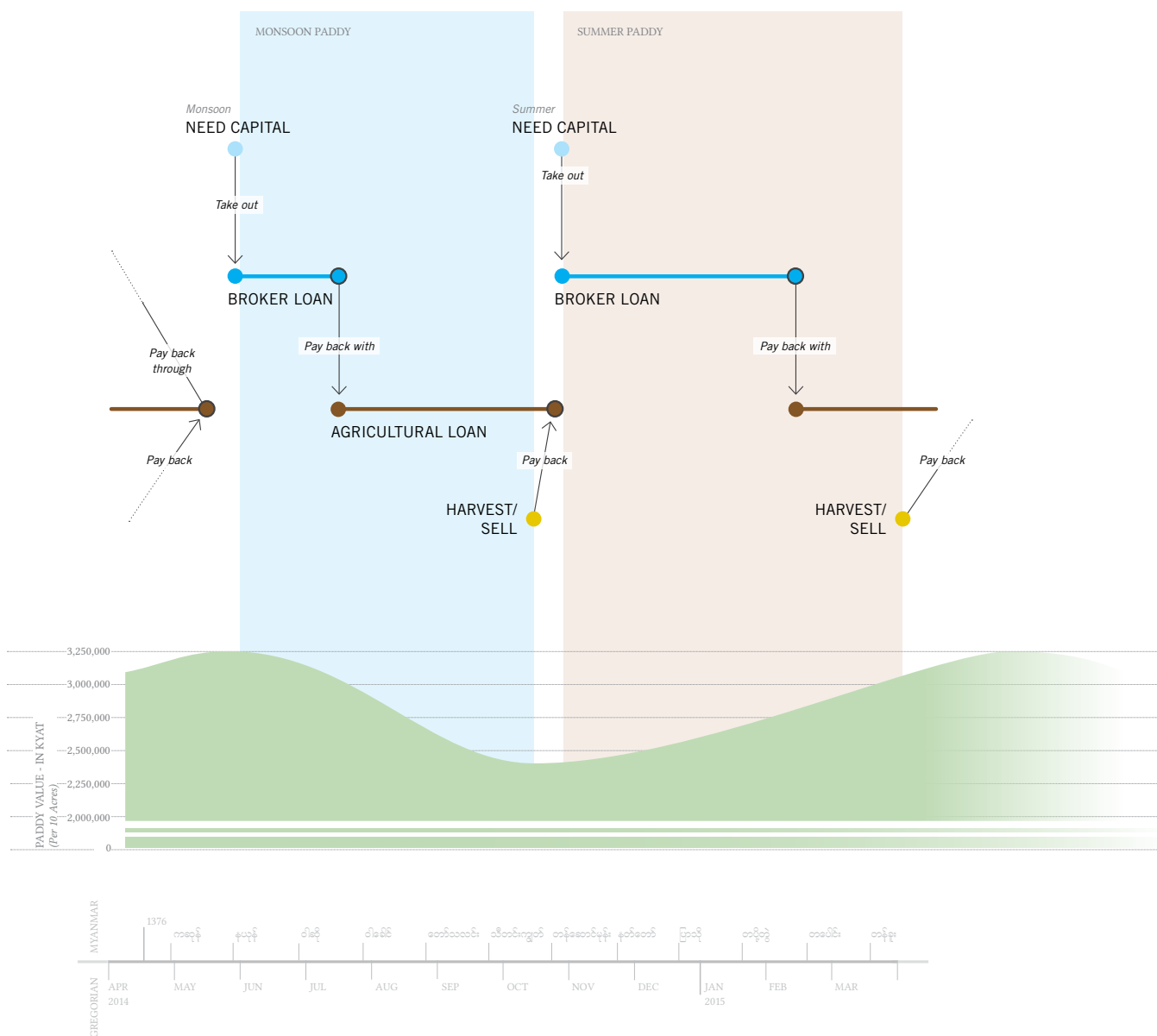
*How might financial products be structured to support maximising of profit for the farmer?*

*In what ways can regional variation in crop timeframes and need for capital at different times be built into loan terms?*

*How can flexibility of terms be addressed on a per-case basis and be an advantage for lending bodies?*

# CROP & LOAN CYCLES

What opportunities exist to improve loan timing for the farmer? The nuances of timing between the summer and monsoon paddy seasons should not be underestimated. Many farmers use the monsoon paddy harvest to feed their family, and on the summer harvest for their income. Fluctuations in market price significantly affect their livelihood, and an inability to turn a profit in a given season may in turn be an inability to farm the next.



*“There is an incentive for the village to pay back the loan on time. If you pay it back on time, you will get an early batch of loan the following year. If not, you'll get it late, e.g. mid-season”. -IND M14*



## FINDING 7:

# EXISTING LOAN OPTIONS DON'T SUPPORT PERSONAL GROWTH AND DEVELOPMENT

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*“I use all 10 lakhs of the December agricultural loan to pay my son’s school fees”.*

-IND COU08

Neither formal nor informal options are available for personal investments and capital expenditures, such as training, education, equipment and real estate. Of all the loan types we found, none had terms longer than 12 months, with the majority for less than six months. The short timeframe encourages a very cyclical, needs-based mindset when it comes to receiving and repaying loans. A more mature industry could educate and encourage financial planning to allow people, particularly our Constant Farmer and Socially Savvy Vendors, to take a longer view in turning their loans into an investment for the future.

There is also a substantial gap in the credit market for mid-sized loans. MFIs can only provide loans of up to 500,000 kyat (US\$500), and most informal loans rarely exceed 1 million kyat (US\$1,000). While banks are beginning to introduce loans schemes starting from 100,000 kyat (US\$100), the smallest reported average loan size is still 5 million kyat (US\$5,000) - leaving little option for those seeking an amount in the middle. If the industry wants to encourage risk-taking and growth, it needs to be able provide mid-size loans, particularly for the Urban Opportunists with aspirations to grow their business exponentially and require access to a certain amount of capital.

The lack of available agricultural labour is also driving up demand for equipment loans. Such machines cost around 1.2 to 2 million kyat (US\$1,200-\$2,000), an amount that farmers are unlikely to pay off within a six- to nine-month term with monthly compounded interest. Three to four years is a more viable payback period (Proximity Designs 2014). The instalment system of paying for the equipment, which is done through the bank, is not sufficiently transparent. One participant [IND COU08] claimed that the bank is cheating him, as it is charging interest on the full amount, even though he has already paid back half.

In a number of instances, we found that parents are using agricultural and other loans to pay for a child’s school fees, a move that compromises their income and establishes an inconsistent funding source for their child’s education.

*In a country without many financial aid or student loan options, what is the appropriate means of supporting a low earning rural family’s desire to educate their children?*

*How might financial institutions rethink/innovate the products offered to farmers by focusing on lifetime rather than seasonal relationships?*

*Without a formal credit system, how can longer-term and mid-size loans be supported for low-income households?*



*The*

# DUALITY *of* DEVELOPMENT







In Pyapon, trishaw drivers are losing business to the influx of motorcycle taxis and tuk-tuks. Opening up of trade has made motorised transport more affordable, and has driven many of these riders to take up second businesses.

## INSIGHT 10:

# NEW MIGRATION PATTERNS ARE CREATING A RURAL LABOUR SHORTAGE

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With the recent opening of the Myanmar-China border, the country's rural poor are increasingly seeking work as migrant day labourers.

Daily wages are set both by prosperous towns along the border's transport arteries and by the day rates in surrounding countries. In an interview in the Delta, we learned that rates in Thailand determine daily wages for the region's paddy workers. As labourers in poorer regions such as the Dry Zone and the Delta move in search of higher wages, rural farmers and businesspeople often struggle to find enough labour or to pay the inflated daily rates that workers demand. We learned that there is a tipping point around 5,000 kyat (US\$5) a day (per person), beyond which it is no longer economical for a farmer to hire workers.

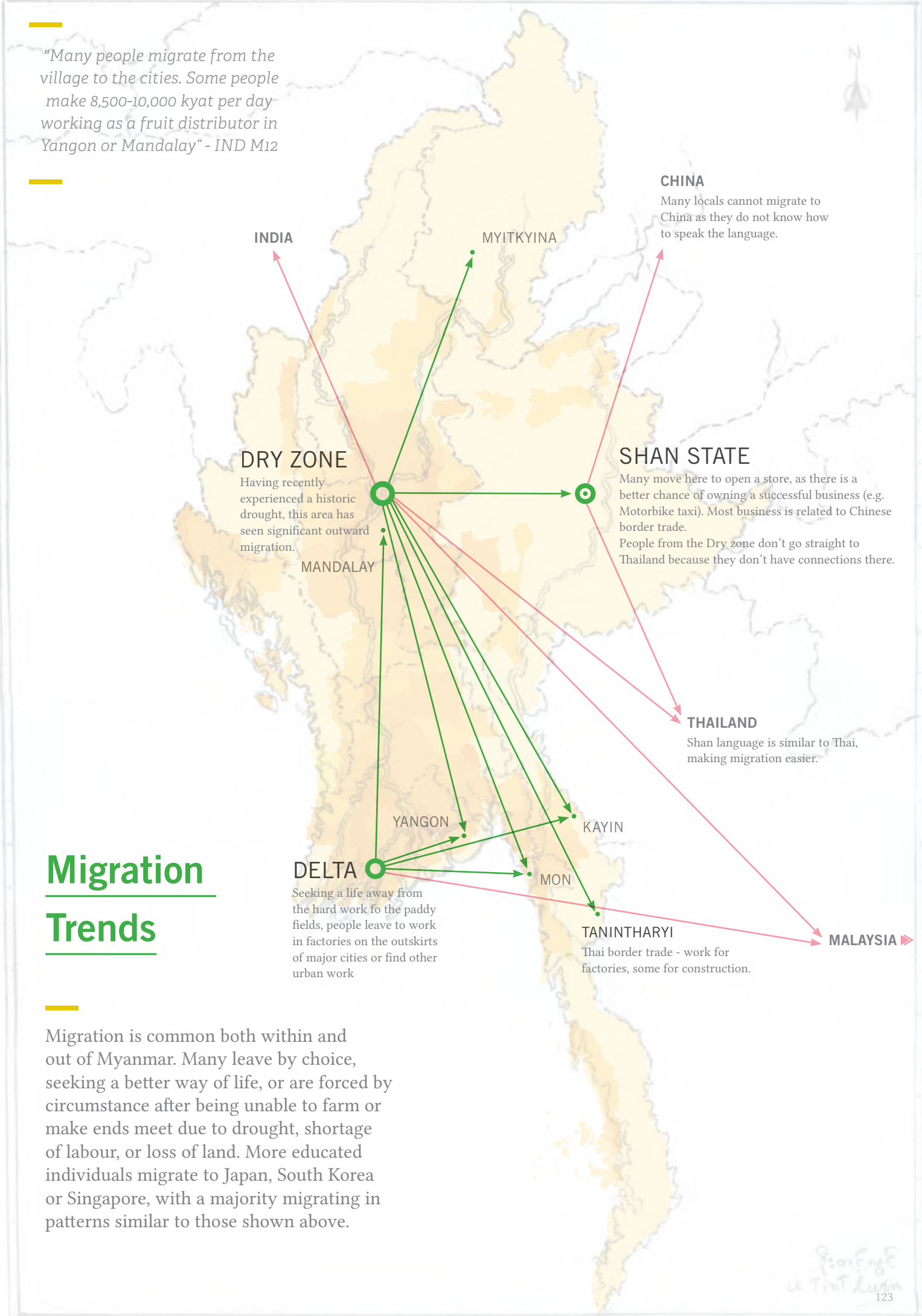
People are also migrating to fulfil their desire for a blue- or white-collar lifestyle and to escape working in the fields all day. Many people see working in the cities, not under the sun, as a better option.

*"Last year it was very difficult to hire labourers for harvesting sesame. Nobody wanted to work in the field since they could weave at home and make the same amount of money". - IND COU06*



After 7 years of saving, this man was able to purchase a motorbike, enabling himself and his son to find better paying work.

"Many people migrate from the village to the cities. Some people make 8,500-10,000 kyat per day working as a fruit distributor in Yangon or Mandalay" - IND M12



**INDIA**

**MYITKYINA**

**CHINA**

Many locals cannot migrate to China as they do not know how to speak the language.

**DRY ZONE**

Having recently experienced a historic drought, this area has seen significant outward migration.

**SHAN STATE**

Many move here to open a store, as there is a better chance of owning a successful business (e.g. Motorbike taxi). Most business is related to Chinese border trade. People from the Dry zone don't go straight to Thailand because they don't have connections there.

**MANDALAY**

**THAILAND**

Shan language is similar to Thai, making migration easier.

**YANGON**

**KAYIN**

**DELTA**

Seeking a life away from the hard work of the paddy fields, people leave to work in factories on the outskirts of major cities or find other urban work

**MON**

**TANINTHARYI**

Thai border trade - work for factories, some for construction.

**MALAYSIA**

## Migration Trends

Migration is common both within and out of Myanmar. Many leave by choice, seeking a better way of life, or are forced by circumstance after being unable to farm or make ends meet due to drought, shortage of labour, or loss of land. More educated individuals migrate to Japan, South Korea or Singapore, with a majority migrating in patterns similar to those shown above.





## FINDING 8:

# OPPORTUNITIES EXIST TO FIX EQUIPMENT FINANCING

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*“The power tiller company is financing the installments through the bank and has already taken out the full amount from the bank. I have a big problem. Although I’ve paid for half, the bank insists I have to pay the other 50% soon or they take back the power tiller”.* -IND COU08

Labour costs are rising, and for many farmers, a tractor or other piece of farm equipment could be the solution. Yet they don't have the credit or collateral needed to purchase the machine. This makes it even harder for farmers to make ends meet and to fill the very narrow window of time between harvesting rice crops and preparing the next season's field.

The options available to farmers who want to modernize their operations with machines are expensive and impractical, in large part because equipment manufacturers have yet to design models that are appropriate for Myanmar's farming and weather conditions. For example, a power tiller that costs 1 million kyat (US\$1,000) upfront will need an additional 150,000 kyat (US\$150) worth of modifications, because its wheel is not suitable for the soft rice fields in the Delta. Although equipment rentals are available, their 40,000 kyat-per-acre (US\$40) (Proximity Designs 2014) rates are often prohibitively high, and the short harvest window makes sharing unworkable.

Some equipment distributors offer one-year instalment plans mediated through a bank, but the prices are almost half the annual income of farmers, whose combined summer and monsoon paddy bring in about 3.5 million kyat (US\$3,500). Farmers who do decide to buy equipment are at high risk of falling into debt, as they are often unable to balance a short-term, large-sized loan. A recent Proximity Design Survey found that farmers are generally unaware of the actual costs of equipment (Proximity Designs 2014).

## FINDING 9:

# MANY RURAL FAMILIES DEPEND ON REMITTANCES

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*"One of my daughters works in Thailand and she sends one lakh per month. If I need more money, I can ask her to send me more". -IND M05*

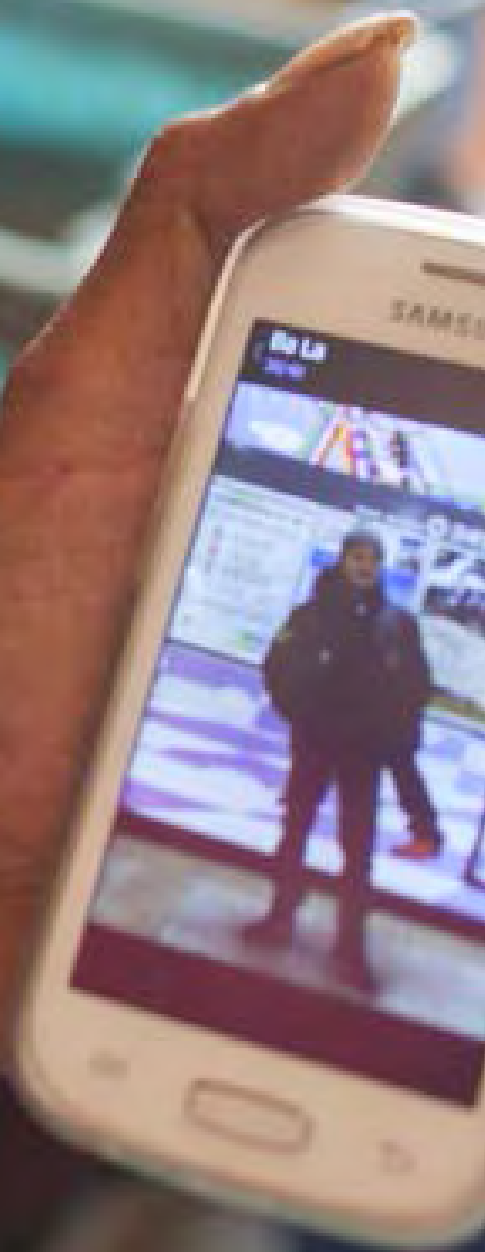
Many rural families rely on remittances from parents, siblings and children who have left the village to find work in a nearby township, another state or out of the country. A motorcycle helmet seller told us how she left her son in her hometown with her sister, while she and her husband ventured to Shan State to look for work. We heard of contributions ranging from as little as 40,000 kyat (US\$40) [IND COU07] to as high as 500,000 kyat (US\$500) a month [IND M20]. There is currently limited formal banking infrastructure to support the convenient transfer of remittances. Domestic transfers are increasingly made via bank branches (though both parties rarely have accounts), while international transfers are still widely done through informal hundi networks.

The remittance process includes many steps for sending and receiving money. It often requires commuting to various locations to physically get the cash. Given the expected prevalence of mobile phones, mobile money and banking options may begin to play an important role in this transaction in the coming years—or even months. We are already starting to see the emergence of these products, with the recent partnership of Oberthur Technologies and Innwa Bank (BusinessWire 2014).

*As household incomes increasingly include remittances, how do the financial needs of the household change with it?*

*What existing systems can support a more seamless and regular remittance transaction?*









*How could the remittance process be turned into an opportunity for encouraging savings or other types of positive financial behaviour?*





# HOW MONEY MOVES

INFORMAL & FINANCIALLY UNREGULATED ▼ FINANCIALLY REGULATED

Method / Mode	Risks & Trade-offs	Cost
 <p><b>FAMILY &amp; FRIENDS</b></p> <p>A person headed back to the village carries the money and delivers to recipients.</p>	<p>Despite the obvious risks of robbery, this is still a popular method to transfer money, as it requires little travel or effort for either party.</p>	<p>Free</p>
 <p><b>PRIVATE CAR/MOTORCYCLE TAXI</b></p> <p>A driver either physically delivers an envelope with money or, in major towns, calls another driver, who gives the money to the recipient immediately. No ID is required.</p>	<p>The driver delivers money to whomever is available at the destination address. Speed depends on on the driver's route and itinerary.</p>	<p>3,000 kyats for 1 lakh</p>
 <p><b>BUS</b></p> <p>Money is sent with the bus driver in an envelope to the destination bus station. The recipient receives a call to pick it up. ID required.</p>	<p>Domestic bus routes are extensive and are commonly used to safely and reliably transport other goods.</p>	<p>1,000 kyats for 1 lakh</p>
 <p><b>HUNDI</b></p> <p>This agent is typically a distributor with a strong network. He/She can either carry the cash, send credit to a representative office or transfer it into a bank to be accessed by the recipient.</p>	<p>Hundis can be more expensive than formal options, but are still popular, as they are easily accessible and specialize in international remittances.</p>	<p>300 - 1,500 kyats per 1 lakh (depending on distance)</p>
 <p><b>POST OFFICE</b></p> <p>A form travels from one post office to another, where it is then converted into cash and delivered to the recipient's address.</p>	<p>While post offices have many branches and are assessible in rural areas, people rarely use the service as it has a high probabily of delays.</p>	<p>500 kyats + 200 kyats expedited (fax)</p>
 <p><b>via BANK</b></p> <p>Sender specifies recipient's name, phone number and bank branch. A transfer within the same bank company is made "online" to a different company via fax. Neither party needs to have a bank account.</p>	<p>Bank branches are used based on their proximity to the sender and recipient. This method is often used by non-account holders.</p>	<p>150 kyats for 1 lakh + 500 kyats inter-bank fee</p>
 <p><b>WESTERN UNION/MONEYGRAM</b></p> <p>After money is wired, the recipient receives an email with a passcode. He/She may pick it up at any branch with her ID, the passcode and the sender's name.</p>	<p>Can only be used to receive international transfers, not to send a domestic or international transfer. Email address required.</p>	<p>US\$10-\$125 (from USA)</p>
 <p><b>TO/FROM BANK ACCOUNT</b></p> <p>Transferring money from one bank account to another (within the same institution) is easy. Some banks have a mobile banking app to support these types of transfers.</p>	<p>Only accessible to people who have a bank account.</p>	<p>Free</p>

EASY ▲

PERCEIVED EASE OF USE

▼ DIFFICULT

## INSIGHT 11:

# MIGRATION LEADS TO GREATER USE OF TECHNOLOGY

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On top of sending money, migrant workers often buy phones for their parents so they can keep in touch. In Pyapon, we met an older betel nut seller with a Samsung Galaxy Note that was a gift from his son, who is working in Korea [IND M20]. He said his son taught him how to use the free calling and texting app Viber and often sends him photos from abroad. The vendor likes how it gives him a glimpse into his son's world. Flat-screen TVs and video CD players are also common in the homes of parents with migrant children, who in most cases bought and set up the devices. Across Myanmar, the need to stay connected is forcing the early adoption of such technologies.

Families also use remittances to renovate their homes. If a family has additional money to spare, it will likely first build a zinc roof, and perhaps buy solar panels to power their electronics more consistently.

*"My daughter bought the solar panel for 2 lakhs and it can provide an hour of TV and light for the whole night. However, if it rains, there will be light but no TV".*  
-ADH COU2



His son, who has migrated to Korea, sent back a smartphone to keep in touch.



## INSIGHT 12:

# IMPROVED TECHNOLOGY AND INFRASTRUCTURE BENEFITS BUSINESSES

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Infrastructure improvements have extended the reach of many businesses and allow retail outlets to offer more diverse products, providing new forms of growth. In Maing Pin village, better roads and cheap transport mean that farmers can reach a larger, often more lucrative market for their crops. Workers can commute further and more quickly, and be more selective about the work they take on. Connectivity and mobility play a huge role in this, mimicking what we've seen in other nations (UNICEF & frog 2010) by bridging gaps that still exist in infrastructure. Speed and access to information are improving, and geography is becoming less of a limiting factor in doing business. For example, when furniture business owners want to hire carpenters in Hnaw Pin village, they call them by mobile phones. Before the phones, the carpenters travelled to the town every day to seek work. [IND M08]

This rapid access to relevant information gives rural residents a competitive advantage, facilitates business continuity and helps shape their operations. In Pyapon, we spoke with a betel leaf distributor who connects with

his courier via mobile phone two dozen times a day, though they only meet in person three times a week. Betel nut farmers are also able to call agents in Yangon and inquire about the daily price so they can use the information to negotiate.

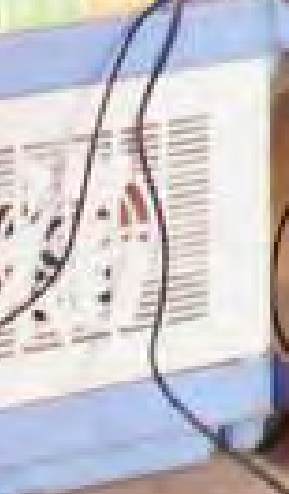
However, there are still many cases where the lack of infrastructure development has prevented business growth. A water business owner in Lashio had to slow down plans to expand his factory because the land he wanted to develop did not have access to steady electricity supplies. Another manufacturer in Pakkoku said his business is limited by his generator. He never knows when his power might fail and affect his production line. Several special economic-development zones now sit dormant and incomplete, lacking the sufficient infrastructure to get production up and running.

As municipal and private developments make it increasingly possible to operate a business in Myanmar, the next step is enabling companies to compete in a global market.

*“By 1 pm, the traders in Monywa set the daily price of beans and pulses. I usually inquire about it via mobile phone. If I decide to sell my crop on that day at that price, I can do so by my mobile phone. I don't need to go there in person. The village truck driver can collect cash for me from the buyer”. -ADH M19*







## FINDING 10:

# ANTICIPATING A LEAPFROG

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*“I bought a touchscreen Android because the person at the phone store said it was best. Now I only use it to make calls - I do not even know how to make it store phone numbers.” -IND M13*

As Myanmar rises to meet the technological maturity of its neighbours (Boellstorff et al. 2013), could it become a nation of early adopters? Despite the nation’s scarce connectivity, smartphone use is climbing—driven by the devices’ gaming and media capabilities and by the promise of affordable and reliable connectivity. Touchscreen smartphones and affordable Android tablets are well suited to a generation with low literacy levels and minimal traditional typing skills. It will be interesting to see whether keyboard-driven interaction is largely bypassed altogether.

Many people associate their phones with apps. Programs like Skype and Viber are synonymous with a phone call, with little distinction in quality of call or ease of use between them and a traditional dialler. We asked an avid smartphone villager if he uses Viber or the mobile network to make calls, and he said, “I try on both, and use whichever works.” [ADH M41]. People similarly see “Facebook” as synonymous with “the internet”, with ads featuring Facebook pages as a company’s URL. Publishers rarely had accurate traffic statistics for their websites; the unit of measurement is Facebook likes (Zuckerman 2014).

Myanmar’s IT industry is considered vibrant compared to other sectors. Without licensing challenges or support for international intellectual property norms, there is a huge opportunity for a bustling local digital marketplace, once the infrastructure allows for it.

*What are the design implications for a base of users who have skipped learning to type and other foundational aspects of digital literacy?*

*What new products and services can be created prior to stable and convenient connectivity?*

# MOBILE 2014

Until recently, mobile adoption rates in Myanmar barely surpassed those in North Korea. The underdeveloped mobile network and prohibitively expensive SIM cards, available in limited (and controlled) supplies, have long stymied growth in this space. The state-owned Myanmar Posts and Telecommunications (MPT) made plays to introduce more reasonably priced SIMs (in 2012, prices fell from about 200,000 kyat (US\$200) to 1,500 kyat), but in 2013 lost its monopoly after Norwegian Telenor and Qatar Telecom's Ooredoo were granted licenses. Significant investment from both of these foreign providers and commitment to introduce 3G services within 2014 are cause for much speculation. Previously, the immature infrastructure left little hope for mobile-enabled products.

But two key developments could signal an opening for new opportunities, including mobile money: President Thein Sein's goal to reach 80% mobile penetration by 2015, and the closing of the current lottery system for SIMs, which has prompted a black market for SIM resale. Cards cost between 60,000 and 120,000 kyat (US\$60-120) on the black market, but only 1,500 kyat for lottery winners. The current and projected regulations in this space could spur dynamic growth and provide a greater opportunity for operators to offer services and products, compared to more tightly regulated sectors like banking.



## RUGGED FEATURE PHONES

Used often by brokers, distributors and those regularly traveling within rural areas who rely on connectivity for their business. Most have extendable antenna for better rural connectivity.

~50,000 - 70,000 kyat



## ENTRY-LEVEL ANDROID SMARTPHONE

In a market currently cornered by Huawei, Android phones are in some cases less expensive than feature phones. Facebook and Skype are popular, however many people use them simply for calls.

~45,000 - 170,000 kyat



## "KEYPAD PHONE" (FEATURE PHONE)

Though connectivity is better than Android phones, keypad phones are losing popularity. Some are WAP-enabled, allowing users to access Facebook, Skype and other supported applications.

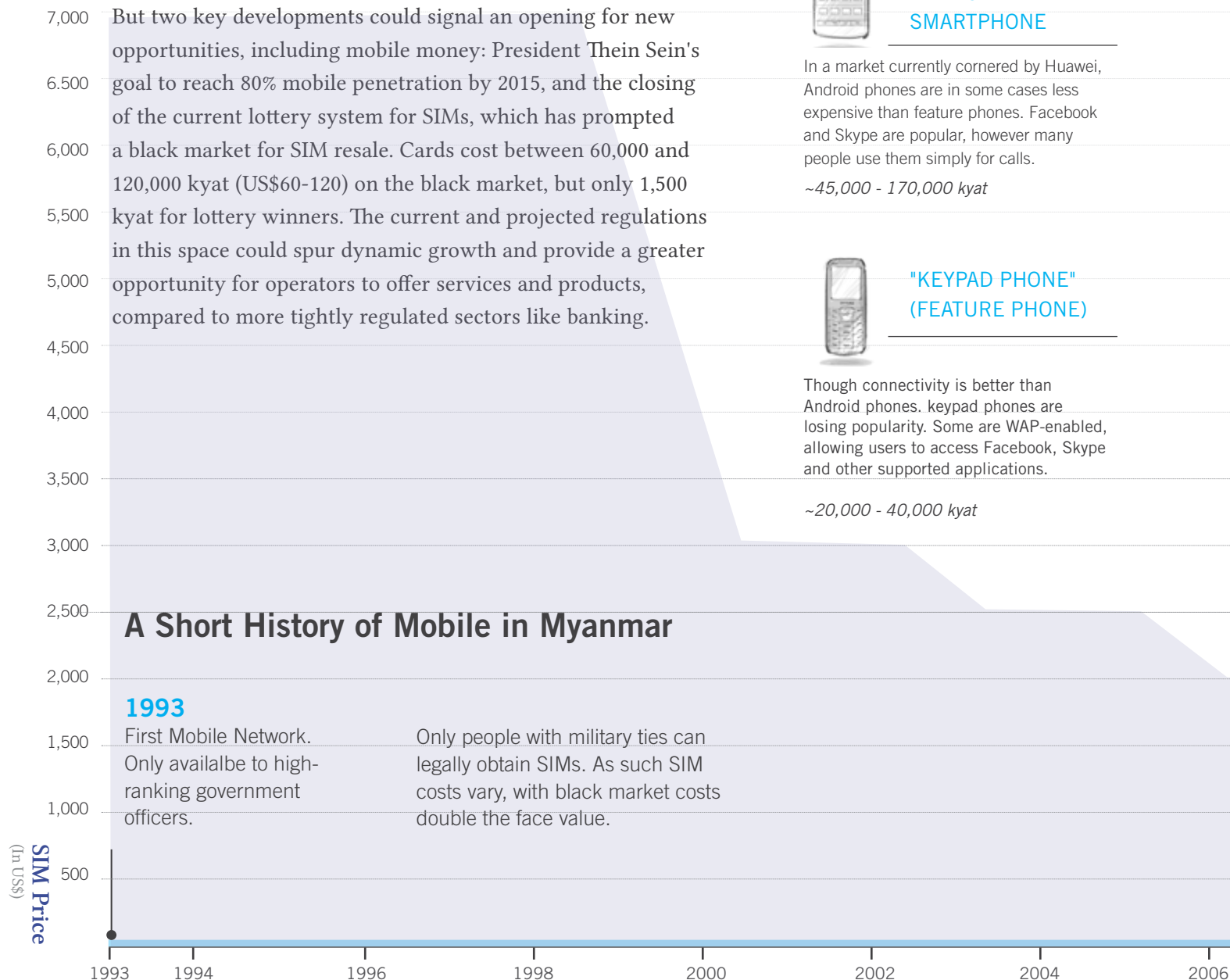
~20,000 - 40,000 kyat

## A Short History of Mobile in Myanmar

### 1993

First Mobile Network. Only available to high-ranking government officers.

Only people with military ties can legally obtain SIMs. As such SIM costs vary, with black market costs double the face value.

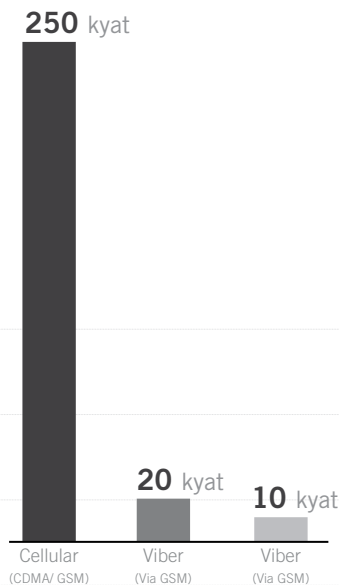




## THE INTERNET ECONOMY: PROMOTING A DATA-USE CULTURE?

Imagine a population of mobile users whose first voice call will be via Viber (a mobile application that uses data to make call and send messages). For operators Telenor and Ooredoo, this is the likely reality, with major implications for their business model and design expectations. The majority of data usage is charged per minute (on mobile networks and wired/satellite internet connections alike), and the future use of applications may depend on pricing plans that continue to offer a lower-cost alternative to mobile or wired services. This makes Myanmar fascinating to watch – a nation that has by-passed fixed line and traditional mobile telephony, and by international standards is considered a nation of early adopters.

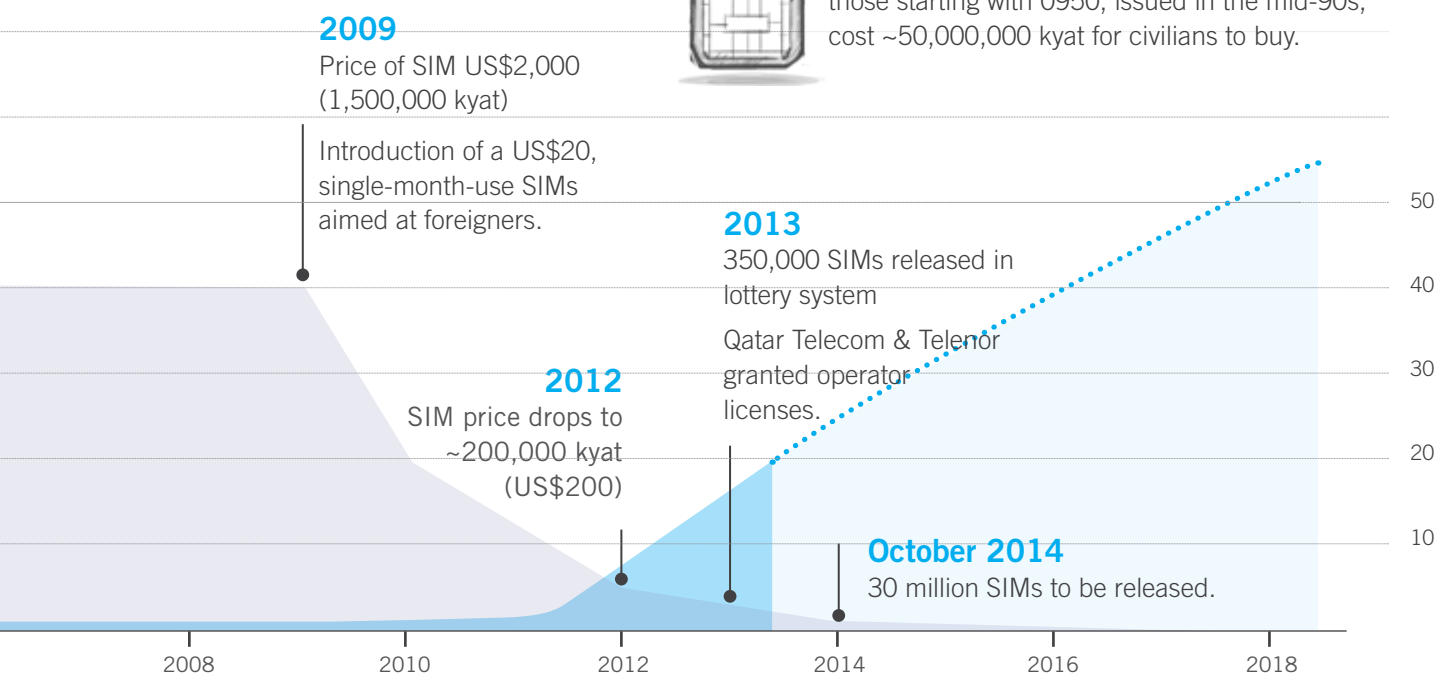
### Cost of a 5-minute Phone Call



Source: Interview with Mobile Shop (ADH F37)



To this day, the original value of a SIM can be determined by its first four numbers. For example those starting with 0950, issued in the mid-90s, cost ~50,000,000 kyat for civilians to buy.



Adoption Rate  
(Percentage of total Population)

Note: Finding official historical costs for Myanmar SIMs proved a confusing challenge - the variance found between media reports was staggering (at times a difference of US\$1500). We learned that this is due both to the lack of a consistent exchange rate between the kyat and USD and (more so) to the prevalence of black market SIMs (based on the difficulty of acquiring one legally), of which prices varied significantly. The timeline included is adapted from a post by Sam Petulla in 2013 [Petulla 2013]. Thank you, Sam.









**INSIGHT 13:**

# EDUCATION PROMISES A BETTER LIFE FOR THE NEXT GENERATION

Children's education is seen as a long-term investment that can give them a better life, off the farm and out of debt. Many parents aspire for their children to reach a certain grade (as low as fifth grade, as high as university). But education is often limited by the quality of teachers and the proximity of schools. In most of the villages we visited, the local schools in the village only teach up to fourth grade. The next level is in another village a few miles away, and high school is often located in city, even further away [IND F07].

Boarding schools and universities are considered the best form of higher education (after secondary school). Distance learning is common in villages and, unlike the developed world's online courses, is done through paper packets and books, with students visiting the university for a few days to take exams. This option is less expensive as minimal time is spent on campus, which makes it a more viable option for farmers or villagers with modest means.

*"I do not want the children to be as poor as us, and working on the farm is hard work. The sun is too hot and bright, no matter whether it is an inland or outland farm". -ADH F13*

*"The village is in a debt cycle, with low education and always borrowing money for crops and not being able to pay them back". -IND M12*

*"I want my children to become schoolteachers or corporate (white-collar) with pen and paper". -ADH F31*



## INSIGHT 14:

# SCHOOL COSTS LEAD FAMILIES TO PRIORITISE ONE CHILD

The high cost of schooling in Myanmar often forces poor families to choose just one child to receive a full education. Boarding schools can charge as much as 1.5 million kyat (US\$1,500) per year, and most distance education costs between 300,000 and 500,000 kyat (US\$300-\$500) a year. The eldest or brightest child is usually given priority. In one instance, a tuk tuk driver [IND M09] told us that he dropped out of school so he could put his younger siblings through school, because they were “good at education”. We heard numerous stories of extended families, great grandparents and siblings all contributing to the education of a single child.

Migrant workers often use their remittances to pay for the school fees and educational costs of their children or siblings. As in many cultures, education achievements are a source of pride. Formal graduation photos were prominently displayed in many of the village homes we visited. Many also posted graduation photos in their places of business, including teashops and provisions stores.

*“My sister and I sell corn at the market every day so that we can put our sister through school. She wants to become a doctor”.*

*-ADH F20*



## FINDING 11:

# THE OUTDATED EDUCATION SYSTEM MUST EVOLVE FOR TODAY'S INTERNATIONAL JOB MARKET

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*“I am not sure what my daughter would do after her graduation. She said she wants a government job. I heard even if someone have a university degree, it is very difficult to get a decent job”* -IND COU06

Many have speculated about, and some modelled in detail (Deloitte/Ericsson 2012), the rise of a new job market in Myanmar. Both domestic and international companies are staffing up and seeking skilled, educated and (preferably) bilingual employees. This presents a tremendous opportunity to develop a middle class in Myanmar. The key question is: Where will these people come from?

Myanmar's education system remains stifled and underdeveloped following decades of military rule. In the late 1980s, the government shut down schools after a swell of student riots sparked the "8-8-88" nationwide uprising. Leaders decided that new colleges and universities should be built in faraway locations, where students' ideas would be slower to spread among the general public. The switch made it harder for people to attend school, and many qualified teachers quit rather than move to isolated and undesirable locations. They began working as private tutors, changed careers or emigrated.

Nearly three decades later curriculums are outdated, and attracting and retaining qualified educators is still a challenge. On top of high school fees of 300,000 to 500,000 kyat (US\$300-\$500) a year, students incur other expenses like food, transport and housing (a sum that is marginally less for students who are fortunate to have relatives in the area). Many graduates in Myanmar find their education doesn't equip them with necessary skills, and they struggle to find work. Employers see a dearth of qualified talent. For instance, some employers found that graduates who earned diplomas in IT still lacked basic computer skills that are standard in most international markets. There are positive signs, however. Since President Thein Sein took office in 2011, spending on education has risen from US\$340 million in 2011 to US\$1 billion in 2013 (DVB 2013), and education reforms are ongoing. Schools are slowly moving back to urban centres. In December 2013, Yangon University reopened its doors to undergraduate students for the first time since 1996.

*How might technology be used to bridge the education gap?*

*Should employers provide in-house education and comprehensive training for employees?*

*How might services such as Massive Open Online Courses (MOOCs) be used to supplement quality education as the local system catches up?*



မိုးမင်း

ပြည်ထောင်စုပြန်ဆိုက်ကော်မရှင်  
ပညာရေးဦးစီးဌာန

မြန်မာတက္ကသိုလ်ရွေးစင်  
နဝမတန်း

GRADE 10

ပြည်ထောင်စုပြန်ဆိုက်ကော်မရှင်  
ပညာရေးဦးစီးဌာန

## INSIGHT 15:

# LOCAL BUSINESSES ARE STRUGGLING TO COMPETE AGAINST INTERNATIONAL COMPANIES

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Merchants in Lashio, once a major trading junction between Myanmar and the often-closed Chinese border, are losing business as more people buy from China directly. Prices and valuations (e.g. of land) are now driven by international investments, and mass Chinese manufacturing is bringing new products to consumers for the first time.

A trader from Monywa [ADH F27] epitomised the risks and opportunities of international trade. She used to sell traditional woven blankets made of beautiful, hand-loomed cotton in stripes and plaids. Customers now prefer the softness and affordability of synthetic, blankets imported from China

In the past, when due to sanctions or border closures international businesses pulled out of Myanmar, local businesses filled the gaps. Now that international companies and products are returning, local merchants are increasingly worried about price competition and access to retail space. Domestic shops often can't compete without access to sources and distribution channels, and they are unable to modernise their services at the same rapid pace as the country's development. As a workshop owner in Pakkoku [ADH M33] told us, "People here can only operate an on/off button. Because the country is so open, the influx of technology is high, but people cannot catch up". Local employers are forced to compete with international conglomerates for employees and labour. In the past, small businesses would have smart and active young employees, but today retaining them is becoming a challenge.

*"Local blankets are warmer, but the Chinese ones are cheaper".*  
- IND M09



Synthetic Chinese blankets threaten the local blanket-weaving industry.







SPENDING, COST *and*  
BUSINESS DECISIONS





## INSIGHT 16:

# MEN HEAD THE HOUSEHOLD, BUT WOMEN CONTROL THE MONEY

---

In Myanmar culture, the husband is considered the spiritual head of the household. In public, women let men lead, often walking a few steps behind. At home, however, the woman controls the family income, and the husband hands his earnings over to his wife. She also often runs a small side business such as a neighbourhood convenience store. (Daw Mya Sein 1958).

We saw this dynamic play out in all of the markets we visited. The majority of vendors were female and managing the business, with minimal involvement from their husbands. In Lashio, we spoke with a female grocer [ADH F11] who said her husband, “does not know about the credits that I give”. In Htin Shuu Myaing village, we interviewed a woman [IND F13] who manages all the accounting and bookkeeping for her Agile Agrarian husband's three businesses. Major household financial decisions are considered a joint decision.

In interviews with couples, women and men equally contributed the conversation. In a few cases, the female participant would pull a team member aside on a pretext to talk separately about “what was really going on” [IND F10] with the family's finances. We also met women in charge of handling the community's money, whether in a monastery savings group [IND GRP01] or a PACT fund savings group. In both types of funds, although loans are taken out for the household, women are usually the only ones present.

Despite women's financial independence, men's public status is still considered important. We interviewed a woman in Namg Laing village [IND F03] whose husband is an alcoholic and, because of his problem, the family is socially separated from the rest of the village. She lamented that life was harder for her because their family was not united with the community.

*“My wife understands the market trends. She calls the shots. I manage the inventory and staff”.*  
- ADH M13





## INSIGHT 17:

# ASTROLOGY AND BELIEF GUIDE LIFE IN MYANMAR

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Myanmar's strong spiritual culture includes not only Buddhism but also unique beliefs like *nats* and "auspicious" days. The idea that a person's future is determined by the day of the week on which she was born. Auspicious days *nats* can supposedly impact the type of business in which she'll prosper and help her find the ideal partner, both in business and in life. Most names in Myanmar are based on a person's special day of the week, in order to invite luck. In some cases, people consider their day of birth an honour, like our administrative assistant who declares "Friday-born" in her email address.

Visiting an astrologer is also very common. Some hold advanced degrees in Astrology and are esteemed for the accuracy of their predictions, achieving high accolades for being sufficiently accurate in their predictions. (The majority of our local team has visited an astrologer at least once and was able to name the famous astrologers

in Myanmar). People often visit astrologers for advice on significant life decisions, such as, "Should I change my job?" or "Should I buy property this year?" While astrologers don't typically give a "yes" or "no" answer, they are perceived to make the transition smoother and in return, the person will do a "*Yadaya*," as a form of gratitude.

A shop owner [IND F16] in Kalaw visited an astrologer when she started her business. Based on her day of birth and her line of business, she was advised to use green and white colours, and was given auspicious days and times for her store opening. The astrologer also approved the name of her store.

A goldsmith [ADH M15] mentioned that his customers believed in lucky charms. "If a monk or an astrologer prescribes a certain mix of metal for good luck, I will make jewelry with exact ratio of different metals such as gold, silver, copper, etc., as prescribed".

*"I believe in astrology, as it has predicted many events in my life, from my job to meeting my husband.*

*It is all fate. I dare not dream in case it never happens. I will just leave it to fate".*

- IND F07



*Case Study:*

# NOVITIATE ORDINATION CEREMONY

*(SHIN PYU AH-HLU MINGALAR)*





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**"We held a novitiate ordination ceremony for our three sons. We spent all the savings. I was overjoyed with pride. I cried."**

*- Ma Nyo*

---





“ We only slept for one hour a day, walked miles to sell the snacks we prepared, and ate sparingly. After four years of such extreme hard work, we held a novitiate ordination ceremony for our three sons.”

- *Ma Nyo*

It has been six years since Ma Nyo [ADH F40], a traditional snack vendor, held *Shin Pyu Ah-hlu*, the novitiation ceremony for her three sons, but she talked about it with such excitement and pride as if it happened just yesterday. The ceremony cost the family 1,700,000 kyat (US\$1,700), which begs the question - why would a family that earns less than US\$10 per day spend so much on one occasion? Without access to formal banking institutions, how did they manage to save their money?

Myanmar's Buddhists, 89.3% of total population (CSO 2014), consider leaving a spiritual legacy to be the greatest gift one can pass on to their offspring. Buddhism teaches that when the Buddha returned home one year after his awakening, Rahula, his seven-year-old son, approached his father to ask for

his inheritance. Buddha had renounced all his worldly possessions before his awakening. If he had remained at home as a crowned prince, Rahula would have been in line to inherit the throne. Without gold, property or power, he gave his son something that he considered far more precious - the Dharma, his teachings to reach "nirvana"<sup>1</sup>. In response to Rahula's request, the Buddha asked for his son to be ordained; rather than receiving the throne, Rahula inherited his father's way of life, a life dedicated to spiritual liberation. (Fronsdal 2014)

Following the Buddha's footsteps, Buddhist parents in Myanmar send their sons to the monastery to be ordained as novices when they are "old enough to scare crows away" - typically seven to eight years old (Gombrich 1998). According to Theravada tradition,



1. Nirvana means a transcendent state in which there is neither suffering, desire, nor sense of self. In other words, it means enlightened awakening or liberation from worldly attachments. It is also known as the greatest happiness and the final goal of Buddhism.









*Drums and other instruments are played, as performers entertain hundreds of villagers.*

becoming a Buddhist monk or novice could be accomplished by undergoing a simple ritual.

Paradoxically, most Buddhist families in Myanmar celebrate the occasion with a brilliant fete. The occasion signifies more than exposing their sons to the basic Buddhist principles that have so deeply shaped their own lives - it is also an opportunity for families to earn social prestige. It is common for families to hold a Donation Ceremony for the novitiation, a multi-day event during which the village (and often neighbouring villages) are invited to be entertained, fed and to donate to the monastery. The celebration can include an elaborate parade (often with the child carried by elephants, horses or by sedan chair), a large and costly communal feast and hired musicians, made possible by meticulous planning and massive community mobilisation.

As Cho Cho Mar [ADH F23], a donation hostess we met in Kaing Pin village, told us, “One thousand guests attended the donation feast! I started saving for this occasion when my elder son was three years old. He is now 11. My duty as a Buddhist parent has been fulfilled”. Cho Cho Mar and her husband, once landless newlyweds, had worked hard for more than a decade. They now have two sons, 11 and 5, and own a small plot of land, a pair of oxen, some pigs and chickens. The novitiate ordination ceremony not only marks their elder son’s coming of age and his first exposure to monastic discipline but also the family’s success.



**“One thousand guests attended the donation feast! I started saving for this occasion when my elder son was three years old. He is now 11. My duty as a Buddhist parent has been fulfilled.”**

*- Cho Cho Mar*

2 The novitiation ritual starts when a novice formally requests a monk of at least ten years' standing to become his teacher. The novice's head is shaved, and he puts on robes. He then recites the formula of going for refuge to the Buddha, Dharma, and Sangha, and takes ten precepts - or rules - of the training. The ten precepts consist of refraining from: Harming living creatures, taking what is not given, engaging in all sexual activity, telling false speech, consuming intoxicants, eating after midday, attending entertainments, wearing jewelry or perfumes, sleeping on luxurious beds, and possessing valuable belongings such as gold. An ordained novice or monk is allowed to possess only eight personal items (pareikaya): Three robes, a girdle, an alms-bowl, a razor, a needle, and a water filter. Buddhist monastic life is a life of austerity and mental discipline.



Fifty volunteers from the village made the four-day event possible. Though the actual novitiation can take place quickly and inexpensively at the monastery, a grand ceremony typically precedes and follows the event. In Cho Cho Mar's case days leading up to the event were spent organising volunteers, renting equipment and planning meals. On the first day, volunteers gathered and set up a *mandat*, a temporary ceremonial structure to host guests. The occasion officially commenced on the second day with a traditional music band entertaining a high-spirited crowd of family, relatives, neighbours and onlookers. On the third day, the young son of the donation hostess was dressed up in a princely costume, as attendants carried gilt umbrellas over him and a group of relatives and friends in their finest clothes accompanied him in the procession to a nearby pagoda. The novice-to-be paid homage to the Buddha, proceeded with the traditional novitiation<sup>2</sup>, and was then ushered to a shrine of the guardian spirit of the village, commonly known as *Boe Boe Gyi Nat Nan*<sup>3</sup>. His departure from the pagoda was followed with a grand feast enjoyed by the entire village. On the fourth day, the head monk ordained the young boy as a novice, followed by a second round of donations to the monastery (the first occurring during novitiation).

With the ceremony over, volunteers broke down the temporary shelter, and returned the borrowed items such as a sedan chair, plates, tables, and decor for *mandat*. Until that

moment, Cho Cho Mar had no idea just how much the event would cost in total. She and her husband had decided to host an extravagant ceremony, no matter how high the price tag.

"I did not know how much it would cost exactly nor how much people in the community would contribute financially to the event," she says. She added up costs – 2,500,000 kyat (US\$2,500) – and settled credits owed as volunteers finished taking down the temporary shelter. Primary expenses were food and a band, with a variety of smaller expenses (including the family's own donation to the monastery). Cho Cho Mar's family had 2,000,000 kyat (US\$2,000) savings, and they expected the rest of the cost would be covered by the community contributions (Kusimba et al. 2013). If the contributions turned out to be not enough as expected, the family was prepared to sell off items of value or go into debt.

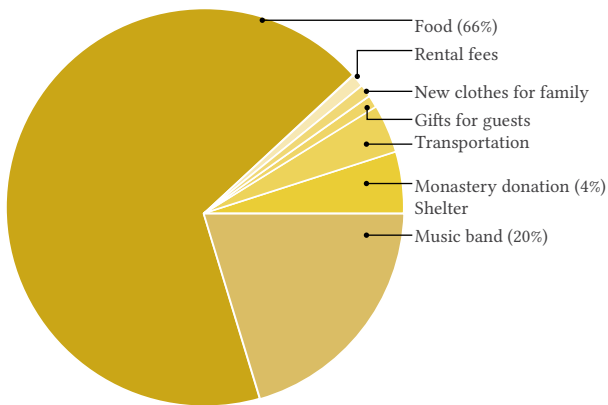
Sharing with community is an essential part of a donation ceremony, as is clearly indicated by the more-than 80 percent of expenses spent on food and entertainment for the whole village tract. In return, it is customary for the whole community, from elders to teenagers, to help without financial compensation. As explained by U Chit, a community leader we met in Shan State, "We work on our farms day in and day out. We are always struggling for our own lives that we do not have much time to interact with others. Only when there is a special occasion like *Shin Pyu Ah-hlu*, the whole community gets together to make the event possible. It strengthens the social fabric in our community[IND M21]."

3. This guardian spirit, also known as a nat, is not affiliated with the Buddhist faith, rather with traditional spiritual beliefs of the Myanmar people. Though Buddhism prohibits such spirit worship, many people still do it as a ritual passed down by their ancestors.



Villagers make a second round of donations to the monastery on the final day of a novitiation ceremony.

#### Primary Expenses Spent On A Novitiation Ceremony



Without access to formal banking institutions, how did they manage to save all that money?

During the seven-week research journey, we met people from all walks of life – from small rural farmers to shop employees to serial entrepreneurs. All shared common traits: among them extreme financial prudence and sheer determination. They also made decisions with a clear purpose in mind.

“When we got married, we inherited nothing. We had no land. We grew our assets steadily and slowly. Both of us worked as daily wage workers on other peoples’ farms. As a first investment, we bought and raised three pigs. Then, we sold them and bought another batch. We kept doing it until we could afford to buy a pair of oxen. If both my husband and the oxen are hired to work on other farms, where we charge 6,000 kyat (US\$6) per day. We continued raising livestock as usual. When we









had enough extra money to buy gold, we did - a small piece at a time. When we had enough gold, we sold it and bought 3 acres of land. In addition to the land we own, we are currently renting 2 acres of land to expand farming.”

Ma Nyo, a snack vendor, saved in three large clay pots hidden in her home. “It took us four years to save 1,700,000 kyat (US\$1,700) for the novitiation ceremony. No one knew we had so much money in the house. My mother was shocked when we told her about the plan.”

Nilar [ADH F28], a masseuse, met her husband-to-be while working at Hotel Aye in a rural

town. He was a security guard. She proudly mentioned that they are a thrifty couple. For them, a bowl of rice and a piece of vegetable fritter was enough. The couple earn 120,000 kyat (US\$120) a month in salary.

Nilar receives tips from her customers occasionally, which she saves religiously. “As soon as my son was born, I started saving for his novitiation. I saved everyday in two saving cans because one was not enough. Every time they got filled up, I opened them and bought a small piece of gold.” She plans to hold the ceremony this year after five years of saving.



The notion of hiding saving in cans at ones' home may seem odd to the younger generation. Yet it is understandable given Myanmar's fiscal and banking history. Though the government has made efforts to reform the banking and financial sector, painful memories of frequent demonetisations from the past and implosion of local banks in 2003 are still fresh in the minds of many. Distrust of authority and formal institutions are ingrained in many individuals, and the current banking sector does not cater to the saving needs of low-income families. Both institutional reform and behavior change will take time.

Until then, in a quest for security in an unpredictable environment, people will save in things they feel they have control over.

Steadily. Slowly.





“As soon as my son was born, I started saving for his novitiation. I saved everyday in two saving cans because one was not enough. Every time they got filled up, I opened them and bought a small piece of gold.”

- Nilar

# DONATION FEAST

## SAMPLE LUNCH SET

### SOUP

- Savory gourd and vermicelli soup with a dash of black pepper or
- Vegetable soup with a crisp citrus note

### SIDE DISHES

- Spicy fried shrimp with garlic and red chillies
- Savoury sun-dried fish fried with julienned onions
- Fresh green mango salad or pickled mango salad with chopped green chillies

### MAIN DISHES

- Pork curry or chicken curry
- Sweet steamed fish with onion, fresh tomatoes and tropical spices

### DESSERT

- Tea leaf salad with sesame, freshly toasted peanut and crispy beans
- Traditional sweet cake made of semolina flour, coconut, palm sugar sprinkled with toasted poppy seeds







## FINDING 12:

# CONVENIENCE TRUMPS LOYALTY WHEN CUSTOMERS CHOOSE A BANK

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Many people who use banking services choose the bank based on convenience. A shop owner in Kalaw, for instance, said she dropped YOMA Bank after KBZ Bank opened a branch across the street from her shop. Even for MFIs, participants use only the ones that are available in the village, often tapping multiple sources for a single purchase. For the most part, financial institutions are still seen purely as sources for money and lack the positive “brand equity” or loyal customer bases that exist in developed markets. There were a few exceptions, however, including a handful of participants who choose to save at banks “without cronies,” including, in their opinion, YOMA and First Private Bank.

In contrast, participants hold a deep affinity for the informal financial institutions they use, particularly faith-based savings & loans organisations.

*How a formal or semi-formal financial institution could embody or reflect astrological beliefs, given their cultural importance?*

*Just as Takaful financial products adhere to the Islamic Sharia Law, could Myanmar financial institutions explore Buddhist or astrology-defined products and services?*

## INSIGHT 18:

# VICES COMMON AMONG MYANMAR'S MEN

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The woman from Namg Laing village, who said her husband's alcoholism had caused her family to be shunned and led her to hide her money, was the only person to acknowledge the problem. Yet with the prevalence of toddy palm wine and other relatively inexpensive alcohol, drinking is widespread in Myanmar.

While men openly drink and smoke, in rural townships and villages there is stigma against women doing the same. In tobacco-growing villages like Tha byay Nyo village, women smoke handmade rolls of tobacco leaves but still eschew cheroots, or cigars.

Betel nut chewing is another pervasive vice in Myanmar. (Heavy users have reddish-black stained teeth and a heightened risk of oral cancer). We were surprised to find that women also frequently chew, though typically only at home.

*"Every day, I buy 500 kyat of betel  
when I pass by the shop". - Grade III  
Student in Pakokku*



These large, hand-rolled cigarettes take a full day to smoke.



## INSIGHT 19:

# DOUBLE STANDARDS EXIST ON GAMBLING

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Winners of the monthly Myanmar lottery are celebrated, with their smiling portraits posted around urban centers. By contrast, Thai lottery gambling is a largely underground activity, run through illegal and sometimes mobile betting stands. The Thai lottery has bi-weekly drawings, that drives many players to spend more than 20,000 kyat (US\$20) per month. They often play a set of auspicious numbers communicated through a medium or village elder. The mobile phone in many ways enables Thai gambling, allowing customers to avoid the stigma of frequenting illegal betting parlours by instantly sending winning numbers over the phone.

*“My husband thinks the Myanmar lottery is not gambling because when you win, it is a lot of money and it is only once a month”.*

*-IND F12*

*“Thai lottery winnings are an example of ‘not peaceful money’. People who win are always rich, but also always worried that they will get in trouble and not have a peaceful mind”.*

*-IND M09*



Myanmar and Thai lottery carts of all shapes and sizes are a common sight in townships and villages alike.

## INSIGHT 20:

# “TEA MONEY” SAVES TIME

Graft, or paying off bureaucrats is accepted as the cost of doing business quickly and efficiently. People can usually pay for an agent to expedite certain processes like registering a car or getting a passport. Time is money in Myanmar, and paying to save time is often justified. For example, in order to get municipal water supplies at our Kalaw Popup studio, our housekeeper paid the local authorities to ensure the water was turned on before the team arrived.

For low-ranking soldiers and police officers, the official salary is insufficient to live on, and it is widely assumed that it should be supplemented by “tea money”.

Participants were naturally wary of talking about paying bribes, both because of how it reflected on them and their country. Most of the examples we heard were told in the third person.

*“I need to follow 'the way' (paying bribes), otherwise I won't be able to get anything done”. - IND M09*



It was recommended that we purchase illegal plates for our motorbike, rather than going through the "official" registration process.



## INSIGHT 21:

# MATERIALISM IS SPREADING

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Myanmar's expanding economy, the relaxing of import regulations and the spread of media and the internet mean that people are increasingly exposed international influence—especially Korean culture. Korean drama series fill the primetime free-to-air evening slots and are popular even in the villages. Many idolise Korean stars, and advertisements often feature Koreans or Korean look-alikes, particularly for beauty products.

Along with this exposure is an understanding and benchmarking of more material pursuits. Wealth is relative to who and what you know, and the latter is changing in Myanmar.

*“The market trend has changed. People have more money. They watch television and they want foreign things. Korean products are popular. People prefer to use Chinese fluffy blankets compared to traditional woven blankets. Girls want Korean make-up”. - ADH F27*







**FINDING 13:**

## A SHIFTING FROM NEED TO WANT

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With materialism spreading, Myanmar people may stop living modestly and start yearning for materialism, which could lead to living beyond their means. The participants we met either borrow necessities (e.g. education, food, crops) or for what they expect to be able to pay back in a timely manner (e.g. inventory, credit for small business investments).

We can only look to developed countries to see how people take on 30 to 40-year loans without batting an eye. Higher purchases and instalments plans for the purchase of household goods and appliances are just beginning to enter the Myanmar vocabulary. We are also seeing AEON Microfinance introducing loan schemes for items such as mobile phones.

*When people start striving for materialistic things beyond their current means, how do financial institutions support discretionary spending and encourage financial planning for a nation's good fiscal health?*



*Case Study:*

# THE BETEL BUSINESS







**"Some say you can't properly speak  
Burmese unless you've chewed the  
betel leaf."**

*- Shway Yoe - The Burman,  
His Life and Notions*

Scattered on the sidewalks of Myanmar are splatters of copper-red goo. To an unassuming visitor, they look like the remnants of a squished beetle, or a small blood stain. After maneuvering around these splats, however, one might eventually come face-to-face with the source: A red-lipped grin filled with blackened, decaying teeth. Around 600 million people worldwide are thought to chew betel, mostly concentrated in South Asia making it the fourth most commonly used psychoactive substance after tobacco, alcohol and caffeinated drinks. (CNN 2013). In Myanmar, the streets are lined with small betel shop kiosks. On a car ride outside of Pyapon, we counted a total of 24 of them along a one-mile stretch of road.

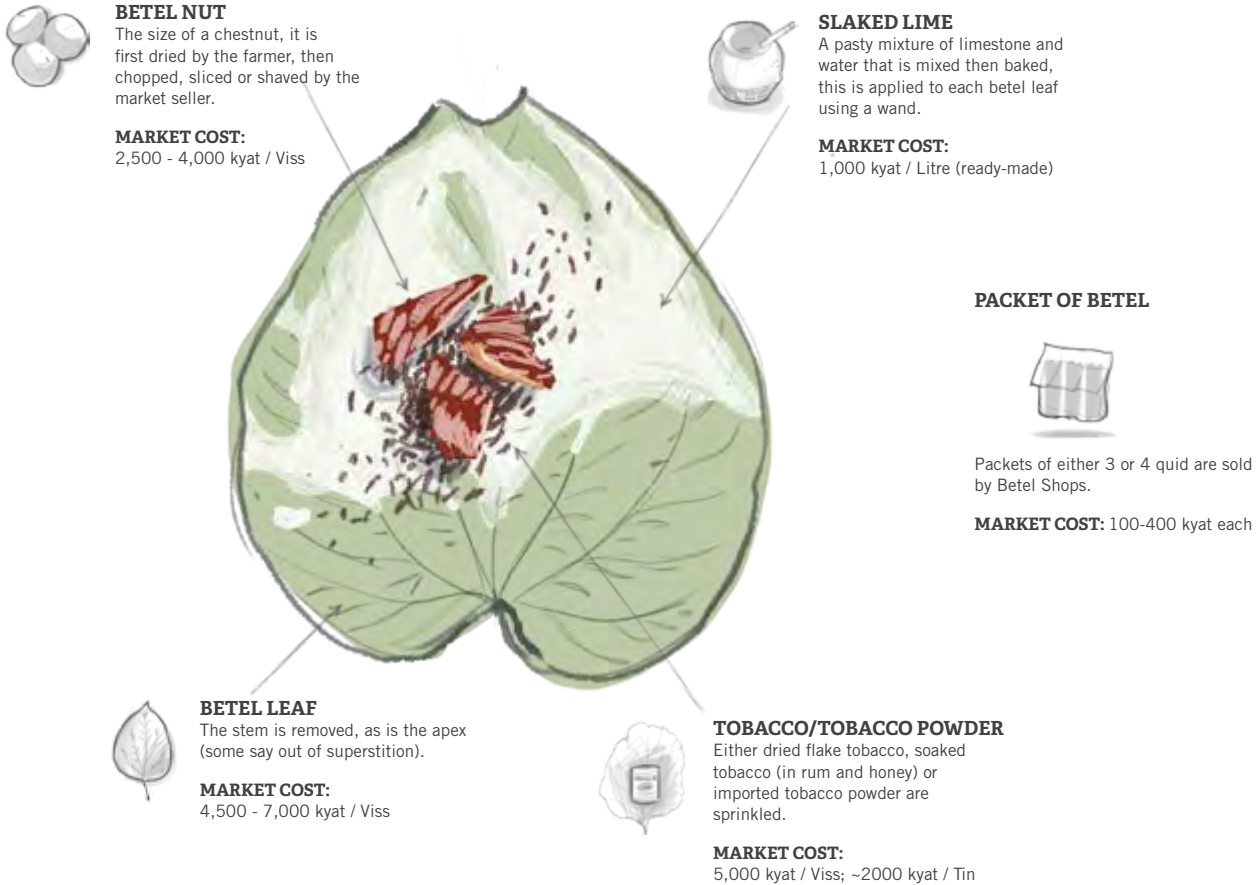
The kiosks sell small packets called "quids," which are typically made of nuts from areca palm trees wrapped in betel vine leaves. Both the nut and leaf are known for their slightly euphoria-inducing, anesthetic effects. While betel quids—also called *kun-ya* and *paan*—are

prepared differently in various Asian cultures, in Myanmar the packets are almost always coated with slaked lime, a paste made from limestone and water, and contain some form of tobacco. For many people, chewing these 2 x 5cm packages is an expensive daily habit.

Important complexities surround the buying and selling of each betel quid component. We've learned that the business of betel involves quite a lucrative and complex ecosystem, full of important nuances and superstitions.



# ANATOMY OF A BETEL QUID (PAAN)



## BETEL LEAF

The betel vine is an evergreen, perennial climber that requires semi-shade and rich soil. Unlike rice paddy, which is usually harvested twice a year, betel leaves can be grown and harvested throughout the year. The yield is about 60 viss (nearly 98 kg, or about 1,700 leaves) every 15 days. Depending on the price of each viss, a betel leaf farmer could gross between 24,000 kyat per month (at 200 kyat per viss) and 720,000 kyat per month (at 6,000 kyat per viss). The fluctuation in price is driven by the supply in the market. A few years ago, a proliferation of betel leaf plantations brought the price down to 200 kyat per viss. As a result, many growers gave up, allowing prices to rise.

## BETEL NUT

The betel nut comes from the areca palm tree, and farmers harvest them once a year. An average farmer harvests 100-200 viss at a time while large farmers usually harvest 600 viss at a time. One viss of betel nut is approximately 300-400 nuts. The farmers typically dry the betel nuts then sell them whole to the distributors or market vendors. The nuts are sold to the distributors/market vendors at the current market price (2,500 – 3,000 kyat per viss) and the distributors/market vendors make 300 kyat per viss through their sales. A price disparity similar to that of the leaf exists for the betel nuts (though this is based on harvest time), causing many distributors to buy when the price is low and store them in warehouses (they can keep for a year). As



an indication of price difference, fresh betel nut are around 50 kyat per fruit in summer and can drop to 5 kyat per fruit during the monsoon (1 viss is 20-25 fresh betel nut fruits).

### SLAKED LIME

The limestone is often sourced from Shan state. It is ground into a powder, mixed with water and baked over a fire to create the paste-like consistency.

### TOBACCO (DRIED OR POWDER)

Tobacco leaves are a common crop in the Dry Zone and are typically added to the quid to enhance the intoxicating affect of the betel. Sometimes, the dried leaves are soaked in rum and honey. In the delta, imported tins of flavoured tobacco powder with names like,

“Queen”, “92” or “100” are added to give the betel quid a little more tasty kick.

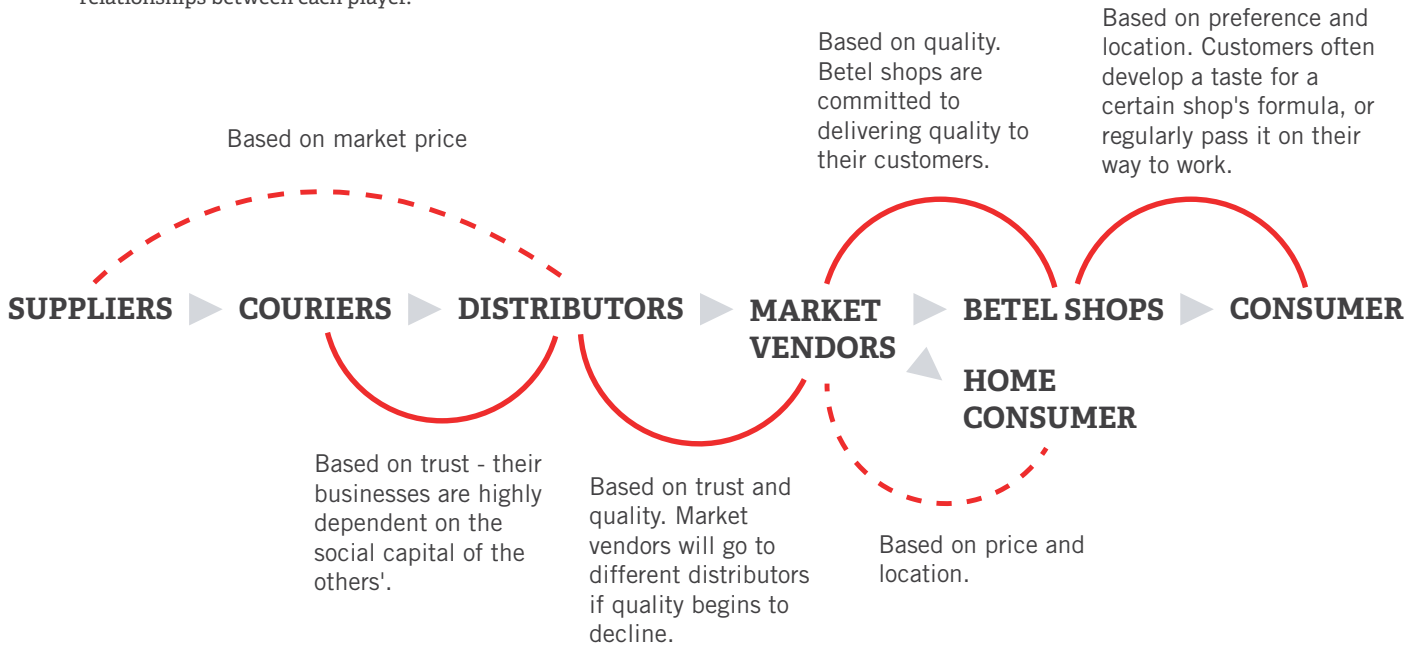
### COURIERS

A courier is used to transport the leaves from the farmers in the village to the distributors in town. The farmers are given a distributor tag, which they tie to their betel leaf basket. The tag has the farmer's name and their crop's weight on it. The courier helps coordinate the payment between the farmers and distributors. Distributors need to have strong relationships with the couriers in order to get the best supply of leaves. The courier usually services 4 -5 distributors and only delivers the goods to the distributor indicated by the farmer. Betel nuts are typically brought from the farmer directly to the distributor



# SUPPLY CHAIN

Relationships and quality are key to operating any betel business. Even when prices are high, vendors are unwavering about the quality they purchase, understanding the relevance of their decision to their customers. Below, you'll see an overview of the key steps in the supply chain of a betel quid, with reflections on the relationships between each player.



or market vendors to sell. The boat courier earns 6,000 kyat per 100 viss of betel leaf transported.

## DISTRIBUTORS/TRADERS

The distributor controls the price of goods in the market. As such, betel leaf and nut farmers call distributors/traders in the city and other townships to check the prices and sell to the one that offers the highest price. These distributors are responsible for the quality of the materials available at a given market, and can tell you in great detail the different vendors to whom they sell, what they seek in product, and who their customers are.

## MARKET VENDORS

Once attained from a distributor, betel leaves are sorted by the market vendor into three different sizes/grades. The first size is small and very soft - it dissolves in the mouth. Though this sounds ideal, it is not preferred by betel shop customers, as it means each

quid is quickly consumed. The second size is considered the best and is used to attract customers to a betel shop. It still has some of the softness of the first size, but the leaf is stronger and slightly bigger, making for a larger and longer-lasting quid. The third size is a crunchier leaf and is mostly used in homes or in rural villages. The market vendor's profit depends on the betel leaf market price. When price is high, stock can require a 500-600,000 kyat daily investment, with the vendor only able to profit 10-15,000 kyat. However when the price is low, a 50-60,000 kyat daily investment can yield a 30-40,000 kyat profit.

The price of cut betel nut depends on the style in which it is cut (which also often gives visibility to the nut's quality). Quality checks of the betel nuts are performed by taking a handful of random nuts and throwing them on the ground to break them. They are then inspected to make sure there are no worm









holes or fungus. At the time of going to press whole nuts are sold at 3,000 kyat per viss, and halved nuts are 3,500 kyat per viss. The betel shops prefer a julienned style which cost 2,500 kyat per viss, while fancy, thinly shaved nuts cost 3,000 kyat per viss. These fancy nuts are preferred by the wealthy for their smoother texture, but taste identical other cuts. A betel nut seller's income is dependent on market price, and as such their profit margin can vary from 3% - 30%. During the 3 months of monsoon, when the market price drops, sellers are more likely to store nuts for sale during more profitable times of the year.

### **BETEL SHOPS**

Betel quid stores are usually found in places of high traffic: tea shops, dockside, markets or busy intersections. A majority of these stores are small stalls, with a small ledge that serves as a work area. Location is key. Customers can pick up ready-made packets with three-four betel quids, or they can buy fresh, custom-made betel quid. Betel shop owners know their customers well and are able to start preparing their custom quid as they see the client approaching the shop. One of the superstitions we heard is that couples have better luck and are likely to be more profitable when operating a betel business, something that was evident with the number of gold bangles on the proprietor's arm. There are many other superstitions around the betel leaf, many of which refer to the leaf being guarded by *nats* and ogres (see below).

### **CUSTOMERS**

Among the most loyal betel chewers are those whose work requires them to be alert and awake such as drivers (tuk tuk, car, bus, trishaw) and day labourers. Betel chewing is essential for drivers to keep awake, and many a car journey will be broken up by the driver stopping to refuel on betel. A strong betel habit costs 2,000 kyat per day. Some stalls



**"The 'best' betel leaf takes a longer time to chew and makes the nut taste better."**

*- Betel Chewer [ADH M44]*

offer customers a small line of credit in the form of a tab. In interviews, some participants called out betel as a separate line-item in their expenses. Adult men, women and children alike chew betel; the youngest betel chewer we met was 7 years old, and his parents provide 200 kyat a day to feed his betel habit. This broad customer base drives quite a lucrative business for popular betel shops. Our owner in Pyapon brings in 50,000 kyat per day, with a net profit of 20,000 kyat per day. The key to her shop's popularity? Some say the secret is in her lime. She, however, is modest, saying that, "Everybody has his or her preferences," and that her formula is no different than anyone else's. Instead, she talks about her focus on getting quality leaves for her shop, describing a direct relationship she maintains with a distributor in another market - hence cutting out the betel leaf market vendor from her supply chain.

Betel shops are more than simply a place to get a quick betel fix. Many operate more like convenience shops - offering a variety

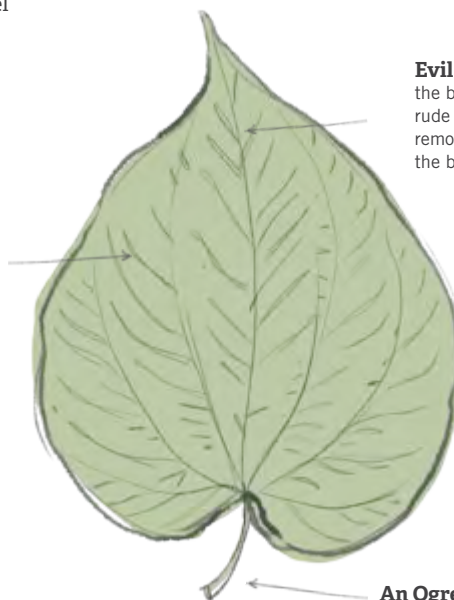
of other goods, from cigarettes to water and in some cases, even pharmaceuticals. They serve as neighborhood social hubs — a place where people (typically men) go to congregate, shoot the breeze, and gossip. Apart from being a social lubricant, betel also serves as part of the welcome custom. A betel-making set is commonplace in every local Myanmar household. Drawing an analogy to smokers who roll their own cigarettes, it is typical for those who enjoy the habit to make their own betel, purchasing each of the ingredients for home use. Along with tea and *Laphet Thoke* (fermented tea leaf salad), betel-making supplies are a common extension of hospitality to guests visiting a Myanmar home.

Our international team members were surprised by the betel leaf's prevalence, its social impact, and its importance in Myanmar culture. We found out from a local traditional medicine man in the village that betel leaves were often used in black magic curses. If you want to curse an individual, there is no better a way to ensure that curse takes

## THE GUARDIANS OF THE BETEL LEAF

The betel leaf is believed to be guarded by a number of *nats*. Those in the betel leaf business must respect every single betel leaf - which is one reason why people avoid stepping on the discarded leaves.

**Kuvera gods** guard the middle of the betel leaf. There are 37 veins in the leaf. Each of the leaf's 37 veins has a meaning, like palm lines on a hand, and can be read as such.



**Evil gods** guard the tip or apex of the betel leaf. They are considered rude and mean necessitating the removal of the apex before preparing the betel quid.

**An Ogre** guards the base (or petiole) of betel leaf.



*In a home at Man Gyi Kone village near  
Pakkoku, our host prepares betel.*

than by cursing the betel leaf, which he will surely consume. The leaf is also believed to have medicinal qualities, which make it a cornerstone for many remedies. It can be folded over medicines and herbs and chewed for a cold or sore throat; administered to the head and temples to relieve a headache; it is even worn by many who have bad eyesight, wrapped around glasses throughout the day or in the evening to improve their vision.

Despite the health benefits of the leaf, the chewing of betel quid is becoming a topic of health concern. In other countries, officials have reported that betel quids are carcinogenic. Additionally, the act of chewing is becoming frowned-upon as tourism and Westernisation increases in these countries; for example, Papua New Guinea introduced a ban on the sale and chewing of areca nuts in the capital Port Moresby, primarily to prevent the red splatters on the ground (CNN 2013). Generally, betel chewing is not seen as something a modern Burmese would do and we've heard stories of government and business conferences banning betel chewing. We wonder if this habit, which struck us as so distinctly Myanmar, will become less and less socially acceptable as the country continues to develop.





# LOOKING AHEAD

After fifty years of military-imposed hibernation, Myanmar is beginning to open up to democracy and globalisation. Located in the fastest growing region of the world (IHS 2014) and strategically positioned between India and China, Myanmar could be poised for great success – provided the nation is able to address the political, economic, and social challenges before it.

While life remains unpredictable for those without military connections or a social safety net, many of our participants were cautiously optimistic about the future. They have experienced first-hand the effects of development, including the positive impacts of infrastructure improvements, open borders and trade agreements, which offer greater access to new markets and enable farmers to boost demand and raise prices for their crops. Participants also recognize the challenges presented by foreign competitors and shifting domestic policies.

The rollout of the two telecom operator licenses to Telenor and Ooredoo will rapidly increase people's access to information and to each other. Lower-priced SIM cards will accompany increased telephone density and SIM accessibility will require an end to the current lottery system – putting more reliable connectivity in reach of the masses. Practices such as device sharing (Chipchase 2006c) and the innovative use of devices and networks to enable free or lower cost use (Chipchase 2007), as well as a robust used phone market and a highly evolved mobile repair and content ecosystem (Chipchase 2006b), all serve to bring the benefits of mobile telephony and data to people with very low incomes, the focus of this study.

Even at this nascent stage, we have seen how mobile access brings people together and narrow information gaps. Myanmar is embracing the Internet as a means of learning, communicating and of self-expression. We found that people are seeking out international news and best practices, based on the questions our participants asked us and the prevalence of news applications on the phones of people with data connectivity. We expect an “Internet honeymoon period” where the benefits of freer expression are seen in the rise of a better-informed and more discerning generation, as well as an increased awareness of global norms that value material pursuits over the spiritual. Given that the same tools can be used to identify and track people, including dissenters of the political status quo, close attention should be paid to how the government uses these tools, how apparent these features are to those that are targeted, and how this affects future Internet use.



While the people of Myanmar embrace convenient and affordable communication technologies, we saw some trepidation as to how the future will pan out. A commonly acknowledged hindrance is the lack of regulations in place. Key powers seem to be genuinely committed to developing the regulatory frameworks needed to responsibly and thoughtfully grow the nation. The current leadership is consulting international heavyweights like the World Bank and IMF for guidance. According to one of our subject-matter experts, “Myanmar is taking it slow, as they want to get it right and do not want to lose their tradition and culture” [SME02]. We have seen how powerful the role of religion and culture have been to the nation’s perseverance, and it is critical not sweep it aside in the name of development.

Stability in Myanmar is by no means a given. Debate continues on the country’s constitution as it relates to national reconciliation amongst the ethnic groups and the ability of certain figures to run for office. Ethnic groups are calling either for broad changes or a complete rewriting of the constitution to create a federalist system that would give ethnic minority states greater autonomy over their own affairs.

The 2015 elections are expected to be milestone in the development of modern Myanmar. There is broad expectation of intense political activity leading up to these elections—that military-affiliated leaders will make the most of current access to resources and power, given the uncertainty of the future, and that political figures will make policy and promises to appease a newly democratised body of constituents.

Land rights remain a thorny issue, though a path to documented and legal ownership is being paved. Many are still skeptical that military land grabs are a thing of the past. Stability of land ownership is crucial and, U.S. President Barack Obama said, “If Myanmar does not protect the land rights of its largely rural citizenry who have laboured for years in their fields with government control of their planting and marketing, and address the further issue of its large population of completely landless rural poor, it cannot build a solid foundation for sustainable development that will lift the country out of extreme poverty” (Obama 2013).

It is no surprise that the nation’s recent stability has been good for foreign investment. Myanmar has made headway in the regional and international economic community and is expected to embrace growth, with a number of international trade agreements signed AFTA (ASEAN Free Trade Agreement) and CAFTA(China ASEAN Free Trade Area), as well Myanmar’s leadership as ASEAN chair in 2014 in the AEC(ASEAN Economic Community).

The U.S. lifted its economic sanctions in 2012 but still maintains a blacklist of cronies who control much of the nation’s industries. Economic cooperation between the U.S. and Myanmar will remain uncertain until power is shifted away from these individuals, or until the U.S. eases its policies.

Impending development of more stable and flexible financial policy is causing “the foreign banks to circle, waiting to come in like planes at Heathrow” [SME05]. The hope is that responsible national policies for international investment will introduce foreign competition that can benefit Myanmar and encourage local companies to start competing at a regional or global level. The Yangon Stock Exchange is slated to launch in 2015, though delays in developing legal frameworks for the operation could cause delays.

While Myanmar has lost millions of workers to migration, some citizens who were educated and trained abroad are returning home — a reverse migration that is contributing to the nation’s growth. Continued foreign and domestic investment (such as the issuance of telecom operator licenses) will continue to draw these individuals back, with promise of not only benefiting their communities but also landing a decent pay check and a promising career path.



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*“There’s an incredible collective desire to catch up, be back in the world and be able to stand proudly. There are a lot of capable people here, not a lot of education, but they know opportunity when they see it.” -SME 05*

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# GLOSSARY OF MYANMAR TERMS AND PHRASES

တစ်သိန်း (Ta Thane)

1 lakh

1 lakh = 100,000 kyat = roughly US\$100

သံသရာကြေး (Thanthara Kyway)

"Samsara Debt"

If you don't pay your debt, you'll become you debtor's servant or their animal in your next life, paying back your debt through service or flesh.

ပိန်အိတ် (Penang Eait)

Woven Plastic Bag

Also known as an onion or potato bag - a durable, woven plastic bag commonly used to carry large sums of money.

လွယ်အိတ် (Lwal Eait)

Shoulder Bag

A cloth, woven over-the-shoulder bag in which people often keep their money. More typically found in villages and rural areas.

ရာဖြတ် (Yar Phyat)

A person who checks the purity of gold

They are able to tell, using a touchstone (and often by weight or by acid), the quality of gold.

စုမဲ/စုကြေး (Su Me' / Su Kyay)

Peer Group Saving (with Lottery)

In this type of peer savings group, members draw numbers to determine who gets the pot on any given month.

ငွေတိုးချေးသူ

(Ngwe Toe Chay Thu, Kyway Shin)

Money Lender (Informal)

Someone who lends with interest, and gives better rates with collateral (such as gold or a motorbike).

မြန်မာစံတော်ချိန်

(Myanmar San taw chain)

Myanmar Standard Time

Give or take 15 minutes.

ပစ္စည်းပို့ (Pyit See Poh)

To send something

၈၁ ပိဿာ = ၁၀၀ ကျပ်သား

၁၀ ကျပ်သား = ၁၆၆ ဂရမ်

(Ta paik Thar = Ta Yar Kyat Thar)

(Ta Sal Thar = Ta Yar Chauk Se` Chauk Gram)

100 Tical = 1 Viss,

10 Tical = 166 Grams

## ထေရဝါဒ ဗုဒ္ဓဘာသာ

(Htayarawara Buddha Batha)

### Theravada Buddhism

Theravada Buddhists accept only the historical Gautama Buddha and past buddhas.

## မဟာယန ဗုဒ္ဓဘာသာ

(Mahayana Buddha Batha)

### Mahayana Buddhism

Mahayana Buddhists accept, besides Sakyamuni Buddha, other contemporary buddhas like Amitabha. Medicine Buddhas are also very popular.

## လားလေးရန်မလို (Lat Pay Yan, Ma Lo)

### If bribe is paid, no animosity is necessary.

This statement, which has dual meanings, is posted at police stations and government staff offices. See the other meaning below.

## လားလေး၊ ရန်မလို (Lat Pay, Yan Ma Lo)

### It is not necessary to pay bribes.

## မင်္ဂလာဆောင်ရာသီ

(Mingalar Saung Yarhi)

### Wedding Season

Late October through June

## အားနာတယ် (Arr Nar Tal)

### Feeling sorry

A difficult emotion to describe in English, the best we could do was "feeling bad, but not knowing how to say so." This apologetic emotion can sometimes be mixed with shame, discomfort, awkwardness or guilt.

## ဆယ်နှစ်ပွဲ ဈေးသည်

(Sat Hna Pwe` Zay Thal)

### Traveling vendor/salesperson

People who migrate without family because of circumstance and opportunity elsewhere.

## သင်္ကြန်စာ (Thingyan Sar)

Myanmar New Year Astrologers' prediction

## တာနောယက္ခ (Tar Naw Yat Kha)

### A betel leaf guardian

The petiole (base) and apex of betel leaf are always removed, because it is believed that these parts are guarded by powerful giants or ogres.

## ရွာမျက်နှာဖုံး (Ywar Myat Hnar Phone)

### Village's face/icon

A person or family, whom everyone knows within the village, is respected amongst the community and is often the first visited by officials or guests.

## နေပြန်တိုး (Nay Pyan Toe)

### Daily Interest Rate

## သီးစား (Thee Sar)

### Landless, but I can work

## ချိုချိုမာ၊ တင်တင်လှ

(Cho Cho Mar / Tin Tin Hla)

### Old Lady

## သစ်ထူးလွင် (Thit Htoo Lwin)

A famous Myanmar Blog  
www.thithtoolwin.com

## မဒ္ဓိမပဋိပဒါ (Mizzima Patipahta)

### Middle Way

Fundament to a traditional Burmese lifestyle; A path of moderation, away from the extremes of self-indulgence and self-mortification.

## ကောဇာသက္ကရာဇ် (Kawzar Thatkarit)

### Myanmar Calendar

Based on the Lunar calendar. The Gregorian year in which this report was written (2014) covers the end of Myanmar year 1375, and the beginning of 1376.

## တန်ခူး (Tagoo)

### First month of Myanmar Year

In 2014, the Myanmar New Year falls on 17th April. It coincides with the Thingyan (water festival).

## ကဆုန် (Ka-sone)

### Early Monsoon month (second of the year)

Time based on when Buddha was born, the departure of Prince Siddhartha, awakening, and Parinirvana. Starts when it's still the hot season.

## တန်ဆောင်မုန်း (Ta Saung Mone)

After Monsoon month (eighth month of the year). In 2014, falls on Oct 23–November 21.

## သူဌေး (Tha Htay)

### Rich Man

## ဆန် (San)

### Rice

## စပါး (Sabar)

### Paddy

## ရှင်ပြုပွဲ အလှူ (Shinpyu Ah Hlu)

### Novitiation - for boys

## (ရှင်ပြု) နားသပွဲ အလှူ

(Nartha Ah Hlu)

### Novitiation - for girls

## ကုသိုလ် (Ku Tho)

### Merits

The positive outcome of doing a good deed.

## နတ်သား၊ နတ်သမီး

(Nat Thar, Nat Thamee)

### Nats (Male, Female)

Spiritual guardians - of which there are numerous. Nats vary per region, and are appeased through custom and ritual, as to not grant harm.

## ကျပ် (Kyat)

### Kyat

## ရွှေ (Shwe)

### Gold

## မြေ (Myay)

### Land

## ယတြာ (Yadayar)

### Good deed

Associated with astrology (and birth day of the week), these are things that must be done to stay in good fortune, such as sweep the pagoda, or feed the stray dogs.



ပိုက်ဆံ (Pike San)

Money

ပေဒင်ဆရာ (Baydin Saya)

Astrologer

ရွာလူကြီး (Ywa Lu Gyi)

Village Head

သီးနှံ (Thee Hnan)

Crops

ပဲ (Pe `)

Bean

နွား (Nwar)

Cow

ကျွဲ (Kywe)

Buffalo

အတိုး (Ah Toe)

Interest

အလှူ (Ah hlu)

Donation

အလှူရှင် (Ah Hlu Shin)

Donor

ရွာ (Ywar)

Village

ကုန်သည် (Kon The)

Trader

ကွမ်း (Kwan)

Betel

ကွမ်းယာဆိုင် (Kwan Yar Sai)

Betel Shop

ထန်းညှပ်ခဲ (Hta Nyat)

Palm Candy

လက်ဖက်သုတ် (Laphat Thoke)

Tea Leaf Salad

တောင်သူ (Taung Thu/ Lal Tha Mar)

Farmer

ဈေးသည် (Zay the)

Market Vendor

လက်ဖက်ရည်ဆိုင် (Laphat Ye ` Sai)

Tea Shop

အပ်ချုပ်ဆိုင် (At Choke Sai)

Tailor

အလှပြင်ဆိုင် (Ah Hla Pyin Sai)

Beauty Palor

စားသောက်ဆိုင် (Sar Thauk Sai)

Restaurant

ဆိတ် (Saik)

Goat

ကြက် (Kyat)

Chicken

ဟင်းသီးဟင်းရွက် (Hin Thee Hin Ywar)

Vegetable

ပြောင်း (Pyaung)

Corn

မြေသုဇာ (Myay Aww Zar)

Fertiliser

အပေါင်ဆိုင် (Ah Paung Sai)

Pawn Shop

ဆိုင်ကယ် (Cycle)

Motor Bike

စက်ဘီး (Sat Bee)

Bicycle

ပွဲစား (Pwe Sar)

Broker/ Agent

မုတ်သုန်ရာသီ (Moat Thone Yarhi)

Monsoon Season

သစ်သီးသည် (Thit Thee The)

Fruit Vendor

# WHAT THINGS COST

## Exchange Rate

(AS OF MARCH, 2014)

**US\$1 = 975 MMK (Myanmar kyat)**

100,000 kyat = 1 lakh = roughly US\$100

## Common Items

Bowl of noodles	500 kyat / bowl
Coffee (Nescafe) Pre-mix	2,600 kyat / pack (30pcs)
Sachet of Soap	50 kyat / pack
Betal Nut	3,500–4000 kyat / viss
Mandalay Beer 1L (Domestic)	1,200 kyat / bottle
Chang Beer 1can (Import)	500 kyat / can
Grand Royal Whiskey 1L	2,100 kyat / bottle
Car battery, 50AH (for home or business)	55,400 kyat
Solar panel, 100 Watt	70,000 kyat
Water Buffalo	10–20 lakhs
Fighting cock	50,000 – 500,000 kyat
Bus (Yangon to Pyapon)	3,000 kyat
Share Taxi(YGN to Pyapon)	3,000–4,500 kyat
School uniform	5,000–1,0000 kyat
Pencil	50–100 kyat
Photo Studio Portrait	8,000 – 10,000 kyat
Flight (Air Bagan, Yangon to Mandalay)	68,000 / 110,000 kyat (local/foreigner)
Train (2nd class ticket, Yangon to Mandalay)	5,000 kayts
Locally crafted blanket	7,000–8,000 kyat / pcs
Fluffy blanket from china	8,000–1,5000kyat / pcs
Novitiate Donation Ceremony	1–25 lakhs



Daily donation to monk	200–1,000 kyat
Visit to the monastery (locals)	free
Normal delivery at government hospital	1.5–2 lakhs
Cesarean delivery at government hospital	3–4 lakhs
Visit to a health clinic	2,000–3,000 kyat
Fake DVD	500 kyat
Longyi (daily)	2,000–20,000 kyat
Tailor	5,000 kyat / blouse
Hair Wash	2,000–6,000 kyat
Massage	4,000–10,000 kyat
Cost for Astrologer	5,000 kyat (or open donation)

## Common Food Items

Monhinkar	200–250 kyat
Samusa	50 kyat / pc
Ei kyar koy	100 kyat / pc
Tea	200–300 kyat
Betel leaf	4,500–7,000 kyat / viss
Milled rice (Nga Sein)	850 kyat / pyi
Milled rice (Lone Thwal Mhway)	1,000 kyat / pyi
Milled rice (Bay Thwal Mhway)	1,800 kyat / pyi
Palm cooking oil	1,800 / viss
Peanut oil	2,500 / viss
Onion	800–1,000 kyat / viss
Salt (1 pack / 320 g)	100 kyat
Chicken	6,000 kyat / viss
Pork	7,000 kyas / viss
Egg	100–150 kyat / pcs
Coconut	500–600kyat / pcs
Tea leaf (for Salad)	2,000 kyat / viss
Betel nuts	3,500–4,000 / viss
1 pack betel (Kalaw)	200 kyat / 5 pcs
1 pack betel (Pyapon)	200 kyat / 6 pcs
Drinking water 20L	500 kyat

## General

Petrol	815–1000 kyat / litre
Diesel	940 kyat / litre
Electricity rate(houseold)	50 kyat / units
Electricity rate(Industrial)	100 kyat / units
Candle	100 kyat / pcs
Gold (Academy)	689,500 kyat / kyattha
Gold (Aung Thamadi)	688,500 kyat / kyattha
Gold (Dingar 15 PeYe)	649,000 kyat / kyattha
Gold (Dinger)	627,000 kyat / kyattha
Thatch roof (3' x 1' sheet)	300–500 kyat
Zinc roof (6' x 2.5' sheet)	4,200 kyat
Labour Cost (Dryzone)	2,000 kyat / day
Labour Cost (Delta)	3,000–5,000 kyat / day
Labour Cost (Shan)	5,000 kyat / day

## Measurement Conversions

*1 pyi = 2.7 quarts*

*1 kyattha = 1 tical = .576 ounces*

*1 peittha = 1 viss = 3.6 pounds*

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# TEAM MEMBERS



## Aung Ko Ko

**Co-leader, Product Design Team**  
Proximity Designs

Aung Ko Ko is a co-leader of the product design team at Proximity Designs in Yangon. Educated in Myanmar, he has over a decade of technical and management experience working in Singapore and Malaysia. In 2008, Aung moved back to Myanmar and joined Proximity Designs as a senior product designer. For the past five years he has learned, implemented and taught design thinking and built a world-class design team working in challenging contexts. His primary roles include managing the design lab space, prototyping, vendor relations, and communication between other teams in the Proximity supply chain. He has played a critical role in launching three unique agricultural products across Myanmar.

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## Yin Yin Oo

**Graphic Designer**  
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Yin Yin Oo is a graphic designer at Proximity Designs. She is responsible for the branding and creation of printed and digital assets for Proximity and Proximity's many products (such as Yetagon). A graduate in physics from Myanmar, she has established herself as one of the foremost design professionals in the country. Before joining Proximity, she worked on branding and graphic design for the Telephone Directory and Official Yellow Pages, Singapore-based Ezi Printing Co. and on both design and fieldwork with Population Services International.

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## Su Mon

**Social Impact Manager**  
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Su Mon is a researcher based in Yangon. As the Social Impact Manager of Proximity Designs, she leads a dedicated team of researchers that conducts comprehensive assessments of Proximity's work on rural household incomes, as well as the socioeconomic impact of its activities. She holds a master's degree in international development from the Georgetown University School of Foreign Service in Washington, D.C., and a bachelor's degree in economics and finance from the College of Saint Elizabeth. Su Mon grew up in a small town in the Ayerwaddy Delta, where her family still lives and operates an ice business.

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## Venetia Tay

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Venetia is a strategist at frog and conducts research on user needs and market opportunities to envision new solutions with strong business sensibilities. She thrives on working with multi-disciplinary teams to create experiences that resonate with people and challenge businesses to think ahead. She has spent the last decade developing brands and experiences across Asia Pacific and the United States in various industries and is passionate about the financial inclusion space.

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## Jim Taylor

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Jim is the Co-founder and CEO of Proximity Designs. He has created internationally-recognised social impact businesses in agriculture, financial services and renewable energy that serve rural families across Myanmar. He has been a resident in Myanmar since 2004.

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# ORGANISATIONS



proximity

## Proximity Designs

Proximity Designs is an award-winning, social enterprise based in Yangon, Myanmar. We design and deliver affordable, income-boosting products and services that complement the entrepreneurial spirit of rural families.

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## frog

frog is a global product strategy and design firm. We work with businesses to drive innovation, identify opportunities, and design meaningful products and experiences that grow brands and delight customers.

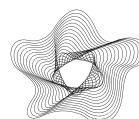
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## Studio D Radiodurans

Studio D Radiodurans is a research, design and innovation consultancy that specialises in understanding consumer behaviour in emerging markets. We translate insight into actionable opportunities.

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**IMTFI**

INSTITUTE FOR MONEY, TECHNOLOGY  
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## IMTFI

The IMTFI's mission is to support research on money and technology among the world's poorest people: those who live on less than \$1 per day. We seek to create a community of practice and inquiry into the everyday uses and meanings of money, as well as examining the technological infrastructures being developed as carriers of mainstream and alternative currencies worldwide. Money costs money for people who are extremely poor and who have limited or no access to banks or credit. For many of the world's poor, fees for financial services and transactions seriously limit their ability to use or share what little money they have.

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# COLOPHON

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