MYANMAR Case Study

ASSOCIATION OF ASIAN CONFEDERATION OF CREDIT UNIONS:

FOSTERING SAVINGS AND CREDIT COOPERATIVES IN MYANMAR

By Eleonora Gatti

Introduction

United Nations Capital Development Fund (UNCDF) is the UN's capital investment agency for the world's 48 least developed countries. It creates new opportunities for low-income people and their communities by increasing access to microfinance and investment capital.[1]

UNCDF *MicroLead* Expansion supports the development and roll-out of deposit services by regulated financial service providers in 21 countries. The programme offers grants and loans that incentivize leading providers to start up new, or strengthen existing, financial institutions that target low-income people.[2]

MicroLead Expansion in Myanmar is a 4-year (2014–2017), US$7-million programme funded by Livelihoods and Food Security Trust Fund.[3] *MicroLead* supports two southern microfinance market leaders to greenfield in Myanmar in addition to working with a regional association of credit unions to create new rural savings and credit cooperatives (SCCs). Association of Asian Confederation of Credit Unions (ACCU) is one of *MicroLead*'s three implementing partners in Myanmar.[4] By the end of 2017, *MicroLead* will increase sustainable access to appropriate, demand-driven and responsible financial services (with a focus on savings) to more than 100,000 low-income people in Myanmar, half of whom women and half of whom in rural areas.

This paper is one in a series of financial inclusion knowledge products written by UNCDF, and it sits within the scope of UNCDF *MicroLead* Expansion programme in Myanmar. The series is written to inform the reader on the financial behaviour and preferences of low-income people, development of financial products, management of financial services and financial service providers' greenfield operations in Myanmar.

Aims and objectives

Creating a new, modern cooperative brand
This paper showcases the successful Asia-wide ACCU model of creating savings-led financial cooperatives and how SCCs can function in Myanmar as an alternative to the traditional Myanmar cooperative movement.

South-south cooperation
The paper aims at contributing to the modernization of the cooperative sector in Myanmar by demonstrating how the Myanmar cooperative sector can renew itself by benefitting from the rich and successful experience of cooperative credit unions in the Association of Southeast Asian Nations region.

Development partners' coordination
The paper ultimately aims at coordinating efforts of development partners that are working in Myanmar. As well as the ACCU model, the paper briefly showcases three examples of international development projects targeted at modernizing the Myanmar cooperative sector.

1 See www.uncdf.org
2 See www.uncdf.org/en/microlead
3 See www.lift-fund.org
4 See http://www.aaccu.coop

ACCU history

Credit unions are a worldwide financial inclusion movement created with the intention of developing human and social capital using the core principles of self-help, self-governance and self-responsibility.

F. W. Raiffeisen, one of the founders of the credit union movement, strongly believed that 'there is a connection between poverty and dependency and in order to fight poverty one should fight dependency first.'[5]

The mission of ACCU (a regional member-based organization of credit unions and cooperatives in Asia) is to help people improve their lives thanks to affordable financial services provided by a network of sustainable credit unions across Asia.

ACCU today is an emergent leader in the financial sector in Asia. In its 45-year history, ACCU has become an impressive network of sustainable credit unions across 25 countries in Asia, representing more than 32,000 credit unions and 44 million individual members.

ACCU plays a vital role in the development of regional credit unions as respected community-based financial institutions. The history of ACCU dates back to 1971, when delegates from nine parts of Asia convened and took the first steps towards creating a confederation of credit unions whose mission was to support member credit union federations and their affiliates.[6] Hong Kong, Japan, Philippines, Republic of Korea and Taiwan became the founding members of the Confederation. In May 1971, at the World Council of Credit Unions' Fourth Regional Training Conference, ACCU was officially accepted to the worldwide credit union movement.

ACCU promotes and provides technical assistance to credit unions in 'economies in transition' to assist in strengthening and consolidating their operations. ACCU has provided its support in countries such as Cambodia, Mongolia, Timor-Leste and, since 2014, Myanmar. ACCU introduced Credit Union Microfinance Innovations (CUMI) in 1995. It has reached 4 million low-income people from its member organizations in Asia.[7]

ACCU and UNCDF partners in Myanmar

The vision of *MicroLead* is to increase sustainable access to responsibly delivered financial services, with a focus on savings mobilization.

ACCU *MicroLead* Expansion programme in Myanmar aims at promoting modern cooperative institutional development and modern professional cooperative management.

The cooperative approach is an excellent approach to foster savings and to ensure long-term local ownership of financial institutions. *MicroLead* has partnered with ACCU to deliver affordable savings and loan products to 350,000 low-income people in Myanmar. ACCU will facilitate the establishment of 25 financially sustainable SCCs in Myanmar by the end of 2017.

The self-help group (SHG) approach used by ACCU (i.e., CUMI) is not entirely new to Myanmar, where many other traditional informal peer-saving and lending groups such as rotating savings and credit associations (ROSCAs) exist.[8] The history of Myanmar is rich in examples of informal financial institutions perfectly integrated into the social and cultural fabric. The SCC model of ACCU departs from the traditional Myanmar cooperative model in a number of ways, yet it maintains some of the self-help and self-determination characteristics of the informal financial groups (see **table 1** for a comparison).

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5 Rabobank Nederland Coöperatie en Bestuur AB, *Raiffeisen, levensroman van een groot pionier*, 7th ed. (The Netherlands, 2005).

6 Examples of support include providing training programmes, offering technical support in feasibility studies, developing institutional growth development plans and providing legal assistance.

7 Association of Asian Confederation of Credit Unions, 'Statistical Report 2013' (forthcoming).

8 Jan Chipchase and others, Afford Two, Eat One: Financial Inclusion in Rural Myanmar (n.p., 2014). Available from http://static1.squarespace.com/static/534bf494e4b06a4afe162e21/t/53a8ff12e4b0c510a5452683/1403584274616/AffordTwo%2CEatOne-FinancialInclusionInRuralMyanmar.pdf

Table 1
Government cooperatives versus ACCU savings and credit cooperatives

Government cooperatives	ACCU savings sand credit cooperatives
Government directed	Autonomous
Membership by invitation	Membership open to all
1 cooperative=members from many villages	1 cooperative=members from 1 village
Membership by employment type (e.g., farmer coops)	Membership open to all
Governance by appointment	Governance by election
No leadership accountability	Supervisory committee oversees board of directors
Authoritative decision-making	Democratic decision-making
Purpose is to disburse Government funding	Purpose is to establish a sustainable business
Volunteer managing director	Professional general manager

Note: The above comparison is a simplification of both cooperative models.

ACCU SCCs are envisaged to be savings-led, member-owned, member-led and operated for the purpose of promoting thrift, promoting savings and providing credit at competitive rates. ACCU SCCs aim to 'improve the moral and physical values of people, and their will to act for themselves.'[9]

ACCU approach

The ACCU methodological approach (i.e., CUMI) is built on four pillars: financial education, savings, credit and support service. This approach builds on the following premises:

1. Recognizing that the poor do save and that **savings** are an important financial instrument to build long-term financial resilience both at the individual and the community level.
2. Recognizing that the very process of creating **SHGs/solidarity groups** is in itself an empowering process for the community. SHGs provide a space where credit union members can foster their sense of responsibility for the community and develop a stronger sense of belonging to the community. The group joint liability on loan repayment works as a catalyst for members to inspire each other and share ideas on how to improve their respective businesses.
3. Recognizing that financial inclusion is just one 'brick' in the entirety of economic empowerment of individuals. **Training and capacity-building programmes** (financial literacy, leadership, business development and financial management) are a major economic empowerment accelerator.
4. Recognizing that cooperatives should be entirely managed by the local community and that they can give opportunities to those with lower levels of education and women to take leadership and managerial roles within the SCCs.

Building the capacity of individual members and fostering a network of SHGs contribute, at the same time, to individual economic empowerment as well as to stronger local governance.

The ACCU savings-led community bank, where credit is not a right but a privilege after every member has contributed savings to the bank, allows each individual to focus on his/her own growth and progress but at the same time allows the community to grow—thanks to the bond of shared achievements. Over time, greater community bonds reduce the potential for local conflict.

When credit unions are successful, they function as intermediate structures between individual members and the state, acting as a socio-economic net that positively reinforces good governance at the village level. The bonds of trust amongst villagers, and between the villagers and the overall community, are strengthened. This financial self-reliance at the village level allows communities to establish a level of autonomy and independence.

9 "Credit Unions must not confine themselves to granting loans. Their main objective should be to control the use of money, to improve the moral and physical values of people, and their will to act by themselves."(F.W. Raiffeisen, 1818-1888), as cited here: Ranjith Hettiarachchi, 'Microfinance as a Vehicle to Create a Platform for Ownership of Financial Institutions by the Poor: Cooperative/Credit Unions Prospect,' presentation at Global Microcredit Summit 2011.

ACCU operates in two regions in Myanmar: Bago and Ayeyarwady. The project's geographical scope was identified in close coordination with officials from the Government's Cooperative Department.[10] Based on their lack of formal financial institutions and formal savings products, 136 villages across 16 townships were selected to participate in the project (see **table 2** for more details).[11]

Table 2
ACCU-*MicroLead* project achievements, as of 2014

	Number of households reached	Number of cooperatives established	Number of cooperative members	Deposits (US$)	Loans outstanding	Average monthly savings (US$ equiv.)
Bago	1,324	8	1,477	40,749	65,657	$25
Ayeyarwady	948	9 (of which 5 are registered)	3,683	36,815	37,376	$67

The comparison in **table 1** illustrates that government cooperatives are essentially top-down management structures implementing directives from the central government, which has been an established culture in Myanmar since 1904.[12] The credit union movement grew up in very different circumstances in Europe in the 19th Century, where self-reliance and community resilience were values celebrated and nurtured by mainstream governments. The question, then, for the people of Myanmar is whether they will take to the self-reliant, autonomous village bank model.

The following two sub-sections describe a theoretical structure for how SCCs should be established and run. Interspersed in the structure's description are quotes taken from interviews with ACCU SCC members and staff. In essence, the sections compare the theory of the ideal SCC structure against the actual understanding of members who have been involved in ACCU SCCs in Myanmar for nine months prior to the interviews.

The process of establishing brand new SCCs is effort-intensive and multi-phased. The first two years of this process are focused on the following:

1. Developing the SCCs as formal financial institutions, and
2. Training willing villagers on how to professionally run an SCC.

Developing cooperatives as formal financial institutions

Building a solid village foundation: Cooperative institutional development starts with the establishment of a solid relationship with local village authorities to get their buy-in and necessary approval to operate in their villages. Next the first motivational meeting is organized, where the village head, community leaders and township cooperative officers are introduced to a new cooperative model. Subsequent village motivational meetings are organized and willing villagers become the first members of SHGs and the promotion committee. Members of the promotion committee, with support from ACCU staff, are tasked to find committed villagers to become cooperative members. Potential members are invited to take part in a series of motivational meetings in which the benefits of becoming a member as well as the functioning of an SCC are presented (see **figure I**).

During an interview, ACCU Myanmar Project Manager, Ranjith Hettiarachchi, said initial enthusiasm was surprisingly good, with villagers in both regions showing strong interest. Within the first six months of project implementation, 28 total motivational meetings were organized and attended by over 1,500 villagers.[13]

10 See http://www.myancoop.gov.mm/en/?q=CooperativeDepartment/Brief-History-of-Co-operatives-Department
11 'ACCU Market Study Myanmar' (internal document, 2014).
12 In 1904, cooperatives were first introduced with the signing of the Indian Co-operative Societies Act.
13 Interview with Ranjith Hettiarachchi by author on 12 March 2014 in Pathein, Myanmar.

Figure I
ACCU promotional poster: Benefits of joining a cooperative

Fostering motivated, knowledgeable, self-reliant members: The focus of ACCU is on fostering self-reliant cooperative members. The creation of SHGs is at the heart of the institution-building phase. Each SHG is ideally composed of members (5–12 people) from a similar economic group and from the same geographical area. Family relatives are advised to become members of different SHGs. Recruited members are generally entrepreneurial but low-income: mobile vendors, small restaurant owners, tailors, local artisans, etc.

During an interview, Aye Su, general manager of one of the Bago SCCs, said, "Creating the self-help groups has been successful. Myself along with other villagers would like to become village leaders in the future." [14]

SHG members are trained on cooperative values, savings and loan products, SHG functioning, family budgeting and business development. During this phase, each SHG elects its leaders, who will change every six months. Each SHG member makes a commitment to save weekly a minimum amount of K300 (US$0.30) and to purchase weekly at least one cooperative share at a cost of K500 (US$0.50).[15]

The SHGs are organized to inculcate the values of self-help and mutual help to members. The groups undergo 'Learn and Save Sessions.' SHGs must meet weekly to complete training, review loan applications, collect savings and loan repayments, and develop financial reports; these weekly meetings are also a venue for villagers to discuss community problems, share experiences on how to solve business issues, and address development programmes impacting their community. Eight weeks after joining a SHG, members are eligible to receive productive loans for a maximum of K200,000 (US$200). Average loan size so far is K50,000 (US$50). Different from the government cooperative model, loans are granted from the accumulated savings of the members at an interest rate of 2 percent per month on a declining balance. The surplus from the interest accrued from loans is fed back to the members in the form of dividends on shares and builds institutional capital.

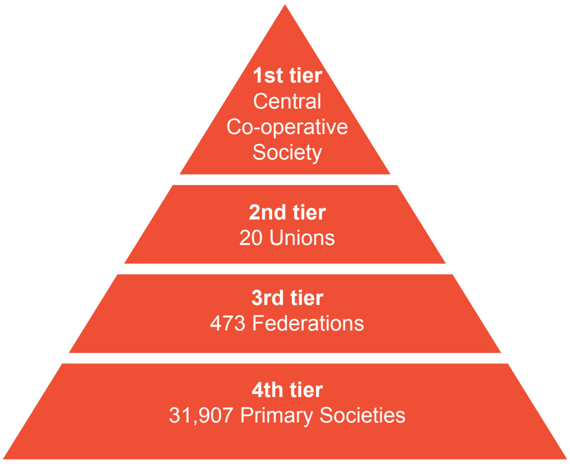
During focus-group interviews with SCC members both in Bago and Ayeyarwady, some members expressed discontent with the loan system. What members wanted was access to immediate larger loans to improve their businesses. When questioned further, it was clear that members fully understood the system of building up funds and then loaning them out. Still, some members repeatedly complained to the project manager, demanding access to bigger external loans to be granted to each cooperative.[16]

There are a number of observations that can be made here: while ACCU is trying to implement the ideal system of creating an autonomous village bank with self-reliant members, members demonstrate a mindset still redolent of the government system of loans disconnected from savings.

14 Interview with Aye Su by author on 17 March 2014 in Bago, Myanmar.
15 Myanmar's currency is the kyat (K). The conversion rate for the kyat used throughout this paper was provided by www.oanda.com for March 2014: K1=US$0.0010.
16 Interviews by author on 17 March 2014 in Bago, Myanmar.

Graduation from SHG to SCC: After four or five loan cycles, a SHG is considered mature enough to become a full-fledged member of the SCC. SCCs are officially registered as Primary Cooperative Societies with the Ministry of Cooperatives six months after the first organizational meeting (see **figure II**). Since March 2014, ACCU has supported the registration of 10 SCCs in Bago and 3 SCCs in Ayeyarwady.

Figure II
Myanmar tier cooperative system



Source: Central Co-operative Society

Creating an accountable governance structure: ACCU focuses on creating a solid, transparent, efficient governance structure. Each SCC appoints its own treasurer, secretary and general manager. Each SCC elects its board of directors (BoD), which is obliged to abide by the SCC by-laws. Directors are responsible for formulating policies and reviewing operations and activities of the SCC. Directors are supported by a credit committee and an education committee, and are trained on key concepts such as transparency and conflict of interest to ensure they are accountable to their members. In addition, a supervisory committee, whose function is to independently supervise the BoD, is established for each SCC.

The organizational structure just described is one that people accustomed to business will recognize: BoD, supervisory committee, treasurer, scrutiny function, internal policies, etc. The purpose of establishing such a structure at the village level is to build the capacity of the community. Across the world, these positions of governance in credit unions are voluntary. The ethos of volunteering for your community to develop an autonomous village bank is one of the most essential requirements in the credit union system.

During an interview, the ACCU Myanmar Project Manager said people are sceptical of taking on extra responsibilities and were expecting to receive compensation to serve as a director or manager.[17]

During a BoD and manager leadership training, directors repeatedly argued to be remunerated for their work. When questioned about major challenges in her SCC, a financial manager reported that directors are not involved in expanding the network of members and are not fully supporting the management of the cooperative. She thinks paying the BoD will help make directors more involved.[18]

A member of the BoD and supervisory committee from Pyay SCC (Bago region) said that the difference between ACCU and government cooperatives is that "SCC are training people to improve their lives and the other types of cooperative only give loans." [19]

To date, ACCU has delivered eight training sessions to SCC BoDs and managers explaining the ethos of volunteering. ACCU has achieved major results, with 5,160 members and 17 SCCs organized, so clearly the volunteering ethos has begun to take hold. However, the paradigm shift to volunteering for the SCCs is taking time and effort to establish.

17 Interview with Ranjith Hettiarachchi by author on 12 March 2014 in Pathein, Myanmar.
18 Training held on 17 March 2014 in Bago, Myanmar.
19 Ibid.

Training willing villagers on how to professionally run a cooperative

Focus on knowledge transfer: *MicroLead* fosters the transfer of knowledge from leading financial institutions to least developed countries. *MicroLead* has sponsored the introduction of ACCU in Myanmar because of the invaluable history of success of ACCU across Asia since 1971. ACCU is bringing its knowledge of how to establish SCCs (see ¶ 5.1) and how to professionally run SCCs to Myanmar (see ¶ 5.2).

Focus on fostering a new management culture: ACCU is training committed villagers in the Bago and Ayeyarwady regions to become skilled managers and to become committed BoD members of the newly established SCCs. This experience is new for villagers, as they have never run a formal financial institution before. ACCU is introducing new and very valuable skills at the village level. In contrast, government cooperatives are managed by paid government employees.

Focus on achieving financial sustainability: All SCCs have an individual business plan. Managers are introduced to the concept of running a cooperative using a business plan, which they are trained to write themselves. Managers learn how to set forward-looking financial targets, how to monitor progress using monthly financial reporting, and how to develop growth strategies for income and new members, plus they are trained on consolidating year-end total income and expenditure. The goal of ACCU is to introduce computer management systems at the village level, so as to make IT and management skills standard for all SCCs. To date, five SCCs have been computerized. Computerization is a very positive knowledge transfer for villagers because government cooperatives are completely paper based.

Focus on transparency and accountability: Transparency and accountability are core values for ACCU, which represents a very positive knowledge transfer for cooperative members. Establishing a transparent and accountable system, in which members can clearly see how to hold others accountable, is an invaluable mindset to introduce in a time of political transition to democracy. BoDs have to adhere to by-laws, and supervisory committees are established to independently monitor the BoD of each SCC.

Efforts of development partners to modernize the cooperative sector

ACCU is currently the only organization establishing SCCs in Myanmar. However, there is growing engagement of other international actors that are working to strengthen existing cooperatives, especially farmer cooperatives. This section features three examples of international organizations that consider cooperatives a valuable development tool: Canadian Co-operative Association, Relief International, Planet Finance and Community Development Association.

Fostering sesame farmer cooperatives in Sagain region - Canadian Co-operative Association
In 2013, Canadian Co-operative Association (CCA)[20] signed a memorandum of understanding with the Government of Myanmar to strengthen cooperatives' position in the country's growing economy. As the CEO of CCA stated, "Independent and autonomous cooperatives are able to create wealth and reduce poverty in Myanmar's growing market economy and democratic system."[21] CCA is currently working in Sagain region, in northwest Myanmar, to develop sesame farmer cooperative enterprises. In 2014, CCA farmer cooperatives received a series of trainings on professional cooperative management (including bookkeeping, budgeting, governance, policy and regulations, and female economic leadership). Registration of CCA farmer cooperatives is still pending as of March 2015 with the Ministry of Cooperatives.

In an interview, CCA Project Manager Romèo Cormier summarized some of the key challenges faced so far:

- *"In our CCA farmer cooperative enterprises, sesame farmers come from different villages. This represents an issue for the Government as it goes against the '1 village 1 cooperative policy,' which states that each farmer cooperative should only allow farmers from one village to become members;*
- *"The Cooperative Department appoints one member of staff to each cooperative Board of Directors; as a consequence, farmers' decision-making on crop production is being dictated by the government policies. This feature of having government-appointed Board Directors is at odds with the independent cooperative model.*
- *"Injection of external capital, such as international loans, instigates conflicts in the community as the economic democracy of the cooperative model is undermined."*[22]

20 See http://www.coopscanada.coop/
21 Interview with John Ferguson by author on 8 March 2014 via Skype.
22 Interview with Romèo Cormier by author on 15 March 2015 in Yangon, Myanmar.

Strengthening women's cooperatives in Ayeyarwady and Yangon regions - Relief International

Relief International[23] has a memorandum of understanding with the Ministry of Cooperatives and has been working on cooperative strengthening in Myanmar since 2008. Relief International is the key implementing partner of the European Commission's Strengthening Women's Co-operatives in Myanmar project. The project aims to provide business trainings to 90 existing women's cooperatives in Dedaye (Ayeyarwady region) and in Yangon region over the course of 30 months (2014–2016).

When asked about current challenges faced in the implementation of the project, Joseph Mariampillai, country director of Relief International in Myanmar, said: "Every time we talk about the seven International Cooperative Principles[24] during our trainings, cooperative members are always shocked as they have never heard about them. This is why we see the need of working with existing cooperatives to build their knowledge and capacity from scratch."[25]

Supporting financial access via cooperative upgrading and enterprise farm development in Kayin state - Planet Finance and Community Development Association

This 36-month project, funded by the European Union, aims at transforming community-based organizations across 30 villages in Kayin state into cooperatives that will deliver financial services to their members. The project is expected to support the development of financially stable cooperatives, and reach a cooperative membership of 2,000 people, with $17,000 in deposits for each cooperative and total loans outstanding of at least 90 percent of the funds saved. Planet Finance Myanmar and Community Development Association are the main implementing partners.[26]

Different from these three examples of organizations that are building their cooperative membership from scratch, ACCU is assisting existing community-based organizations to transform into cooperatives and build their capacity.

These three examples reveal a strong commitment from international development partners to support the transition of the cooperative sector from tradition to modernity. The examples show that, despite working with different types of cooperatives, ACCU, CCA and the European Union share a common belief in cooperatives as a development tool.

Challenges and lessons learned

The achievement of ACCU in establishing 16 SCCs in Myanmar in one year is very impressive. Many lessons have been learned, but the many challenges ahead should not be underestimated. Below three obstacles are highlighted to inform cooperative development efforts in Myanmar: 1) Trust in formal financial institutions, 2) Instant credit access versus the effort of establishing savings-based long-term autonomous financial solutions, and 3) Change in mindset from dependency to self-reliance and a business culture.

1. Myanmar's history of currency upheaval and demonetization still shapes the people's financial decision-making. Building people's trust in a new form of financial institution, which is based on saving cash, will take time.

Savings with credit unions or banks is not familiar to the people of Myanmar, and there is little to no history of low-income people trusting these financial institutions with their hard-earned cash. A recent UNCDF Making Access Possible diagnostic revealed that 36 percent of people in Myanmar see no advantages to having a bank account.[27] Myanmar has had a series of sudden and unpredicted changes to bank notes over a number of decades, not the least of which was in 1985 when, without any prior notice, certain bank notes were deemed no longer legal tender. This surprise move to remove K75 (US$0.075) notes literally left millions of people with bank notes that were of no value whatsoever. Overnight, no shop or market trader could accept the then illegal bank notes, and as a result, vast numbers went hungry having no means to buy food.

The short-term problems of removing certain notes from the system caused immediate hardship, but the more profound long-term consequences can still be seen today in how the people of Myanmar relate to cash and the saving of cash. Gold, jewellery and land are far more trusted than are bank notes; in fact, they can still be used to this day, even within the formal banking system, as collateral for borrowing. The history of demonetizations has contributed to the shared view amongst Myanmar citizens that 'cash is for transactions, not for savings.'[28]

23 See http://www.reliefinternational.org/

24 The seven principles are the following: voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; cooperation amongst cooperatives; and, concern for community.

25 Interview with Joseph Mariampillai by author on 20 March 2014 in Yangon, Myanmar.

26 See https://pfmyanmar.wordpress.com/ and http://www.cdamyanmar.org/en/index.php?id=1, respectively.

27 See http://www.uncdf.org/en/map

28 Chipchase and others, *Afford Two, Eat One: Financial Inclusion in Rural Myanmar*.

According to UNCDF Making Access Possible, 26 percent of adults in Myanmar do save informally, mostly at home, in assets (e.g., livestock, jewellery, land) or as members of savings groups.[29] Farmers and informal enterprises are the groups that rely the most on informal savings for tackling emergencies and smoothing consumption.

The role that faith plays in the financial decision-making process is very prominent in Myanmar, which is best described as *majjhima paṭipada*—the traditional Myanmar lifestyle that dictates a path of moderation away from the extremes of self-indulgence and personal gain and implies that debts need to be paid off in this lifetime otherwise they will be protracted in the next life.[30]

Credit unions, at their heart, not only are designed to create self-reliance for communities in terms of building reserves to be used as loans but to serve the invaluable purpose of capacity-building by establishing business structures such as boards, committees, accounting systems and many other useful governance procedures. Myanmar's people, not having a history of safe cash and having little experience of governance at the village and community level, understandably will take time to become comfortable with saving and borrowing using credit union methods. If people have little trust in cash, limited experience of governance and institutional responsibility plus even more limited experience of democratic freedom of decision-making, then it is entirely predictable that credit unions with their self-reliant, democratic systems will be an alien experience.

However, if the Myanmar cultural tradition of paying off debt in one's lifetime (i.e., *majjhima paṭipada*) can be combined with the knowledge transfer of financial management brought into the country by ACCU, then perhaps there is a recipe for success.

2. The growth of autonomous SCCs faces stiff competition both from traditional cooperatives (i.e., the Government's village revolving funds) and from microfinance institutions. The challenge for low-income people is whether to stick with the effort of establishing savings-based, long-term autonomous solutions offered by SCCs or to opt for short-term loan solutions from government cooperatives and microfinance institutions.

Myanmar has a nationwide, Government-run, traditional cooperative sector that is very familiar to the people of Myanmar, especially in the form of agricultural cooperatives. However, government cooperatives offer far less in terms of check-and-balance mechanisms, accountability systems, democratic governance and decision-making than SCCs. Yet, replacing such a familiar cooperative model with unfamiliar democratic methods is not the only struggle for credit unions. Community self-reliance in the credit union method is built over time by the accumulation of savings, which are then lent to local small businesses. This method offers no overnight injection of cash for local economies. Government cooperatives, on the other hand, have just started distributing $700 million in loans, through a deal with a development bank from China. Myanmar is largely made up of very small-scale farmers whose principle option for increasing income is increasing crop yield. The Chinese bank that is providing the loan funds specializes in providing finance for electrical goods and agricultural machinery. It is not difficult to see that having instant access to funding for machinery to improve yield is a short-term benefit that trumps the long-term challenge of building independent mechanisms for financial services. Not only will government cooperatives provide the loan finances for small-scale farmers but, with the supply chain for electrical goods and agricultural machinery lined up, the farmers can make instant gains.

Government cooperatives have vast reach in Myanmar society, which is a huge advantage for loan provision across the rural communities of Myanmar. Urban centres, likewise, are no easy untapped loan territories for establishing credit unions. Many hundreds of microfinance institutions have been licensed in the years since 2012. Not-for-profit and for-profit microfinance institutions are vying to lend to low-income people in urban areas. Again, this instant access to funding has powerful potential to crowd out any attempts at building long-term, democratic, community-owned, savings-based institutions as credit unions.

3. The success of credit unions around the world is predicated on nurturing a mindset of self-reliance, autonomy and business culture. This mindset enables cooperative members to imagine, create and own the vision for the future of their villages.

F. W. Raiffeisen, one of the founders of the credit union movement, created a system for savings and loans. Without also establishing the mindset of volunteerism, self-reliance, community resilience, autonomy and professionalism of governance, the credit union system would have remained nothing more than a theory of economic empowerment for low-income

29 Doubell Chamberlain and others, 'Myanmar: Financial Inclusion Country Report 2014,' (n.p., Making Access Possible [MAP], 2014). Available from http://uncdf.org/sites/default/files/Documents/myanmar_synthesis_report_repro.pdf

30 Chipchase and others, *Afford Two, Eat One: Financial Inclusion in Rural Myanmar*.

people. The remarkable success, on all continents, of credit unions is a testament to the faith that credit union founders had in the capacity of ordinary people to run their own financial institutions. Credit unions are highly ambitious institutions. It is a big ask to walk into a community and set out a vision for that community to build and then own their own financial institution. Yet, credit unions are thriving in developed and developing countries alike. Clearly, there is a market for what credit unions have to offer—self-reliance, financial independence, security, management skills and transparency. The lesson learned around the world, and over the last year of ACCU project implementation, is that to shift people's mindset to self-reliance and business in a country like Myanmar, with a history of a top-down government approach, development partners should pay particular attention to fostering continuous open dialogue during all phases of cooperative building. It is here, at these open discussions, where the vision for what SCCs can achieve is built. If members are encouraged to imagine what they can do for their village with funds built up over time, then the shift in mindset will strengthen. Successful examples from other countries' cooperatives that built, purchased and improved facilities such as schools, water supplies, farming machinery and vehicles should be used to stimulate members' discussions and to inspire them to build a vision for their own village. The secret of establishing a successful cooperative mindset is the dialogue in which members imagine, create and own the vision for their future.

Conclusion

Credit unions have brought financial independence to communities across the globe. The track record of ACCU in Asia is impressive. The benefits of independent financial provision in communities across Asia as well as the credit union system, one of self-governance and self-management delivering substantially beneficial skills and values into the hearts of communities in Cambodia, Mongolia, Philippines, Thailand, Viet Nam, etc., are worthy of praise. If credit unions can show such success in these countries across Asia, then will the story of success be repeated in Myanmar?

The answer to that question is difficult to predict. However, there are reasons to be hopeful. Myanmar culture is rich with well-functioning and successful, yet informal, savings groups—savings clubs, peer-lending groups, ROSCAs, Buddhist savings groups, etc. One key success factor of these informal savings groups is the high propensity for the people of Myanmar to be true to their word and to honour informal contracts.[31] Development specialists who favour saving as a development tool have positively commented that the cultural tradition of honouring one's debts (i.e., *majjhima paṭipada*) means that the mindset of saving at the individual and community level is a well-established cultural practice. Myanmar informal savings groups have many features in common with cooperative SHGs, which are the building blocks of SCCs. Creating these SHGs from scratch, as shown by this paper, is an extremely labour-intensive and time-consuming process.

The numbers of SCCs in Myanmar could be hugely accelerated by working with already existing successful informal savings groups, as a multiplier effect. Savings development specialists, such as Jeff Ashe of Saving for Change, highlight the need for a three-step solution to bringing financially excluded low-income people fully into the formal financial sector, from informal savings to semi-formal savings groups to formal financial inclusion.[32] Experience of this three-step solution with semi-formal savings has brought huge development progress to other parts of Asia and Africa. Developing existing savings groups into cooperatives, to act as the much-needed semi-formal middle step between the informal financial sector and the formal financial sector, could play a significant role in Myanmar. Initiatives like Saving for Change and the worldwide credit union movement make a powerful case for saving as an accelerator for development. What this paper reveals, however, is that saving—despite all its virtues—is not guaranteed to play a significant role in Myanmar, largely due to competition from alternative forms of finance, particularly credit. Governments as well as development agencies would do well to search out the best combination of credit-based development tools and partner them with the benefits of long-term savings solutions. In particular, women's economic empowerment has much to gain from savings-based solutions. Cooperatives are not the entire answer to the financial-inclusion challenge in Myanmar, but they should be a significant part of the financial services mix.

31 Interview with Stuart Rutherford, saving specialist and co-author of *Portfolios of the Poor: How the World's Poor Live on $2 a Day* (http://www.portfoliosofthepoor.com/authors.asp) by the author on 27 February 2015 in Yangon, Myanmar.

32 See http://intheirownhands.com