

UNITED NATIONS CAPITAL DEVELOPMENT FUND

Myanmar



ASA Microfinance Myanmar Limited: A Successful Model

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1. List of Abbreviations

Acronyms	
ABM	Assistant Branch Manager
ACCU	Association of Asian Confederation of Credit Unions
AMML	ASA Microfinance Myanmar Ltd
AMMS	Advanced Maintenance Management System
ASA	Association for Social Advancement
ASAI	ASA International
BO	Branch Office
BM	Branch Manager
DO	Development Officer
FSP	Financial Service Providers
HDI	Human Development Index
ICS	Internal Control System
IFRS	International Financial Reporting Standards
LDC	Least Developed Countries
LIFT	Livelihoods and Food Security Trust Fund
MFI	Microfinance Institution
MMK	Myanmar Kyats
NGO	Non-Governmental Organization
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
USD	US Dollars

2. Introduction

This paper is one of a series of Financial Inclusion knowledge products written by United Nations Capital Development Fund (UNCDF) Myanmar. This series of knowledge products is written to inform the reader of the financial behavior and preferences of low-income people, the development of financial products, management of financial services, and Financial Service Provider (FSP) greenfield operations in Myanmar.

UNCDF is the UN's capital investment agency for the world's 47 least developed countries (LDCs). It creates new opportunities for low-income people and their communities by increasing access to microfinance and investment capital¹. The MicroLead Expansion programme supports the development and roll-out of deposit services by regulated financial service providers in 21 countries. MicroLead offers grants and loans that incentivise leading providers to kickstart new or strengthen existing financial institutions that target low-income people².

This series of knowledge products lies within the scope of UNCDF MicroLead Expansion programme in Myanmar, a four-year (2014-2017), USD 7 million programme funded by the Livelihoods and Food Security Trust Fund (LIFT)³. MicroLead supports two microfinance market leaders, (ASA Microfinance Myanmar Limited (AMML) and Alliance) to conduct greenfield operations in Myanmar. In addition, MicroLead supports The Association of Asian Confederation of Credit Unions (ACCU) to work with a regional association of credit unions to create new rural saving and credit cooperatives. By the end of 2017, UNCDF MicroLead aims to increase sustainable access to appropriate demand-driven financial services (with a focus on savings) to more than 100,000 low-income people in Myanmar, half of whom should be women and half of whom should live in rural areas.

¹ www.uncdf.org

² www.uncdf.org/en/microlead

³ www.lift-fund.org

3. Aims and Objectives

This paper showcases the Association for Social Advancement (ASA) model which has achieved much success in fostering the development of strong financial habits throughout Asia, applying a standardised microfinance model. The paper aims at highlighting the most successful characteristics of the ASA model, with a hope that such successes can be replicated by more MFIs to strengthen the sector in Myanmar and boost regional sustainability.

Ultimately the paper aims at coordinating the efforts of development partners working in Myanmar. It will briefly showcase other successful cases of microfinance implementation in Myanmar.

4. History of ASA

ASA Bangladesh was established in 1978 and was one of the first microfinance institutions (MFI) to commence operations anywhere in the world with the objective of including vulnerable populations in the financial development process. Since 1991, ASA has focused on microfinance and eventually developed a cost-effective model to provide microfinance services. The organisation became donor-free in 2001, and its self-sustaining model has now been replicated by many other MFIs. As of February 2016, ASA was operating almost 3000 branches in Bangladesh and serving almost 6 million customers⁴.

The effectiveness of the ASA model is derived from its simplicity and a high level of both standardisation and decentralisation. In 2007, ASA Bangladesh, in cooperation with other international microfinance investors, established ASA International (ASAI), an independent organisation aiming to implement the ASA model in other countries.

ASAI is now working in 11 countries, including Myanmar, and is performing well in all of them, having reached an overall 1.05 million customers with 978 branches⁵. AMML was incorporated in Myanmar on 19 November 2013 as a Private Limited Company, maintaining the ability to leverage access to well-trained and highly-qualified ASA personnel. In order to implement the ASA model, each MFI operating under the ASAI holding company is provided (by ASA Bangladesh) with technical assistance, technology and microfinance expertise to roll out the model rapidly and effectively.⁶

ASAI is currently managed by former senior executives of ASA Bangladesh, and the two companies have a common objective in making affordable microcredit products available to the economically disadvantaged. In line with the ASAI vision, AMML aims to include the poorest segment of the population with a special focus on women. All of its borrowers live below the poverty line of per day income less than USD 2⁷.

5. ASA & UNCDF Partnership in Myanmar

ASA Bangladesh collaborated with UNDP as a technical service provider in the Philippines and Nigeria, achieving excellent results in the microfinance sector. From 1999 to 2009, ASA participated in the MicroStart programme, which was mainly focused on capacity-building for existing institutions⁸.

ASAI's reputation for excellence and considerable expertise saw it begin operations in Myanmar under the UNCDF MicroLead Expansion programme, initiating a second partnership with the United Nations, this time with its Capital Development Agency. UNCDF MicroLead Expansion in Myanmar has a vision to increase sustainable access to responsibly-delivered financial services, with a focus on savings mobilisation.

⁴ <http://asa.org.bd/asa-overview/>

⁵ <http://www.asa-international.com/>

⁶ ASA Microfinance (Myanmar) Ltd. Company details

⁷ ASA PSO guidebook

⁸ <http://asa.org.bd/ta-evaluation/>

AMML seeks to promote the proven microfinance models that ASA and ASAI have implemented in several other countries. UNCDF is collaborating with AMML with an internal target to reach more than 40,000 clients, at least half of whom are women and half rural, by 2017⁹. ASA itself has even loftier ambitions, with company projections forecasting that it could financially include around 100,000 clients by 2017. Based on findings of the Making Access Possible (MAP) study¹⁰ conducted by UNCDF in 2013, ASA has the potential to indirectly benefit up to 400,000 people in improving their financial situations in Myanmar.

AMML is projecting to expand operations in more regions and open more than 50 branches Myanmar, seeking to achieve sustainability in every branch less than one year after that branch commences operations.

Based on a feasibility study, out of a total of 14 states and regions, AMML has identified 6 potential locations to implement its business: Yangon, Bago, Magway, Mandalay, Mon and Ayeyarwady. These regions will be reached in a gradual manner over three years of operation from 2014 to 2017. As of the date of publication of this paper, AMML is operating in Yangon, Bago and Mon State and has a total of 29 branches.

AMML underwent a long process to obtain a provisional license to operate in Myanmar, which was delayed due to institutional concerns. However, after showing consistent results, it obtained a permanent license on November 12, 2015. As of the date of publication of this paper, AMML has demonstrated impressive growth in both its client base and the size of its gross loan portfolio. It commenced formal operations on February 27, 2016, with a total gross loan portfolio of USD 3.72 million and total savings of USD 652,100. It has a steep potential growth curve. According to AMML's first projections, full capacity is to be reached in 2019 with 85 branches, more than 90,000 clients, a USD 16 million gross portfolio and USD 5 million in savings. According to revised estimates, the capacity targets originally planned for 2019 will be reached in 2018¹¹. UNCDF is proud to cooperate with ASA as it has a proven track-record in implementation, regularly exceeds targets and proposes reliable action plans.

6. The ASA Approach

Myanmar is a challenging environment for microfinance providers due to its complex political situation and the existence of stringent laws on microfinance¹². Despite these challenges the management team successfully has been able to apply the ASA model successfully in-country.

In order to implement the project, ASAI conducted in-country missions to verify country conditions and draw-up a feasibility plan. These studies, supported by national surveys and previous UNDP studies, showed that overall poverty in the country stood above 25% with a high concentration in rural areas. In recent years, however, thanks to more progressive reforms, the country is implementing a developing program that is already demonstrating positive results, reflected in the Human Development Index (HDI) increase from 0.406 to 0.498 between 2005 and 2012¹³.

AMML is positioned, with other MFIs, to address a government priority to reduce poverty through micro-saving and credit enterprises. Despite such strategic alignment, strict regulations on MFIs in Myanmar necessitated ASAI to carry out additional research on how to best implement and adapt the ASA model in Myanmar. First, a team of experts from ASA Bangladesh conducted a market analysis examining different aspects of financial inclusion strategies:

- Financial services demand assessment: Myanmar has the second lowest level of credit access in the world, and only 16% of potential clients benefit from the formal supply of loans. Savings

⁹ ASA and UNCDF partnership agreement

¹⁰ http://www.uncdf.org/sites/default/files/download/map_myanmar_synthesis_note.pdf

¹¹ ASA progress report February 2016.

¹² <http://www.mof.gov.mm/en/content/myanma-small-loans-enterprise>

¹³ RFA for UNCDF MicroLead Expansion in Myanmar.

appear to be a significant problem. Since the bank crisis of 2003-2004 people are reluctant to save through formal channels and instead opt to hold informal household savings, livestock and gold. The Myanmar government realised the importance of promoting savings in poor communities and eventually passed a Microfinance Law in 2011 allowing MFIs to accept savings. This context prompted ASAI to think about special products that could be used to satisfy country preferences and demands.

- **Competition:** At the time the research was conducted, competition was much less in comparison to other developing countries, due to stringent regulations deep-rooted across the broader Myanmar economy. ASA experts forecasted a steep increase in the number of MFIs coming to Myanmar following the enactment of the Microfinance Law in 2011. Another major obstacle in the country is the culture of resorting to moneylenders and pawn shops for short-term borrowing at high interest rates.
- **Market size and segmentation:** Urban areas are partially served while rural areas are mostly under/unserved and hence greater opportunities for newcomers. According to ASA, Myanmar is a country where there is large space for potential investment as the number of potential clients is in excess of 9 million (more than 17% of the total population). Nonetheless, operational costs are very high due to poor infrastructure and volatile (and very high) inflation.

These studies were followed by a decision on the proposed starting location, which was predominantly based on population and density estimates. Expansion plans were then drawn and paved the way for capacity building to commence. In all phases of planning/execution, ASAI followed the procedures advised by ASA Bangladesh¹⁴.

7. Adapting the ASA Approach to Myanmar

ASA wants to financially include and assist the weakest segments of the population, with a focus on people living below the poverty line (especially women) engaged in 'socially-acceptable' income-generating activities and who do not have access to formal banking services. Indeed, clients cannot be members of any other MFIs and are supposed to have little or no access to financial institutions. Before starting operations, AMML conducted comprehensive surveys, first surveying 200 households in 10 townships to develop a deeper understanding of its client base; and second, surveying 7200 households in 5 townships to inform the design of appropriate products through the feedback received from clients.

The same standards used in its regional implementation were applied in determining client quality, with some additional requirements based on the Myanmar-specific context.

On top of these requirements, ASA clients need to satisfy other selection criteria:

- Only one member shall be recruited from each household;
- Members must be married unless they already possess a business and are above 30 years old;
- Monthly family income cannot exceed 600,000 Myanmar Kyats (MMK);
- Members shall be between 18-55;
- Members shall preferably be women;
- Permanent residency in rural areas or three years of housing rental required for urban and semi-urban areas;
- Have a guarantor in the family and a witness from the borrowing group;
- Be in relatively good health.

ASAI follows the same group strategy formation first applied in Bangladesh. Even if services are provided to individual clients, these clients must be members of a group to qualify for microfinance services. To guide the group formation process, ASA follows simple rules:

¹⁴ RFA for UNCDF MicroLead Expansion in Myanmar

- Detailed information about the community in the operational area should be collected;
- The target area for a group cannot be further than 20 km from the branch of reference and should be connected by transport facilities;
- It should be feasible to attract 10-30 people to the group.

The group structure guarantees successful outcomes as it is the means of control that ASA exercises over its clients. Through group meetings, the ASA Development Officer (DO) can track the progress of every client and monitor willingness to actively participate in the programme. The borrower needs to attend at least 80% of the group meetings in order to be eligible for a second-cycle loan. In some cases, membership can be cancelled - if a member withdraws all of his/her savings; dies; leaves the group willingly; loses moral character and engages in illicit activities; does not show up to group meetings; or leaves the locality in which the group was formed.

The structure that is used in Myanmar has been adapted from the original ASA structure: each group is composed of 10 to 30 clients and is supervised by a DO. Each DO is in charge of roughly 15 groups and works for a specific Branch Office (BO). Each BO has 4 to 5 DOs and one branch manager (BM). Groups of 4 to 5 BOs are supervised by the same area manager (AM) that visits each branch at least once per week. In addition, BOs can rely on assistant support engineers for regular and emergency support, since ASA hires one for every 20 to 30 branches. The same is true for the internal auditors each responsible for the monitoring of groups of 20 to 30 branches. On top of this structure sits the Head Office department responsible for overall management. Head Office monitors each branch two to three times per month and conducts an audit every quarter to check operations. The basic principle of this hierarchical structure is the maintenance of clear lines of supervision which make up the vital link between staff and organisation.

The ASA management team is committed to providing workers with a detailed job description, necessary trainings, appropriate skills to fulfill their tasks, and a detailed work plan with timelines and responsibilities. The supervisor plays the role of both mediator and guide, positioned in the middle tier between the management team and the subordinate workers to whom they issue instructions, ensure control in actual and planned outputs, optimise resource utilisation, encourage discipline in every activity, and provide management with regular feedback¹⁵. Strong supervision is a winning tool in ASA strategy since it enhances the organisation's ability to reach its objectives, keep staff motivated, provide appropriate skills-based capacity enhancement, and involve the community by meeting client needs.

8. ASA Effectiveness and Cost-reduction Strategy

ASAI replicates the strategy followed by ASA Bangladesh and is a for-profit organisation, unlike some other microfinance institutions. ASA hopes to bring further commercialisation to the microfinance sector. The ASA model priorities cost-effectiveness and sustainability through¹⁶:

- Decentralisation and delegation of authority to branch level officials;
- Strong supervision and monitoring at all levels;
- Low-cost and fast recruitment;
- On the job training;
- A simple and transparent accounting system;
- A simple and cost effective branch structure;
- A self-explanatory written working manual (ASA Pre-Service Orientation (PSO) book);
- A simple and hierarchical structure;
- A structure which gives mobility to mid-level managers without having separate offices and assistants.

¹⁵ ASA Monitoring and Supervision Training material

¹⁶ <http://www.asa-international.com/operational-strategy/>

ASA pays particular attention to social issues and client protection, and is careful in considering client repayment capacity through loan assessment to avoid over-indebtedness. Loans are customised (AMML having carried out a survey to assess client needs and adapt their products accordingly¹⁷) – likely one of the reasons ASA has been able to achieve a 100% repayment rate in Myanmar. Another fundamental principle in the ASA model is transparency - clients are given explanations of the loan agreement and repayment procedures before signing.

On a more practical note, ASAI's country operations are led by its team leader deployed from ASA Bangladesh. The team leader is brought in with other operational managers from ASA staff to build the operational and managerial capacity of local appointees. The operational managers are vital in transferring knowledge as they are in charge of trainings and supervision. Local management is expected to become independent in 5 to 7 years. In this organised structure, the branch level is responsible for implementing the programme, as it is the unit to perform operations following the ASA book without depending heavily on the central office.

Furthermore, ASAI pursues a clear cost-cutting strategy that results in higher margins. All offices are standardised (avoiding grade differentiation), and directives are taken from the original ASA model. In Myanmar there is a monthly cost ceiling reflected in the budget, which is enough to cover all essential need of staff and clients. Office furniture, house rent, kitchen tools, stationery and other cost items are detailed (quantity and price) in the budget, so none of the offices can have or spend more than the stated amount¹⁹. This brings about streamlined programme implementation and draws focus away from material luxuries.

AMML also succeeds in cost-cutting on staff expenses, since international staff stay in country only for the necessary amounts of time, passing operations over to local staff once they are trained and ready. AMML pays slightly lower salaries to its staff than other similar MFIs, but compensates by providing its staff with housing, food and a 20% subsidy to purchase a motorcycle. To further reduce costs, AMML has a non-conventional accounting and record keeping methodology. There is no accountant in the Branch Offices - instead DOs work as independent accountants for their own operational jurisdiction. In this way, the DO performs the role of branch cashier for three months, on a rotating-basis with other DOs. This practice reduces cost and increases efficiency and control.

Staffing is a major issue for ASA's Myanmar office, as there is a high staff turnover. Personnel (especially Dos), once fully trained by AMML, have a tendency to move to other organisations where salary is higher. This creates an institutional problem. Turnover is being addressed through the provision of additional staff benefits including salary advances during festival periods and better placement procedures.

9. The ASA Microfinance Model

AMML follows ASA Bangladesh guidelines in model implementation. BOs are the only institutions through which microfinance services are delivered to clients. Each branch has a standardised structure composed of 4 to 5 Dos (each in charge of 15 groups with a combined maximum of 350 members), a branch manager and one support staff. Office work is executed in a local rented office-cum-residence which caters for staff accommodation and meals. Standardisation is also reflected in the asset entitlements of each office – an example of which is the same-priced table and drawers in each branch²⁰.

The operational area of each branch is within a strict 15-20 km radius from the BO to make it easier to hold group meetings. In Myanmar, each group meets once per week in order to discuss common issues and attend AMML's financial literacy trainings (Yangon and Bago) as well depositing savings and

¹⁷ Client Protection Principles Practice in ASA Microfinance (Myanmar) Limited

¹⁹ ASA PSO guidebook

²⁰ ASA PSO guidebook

repaying installments. Group formation and regular meetings instil a common saving mentality and establish discipline among the members (such as the importance transaction timeliness).

The member selection process is a crucial phase in the microfinance cycle. As mentioned above, the first step is to collect information on the targeted area, including information on economic conditions, political and social barriers, and the presence of other Non-Governmental Organizations (NGOs) in the area. After that, the responsible DO will meet potential members - introducing him/herself and the organisation, disseminating information on its objectives and rules, and outlining the various ways in which the potential client can participate. At this point the DOs conduct house/workplace visits for physical verification and make a judgment on whether or not to enlist the candidate (this judgement is also made on the basis of community consultation). Upon final formation of the group, the list of members is verified by the branch manager and the schedule for group weekly (or bi-weekly) meetings is set.

AMML's success largely relies on its group selection process, since micro-loan programmes can only work when groups are sufficiently disciplined and well organised. To foster group cohesiveness and stability AMML promotes a standardised group structure. Each group is made up of 10 to 30 members, 4 of whom are selected to form the working committee (president, vice president, secretary and cashier). Moreover, each member is provided a personal passbook free of charge - but members do need to purchase a resolution book/attendance register.

The group is the focal unit of the microfinance operation. Deposits, withdrawals and installment collections happen at one member's home or workplace according to the set schedule. The DO participates in the meeting, collects the money and takes it back to the branch; the DO is also responsible for giving trainings and raising awareness on topics related to (but not limited to) water use, youth education, sanitation, immunisation, savings and the environment. Group meetings come up to have a significant social impact in the community close to the group. The DO also visits member houses to conduct general assessments on the social and economic conditions of his/her group members. The clients are required to go to the BO only to withdraw a loan as the BO is the only place where such disbursement can occur²¹.

The following rules apply to ASA's clients in the context of its operations at the member group level:

- Members should be present at every group meeting;
- Members gain 15% interest on savings annually;
- Members pay an interest of 30% on loans annually;
- A maximum of five clients per group can receive a loan at any one time.
- Savings and installments should be handed to the DO at the same time, every week;
- The first installment should be paid 2 weeks after the loan is disbursed;
- For a one-year loan the client will pay 45 equal installments, the 6-month loan follow the same logic.
- The first cycle loan cannot exceed 300,000 MMK.

Despite success that the ASA model shows in Myanmar, there remains a risk of default (though empirical evidence suggests that this risk is negligible at present). Default (including strategic default) could spread rapidly amongst the client base – such a phenomenon usually begins with a few clients and gradually involves more and more. AMML tries to prevent default by identifying major causes and eventually eradicate the problem before it arises. Major causes are:

- Unsatisfactory/problematic group formation – non-adherence to the ASA selection criteria;
- Staff misbehaviour;
- Client loan mismanagement;
- Inefficient staff control over loan use.

²¹ Group formation, strategy and Steps Training from ASA.

In the case of loan default, the group plays a consistent role as the first recovery method utilises non-defaulting members as intermediaries to interface between defaulting members and AMML staff. The DO will analyse the major cause of default and to attempt to resolve the situation. If the situation worsens, an additional DO will be deployed and will only be withdrawn once the situation has improved.

Another crucial aspect of the ASA microfinance model is its complaint resolution mechanism, which aims to keep operations in line with ASA's poverty reduction objective through consideration of feedback and complaints that clients are free to report. In every branch, there is a complaint box where clients are free to use; each branch should also have a complaint resolution register where all complaints are systematically recorded. Each complaint is resolved by a specific body called the complaint resolution committee²².

Similarly, AMML staff are entitled to raise complaints to management. To resolve these issues a Grievance Mitigation Committee was appointed and formed at the Head Office. The committee is flexible and it meets depending on the number of complaints it receives, and has a mandate to report quarterly to the grievance committee in Dhaka to provide explanations and findings. If a serious case arises, the grievance committee must report immediately to Dhaka in a similar manner to that in which regional employees can decide to report directly to Dhaka by e-mail²³.

10. Products

According to ASA's definition, a saver is a person that can save after deducting spending on daily necessities from income. AMML is a major player in savings mobilisation in Myanmar - mobilisation is a crucial topic addressed in client trainings and in the broader organisational framework. AMML wants to assist clients in pooling their own capital and to use savings as a major poverty alleviation tool. Savings can cover unexpected expenses and play a key role in supporting family members in need. ASA's willingness to become savings-led in Myanmar is, however, limited by the strict regulations that allow MFIs to keep only up to 10% savings (5% mandatory and 5% voluntary) vs. their loan portfolios, in order to protect clients²⁴. AMML has witnessed consistent difficulties in this regard, since many clients are willing to save more than 10% in the form of voluntary savings. Today AMML's percentage of savings is higher than 10%, but its growth is limited by regulations. As per AMML framework, borrowers have to deposit weekly savings for at least four weeks before receiving a loan, underlying savings importance in the microfinance model followed. Once the regulations are relaxed, AMML forecasts a steep growth in savings, eventually scaling savings to constitute up to 50% of the portfolio²⁵.

AMML Savings Products			
Product	Min/Max Amount	Rate	Conditions
Product 1. Voluntary Savings	Between 1000 ~ 2000 MMK per week	Interest Rate: 15% (Effective Rate)	Can withdraw. But must leave 10% of the amount of the outstanding loan.
Product 2. Compulsory Savings	Initial deposit: 500 MMK	Interest Rate: 15% (Effective Rate)	

In order for a client to receive a loan, he/she must propose to the DO a financially viable and socially acceptable project. The size of the loan requested must be justified by the project and the installments must be paid from the business' profit. The loans provided are individual loans to individual borrowers, who are responsible for repayments personally, notwithstanding the group structure adopted by AMML. The installments are repaid weekly during group meetings. The organisation is planning to expand the number of different loans offered, including a loan for young people (education loan).

²² Mechanism for complaint resolution Training from ASA.

²³ Grievance Mitigation

²⁴ <http://www.mof.gov.mm/en/content/myanma-small-loans-enterprise>

²⁵ ASA Microfinance (Myanmar) Limited - Financial Literacy for the Poor

AMML Loan Products				
Product	Class	Loan Amount	Purpose	Conditions
Product 3. 1-year individual loan	Microfinance Loan	1 st Cycle : 80,000 ~ 200,000 2 nd & 3 rd Cycle : Increase 100,000	To increase IGA, and reduce poverty level.	Loan Term: 46 Weeks Installment Type: Weekly Interest: 30% Effective Rate Client Protection Fund: 1% of Loan Disbursement. Book and Processing Fees : NO
Product 4. 6-month individual loan	Small Loan	1 st Cycle : 100,000 ~ 300,000 2 nd & 3 rd Cycle : Increase 100,000	To increase IGA, and reduce poverty level.	Loan Term: 23 Weeks Installment Type: Weekly Interest: 30% Effective Rate Client Protection Fund: 1% of Loan Disbursement. Book and Processing Fees : NO
Product 5. Interim Loan	Interim Loan	Half of Microfinance Loan disbursed amount.	To increase IGA, and reduce poverty level.	Loan Term: 46 Weeks Installment Type: Weekly Interest: 30% Effective Rate Client Protection Fund: 1% of Loan Disbursement. Book and Processing Fees: NO
Product 6. Small Business Loan (1 year)	Small Business Loan	300,000 ~ 1,000,000	Increase IGA	Loan Term: 1 Year Installment Type: Weekly, Fortnightly, Monthly Interest: 30% Effective Rate Client Protection Fund: 2% of Loan Disbursement Book and Processing Fees: NO

AMML exploring adding insurance to its product offering, though the market in Myanmar is still very immature and AMML is still conducting exploratory research. AMML also contributes to increasing financial literacy by providing financial literacy trainings to its clients during group meetings. The trainings cover financial basic concepts such as saving and insurance, but also touch upon management practices, client rights and client obligations.

11. Control System

The ASAI Internal Control System (ICS) is based on systematic measures such as frequent programme reviews, as well as common policies and procedures used by management including ensuring the integrity of financial information and promoting efficient and effective operations. ASA developed an innovative ICS that has since been adopted by ASAI, which focuses on control through policy, organisational structure and administrative procedures. In this model, it is a responsibility of management to maintain an adequate ICS in line with the ASA framework, including:

- Control of the environment through communication, attitude and example;
- Risk assessment especially regarding areas where inaccuracies and loss are more frequent;
- Monitoring and reviewing to keep the internal system updated;
- Information and communication to communicate roles and responsibilities;
- Control of operations in every phase and tier of the microfinance operation.

With a good control system in place, ASAI is able to remind its staff about the policies and procedures that must be followed and to periodically assess risk. In the same way, staff can monitor the progress of the organisation and keep it under control. AMML pursues a standardised, timely and cost effective

ICS between all branches in Myanmar, which is able to prescribe recommendations and remedy operational errors²⁶.

To better standardise the control system the organisation has also been relying on a more sophisticated IT system, which is able to produce regular management information system (MIS) and financial information system (FIS) reports for every branch and permits the management unit to easily identify shortcomings or mismatches.

On top of that, control is exercised by means of external audits, occurring once a year, and through continuous control by the governing body.

12. IT system (AMMS)

Among its ICS tools, the most used is the IT software first created for ASA in Bangladesh. The automation system known as the ASA Maintenance Management System (AMMS), has been patronised by ASAI for its functionality, and has become the primary IT tool used for reporting. In Myanmar 100% of branches are utilising this system and follow its common workflow:

- First, the branch users (usually DOs and verified by ABM or BM) enter daily transactions into AMMS and produce daily reports to check daily activities;
- Each branch sends its data to the central server with a set frequency (daily/weekly/monthly);
- The central AMMS extracts summary data from branch data and uses this in consolidated reporting to be later disseminated.

In line with the ASA strategic framework, the IT system is designed to be user-friendly and produces standardised MIS and FIS reports for each user level. A particularly special feature is its microcredit customisable program parameters. The system is very secure and it is divided in two major parts (branch and central AMMS). They both have specific security structures for data protection, physical software damage and access control.

AMMS captures daily disbursement and collection transactions, executes the client and group management, produces reports and automatic accounting journals. It creates standard accounting interfaces, manages non-microfinance related accounting transactions such as office expenses, and produces balance sheet reports, income statements and cash flow. Central AMMS does not accept any microfinance transaction as input but summarises branch transactions for consolidated reports. This system allows ASA to maintain transparent operation flow and make it easier to comply with International Financial Reporting Standards (IFRS) for financial reporting purposes. The system greatly reduces the manual workload at both branch and central levels, the latter being particularly important for AMML. AMMS results in long-term cost savings and boosts in productivity at all levels.

13. Success stories

AMML members experience tangible results. Clients engage in very different activities, such as running shops, tailoring clothing and performing agriculture-related business. To show the steps through which clients enhance their social and economic conditions two success stories have been reported. The clients are disadvantaged women who, thanks to the loan and training attendance, have managed to improve their lives.

Aye Mar²⁷

Daw Aye Mar is 52 years old and she lives in Chitty Gone, Mingalardon Township, Yangon. She is a Member of “Pyin Oo Lwin” group, AMML Mingalardon branch. Today she is running a watercress (vegetable) project. Before receiving a loan for ASA, she was a small vegetable seller at Mingalardon market. She started her business with only 20,000 MMK and that activity was not by itself a sufficient

²⁶ Internal Control Mechanism practices in ASA International Training

²⁷ The success story comes from the ASA Myanmar archive.

source of income to enable her family to maintain decent living standards. Her income could not cover daily expenses for a seven-member family.



On the May 8, 2015, she took her first cycle loan from ASA Mingalardon Branch with a loan principal of 80,000 MMK. She used it to rent a small piece of land for one year and began to use it to cultivate watercress, working with her husband U San Myint. Since then, she has participated in every group meeting, contributed with regular savings to cover the compulsory savings percentage and even added some voluntary savings on top of that. All the while she was repaying weekly installments. Thanks to her determination and good conduct, she received a second cycle loan for a higher amount. On the October 30, 2015, she took a six-month 120,000 MMK from the same branch. She rented another piece of arable land and put it to the same use. Now, her daily average net income is around 10,000 MMK and she can provide for her seven-member family easily.

Win Win Kheing²⁸

Daw Win Win Kheing is a 45-year old woman who graduated from university with a degree in geography. She married a taxi driver and is now the mother of two children, a 16-year old daughter and a 4-year old son.

Before taking out a microcredit loan at AMML, she had never borrowed before, having only gathered money from her relatives in case of emergency. Together with her husband, she decided to take out a 100,000 MMK microcredit loan on September 17, 2014. At the time she was a tailor and the microloan allowed her to afford the rent on a sewing machine (30,000 MMK deposit plus 5,000 MMK per month).



²⁸ <http://www.asa-international.com/myanmar-food-and-vegetables-shop/>

It also enabled her to buy fabrics to make clothes that she could later resell to shops. Through this business, she used to earn 15,000 MMK per week, and was able to repay weekly 2,500 MMK for the loan and 500 MMK for the compulsory savings component.

The financing of her daughter's eight-month course in international relations costs 2,000 MMK per day and absorbing the majority of Daw Win Win Kheing's income, leaving her with only a small amount of money for family expenses. After the 46th week of the cycle, she decided to borrow again. She received a second cycle loan for 160,000 MMK on 21 September, 2015. This money helped her invest in a new business - she opened a shop selling food and vegetables for which the rent is 40,000 MMK per month. Her daily sales now amount to 20,000 MMK, leaving her with 7,000 MMK in profits.

The family believes that microfinance had a positive impact on their livelihood, as everyone has now more capital for private expenditures. Win Win Kheing learned to save with AMML and she will continue to do so even after repaying the loan, as she wants to increase pot for her children and for future plans.

13. Development partner efforts to modernise the microfinance sector²⁹

As Myanmar's economy begins to open up, many international players are exploiting the opportunity to enter its financial market. When the MicroLead programme first came to Myanmar only a few MFIs were allowed to operate in the country. Now, with more open regulation, 259 MFIs have been formally registered. For the purposes of this paper, only the MFIs that have a similar international structure and a possibility of expansion are considered, namely BRAC, LOLC, CARD and Vision Fund.

The four MFIs are international organisations that already operate in several developing countries. They all foresaw Myanmar's potential as it is a growing economy with a huge need for financial services, with only 30% of the population having access to formal financial services.

BRAC, like AMML, started operations in 2014, when they managed to receive a Microfinance license from the Financial Regulatory Department. Since June 2014 they have reached 18,790 clients in 24 townships. Their expansion path is geographically similar to that of AMML - they currently operate in Yangon and Bago regions, but are planning to expand to Mandalay region and Mon state. In their projections, the client base could grow to as high as 296,000 and the total number of branches to 150 by the end of 2019. This optimistic forecasts are based on BRAC's faith in Myanmar growth narrative as well as their own operations strategy. BRAC, unlike AMML, is not only an MFI but also an NGO that operates in the humanitarian sector. At the MFI level BRAC attempts to reduce cost and increase effectiveness starting at the branch level where managers strictly monitor the number of borrowers under each DO, so as to avoid waste of human resources. At the organisational level, they pay attention to the operation's long-run sustainability and cost-effectiveness, integrating INGO activities in the BOs. In this way office costs and service staff salaries are reduced and Microfinance activity costs will decrease as well. BRAC has a less standardised model compared to AMML and the cost reduction strategy is less systematic. Client-wise they are behind AMML, as their expansion was slower immediately post commencement of operations.

LOLC was established in Myanmar in 2013 and it is operating 11 branches in Yangon, Bago region and Mon state. Like AMML, it focuses on women – it 21,059 clients, 98% of which are female. The lending practice is based on group loans, but unlike AMML the entire group is responsible for the loan. Additionally, repayments happen bi-monthly so that the group does not need to meet weekly. LOLC wants to serve low-income clients but the average loan size is higher than AMML's average loan. LOLC has a loan portfolio above USD 4 million and have a smaller number of clients than AMML. The average loan size increased from USD 150 in 2013 to USD 291 as of February 2016. LOLC also provides services for staff – staff can apply for staff loans and save at the MFI branches. Total saving is USD 768,035 and average staff saving is USD 573 per staff member. LOLC pursues a quite different strategy compared to AMML, since they look to include disadvantaged people, but not necessarily the *most* disadvantaged segments of the population. The products offered are standardised but LOLC's original

²⁹ The data on the other MFIs come from informal reports which is referenced on the MFI's websites.

model has been adapted to the Myanmar context. LOLC does not fully follow its (Sri Lanka) original model, as they give priority to country-specific adaptation and do not aim to pursue a broad, commercialised microfinance model.

Vision Fund was one of the first MFIs to enter the Myanmar market, having started operations in 1998. Its growth remained slow until 2013, however. After microfinance law was issued they experienced steep growth and eventually reached more than 50,000 clients. In a similar manner to AMML, they pay a lot of attention to humanitarian issues such as sanitation, healthcare and education. Conversely, their expansion strategy is quite different from AMML's as they are planning to start business in remote areas where they are the first MFI to operate (though this places limits on the pace of expansion). Vision Fund does not stress the importance of standardisation and strict objectives, and is instead more focused on innovative practice.

CARD is an international MFI that started operations in Myanmar in 2014. It does not appear to be comparable to AMML as its growth path is much slower than AMML's. Moreover, the strategy it follows is not standardised. They only have 4 branches but are planning to open another 3 branches by the end of 2016. Its total number of clients stands at 3,750 and it has a portfolio size of USD 140,000.

14. Conclusion

AMML has significant growth potential since it is pursuing a tried and tested model with a track record of success. Compared to the other international MFIs, it has demonstrated faster expansion in its client base. AMML's success can be attributed in large part to its focused management team that is completely committed to reaching the objectives set by both UNCDF and from its mother company. AMML does not engage in any business activity other than pure microfinance and financial training, which are consistently provided at a very high standard. The management team succeeded in adapting the ASA model to the challenges of a new environment in Myanmar. Indeed, new products are satisfying gaps in demand and trainings are provided regularly to bridge gaps in knowledge.

The strong structure adapted from ASA allowed ASAI to build a sustainable organisation in a challenging environment – in particular, an environment in which a majority of people do not trust financial institutions. AMML has gained public trust thanks to the commitment of its staff - the weekly group meetings are a crucial factor in helping to build up the relationship between the organisation and the community. Group members meet the DO once per week and are able to discuss financial topics in addition to their personal financial challenges. This practice improves ASAI's reputation and encourages clients to follow a regular payment path - AMML has PAR30 of 0%.

At the same time, AMML's strength comes from a well-defined ICS that incentivises staff to always act for the benefit of clients and the organisation as a whole. The management team faces strict, regular scrutiny from ASAI and stakeholders are required to follow ASA standards in order to carry out the project successfully.

AMML is slowly assuming the role of market leader. It will eventually fill a huge gap in the financial market by providing new products and by further leveraging its existing ones, fulfilling the objectives of UNCDF and LIFT.