

**Savings Research Report**

June 2016



**List of Acronyms**

|  |  |
| --- | --- |
| CO | Client Officer |
| CENFRI | Center for Financial Regulation and Inclusion |
| FIDES | Financial Systems Development Services |
| LIFT | Livelihoods and Food Security Trust Fund |
| ROSCA | Rotating Savings and Credit Association |
| UNCDF | United Nations Capital Development Fund |

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# Research objective

Alliance currently offers two loan products: Maharmate (group loan) and Shweyaung Anagat (Individual loan). In line with its ambitious growth plans and mission of providing a wider range of products to meet clients’ needs, Alliance is looking to add a savings product to its current offering. With this objective, a research project was undertaken with the purpose of investigating the current savings scenario in the region of Mandalay and to inform product development.

The proposed research focused on the following objectives:

* Identify the existing saving habits and practices among existing and potential clients;
* Understand the level and nature of demand and interest in a saving product: measure the willingness to save and explore specific needs; and
* Identify preferences for products and processes.

Guided by these objectives the research produced specific recommendations on product features to inform the next phase of product development.

# Research Scope

2.1 Target Group for Research

At present Alliance is serving only micro-entrepreneurs in need of credit. As part of its product offering, Alliance collects compulsory savings from loan clients before disbursement and gives the option of a savings passbook for those clients who wish to save more on a voluntary basis. Introducing a wider array of savings products will help provide current clients with a more complete offering and extend outreach to those who are not interested in borrowing. In light of this, research participants were identified among both existing clients and non-clients. As a general criterion, participants of the study were sampled among regular income-earners: either salaried; business owners; or those engaged in other income-generating activities. The insights and recommendations from Client Officers (COs) were incorporated in the selection process for the existing clients and as per individual knowledge of local active players (formal and unregulated service providers) in the market.

2.2 Geographical scope

The research project was carried out in urban and rural areas in the district of Mandalay. The necessary information on location was retrieved from the Alliance database. With respect to the micro-entrepreneur portion of the sample, markets, business places and production clusters within the area of interest were identified as priority research locations.

# Research methods

The market research employed three methods of data collection: in-depth interviews, focus groups and surveys. In addition, data from existing, relevant research projects was used.

3.1 In-depth Interviews

In-depth interviews were the core tool utilized to understand the respondents’ savings habits and behaviors. Results from the interviews also served to inform the survey design phase. A number of selected clients, non-clients and active players were interviewed. By way of these in-depth interviews, the researchers were able to access more detailed and personal information, at a level that other research tools could not manage to disclose. The open structure of the interviews enabled exploration of the reasons and factors that motivate respondents’ savings behavior. This research method has proven to be a convenient approach (especially in the Myanmar context), characterized by a variety of culturally-linked financial practices and country-specific phenomena. A more personal and relaxed interaction allowed interviewees to engage in private conversation without time constraints. On top of the structured questionnaires, the interviewees benefitted from the natural flow of conversation and back-and-forth discussion, which led to fruitful interview outcomes.

In general, these interviews intended to seek out those clients capable of saving but lacking access to formal financial services. To this end, interviews aimed at identifying the existing savings practices they used to cope with lack of access. Interviews were designed to investigate two aspects of savings practice: i) behavioral factors; and ii) technical insights. The behavioral aspects sought to understand the interviewees’ attitudes toward saving, and the underlying beliefs, trends and expectations linked to the habit and the willingness of saving. The technical aspect focused on gathering information on the saving practices and habits in use and investigated methods used, amounts saved, interest rates and fees applied, deposit and withdrawal frequency, duration, saving goals and general regulations of each method as applicable. Finally, interview participants were given the chance to express their opinions on the appealing features of a good savings product. Interviews took about 1/1.5 hours to complete. A total of 12 interviews were conducted (8 clients: 4 group loan, 4 individual loan; 4 non-clients: 3 business owners, 1 daily wager)

3.2 Focus Groups

In order to provide more nuanced information from potential customers, focus groups were organized. Focus groups allowed for more substantive, freeform discussions and a fruitful exchange of views among participants, and had the goal to understand the needs for saving services and current saving practices of customers. Participants were selected among available clients who came to the branches on disbursement day. The focus groups were conducted as open discussions guided by pre-set lists of questions. In total, four focus groups were organized in all the branches with Maharmate (group loan) clients. Important points in the groups discussions were noted and served to clarify and give more perspective to the data collected in the interviews and surveys.

3.3 Surveys

Surveys were employed to collect basic data from a sample of existing and potential customers. The survey questions were designed to gather all the information necessary to fulfil the research objectives in terms of current use of saving practices, demand, and opinions on product features. The closed and specific nature of survey questions allowed for access to more precise information on specific product features and processes. Surveys were meant to be employed in the last phase of the research to further test the hypotheses that emerged from the results of the other research methods and supplement the quantitative information gathered. After design and testing, the surveys were carried out with the help of COs in all the branches. A total of 86 surveys were collected and data was subsequently entered for analysis.

3.4 Additional Sources of Information

In addition to the original data collection, this research benefitted from previous research conducted on saving behaviors and the financial sector in Myanmar. This report contains references to the 2014 “Myanmar Country Diagnostic Report: Demand, Supply, Policy and Regulation” drafted by the Center for Financial Regulation and Inclusion (CENFRI), hereafter referred to as the “MAP Report”, and 2013 FinScope surveys. In addition, information on saving practices, needs and demand (within Alliance’s scope of activity) gathered from other research projects, was also considered. In particular, data were extracted from the following research projects:

* Preliminary market research conducted by Financial Systems Development Services (FIDES) prior to Alliance opening in 2014;
* Market research for the development of the individual loan product, conducted in September 2015;
* Research on micro-insurance demand conducted in Mandalay in February 2016;
* Surveys conducted in Madaya and Pyin Oo Lwin in May 2016 as part of market research for the selection of the new branch location; and
* Ongoing market and demand research in rural areas around Mandalay.

# Data Analysis and Preparation of Results

The data gathered by means of the three research tools and other available information were compiled to produce this report on the research findings. With respect to the research methods used, information from the first two tools (in-depth interviews and focus groups) was treated as qualitative data and no systematic data analysis was applied to it. Survey responses, meanwhile, were entered into Excel for statistical analysis with responses broken down and analyzed by set criteria. Survey results analysis is presented primarily using descriptive statistics. The presentation of results provides insights and recommendations for the next phase of product development.

# Research Findings

This section presents the results of the research taking into account i) the data collected using the research methods employed, and ii) the information already available from other research projects.

5.1 Willingness and Capability to Save

Existing research conducted in Myanmar on the savings landscape suggests, in general, a low prevalence of savings habits. In 2014, MAP reported that 62% of the total population does not save and among those who do, informal saving practices are most commonly used. Take-up of regulated deposits remains limited (CENFRI, 2014).

The market research conducted by FIDES in March 2014 in preparation for Alliance launch, however, revealed that 79% of respondents saved and surveys in Madaya and Pyin Oo Lwin showed similar results with 87% of respondents reporting some kind of saving.

Use of savings by source of provision

The MAP Report found that the total use of savings is lower in rural areas than in urban areas. Urban areas also had higher take-up of regulated savings instruments (11%), while rural areas only had 4% of adults holding savings with a regulated institution (CENFRI, 2014). In the region of Mandalay, ongoing research conducted by Alliance confirms this finding by showing that saving habits are less common among rural target groups (34% save compared to 46% in urban areas).

 Source: FinScope 2013

According to data collected in Mandalay, Madaya and Pyin Oo Lwin, rural households seem more inclined to save in kind and in gold with respect to their urban counterparts. These choices may be the most suitable, amongst the available options, for their productive cycles, which are characterized by high seasonality and regular lump sum expenditures. The preference for gold among rural savers is also confirmed by the preliminary results of the ongoing rural market and demand research. This research has revealed a strong inclination to save among the urban population of Mandalay. Informal methods still prevail, with home savings and rotating savings and credit associations (ROSCAs) being the most common methods. In terms of purpose, consumption smoothing, business investments, and coping with emergencies stand out as the most common reasons for saving. The graphs below summarize the saving habits of survey respondents – these insights also reflect the information gathered through interviews and focus groups.

5.2 Purpose and Forms of Savings

This section presents insights from the use of different saving methods in consideration of purpose and term. FinScope surveys suggest that more than half of respondents (57%) save for consumption smoothing purposes and another 55% save to be prepared to face medical or other types of emergencies (FinScope, 2013).

As households and livelihoods exhibit considerable variation from one to another, so too do savings behaviors vary in amounts, time and accessibility. For the purposes of this research, the reasons and consequent use of saving methods were classified according to their expected timeframe of realization: short-, medium- and long-term. This time-based approach guided the interviews and focus group discussions toward providing a more clear-cut picture of how households differentiate their saving behaviors in relation to their multiple needs. From interviews and focus groups, it appears that time, rather than specific purposes, is the factor that guides the saving behaviors and the choice of different methods. The table and analysis below provide a general overview on the purposes and forms of savings in relation to their expected duration.

|  |  |  |
| --- | --- | --- |
|  | Purpose | MEthods |
| Short-term(few weeks to one month) | * Cover expenses, manage cash flow
 | * Home savings: cash, piggy bank
 |
| Medium-term(few months to one year) | * Emergencies
* Regular education expenses
* Festival celebrations
* Assets purchase
 | * Piggy bank
* ROSCAs
* Gold
 |
| Long-term(over one year) | * Asset accumulation
* Business expansion and larger investments
* Education and pension funds
 | * Gold
* Bank accounts
* Investing in business assets
* Investing in real estate
 |

**Short-term** savings practice is used to meet day-to-day needs. Managing irregular cash flows and smoothing consumption are the reasons driving this type of saving pattern. Respondents reported that the most common purposes of these kinds of savings included covering general living expenses and ensuring working capital for businesses. Overall, home savings are the most common choice, especially in cash. Another set of information can be inferred from the level of income and type of business. Most of the interviewees are business owners who belong to the low income segment of the population. The most common behavior concerning short-term savings is the adoption of a blend of home savings (especially in cash) and reinvestment in business. The high inventory turnover of some of the businesses may explain the often observed cycle of frequent and systematic cash injections. In such cases, the demand for liquid savings products is dominant. Short-term savings products are typically characterized by quick access and flexibility in both use and transaction size.

**Medium-term** savings practice can be understood as a more disciplined approach toward savings when upcoming expenses are known or roughly expected, which gives some room for planning. For instance, educational expenses for children over the school year can be roughly projected. However, medium-term savings also include emergencies and unplanned expenses. 9% of survey respondents save for education and 6% to cope with emergencies, and face unexpected spending. Other research shows that health-related expenses are also the main reason for saving in the medium-term. Data from FIDES market research suggests that 41% of respondents save to cover health expenses. The micro-insurance research confirms this, showing that 31% of respondents had used their savings in the previous 12 months on healthcare expenses. Donations and other expenses related to festival celebrations may also be included in this category. This pattern of savings is largely seen in households with a steadier income or a more regular cash flow.

**ROSCAs** and other types of saving clubs are extremely popular for these purposes. The combination of regularity, medium-term durations and the possibility of gathering larger sums, makes this option suitable for servicing medium to long-term needs. Moreover, the fact that these groups form and operate in the community and often offer door-to-door service, makes them easy and convenient saving methods.

Buying gold pieces, ornaments and jewelry is also used as a way of saving. It is suitable for being kept over longer periods of time due to its perceived illiquidity (though in reality it can be converted into cash virtually on demand given the ubiquitous presence of pawnshops) and usefulness as an inflation hedge. **Savings accounts** were also mentioned by respondents in reference to medium-term savings, even though they represent a small portion of the total.

Finally, **long-term** saving patterns were also observed among interview and focus group participants. These purposes include longer-term projects or plans, such as buying a house or land, making larger business investments and saving for retirement/old age. Respondents seemed to be well aware of the difference between ‘saving’ and ‘investing’ and the research highlighted a common preference to ‘**invest’** rather than ‘save’ in the longer term. Interviews and focus groups revealed that many respondents believe that investments provide a much more lucrative return than regulated savings. Many focus group and interview participants declared that they prefer to reinvest in their own business rather than utilize long-term saving because of the possibility of higher profits. While uncommon amongst group borrowers, individual loan clients interviewed often declared investing in the purchase of land and real estate as part of a long-term saving plan. **Gold** is another common way in which people save for long-term purposes. The research found that people are more comfortable and feel more secure with gold savings. Over the years, jewelry and gold can be accumulated and kept at home and then be easily sold when the necessary amount has been reached.

Overall, surveys confirm that the vast majority of respondents (54%) save for business purposes, either to support their working capital needs or to purchase fixed assets in the longer run. The wide range of reported savings purposes and the use of different methods suggests the need for a variety of products that can tap into people’s necessities.

5.3 Emergency Savings

Amongst medium- to long-term saving purposes, saving for emergencies appears to be the most common preoccupation for many of the respondents. Information from interviews and focus groups suggests that health emergencies are considered high priority. As shown in the graph below, the micro-insurance research confirms this finding, with the majority of respondents (37%) choosing health as the most common and serious risk to which they consider themselves vulnerable.

Although some respondents declared not to be saving in any form specifically to face health-related emergencies, further investigation during interviews and focus groups revealed that savings are almost always the main means to finance health or other unexpected expenses. If savings turn out to be insufficient, the general tendency observed among research participants is to ask for help from family and friends, while nobody openly stated that they would choose to borrow from money lenders or regulated institutions for this purpose.

Gold appears to be the preferred saving method for these events as respondents find it easy to accumulate and store it for longer periods and is conveniently convertible to cash when needed. The rigid nature of ROSCAs does not make them a suitable way to save for emergencies. However, some focus group participants (who are ROSCA members) stated that sometimes, if they do not have any particular plan to utilize the payout when it occurs, they use the payout amount to purchase gold and keep it aside for emergencies. The research on micro-insurance confirms this finding, with 38% of survey respondents declaring that gold and jewelry are the best form of emergency saving, as it is easy to purchase liquidity by selling these items.

If health expenses are more regular and predictable (for instance due to an existing condition), saving in cash is preferred over gold, confirming once again the link between short-term regular expenses and the inclination toward holding liquid savings. Piggy banks were often mentioned in these cases.

5.4 Saving Methods

Among those who do save, the research observed a general preference for informal saving practices over regulated ones. This is in line with results presented in other research projects. For instance, the MAP Report suggests that of those who save, only 16% make use of regulated savings (CENFRI, 2014). A number of reasons contribute to explaining this situation. In most cases, low take-up of formal savings can be ascribed to a lack of suitable options among the formal sector product offering. Moreover, in recent years, a series of policy shocks have destabilized the finance sector, instilling a general feeling of distrust in cash as a unit of value (Nehru, 2015). Even among those not directly affected by these crises, private banks have an image marked with insecurity, unreliability and instability. High inflation rates have represented a considerable threat to the value of savings which may have induced savers to prefer keeping their money at home, in gold or in-kind. This behavior may have been further encouraged by the ease and convenience of saving at home. Finally, banks’ disinterest in mobilizing savings from low income segments results in products not fully meeting the specific needs of this portion of the population.

The saving methods most commonly encountered during this research were: cash savings at home, saving in gold, saving clubs and savings with financial institutions. Additional information on these methods, their use and take-up is provided in the following sections.

Cash Savings at Home

Interviews and focus groups revealed a strong prevalence of home savings among respondents, especially in the form of “**piggy banks**”. Piggy banks are normally metal boxes, purses or other types of containers in which cash is stored, and that are preferably hidden or locked inside drawers or closets at home. Piggy bank savers frequently carry the key on them at all times for security purposes. Many of the respondents clearly differentiate between piggy banks and other cash kept at home. Keeping the money locked away in a box, closet or drawer makes it less accessible and safe from temptations and trivial spending habits. Often the use of piggy banks is linked to more specific short- to medium-term purposes, such as small purchases, preparing for festival celebrations and donations, and emergency funds. In fact, while cash kept loosely at home is mainly used for day-to-day expenses and consumption, piggy banks may be employed to save up for planned expenses or kept as a reserve in the case of unexpected events.

Saving in a piggy bank tends to be a fairly regular daily exercise. Interview and focus group participants declared that they either set aside a specific amount they want to save daily, or simply put in the piggy bank whatever they have left at the end of the day. Respondents using piggy banks for specific purposes generally showed greater regularity in amounts and frequency of deposits. In the case of planned expenses, the majority of research participants noted that they almost never use the whole amount saved in the piggy bank – and instead always try to keep some savings aside to be used in case of emergencies.

Savings in Gold

Another widely used method for saving at home is **gold**. Qualitative research showed that gold is often chosen for long-term saving purposes. The most frequent behavior observed indicates that gold purchases often occur once cash savings reach larger amounts. In some cases, ROSCA payouts are also used to purchase gold. Respondents normally save in gold to be prepared to face unexpected expenses and emergencies, or as part of a longer term asset accumulation strategy to finance large purchases or investments. Gold savings are also commonly used to finance life-cycle events, such as weddings, funerals, donations and religious celebrations. When it comes to emergencies, however, the research suggests that liquidating gold seems to be considered only when significant amounts are needed. In case of minor risk events, cash savings and/or turning to family for help are the preferred options. In the case of financing lump sum expenditures and investments, gold is accumulated over months or years until the needed amount is reached - and then liquidated in bulk.

Most of the focus groups and interview participants would choose to save in gold over a bank account. One of the reasons behind this is cultural. Gold is perceived as a symbol of power and prestige. Owning and wearing gold ornaments is a means to express one’s social status and wealth. If needed, gold can be readily sold for cash. The information gathered during this research implies that for longer term saving purposes, people prefer to purchase gold in the form of bars, leaves or sheets, as it exhibits a more stable value over time, while gold jewelry carries a higher risk of potential loss by depreciation. Small quantities of gold, in the form of sheets, can be bought from jewelry shops for as little as 10,000 MMK, which is quite affordable - even for low-income earners. Another reason for the popularity of gold as a savings tool is the perception that selling gold in one of the many pawnshops available is much easier and quicker than performing transactions at the bank (which may also have inconvenient opening hours and waiting times). It is worth mentioning that perception and reality may not always go hand in hand. The process of selling gold may not necessarily be easier, quicker or more convenient than going to the bank to withdraw - the majority of respondents have no experience whatsoever in dealing with regulated financial institutions and this lack of information may bias their perception.

Although some of the more well-off interviewees expressed an interest in saving in gold for speculation purposes, the majority of research participants do not seem interested in seeking higher returns from buying and selling gold. Their main concern is liquidity.

Savings Clubs

It should come as no surprise that a great majority the interviewees, focus group participants and survey respondents declared that were current members of a saving club(43% of survey respondents). Among these, the most common are undoubtedly **Rotating Savings and Credit Associations** (**ROSCAs,** locally called ‘su jay’). These informal groups are normally generated from within the community, amongst neighbors, organized by individuals who take the initiative to gather a group of friends, neighbors or people running similar types of businesses with the purpose of jointly pooling larger sums that will be then distributed to members on a rotation basis. Organizers are responsible for collections and disbursements, and in some cases they also keep the money in between transactions. Organizers are also in charge of the selection and approval of members, which ensures that only trusted and reliable people with a fairly regular income are admitted to the group. The number of members is typically between 10 and 40 people.

According to the research data, it appears that, as a general practice, all the groups offer two different collection frequencies: daily; and every 10-20 days to monthly - depending on the ROSCA. Among the groups encountered during the research, deposit amounts varied from MMK 2,000/5,000 daily to MMK 10,000/100,000 every 10 days. Withdrawals also happen either every 10-20 days or monthly on a rotation basis. All interviewees stated that most people prefer to pay once per 10-20 days rather than daily. As daily collections normally have to stay with the organizer until the set payout date, this seems also to be the preferred option for organizers who find collecting and disbursing on the same day burdensome and more difficult to manage. The duration of the rotation cycle depends on the withdrawal frequency and the number of members. Typical cycle terms (i.e. the length of time needed for all the members to withdraw once) encountered during the research ranged from 3 to 12 months.

The organizer normally receives the first payout, while subsequent turns in the withdrawal rotation are assigned through lottery or auction. The table below summarizes how these two methods work and in which cases they are employed.

|  |  |  |
| --- | --- | --- |
|  | When is it used? | How does it work? |
| Lottery | Used in smaller groups. Easier to organize and implement. | A one-time lottery draw takes place at the beginning of the rotation cycle to determine the order in which members will withdraw. Each member knows the exact date in which he/she will receive the payout. Upon agreement, members can exchange turns if they want to withdraw before the date assigned to them. |
| Auction | Used in larger and more formal groups. Requires more complex organization and a basic bookkeeping system in place. | There is no set order from the beginning. On payout date all the interested members meet and whoever wants to take the lump sum must offer a bid. The highest bidder will receive the payout amount minus the bid price. The price is retained as income earned for the group, and is only shared at the end of the cycle, when all members have received a lump sum once.  |

As the cycle comes to an end, the group normally re-forms and a new cycle begins. Turnover of members is believed to be very low, as research participants confirm that few people decide to leave the group at the end of the cycle.

All ROSCA members interviewed declared that if a member fails to pay, the organizer will cover the missing amount and deal separately with the defaulting member. However, no one reported this ever happening in their experience with saving groups. Strong social bonds and a cultural propensity for respecting commitments makes the ROSCAs particularly popular and successful in Myanmar. However, some respondents acknowledge the potential risks of saving with ROSCAs (especially in terms of security), as they do not have any formal guarantee or protection against incidents and fraudulent behaviors.

The research also came across a more formal organization operating under a ROSCA-like system. This organization is active in the main marketplace in Mandalay - Zay Cho market - and employs over 10 staff. It manages over 50 different groups, each composed of 30-50 members. Members are mainly retailers and business owners working in Zay Cho but membership is open to virtually anyone with proof of regular income. Members are grouped together according to their payment capacity and the amount they are seeking to withdraw. As a guarantee, new members are required to provide collateral when joining and are allowed to receive their first payout only after 20 turns. The order of withdrawals is decided through an auction system at each withdrawal meeting. Concerning the amounts of the deposits, different options are offered to members, ranging from 10,000 MMK to 500,000 MMK every 10 days. The duration of each cycle is around 10-16 months, depending on the number of members per group.

Less frequently, but still mentioned by some interview participants, are **community saving groups**. These are generally organized by ward administrators, pagodas or religious groups. Unlike ROSCAs, in this type of group funds do not rotate, but instead each member saves up individually over a period of one year. Normally, door-to-door deposit collections happen on a regular basis every two or three days but are optional and amounts are flexible. Member savings are kept in a bank account; though they do not earn any interest. As a general rule, all members are allowed to withdraw the entire amount saved once a year, and a small fee is withheld that feeds into a community or religious fund to be used for religious donations, festival celebrations or to fund community social welfare (e.g. offer free funeral assistance to those in need). However, members state that savings can sometimes be withdrawn before term, provided that a minimum balance is always kept on the passbook. No information could be gathered directly from the organizers at this stage, but it can be assumed that the interest earned on bank deposits remains with them and they may be willing to cover operational expenses or finance the fund.

Different types and organizations of savings clubs cater for different motivations of members. The rigid nature of ROSCAs often makes them unsuitable to provide prompt responses in case of emergencies. However, knowing the payout date in advance allows for planning. In many cases, the amounts are used for business investments, asset purchases, education expenses, and even rent. If the amounts needed are larger than the payout, focus group participants report accumulating numerous payouts from many ROSCA cycles in the form of gold, until the desired sum is reached. Another solution to this constraint consists in joining a ROSCA that employs the auction system, as these gather more members and consequently circulate larger amounts. Community saving groups show a greater level of flexibility in terms of access, but since the savings are accumulated individually rather than pooling together deposits from group members, lump sums can only be built over a longer period of time. All members interviewed seemed determined to avoid withdrawing their savings before term and wait for the yearly payout to be able to raise a larger sum.

|  |  |  |  |
| --- | --- | --- | --- |
| **Features of the different types of saving groups encountered during this research** | Local *su jay* (ROSCA) | Community savings group | Zay Cho saving groups |
| Organizer | Private individuals | Ward administrators or religious groups | Organization acting as agent |
| No. of members | From 10 to over 40 | Large groups, often entire communities | From 30 to 50 per group.  |
| Group formation | Organizer invites trusted people to join the group. Other members can also vouch for someone, but the final decision rests with the organizer. Normally all group members know each other. | Virtually all members of the community can join. As savings are done individually, the selection process is not so strict. | Groups are formed by the organizers on the basis of members’ payment capacity and desired payout amount. Group members do not necessarily know each other. As a guarantee they are requested to provide collateral and cannot withdraw before 20 turns. |
| Purpose | Free | Free. A fee is withheld by the organizers for donations, festival celebrations or to fund social welfare initiatives in the community | Free |
| Deposit frequency | Daily, every 10 or 20 days, or monthly. Most people prefer the 10-20 day deposit cycle. | Daily or every second day, but not compulsory. | 10 days |
| Deposit amount | 2,000 MMK/5,000 MMK (daily)10,000 MMK/100,000 MMK (10-20 days)  | Free. Members can decide each time how much they want to deposit. | Depends on the group. From 10,000 MMK to 500,000 MMK. |
| Payout order | Lottery or auction | No turns. Members withdraw all their savings (minus fee) on fixed dates once a year. | Auction |
| Payout frequency | 10-20 days or monthly. Generally matches the deposit frequency. | Once a year. Early withdrawals are possible. | 10 days |
| Payout amount  | Depends on number of members and deposit amount. For the groups encountered in this research: min. 260,000 MMK / max. 3,000,000 MMK | Depends on how much has been deposited during the year. Members do not receive interest. | Depends on the number of members and deposit amounts. Min. 300,000 MMK / max. 25,000,000 MMK.Members receive auction fees. |

Regulated Savings

To a (much) lesser extent, formal saving instruments were also mentioned by research participants. Data available from all consulted research projects show that the percentage of people saving in banks ranges from 5% to 15%. Interviews and focus groups showed that **bank accounts** are perceived as burdensome in terms of requirements, and inconvenient in terms of opening hours and waiting times. Some respondents also think that the amounts they wish to save are too small for banks and/or that they would feel uncomfortable performing small-size transactions. All these factors combined seem to fuel the conviction that in times of need, obtaining the funds from the bank would take too much time and effort, especially when compared to the level of flexibility and access these people are accustomed to with home savings. Despite this, most respondents do believe that banks are possibly the safest places to keep money.

Previous research suggests that banking sector crashes (that affected many depositors in recent Myanmar history) have led to a general feeling of mistrust toward financial institutions. However, this research did not register any trust or safety concerns when it came to banks. While it is true that the sample of research participants is too small for such a conclusion to be statistically significant, the finding may be representative of the Alliance client segment. Low income people were probably not among those directly affected by the aforementioned crises. Among the bank account holders interviewed, the research identified a tendency to keep savings for long-term plans and purpose - notably for future education expenses, significant business expansions, house or land purchases and pension funds.

Considering that most of the research participants are Alliance clients, saving with an MFI was a common answer. However, most clients would mention it only when reminded of the 10% compulsory savings they deposited before disbursement. This suggests that they may not automatically perceive the deposit as savings.

Focus group discussions with clients revealed a preference for reinvesting in business rather than keeping money in a bank account. When asked to explain the reasons behind such behavior, the majority declared that the return on their investment would be higher than the interest they would get form a savings account.

Respondents were also asked to express an opinion of what they think are the safest and easiest ways to save. The results are shown in the graphs below.

Notably, saving with MFIs ranked in last position as the least safe place to save. From information gathered during focus group discussions and interviews, however, this may be more attributable to a lack of experience in saving with MFIs, rather than reflecting a real concern for security. MFIs ranked low also in term of ease of saving methods. Here, the current lack of a solid product offering in terms of savings be to blame. In Alliance’s case, the only experience that clients have with savings is often tied to the compulsory savings, which are paid upfront before disbursement, along with fees. This is believed to cause some confusion among clients. A greater level of clarity and transparency on the issue may be beneficial to enhance/safeguard Alliance’s reputation.

5.4 Demand for Savings

This section will present the results from the qualitative and quantitative data with regard to the demand of regulated saving and preferences for product features.

Product Preferences

When asked if interested in the possibility of having a savings account at Alliance, the great majority of research participants responded *yes*.

All research tools revealed that needs in terms of saving vary greatly according to purpose and capacity. Saving for shorter or longer terms for different purposes often requires the use of different methods. It should be logical then, that preferred product features also vary considerably and according to the purpose of such saving. Saving for consumption smoothing will require a greater level of flexibility and liquidity than saving for a medium or long-term goal, which may require a more regular and rigid schedule. This variety of needs and preferences suggests demand for different products that can offer flexibility, convenience, regularity and discipline according to what is needed at that particular moment. The following sections present the research results on product features.

Flexibility and Ease of Access: Savings Passbook

Unsurprisingly, flexibility and easy access to savings are the factors that mattered most to the majority of research participants. An account offering these features would certainly meet the demand of potential clients, as it replicates the advantages of the informal methods that they currently use (e.g. home savings). Great levels of flexibility in terms of amount, frequency and size of transactions will ensure easy access to savings at all times.

Moreover, the prospect of earning interest may represent an additional advantage in incentivizing people to move their money out from under the mattress. Delivery channels are also crucial to ensure the desired level of access and adaptability sought by small savers. Channel development and implementation represents the main challenge to make the product attractive and ensure take-up and active use.

Regularity and Discipline: Saving Plans

Most research participants also expressed great interest in a regular saving plan. According to the information gathered during interviews and focus groups, this option would provide them with discipline and motivation to save for longer periods, and allow them to accumulate larger sums for planned events or unexpected expenditures. Its similarity to the ROSCA system (small and regular deposits and lump sum withdrawals) makes it particularly attractive option. In addition, the prospect of earning interest on savings may be appealing to those accustomed to saving with ROSCAs and other saving clubs.

When asked their intended purpose for saving, the most common answers among survey respondents were health, children education and donations. These three purposes were also the ones most frequently mentioned during interviews and focus groups.

Participants were also asked if they favored a saving plan that matched the loan duration. Most of them welcomed this option but the vast majority would prefer the deposit to occur some days apart from the loan instalment, otherwise it would be too burdensome. However, this timing choice also depends on the amounts concerned, so it could still be possible to implement an integrated loan payment/deposit schedule.

For this option, the majority of respondents would prefer to make monthly deposits, with amounts ranging from 10,000 MMK to 50,000 MMK. Regarding deposit frequency, 21% preferred every two weeks (10,000 – 20,000 MMK), 14% preferred weekly (5,000 – 10,000 MMK) and only 4% preferred to deposit daily (2,000 – 4,000 MMK). As part of the savings plan option, research participants were asked if they would be interested in an account that only pays out in case of health emergencies.

Although existing research shows a general tendency to save up for emergency spending related to health issues, focus groups and interviews revealed low interest in an account exclusively intended for this purpose. According to respondents, the scope of such an account would be too limited. Many stated that they could cope with emergencies in other ways. They noted that even though savings remain the main source of funds for coping with emergency health expenses, having an account specifically tied to such events would be too limiting. Lacking the freedom to access their savings and use them for other purposes if needed, appears to be an unacceptable restriction. A possible solution would be to incorporate into the saving plan the possibility of early withdrawal in case of emergency. In this way, the use of savings would not necessarily be restricted to a single purpose, but still be available in case of other emergency needs.

Fixed-term Accounts

Fixed-term accounts do not seem to be favored by many people. The most common explanation for this amongst respondents was that fixed-term accounts would not serve their current needs (in terms of liquidity and access to funds) and would not match their cash flow requirements nor capabilities. Large, one-time deposits and prolonged unavailability of funds represent major drawbacks for respondents.

Considering the target group of the research, such a result should not come as a surprise. In fact, for people mainly preoccupied with covering household living expenses and managing business working capital on a daily or weekly basis, it is perfectly sensible that long-term financial accumulation becomes a secondary priority. Many respondents believe that investing in their business will turn out to be more profitable than saving in a similar type of account in the long term, even after considering the interest earned.

Compulsory Savings with Alliance

The research also looked into the existing practice of collecting compulsory savings as a requirement to get a loan. Currently, Alliance asks for an upfront deposit of 5% of the loan amount before disbursement. Alliance clients were asked if they would prefer to make small deposits along with loan instalments instead of depositing the entire amount upfront. Survey answers showed a slight preference for the first option even though it implies earning less interest. Focus groups and interviews confirm this preference, justified by the fact that gathering a larger sum at once may be troublesome for some clients.

Focus groups and interviews also shed light on clients’ general attitude toward this type of savings. Currently, these savings are almost always withdrawn, along with the accumulated interest, at the end of the loan cycle. However, the vast majority of clients interviewed expressed a strong interest in keeping the saved amount in the account, and accumulating compulsory savings amounts with every new loan cycle.

Location of Transactions

Survey results showed that respondents like both transactions at the branch and in the community. However, focus groups and interviews revealed that group loan clients have a strong preference for transactions happening in the community. This discrepancy between the results from surveys (which included both group loan and individual clients, as well as non-clients) and focus groups (conducted only with group loan clients), confirms the hypothesis that the community approach is the most suitable for Maharmate clients due to their busy schedules and the necessity of being physically present on their business site, while individual clients showed a higher degree of flexibility. Similar results were obtained relating to regular saving plans in which deposits and withdrawals follow a more regular schedule. Respondents who value flexibility above all, however, tend to prefer transactions at the branches, instead of depending on Client Officer visits every two weeks. Focus group discussions conducted with group loan clients revealed a much higher preference for transactions happening in the community, while individual loan clients often do not mind having to visit the branch.

All research methods detected a dislike for transactions at partner local shops and for the use of mobile phones to perform transactions. With regard to local shops, most of the respondents explained that they would not trust other people with their money and that they wished to maintain a closer relationship with the institution. Mobile phone transactions were preferred mainly by the younger portion of the sample, and the general dislike of mobile transactions can be ascribed to the limited knowledge of this kind of technology, which is still fairly new in Myanmar.

Ranking of Factors

Survey respondents were asked to rank a number of factors from the one that they valued the most (1) to the one they considered to be the least important (7). The graphs below show the results obtained.

When asked to rank the factors that they would consider in their decision about opening a savings account, the majority of respondents showed a preference for the reputation of the institution, followed closely by location of transactions. These results are in line with existing research, proving that savers are mainly concerned about security and low transaction costs when it comes to savings. High interest rates and low fees are considered the least important factors. Focus groups and interviews revealed that almost all respondents seem interested in earning interest on their savings, but not as a priority. Often when asked how much interest they would like to receive on their savings, they were unable to give an exact figure. Among those owning a bank account, the majority did not know the interest rate applied to it.

Fees also do not seem to be an issue for respondents in the case of regular saving plans – in such cases early withdrawal fees may actually serve the purpose of encouraging discipline and regularity. With reference to demand deposit accounts, respondents were asked if they would agree to pay a withdrawal fee if the interest on the account was higher. More than half of the respondents would accept this condition showing a clear preference for higher interest over the possibility of free transactions. Despite this result, if transaction fees were to be introduced it would be strongly recommended to keep them to a minimum in the case of demand accounts, to ensure easy and convenient access to savings.

# Recommendations for Product Development

Based on the findings of this research we can propose several recommendations to be considered in the development of a savings product at Alliance. Research showed how different saving purposes influence the choice of saving methods and preferences for product features. Hence, the ability to offer a complete range of products that can fulfil different necessities is key to meet potential clients’ demand and to succeed in mobilizing savings.

Recommendations are presented following the same structure used earlier to differentiate the various saving purposes: short-, medium- and long-term savings.

Short-term savings: Saving passbook

* Research findings revealed that high interest rates are not sufficient to attract small savers. The main challenge in attracting short-term savings is to compete with the convenience of home savings - a demand deposit product must allow for easy and frequent access, proximity and low transaction fees.
* The concept of piggy banks implies that money is locked away and safe from trivial spending habits, though quickly available when needed. This seemingly contradictory circumstance may pose a challenge when trying to develop a product that can fulfil needs of both easy access and savings discipline.
* To obtain results in the long run, it will be necessary to invest in building a strong savings culture around regulated services. Security and the opportunity to accumulate interest should be the main selling points.
* Demand deposit accounts, similar to the saving passbook currently in place at Alliance, are the most suitable option for this type of savings.
* Deposit and withdrawals should be available both at the branch and in the community. During the initial phase, transactions in the community will need to be performed with the help of Client Officers. However, in the future it would be desirable to introduce new delivery channels that can ensure a greater level of convenience for the customer. These methods may include mobile banking or partner shops acting as local agents. They should offer the desired level of convenience (in terms of access, proximity and flexibility). Key challenges will include developing the mobile technology, familiarizing clients with such technology, and attaining their trust.
* Transactions in the community conducted by COs will require thorough controls and procedures in place, fully implemented in an efficient, transparent and low-risk manner.
* To ensure flexibility and active use of the account, limitations on transaction size and frequency should be kept to a minimum. Transaction fees should also be limited in order to allow convenient and flexible access and use.
* The required minimum balance recommended for this type of account ranges from MMK 5,000-20,000.

Medium-term savings: Saving plan

* In the context of medium-term savings, flexibility and quick access become less important. Instead, savers call for more discipline and regularity that can help them reach their savings goals. In this case a savings plan can be envisioned.
* This option may turn out to be particularly interesting for savers, given its similarity to the ROSCA system and in considering that, unlike the informal saving groups, it offers the guarantee of security and the opportunity to earn interest.
* Deposits would occur on a regular basis. The majority of survey respondents expressed a preference for longer frequencies (monthly). However, fortnightly deposits should also be considered for the pilot phase to encourage regularity in the saving exercise.
* The possibility of making deposits in the community as well as at the branch should be offered. Given the frequency and regularity of deposits, it is expected that collections in the community will be preferred by the majority. On the other hand, it would be advisable for withdrawals to happen only at the branch.
* The recommended term for the savings plan is 3-6 months. For loan clients the term could match the loan duration. In this case, it should be kept in mind that simultaneous deposit/loan repayment can become burdensome for some clients. The option of making deposits and loan repayments in two separate moments should be offered, though collection in the community might not be always ensured.
* Regarding the amount of each deposit, this should be flexible so that savers can chose the amount they can afford to deposit each time according to their capacity. However, a minimum required amount could be set to encourage saving discipline.
* Fees should be in place in case of unjustified early withdrawal. Most of respondents declared that they would accept early withdrawal fees of up to half of the annual interest rate applied to the account.
* Policy should include the possibility of unlocking part of the amount before term in case of emergencies. This would be very beneficial for the clients, who would have a secure cushion in case of emergencies, without limiting the scope and purpose of their savings.

Long-term savings: Term account/compulsory savings accumulation

* Savers that opt for long-term accounts are generally looking for asset accumulation and are interested in getting higher returns. As mentioned in the section on findings, many of the research participants believe that reinvesting back in their businesses will give them higher returns compared to the interest they would get on bank account deposits. This belief is at the core of the unfavorable attitudes expressed toward the fixed-term savings option. However, research has clearly shown that awareness of effective interest rates applied to regulated savings accounts is extremely limited. This fact suggests that, if provided with more accurate information, clients may adjust their perceptions of what the most profitable options are, along with preferences for long-term saving with regulated institutions.
* Loan clients can be proposed a long-term plan in which they can accumulate the required upfront compulsory savings at the beginning of each new loan cycle. The term for withdrawals could be defined in number of cycles, at the end of which the accumulated amount plus the interest may be withdrawn.
* In this case, however, the research has shown that clients generally dislike the upfront payment option. Hence, it may be worth exploring the possibility of spreading the amount – or part of it – across smaller deposits to be made along with loan instalments.
* As suggested for the saving plans, early withdrawal fees can be enforced and a policy allowing withdrawals in case of emergency should be in place.

General remarks

* As a general recommendation, the different accounts proposed should offer different interest rates that reward medium- to long-term deposits. The interest rate for saving passbooks should be lower. The current regulatory floor for interest paid on savings (15% p.a.), makes this difficult. Product differentiation, therefore, such as medium-term and long-term savings plan differentiation, might be contingent on the regulator relaxing these requirements.
* All accounts should include a beneficiary policy that allows the account holder to leave the savings to someone else in case of death.

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