

UNITED NATIONS CAPITAL DEVELOPMENT FUND

Myanmar



Alliance: Life Stories and Financial Education Demand Research in Mandalay Region

June 2016



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ACRONYMS

ALLIANCE	Alliance for Microfinance in Myanmar
JLG	Joint Liability Group
KBZ	Kanbawza Bank
MFI	Microfinance Institution
MMK	Myanmar Kyat
ROSCA	Rotating Savings and Credit Association
UNCDF	United Nations Capital Development Fund
USD	United States Dollars

1. Objectives

Understanding clients' needs is essential to fulfilling Alliance's social goals and mission. The life stories research was undertaken with the purpose of gathering relevant information about client demand for financial services and financial education, and consequently to allow Alliance to design and develop the most suitable products to satisfy client needs. The life stories showcased in this paper have been gathered from in depth interviews, which touch upon several aspects of Alliance clients' lives. The stories are meant to provide a comprehensive overview of the clients' life-cycles with a distinctive focus on vulnerabilities, risks coping mechanisms and asset building strategies used throughout life, as well as on the role of formal and informal financial tools with which they have come into contact.

Interviews were conducted in urban and rural areas in the Mandalay region with the primary objective of identifying and understanding Alliance clients' financial needs and behaviour. The interview format was designed to be able to:

- Understand the household structure and main life goals;
- Analyse the clients' financial situations and the asset building strategies employed throughout their lives;
- Identify the main risks and vulnerabilities households faced in the past and are facing now;
- Understand the coping mechanisms employed in order to face them; and
- Assess the clients' needs and demand for financial education.

2. METHODOLOGY

In order to investigate the needs linked to different types of business activities, the clients selected for the life stories were sampled to be representative of the most common businesses amongst them: farming, food services, handicrafts and small convenience stores. Nine clients underwent two rounds of interviews, both at their workplace. However only four stories, two representing group loan clients and two representing individual loan clients, will be presented in this report.

In line with the purpose and objectives of this research, interview participants were selected amongst the clients that showed characteristics of interest with respect to financial education levels, needs and demand. Of particular interest for Alliance, at this stage, was to identify and understand the differences between group and individual loan clients: the main focus was not on the clients' financial situation per se, but more specifically on how it reflects the clients' financial literacy levels and needs. The findings of this research will guide Alliance efforts to offer financial education training for its clients.

The life story methodology presents several advantages compared to more common research tools (e.g. surveys and focus groups). Life stories allow researchers to build more intimate relationships with interviewees. Combined with the open structure of the

questionnaire, this type of research is a functioning channel to gain access to clients' personal information.

Clients were asked to answer structured questionnaires, designed in an open format in order to encourage clients to provide personal and detailed answers regarding:

- Story and life-cycle: life events, positive and negative turning points;
- Household composition and assessment: members, relationships, roles and responsibilities, objectives and priorities, risks and vulnerabilities.
- Household economy: assets, business and other income-generating activities, and cash flow analysis.
- Financial behavior: financial knowledge and planning, products and services utilised and personal preferences.
- The analytical 'snapshot' of the household is completed with a graph showing the client's lifecycle, as in the example shown below.

The questionnaires were posed to the clients in English with the help of a translator to facilitate communication.

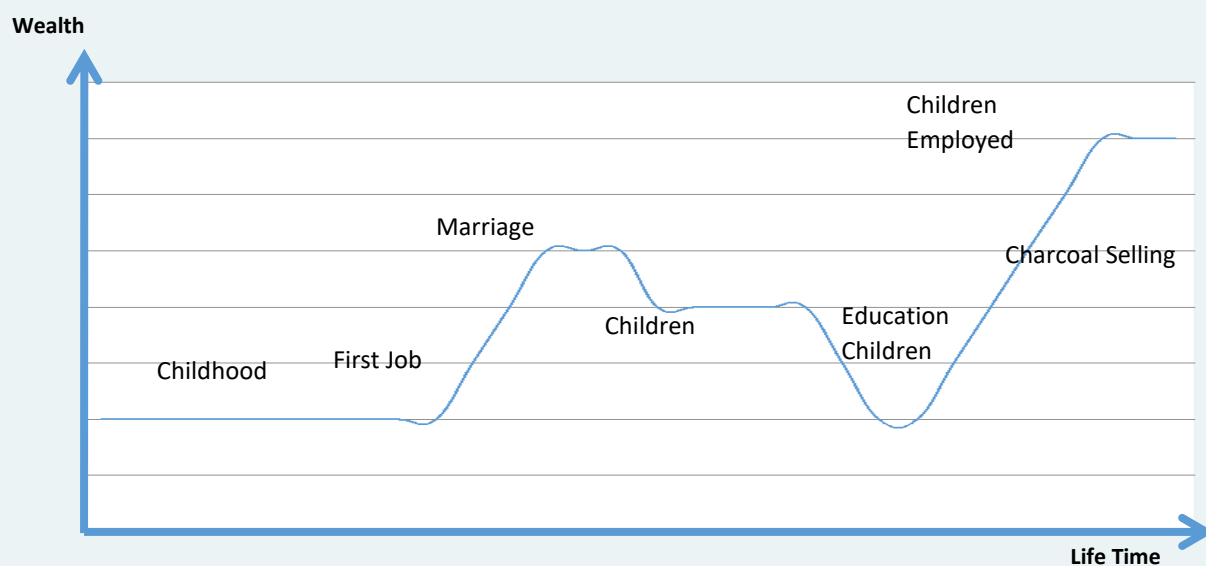


Figure 1. Example of a lifecycle graph

During the first round of interviews, clients were asked questions in a predefined order and answers were noted down by the interviewers. The questionnaire took about 80 minutes per client to complete.

The information gathered through the questionnaires was then used to draft a preliminary version of the client's story, in order to detect missing or unclear information. A new list of more specific questions was outlined and doubts were clarified during a second round of interviews.

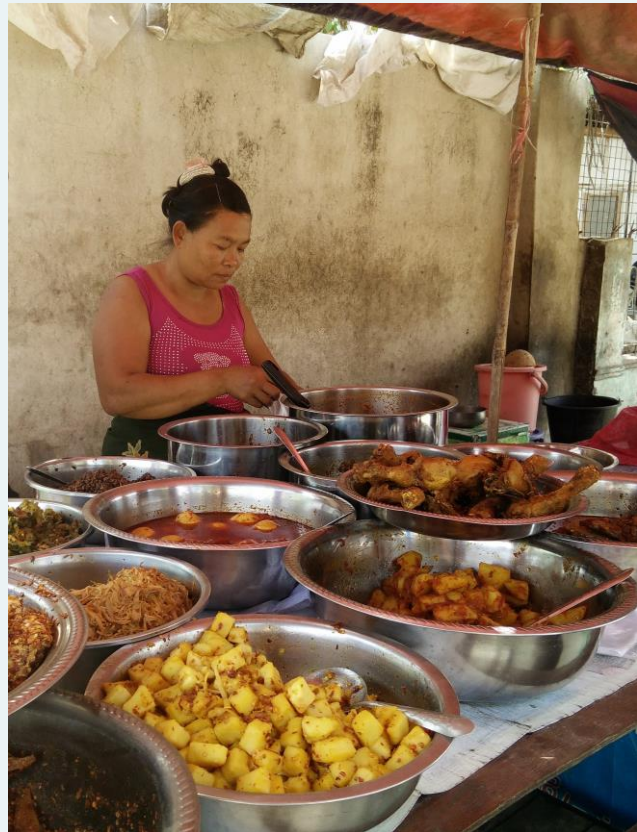
3. FOUR LIFE STORIES

#1 Life Story of Daw San Aye

Client Profile

Name: Daw San Aye
Age: 56
Business: Food stall
Location: Mandalay, Pyi Gyi Yan Lon
Loan Type: Maharmate (group)
Client Officer: Mar Kyi Swe

Daw San Aye is one of the Maharmate loan (JLG – Joint Group Liability) clients from Aung Myay Thazan branch. She is currently on her second loan cycle and has taken out a 200,000 Myanmar Kyats (MMK) loan. She is repaying her loan fortnightly over 12 instalments and has already repaid the first two instalments. She owns a small food shop where she serves rice, curries and fried specialties. Reasonable pricing and the wide variety of food available draw customers, who work around the ward in different factories, to eat at her shop. During lunch hours, customers rush almost non-stop into her shop and she often requires help from her husband and younger son to keep up with demand.



Looking back to the early stages of her life she talked about how she had become a micro-business owner. She was born in 1970 and had a relatively happy childhood. She was the third born in the family. Her parents lived in a small village a few miles away from Yangon city, where her father worked as a fisherman and her mother as a housewife. Both of her parents were educated at the local monastery, while she was enrolled in school but quit after completing 3rd grade. Her siblings also dropped out of school in primary or junior high levels.

Her father worked only six months per year and earned enough to support the family for the whole year, so they spent a lot of time together as a family. She has four siblings, two of whom married when their parents were alive and moved out of the household. When her parents passed away within a year one from another (1987 and 1988), Daw San Aye became the family head and was responsible for her two younger siblings. She describes those days as very challenging, since she had huge responsibilities while being only 17. Her older siblings contributed economically, but she did not receive any other support from them.

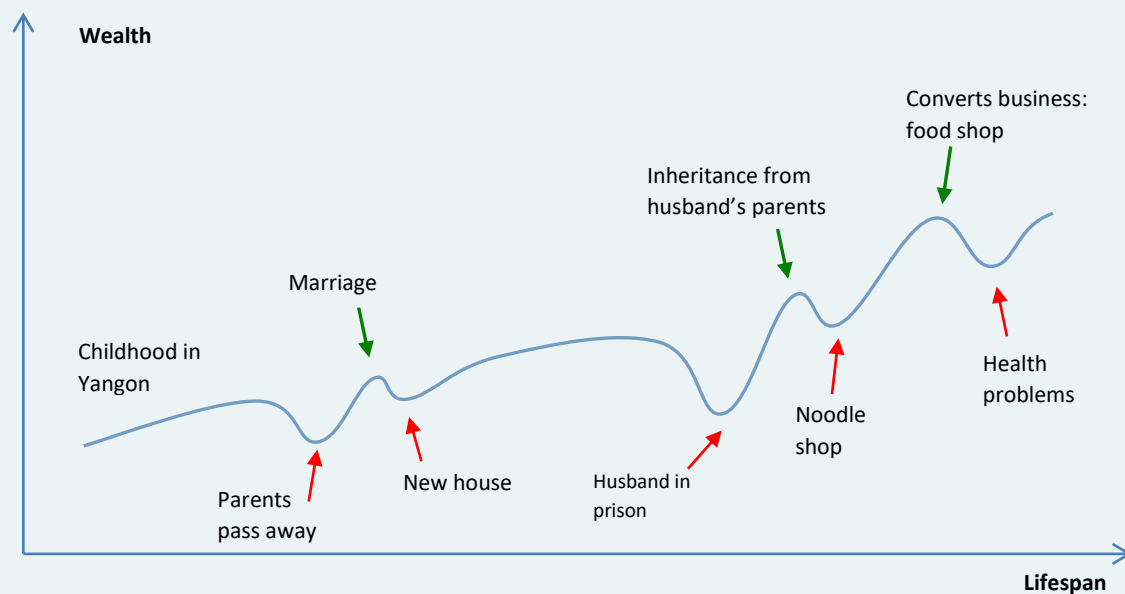


Figure 2. Daw San Aye's lifecycle graph.

As a young adult Daw San Aye had to earn money to fulfil her family's primary needs, so she began selling snacks around the village at the same time as looking after her siblings. Two years later, she got married and moved to Mandalay, leaving the property she had inherited from her parents to her younger siblings.

She reports her wedding day as one of the happiest in her life, since she says that family was and still is essential in her life. Despite this she reveals, ironically, that after getting married she was always too busy with family matters and job hunting to purely enjoy the happy moments in her life.

When she has to go through her memories to recall the saddest moments in her life, she has no doubts in listing two very sad ones. The first was when her parents passed away – a time marked by great sorrow and followed by two very tough years during which she could not properly look after her younger siblings, despite her older siblings' financial aid. The second moment she recalls was during 2007, when her husband had to face a lawsuit against his brother, after a controversy that resulted in the brother being hospitalised. Her husband was found guilty and was forced to bear the legal costs on top of the compensation owed to his brother. The total amount owed on that occasion was 3,000,000 MMK. To be able to pay, she sold some gold items and borrowed 300,000 MMK without interest from a sister-in-law. In addition to the financial cost, this situation caused a lot of stress to Daw San Aye, as her husband was in prison during the one-month trial, and she was left alone to manage the business and the family. She had to pull the oldest son (who was 16 at the time) out of school and he had to start working. She regrets this decision very much, as he enjoyed going to school and had this not happened, he would likely have reached a higher level of education.

a) Household composition

Daw San Aye's household is comprised of seven members: Daw San Aye, her husband and five of their six children. Her husband used to work at home as a gold panner and would sell the gold he found. This was not, however, a very profitable activity. Nowadays her husband sells his services as gold panner to goldsmiths, who instead of performing this time-consuming activity themselves, prefer to hire him on an hourly basis. His income is not very regular but he makes on average 400,000 MMK per month. The family normally saves all his income and uses the income coming from Daw San Aye's business to cover everyday expenses.

The oldest son works at a local goldsmith's workshop. He lives with them and contributes 90,000 MMK every month to the family income, while keeping some of his salary for his personal use. Daw San Aye's oldest daughter works as a sales person in Zaycho Market and she lives with her husband. Another son is working at a snack factory and contributes 3,000 MMK per working day to the family. His younger brother is an apprentice at a nearby electronic service shop and he helps his mother with her food shop in his spare time. The two youngest daughters, aged 14 and 5, are still in school.

b) Business activities

Daw San Aye owns a food shop in a neighborhood close to her house. The small number of competitors means her food shop is well-positioned. It is by the side of 11th Avenue, a main road, and she does not have to pay any rent. She started the business with 150,000 MMK, which came from her husband's savings. She used to sell only noodles before she started this food shop.

She experienced days of bad sales and a lot of leftover noodles, so she realised that if she opened a food shop she could simultaneously avoid wastage and cut household expenses by taking the leftovers home to feed her family. She converted her old noodle shop into a fully-fledged food shop in 2015. She serves a wide variety of food items – up to fifteen different dishes as well as traditional Myanmar cold drinks. Fried chicken, pork curry, chicken curry, fish curry, fried vegetables, *dal* and sour fish-paste soup comprise the everyday menu.

Workers from several factories and workshops around the neighbourhood are regular customers of Daw San Aye's shop. Her food shop is right next to the "Fruit Jam" snacks production factory and this ensures regular sales and good business prospects. However, there are times when sales go down. Such fluctuations take place when the factories around the shop are closed and workers go on vacation trips and pilgrimages, typically in March and April.

Daw San Aye manages her business on a simple sale vs. expenses method. She has no proper book keeping habit, so she just subtracts the production costs from the daily revenues and takes this to be her business profit.

To run her business Daw San Aye spends approximately 100,000 MMK daily. On a daily basis, she goes to one of the local markets to purchase the shop's daily supply of raw materials and ingredients, as she can find a great variety of good quality products and she

is sure she can purchase everything she needs at once. Normally, the main expenses are for purchasing meat, vegetables, rice, cooking oil and spices which amount to 85,000 MMK per day. Daw San Aye reveals that purchase expenditure remains relatively constant, given the food she serves her customers needs to be freshly made every day (there are only a few items that she can keep for the next day's service). In other words, Daw San Aye purchases the same amount of raw ingredients every day, regardless of how much she sold the day before. However, in an attempt to minimise waste, she takes home most of the day's leftovers for her family's dinner.

In addition to her food expenses, she buys charcoal (5,500 MMK per day) and fuel for her motorbike, (3,000 MMK every three days). She also has an emergency light needed to work when it gets dark, which costs her 200 MMK per day, and pays 2,500 MMK per day to her employees.

The total sales of Daw San Aye's business range from 150,000 MMK on a good day to 100,000 MMK on a bad day.

Table 1. Business income, generalised

		(per day MMK)
Sales (good days)		150,000 (128 USD)
Sales (bad days)		100,000 (85 USD)
Purchases (raw ingredients + charcoal)		90,500 (77 USD)
Margin (good days)		59,500 (51 USD)
Margin (bad days)		9,500 (8 USD)
Salary		- 2,500 (2 USD)
Other Operational Expenses:	- fuel	-750 (0.65 USD)
	- light	-200 (0.17 USD)
Business Income (good days)		56,050 (48 USD)
Business Income (bad days)		6,050 (5 USD)

After a quick estimation, Daw San Aye notes that her net daily profit ranges from 25,000 MMK on a good day to 10,000 MMK on a bad day. However, according to the information provided by the client, *Table 1* shows that her business profit should range from around 56,050 MMK on a good day to around 6,050 MMK on a bad day. When confronted with this discrepancy, Daw San Aye was not able to provide an explanation. She states that it is possible that her first estimation was wrong or that the information she provided on her sales and expenses was not very accurate. There is no immediate solution to this issue as she has no book keeping records. Nevertheless, this issue seemed to have had quite an impact on her as she admits realising that she is unaware of what her actual profits are.

c) Household expenses

For her daily household expenses, Daw San Aye spends around 10,000 MMK. She also refuels the family's two motorbikes once every three days which costs approximately 3,000 MMK, and pays a monthly rent of 30,000 MMK for the land on which the family house is built. The construction of the house cost 800,000 MMK but its present value is only 300,000 MMK, considering that it is made of bamboo walls, has a wooden floor and a

zinc roof. Last year, they spent 100,000 MMK on house renovations: they replaced the old bamboo walls and carried out some roof repairs. The family gets water and electricity supplies free of charge from a neighbouring sawmill. The family's food expenses are quite small (4,500 MMK per day) as the leftovers from the shop are enough to cover the family needs. Once a year, generally on the occasion of holidays and religious festivals, the family buys new clothes for an estimated cost of 50,000 MMK.

Only Daw San Aye's two youngest daughters are still in school, in 1st and 6th grade respectively. Tuition fees amount to approximately 20,000 MMK per child per month.

Last year, Daw San Aye discovered that she suffers from a heart condition and was hospitalised for some days. The family spent approximately 8,000,000 MMK on medical expenses for hospital fees and treatment. Currently she spends 20,000 MMK every month on medications. This event made the whole family, and especially the eldest son, realise the seriousness of health-related risks. In order to be more prepared for similar future shocks, the son decided to start saving to make sure his parents would be covered in case of illness and in their old age.

Finally, another noticeable expense is donations. In Myanmar, almost everyone is expected to make religious donations, especially Buddhists as they believe that good deeds will bring them a better Karma in the next life. Daw San Aye's family donates 200,000 MMK every year. A special donation of 700,000 MMK was made in 2014 in her husband's village.

Table 2. Household Expenditures (Average Month)

Food	135,000 (115 USD)	Education	40,000 (34 USD)
Transportation	30,000 (25 USD)	Health	20,000 (17 USD)
Rent	30,000 (25 USD)	Clothes	4,000 (3 USD)
Utilities	-	Mobile Phone	-
HH Conditions	-	Total	459,000 (394 USD)

d) Household financial flows

The client's household inflows are composed of her business income, the income generated by her husband's gold panning activities and their sons' monthly contributions. As mentioned, her husband's income amounts to 400,000 MMK per month, the oldest son contributes 90,000 MMK monthly, and the younger one turns in 3,000 MMK per working day. According to the provided information, the monthly household income is on average 1,300,000 MMK. However, the client states that of this amount, the 400,000 MMK coming from her husband is never used for expenses as he is very determined to save all of his income to buy land in the future.

Taking into account the aforementioned general expenses, the household's monthly average net income is about 1,000,000 MMK. Of this amount, 400,000 MMK is saved by

Daw San Aye's husband, another 120,000 MMK is saved by Daw San Aye with a local Rotating Saving and Credit Association (ROSCA), and the rest is either reinvested in her business or put aside for donations.

e) Household assets

At the time of construction, Daw San Aye's house had a value of about 800,000 MMK. However, its present value is more likely to be around 300,000 MMK. Currently, the family does not own any land but they are saving to purchase land in the future.

Additionally, the family owns 2 motorbikes with a combined value of 300,000 MMK. For her business, the client uses a mobile cart which she uses to display her food. A new mobile cart would cost about 100,000 MMK; however, her used cart is worth only around 20,000 MMK. The wooden table attached to the cart is worth approximately 10,000 MMK.

The client owns other smaller valuable assets such as pots, plates, stoves, chairs and utensils. The total value of all this equipment is approximately 60,000 MMK. Hence, the client's business activity shows assets for a total value of 90,000 MMK.

Table 3. Household Assets

Motorbikes	300,000 (257 USD)
Business equipment	90,000 (77 USD)
House	300,000 (257 USD)
Total	690,000 (592 USD)

f) Financial instruments

Daw San Aye accesses financial services from both formal and informal sources. She is a member of Alliance, the regulated Microfinance Institution (MFI), from which she has already received her second loan. For her first loan she borrowed 150,000 MMK, and was granted a 200,000 MMK loan on the second cycle. Both times she used the loan to purchase materials and raw ingredients needed for her business. She states that she was particularly satisfied with the speed of the service. She turned to Alliance upon facing a cash shortage due to a bad sales period in conjunction with unexpected health expenses and general household maintenance costs. During that time she urgently needed to boost her working capital to keep the business running.

Daw San Aye also participates in a 40-member ROSCA. The organisers collect 60,000 MMK from each member on a fortnightly basis and it takes up to 10 months to complete a full round.

Daw San Aye states that as long as she can recall, she has always participated in ROSCAs and it has since become a habit. She thinks that the ROSCA is a useful instrument, particularly if she wants to save with a specific goal in mind. She knows exactly when it will be her turn to withdraw and she can plan big-ticket expenses and investments accordingly. Daw San Aye seems to value the rigidity of this system as an advantage for her financial planning efforts. At the same time she is concerned by the fact that for a period of 10 months her savings are completely unavailable to her, leaving her family more vulnerable to unexpected events and shocks.

In addition to saving with a ROSCA, Daw San Aye saves at home, but not on a regular basis. She is not sure of how much she actually has currently set aside. Her husband also saves his entire income from his gold panning activity and he is very secretive about it, to the point that she does not know where exactly he keeps it (it is also possible that she simply does not want to share this information with the interviewers).

In the past, Daw San Aye also used local money lenders. Their interest rates varied from 10% to 20% monthly (flat rates). During the second interview Daw San Aye revealed that in periods of working capital shortages, she still borrows from money lenders or neighbours. Capital shortages occur mainly during donation periods or due to unexpected expenses. She resorts to informal borrowing only if there are no other options available, and even then she always tries to repay the loan as soon as possible to avoid paying exorbitant interest. She normally has no problem doing so, since as soon as she invests the borrowed amount into her business the returns are rapid and fairly predictable. However, she admits that money lenders would sometimes try to make up excuses to further extend her loan tenor in order to charge more interest. When possible Daw San Aye borrows money from friends and relatives without interest and normally for short periods of time (not more than one or two weeks)

She and her husband are quite reluctant to use their savings to cover general expenses, either planned or unexpected. They want to use savings only for big investments (e.g. purchasing land, house reparations, etc.) and for their retirement days.

As already mentioned in the 'Business activities' section, Daw San Aye does not engage in any bookkeeping activities and as a consequence she is not fully aware of how much profit she makes in a day. She seemed to be interested in adopting new accounting practices if they will improve the profitability of her business. During the second interview, she admitted to having given some thought to the issue.

She pointed out two main practical difficulties that she could think of: during rush hours she thinks it would be very difficult to take the time to note down each sale; and she is not sure how she would account for the leftovers that she takes home everyday. Similar issues could be addressed by Alliance through financial education and business coaching initiatives.

g) Vulnerabilities

Daw San Aye attaches great importance to health and acknowledges it as her most serious risk. She believes that as long as she is healthy she can make a living and take care of her family and children's education. She is the bedrock of the family's business; she does all the cooking, makes all the purchases and maintains all business relationships with clients and suppliers. Should she fall seriously ill, she has serious doubts that the business would be able to continue running. In such a situation, Daw San Aye's husband would be forced to start using some of his income to cover general expenses, instead of saving it to purchase land in the future. In order to be prepared to face such vulnerabilities, the oldest son has been saving for his parents' future expenses, having created for them a type of informal pension plan.

Additional vulnerabilities are related to expenses. Daw San Aye does not pay any rent for her workplace, but similar businesses can be charged up to 50,000 MMK per month for a spot on a main street. The decision to charge such rent remains at complete discretion of the land owner and may be affected by local government intervention. Were her rent situation to change, Daw San Aye may have to pay rent or find another (potentially worse) location. The same holds for the household utility bills, since water and electricity are taken from a sawmill next door at no cost, but will not necessarily be available for free in perpetuity. Both these scenarios entail an increase in household expenses. Expenses are also expected to increase considering that Daw San Aye's two younger daughters are still in primary school and tuition fees and other related expenses are likely to increase, weighing more on the family budget. Fortunately, these vulnerabilities are partially mitigated by the fact that the adult sons and daughter have stable jobs and regularly contribute to the family finances.

#2 Life Story of Daw Myint Myint Swe

Client Profile

Name: Daw Myint Myint Swe
Age: 45
Business: Grocery Shop
Location: Mandalay, Chan Mya Thazi
Loan Type: Shweyaung Anagat (Individual)
Client Officer: Htin Yin Latt

Daw Myint Myint Swe was born in 1968 in Yangon. Her father was a slipper maker and her mother worked as a tailor. She grew up with three brothers and sisters. When she was only seven years old her mother passed away. A few years later her father remarried and she and her siblings moved to Mandalay to live with their grandparents.

Daw Myint Myint Swe does not like to talk about her childhood. It was a very difficult time for her because her father did not participate in his children's lives and her grandparents were very strict. She did, however, have a good relationship with her siblings. She started school in Mandalay and enjoyed it, but she decided to drop out after grade 10 because she wanted to earn some money and be more independent from her grandparents. She worked in a tailor shop, and at the age of 20 moved to Hinthada, opening a small shop in the local market selling china plates. After four years a fire in the market destroyed her shop and she lost everything she had. Her losses were an enormous 4,000,000 MMK (valued in 1992 terms). To survive, she started selling vegetables at the market, but her hard work did not pay off. She did not have the courage to go back to her grandparents and tell them of her 'failure'. Some months later, her



grandfather forced her to go back to Mandalay, where she went to live in the monastery with her uncle who was a monk. She started buying and selling tempura for a living and in 2000 rented a space, not far from where she lives now, to start a grocery shop. She lived and worked there for ten years and in 2010 moved to her current location.

Daw Myint Myint Swe's brother and sisters soon got married and moved away from Mandalay. She herself never married and stayed in Mandalay to be close to her uncle. When her uncle got sick a few years ago, she had to take care of him. Even though he continued to live at the monastery, she was responsible for her uncle's food and medicine-related expenses and took care of his dog. Last year when he passed away, he left her two pieces of land and some money that she has since invested in her business. With her siblings living far away and parents and grandparents long gone, she lost her only close family member when her uncle passed away and now she feels lonely and isolated.

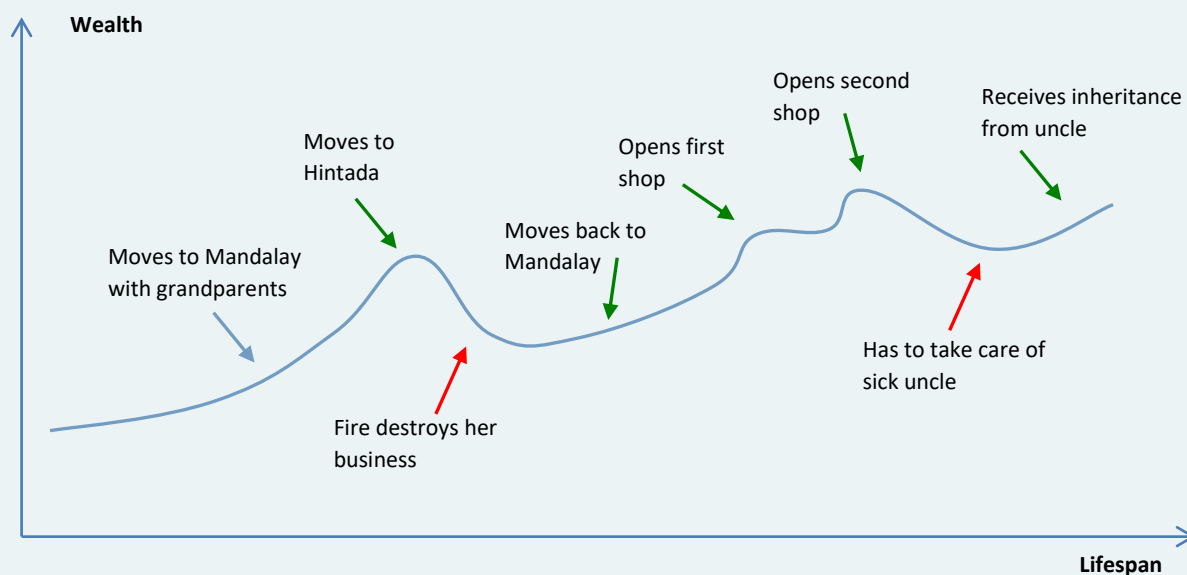


Figure 3. Daw Myint Myint Swe's Lifecycle Graph

a) Household composition

Daw Myint Myint Swe is not married. Her niece came to live with her a few years ago while completing her Bachelor's degree in Burmese and now she is helping her at the shop and at home. Considering that she is alone, she does not incur many expenses. She uses the income from her shop to cover general household expenses for her niece and for herself. In addition, she pays her niece a small salary every month.

Her house is just above her shop, in a building she built on land she is leasing from the monks. In 2010 the monks reclaimed the piece of land and she decided it was time to move to a bigger place where she could expand her shop and live more comfortably. She moved to another rented space 500 meters away from her current spot.

b) Business activities

Daw Myint Myint Swe opened her first grocery shop in Chan Mya Thazi (Phayar Gyi - South) in 2000. She states that she opened a grocery shop because there were none on that street and she figured the demand would have been high. She was right, but others also saw the potential of this line of business and in the following five years at least three new grocery shops opened in the neighbourhood. Demand was still sufficiently high that her business did not suffer much from the increased competition.

To acquire the initial capital to start her business she used most of her savings accumulated throughout the years, sold a gold necklace and also borrowed 400,000 MMK from a friend. The loan had zero interest attached, and one year later Daw Myint Myint Swe had repaid it entirely. After ten years, she moved to a bigger space on the same street. During her first three years in business she used to sell alcohol and fireworks without a licence (as it was very profitable) but came under pressure from her relatives to stop because it was dishonorable. Eventually, she stopped, and now she sells cosmetics, soaps, shampoo, snacks and packaged food, soft drinks, phone top-up cards and clothes. She also offers tailoring services, including alterations, repairs and clothes making. She buys clothes, fabric, toys and handicrafts at Zaycho Market. The rest of her products are delivered by the supplier directly to her shop.

The least profitable period for Daw Myint Myint Swe's grocery shop is from October to January. During these months she normally has less sales and she thinks that this is because many people travel during that season. In these months she generates revenue of on average 600,000 MMK per week, purchasing stock for 480,000 MMK. In the months from February to June, however, she sells 2,400,000 MMK per week and buys stock for 1,920,000 MMK. In the remaining three months (July to September) she sells goods for 1,200,000 MMK per week and purchases stock for 960,000 MMK. Her tailoring side business is especially profitable thanks to a number of fixed clients that come in regularly to have clothes made. Aside from stock purchases she also has some additional weekly fixed expenses, such as her niece's salary (amounting to 12,500 MMK) and electricity (2,500 MMK). Three months ago she spent 1,000,000 MMK on shop renovations. She bought a new counter and installed a shutter.

Table 1. Business income

	(per month)
Sales (high season)	9,600,000 (8,248 USD)
Sales (low season)	2,400,000 (2,062 USD)
Purchases (high season)	7,680,000 (6,598 USD)
Purchases (low season)	1,920,000 (1,649 USD)
Margin (high season)	1,920,000 (1,649 USD)
Margin (low season)	480,000 (412 USD)
Salary	-50,000 (43 USD)
Other Operational Expenses:	-10,000 (8 USD)
Business Income (high season)	1,860,000 (1,598 USD)
Business Income (low season)	420,000 (360 USD)

At her previous shop, Daw Myint Myint Swe used to keep a book of accounts and keep record of all sales and purchases. However, she discontinued this practice upon opening the new shop as she became too busy serving clients to compile books regularly. When asked how she determines her profit, she noted that she relies very much on inventory to identify how much she has sold in a day and then compares it against the money cashed in during that same day. However, as she does not track of all her transactions, Daw Myint Myint Swe admits that she cannot be completely sure of how much she earns. The information she provided are estimates. However, numerous inconsistencies were identified in the amounts reported by Daw Myint Myint Swe, especially with regards to purchases. For the calculations, a cost ratio of 80% has been estimated, which is typical of similar businesses in Myanmar.

c) Household expenses

Currently, Daw Myint Myint Swe's largest expenditure is food, on which she spends on average 150,000 MMK per month. Her niece is normally in charge of buying food and she reports spending 5,000 MMK per day. The rent for the land she lives and works on is 2,400,000 MMK per year. An additional 10,000 MMK is allocated for monthly utilities. She does not have a motorbike, so every time she needs to go somewhere she uses taxi or public transportation for an average of 20,000 MMK every month. Expenses for clothing are minimal since she only needs to buy fabrics. She can get these for 3,000 MMK and this will enable her to tailor her own clothes for an entire year.

Health is a big concern for Daw Myint Myint Swe. In the previous five years, she had confronted several medical issues due to a heart condition. She reports spending about 200,000 MMK in the past year for hospitalisation and medications. She now spends 15,000 MMK every month on medications.

During the high season Myint Myint Swe's monthly business income is around 1,860,000 MMK, and during the low season it decreases to around 420,000 MMK.

Table 2. Household Expenditures (Average Month)

Rent	200,000 (11 USD)	Utilities	10,000 (8 USD)
Food	150,000 (129 USD)	Clothes	8,000 (7 USD)
Transportation	20,000 (17 USD)	Education	-
Health	15,000 (12 USD)	Mobile Phone	-
HH Conditions	-	Total	403,000 (346 USD)

d) Household financial flow

On the basis of the collected data, Daw Myint Myint Swe's household cash flow seems to be consistently positive throughout the year, and she confirms that she is able to save every day. Even during low-sales months, her business' profits allow her to cope with all expenses. The rent is paid annually so Daw Myint Myint Swe can manage her cash flows during bad months without much distress.

Compared to the time when she was taking care of her uncle and working in the shop alone, Daw Myint Myint Swe now has more stability and is less worried about covering her costs. She remembers that when her uncle was sick she had to close the shop to care for him, and her shop's profits decreased. Not long after, her niece came to live with her and was able to help her at the shop if unexpected circumstances arose. When she was working in the old shop, sometimes she could barely make her ends meet. During those times, she used to borrow money from nearby shops at 15% flat interest rate per month. She remembers borrowing from them at least once a year when she had to pay rent.

After deducting general household expenses, we can estimate that Daw Myint Myint Swe's household average monthly net income should range from 1,457,000 MMK in a good month to 17,000 MMK in a bad month. However, this estimation would need to be adjusted for the assumption that rent is paid in a single annual payment rather than monthly. The profit is generally reinvested in the business, set aside for religious donations and a majority is saved for the future.

e) Household assets

Daw Myint Myint Swe does not own the land on which her house and shop are located. However, she is the owner of the building, which has an estimated value of 5,000,000 MMK. In addition, she owns two pieces of land in Mandalay, received as inheritance from her uncle. The estimated value for both lands is around 90,000,000 MMK. She also owns a fridge and other house appliances valued at approximately 450,000 MMK, while her business equipment is worth about 900,000 MMK.

Table 3. Household Assets

Lands	90,000,000 (77,325 USD)
House	5,000,000 (4,295 USD)
Business equipment	900,000 (773 USD)
Household appliances	450,000 (386 USD)
Total	96,350,000 (82,781 USD)

f) Financial instruments

Daw Myint Myint Swe has a savings account at KBZ bank. She normally saves 5,000 MMK at home every day and deposits money into her bank account once every month. She decided to open an account when she realised that it was not safe to keep large amounts of money at home. She realised she could deposit safely at the bank and withdraw upon necessity.

She is also part of a ROSCA that collects 1,000 MMK per day. The ROSCA has 30 members and withdrawals are made fortnightly on a lottery basis and they amount to 450,000 MMK each. Her name was drawn just last month so now she will have to wait for 15 months before being assigned the money again.

In the past, Daw Myint Myint Swe incurred some losses, which she cannot quantify exactly, due to fraudulent money lenders and ROSCAs. She lost trust in informal financial service providers thus justifying her decision to turn to the formal sector, i.e. Alliance and KBZ.

Daw Myint Myint Swe is thinking of investing in stocks, as one of her neighbours gave her an insight. She believes that it could be a secure investment, bearing good returns and easily liquidated. In a way, she considers stocks as another way to save for future unpredictable events and shocks.

Due to her health condition, Daw Myint Myint Swe is very interested in insurance products but admits she does not feel very knowledgeable on the subject and would not know what features to look for in a policy.

g) Vulnerabilities

Daw Myint Myint Swe's main vulnerability is related to her health. Her heart condition could hinder her ability to work and render her unable to obtain her sole source of income. Not having children of her own, Daw Myint Myint Swe relies very much on her niece. She hopes she will decide to take on more and more responsibility and eventually take over the shop, while taking care of her if she falls sick. However, she is not sure that her niece will continue staying with her.

Daw Myint Myint Swe is well aware of this potential scenario and it is the main reason behind her strong determination to save regularly. Increasing competition in the area also constitutes a critical vulnerability for Daw Myint Myint Swe. As she admits, she decided to open a shop in that area because there were not many others around, but recently a wave of similar businesses have started up on the same street as hers. She seems to understand this risk, but is not too concerned since the street is close to monasteries, pagodas and many handicraft businesses, and bustling with people all day long. She also believes that her tailoring side-business grants her a significant competitive advantage.

Finally, considering that her house is above the shop and that it is almost entirely built of wood, in the event of a fire she could easily lose a significant portion of her assets.

#3 Life Story of Khin Mar Thi

Client Profile

Name: Daw Khin Mar Thi
Age: 58
Business: Mushrooms
Location: Sin Ywar Gyi Village
Loan Type: Maharmate (Group)
Client Officer: Jue Thet Mon

Daw Khin Mar Thi was born in 1957 in the same village she lives in today, Sin Ywar Gyi. The small community, located approximately 15 kilometers from Mandalay, is surrounded by rice fields and other agricultural lands, where Daw Khin Mar Thi grew up - her parents were rice farmers in that area. However, the lands inherited from her parents are located approximately an hour away from the house by motorcycle. Daw Khin Mar Thi's sister was given the land located closest to the village.



Daw Khin Mar Thi grew up in a large family with eight brothers and sisters. During her childhood, she spent weekends and public holidays, helping her parents farm their land. Daw Khin Mar Thi says that she had a good childhood and she had an excellent relationship with her parents and siblings.

Her parents valued education but Daw Khin Mar Thi was never good at school, nor did she enjoy it as much as her brothers and sisters. She only completed schooling up till 5th grade, until the age of 10, when education stops being compulsory in Myanmar. In contrast, many of her siblings continued to study; the eldest became a doctor while one is a university professor and three others are school teachers in Pyin Oo Lwin (68 km from Mandalay) and Patheingyi (a rural area close to Mandalay).

Daw Khin Mar Thi and her husband married in 1986 when she was 31. Her parents donated 4 acres of land, 2 oxen and 2 buffalos to the couple to assist them in setting up their household and to give them a platform to generate an income. Over the next few years, Daw Khin Mar Thi saved money after every harvest to buy more land, and as of 1989 she had already acquired five more acres.

One of the happiest moments of Daw Khin Mar Thi's life was when her first child was born in 1988. She has 5 children, 3 of whom are still living at home while two are married and live in Patheingyi and Sin Ywar Gyi. Her own marriage was the second happiest moment of her life, followed by the day her eldest son graduated with an engineering degree.

Daw Khin Mar Thi states that she did not experience a lot of difficult times in her life. The only moments she could recall were those related to bad harvests, when her family was forced to take on credit from their seed supplier or ask relatives for help. However, currently the family has accumulated enough savings to maintain their expenditure pattern between two rice harvests. Nevertheless, two or more consecutive bad harvests would force the family to sell assets or ask family and friends for help. Daw Khin Mar Thi thinks that the only way to protect her family from bad harvests is through insurance. She is willing to purchase cover if good products are available.

Daw Khin Mar Thi started growing mushrooms in 2013. She decided to start this business in order to provide her family with a steadier income throughout the year. Although income generated from farming has supported her family, sending her son and daughter to a private high schools required extra income. She currently has two large sheds in which she grows mushrooms. The sheds provide a relatively dark and humid environment for the mushrooms to grow. Daw Khin Mar Thi proudly states that one bag of fertiliser and mushroom spores provide 1.6 kg of mushrooms after three months in the shed.

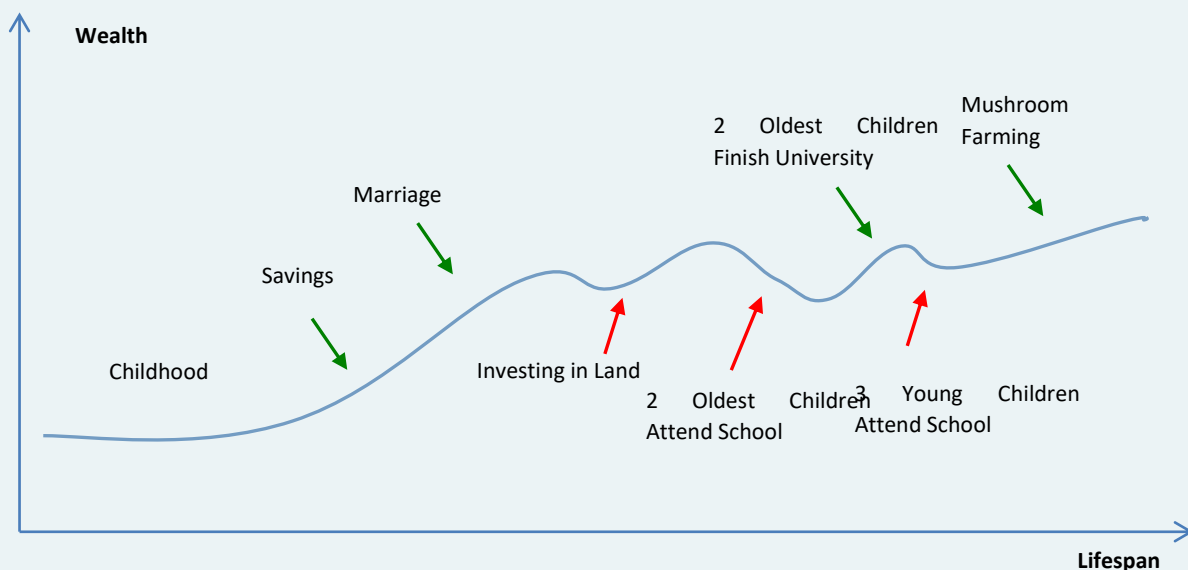


Figure 4. Daw Khin Mar Thi's Lifecycle Graph

a) Household composition

Daw Khin Mar Thi lives with her husband and three children in Sin Ywar Gyi village. Her husband farms their land and the three children still living in the family house attend school. The oldest of the three, a 15 year old boy, helps with mushroom farming on the weekends and on public holidays, while the two youngest ones, 13 and 6, attend school and help out very rarely. The children currently attend 8th, 7th and 1st grade. Daw Khin Mar Thi is 58 years old while her husband is 53 years old.

Daw Khin Mar Thi states that she has a good, stable marriage and decisions are made jointly. The income generated by the household members is used for general household expenses. Her husband gives his income to Daw Khin Mar Thi as she is responsible for the day-to-day expenses. She also manages the remaining income used to save for emergency expenses. Daw Khin Mar Thi states that the income generated by her mushroom farming business is mainly used to pay her children's tuition fees since they are attending a private middle school.

Daw Khin Mar Thi and her husband own the house they live in, as well as the two sheds used to grow mushrooms. Recently, the family rented a tow truck to move their bamboo house to a new location. The family moved because they sold the land on which the house was located. The lot belonged to Daw Khin Mar Thi and all her siblings. The brothers and sisters of the client wished to sell the land and split the profit made from the sale. The total cost of moving the house was 280,000 MMK which was financed from the family's savings.

Daw Khin Mar Thi and her husband are thinking of opening a betel nut plantation to generate more income. Similar to tobacco, the seed of the areca palm provides a light euphoric effect when chewed on. Particularly popular with young males, betel nut chewing is an important cultural practice in Myanmar. The betel nut can be grown throughout the year and farming the seed can be a profitable and stable source of income. To start this new business, the family plans to use a piece of land of 60 by 40 feet. The initial investment required to purchase materials to set up the farm is about 2,500,000 MMK. The household has been saving at home for months to finance this new entrepreneurial activity.

b) Business activities

Rice farming

Daw Khin Mar Thi's husband farms three acres of land. He harvests in April and August, and the second harvest is usually higher due to the preceding rainy season. Depending on the time of the year, her husband purchases between 40,000 MMK and 50,000 MMK in seeds per acre. Due to the more challenging farming conditions and a subsequent low return on investment, the production costs during the April harvest are significantly higher. On an annual basis, the family purchases 270,000 MMK in rice seed. During the rainy season, the family produces rice with a total value of MMK 800,000 per acre. In summer the production is significantly lower, amounting to MMK 500,000 per acre. As a result, the family produces rice with sales value of approximately 3,900,000 per year

(dependent on rice prices). The operational expenses of the rice farming are relatively low. Daw Khin Mar Thi states that total cost of harvesting all three acres is MMK 300,000 per season. Other costs, such as maintenance of equipment and tools, could not be provided by the client. Therefore, for this activity, we shall suppose the family earns MMK 3,030,000 net of expenses per year as shown in Table 1 below.

Table 1. Income from Rice Farming

Sales Summer	2,400,000 (2,062 USD)
Sales Rainy Season	1,500,000 (1,288 USD)
Total Sales	3,900,000 (3,350 USD)
Purchases Summer	120,000 (103 USD)
Purchases Rainy Season	150,000 (128 USD)
Total Purchases	-270,000 (231 USD)
Margin	3,630,000 (3,118 USD)
Worker Fees (Harvesting)	-600,000 (515 USD)
Business Income (Annually)	3,030,000 (USD 2,585)

Ground nut farming

The ground nut is harvested in March, April and May. Daw Khin Mar Thi's husband produces and sells approximately 30 containers of ground nut per year. Each container is valued MMK 60,000, giving total annual sales of 1,800,000 MMK. The expenses for ground nut seeds are 500,000 MMK on an annual basis. In the case of harvesting ground nuts, labour costs are 60,000 MMK per acre. Based on the declared information, the family earns 720,000 MMK from ground nut farming as shown in Table 2 below.

Table 2. Income from Ground Nut Farming

Sales	1,800,000 (1,546 USD)
Purchases	500,000 (429 USD)
Operational Expenses	-180,000 (154 USD)
Business Income (Annually)	1,120,000 (USD 965)

Mushroom farming

On an average day, Daw Khin Mar Thi sells around 25 bags of mushrooms in the local village market. She sells the 1.6kg bags for a price ranging from 2,000 MMK to 2,500 MMK depending on the time of the year. The mushrooms are cheaper during the rainy season (lower demand) and more expensive during summer time. The client states that she has approximately 4,000 bags of mushrooms in her two sheds. As she buys ready-made bags with topsoil and mushroom spores, it takes each bag around 3 months to be ready for harvest. Assuming the client sells 25 bags per day at 2,000 MMK per day (the lowest price), sales would be 50,000 MMK per day or around 1,500,000 MMK per month. The average cost of producing one bag of mushrooms is approximately half of the sales price: the plastic bag costs 200 MMK and the other ingredients (calcium, sugar, rice shelves) another 800 MMK in total. The largest additional expense is labour. Daw Khin Mar Thi has

seven employees who work between three and six days per month. The female employees receive 6,000 MMK per day and the male employees 1,000 MMK more. Daw Khin Mar Thi was not able to provide a monthly average of labour costs as she does not keep a record. However, it is estimated that labour costs are approximately 189,000 MMK per month. As shown in Table 3, the estimated monthly business income from mushroom farming is 545,100 MMK.

Table 3. Income from Mushroom Farming

Sales	1,500,000 (1,288 USD)
Purchases	-750,000 (644 USD)
Labor Expenses	-204,750 (175 USD)
Business Income	545,250 (Monthly) (468 USD)

c) Household expenses

Daw Khin Mar Thi's largest expenditure is her children's school fees. Two of her children currently attend a private middle school. Tuition fees are around 100,000 per child per month. Her other major expense is food. Daw Khin Mar Thi, in charge of buying food, says she buys approximately 5,000 MMK per day or 150,000 MMK per month of food for the household. The electricity bill is close to 6,000 MMK per month while transportation costs (petrol for the motorbikes) are approximately 3,000 MMK per week. The family buys new clothes before the beginning of each festival (12 per year) for 15,000 MMK.

Table 4. Client Expenditures (Average Month)

Food	150,000 (128 USD)	Education	204,000 (175 USD)
Transpiration	12,000 (10 USD)	Clothes	15,000 (13 USD)
Utilities	6,000 (5 USD)	Health	-
Rent	-	Mobile Phone	9,000 (7 USD)
HH Conditions	-	Total	393,000 (337 USD)

Daw Khin Mar Thi indicates that she buys food on a daily basis, for an amount ranging from MMK 5,000 to MMK 6,000. According to Daw Khin Mar Thi, the family never struggles to make ends meet.

d) Household financial flows

Although the figures provide a good overview of the family's financial flows over the course of the year, it should not be assumed that the flows perfectly reflect the household's actual income and expenditure. Nonetheless, based on the available information, it can be estimated that the household's income is greater than expenditure

throughout the year except for September. In other words, the family has a surplus over basic expenses in all but one month.

The two peaks in household income during April and August (and corresponding surpluses) are due to sales from the rice harvests. Because school is closed in April and May household expenditures are reduced during these months. Additional return on ground nut farming during these months, further increasing household income. The most difficult month for the family is arguably September, when the family only receives income from mushroom farming but needs to make a MMK 150,000 investment for the next year's rice harvest. The family also needs to spend MMK 500,000 in preparation for the next ground nut harvest. As a consequence, September is the only month in which the family's expenses are larger than its income, resulting in a deficit.

Despite this, the large influx of income from rice sales in the previous month provides the family with enough funds to cover emergency and other irregular expenses in September, and will last until the next harvest in April.

e) Household assets

Daw Khin Mar Thi and her husband bought land as an investment (saving) for their future. The majority of the household's wealth is invested in land. The household currently owns three acres of land with a value of MMK 30,000,000 per acre. The family house (constructed from a combination of wood, bamboo and thatch) has an estimated worth of 1,000,000 according to the client's husband. The household also owns five buffalo which are used to farm the land, for an estimated value of MMK 3,750,000. A week before the interview, Daw Khin Mar Thi received an offer from a Chinese buyer of MMK 2,800,000 for a pair of buffalo. However, the family declined the offer because the animals would have had to be taken to a slaughter house in China. The family also owns three motorcycles for transportation. The remainder of the family's belongings, notably furniture and utilities, have a value of approximately MMK 700,000. The total value of Daw Khin Mar Thi's household assets is therefore approximately MMK 96,350,000.

Table 6. Household Assets

Land	90,000,000 (77,325 USD)
House	1,000,000 (859 USD)
Livestock	3,750,000 (3,221 USD)
Motorbikes	1,000,000 (359 USD)
Furniture	200,000 (171 USD)
Utilities	500,000 (429 USD)
Total	96,350,000 (82,781 USD)

f) Financial instruments

The client's group loan with Alliance is the family's first experience with a formal financial product. The household does not have a bank account nor does it use formal savings instruments. Nonetheless, the client explains that they save in three main ways. The first is by buying extra harvest materials such as rice seed and storing these supplies at their home. With every new harvest cycle, the family renews its supply so that it retains value over time. This investment (saving) method is arguably the most liquid. In the case of an emergency, the family would be able to sell the extra supplies quickly. The second

method is by investing in livestock, specifically buffalo. Investing in livestock is a more long-term investing mechanism than purchasing surplus harvest materials. The client also indicated that the buffalo the family owns will not be sold unless there is a major emergency. The third and last investment/savings method used by the client is land purchasing. Farming land is not only a means to increase household income but also a relatively safe long-term investment. As described above, in the past the family sold land to help finance large expenses such as their children's education. In fact, Daw Khin Mar Thi's mother still owns three acres of land which can be sold in the case of emergency.

When asked what financial services she might be interested in for the future, she does not hesitate to answer a pension scheme. Although perhaps too late to make a significant contribution to Daw Khin Mar Thi's income, a pension scheme would address her biggest concern for her and her husband's future. Other shorter-term savings products would also be considered. Given the importance Daw Khin Mar Thi attaches to education, she shows great interest in a savings product linked to education. She states that such a product would also be of interest to her two eldest children who might soon have children themselves. Regardless of the type of product, the client indicated very clearly that financial education is very important. As explained the client had no experience with any financial product prior to her Alliance group loan, however, the information given and explanation provided by her client officer made her feel confident enough to take out a loan. Daw Khin Mar Thi seems particularly keen to get more information on different financial products - their features and their uses - especially with regards to savings and insurance.

g) Vulnerabilities

The client lives in an agricultural household in which a large share of annual income is generated during specific periods of the year, notably during harvest periods in April and August. As a result, Daw Khin Mar Thi's household is potentially susceptible to the effects of a failed harvest. However, the household has diversified its sources of income by means of supplementary ground nut farming and mushroom growing. Through this approach, the household has not only reduced dependency on rice farming but also the potential effects of failed rice harvests. Daw Khin Mar Thi declared that she has accumulated enough savings to maintain the family's expenditure from one harvest period to the next in the event of a failed crop yield. Consequently, the household is less vulnerable to such shocks than less economically diversified agricultural households.

Daw Khin Mar Thi prefers to save in kind rather than in cash. She has three main savings mechanisms: stock, livestock and land. In addition, it is likely that she also saves smaller amounts in gold and cash at her home. The client thus has a variety of savings/investment tools which differ in their risk and liquidity profiles. Cash and gold is at risk of being stolen while livestock might die. The safest (though most illiquid) savings approach is investment in land, although given Myanmar's land registry issues, such an approach is not completely riskless. Overall, the household seems able to mitigate shocks by liquidating different assets. Moreover, the economic diversification of the household ensures an income level high enough to sustain regular monthly expenses, even if the household is required to liquidate its highest value asset, farmland.

Given the age of Daw Khin Mar Thi and her husband, the largest vulnerabilities in the near future are those related to serious illnesses and death, which are not uncommon among hardworking people of a similar age in Myanmar. Moreover, as Daw Khin Mar Thi and her husband are growing old they might face a decrease in productivity, making it difficult for them to sustain their current level of income. Moreover, their two youngest children are still attending school and will be enrolled for many more years. In other words, Daw Khin Mar Thi and her husband should plan for a future in which income is likely to decrease while expenses will stay the same or possibly increase due to medical issues. Daw Khin Mar Thi worries about the days when she will no longer be able to work and provide an income for her household. With this in mind, the client wants to plan ahead and generate as much income as possible in her last productive years. She will use this extra income to purchase more land. She views this as the safest saving mechanism for a comfortable life in old age. In other words, the Daw Khin Mar Thi views the purchase of land as a type of pension.

#4 Life Story of Daw Cho Mar

Client Profile

Name: Daw Cho Mar
Age: 45
Business: Slipper Making
Location: Mandalay, Mahar Aung Myay
Loan Type: Shweyaung Anagat (Individual)
Client Officer: Bo Bo Lwin

Daw Cho Mar was born in 1971 in Shwebo, 110 km north-west of Mandalay, but was raised in Mandalay city. She grew up with her parents, three brothers and one sister. Her father was a truck driver and her mother a housewife. While taking care of the house and family, her mother also ran a small slipper straps production business catering local slipper makers. She had 2-3 employees working for her and Daw Cho Mar remembers helping her mother after school and in her spare time.



She states that her current business developed from the experience she gained while working with her mother. Her husband also comes from a family of slipper makers and they started this business together after getting married. Daw Cho Mar declares she had a good childhood and an excellent relationship with her parents and siblings. The family was financially stable having two regular income entries per month. Her parents valued education and put all their children through high school. Daw Cho Mar enjoyed very much going to school and she was a good student, but after failing the University

Entrance Examination she decided to drop out and started working with her mother in the family business. Her siblings too, followed a similar path - none of them continued to study - two are slipper makers and two are gemstone artisans. All live and work in Mandalay.

Daw Cho Mar married at the age of 20. Her parents provided the newlywed couple with some money that they had kept aside and this was used as initial capital to start the slipper business in 1996. After the wedding they built their house, where they are still living, on land inherited by Daw Cho Mar's husband's parents (in shared ownership with his siblings). The happiest moments Daw Cho Mar recalls are all linked to family events such as her wedding and her children's birthdays. A more recent happy moment she mentioned was the family pilgrimage to Bagan in 2013. Finally, she mentioned the time she made a donation of 1,500,000 MMK to her village for the construction of a pagoda.

Daw Cho Mar states that she did not experience a lot of difficult times in her life. In fact, she can only remember two. The first was when she was still living with her parents and their house was destroyed in a fire. The family lost everything they had - the only thing they were able to save was the gold jewellery they had on them while fleeing the house, which they sold immediately to buffer losses. After this tragedy, everyone in the family had to contribute to the household's livelihood. One of her brothers was pulled out of school and had to start working to support the family.

The second difficult moment was two years ago, when her husband was hospitalised for five days due to a burst blood vessel. The total expenses associated with hospitalisation and treatment amounted to around MMK 500,000. Furthermore, when her husband was sick the business and family duties fell entirely upon her shoulders and productivity was reduced. It was a very stressful and exhausting period as she was under a lot of pressure, both financial and emotional. In order to cover the medical expenses and post-discharge care for her husband she sold some of her gold, for a total of MMK 5,000,000.

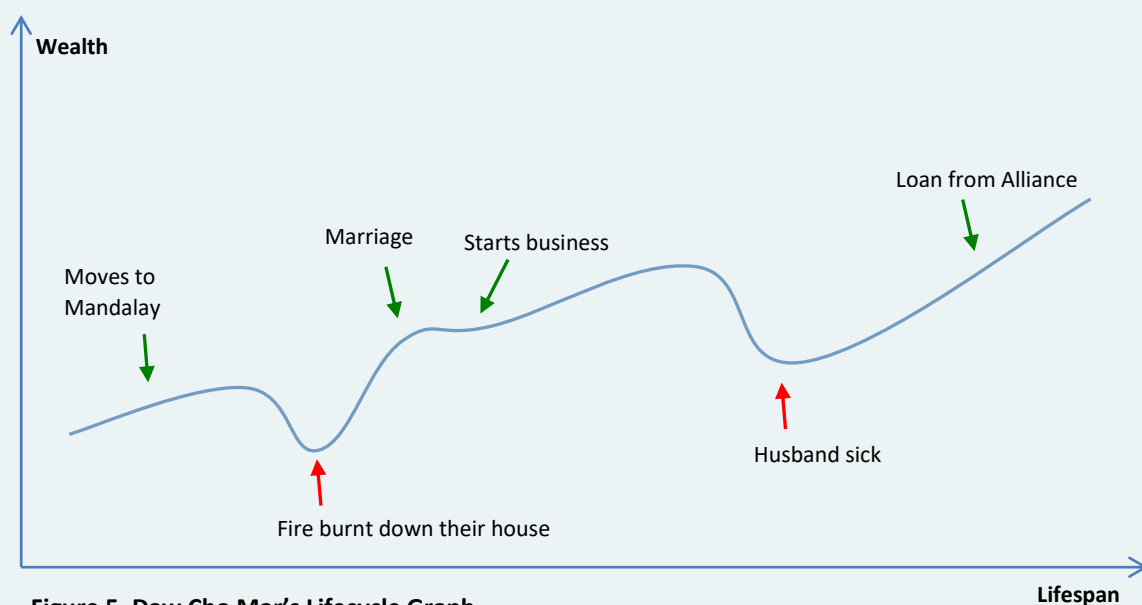


Figure 5. Daw Cho Mar's Lifecycle Graph

a) Household composition

Daw Cho Mar lives with her husband and three children in Mandalay. She and her husband both work in their slipper business in Mahaaungmyay East and the two younger daughters (aged 13 and 10) attend school, in 8th grade and 4th grade respectively. The oldest son is 23 years old and lives in the Sagaing division where he works in a jade mine. Daw Cho Mar is 45 years old while her husband is 48 years old. They inherited some land from her husband's parents, in joint ownership with her husband's four siblings. The land is shared but each family lives in a different house.

Daw Cho Mar proudly states that she is in charge of managing the business and household finances even though she specifies that her husband is involved and ultimately all decisions are made jointly. She normally uses the profit made from sales in Pyin Oo Lwin to cover general household expenses, while the profits from sales in Yangon and Meiktila are reinvested in the business.

Daw Cho Mar and her husband own the house they live in and part of the land. In agreement with her husband's siblings they are planning to sell the property. The main reason for this is that her property has become more and more crowded as the family has grown. They now want to move and have their own property.

b) Business activities

Daw Cho Mar started her business with her husband in 1996. She already had some experience in slipper making thanks to helping her mother with her slipper straps business. After getting married Daw Cho Mar and her husband - who also comes from a family of slipper makers - decided to put their experience to use, starting their own slipper making business. She is experienced in sewing and in overseeing sales, while he had the technical know-how required to perform the job. He works with her overseeing production, while she oversees sales, deals with employees and does some sewing work.

Daw Cho Mar's slippers production business is a small-scale, artisan enterprise. Production is efficient because of the skills and experience both she and her husband put into it. They buy ground rubber sheets from Maw Lae Myaing which is used for the sole of the slippers. The rubber is glued to a fiber plate and used as the harder part of the sole, then covered by soft fabric which gives the slippers aesthetic appeal. Finally, a pair of straps is fixed on the slippers. There is only one large machine involved in the entire production process - a fiber grinder used to grind the fiber plates before they are cut into different shapes and sizes. The couple also use a sewing machine to sew on the straps. Other than this, they only use scissors, brushes, hammers, a small anvil, and similar tools.

Daw Cho Mar has a good pool of regular customers. Some of the big buyers are from Pyin Oo Lwin, Yangon and Meiktila. They buy as much as she produces. Her strategy is simply to invest every Kyat she can in the business (as long as the market is good) so she can expand and earn more. On average, Daw Cho Mar is able to sell 50 boxes per month, with each box containing 70 pairs of slippers. The price for a pair of fabric slippers is set at 2,000 MMK, i.e. 140,000 MMK for a box. Daw Cho Mar's total monthly sales add up to 7,000,000 MMK per month.

On the expenses side, the procurement of raw materials is the biggest expense and costs 80,000 MMK per box of finished slippers. Second are employee wages, which are paid on a “per piece produced” basis. For each pair of slippers produced the workers earn 200 MMK. The transportation cost for the materials is 1,000 MMK once every second day. Another small expenditure comes under the utility expense which is about 2,000 MMK monthly. In a normal day one box is produced. To produce one box of slippers, Daw Cho Mar spends around 94,240 MMK. Total monthly production costs are 4,712,000 MMK.

Table 1. Business income

(per month)		
Sales		7,000,000 (6,014 USD)
Purchases		4,000,000 (3,436 USD)
Margin		3,000,000 (2,577 USD)
Salaries		-700,000 (601 USD)
Other Operational Expenses:	- fuel	-10,000 (8 USD)
	-	-2000 (1.7 USD)
utilities		
Business Income		2,288,000 (1,965 USD)

c) Household expenses

Daw Cho Mar comes from a simple, urban, working-class family. She states that her family spends about 10,000 MMK daily on food consumption, and another 7,000 MMK per day on transportation. Household utility bills amount to 3,000 MMK monthly. As already mentioned, the client’s family lives on a family owned property. The house is made of bamboo and has a cement floor. Daw Cho Mar’s family spends about 100,000 MMK on clothes every year. Other small expenses are related to mobile phone top-up cards, about 10,000 MMK monthly, and donations of 600,000 MMK – 700,000 MMK per year.

Health expenses

Two years ago her husband suffered from a stomach haemorrhage and was hospitalised for five days. The total expenses for hospitalisation and treatment were around MMK 500,000. In order to cover the medical expenses and the post-discharge care for her husband she sold some of her gold. Her husband is still on medication which costs 17,000 MMK per week.

Education expenses

Daw Cho Mar’s oldest son is out of school and works at a jade mine. He no longer requires financial support for education from his parents. The two younger daughters are still enrolled in school and education-related expenses for the older daughter are expected to weigh quite heavily on the family’s budget in the future. Daw Cho Mar dreams of sending her oldest daughter to a private school where she will start 10th grade, but tuition fees are 800,000 MMK per year. On the other hand, education expenses for her youngest daughter will be much lower, as she attends a public school. Daw Cho Mar has no plan to enrol her in a private school for the time being, because of her young age.

Table 2. Household Expenditures (Average Month)

Food	300,000 (257 USD)	Health	68,000 (58 USD)
Transportation	210,000 (180 USD)	Mobile Phone	10,000 (8 USD)
Education	100,000 (85 USD)	Clothes	8,000 (7 USD)
Rent	-	Utilities	3,000 (2.5 USD)
HH Conditions	-	Total	699,000 (600 USD)

d) Household financial flows

As Daw Cho Mar and her husband work together, the household's sole source of income comes from the slipper business. The sales system in place requires Daw Cho Mar to ship her products before she receives payment. The payments by remittance normally take place a few weeks after delivery. Therefore, the cash flow per day or even on a monthly basis can be irregular. In order to deal with this, Daw Cho Mar asks some of her regular clients to make advance payments during periods of liquidity shortages. Throughout the years she has managed to build a strong bond of trust with her clients, and her hard work has earned her a strong reputation.

After deducting general household expenses, we can estimate that average monthly net income for the household is about 1,590,000 MMK. However, due to the highly irregular delivery/payment system in place this amount should not be considered as indicative of the family's liquidity position.

e) Household assets

Daw Cho Mar has accumulated a number of assets over the time which can be divided into two categories. First are those assets solely owned by Daw Cho Mar's family, including land worth about 15,000,000 MMK. In addition, Daw Cho Mar also owns two motorbikes which are worth about 400,000 MMK. The combined value of household appliances is about 200,000 MMK. The family also owns a fiber grinder and a sewing machine which have a total value of 900,000 MMK.

Table 3. Household Assets

House and Land	130,000,000 (111,692 USD)
Land	15,000,000 (12,887 USD)
Business equipment	900,000 (773 USD)
Motorbikes	400,000 (343 USD)
Household appliances	200,000 (171 USD)
Total	146,500,000 (125,868,000 USD)

The second asset category includes those assets under shared ownership. This includes the house and land they are currently living on. The estimated value of the property is 550,000,000 MMK which will be divided equally amongst the four siblings. The amount receivable by Daw Cho Mar is about 130,000,000 MMK. The family is now in the phase of looking for potential buyers.

f) Financial instruments

To run her business, Daw Cho Mar regularly uses KBZ bank money transfer services and has recently been granted a loan from Alliance. Aside from these instruments she has never used any other formal financial services. She keeps her savings at home, but in general Daw Cho Mar reinvests her entire available savings back into her business.

She recalls the time after the fire that destroyed her parents' house, when the family was in great financial distress. Even though every family member worked hard to contribute to the family, it still was not enough to keep them afloat. Their parents turned to a local money lender to rebuild their house and restart their business. She says it was a terrible experience - soon after disbursement, the money lender adopted a very aggressive approach and after full repayment he would pressure her parents to take out additional loans, which they refused. After this experience she decided that no matter what, she would have never resort to money lenders because the risks were too high – she might lose everything.

In the past, Daw Cho Mar used to be part of a ROSCA but after a few years she discontinued this practice, feeling compromised by a lack of flexibility. Although her sales follow a fairly regular schedule, there are times when unexpected expenses arise or unpredictable events occur, and timely injections of capital is needed. Since ROSCA members cannot simply withdraw in times of need, her necessities were not being fulfilled. Thinking back, she states that it was convenient to have access to a significant amount of money once a year, but rarely was the timing compatible with the needs of her family or business. She would have preferred to get a smaller amount when she actually needed it. For this reason, she started saving at home, both in cash and in gold. She does, however, understand the risks of keeping all her money at home (she mentions fire and theft as the major risks) and states that she would like to start depositing savings regularly with Alliance.

When cash-constrained, Daw Cho Mar asks for advance payments from her clients, reducing the risk of shocks. A trust relationship of back-and-forth advanced payments and credit sales results in a financial support network between her and her clients. On this issue however, Daw Cho Mar follows a precise code of conduct, as she only ever asks for advanced payments when she is in need of working capital injections, and would never use the money for anything other than business-related transactions. She does not want to deal with an overlap between business and personal affairs. She states this could be very risky and may undermine both her clients' trust and the business itself. As a last resort Daw Cho Mar would pawn or sell her gold jewellery.

g) Vulnerabilities

One of Daw Cho Mar's greatest concerns is employee retention. She states that nowadays it is difficult to find committed employees and when the workers quit or are absent productivity decreases significantly. This is a noticeable risk for her business as a late or partial delivery may result in lower income, slower inventory turnover and client dissatisfaction. Fast employee turnover also hinders the knowledge and technical skills

transfer process, and the business is unable to function if Daw Cho Mar's husband is not there to supervise the production.

Her husband's health is another serious preoccupation for Daw Cho Mar. Given his importance in the family business, his absence would certainly lead to a decrease in productivity and result in losses. Another risk for Daw Cho Mar's business comes from market liberalisation and internationalisation – in the future slipper business could face fierce competition from neighbouring markets, such as China.

Sending her children to a good school is one of Daw Cho Mar's priorities in life and she is worried that decreases in her business will render her unable to send them to private schools.

Finally, fire is a big risk for Daw Cho Mar's business due to the use of chemicals and hazardous materials. The risk is further aggravated by the fact that her workshop is very close to two gas stations. During the day the smell of gas is very strong. Fire incidents are also quite common in the neighbourhood. In the event of a fire Daw Cho Mar could lose not only her business, but her house too. This is also part of the reason why the family wants to sell their property and move to a different location.

4. CONCLUSIONS AND RECOMMENDATIONS

Demand for Financial Services

The four stories above, and other clients interviewed as part of this study, confirm that the use and knowledge of formal financial services is still extremely limited in Myanmar. The interviews showed that even if clients use bank savings accounts or money transfer services, access to financial education is lacking. In addition, the low-income segment of the population seems intimidated by formal banking institutions.

In analysing the spectrum of demand, these life stories provide several important findings and help us to understand client needs and vulnerabilities:

- There is a major focus on saving among clients. The purpose of keeping savings is to have a buffer for emergencies, meet important life goals, manage irregular cash flows and be ready for ageing.
- Current saving, investment and asset-building strategies include land purchases, savings in kind, reinvestment in business, ROSCAs, gold and, to a limited extent, bank savings.
- Asset-building strategies vary between urban and rural clients. The main differences are in the tools used for saving/investment and the effect that regular/irregular cash flows have on savings needs.
- Children's education is the most recurrent life goal for savings and asset-building. Clients see education as a form of investment for the future.
- Donations to religious institutions and pilgrimages are important and recurring life goals related to savings and asset-building.

- Families with dual incomes will often use one income stream to cover regular household expenses and set aside the other income stream as savings.
- The vulnerabilities that most concern clients are related to health and old age. Fire also came up as a preoccupation among clients.
- Family ties and social networks related to clients' businesses are important support structures when dealing with emergencies and other vulnerabilities.
- ROSCAs are very popular among clients despite some complaints about their rigidity/timeliness and some experience with fraudulent ROSCAs.
- Informal credit options outside of family and friends are costly and viewed very negatively in Myanmar culture. The local word for loan carries negative connotations and this research methodology was critical to obtain information about client experiences with loans (that they would not have admitted to in surveys or focus groups).
- Women often play a dominant role in planning and managing family finances.

With these findings in mind it is possible to draw several conclusions about what products would best meet the needs of this target segment. The clients have either an interest in or need for a full suite of savings, credit and insurance products. These products should be designed to help customers meet life goals, including education and religious commitments, improve resilience against risks like health problems or agricultural losses, manage irregular cash flows, and prepare for old age. Business investment for entrepreneurs will also be an important tool in accomplishing these goals.

While savings, credit and insurance all have a role to play; savings is in many ways the preferred option, due to the pre-existing savings culture in Myanmar and the lack of knowledge about credit, insurance and other financial services. Clients could benefit greatly from interest-bearing savings options that balance the rigidity that motivates customers to save, while providing the flexibility to meet evolving client needs. Savings schemes tied to personalised life goal planning would potentially be popular. The greatest obstacles would be shifting existing informal savings to more formal schemes, changing pre-existing savings habits, and developing the required trust in the financial institution. Convenient services that can reach out to customers in their communities or workplaces would have a greater chance of success.

The development of credit and insurance products that meet client needs should also be tied to financial education initiatives. Education is an important first step in uncovering latent demand and ensuring the effective and responsible use of these services. This conclusion holds for mobile financial services and other alternative delivery channels that have not been used in Myanmar before.

Finally, there are large benefits in targeting and tailoring financial products to women. On top of the social benefits of women's economic empowerment and improved family welfare, there is also the practical consideration of who is managing business and family finances.

Demand for Financial Education Services

As presented in the previous section, this research provides valuable insights into client financial behaviour, as well developing a sound understanding of client needs and demand for financial services. At the same time, it has enabled identification of financial knowledge gaps and gauging of interest in financial education issues amongst clients.

Alliance currently offers two types of loan products: a joint liability group loan (Maharmate) and an individual small enterprise loan (Shweyaung Anagat). The first product targets self-employed and micro businesses generally engaged in small commerce and handicrafts, with loans of USD 80 to 400. The second product aims at providing working capital to small entrepreneurs engaged in trading, services and manufacturing activities with loans of USD 400 to 4,000.

The research provides evidence that these two different client streams will require different approaches and content when it comes to financial education initiatives.

Maharmate clients show a scarce knowledge of financial products. Even though their financial lives appear to be quite active, most of them have never used formal financial services before becoming Alliance clients, relying instead on informal finance and on family and friends. This is arguably the most pressing need in terms of financial education. Financial services can play an essential role in improving client lives and businesses. Conversely a lack of information and technical knowledge may lead to scarce access and improper use of financial products. Bookkeeping is a widely unknown practice among clients, resulting in disorganised business and cash flow management.

Shweyaung Anagat clients' financial education needs are arguably more advanced. Having to manage larger capital and operations, proper accounting practices become even more crucial for sound business management. This is especially true of manufacturing businesses which need to have a clearer picture of their production costs. The research shows that accurate cost estimation leads to better long-term planning and use of profits. The interviews showed, however, that there are significant differences in terms of financial knowledge even amongst individual loan clients in the same loan category.

Knowledge about the different products available on the market and their detailed features remains rather basic and there is obvious space for improvement. Beyond direct financial management, individual loan clients, who participated in the research, have shown interest in acquiring other business skills, such as HR management, information on legal regulatory systems, marketing, and customer service.

Along with differentiation in the content of financial education training modules, the delivery channels also need to be designed to fit the two different client categories.

Maharmate clients have a much less flexible schedule, as they often need to be physically present at their workplaces or have other family commitments. To reach these clients, larger but shorter training sessions are recommended and should take place directly in the community. In this way a larger target group can be reached and the impact on the

community more significant. From the research showed that the preferred learning methods include visual and interactive tools and storytelling approaches, and the sharing of more relatable messages and experiences.

In order to reach Shweyaung Anagat clients with financial education training, more personalised sessions are recommended, possibly organised by appointment at the branch office. In this case longer meetings may be organised that will cover more technical aspects of accounting, budgeting and cash flow management. From the interviews conducted with these clients, it appears that they could be introduced to more advanced tools, such as diaries and books of accounts, and encouraged to adopt new practices in their everyday business management.

Finally, sessions meant for small enterprise loan clients should be designed to encourage sharing exercises where built-up knowledge can be passed on and clients can learn directly from each other. This training can also make more use of technology given the greater technological skills of this client segment.

Recommendations for Financial Education

Based on the findings of this research, these are the recommendations for future financial education initiatives at Alliance:

1. All communication points in the current loan methodology should be reviewed and enhanced to add financial education messages where possible. This has already been done for the Maharmate loan group formation meeting - where the script has been standardised and visual presentation materials are now in use. Similar improvements can be made to other touch points such as the initial location meeting, the Field Executive appraisal and the disbursement process.
2. Basic financial literacy training should be provided to Maharmate loan clients in the community. This training can use common financial literacy training tools but must be visual and interactive.
3. More advanced business training and coaching should be provided to Shweyaung Anagat (small enterprise) loan clients. This training can be provided to groups of clients in the branches or other training centers by appointment. This training should cover financial management but also other business skills that clients show an interest in.
4. Alliance should develop financial education materials and tools that can be displayed in branches or distributed to clients. These more passive training tools can supplement training sessions.
5. Alliance should review and enhance existing financial education modules that are part of their employee training. The success of financial education initiatives relies on the buy-in and knowledge of staff members. Therefore, it is important that employees receive the necessary training to become successful trainers and implementers themselves.