

CONSTRUCTING A CLIENT RECRUITMENT SYSTEM FOR RURAL MYANMAR UNBANKED PEOPLE TO ACCESS PACT MICROFINANCE INSTITUTION

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ABSTRACT

When traditional financial institutions fail to provide financial services to the poor, microfinance fills this gap and helps poverty reduction by supporting self employment. Microfinance institutions provide loans to the poor, unbanked people, without collateral using group based lending methods as social collateral and strict rules and regulations. When these rules and regulations are discrepant with the situations of the rural Myanmar unbanked people, 50% of them could not obtain the loans. This research finds the discrepancies of the rural Myanmar unbanked people with current operational procedures (COP) of Private Agency Collaboration Together (PACT), explores the idea to solve the above discrepancies and draw a system that can help rural Myanmar unbanked people to access PACT MFI. This client recruitment system includes four sub systems entitled, inquisition, adjustment, knowledge contribution and impact assessment system. These systems support not only improving the lives of the rural Myanmar unbanked people by accessing PACT but also the rural development and poverty alleviation action plan.

Keywords- microfinance program, poverty, unbanked people, legal rules and regulations, operational procedures, client recruitment system

INTRODUCTION

Although the formal financial institutions serve less than 20% of the population in the developing countries and the rest of the population, typically low income households, has not had accessed (Berenbach and Churchill, 1997; Robinson, 2001). Innovative financial institutions (FIs), known as microfinance institutions (MFIs), have emerged to cater for this market by the use of group lending contracts and guarantees. Microfinance (MF) is seen as a way to generate self-employment opportunities for the unbanked people and is the superior strategy for poverty reduction (Wright, 1999), both in the poor countries and in the poorer areas of the richest countries (Hollis and Sweetman, 1998).

There are 49 Least Developed Countries (LDCs) in the world and Myanmar is 41st LDCs in the decreasing order of gross national income (GNI) per capita, 2011 in current US dollars (UNTCAD's The Least Developed Countries Report 2011). The total population in Myanmar is about 60 millions. While 70% of total population lives in rural area, 26% of rural population is under poverty line and 85% of rural population depends on loans, according to the UN Development Program (UNDP).

In Myanmar, financial institutions (FIs) are not allowed to disburse credits to the unbanked people without collateral due to the law of financial institution laid down in 1990. Since 1997, Microfinance in Myanmar was introduced as a separate project under UNDP's Human Development Initiative (HDI) in 11 townships. Later in March 2005, PACT was the single implementing partner in the three zones, Shan, Delta and Dry Zone. Currently, PACT is implementing microfinance programs in 22 townships covering 5,821 villages with 547,626 clients under 107 branches at the end of June 2012. The total numbers of active borrowers reached to 354,439 with an outstanding of 49,088 million Kyats (57.48 million \$) at the end of the reporting period. (\$1= Kyat 854). In the National-level workshop on rural development and poverty alleviation held in May 2011, the government initiated a framework of the rural development and poverty alleviation action plan under the micro-finance for rural development and poverty reduction plan from July 2011 to December 2015.

Myanmar rural unbanked people cannot access loans and other working capital because PACT Myanmar's Microfinance Program (MFP) cannot give information about the loans well and its loans procedure and legal actions are difficult for rural unbanked people (Lhing, N.N. et al. 2010). The rural

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unbanked people in Myanmar have very little access to loans and other working capital (PACT, 2010). MFIs have laid down strict legal rules and regulations to reduce delinquency rate because MFIs disburse loans to the unbanked people without collateral. Many authors have studied the legal rules and regulations of MF from the view point of the MFIs to reduce delinquency rate. This research studies the legal rules and regulations from the view point of the local unbanked people because they cannot access loans with these strict legal rules and regulations.

This research aims to construct a system that Myanmar rural unbanked people can access loans of the PACT MFI. This research is prepared with the following research questions.

What are the current operational procedures of PACT MFI in Myanmar for rural Myanmar unbanked people can obtain the loans?

Why do not rural Myanmar unbanked people access the loans?

What is the idea to solve the problem that rural Myanmar unbanked people do not access PACT Microfinance Institution?

How to construct a system that can resolve the discrepancies between the rural Myanmar unbanked people and the current Microfinance operational procedures and can access rural Myanmar unbanked people to PACT MFI?

Data collection was done based on the participatory approach and use of structured questionnaires with a random sampling technique. 8 villages in Nyaung and Magway Townships in the dry zone area of PACT were chosen as survey area.

As the result of this research, the operational procedures are only one relationship between PACT MFI and rural Myanmar unbanked people. Rural Myanmar unbanked people cannot access the PACT MFI because the discrepancies were occurred between the rural unbanked people's situation and the current operational procedures of PACT Microfinance. For solving these discrepancies, the ideas of the PACT's officers were collected and the idea was researched from literature review. Depending on these ideas, a client recruitment system (CRS) included four subsystems to solve discrepancies was constructed. As the advantage of this CRS, unbanked people can obtain loans at PACT MFI with lower interest rate; thereby they can be self employment and their income increases. Their skill can improve because of PACT's knowledge contribution trainings and they possess developed life in the future and that will strongly effect on the development of Myanmar.

This paper is organized with the explanation of research survey area and method. Then describe the current operational procedures of the PACT MFI. Followed by three kinds of observers' reasons why they did not access the PACT MFI. Following the idea of the officers and researchers to solve the above discrepancies. Finally, client recruitment system constructed with the idea to solve the discrepancies of rural Myanmar unbanked people and the conclusion are presented in this research paper.

SURVEY AREA AND SURVEY METHOD

Nyaung U Township and Magway Township are chosen as survey areas for this research. There are 15 quarters, 61 village tracts and 216 villages and 57609 households in Magway Township; and also 281 villages and 51,041 households in Nyaung U Township. PACT covers on all areas of Magway and Nyaung U Township. Survey data collection was done in 7 villages, Wet Theik, Than Taw Kone, NgwarGue, Nat Kan, DahatKan, KanHla and Daung Nay of Magway Township; and in Thayarwaddi (middle) village of Nyaung U. In September 2012, a survey was conducted with 106 households and 22 officers in 8 villages of 2 townships. Data collection was done based on the participatory approach and use of structured questionnaires with a random sampling technique. Secondary data of these 8 villages is collected at two regional offices. Two strata are defined for collecting data about the unbanked people who cannot access PACT MFI in its project areas. 50 households for non clients

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stratum and 56 observations for dormant and drop out people stratum are collected. Drop out means that although she was a client in the past, she became a drop out when she was removed or resigned because she could not follow the rules and regulations of PACT MFI. Dormant people mean that they are also similar with drop outs but now they are waiting to join in PACT MFI again. Descriptive analysis and cross tabulation are used to examine the reasons why they could not access loans.

What are the current operational procedures of PACT MFI in Myanmar for rural Myanmar unbanked people can obtain the loans?

The current operational procedures of PACT MFI in Myanmar for rural Myanmar unbanked people can access loans are studied at the PACT office as the secondary data. It includes three portions such as Information Contribution (Meeting), loans; and legal rules and regulations.

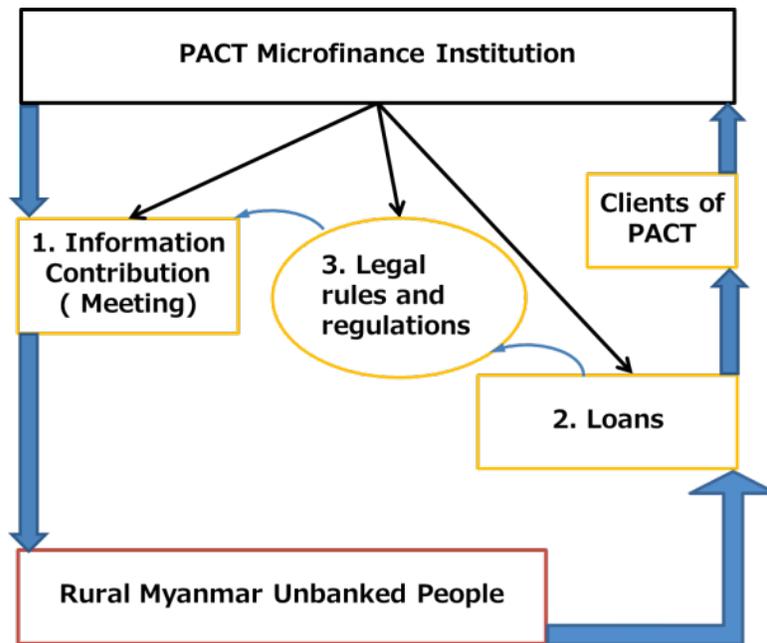


Figure1. The current operational procedures of PACT Microfinance Institution

For initiate microfinance program, PACT MFI has to choose the villages. After choosing villages, PACT holds information contribution (meetings) at that village to explain about many kinds of PACT's loans and legal rules and regulations which are needed to follow by the rural Myanmar unbanked people interesting the PACT's loans to become a client of PACT by obtaining loans. See Figure 1.

3.1 Information Contribution (Meeting)

When PACT MFI holds Information Contribution (IC) at the targeted village, PACT runs IC with three stages.

At the first stage of the IC, PACT holds IC (meetings) with the president of the village and members of village committee of the targeted village to explain about its microfinance program. The aim of holding this meeting is to inquire about the interest of the villagers with regards to the program, investigate the information of the other organization's program in this village, collect secondary data of the village, obtain the permission of the president of the village to hold the meeting to explain about the microfinance program to the villagers and assign the place and time for the next meetings.

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At the second stage of the IC, PACT holds the meeting with the villagers to explain about the microfinance program and continue Participatory Rural Appraisal with them (PRA).

The 3rd stage, PACT's officers help to form a small group with 5 interested villagers, explain about the rules and regulations of obtaining loans, discuss with the household head of the villagers interested the program for obtaining permission to join the programs and collect baseline data of prospective client.

3.2 Loans Types of PACT MFI

PACT MFI disburses nine types of loan products. They are shown in the following Table 1.

Table 1. Loans product of PACT MFI

	Loan Products	Loan Size	Remark
1	Regular Income Generating Loans: Starting from \$90 (for livestock, trading, production, service, etc.)	\$100-\$250	A new borrower can start from \$90 and then can access to higher value loans with successful repayment of a current loan
2	Microenterprise Loans	Up to \$ 1250	Based on the business feasibility and capacity of the borrower
3	Health Care Loans	\$65	For anybody from a family
4	Education Loans	\$65	Enrollment and associated expenses
5	Agricultural Loans	\$125	Per Acre, Maximum amount limited to \$ 375
6	Extra Loans	Up to \$ 65	Additional specific requirement
7	Consumer Loans	Up to \$100	For improving living standard
8	Vulnerable Loans	\$65	Especially for the poorest of the unbanked people
9	SRG Wholesale Loans	\$ 1875	For each SRG group

After unbanked people have already organized a group with five peer unbanked people and attended the NFBE training, they become clients of PACT MFI and can receive regular income generating loans according to the loan priority arrangement of group. If all members in a group can successfully repay their repayment duties, they can borrow microenterprise loans and SRG wholesale loans based on the business feasibility, capacity of the borrowers and the solidarity of the groups in a village.

Vulnerable loans are allowed especially for the poorest of the unbanked people, poverty level D. Without building a group, they can obtain this loan. Recommendations of chairman of the Center Committee, regional managers and loan officers are needed for obtaining this loan and they need to sign on the bond of vulnerable loan. After successfully repayment vulnerable loans, they obtain the belief of other clients of PACT and they can become a group member.

Agricultural loans, health loans, education loans, extra loans and consumer loans are allowed responding to the clients' requirement. Agricultural loan is especially for the landholder farmers and they can borrow it during cultivated period and loan amounts are changed depending on the area of their possessed land, acre. If family members of the clients have health problems, they can borrow health care loans. Education loans are allowed for the clients who have students in their family members. When the time is over 6 months after obtaining regular loans, clients can borrow extra loans if clients have specific requirement. Clients who are over three year service as the clients of PACT can borrow consumer loans and the objective of this loans is for improving living standard of the clients.

3.2 Legal Rules and Regulations

PACT MFI laid down legal rules and regulations for the client to follow during the unbanked people are obtaining the loans and to protect the delinquency rate. Three groups can be divided generally on the legal rules and regulations as criterions of the borrower, rules and regulations.

Criteria of the borrower

To become a client of PACT, unbanked people complete the following criterions. They are

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- Women or low income people
- Age between 18 and 60 years for a new client (accept until 65 years for the clients)
- Acceptance one person for one household
- Resident in the village
- Permission from the family
- Healthy person

Rules For The Clients

If unbanked people complete the above criterions of the borrower and interest to borrow loans from PACT MFI, they need to follow the following rules for they can become clients of PACT MFI and can borrow loans form PACT MFI.

Before being accepted as a client, Non Formal Business Education (NFBE) training is mandatory for all clients to obtain credit and a recognition test is performed end of the training.

Form a peer group with 5 villagers interested the MFP.

Select one leader and secretary within the 5 members of a group.

Propose a business that has to begin after obtaining a loan. (If the Loan officers (LO) find that the proposed business is poorly implemented when they check appraisal, the loans amount can be reduced.)

Draw a loan priority arrangement for choosing 3 persons among the 5 group members to disburse the loans the 1st time.

All Clients have to save 300 kyats every fortnightly and keep at least 500 kyats saving balance in their saving account.

Access to repeat loans that are in higher amount than the first loan amount depends on repayment performance.

The loan installment repayment is bi-weekly or monthly.

If the members cannot attend at the regular group meeting, absentee can give installment repayment and regular saving to the group leader.

After finishing NFBE training, a Center Committee (CC) is organized with group leaders of all the groups in the village. The responsibility of the CC is to select the new members, prepare loans application forms for the members, assign loan amounts, date for distribution and collect the loans; and manage their members to follow center rules and regulations.

All the group members and center committee members have to attend the loans application and disbursement meetings; and a special group meeting.

All clients have to follow Center rules and regulations.

Never permit to substitute with others on behalf of her attendance the Loan Disbursement meetings.

If one of the group members is absence without informing to the group leader, the meeting for loans distribution is not held and the meeting date is moved until all members can attend the meeting.

Regulation

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After becoming as clients of PACT, they have to also keep the following regulations as a group member.

Regulations for the defaulted Loan

If the 1st loan prior members are in default, the second loans disbursement is moved until the 1st loans prior members can repay. Group members have an obligation to reimburse PACT if one member fails to repay. Another aspect of social collateral lending is if one of the groups in the village is insolvent, all of the groups in this village have an obligation to reimburse and also other groups in the village cannot obtain a loan.

Regulations for application of new members

Interested persons can apply as new members if a group is incomplete not having five members. Groups that lost members can substitute one of members with new members. If a group has five members, member substitution is not allowed.

Regulation for removing members

The loans defaulter can be removed from the group.

Regulation for resigning

Members who have already repaid the loans can resign from the group and withdraw her saving from PACT MFI.

Regulation for the New Member Recruitment

The group which is less than 5 members has to find new members within 3 months or can combine with other groups. Resigned member who left groups because of migrating to a different village or because of personal reasons can apply as a member if she has desire to join again. If the member is over age, has health issue or will not stay in the village, she can substitute with others family members. This substitute person can also obtain opportunities as previous members.

Why do not rural Myanmar unbanked people access the loans?

When researching the answer of the above question, structured questionnaires, random sampling techniques and secondary data collection at PACT offices were used. The survey populace was made of three kinds of people, such as officers, drop outs and non clients in the survey area. An initial survey data collection was completed in Thayarwaddi village (middle) in Nyaung U Township to arrange the questionnaires.

The survey contains questions to collect data about the rural Myanmar unbanked people such as marital status, education level, poverty level and the level of employment, discrepancies in the current operational procedures, reasons why they are not a client, and their desires to join PACT.

Marital status can be divided into two such as married and single.

Education level can be divided into six levels. They are uneducated, monastery, primary, secondary, upper-secondary and bachelor.

PACT divides into four poverty levels depending on their amount of property such as poverty level A, B; C and D. Poverty level D is the poorest of the unbanked people.

According to the data of the village, levels of employments can be divided into four kinds, such as landholder farmer, SME owner; causal employment included causal farmers, causal workers and causal sellers and unemployed.

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Although there are many factors under the current operational procedures, eight discrepancies between rural Myanmar unbanked people and the current operational procedures are discovered in the first survey, such as unneeded cash, small loans, age, impermanent stay, health issue, rule defaulter, loans defaulter and obligation for the loan defaulters.

They became drop outs and non clients with four kinds of reasons. They are resigning by themselves, difficult to get group recommendation, difficult for group formation and removal.

They have three kinds of desire to join to PACT such as yes, no and waiting to join.

According to the secondary data of 8 villages obtaining at the two regional offices, poverty level A is very small at 4% of village households, poverty level C is the highest at 59% and the second highest is the poverty level B at 27% and the remaining is poverty level D at 10%. See Table 2.

When the access of the unbanked people to PACT in the survey area is calculated according to the secondary data, 49% of the households in the survey area can access PACT, 31% are non clients and 20% are drop outs. See Table 3.

Table 2. The poverty level of the survey area

	Township	Village	Poverty Level				Total Households
			A	B	C	D	
1	Nyaung U	Thayarwaddi(M)*	3	5	181	61	250
2	Magway	Wet Thike	3	30	59	2	94
3	Magway	Than Taw Kone	2	54	137	24	217
4	Magway	NgwarGue	3	51	148	24	226
5	Magway	Nat Kan	7	95	154	21	277
6	Magway	DahatKan	27	110	18	0	155
7	Magway	KanHla	11	71	173	0	255
8	Magway	Daung Nay	10	65	170	40	285
Total			66	481	1040	172	1759
			4%	27%	59%	10%	100

*Initial survey to identify discrepancies

Source: Nyaung U and Magway regional office (13-09-2012)

Table3. The situation of the unbanked people's assessment to PACT MFI

	Township	Village	Clients	Non clients	Drop outs	Total Households
1	Nyaung U	Thayarwaddi(M)	166	76	8	250
2	Magway	Wet Thike	69	11	14	94
3	Magway	Than Taw Kone	74	99	44	217
4	Magway	NgwarGue	132	0	94	226
5	Magway	Nat Kan	179	4	94	277
6	Magway	DahatKan	42	81	32	155
7	Magway	KanHla	158	36	61	255
8	Magway	Daung Nay	40	245		285
Total			860	552	347	1759
			49%	31%	20%	100%

Source: Nyaung U and Magway Regional Office (13-09-2012)

3.1 Opinion of the Officers (Survey Results)

3.1.1 Opinion of the Officers Why the Clients Became Drop Outs

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According to the answer of 22 officers in the survey area, causal employment and SME owners usually become drop outs. See Table 4.

SME owners are 36.36% of drop outs. They become drop out people by three types of discrepancy with the COP and two types of reason. 4.55% of the SME owners thought that they did not need loans and 18.18% of SME owners thought that loans amount is too small for their business when their business and income was increased. Therefore they became drop out by resigning. 13.63% of SME owners fear the obligation for loan defaulters. When someone of their group members left the group, they could not find new consistent members for organizing a group. Therefore they became drop out people by difficulty of group formation reason.

Causal employments become drop out people by three types of discrepancy with COP and three reasons. 4.55% of causal employments can not follow the permanent stay rule because they possess migrant job. Therefore they become drop outs by resigning reason. 54.54% are discrepant with the rule that is to follow the rules laid down by the center committee because of their employment. When they always defy the rules such as attending the meeting on time, other group members are difficult to accept and they became drop outs by reason, difficulty to acquire group recommendation. When 4.55% is over age, they are removed from the group. So they became drop outs by removal reason.

Table4. Opinion of the Officers why the Clients became drop outs

Reasons	COP		SME	Causal	Total
	Job				
Resigning	Unneeded cash		4.55		4.55
Resigning	Small loans		18.18		18.18
Resigning	Impermanent stay			4.55	4.55
Group Recommendation	Rule defaulters			54.54	54.54
Group Formation	Obligation to' loan defaulters		13.63		13.63
Removal	Age			4.55	4.55
Total			36.36	63.64	100

3.1.2 Opinion of the Officers Why the Rural Myanmar Unbanked People Do not Access PACT MFI

According to the answer of 22 officers in the survey area, causal employment and SME owners are non clients. See Table 5.

Table5. Opinion of the Officers Why the Rural Myanmar Unbanked People didn't access PACT MFI

Reasons	COP		SME	Causal	Total
	Job				
No reason	Unneeded cash		22.73		22.73
No reason	Impermanent stay			13.64	13.64
No reason	Rule defaulters			40.90	40.90
Group Formation	Obligation for loan defaulters		22.73		22.73
Total			45.46	54.54	100

SME owners are 45.46% of non clients. They do not access the PACT MFI by two types of discrepancy with the COP and a reason. 22.73% thought that they did not need loans. They didn't join PACT and they have no reason. As 22.73% fear the obligation for loan defaulters, they could not find consistent members to form a group and they became non clients by difficulty of group formation reason.

Causal employments are 54.54% of non clients. They do not access the PACT MFI by two types of discrepancy with COP and without reason. 13.64% are discrepant with the rule that is permanent stay

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at the village and 40.90% are discrepant with the rule that is to follow the rules laid down by the center committee, e.g. have to attend the meeting on time. Therefore they do not borrow loans of PACT MFI.

Reasons of Drop outs Why They Become Drop Out (Survey Results)

Drop outs and Dormant people' Biography

56 households for the drop out stratum are chosen in this survey area and interviewed with the questions by random sampling technique. When constructing a conclusion what kinds of people become drop outs and dormant people on the collected data for drop out people, people who are married, lower education level people in the poverty level C and causal employments are found as the drop out people. See Figure 5.

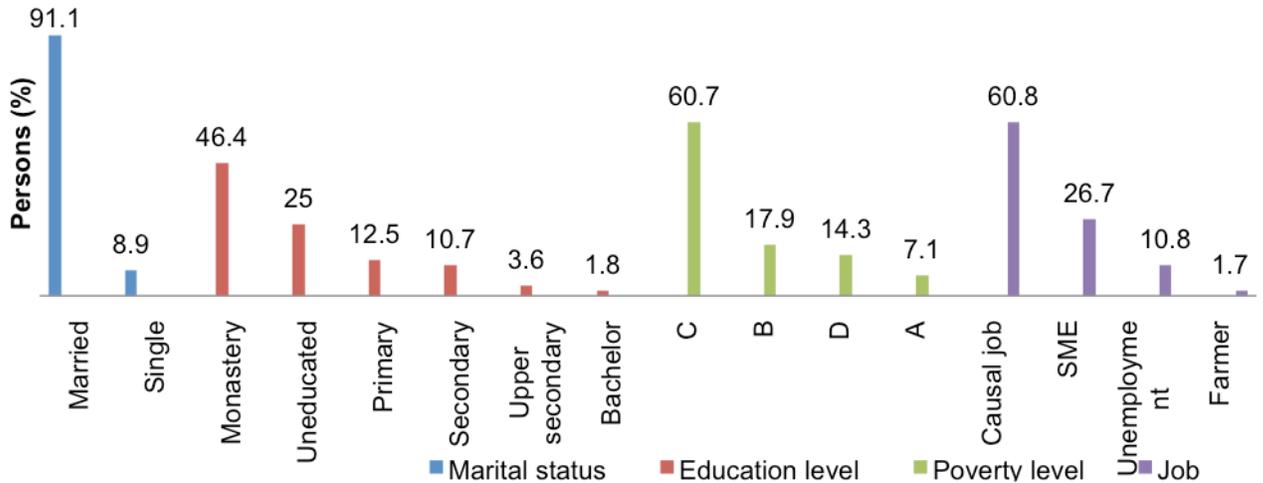


Figure 5. Biography of the Drop outs and Dormant People

3.2.2 Searching Discrepancies in the COP and Reasons Why They Became Drop outs

When the discrepancies of the drop outs with the current operational procedures are researched with a survey, drop outs are old client and already attended the IC. Therefore this survey was left about the IC. Current loans amount, legal rules and regulations are considered as the variables. According to the answer of 56 households in the survey area, drop out people are occurred in all employment levels. See Table 6.

Landholder farmers are 1.7% of total drop outs and are discrepant with the loans amount. They feel that loan amount is not enough to spend in agricultural expense and moreover it is busy to follow strict rules. Therefore they became drop outs by resigning reason.

SME owners are 26.7% of drop outs. They become drop out by two discrepancies and two types of reason. 5.3% are discrepant with the loans amount and it is too small to invest in their business. Therefore they became drop outs by resigning reason. As 21.4% are fear the obligation for loan defaulters, when someone of their group members left from the group, they can't search other consistence member for organizing a group. They become drop outs by difficulty of group formation reason.

Causal employments are 60.80% of drop outs. They become drop outs by four discrepancies in COP and three reasons. 16.1% are discrepant the rule, permanently stay at the village. When they migrate for a job, they become drop outs by resigning reason. 30.4% could not follow the rule attending the meeting on time because they have no time with their employment and 3.6% could not repay loans because they have no permanent income. Therefore these two types of causal employers become drop

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outs with the difficulty to obtain group recommendation. When 10.7% are over age, they became drop outs by removal reason.

In unemployment, 5.4% are over age and another 5.4% are health issue. They became drop outs by removal reason.

Table6. Searching Discrepancies in the COP and Reasons Why They Became Drop outs

Reasons	COP	Job	Farmer	SME	Causal	Unemployment	Total
Resign	Small loans		1.70	5.30			7
	Impermanent stay				16.10		16.10
Group Recommendation	Rule defaulters				30.40		30.40
	Loan defaulters				3.60		3.60
Group Formation	Obligation for loan defaulters			21.40			21.40
Removal	Age				10.70	5.40	16.10
	Health issue					5.40	5.40
Total			1.70	26.70	60.80	10.80	100

Desires of the Drop outs

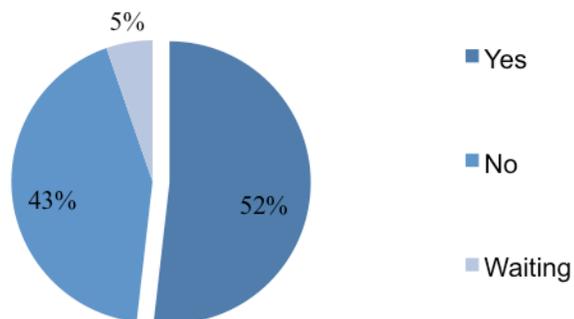


Figure6. Desires of the Drop Outs

If PACT MFI changes some of its procedures for drop outs, although survey respondents chose some discrepancies entitled, unneeded cash assistance, health issue, impermanent stay, rule defaulters and loan defaulters, they still have desire to join in PACT. Survey respondents chose discrepancies, obligation for loan defaulters, have no desire to join in PACT again. Some of the survey respondents who migrate for the employments are waiting to join in PACT. See Figure 6.

3.3 Reasons of Non Clients (Survey Results)

3.3.1 Non clients' Biography

50 households for the non clients' stratum are chosen in this survey area and interviewed with the questions by random sampling technique. When an inference what kinds of rural Myanmar unbanked people are non clients is drawn on the collected data for non clients, people who are married, lower education level people in the poverty level C and causal employment are also found as non clients. See Figure 7.

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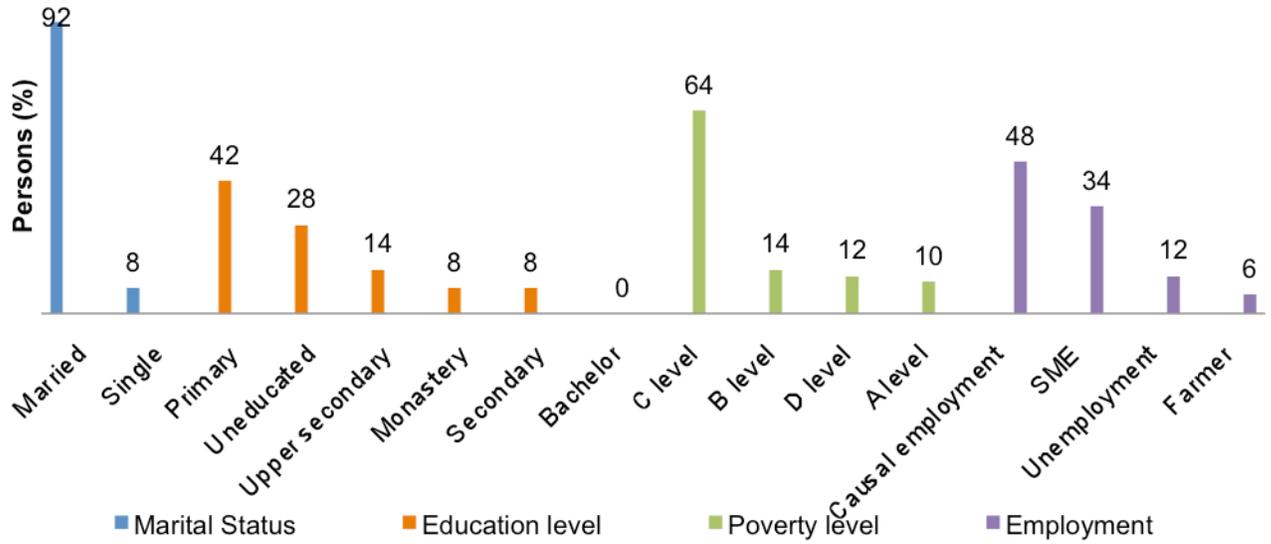


Figure7. Non clients' Biography

3.3.2 Searching Discrepancies in the COP and the Reasons Why They Didn't Access PACT MFI

When discrepancies of non clients in the COP are researched, information contribution, current loans amount, legal rules and regulations are considered as the variables for the survey.

According to the answer of non clients for information contribution, although 10% of the non clients attended the meeting, 90% of them did not attend the meeting with the reasons such as unknown, no time, uninterested in the loans and unneeded cash assistance. Among these reasons, 66.7% of non clients who didn't attend the meeting had no time because of their employment situation and was at the peak among the reasons. 24.4% are uninterested in the loans and 6.7% are unneeded cash assistance and 2.2% are unknown. Therefore current information contribution is discrepant with rural Myanmar unbanked people. See Figure 8.

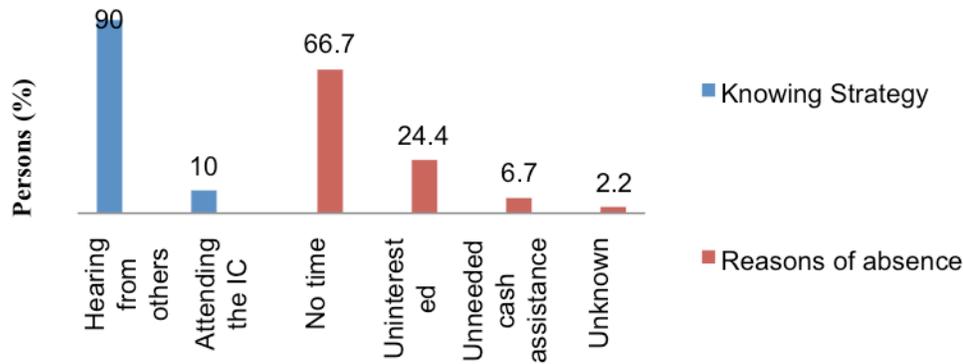


Figure8. Searching discrepancies in the Information contribution (meeting)

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Table 7. Searching Discrepancies in the COP and the Reasons Why They Didn't Access the Loans

Reasons	Job	Farmer	SME	Causal	Unemployment	Total
	COP					
No reason	Unneeded cash	6				6
	Small loans		8			8
	Age				6	6
Group recommendation					6	6
	Impermanent stay			16		16
	Rule defaulters			32		32
Group formation	Obligation for loan defaulters		26			26
Total		6	34	48	12	100

According to the survey data collected for non clients' discrepancies in loan amounts and legal rules and regulations of COP, non clients are found in all employment levels with six kinds of discrepancy and two reasons. See Table 7.

Land holder farmers are 6% of non client survey respondents. As they thought that they did not need cash assistance, they did not join in PACT MFI.

SME owners are 34% of non client survey respondents and they do not access to PACT by two discrepancies and a reason. 8% thought that loan amounts are too small for their business and did not know they could obtain SME loans because they did not attend the meeting. Moreover some of the SME owners could not wait the time when they were eligible to borrow SME loans. Therefore they do not access the PACT without reason. As 26% fear the obligation for loan defaulters, they do not access the loans by the difficulty of group formation reason.

Causal employments are 48% of non client survey respondents and the highest among four kinds of employment. They do not access to PACT by two discrepancies and a reason. 16% are migrant workers and they have to move to the other place where they can obtain a job. Therefore they do not access to PACT MFI with the discrepancy entitled, impermanent stay. The other 32% are inconsistent with the rule that have to attend the meeting on time because of their employment situation. Therefore they did not access the loans by difficulty to obtain group recommendation.

Unemployment is 12% of non client survey respondents and they do not access the PACT MFI by a discrepancy and a reason. 6% are over age and the other 6% have difficulty to obtain group recommendation because they have not income and they become non clients. Therefore they did not access loans.

3.3.3 Desires of the Non clients

When asked their desire to join PACT MFI, although 82% of non clients have desire to join, 18% have no desire to join. See Figure 9.

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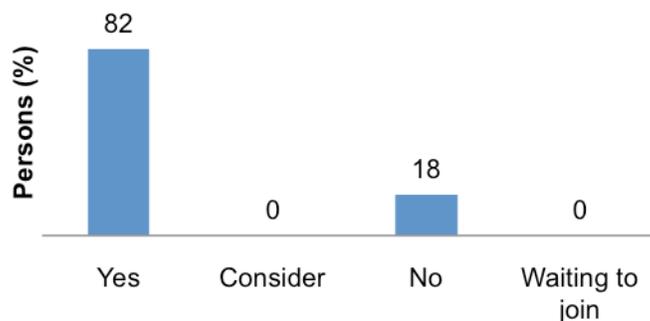


Figure9. Desires of the Non clients

Summarization of the Reasons Why Rural Myanmar Unbanked People Did not Access the Loans

The all the survey data collected from the three kinds of survey populace are summarized to answer the research question why rural Myanmar unbanked people did not access the loans.

In term of biography, rural Myanmar unbanked people do not access PACT MFI are married, lower education level people in the poverty level C and casual employment. Among all employment levels, the casual employment category is the highest at 56%, the second is SME category at 33.33%, the third is unemployment category at 8% and the last is landholder farmer category at 2.67%. In the discrepant factors, rule defaulter is the highest at 36% among eight discrepancies. The second is the obligation for loan defaulters at 22%. The third is the impermanent stay in the village at 14%. The situation of employment levels are discrepant with some of the current operational procedures are found that as the main point and can see in cross tabulation, Table 8

Table8. Summarization of the Reasons Why Rural Myanmar Unbanked people Didn't Access the loans

COP \ Job	Job	Farmer	SME	Causal	Unemployment	Total
Unneeded cash		2.00	4.00			6.00
Small loans		0.67	7.33			8.00
Age				4.67	4.00	8.67
Impermanent stay				14.00		14.00
Health issue					2.00	2.00
Rule defaulters				36.00		36.00
Loan defaulters				1.33		1.33
Obligation for loan defaulters			22.00			22.00
No answer					2.00	2.00
Total		2.67	33.33	56.00	8.00	100.00

Landholder farmers are 2.67% of the total survey respondents and they are discrepant with the loans amount. 2% of the landholder farmers think that they do not need cash assistance and 0.67% thinks that loan amounts are too small to invest in their business.

SME owners are 33.33% and discrepant with the loan amounts and regulations. 4% think that they don't need cash assistance, 7.33% think that it is too small loans to invest in their business and 22% are fear the regulation, the obligation for loan defaulters.

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Causal workers are 56% and do not access PACT MFI by four discrepancies. As 4.67% are over age and they are removed from the group and cannot join in the program. As 14% are migrate workers, they are discrepant the rule, permanent stay at village. 36% are rules defaulters because they have no time to attend the meeting from the job and 1.33% are loan defaulters who have impermanent income and impermanent job.

Unemployment are 8% and do not access PACT MFI by two discrepancies. 4% are over age, 2% are health issue and the other 2% have no answered because they have no income and job.

Therefore, they did not access the loans by these four reasons. Among these four reasons, group recommendation is the highest at 46.7%, group formation is the second highest reason at 22% and the third is resigning at 12.7%. See Figure 10.

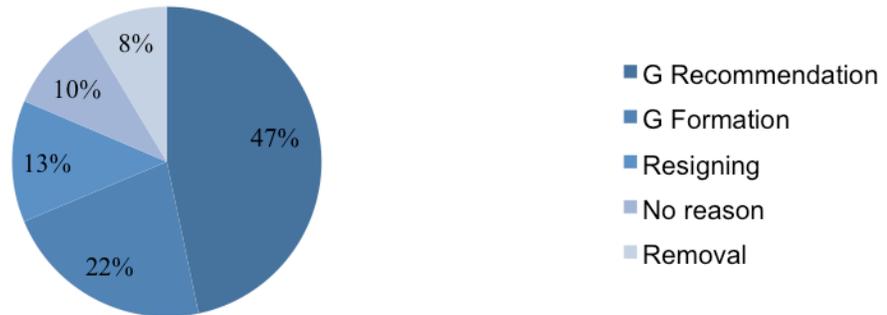


Figure10. Summarization of the Reasons Why Rural Myanmar Unbanked People Did not Access the Loans

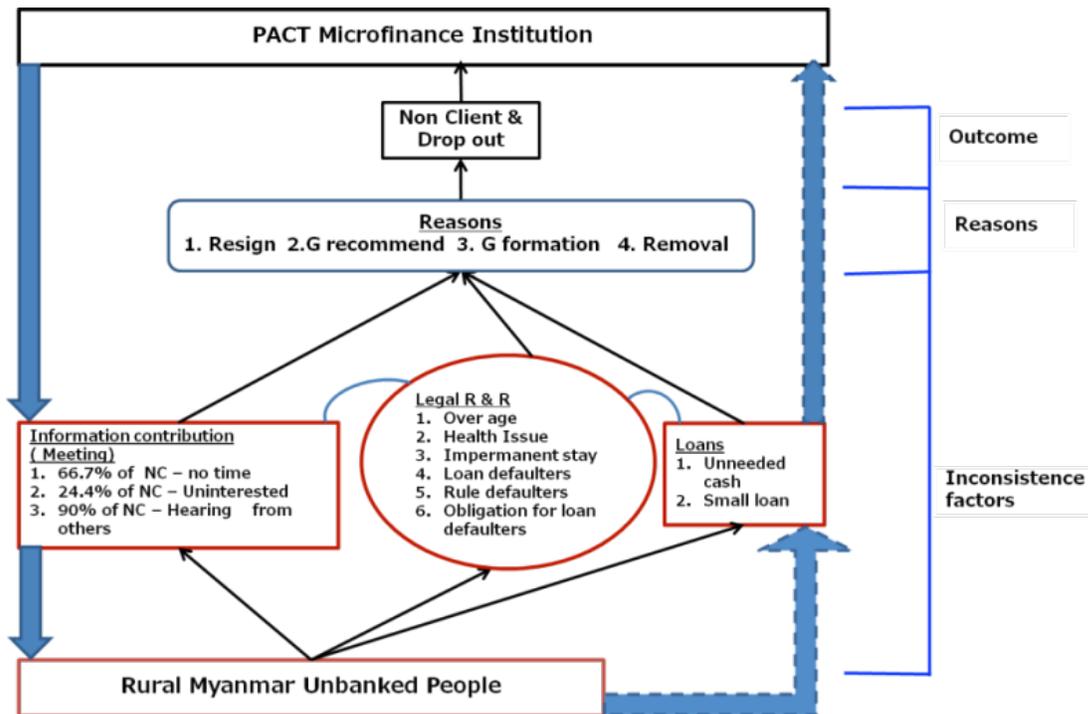


Figure11. Why not rural Myanmar did unbanked people access PACT MFI?

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In summary, the discrepancies originate in the COP because it is the only single restricted relationship between PACT MFI and the rural Myanmar unbanked people. The discrepancies are occurred depending on the employment situation of the rural unbanked people. Therefore they become non clients and drop outs; and can not access PACT MFI by taking the loans because of four reasons. See Figure 11.

What is the idea to solve the problem that rural Myanmar unbanked people do not access PACT Microfinance Institution?

A survey is made with two regional officers for the idea to solve the discrepancies researched in the second research question. This survey contains the questions to collect ideas for information contribution system and legal rules and regulations.

The Nyaung U regional officer wants to contribute information of PACT's MFP to the non clients who need cash assistance known according to PRA profile with the help of the chairman of the MSI. Unless it is enough, loan officers in this village explain about PACT's MFP and discuss with them via door to door visit.

The Magway regional officer wants to contribute information of PACT's MFP to the non clients who need cash assistance in the village known according to PRA profile with the help of the group leaders. Unless it is enough, loan officers of this village explain about PACT's MFP. And then the idea for rules defaulters is that if they cannot attend the group meeting in sometime because they have no time with their employment, to accept their absence by informing with the request letter or by herself to the group leaders. The idea for the group formation is that when one of the group members left the group with any reason, to permit this group with 4 members.

Researchers assume that the regional officers' idea for the Information contribution is good and enough. For unneeded cash, it is unneeded to solve because the objective of the program is for unbanked people. In small Loans discrepancy, the upgraded IC system is supported for some of the SME owners who do not recognize how many kinds of loans PACT disburses and they can obtain SME loans because they do not attend the meeting. Loan adjustment system is supported for SME owners who recognize about PACT MFP well. For some of SME owners cannot wait the time until they are eligible to borrow SME loans, policy adjustment is arranged. For the over age and health issue, it is already stated in the regulations that people can substitute with others family members and it can be solved by upgrading IC. For impermanent stay, when they have business trip, they have to inform the group and substitute with the other family members. If she has no one to substitute on her behalf, she can resign from the group and when return to the village, permit her for apply again. This discrepancy can solve by improving IC because the above idea for this discrepancy is already stated in the regulations. For loans defaulters and no income of unemployment, this problem occurs because they have impermanent employment and impermanent income. Therefore the idea to solve this discrepancy is to support the training that contribute the knowledge about how to set up business, self employment, entrepreneurship and SME; and financial management how to management income to cover expenses. For rules defaulters and obligation for loans defaulters, the idea for these discrepancies is to adjust some of the rules and regulations of the COP in PACT MFP with the situation of the employment of the unbanked people. It is not only convenience for the unbanked people but also loans recovery for PACT MFI. See in Table 9 and Figure 12.

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Table9. Idea exploration to solve the discrepancies in the COP

	COP of PACT MFI	Discrepancies of Unbanked People	Ideas
1	Unneeded cash	6.00	
2	Small loans	8.00	IC, Policy adjustment, Loan adjustment
3	Age	8.67	IC
4	Impermanent stay	14.00	IC
5	Health issue	2.00	IC
6	Rule defaulters	36.00	Policy adjustment
7	Loan defaulters	1.33	The knowledge contribution training
8	Obligation for loan defaulters	22.00	Policy adjustment
9	No answer	2.00	IC
Total		100	

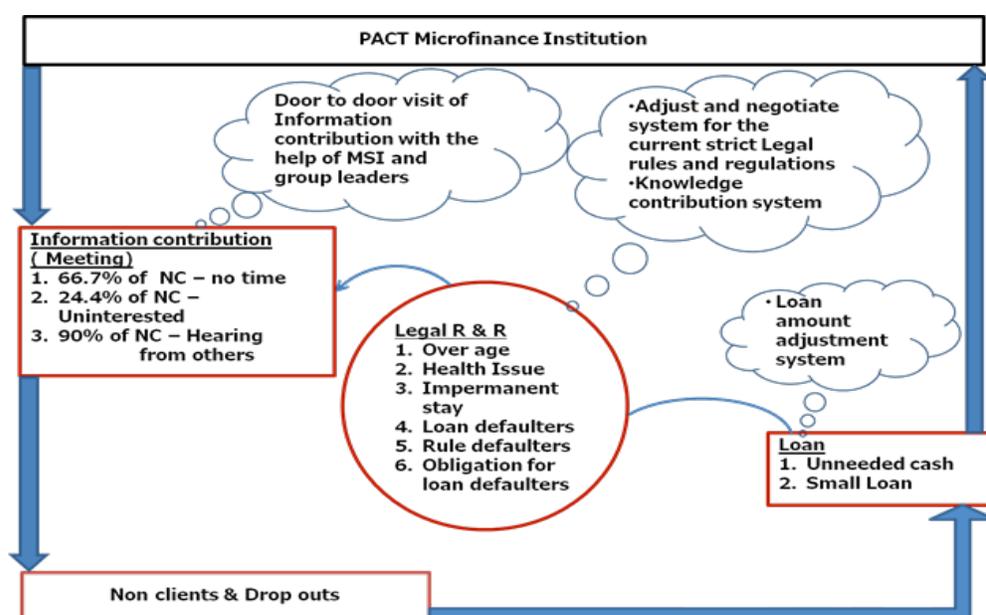


Figure12. Idea exploration to solve the discrepancies in the COP

HOW TO CONSTRUCT A SYSTEM THAT CAN RESOLVE THE DISCREPANCIES BETWEEN THE RURAL MYANMAR UNBANKED PEOPLE AND THE COP AND CAN ACCESS TO RURAL MYANMAR UNBANKED PEOPLE TO PACT MFI?

In this paper, knowledge is facts, information, descriptions or skill acquired through experience or education (Wikipedia, 2013). The knowledge about the COP of PACT MFI, the eight discrepancies of the rural Myanmar unbanked people among the COP and the ideas to solve these discrepancies are researched in the above three research questions. These knowledge are summarized for drawing a system that can solve the discrepancies between rural Myanmar unbanked people and the COP of PACT MFI and they can become client of PACT and enjoy PACT's service as the answer of forth research question.

Current information contribution system in the COP is needed to upgrade with the idea of regional officers. Current loan amounts, legal rules and regulations in the CPO are needed to adjust to cope with the situation of the employment of the rural Myanmar unbanked people. Knowledge contribution training to distribute the knowledge about how to set up entrepreneurship, self employment and

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financial management how to manage income to cover expenses for rural Myanmar unbanked people is needed to offered according to the knowledge researched in the previous three research questions. Therefore non client can access to PACT MFI and also save the becoming drop out.

Table10. Summarization the Knowledge for Drawing a System

	COP	Discrepancies	Idea	Draw a New System	
1	Unneeded cash	6.00		New IC system A system that search discrepancies and adjust the current loans amount, legal rules and regulations to cope with the situation of the rural Myanmar unbanked people System for Knowledge contribution	Client Recruitment System of PACT MFI
2	Small loans	8.00	IC		
3	Age	8.67	IC		
4	Impermanent stay	14.00	IC		
5	Health issue	2.00	IC		
6	Rule defaulters	36.00	Policy adjustment		
7	Loan defaulters	1.33	knowledge contribution training		
8	Obligation for loan defaulters	22.00	Policy adjustment		
9	No answer	2.00	IC		

According to the PRA profile, PACT MFI has already known the villagers who need the loan in the project village. If rural Myanmar unbanked people do not access to PACT MFI, the reason why they do not access to PACT is needed to find. For this point of view, inquisition system is considered to explore the reasons of non client rural Myanmar unbanked people and a survey is used for explore their reasons.

After knowing non client's feedback and reasons, it is needed to solve. For an example, the employment situation of non clients and drop outs are discrepant with the some of the COP in this research. Therefore adjustment system is considered to negotiate the discrepancies in the COP.

After changing COP to cope with the feedbacks of respondents, non clients and drop outs are easy to access to PACT MFI and they will become clients of PACT. According to the research second question, some of the clients became drop out with some discrepancies and reasons. To save becoming drop out, system for knowledge contribution is considered and it includes training for setting up entrepreneurship, self employment and financial management.

To monitor whether PACT's clients are really increased or not, impact assessment system is considered.

The aim of these four systems is non clients and drop outs can access to PACT MFI. Therefore these four systems are considered as sub systems and combined in a system and it is called as client recruitment system. See Figure 13.

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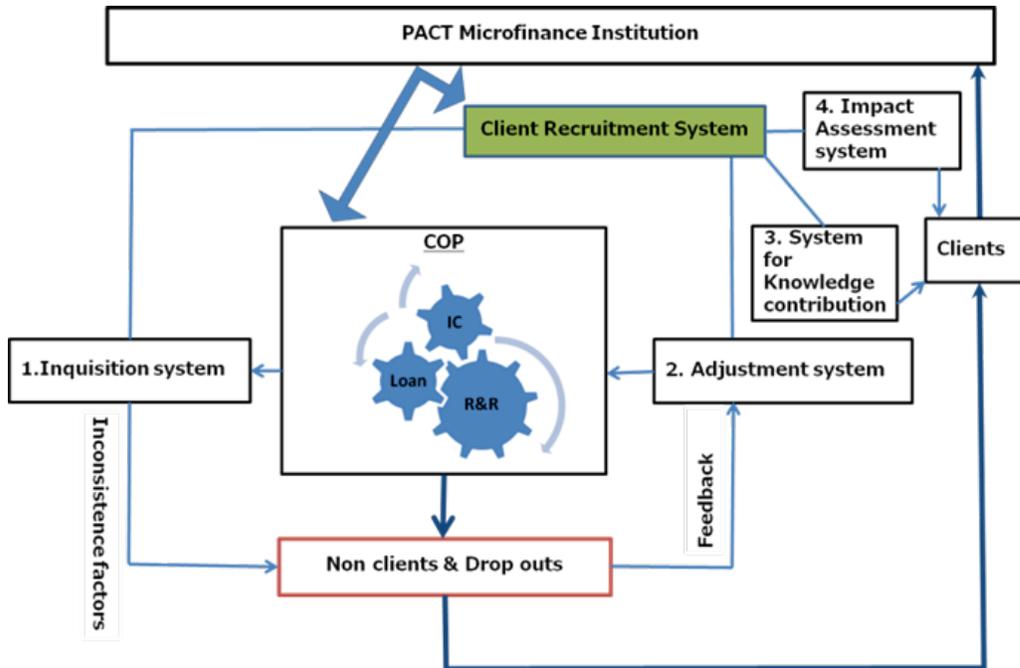


Figure13. Client Recruitment System for Rural Myanmar Unbanked people Can Access PACT MFI

CONCLUSION

50% of Myanmar rural unbanked people in PACT's project area could not access the loans because PACT lends the loans without collateral not only using group based lending method as social collateral but also laying down strict legal rules and regulations to control delinquency rate. When these legal rules and regulations are discrepant with the situation of rural unbanked people's employment, they can't access the loans. When the discrepancies are researched by using questionnaires with the three kinds of people such as non clients, drop outs and officers in the survey area, eight discrepancies and weakness in the information contribution in the current operational procedures are found and non clients and drop outs are created because of four kinds of reason. The idea to solve this discrepancies are researched by using questionnaires with the regional officers in the survey area and ideas obtaining from literature review and is used for drawing a system included four sub systems such as inquisition system, adjustment system, knowledge contribution system and impact assessment system. The inquisition system examines the rural unbanked people's discrepancies in the COP. Adjustment system negotiates the feedback of the rural unbanked people with the COP not only convenience for them but also control loans delinquency rate of PACT MFI. Knowledge contribution system provides the economics and valuable knowledge for them to do business, increase their income and to prevent becoming drop outs. Impact assessment system monitors and checks that whether rural unbanked people join in PACT and increase the client numbers of PACT. The client recruitment system is given as the name for this system, because the aim of this system is non clients and drop outs can join in PACT MFI. By way of this system rural Myanmar unbanked people not only can enjoy the loans with very low interest rate but also can improve their knowledge by the service training of PACT MFI, they can achieve developed life. This fact can support the country development and the objective of the poverty alleviation action plan of the national level work shop on rural development and poverty alleviation held in May 2011.

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