



CASH IN CONTEXT :

UNCOVERING FINANCIAL SERVICES IN MYANMAR





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FOREWORD



After half a century of military rule, Myanmar's reform process shows strong signs of heartening progress as well as significant challenges still yet to be overcome. As the country opens its doors to the outside world, the government, along with domestic and international actors, is collaborating on unprecedented political, economic and social reforms.

As a research institute supporting Myanmar's reform process, the Myanmar Development Resource Institute's Centre for Economic and Social Development (MDRI-CESD) believes that understanding the financial needs of Myanmar citizens is crucial to ensuring evidence-based policy recommendations and reforms that will be effective in supporting economic development and financial inclusion.

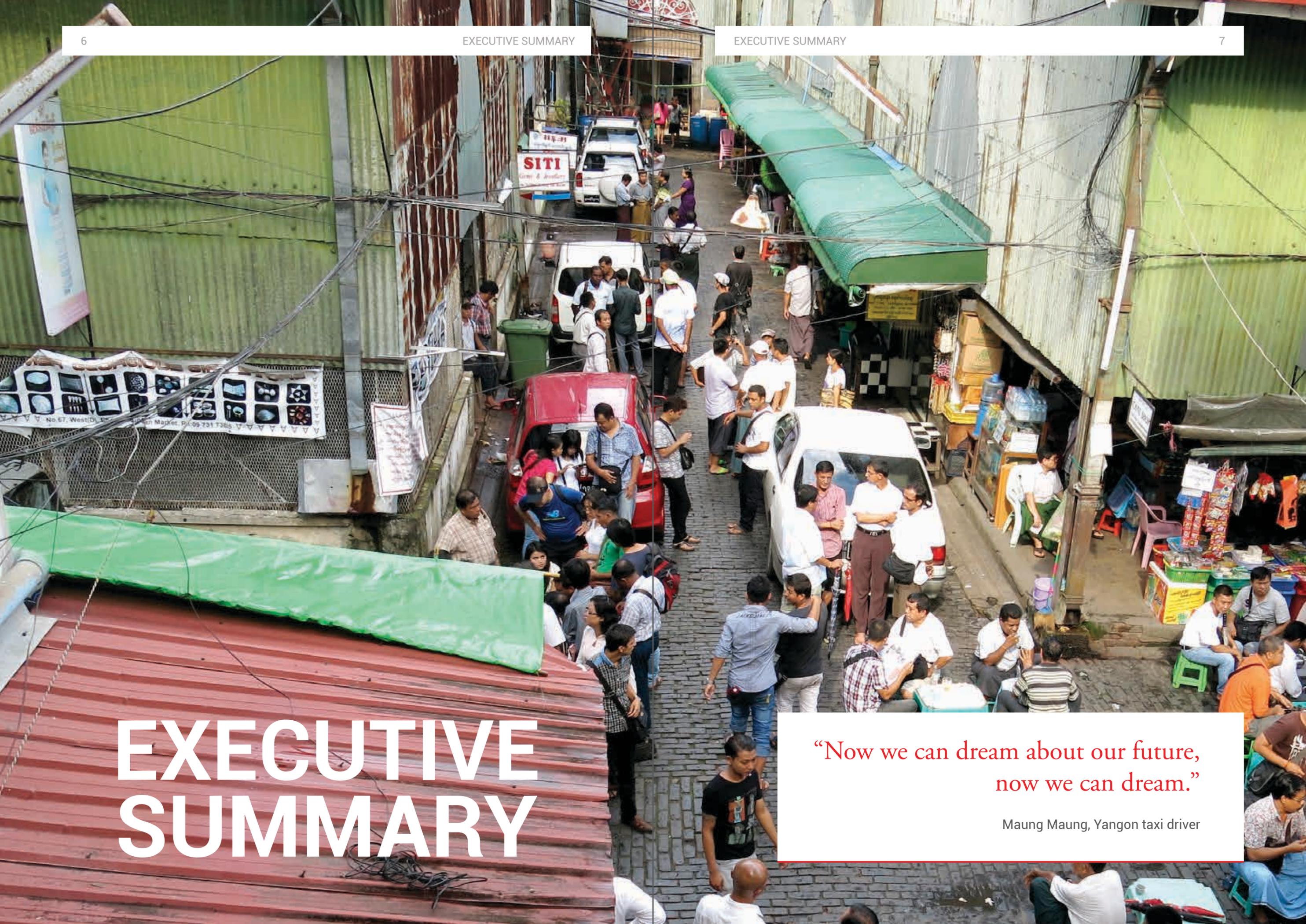
This research theme runs central to many of MDRI-CESD's other initiatives, namely studies and policy guidance on Myanmar's agriculture sector, rural development, farmers' access to credit, small and medium enterprises, micro-finance and broader economic reform issues.

The following report created by MasterCard with the support of MDRI-CESD, explores the financial needs of Myanmar's rural and urban communities. Most uniquely, it explores these issues through people's own perspectives and words. This qualitative study profiles financial consumers, many of whom are typically excluded from the formal financial sector. It explores their interactions with the financial sector and the issues they encounter within these processes. The findings of this inquiry provide key insights into service provision gaps, priorities for financial inclusion and strategic growth opportunities for Myanmar's financial services sector. The report's insights have helped to build a greater knowledge base that can better inform financial policy design and implementation.

MasterCard, as one of the world's foremost financial service providers and technology innovators, can be a valuable partner for Myanmar's reform to develop insightful and world-class financial solutions necessary for people-centered development.

Zaw Oo
Executive Director
MDRI-CESD





EXECUTIVE SUMMARY

*“Now we can dream about our future,
now we can dream.”*

Maung Maung, Yangon taxi driver



Myanmar is currently undergoing a period of historically unprecedented reform. After years of military rule, a new government has ushered in political, social, and economic changes that have begun to lay a foundation for greater countrywide prosperity in the coming years.

Key to the government's reform is the role of economic development. Laws and policies aimed at strengthening the country's economy and financial sector have increased investors' confidence and led to high levels of FDI flowing into the country. Significant opportunities for investors abound, including :

- Geographic and natural resource endowments
- Expected financial services industry growth
- Improved regulatory environment

- Strong labor force potential

In contrast, some roadblocks remain :

- The presence of military involvement in most government functions
- Political uncertainty dependent on 2015 elections
- Major infrastructure gaps that limit mobile technology and Internet penetration
- Limited capacity of labor force
- Lack of quantitative data to inform decision making

Amidst the change, new services are also taking root, from private insurance to online and digital payment services :

- The insurance sector, previously dominated by state-owned, Myanmar Insurance, is now opening its doors to private companies.



- Online services for buying goods and booking reservations have launched, hoping to take advantage of the growing access to Internet.
- Payment operators are trying to tackle the excessive dependency on cash with payment cards to cover cash transactions such as bus fares.

This report, supported by MasterCard and the Myanmar Development Resource Institute's Center for Economic and Social Development (MDRI-CESD), takes a broad qualitative approach to understanding Myanmar's financial services market, and the use of financial services in different population segments. Building from academic research and a series of 72 informational and field interviews, the report aims to paint a picture of Myanmar's unique relationship to financial services.

Respondents have been categorized based on their level of integration in the financial services sector into three groupings :

- Financially integrated
 - Semi-integrated
 - Un-integrated
- These groupings have been used to analyze respondents' usage and

perceptions of financial services, in turn generating the following key insights.

1. Distrust in the banking system and lack of formal financial services development has driven a heavy reliance on cash

- Cash is considered more secure since it is in-hand and anonymous, as opposed to in bank accounts where inflation, demonetizations, and corrupt staff have historically taken a toll.
- Cash is preferred because of high time costs and inconvenience of visiting bank locations.
- Cash is highly liquid, easily accessible for immediate use or investment in tangible goods.
- Cash is cheaper to transact in as one avoids paying withdrawal fees, remittance fees or transportation to the bank branch.

2. The informal economic plays a significant role in financial services provision

- A vast informal sector and a historical gap in formal banking service provision contribute to the growth of informal financial services
- Because of mistrust of banks and complex lending requirements,

savings and borrowing sits in the informal sector for all levels of financial integration

- For remittance payments, the semi integrated and un-integrated population use both the bank and the Hundi system to transfer money.
- While cash remains king and banks are often mistrusted, formal services, like bank transfers, are used without a bank account to transfer cash.

3. People predominantly save by investing in tangible goods

- Savings are used to invest in gems, gold and property to retain value. Gems and gold are stored at home.
- Many businesses reinvest all profits back into their business in lieu of depositing money at a bank account.
- Bank accounts can be used as a form of an electronic wallet, temporarily storing money until invested elsewhere.

4. Formal borrowing is risky, time intensive, and complex

- Obtaining formal loans is complex and time consuming even for financially integrated users.
- Banks have stringent collateral requirements and time-consuming loan application processes. As such, borrowing from friends and family is the first choice for someone in need of extra cash.
- Pawnshops, where customers exchange gold for cash, are used

when friends/family are unable to provide loans.

5. Religion significantly impacts the attitude towards financial services

- Because of the significant role religion plays in Myanmar, making donations is a key and frequent practice.
- Religious leaders are trusted figures and are relied on for guidance in financial and business transactions.
- Religion can shape which businesses or financial services a person will use, particularly in the current environment of religious tension.
- Belief in fate and superstition can impact a person's attitude about financial services, as well as how and when business activities are conducted.

6. Trust plays a key role in increasing adoption of financial services and supporting the formal sector

- Mistrust of the formal financial sector is a key factor contributing to low bank penetration levels.
- Government action in guaranteeing private banks' deposits leads to building trust. In contrast, global financial service brands are seen as reliable and trustworthy.
- Location and ease of access increases trust in banks.
- Trust in the recommendations of family, friends and community leaders drive financial service adoption.



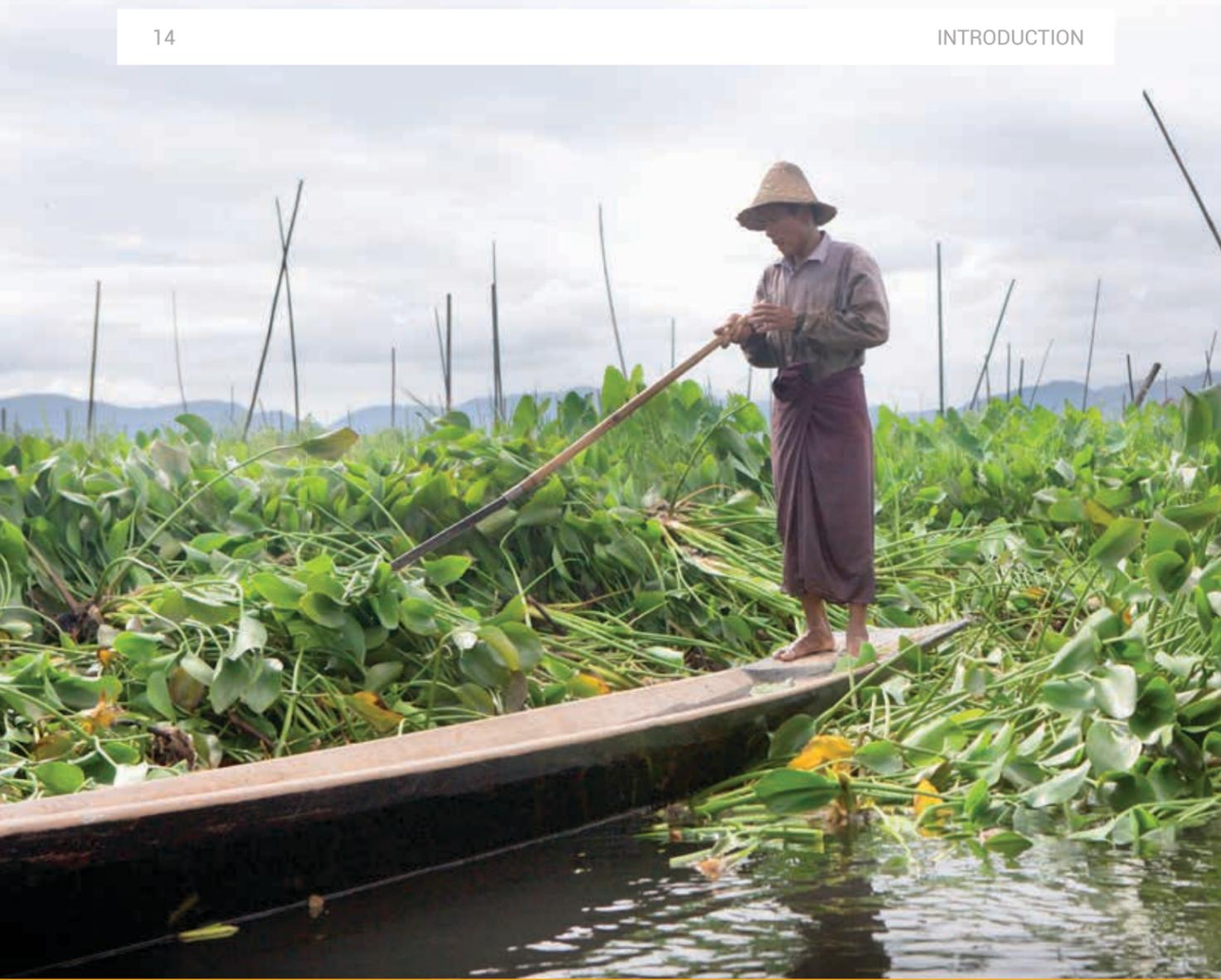
MasterCard faces a significant opportunity to demonstrate its understanding of the Myanmar market by leveraging these insights to develop products and services tailored to Myanmar's unique context. By partnering with Myanmar's government and businesses, MasterCard can assist in rebuilding the financial sector and bringing greater financial access to the population.

INTRODUCTION

“We need to take time, we cannot run so fast because we are not recovered yet. If you are sick and getting just recovered you are not ready to run. If you try to run you will probably get injured again.”

Win Thida Lin, Civil Society Leader, Yangon





After 50 years of oppressive military rule, Myanmar is in the midst of a historically unprecedented reform. In March 2011, the then ruling government (State Peace and Development Council (SPDC)) transferred power to a Union government headed by President Thein Sein. Thein Sein has since led the charge to open Myanmar's doors to the international community by beginning an economic and political reform process to increase transparency, promote democracy, and encourage foreign investment. Key policy changes in the trade, banking,

and financial sectors have begun to transform the country's mismanaged economic and financial system. The result has been greater confidence in Myanmar's economic future, with nearly thirty times the growth of Foreign Direct Investment (FDI) into the country in the past six months than the entire year prior. Such growth has been spurred by the significant opportunities Myanmar presents to investors in the areas of natural resource endowments, expected financial services industry growth, improved regulatory environment and the strong labor force potential.

OPPORTUNITIES

GEOGRAPHIC AND RESOURCE ENDOWMENTS ALONGSIDE UNTAPPED MARKETS



- Myanmar is the largest mainland Southeast Asian country, with a population between **55–60 million people.**

- Key trading hub for Asia, bordering India, China, Bangladesh, Lao and Thailand
- Considerable fertile land and coveted natural resources, including gems, oil and natural gas, timber and various metals.
- Resource endowments position Myanmar to be an export driven economy, fulfilling large demand for its products in neighboring countries

EXPECTED FINANCIAL SERVICES INDUSTRY GROWTH

- Financial sector is a relatively undeveloped market with significant opportunity for investment.

FORMAL BANKING

penetration falls
at around
10%

in urban settings

and considerably less in rural areas

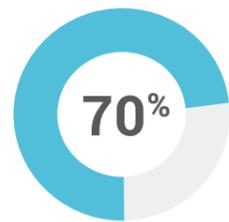
- Financial services add \$200 million to GDP and employ only 7,000 people, currently, however this contribution is expected to substantially increase with new financial regulations aimed at promoting foreign investment.
- Current regulation prohibits foreign banks from operating independently, however upcoming Financial Institutions of Myanmar Law is expected to reverse this.

■ IMPROVED REGULATORY ENVIRONMENT

- Thein Sein has launched a series of reforms to improve the business environment to encourage the entry of foreign financial and human capital.
- Recently implemented reforms include :
 - Moving to a floating exchange rate to reduce high volatility in the Myanmar currency, Kyat
 - Raising the deposit to capital ratio from 10 to 25 times
 - Establishing an independent Central Bank with the authority to manage inflation, issue new currency, establish a credit bureau and manage foreign exchange reserves.
- A number of reforms are underway to improve competitiveness.
 - A foreign investment law will provide favorable terms for international countries to conduct business in Myanmar.
 - An inter-bank exchange trading market will be established by the Central Bank and will ultimately enable a free-floating Myanmar kyat.
 - An official stock exchange is expected to be launched in December 2013 providing increased transparency and capital to Myanmar's businesses.
- Telecommunications technology and infrastructure is expected to rapidly improve with the awarding of telecommunications licenses to Telenor ASA and Qatar Telecom's Ooredoo.

■ STRONG LABOR FORCE POTENTIAL

Eventual reallocation of the labor force, away from the agriculture sector towards the services sector



of the labor force is employed in agriculture

THE WORKING AGE POPULATION,

at over

75% shows great potential to fill the expected surge in demand for skills.

- Youth are the most likely segment to embrace change, adopt new technologies and eagerly develop the skills needed to bring about innovation in the country.
- The anticipated return home of a portion of the three to five million migrant laborers based abroad will fill the gap in need for skills and will bring skills acquired abroad to Myanmar.
- Myanmar's expected entry into the ASEAN Economic Community in 2015 will connect the country to additional sources of labor, trade opportunities and infrastructure development.

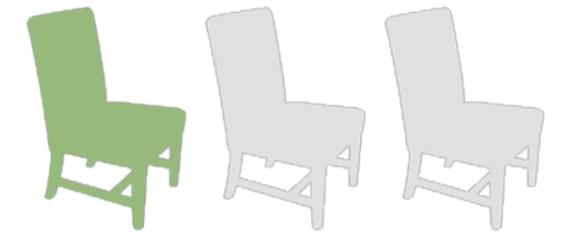
■ CHALLENGES

■ CONTINUED MILITARY PRESENCE

- Military presence can still be seen in State Owned Enterprises (SOEs) that dominate key industries, such as the Myanmar Oil and Gas Enterprise (MOGE), Myanmar Post and Telecommunications (MPT), and Myanmar Electric Power Enterprise (MEPE).



of the national budget is allocated towards the military



One third of the parliamentary seats reserved for the military

- Majority of seats are held by the USDP, the pro-regime party.
- The 2015 election will be key indicator of military's role in the future of the government.

■ FUTURE POLITICAL UNCERTAINTY

- Myanmar experts look to the 2015 elections as a true test of a shift to democracy.
- In 2015, the first nationwide election since 2010 will be held, and will demonstrate the military's willingness to relinquish control over the government and the state.
- A free democratic election in 2015 would see a greater strengthening of opposition parties, and a likely increase in seats held by the National League for Democracy, headed by Aung San Suu Kyi.



The NLD won **43** of **44** seats it contested in a bi-election in 2012.

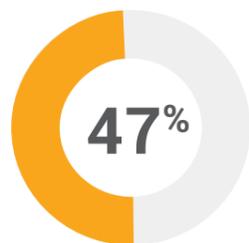
- Concerns remain about the opposition's leadership capacity given significant time spent in prison, poor leadership skills and lack of knowledge about modern governance needs.



WEAK INFRASTRUCTURE POSES A CHALLENGE TO CONDUCTING BUSINESS

- The lack of investment in electricity severely undermines businesses, financial services, and communications
- 75 - 87% of people are without electricity in Myanmar. If electricity output doubled every five years, it would take five years to reach today's existing demand.¹

• OF 150 FIRMS IN MYANMAR,



listed electricity as a severe obstacle to doing business.

LOST OVER 13 DAYS A YEAR DUE TO ELECTRICITY ISSUES.

- Alternative sources of energy, such as solar energy, offer potential solutions for communities and business energy needs.

¹ According to a report conducted by Harvard and Proximity Design, entitled "Electricity in Myanmar : The Missing Prerequisite for Development"

LIMITED CAPACITY OF WORKING POPULATION

- Weak educational infrastructure has led to limited capacity in the working population and low levels of labor productivity.

Myanmar worker adds an average of

\$1,500

of economic value per year, whereas workers throughout Asia add

70% more.²

- Existing labor force is facing major financial literacy gaps, as it has operated without formal financial services for many years.
- Influx of foreign companies and development organizations is stripping the government and Myanmar institutions of skilled employees, lowering capacity of Myanmar government to meet reform needs.

QUANTITATIVE DATA TO DRIVE DECISIONS IS STILL ABSENT

- Significant gap in the availability of quantitative data, from demographic numbers to economic performance measures.
- Most numbers are estimates and provided in ranges, such as population totals or number of migrant workers abroad or are unavailable, such as government or household consumption expenditure numbers.

² According to the 2013 McKinsey report on Myanmar

Myanmar's Historical Context

Under British colonization in the late 19th century and early 20th century, Myanmar, then Burma, thrived economically, becoming the dominant rice producing country in Asia and a key trading hub with port activity greater than that of New York City. However, when the 1930's stock market crash hit and the world entered into the Great Depression, the ensuing fall in rice prices dramatically hurt Myanmar's farmers and caused a collapse in the country's economic and trade sectors. The impact left Myanmar citizens wary of external influences on the country's economy, leading to the creation of the nationalist movement, seen in Myanmar throughout its history.

Widespread political turmoil created by these nationalistic policies and the prospect of ethnic minority autonomy led to the justification for the military's coup in 1962, headed by General Ne Win. Under the General, all industries, banks and schools were nationalized, as well as price controls established. As a result, a massive black market embodying up to 80% of the economy developed, trade fell by more than 50% and national debt grew to over \$4 billion USD. Three demonetizations of specific notes in 1964, 1985 and 1987, the third of which provided no compensation, greatly undermined the population's trust in the formal financial sector

and played an important role in the democratic protests the following year. The 1988 democracy protests ended the socialist era, as General Ne Win was ultimately forced to step down after using violent force to suppress the protests. Such acts eventually led the US to implement the first wave of sanctions against Myanmar.³ During this time period, fiscal irresponsibility led to an increase in money supply by 70 times, and a 300% devaluation of the currency. These conditions set the backdrop for the banking crisis in 2003 when many private non-banking finance companies collapsed causing a run on the banks. The Central Bank responded by freezing bank withdrawals and demanding immediate payment to banks on borrowers' outstanding loans. The result was a halt in financial markets, including a ban on local credit cards and ATMs, which ultimately increased dependence on physical cash rather than in bank accounts.

In contrast to the early 2000s, the breadth and steadiness of reforms thus far have exceeded expectations and are the source of much hope that after 50 years of rough economic waters, Myanmar's economy may be stabilizing and GDP rising. All eyes are set on the country as the government works towards building a solid political and economic framework.

³ Further sanctions were imposed in 1997, 2003 and 2008 as a response to a violent attack against the NLD and the Saffron Revolution (protests led by Buddhist monks against the removal of fuel subsidies)

INTRODUCTION



METHODOLOGY

This report has been created for MasterCard with the support of the Myanmar Development Resource Institute's Center for Economic and Social Development (MDRI-CESD) to better understand what individual habits and needs are in relationship to formal and informal financial services. The goal of the research is to provide insights about Myanmar's unique context that can inform potential areas of market entry for MasterCard in providing beneficial services to both rural and urban communities. To that end, the following report has identified three representative segments within these communities that can be broken down by their relationship to formal financial services : **fully integrated, semi-integrated, and un-integrated** in the formal financial services sector. The analysis of financial practices will be

conducted within this context. A multiple snowball sample research method was used, whereby networks, such as MDRI, the team's research assistant, and chance encounters were leveraged to connect with interviewees. These interviews were conducted across a range of such clusters, in different geographic locations, aiming to create a certain level of randomization to limit the level of bias in the results.

The field interviews were primarily targeted at Small and Medium sized Enterprises (SMEs), as there is a notable gap in the understanding of the sector's financial needs. Moreover, because of their recognized importance to economic growth, the Myanmar government is currently drafting a reformed SME bill aimed at improving the business environment.

UNDERSTANDING THE FIELD PARTICIPANTS INTERVIEWED

A total of 72 interviews were conducted, of which 41 were field interviews and 31 informational interviews. Field interviews were performed across a range of demographic segments, industry sectors, and financial activity levels.^{4,5}



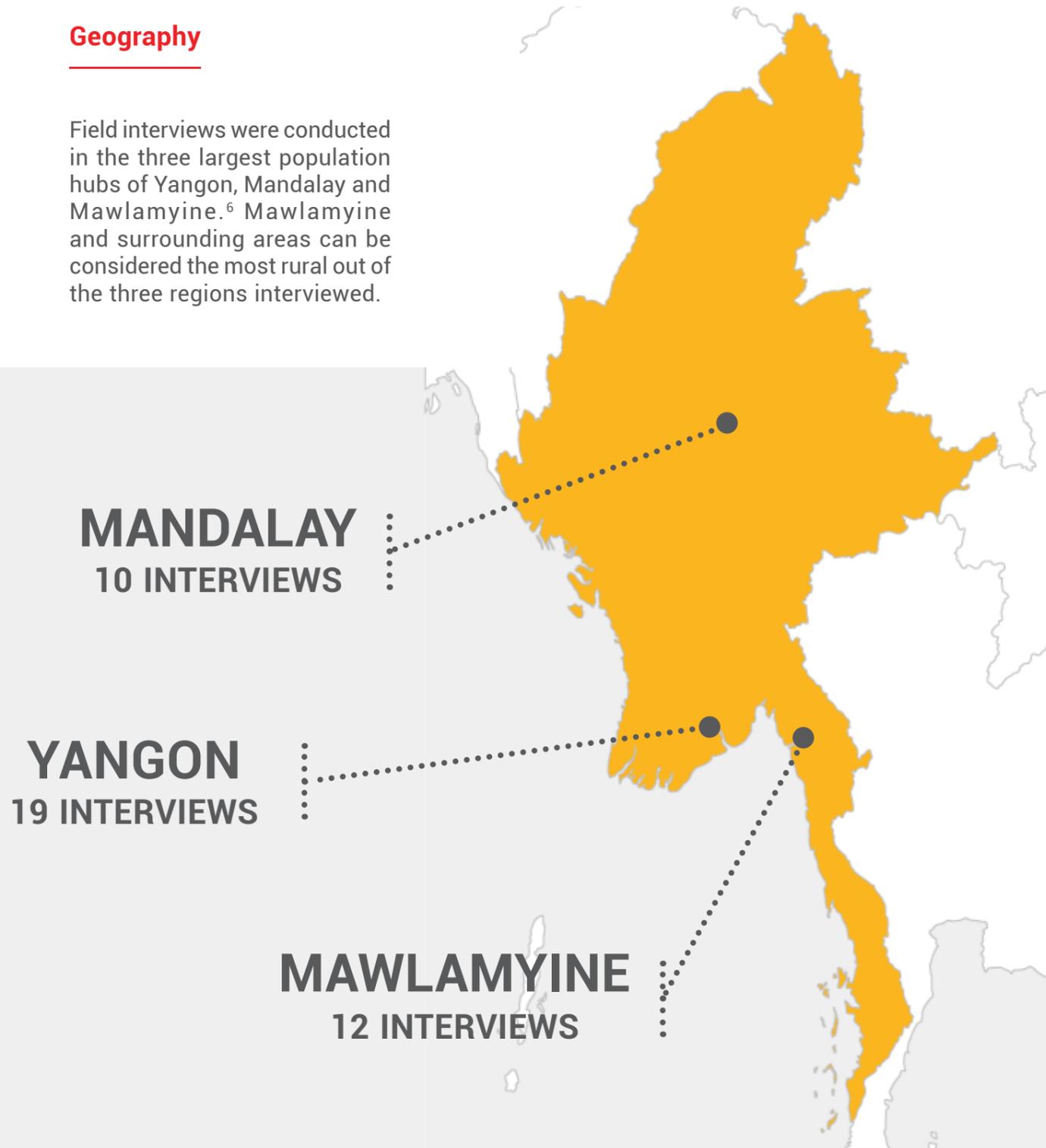
⁴ Due to the small sample size and self-selection bias, the usage statistics gathered does not necessarily allow for a greater extrapolation of these statistics to society as a whole. However, these statistics can be used to understand directional trends in Myanmar today. Moreover, the answers provided by interviewees are limited to the extent of truthfulness of the respondents and the comprehension of the questions posed.

⁵ Field interviews are defined as interviews in which questions related to financial savings, lending, remittance, and insurance habits and perceptions were asked. Informational interviews are defined as discussions with experts in the field or companies involved in innovative financial payment initiatives in Myanmar. Within the field interviews, 4 were focus group sessions of approx. 10 participants each.

DEMOGRAPHIC STATISTICS

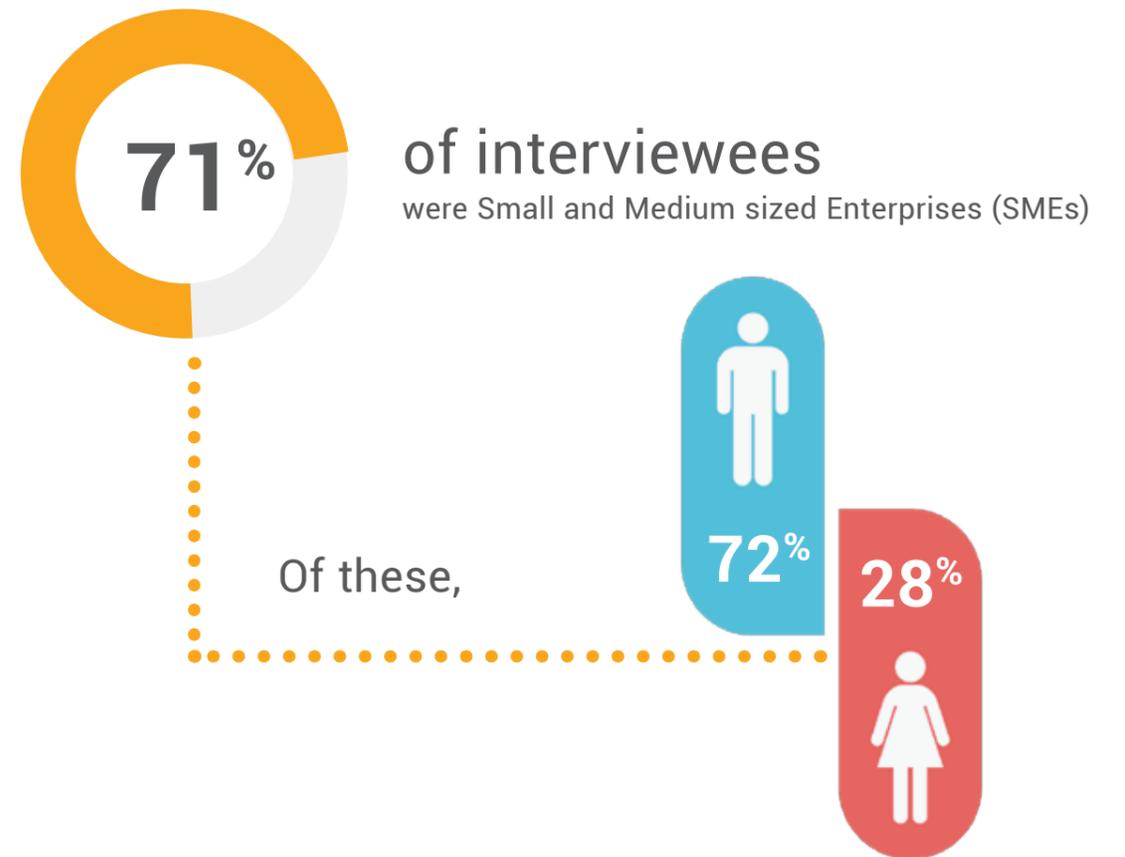
Geography

Field interviews were conducted in the three largest population hubs of Yangon, Mandalay and Mawlamyine.⁶ Mawlamyine and surrounding areas can be considered the most rural out of the three regions interviewed.



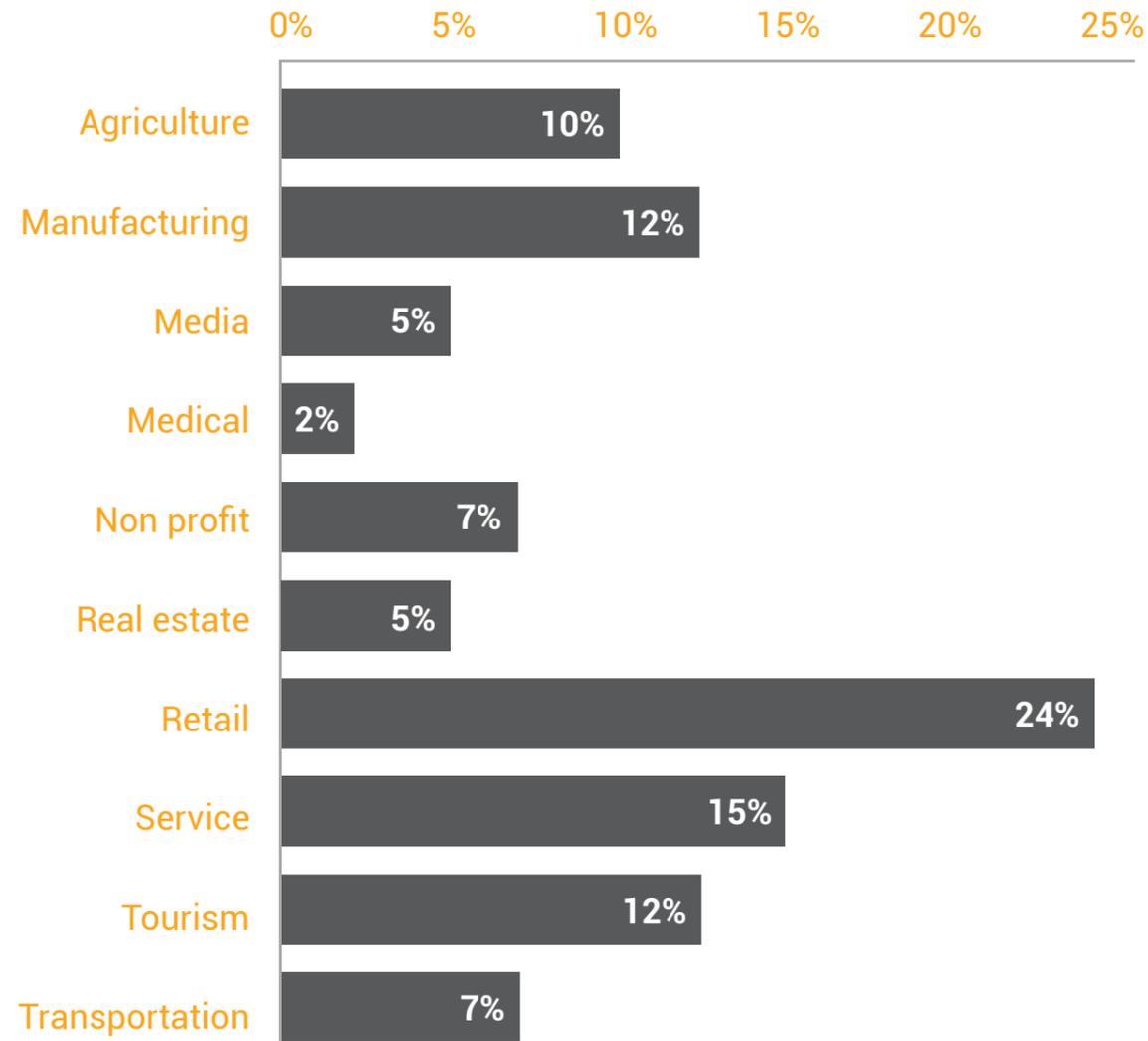
⁶ Focus group sessions have been counted as one interview, where the average of the responses was used as the collective response.

Small and Medium Sized Enterprise Representation



Industry Breakout

To develop a comprehensive view on insights, interviews were conducted across 10 different industries. Women operated 40% of retail businesses interviewed, 33% of services sector, 20% of manufacturing, and 100% of the medical sector



Age

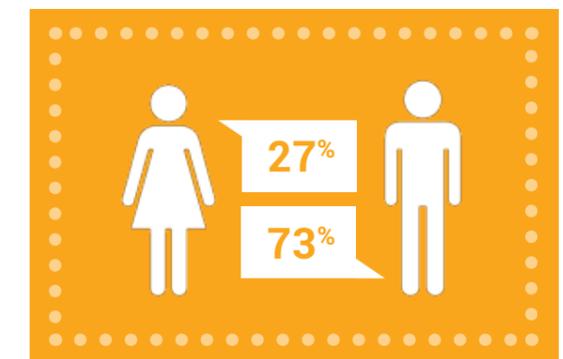
Interviewees predominantly fell into the 30–40 age range



Gender

While women are seen to have significant amounts of power in Myanmar, managing most family matters and charged with selling goods at markets, the team's core sample resulted in 27% of our interviewees being female. This inequality can mostly be explained by the unequal representation of women as business owners in Myanmar. In a private enterprise survey of 153 firms in Myanmar, women were found to occupy top management positions in only 27% of the companies. Women appeared to

be more reluctant to speak of financial affairs, as 4 females declined interviews, while only 1 male declined.

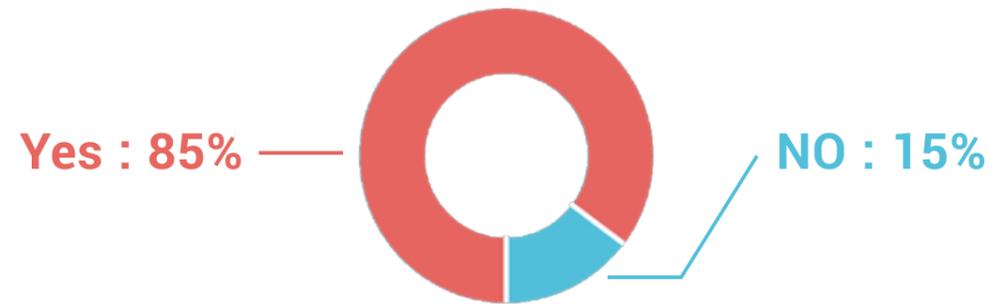


FINANCIAL INCLUSION STATISTICS

Cell phone use

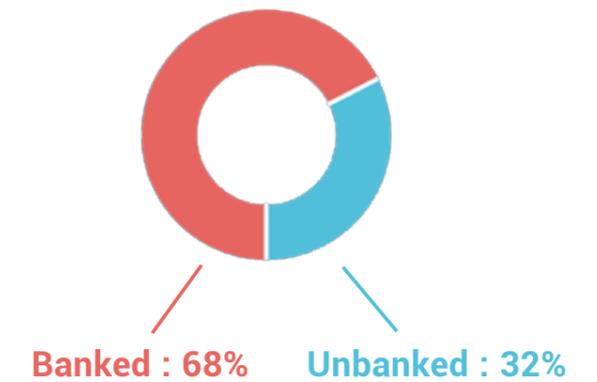
Cell phone ownership is widespread amongst the population of respondents interviewed in Myanmar, with 85% of interviewees owning one or more cell phones. Those without cell phones predominantly resided in Myanmar's

third largest city Mawlamyine. This may be indicative of the recently growing mobile phone access in Myanmar, as it is contrary to the commonly cited low cellphone penetration rate of 3-5%.



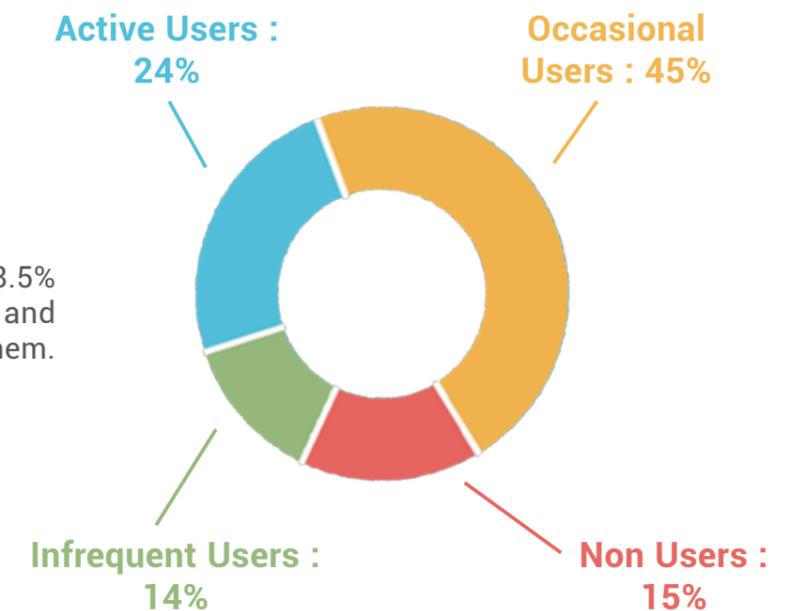
Bank Account Ownership

Although financial inclusion is only estimated at under 10% of the population, 68% of interviewees were found to own a bank account. This number is assumed to be higher than the national average due to the study's focus on population centers.



Among those that own a bank account, there is a wide range of user types. An Active User interacts with the bank at least three times a month. An Occasional User only uses bank services about once a month and an Infrequent User approaches the bank every few months. Non-users have opened a bank account, but never used it.

Within the active users category, 28.5% of people still do not trust banks and do not opt to save their money in them.



Transferring Habits

Some interviewees that do not own a bank account interact with a bank to transfer money.

17% use the bank occasionally to transfer money

8% of interviewees use the bank infrequently to transfer money

Savings Habits

Of the interviewees who own a bank account, slightly more than half, (57%) keep their savings in the bank. 71% save informally through investing in a tangible good or a savings group. Many (69%) save both in the bank and through informal investment. 11% of

respondents stated they were unable to save at all.

Those that do not own a bank account predominantly save informally (83%), while 15% are unable to save extra money.

OF THE 31 RESPONDENTS THAT SAVE INFORMALLY,

52% invest in gold

29% in savings groups

22.5% in gems

13% in foreign currency

13% in land

Borrowing Habits

Only **12%** are able to obtain a loan from the bank.

59% are able to borrow informally from family and friends, pawn shops, and moneylenders.

32% people do not borrow at all.

OF THOSE WHO BORROW INFORMALLY (24 PEOPLE) :

71% (borrow from family and friends,

25% borrow from savings groups,

21% borrow from money lenders.

Insurance

Out of all respondents,

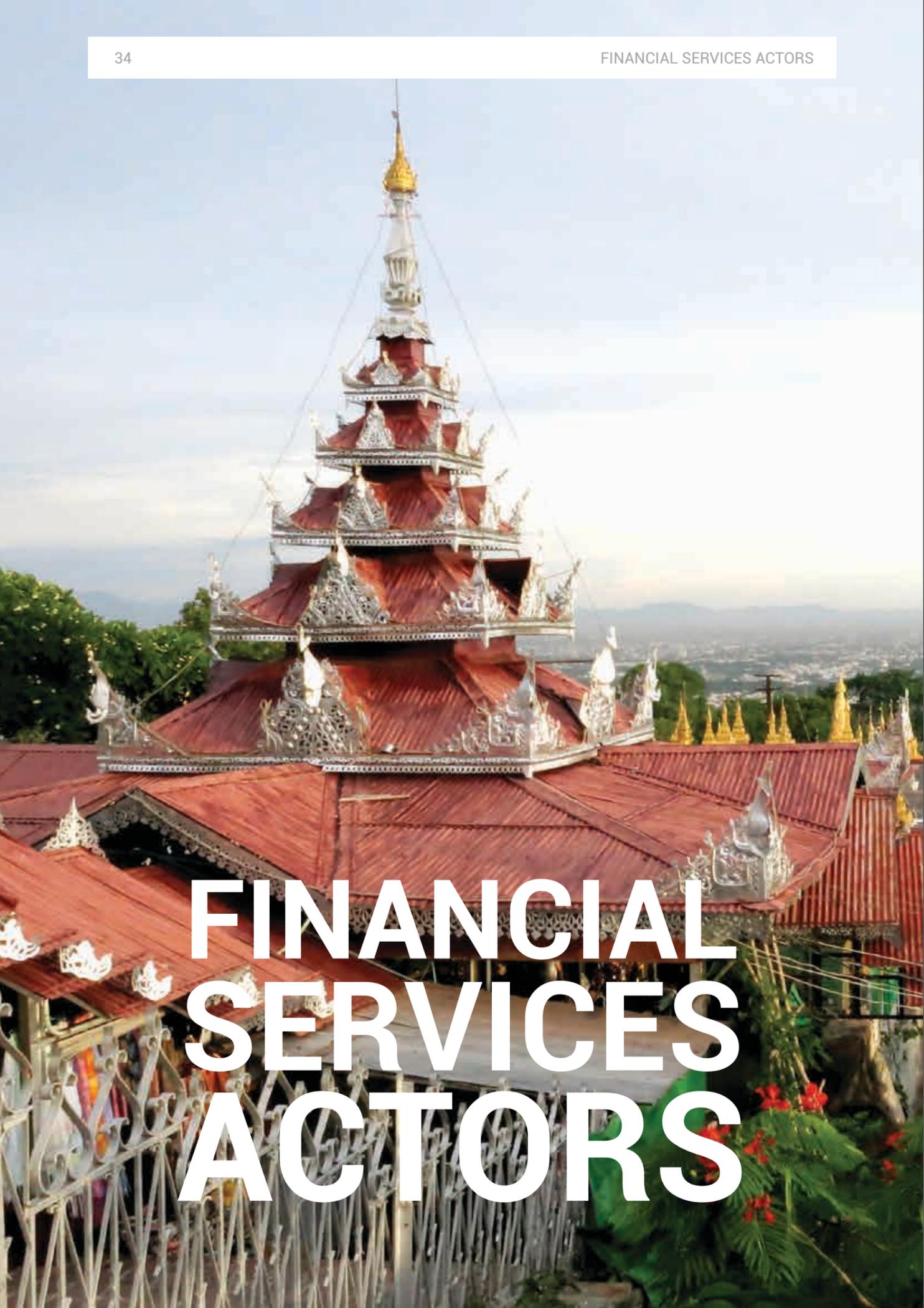
14.6%

have some type of formal insurance

comprised predominantly

66.6%

of business insurance.



FINANCIAL SERVICES ACTORS

“Public dissatisfaction with economic hardships has been seen as the chief cause of the movement for democracy in Burma.”

Aung San Suu Kyi

BANKING LANDSCAPE

Myanmar is comprised of a total of 23 banks, four state owned banks and 19 private banks, with oversight by the Central Bank. A recently passed banking law allows 32 foreign owned banks to open local representative offices in the country via a partnership with domestic banks. Thus far, 18 foreign banks have opened such offices. The next step will be to allow foreign banks to open locally incorporated branches, which is estimated to occur after the Central Bank becomes fully independent in 2014.

In July 2013, new regulations were passed allowing the Central Bank to operate autonomously from the Ministry of Finance. The Bank's outlined responsibilities are to implement monetary and exchange rate policies, manage inflation, and create a stable fiscal and monetary environment. It is the sole body permitted to issue new currency.

ATM and Point of Sale machines were reinstated in the country in the fall of 2012, in partnership with MasterCard and Visa, bringing the current totals to approximately 450 ATMs and 2,500 POS devices. Of the 2,500 devices, 1,665 of those belong to the MPU

network. Despite the rapid increase in ATM machines, uptake has been slow. CB Bank estimates that only .2% of its 20 billion kyat (\$20.2 million) daily withdrawals come from the ATM. Also in 2012, the Central Bank launched the Myanmar Payment Union (MPU) card in conjunction with 17 banks to provide a domestic debit card that works interchangeably across all member banks. 180,000 cards have been issued as of early 2013, and they can be used at 198 ATMs and 465 Point of Sale machines. To date, the Central Bank has not permitted local banks to issue credit cards as it worries that unsecured lending may destabilize the economy, as happened during the 2003 bank run.

The financial sector currently lacks an integrated payment system, which makes it difficult for the Central Bank to monitor and evaluate the performance of member banks. As such, the Bank plans to establish a national payments system that includes an Automated Clearing House and a Real Time Gross Settlement system. Thus far, there has been progress made in establishing an interbank payments system, however check clearing between banks are performed manually.

MICROFINANCE SECTOR

The microfinance sector is high on the priority list for the government, listed as one of the eight priorities in the National Development Strategy. In Myanmar, microfinance is defined as collateral-free micro lending. Microfinance institutions are currently servicing approximately 2.8 million clients, however, UN Capital Development Fund estimates an unfulfilled demand of \$1 billion.

In November 2011, the government passed a new microfinance law permitting local and foreign investors to open private microfinance institutions. This created an influx of new MFIs, with 118 new licenses distributed in the following year.

Currently the barriers to entry for the microfinance sector are low, due to the minimal capital requirements (\$16,000 for lending only and \$32,000 for deposit taking institutions), extensive use of subsidies to encourage the sector, and more licenses distributed than existing capable organizations (as of May 2013, 142 microfinance licenses were issued.) However, challenges persist in the sector with low interest

rate ceilings, limited differentiation between deposit and non-deposit MFIs and a lack of supervisory expertise and a credit bureau.

There are a variety of actors engaged in microfinance lending throughout Myanmar. State owned banks, such as Myanmar Economic Bank (MEB) and Myanmar Agriculture Development Bank (MADB), are the largest deposit taking servicers in Myanmar. Cooperatives constitute half of the current registered microfinance institutions, with a total of 10,000 cooperative organizations. International NGOs also occupy a significant share of the sector, with a loan portfolio of over \$69 million. Of these actors, the PACT-UNDP partnership is the largest provider with a \$51 million loan portfolio. Additionally, there are 60 agriculture development companies that provide microcredit to 200,000 farmers with a loan portfolio of \$45 – 65 million. There are also many political and governmental organizations that provide microfinance services, such as the Microfinance Supervisory Enterprise and The Union Solidarity Development Party (USDP), the current ruling party in Myanmar.



INSURANCE PROVIDERS

The insurance sector is nascent in Myanmar and the concept foreign to most citizens.

According to the Ministry of Finance and Revenue only 300,000 people are insured out of Myanmar's close to 60 billion population. The state insurance company, Myanmar Insurance, has operated since 1952, however, many cite the company to be inefficient and highly bureaucratic. For the first time in over 50 years, the Myanmar Insurance Enterprise will allow 12 private companies to operate, and has thus far given licenses to nine for life and general insurance. While services are still fairly unknown in areas outside Yangon, or amongst the country's poor,

policies that cover snake bites are a practical and unique coverage for people in more rural areas.

To cater to the lower income segment, many MFIs and cooperatives provide micro insurance products that are not supervised. It is estimated that 1.1 million clients of cooperatives and MFIs are covered under this type of informal insurance. International NGOs cover approximately 600,000 clients with a variety of insurance products such as life, household structure and crop insurance. PACT-UNDP has the majority of these clients and offers insurance in the form of loan write offs and loss of life compensation for up to \$125.

PAYMENT PROVIDERS

Due to low credit card penetration and limited Internet access, there are only a few companies in Myanmar currently working in the online payment space. Three innovative companies are currently leading the pack in this sector: iPay, Myan-Pay and Oway. Successful Bangkok based payment provider, 2C2P, has forthcoming plans of expansion into Myanmar. Further details on these companies can be found in the Financial Services in the Electronic World section.



COMPARING FINANCIAL SERVICES IN THE INFORMAL AND FORMAL SECTOR

One cannot underestimate the significance of the informal sector in Myanmar, especially in the financial services arena. Since the formal sector has failed in many instances to provide essential financial services to the Myanmar population, many informal solutions have developed in response. On the next page is a comparison of informal and formal financial services solutions for a variety of financial services.

Informal

Formal

Savings

- Citizens save by investing in gems, gold, land, foreign currency or businesses.
- Some wealthier groups purchase stock in the informal market.
- Savings groups are important informal services in rural areas outside of Yangon.

- Savings accounts at banks pay 8% interest.

Lending

- Unbanked borrow from friends and family, usually interest free.
- Others pawn their gold in pawnshops at an interest rate of 60 – 96% per annum.
- Members of village savings funds borrow from this group. Interest rates : approx. 48% per annum.
- The poorest segment of the population uses informal moneylenders with fairly high interest rates (60-120% per annum).

- Stringent collateral requirements for formal bank loans with a 50% loan to value ratio.
- Loan duration is up to 1 year from the bank at 13% interest rate per annum with an average loan size of \$100,000 USD.
- Loans are typically only given to those with existing businesses.
- Microfinance lending available for those that do not meet collateral requirements, however loan amounts are smaller (PACT-UNDP offers microenterprise loans up to \$1,875, and individual loans from \$65 - \$250) with higher interest rates (30% per annum).

Remittances

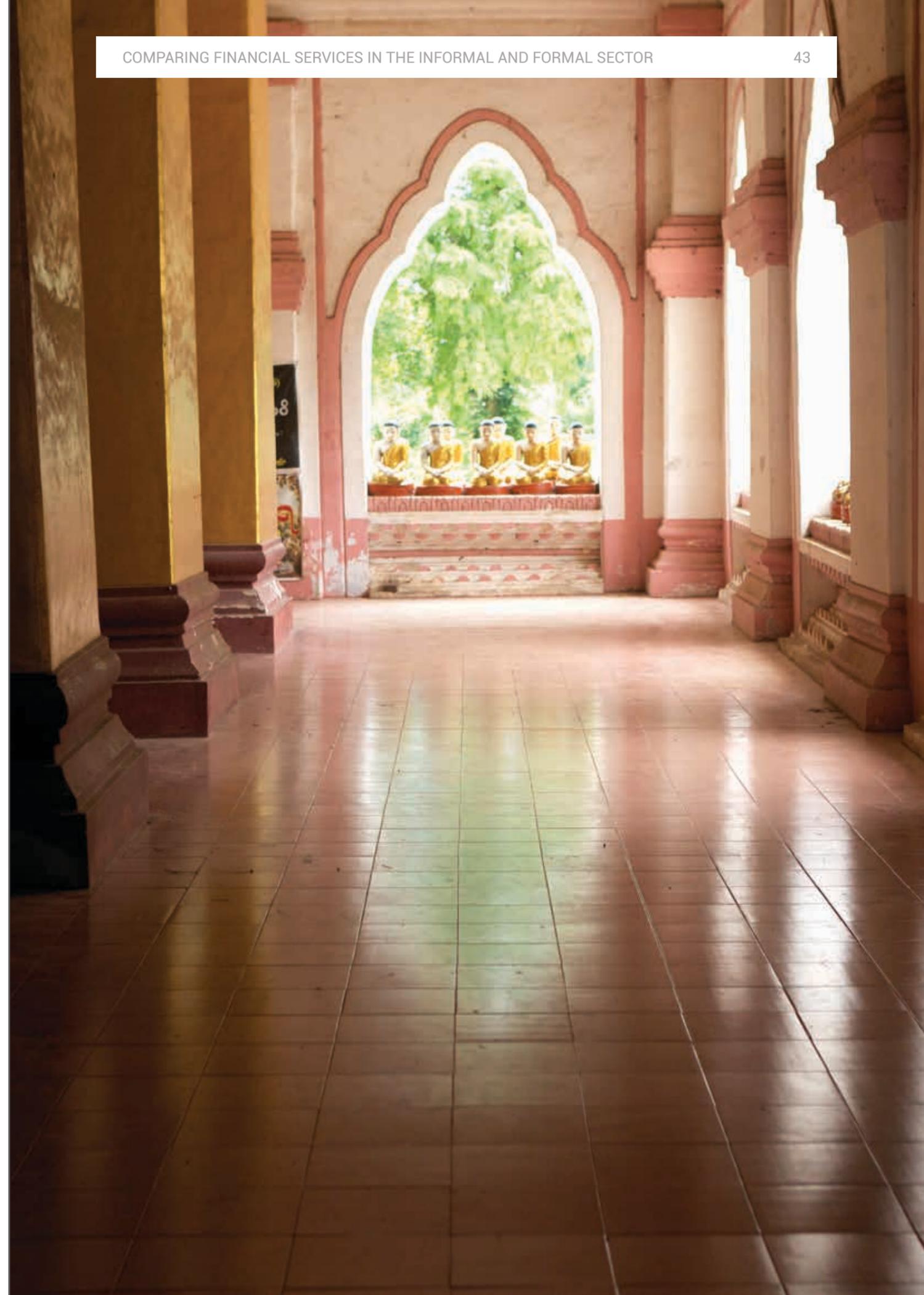
- Cross border and domestic money transfer is done through sending money with friends, or through the Hundi system agent network.
- Hundi system relies heavily on trust as there is a risk of corruption.
- Depending on location and amount transferred, recent interviews and articles cite fees of 0.1 to 2% of transaction amount. Older sources quote a higher range of 5 – 10% of principal often in the form of exchange rate differentials.
- Door to door cash pick up and delivery service is often provided.

- Those with and without bank accounts can transfer money at a bank with a cost of 1% for transfers within the same bank, and 1.25 – 1.5% for transfers to different banks domestically. 1.25% rate is charged if transfer amounts are over \$100,000.
- It is not possible to transfer money from Myanmar abroad.
- For transfers from outside of Myanmar into Myanmar, fees can be higher. Sending money from Singapore to Myanmar via Singapore Post to CB Bank costs approx. \$9.

Insurance

- Savings in gems, gold, land, etc. are seen to be a type of informal insurance in case of catastrophe
- Some participate in insurance or health savings funds to withdraw money in an emergency.

- 12 private insurance companies approved to operate in Myanmar, with 9 licenses currently awarded.
- 9 of the 12 private companies will offer general and life insurance.



FINANCIAL SERVICES IN THE ELECTRONIC WORLD



PREPAID CARDS

Myanmar is slowly forging ahead on the electronic payments agenda. Electronic salary payment is an innovation that has been seen in an eclectic range of industries, such as banking, supermarkets and NGOs. Myanmar Orient Bank and Innwa Bank are two banks that pay staff via a salary card so that all staff will own bank accounts and debit cards. The Paung Daw Oo orphanage, operated by a monastery in Mandalay, hoped to increase financial literacy and inclusion among its staff by issuing salary payment cards. The large upscale grocery chain, CityMart, is also known to pay employees via a salary card. Other companies have simply opened bank accounts and debit cards for all employees and directly deposit paychecks into the employees' bank accounts. Among stated reasons for going electronic is to increase transparency, streamline and quicken payment processes, as well as avoid employees seeing how much their peers are paid.

In conjunction with MasterCard, CB Bank recently launched a US dollar denominated prepaid card for account holders to use abroad. A second phase launch is expected to include prepaid card use within Myanmar, however the Central Bank currently is reviewing regulations of such usage. According to a CB Bank source, the Central Bank is hesitant to permit the expansive development of a USD prepaid card as they are worried there will be an initial outflow of funds outside of Myanmar, which will negatively impact the Myanmar currency, the Kyat.

Domestically based, iPay, has recently implemented a prepaid card system for transportation, parking, retail shops, and park entrance fees. To date, the focus of the technology has been predominantly to prepay bus fare. Users can purchase an iPay card in the retail shop or in retail stations scattered throughout Yangon and add money to the card by visiting the retail store, bus stations and selected bus terminals. See the below case study for a deeper look into iPay's operations.

iPay

iPay is one of the few prepaid technologies that exist in Myanmar. The company has leveraged its founder's additional businesses in the consumer goods markets to create promotional campaigns to increase user adoption and customer base. In supermarkets, bosses give employees iPay cards as a bonus, or companies may give transportation allowances in the form of an iPay card. These campaigns have been fairly successful so far, with 50,000 users currently signed up for the service. The majority of the users are in the 16 – 25 age range, as the service is particularly beneficial for students.

The most difficult challenge quoted, however, is not persuading users to pay ahead of time for a service, but convincing bus conductors to use the Point of Sale machine. There have been many complaints that conductors claim the machines don't work in order to protect their jobs or skim money off the top of the bus fares. iPay attempts to mitigate this issue as best possible by contacting the bus companies with the offender bus number to file a formal

complaint. Despite these difficulties, iPay relies on the bus conductors as one channel to educate users on how the card works.

The prepaid cards are advantageous in Myanmar as they are not limited to the banked population. Low recharge amounts allow for the unbanked and those at the bottom of the pyramid to benefit from this service.

With iPay, users are beginning to see the security benefits of storing money on a card instead of cash. If a card is lost or stolen, iPay replaces it within two days. When a user loses their wallet, with the iPay card inside, the person that finds the wallet can contact iPay's lost and found department to track the wallet's owner.

In the initial phases, iPay is providing POS terminals free of charge, however once adoption increases, they plan to begin charging a fee. iPay is currently only operating in Yangon, with plans for expansion in the near future.

MOBILE BANKING

With the recently awarded telecoms licenses to Qatar Telecom and Telenor, mobile banking is no longer a distant lofty goal. Telecoms infrastructure is slated to be on par with that of developed nations within five years, and provide coverage for 80% of the country within 3 years. While mobile demand is growing rapidly, with 85% of respondents owning cell phones, the country 1,800 towers. With the majority of the population outside the city, there is an estimated need for an additional 15,000 towers to adequately extend networks. Increasing demand has resulted in severe shortages of SIM cards, and rationing by the Myanmar Post and Telecommunications (MPT) Ministry. However, it is expected such restrictions will diminish as new telecommunications entrants begin operations.

CB Bank has developed its mobile banking system, and is waiting for the go ahead from the Central Bank to proceed with implementation. The first phase of CB's mobile banking plan will allow CB Bank customers to transfer funds to each other within the bank's network on a mobile phone. The second phase is envisioned to include bill payments and interoperability across multiple banks. Both phases are

limited to banked citizens only. Mobile banking that is being discussed by telecoms operators, particularly newly licensed telecom giants, Qatar Telecom and Telenor, will not require a bank account and will most likely be focused on remittance payments for the first phase. This model may leverage agent banking or otherwise be routed through the Myanmar Payment Union network. In both the bank and telecom model, infrastructure will be a challenge as networks are unreliable and electricity penetration in the country is low (estimated between 13 - 25%).

Myanmar citizens seem to have mixed feelings on whether the country is ready for mobile banking and whether they would trust such a system. As a general trend, it appears that those who are financially integrated would trust the system more and are more eager for mobile banking to be implemented. As will be noted of Myanmar's culture, risk aversion is high, so trust of such new services is harder to build. Particularly, due to the large emphasis placed on recommendations of friends and family, many respondents voiced the belief that once their friends and family adopt such a system, they would develop increased trust for mobile banking.

Mobile banking has the potential to be highly popular in Myanmar as it provides advantages that the country's citizens value. This electronic solution shares a commonly cited benefit of cash in that it is easily accessible. As will be mentioned in the first key finding on cash dependency, Myanmar citizens prefer cash because it is time effective, able to be used exactly when one needs it without requiring a trip to the bank. Mobile banking provides this same immediate usage capability; deposits and withdrawals can be done at a local convenient store at the same time as a customer is shopping for a basic good. Mobile banking also takes advantage of Myanmar's close knit, family and friend culture by magnifying the network effect

through easily connecting people via a national payments network. Along this same vein, mobile banking provides a cost effective, convenient solution for one of the highest volume financial transactions in Myanmar, money transfer.

Youth, ages 16 – 25, are expected to be early adopters of mobile banking, as they demonstrate an increased willingness to try new technologies, are comfortable with the formal financial sector and are heavy users of cellular devices. Those in the financially integrated group will also most likely be in the early user category, as they have typically been previously exposed to innovative financial products abroad.



ONLINE PAYMENTS

Progress is advancing in the arena of online payments for bills, shopping and reservations. Currently, agents are typically contracted to pay bills on behalf of a business or individual for a small fee. However, many interviewees expressed interest in an electronic system that would allow them to control the amount and frequency of bill payments in real time. As mentioned above, electronic bill payments are on the agenda for the second phase of a mobile banking launch. Additionally, CB Bank plans to develop a method of paying bills via ATMs within the year.

2C2P, a payments provider based in Bangkok, has plans to enter the Myanmar market, first by providing credit card capabilities to foreigners, in partnership with MasterCard and Myanmar Citizen's Bank. In Thailand, 2C2P offers a payments solution for unbanked customers that allows

users to order an item online and then pay for the item at a local convenient store. The founder plans to launch a similar solution in Myanmar at a future undetermined date.

Brick and mortar stores, such as Yangon Online Store, are opening in wealthier neighborhoods in Yangon to allow the Myanmar population to partake in the online shopping experience. The store is furnished with multiple computers where a customer can search for an online product, order it online, and then pay for it at the store. The purchase will then be shipped to the customer's house.

Two notable companies are paving the way for online payments for shopping and travel reservations, Myan-Pay and Oway. See the following case studies on both companies.

Myan-Pay

Myan-Pay is the first Myanmar third party online payment system that allows businesses and individuals to shop, make reservations and payments online. Prior to making a purchase, users must call or visit their bank to authorize a payment to Myan-Pay. This could be for the amount of the purchase or for a greater amount, however the maximum amount Myan-Pay allows to be transferred is \$100 USD. Those who do not have a bank account can transfer money to Myan-Pay, also via a bank, which will take 2 – 3 days to reach Myan-Pay's bank account. Currently, 30% of users do not have a bank account. To deposit money and shop online, Myan-Pay does not charge a fee, however if a user would like to withdraw money, transfer money or accept an online payment, a nominal fee is charged.

Myan-Pay has experienced firsthand the challenge of Myanmar's cash based society, and thus general distrust of online payment systems. The company believes that merchants must encourage online payment usage in order to shift consumer perceptions. Myan-Pay is advertising through Google and Facebook, bringing in approximately 20 new users per day. Myan-Pay currently works with 200 merchants and over 3,000 individuals.

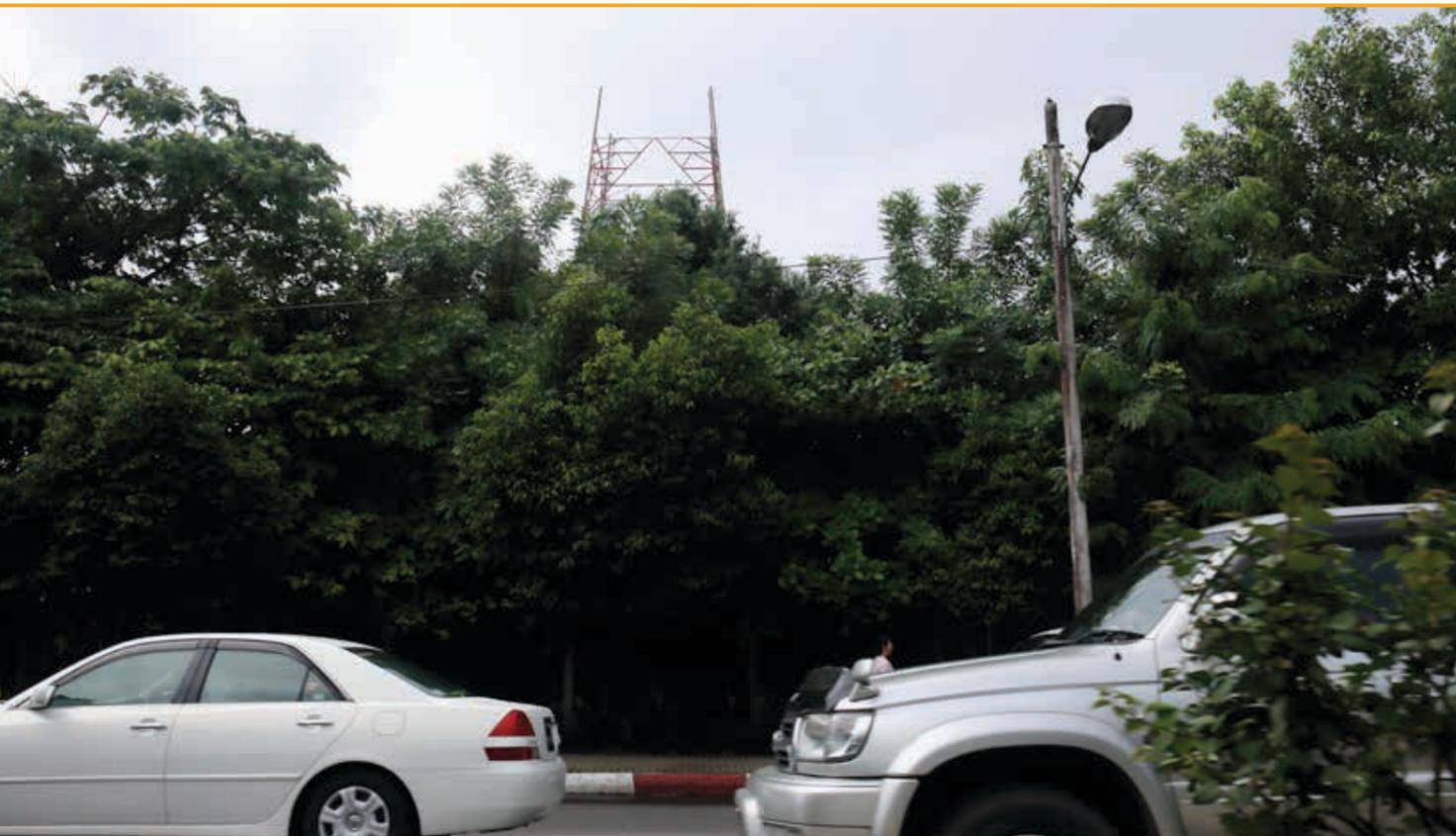
Future plans include increase payment services such as bill payments for rent and utilities.

Oway

Oway officially launched in late 2012 and is the first online based travel site in Myanmar. Using the Oway website, users can book hotels and flights online with an international debit or credit card. Domestic Myanmar Payment Union (MPU) debit cards do not have online capabilities yet, so at this point in time they cannot be used to make reservations on the site. Because card usage is limited in Myanmar, Oway is targeting local businesses with international corporate credit cards in urban cities as well as foreign travelers. Currently, 60% of Oway's clients are from overseas. Oway is in the midst of developing a strategy to make the site accessible to cash based businesses and cardless individuals as well.

One of the major hurdles Oway is facing is getting real time information. Hotels have been able to streamline data fairly easily, however, airlines have had difficulty automating their processes and integrating their systems with Oway, so that once an order is received from Oway, it is directly updated in the airline's system. Thus far, three airlines are integrated in this way. It is anticipated that by December 2013, all airlines will be integrated into the Oway system. A larger, more complex issue is that there are no such automated systems in second tier cities, such as Kalaw.

Oway has recently signed a Memorandum of Understanding with the Government to develop a platform for online payments and reservations. The company sees a great deal of potential in the online travel and payment industry, thus Oway plans to expand further into mobile and internet commerce in the future.



REPRESENTATIVE INTERVIEWEE CASE STUDIES

From the 41 field interviews conducted, interviewees can be categorized into three primary groupings based on their interaction with the formal financial sector in Myanmar and abroad, as well as their comfort with using financial services. It is important to note that these integration categories are defined relative to the Myanmar context, and not relative to global standards.

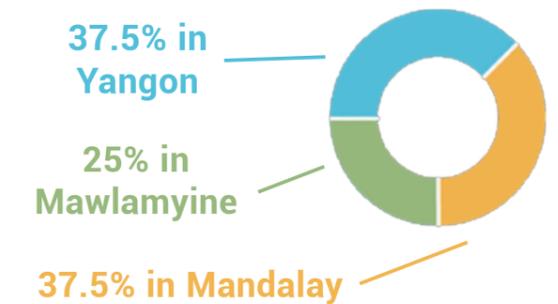
Those who are *Financially Integrated* often own multiple bank accounts, use formal insurance, have used debit/credit cards in the past or currently own international cards. Someone who is financially integrated can be an active participant in the financial system in Myanmar or outside of the country.

24% interviewed were financially integrated,



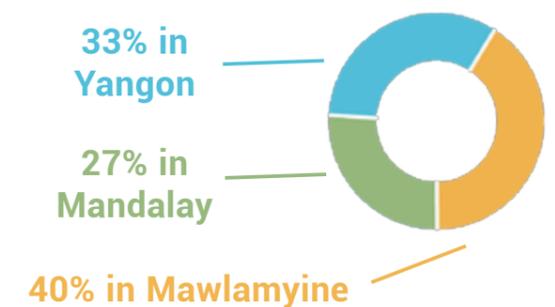
Semi Integrated includes those who have a bank account in Myanmar, however they use it infrequently (less than 1x/month) or occasionally (1x/month). This group has never used a debit or credit card, and does not own insurance.

39% interviewed were semi integrated,



Myanmar citizens that do not own a bank account in Myanmar or abroad are considered to be *Un-Integrated* in the formal financial system.

36% interviewed were un-integrated,



The following selected case studies introduce one member from each group, telling their story in order to illustrate their daily interaction with formal and informal financial services. To keep the identities of respondents confidential, all names in this document have been changed.

FINANCIALLY INTEGRATED - DR. KHIN KYI, CHIEF EXECUTIVE OFFICER OF MAJOR DOMESTIC MEDICAL SUPPLY COMPANY



“In Myanmar, we have to have our own cash, our own money, it is the only way we can start a business.”

Dr. Khin Kyi, CEO of major medical supply company

From the age of 5 years old, Dr. Khin Kyi knew she wanted to be a doctor. She worked throughout her adolescence towards this goal, and at the age of 16, she received first place in the medical school entrance exams in Myanmar. Upon graduation, Dr. Khin Kyi worked for a local clinic and introduced the concept of on-call duty 24 hours per day. However, her true dream was to work for a Yangon public hospital. She worked for ten years as a specialist in pathology at Yangon General Hospital. However, in 1990, Dr. Khin Kyi left her position in the general hospital due to a difference in political views. After working for UNICEF for three years, Dr. Khin Kyi joined the medical equipment field with a French company that she was ultimately able to take over.

Dr. Khin Kyi's medical device company provides medical, laboratory and research and development equipment to hospitals and laboratories in three cities in Myanmar. The company has a total of 100 employees; 80 based out of Yangon and 20 scattered throughout the rest of Myanmar. The company has seen a dramatic increase in business since 2012 as the government's budget for the medical field has risen from \$6 to 60 million USD. Following this budget increase, Dr. Khin Kyi's equipment turnover immediately became \$30 million USD. In order to support the purchase of such equipment, Dr. Khin Kyi needed a loan from the bank. This proved to be fairly difficult, as many of the banks could not provide her with the amount she needed to pre-purchase equipment. Finally, Dr. Khin Kyi called on the help of her friend, the Vice Chairman of a Myanmar Apex Bank, to assist

her in obtaining a loan. The bank loan application process took 6 months and consisted of a series of interviews in which the bank studied detailed aspects of her business. Now that the banks are familiar with Dr. Khin Kyi business, next year she believes the process will be quick and easy.

Dr. Khin Kyi has owned a Myanmar bank account since the 1980's and opened bank accounts in Singapore and Australia in 1998. She uses both for personal and business reasons. She fully enjoys the benefits and convenience of ATM cards, and is eager for credit cards to arrive to Myanmar. Dr. Khin Kyi has complete trust in the bank, and would not keep more than \$500 USD at home, as it is not safe. She invests in jewels, which she does store in her home. While she believes the time has not yet arrived for insurance in Myanmar, she would like to purchase plans for her employees once private companies are more established. Dr. Khin Kyi is also awaiting an automated solution for bill payments as currently her staff spends over an hour every month waiting in line to pay company utility bills. On the topic of mobile banking, she firmly believes that Myanmar is not yet ready for such a technology.

Dr. Khin Kyi has opened bank accounts for her senior employees and directly deposits their salaries into the bank account. After 5 years with the firm, she buys her employees a car, after 10 years, she buys them a house. Moreover, she has purchased stock in an industrial park in order to provide dividends as a year-end bonus.

SEMI-INTEGRATED: ZARNI, ART GALLERY OWNER



“I always remind myself that I have to be honest. I have to help others. Out of 60 artists only 35 artists’ works are sold, But if I don’t buy their painting, I don’t know how they will survive, for that I should buy.”

Zarni, Art Gallery Owner

Like every Buddhist male in Myanmar, Zarni has served in the Buddhist monastic system. However, Zarni remained in the monkhood longer than most – over 20 years – living on donations and providing practical, emotional, and spiritual support to grateful patrons. At the age of 29, he decided to make a significant change to his life by leaving the monastic system to live as a layperson. As Zarni retained the favor of many of his former patrons, they were happy to support him as he started a new life.

With no former credit, bank account, or experience using financial services, Zarni entered life outside the monastery. There he found his way to a local art gallery that housed him, and in exchange he helped out around the gallery. After a few years of involvement in the art sector, the owner of the art gallery, Aung Kyaw, encouraged Zarni to open his own gallery. However, the gallery business was dependent on buying art from artists directly, and re-selling them later, or supporting artists financially while they created new works for the gallery. This required Zarni to access more money than he had ever needed before. Fortunately, Zarni was able to turn to donors and friends to support the initial investment in his gallery.

Like most young people in Yangon, Zarni owns a cell phone, a laptop, and is an active Facebook user. If it were available, he would use mobile

banking, particularly as he often must receive payment for art purchases from customers abroad. Despite worries that a fire may occur and destroy his paintings, Zarni doesn't have insurance as the concept of insurance is fairly unfamiliar and the sector nascent.

While Zarni does not trust the banking system, he owns multiple bank accounts for increased accessibility in receiving clients' payments and for ease of purchasing real estate. According to Zarni, if he were abroad he may use a bank account more often, but in Myanmar it is inconvenient since one can only withdraw money from a non-interest bearing account so a user must first transfer money between accounts before he/she can withdraw. As such, Zarni stores his money in his home, not fearing its security, as the majority of his income is re-invested into the gallery.

Zarni's business has expanded as the reform has brought in a greater number of tourists and openness to appreciate art amongst Myanmar's citizens. His business is heavily dependent on personal connections from friends and word of mouth recommendations. Zarni retains many of the Buddhist trainings he embodied for so many years, so that he is constantly reminded he needs to be honest and support the community's artists, making profit not a primary motive, but instead prioritizing building the art community in Yangon and supporting those in his realm of influence.



UN-INTEGRATED : THAN ZAW OO, POTTERY SHOP OWNER



Than Zaw Oo has continued the tradition of his family's pottery producing business into a fourth generation, however, unfortunately, after 150 years, the pottery industry is lagging and his five person workshop may not last for a fifth. Pottery has decreased in popularity and Than Zaw Oo is now dependent on incomes from his three children based abroad to send money home to support him and his wife. Further impacting Than Zaw Oo's business is the fact that all of his previously high skilled employees have left Myanmar to find work in Thailand. While Than Zaw Oo has contemplated about the next steps for his livelihood, he admits he cannot access the capital he would need to expand his business, and more importantly, doesn't have the necessary skills to expand or start a new business.

Than Zaw Oo operates solidly in the informal financial system, not owning even a cell phone, but he does make periodic use of formal services. He cites the 2003 banking crash as having shattered his trust in the banking system, so has no bank account. However, increasing tension of interfaith Muslim-Buddhist violence has made him distrustful of Muslim members of his local community, who have traditionally run the informal Hundi money transfer service. As a result, he has switched to using formal banks to collect money from his daughter

working in Thailand. Though willing to travel to the bank to collect remittances, his trust of the bank ends there - rather than saving the remitted amount in a bank account, Than Zaw Oo uses any extra cash to buy gold, which he stores in his house.

Than Zaw Oo also owns five houses and land nearby that his family has accrued over generations. However, he does not rent his properties due to the tenuous status of land ownership and little legal security – renters could easily become squatters if they stopped paying rent and would be difficult to prosecute given the limited access to legal services. Instead, Than Zaw Oo saves the properties for his children, which thus far have been a lucrative investment, as property prices have jumped from 70,000 kyat (\$70 USD) per sq ft to 200,000 kyat (\$200 USD). Neither the properties nor his business are insured, as the concept of insurance is unknown in rural areas, and still emerging as a service in urban Myanmar.

Despite the dire straits of Than Zaw Oo business, he has never had to take out a loan, even for larger expenses, and instead relies on the sales of saved gold to cover his costs. He admits, like much of his rural community, that he views accruing debt as something to be avoided unless absolutely necessary.

“We save at home because its tradition – we don't go to the bank because at home is like a bank.”

Than Zaw Oo, Pottery Shop Owner



HOW IS MONEY USED WITHIN THE 3 LEVELS OF FINANCIAL INTEGRATION ?

The three segments of financial integration have varying degrees of interaction with electronic money and the formal financial sector. Some segments use cash and electronic money interchangeably in the formal and informal sectors. Others are restricted to only physical cash in the informal sector due to a lack of a bank account. The following descriptions highlight how money is moved and used for each of the illustrative case studies in the three segments.

FINANCIALLY INTEGRATED – DR. KHIN KYI

In Dr. Khin Kyi's case, she first receives loan money from the bank deposited directly into the company bank account. She then uses this money to pre-pay for medical supplies and equipment both in cash and through bank transfers. Her clients compensate her via a bank transfer into her Myanmar bank account, which she then uses to pay back the bank loan and pay salaries and expenses. Dr. Khin Kyi has opened bank accounts for her senior employees, thus she deposits the salary directly into their bank account. For lower level

employees, Dr. Khin Kyi withdraws money from the company bank account and pays them in cash. Paying electricity and water bills must also be done in cash, therefore Dr. Khin Kyi withdraws cash from the company bank account and gives it to her driver who then visits the utility office to pay the bills. Any remaining cash she has will be kept as savings in her Myanmar bank account with a portion put into her bank account in Singapore.

SEMI INTEGRATED - ZARNI

Zarni receives payment in cash from the vast majority of domestic clients for his artwork. A portion of his foreign clients are able to transfer money to Zarni's friends with foreign bank accounts, who then give the payment directly to

Zarni as cash. Zarni uses this money to pay for his expenses in cash. Any remaining cash he has leftover, he will use to purchase new paintings from artists and keep a small amount at the house to pay for daily expenses.

NON-INTEGRATED – THAN ZAW OO

Than Zaw Oo purchases raw materials for pottery production in cash. He receives only cash for selling his pottery products. Than Zaw Oo then pays his 5 employees in cash using the sales

proceeds. In order to pay for daily living expenses, Than Zaw Oo uses the money sent from his children abroad via a bank transfer, which he collects at the bank, in cash.



KEY FINDINGS

The field and informational interviews conducted brought forth a number of interesting trends on the topics of financial services usage and perceptions that will be pertinent to understanding how MasterCard can best develop services tailored to the Myanmar population.

DISTRUST OF BANKING SECTOR AND LACK OF FORMAL FINANCIAL SERVICES DEVELOPMENT HAS DRIVEN HEAVY RELIANCE ON CASH



“In the future we’ll need to learn about new systems, insurance, banking, but now it’s more comfortable for me to use cash.”

Hla Maung, taxi driver

The strong usage and preference for cash payments seen in Myanmar is surprising to foreigners who are accustomed to carrying around few bills in their wallet and making frequent purchases with a credit card. It is not so surprising, however, when one understands the deep seeded mistrust of the banking sector that dates back to the 1960s. While Myanmar’s formal financial system was established in the colonial era, it was placed under state control during the socialist era and has seen little evolution since. Multiple demonetizations starting in 1964 (also later in 1985 and 1987) eliminated many people’s savings overnight. Continued financial mismanagement

after the 1990s, including the printing of money, corruption and theft at private banks, as well as a domestic bank crash in 2003 further entrenched the mistrust of banks across all population segments of financial integration (financially integrated, semi integrated, un-integrated). Today, bank account penetration numbers have been quoted to be anywhere from 3 – 10% of the population. In 2009, the UNDP Household Survey found that bank account ownership in urban areas was 3.1%, twice that of rural areas, at 1.5%. Interviewees cited their attachment to cash stems from three primary benefits: increased security, time effective, and cheaper than non-cash alternatives.

Selected ASEAN Countries' Ratio of Cash to M1 (in Percent)

Particulars	2005	2006	2007	2008	2009	2010	2011	2012
Thailand	40.04	39.84	35.91	35.56	35.30	35.93	32.73	32.36
Philippines	70.02	70.16	69.58	70.02	72.25	70.09	70.17	70.90
Singapore	20.86	20.54	19.05	17.17	15.92	14.41	13.41	13.20
Malaysia	24.27	23.71	21.45	22.08	21.62	21.25	20.72	20.72
Myanmar	91.68	91.54	91.06	91.54	88.63	85.78	82.54	82.75

Source : IFS and CSO publications, Bank of Thailand

The usage of cash in Myanmar is significantly higher compared to its ASEAN neighbors, with the ratio of cash to M1 as almost 6.5 times greater in Myanmar than in Singapore and 2.5 times greater than Thailand in 2012.

Operating in physical cash provides people with a feeling of security derived from a perceived control over ensuring honest dealings and privacy

of financial affairs. Interviewees cited a fear that they will be cheated if they receive money electronically. Real estate company owner, Kyaw Min Aung,

prefers to pay and receive money in cash for buying and selling land, as she claims there is a greater likelihood that a landowner will cheat her when transferring money electronically to her account. Seeing physical cash counted in person serves to increase comfort levels at stores, banks, and with apartment purchases as customers feel they have control over being cheated by witnessing the counting process. Cash also offers security in terms of anonymity. Some worry that the government will be able to obtain insight into their finances through a bank account. As the gem dealer and trader, Zaw Zaw Hlaing, stated, "I want to keep a low profile. If I put my money in the bank, the government will be able to see how much money I make."

The processes involved with using non-cash payment methods in Myanmar are time consuming and inconvenient. As the country operated solely using cash since the domestic banking crisis in 2003, electronic payment methods are just emerging. A domestic debit card with the Myanmar Payment Union was recently issued in 2012, however, few places have a Point of Sale (POS) device to accept the card. ATMs were also installed in the past year to reduce dependency on the bank branch for withdrawing cash, however this process has proven to require multiple trips to the bank, as the user must first visit the branch to apply for the card, then on a separate occasion, travel to the bank branch to transfer money from an interest bearing account to a non interest bearing account before the ATM card can be used. Wait times at the bank branch can be anywhere from

15 minutes to 1 hour. In addition, ATMs are often cited to malfunction, either by failing to return the card or delivering the requested cash. Those in the financially integrated population segment have complained that ATM withdrawal limits are too low to accommodate their cash needs, at \$310 dollars per transaction and \$1,010 dollars per day.

Operating fully in cash is seen as more time effective in the sense that one does not need to engage in any of the timely bank processes to withdraw money, but also in the sense that cash is highly liquid. Thus, one is able to immediately use cash as needed, or convert the cash into more valuable assets as soon as one receives it. Those in all levels of financial integration state they store cash in Kyat and USD at their house or in their stores for easy access. Because people do not fully trust the Kyat given its turbulent history, Myanmar citizens want to minimize the amount of Kyat they hold and the time they hold it for. Landlord, Soe Soe Lin, states that housing owners always want to be paid in cash to avoid extra fees and time lags. Upon receipt of cash, the housing owner immediately uses it to invest in tangible assets, such as land, gold or gems.

Cash is also considered cheaper to transact in, as one does not need to pay fees for withdrawing cash at out-of-network ATMs (fee of approximately \$5), bank transfer fees for remittances (approx. .5%) or pay for multiple trips to the bank branch. Citizens simply store the cash at home or at their business and quickly access it free of charge as needed.



THE INFORMAL ECONOMY PLAYS A SIGNIFICANT ROLE IN FINANCIAL SERVICES PROVISION

“Normally, I never use my account. After I make some amount, I take it out of the bank account. What do I do with the money I make? I share it with others!”

Aung Aung Kyaw, Art Gallery Owner

As Myanmar's formal financial institutions frequently failed to support the population over the past 50 years, people came to depend on informal practices to serve their own financial needs. The growth and strength of these informal financial practices can be partly attributed to the vast informal economy that exists in the country. An estimated 620,000 businesses operate in the informal sector, while only 127,000 registered businesses are accounted for, with 99.6% recorded as SMEs. As such, the percentage of large, registered businesses that would typically use formal financial services is quite small. Now, with increased investment flowing into the country and improving economic conditions, Myanmar's formal financial institutions are needed to play a crucial role in boosting growth. However, the informal

financial institutions continue to thrive, alongside and embedded within the improving formal financial structure.

For the financially integrated and semi integrated populations, who own a bank account and can be considered financially savvy, the seamless operation between the formal and informal financial sectors is notable. These segments are familiar with the formal banking sector, often own an ATM card and visit the bank on a regular basis. However, because they do not fully trust the domestic banks, these groups use the formal sector as a backstop to informal solutions for saving and borrowing. The mistrust of banks causes many to opt to use alternative means of saving and storing money rather than depositing large amounts of money into a bank

account. Since borrowing money from a bank is unrealistic for the majority of the population due to complex and stringent lending requirements, most people borrow from friends and family or pawn shops. As such, saving and borrowing most often sit predominantly in the informal sector, even with the financially sophisticated.

The interchangeable use of the formal and informal financial sector can be most clearly seen in the realm of payments. Within these services, the formal financial sector is not limited only to those that have a bank account, as those without a bank account are able to send and receive money at a bank. Members of all levels of financial integration choose between the bank and informal Hundi systems to transfer money based on which service is more convenient, cost effective and trustworthy. Based on interviews, it appears that the financially integrated tend to use the bank transfer services instead of Hundi, whereas the semi integrated and un-integrated use both the bank and Hundi services to transfer money. Some small businesses in

the semi-integrated segment have reluctantly installed point of sale machines to cater to foreign customers even though they do not trust the bank or use their bank account. Aung Aung Kyaw, an art gallery owner, is a clear example of a Myanmar citizen operating between the informal and formal sector seamlessly. After years of interacting only with cash, he recently installed a credit card machine in his gallery to make payments easier for foreign credit card holders. However, he still prefers cash payments, and avoids keeping money in his Myanmar bank account. He also uses both the formal bank and informal Hundi transfer services to receive payments from customers and send payments to rurally based painters. Aung Aung Kyaw takes advantage of both informal and formal financial services available to him – banks, Hundi services, and physical cash – to run his business.

Refer to the Comparison of Informal and Formal Services section for deeper insight into the informal and formal financial services that currently exist in Myanmar.



PEOPLE PREDOMINANTLY SAVE BY INVESTING IN TANGIBLE GOODS

“I invest all of my money in land, and have made a very high return so far.”

Naing Win Tun, owner of jade cutting shop

In Myanmar, poverty is a daily fact of life, and even basic necessities can quickly consume a meager salary. In fact, the Bertelsmann Stiftung's Transformation Index (BTI) estimates that for the majority of the country's rural citizens, 70% of incomes alone are spent on food and basic necessities. Nonetheless, in all three categories of financial integration of interviewees, people were able to save some money primarily through investing in tangible goods or re-investing in their business rather than in a bank savings account. Moreover, formal savings accounts in banks seemed to be used as a strategy to temporarily store money until one could invest money in a tangible good or the business.

Given the historical lack of trust in Myanmar's currency, as well as formal financial services, 71% of interviewees in the three integration groupings made

wide use of assets that more reliably store value than the Kyat. These include land, USD/EURO currency, and gems, which are purchased with any remaining income and stored in the home. Despite no return on such savings, storing money at home creates both a sense of security and lowers transaction costs for time and money. Further highlighting the infrequent use of savings accounts is the percent of GDP that formal savings comprise, estimated at 17.6%. Financially integrated respondents such as Dr. Khin Kyi, complements her use of bank savings and lending services with investing in gold, gems, and property. The semi-integrated landlord, Soe Soe Win, stores her savings in gold, which she can then use as collateral at a pawn shop if she happens to need extra cash. The un-integrated gem dealer, Zaw Zaw Hlaing, saves all of his money in gems at his apartment.

In the last five years land and real estate have rapidly appreciated in value to prices beyond those in the US or other developed nations. Currently, office space in Yangon rents at \$78 per square meter a month, while rent in Manhattan averages \$49.95. Yet despite this, respondents in every category spoke of using savings to buy land and real estate. Both are considered stable assets that, though not converted quickly, retain its value compared to the Kyat, which has historically been prone to inflation and demonetization. Similarly, land and real estate can bring in much needed alternative income through either its lease for farming or as collateral for formal and informal loans. Despite being un-integrated, for example, farmers at a focus group discussion outside Mandalay pool cash in their homes until they have a lump sum that can be used to buy small plots of land. This allows them to save money outside of the house, and eventually have the opportunity to sell the land for a profit.

Due to the cash heavy nature of many small and medium businesses in Myanmar, many companies have a large volume of cash on hand at the end of every business day. Rather than placing the money in formal banks for savings, many interviewees who own businesses reported putting the profits back into the business in order to make service enhancements, buy additional inventory, or open a new business offshoot. Given the inconvenience of making deposits and withdrawals from banks, as will be noted later, cash is kept in the home or office until it is re-invested back into the business. This appears to be a key source of business growth, allowing a

company to continue to expand without incurring debt. Business operator, Win Thida Lin, owner of a for-profit and non-profit training institute, uses her savings from the for-profit institute to sustain her non-profit operations.

Unlike western conceptions of savings accounts as a long-term means of accruing wealth, formal financial savings accounts are often viewed as a form of an electronic wallet, temporarily holding money until it is invested elsewhere. Multiple bank accounts can serve as multiple sections of a wallet, each with a distinct purpose. Tea leaf factory owner, Ye Min Naing, uses his KBZ bank account to accept international payments, as it is linked with Singaporean UOB bank, and Myanmar Apex Bank to pay his distributors and employees. Clothing retailer, Chan Thiri Soe, use a savings account to amass a sum large enough to purchase new inventory or buy gold and gems. Even though she doesn't trust banks, the account gives her the ability to temporarily gather funds in a single place, which she can subsequently withdraw and use. Bank accounts, with its often time consuming process of withdrawing money, can also decrease the temptation to spend. One interviewee, a moneychanger employee, Kya Zin stated that she doesn't trust the bank, but she continues to save in the bank because if the money is in her hands, she will spend it. As can be expected, the amount that a person saves in the bank is substantially lower in rural areas of the population. According to the 2009 UNDP Household survey, the average cash savings in urban areas is \$129, whereas in rural areas it is \$31.

FORMAL BORROWING IS RISKY, TIME INTENSIVE, AND COMPLEX

“The process to obtaining a loan is very lengthy and time consuming for me. I would prefer to use a credit card.”

Ye Min Naing, Tea leaf factory owner

Myanmar culture is reluctant to take on debt. It is seen as unwise to spend more than one earns and to owe money to an unknown entity. Emphasis is placed on careful planning for expenses so that the probability of needing unforeseen additional money is reduced. As the driver, Thurein Soe states, “I am always calculating, planning what my expenses will be, so I know how much I have.” Further increasing the aversion to debt, one respondent cited the former practice of publishing names in the local newspaper of those who were unable to pay off credit cards in the late nineties. This naming and shaming process widened the chasm between the formal financial services sector and the people of Myanmar and increased the usage of borrowing via informal means, from family, pawn shops and village lending groups. The aversion to formal debt is

underscored in Myanmar's domestic credit to GDP ratio. At 8.2%, it is one of the lowest in the world.

In Myanmar, the family unit is incredibly strong and is used as a safety net. As such, borrowing money from friends and family is the ideal choice if one needs extra cash. In the 2009 UNDP household survey, 62% of 2,850 households surveyed stated that they obtained their last loan from relatives or friends. On a much smaller scale, however further illustrating the point, from the 41 interviews the research team conducted in Myanmar, 71% borrow from family and friends.

If friends and family resources are unavailable, another common source of funds is pawn shops. Borrowers will give gold or jewelry to the shop, receive

a set amount for the gold in cash, and then pay approximately 2.5% per month to the pawn shop in order for the jewelry to be returned to him/her after a certain period of time. Pawn shops can be seen as similar to moneylenders, only with a lower interest rate. 15% of households in the UNDP survey use either pawn shops or moneylenders, and a slightly higher rate of 24% use these services from the field interviews the team conducted. The un-integrated segment of the population typically uses informal moneylenders, whereas the semi-integrated segment stated using pawn shops for extra cash. Also seen in more rural areas of Myanmar, predominantly with women, are village savings and loan groups. A group of trusted individuals meet on a regular basis to set aside a pre-defined amount of money into the common pot. This aggregated savings pool can be used by members to borrow money as needed.

In contrast to informal borrowing from relatives or pawn shops, formal bank borrowing is rare. .28% of UNDP households have borrowed from the bank, and out of the 41 interviews conducted, 18% (5 of 28 respondents)

who own a bank account have obtained a bank loan. The process to obtaining a bank loan is complex, particularly from a private bank, with stringent collateral requirements of 50% of the value of the loan. Previously, a house and land was required for collateral, excluding most from applying for a bank loan. The Central Bank recently expanded acceptable forms of collateral to land, gold, buildings, exportable crops and bank deposits. In practice, however, it seems that it remains difficult to obtain a loan from a private bank without land and property. Even for successful business owners, such as Dr. Khin Kyi, the loan process is opaque and laborious, often lasting six months and requiring extensive paperwork and due diligence of the business. Due to the risk adverse nature of the banking sector, new entrepreneurs cannot be considered for a loan. Loans can only be obtained for existing businesses or new second businesses. The difficulty in navigating the bank loan process, as well as the strict requirements further creates a gap between the formal banking sector and the people of Myanmar.



RELIGION SIGNIFICANTLY IMPACTS THE ATTITUDE TOWARDS FINANCIAL SERVICES

“A credit card would help me make larger donations to the temple. For example, in my bank account right now I have 2 lakh (\$200 USD), but I would like to donate 3 lakh (\$300 USD).”

Kyae Zin, moneychanger employee

Though 89% of the population is Buddhist, Myanmar does not have an official religion, but is multi-religious, also housing Muslims, Christians, Jews, Animists and local religious customs. For many, specifically those in the semi-integrated and un-integrated segments, religion is integral to personal identity and has a significant influence on the use of financial services, shaping decisions such as how to allocate income, who to seek guidance from, where to do business, and which financial services to subscribe to. Additionally, astrology and superstition play a role for some in how business is conducted in the country. More recently, sadly, religious views have also been the source of Buddhist-Muslim violence in western and central Myanmar.

The importance of religion in a Myanmar household is apparent when respondents cite religious donations as a common and, sometimes, substantial expense. Even individuals with small incomes reported providing cash or in kind donations as a means of obtaining merit. According to participants of a focus group discussion outside Mawlamyine, costs for religious donations could be as high as 20% of income. To facilitate the convenience of making monetary donations, ATMs are strategically placed onsite at large temples. Kyae Zin, a moneychanger employee, is a frequent user of the temple ATMs to withdraw cash for donations. She notes that she would be interested in applying for a credit card because it would allow her to spend

amounts beyond what she currently has in her account on merit making donations.

Religious beliefs also dictate who respected leaders are in the community area. Senior religious leaders – monks, abbots, and imams – were quoted to be key community members looked upon for social or moral guidance and approached for financial and business advice. Given the number of religious institutions, and their centrality to a community, such figures are easily accessible. Even if the leader has no previous experience with financial services, given their perceived divine importance, the lack of expertise will be disregarded.

Religious orientation not only dictates where to spend one's money or who to approach for guidance, but it recently has begun to play a role in which businesses citizens frequent. Because of Buddhist-Muslim religious tensions, the religion of business owners has begun to effect patronage. For Than Zaw Oo who operates his family's pottery business, informal money transfer services are key to his survival. However, he has since shifted his business sustaining remittance payments from his daughter to Kanbawza bank, away from the local Hundi service run by a Muslim family due to the heightened religious tension in the country.

In multiple instances, both Buddhist and Muslim respondents cited an acknowledgement of fate larger than themselves in financial and social transactions. This mentality states

that a person is at the mercy of God's determination of his/her fate, and an individual is unable to control many circumstances, such as natural disasters or theft. This perspective explains the lack of measures taken to secure the safety of one's cash and the disinterest in insurance services. For Naing Win Tun, a Muslim gem trader and cutter who owns a jade polishing shop, the potential loss of his shop and business success are at the mercy of Allah. For Aung Aung Kyaw, a gallery owner, the risk of fire could be devastating. However, he does not insure his gallery or its paintings because he sees such acts as out of his control.

This deference and respect for religion and the impact of 'fate' can go to the extreme, with a widespread response to superstitious or astrological factors being taken as justifications for action. In business, this can mean choosing dates based on the potential for auspicious results or making major organizational decisions with the help of an astrologer. Most famously key figures in the military senior leadership were reported to be deeply superstitious, resulting in a range of notorious policy choices, such as moving the capital from Yangon to Naypyidaw. However, like generational changes worldwide, such beliefs are less ardently held by younger generations in Myanmar. As a caveat, it is important to highlight that such beliefs are not universal and do not temper a person's rationality. These are simply beliefs that factor into a person's decision calculus.



TRUST IS AN IMPORTANT FACTOR IN INCREASING ADOPTION OF FINANCIAL SERVICES AND SUPPORTING THE FORMAL SECTOR

“We don’t believe in Myanmar Kyat.”

Kyaw Min, Manufacturing and Export business owner



Trust is the fundamental mortar that reaches across all three integration groups identified in this report, binding those interviewed to both formal and informal systems, increasing adoption and allowing the participant to retain as much faith as possible in the security of their financial transactions. Unfortunately, Myanmar’s dismal political history has shaken trust in the government and its involvement in the financial sector. However, trust is beginning to be rebuilt as the government steps in to guarantee funds

in uncertain times and moves along the pathway towards reform. Outside of the government, respondents cited that trust could be built through legitimacy provided by global financial institutions, widespread reach in the community and via recommendations of family and friends or respected community leaders.

Five decades of political unrest and, in particular, the government’s mismanagement of the financial sector has resulted in a significant mistrust of

the government and its role in financial service provision. The sentiment runs deep, particularly for older citizens, or those of a lower socioeconomic class, but is hard to assess the impact of, given their residual sensitivity of openly voicing mistrust of the government, is hard to assess the impact of. Foremost of the respondents concerns was the government’s ability to observe their financial transactions, and the high level of documentation and formal scrutiny bank services required. As entrepreneur Thet Aung Lynn noted, his agricultural support business that provides input loans to farmers, is dependent on formal banking services to transfer and receive money from abroad. He is required by law to have a Myanmar Foreign Trade Bank account to receive payments from exports. However, he is wary of government influence over the bank, and as such, is reluctant to keep money in his accounts for more than a month or two at a time. Nevertheless, some respondents have also recognized the government’s recent actions towards reform and indicated a willingness to engage in services that involve the government. Landlord, Soe Soe Win now has greater trust in government banks than private banks, when the Central Bank guaranteed all deposits after a 2012 run on the private bank Kanbawza (KBZ).

In contrast to domestic government owned banks, global financial institutions are widely regarded as trustworthy, stable organizations that the citizens of Myanmar feel comfortable investing their money in. For many in Myanmar, particularly those who are financially integrated and semi-integrated, the legitimacy that global banks provide is an essential trust building factor. In interviews

with members of the integrated and semi-integrated segments, their misgivings about Myanmar’s financial structures would be dramatically diminished with the formation of links to foreign banks and markets. For Si Thu Soe, an entrepreneur that operates a technology training company, a medical booking service, and an automobile import-export business, trust in foreign financial institutions is a key stumbling block. While he owns multiple bank accounts, he doesn’t use them to save money, after he lost significant savings in the 2003 banking crisis. Although Si Thu Soe recognizes that he had two to three times more capital for his business when he was using credit cards prior to 2003, he has stated he will only return to these services once they are legitimized by links to international financial markets. Exposure to global financial institutions abroad also serves to increase comfort with using advanced financial products in Myanmar. Predominantly those from the financially integrated segment have expressed enthusiasm for electronic banking solutions, purchasing insurance and using credit and debit cards because they have firsthand experience using such services in other countries.

Trust in financial services is also bolstered, in a more local and immediate sense, by the frequency and proximity by which a user encounters the service. In Myanmar, without strong concepts of advertising, proximity and frequency are the primary means by which a service appears foreign or familiar. In multiple instances, interviewees from financially integrated and semi-integrated communities trusted, and thus interacted with, Myanmar banks based on the size of the bank and ease of access of its branches. With a country

the size of Texas, and transportation still a limiting factor due to time and cost, the inconvenience of shopping around at different institutions is unwelcome. Moreover, the presence of a bank in multiple villages means that a larger number of areas can be accessed for remittance payments or money transfers, from which frequent usage also leads to an increase in trust. Kyae Zin is just such an example – in her early twenties she works at one of the legal money changers that has sprung up under new governance licenses and so is familiar with the basics of the financial system. Aware of the many different options of banks available, she chooses to use KBZ because of the numerous offices and ATM machines it offers.

Also crucial to the decision-making calculus of many Myanmar citizens is the role of family and friends. Families and close friends are the primary unit through which members of all levels of financial integration interact with the outside world. This is because kith and kin networks are a default social network for the exchange of information, news, advice, and moral judgment. As a result, the word and action of family and friends becomes a foremost guarantee of past performance and quality, thus making a recommendation by family or friend often the final deciding factor in the use of a service. In one example, Nai Aue Mon, editor of an ethnic language journal in Mawlamyine, continues to turn to friends and family for connections to potential investment to keep the paper

afloat. Similarly, as subscriptions are paid throughout the region, Nai Aue Mon relies on friend and family networks to transfer physical cash as it is done for free, thus more cheaply than the informal Hundi networks. Nai Wana, an editor at another news journal, spends his free time operating an informal money lending service. However, he only is willing to support trusted friends and family. Without trust within the network he would not be able to confirm the trustworthiness of a potential client, and thus face potential losses on a loan.

Community leaders were also cited, by the semi integrated and un-integrated segments, as trusted figures that could be consulted upon for key issues. In Myanmar, communities are made up of villages as the smallest unit, which roll into townships, divisions and ultimately, states or regions. Each township and village has their own Local Peace and Development Committee, comprised of three locally elected unpaid members and a salaried clerk. It is these leaders, whom are respected and sought after for guidance. Community structure and its importance was mentioned more frequently in rural areas interviewed, such as towns surrounding Mawlamyine, and not expressed to the same extent in Yangon based interviews. It is also important to note that the community dynamic can change based on region, particularly in ethnic minority areas where tension around the role of the government and its representatives remain.



COMPARATIVE ANALYSIS ACROSS FINANCIAL INTEGRATION LEVELS

Many perspectives towards financial matters were found to be common across all three levels of financial integration. These insights can mostly be attributed to contextual factors of living in Myanmar. Other beliefs are specific to individual segments of the population. The following table summarizes the key findings themes across financial integration levels.

	Financially Integrated	Semi-Integrated	Un-Integrated
Distrust of banking sector and lack of formal financial services development has driven heavy reliance on cash			
Mistrust of banking sector	x	x	x
Cash is more secure, easier to access and cheaper	x	x	x
ATM with drawal limits are too low	x	x	
The informal economy plays a significant role in financial services provision			
Operate in the formal and informal financial sector	x	x	x
Use informal transfer services		x	x
People predominantly save by investing in tangible goods			
Invest in gems, gold, foreign currencies, land, business	x	x	x
Stores cash at home or at business	x	x	x
Formal Borrowing is Risky, Time Intensive, and Complex			
Borrow from friends and family	x	x	x
Borrow from pawn shops		x	x
Borrow from informal money lenders			x
Borrow from village lending groups		x	x
Borrow from banks	x		

	Financially Integrated	Semi-Integrated	Un-Integrated
Religion significantly impacts the attitude towards financial services			
Strong influence of religion		x	x
Religious donations are a large expense			x
Look to community and religious leaders for guidance		x	x
Belief in fate		x	x
Trust plays a key role in increasing adoption of financial services and supporting the formal sector			
Mistrust of government	x	x	x
Global financial institutions provide legitimacy to financial transactions	x	x	
Comfortable using electronic methods to pay	x		
Eager to adopt new financial products	x		
Eager to purchase insurance	x		
Trust increased with larger bank size and branch proximity	x	x	
Heavily rely on family and friend recommendations	x	x	x
Respect and seek advice from community leaders		x	x



CONCLUSION

The reforms that are transforming Myanmar have helped lay the policy foundations that have, and will continue to, shift the direction of the country towards a more internationally integrated, democratic, and economically strong nation. The development of Myanmar's financial sector will be key to this process. Already draft legislation aims at further supporting the SME sector, increasing incentives for foreign investment and strengthening microfinance legislation that will further improve the country's business environment.

However, for the economic transformation to translate into raising countrywide income levels, the country's historical dependence on cash and lack of familiarity with financial services will need to be overcome. There is great opportunity for companies, such as MasterCard, to become partners in this endeavor. MasterCard, as an expert in its field, can contribute to building capacity of domestic banks and share expertise with the new government. More specifically, by building on insights of the needs of Myanmar citizens detailed in this report, MasterCard has the opportunity to access key points of

market entry to provide new services and expand payment structures.

The five key findings gathered in this report provide the insight required to understand the context of the existing financial market. Recognizing that savings behavior typically does not involve bank accounts, but, instead, tangible goods, or that formal borrowing is avoided because it is risky, time intensive and complex, reveal the population's resistance to current formal services. Similarly, the interconnected nature of informal financial solutions and the use of formal financial tools have become entwined through daily use. More broadly, understanding the pervasive importance of trust and the role of religious beliefs illustrate the values and motivations that are part of daily life in Myanmar.

By understanding Myanmar's unique context, MasterCard will gain a more nuanced knowledge of the financial services environment and opportunities for market penetration. MasterCard will be uniquely placed to become a driver of innovation and growth in this rising jewel Asia.

ABOUT THE RESEARCH TEAM

The research team is comprised of two Fletcher Masters' students who specialize in emerging market research and a Myanmar native research assistant with expertise in market research in Myanmar.



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Tommy Galloway has worked for 3 years with research organizations in Thailand and Myanmar, on economic policy design, resource extraction impacts, and the role of business in agriculture. Tommy Galloway is currently a graduate student at Tufts' Fletcher School, studying Development Economics and the role of businesses in emerging market contexts. There, he combines his research skills with an interest in how community based solutions can be leveraged to build better products and policies amongst businesses, NGOs, and governments.



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