



Village Revolving Fund Study

Livelihoods and Food Security Trust Fund



Final Report

Assessing the role, effectiveness and sustainability of Village Revolving Fund (VRF) groups in Myanmar

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Collaborative Study on VRF By

**Development Facilitators (Pvt) Limited & Livelihood & Food Security
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List of Abbreviations

AAM	ActionAid Myanmar
AAFGR	Average Annual Fund Growth Rate
ASCAs	Accumulating Savings and Credit Associations
ADRA	Adventist Development and Relief Agency
CB	Commercial Bank
CBFO	Community-Based Financial Organisation
CBO	Community-Based Organisation
CDA	Community Development Association
CGAP	Consultative Group to Assist the Poor
CMLF	Community-Managed Loan Funds
DF	Development Facilitators (Pvt) Ltd
DPDO	Disabled People’s Development Organisation
DRR	Disaster Risk Reduction
EC	Executive Committee
ECLOF	Environmental Conservation and Livelihood Outreach Foundation
EU	European Union
FCA	Functional Capacity Assessment
FGD	Focus Group Discussion
HDI	Human Development Initiative
GDP	Gross Domestic Product
HH	Household
IDOS	Institutional Development and Organisational Strengthening
IGA	Income Generating Activity
IFAD	International Fund for Agricultural Development
IFC	International Financial Cooperation
IHLCA	Intergrated Household Living Conditions Survey in Myanmar
IP	Implementing Partner
JP	Joint Partner
KII	Key Informant Interviews
LIFT	Livelihoods and Food Security Trust Fund

MCC	Myanmar Council of Churches
MCS	Myanmar Ceramist Society
MDG	Millennium Development Goal
MF	Microfinance
MFI	Microfinance Institute
MMK	Myanmar Kyat
NGO	Non-Governmental Organisation
OSS	Operational Self Sufficiency
PAR	Portfolio At Risk
PRA	Participatory Rural Appraisal
RRCP	Rajasthan Rural Credit Project
RMO	Ratana Metta Organsation
ROI	Return On Investment
RoSCA	Rotating Savings and Credit Association
SDF	Swanyee Development Foundation
SEM	Small Enterprise Management
SHG	Self-Help Groups
SIP	Sub Implementing Partner
TOR	Terms of Reference
UNDP	United Nation Development Program
VDC	Village Development Committee
VRF	Village Revolving Fund model

EXECUTIVE SUMMARY

This report on **the Village Revolving Fund, Myanmar** is an outcome of a field study carried out in the Dry Zone of Myanmar to assess the role, effectiveness and sustainability of Village Revolving Fund (VRF) groups. The sample size of the study was 25 villages. Twenty three villages were selected from the three regions in the Dry Zone namely, Mandalay, Magway and Sagaing regions, with an additional two villages selected from the Shan State and the Bago Region representing Non Dry Zone areas.

There were 6 key research questions given in the Terms of Reference. These questions covered types of VRF groups, current level of functionality of VRF and factors affecting functionality status, the impact of or benefits generated by VRF, challenges and issues for long term sustainability of VRF. In addition to the key findings of the study, this Executive Summary seeks to provide brief answers to these key research questions, a detailed analysis of which can be found in the report.

The total number of villages provided by LIFT for sampling was 208. There were 5 Implementing Partners (IPs) namely DPDO, AAM, ADRA, Mercy Corps and MCS that carried out VRF in these villages. Further ADRA has partnered with AAM to implement VRF activities. In the villages where AAM was the implementing partner, AAM has sub partnered with few local NGOs namely RMO, SDF, ECLOF and MCC. Mercy Corps has partnered with CDA, a local NGO to implement VRF activities in some villages.

The sampling was done based on proportionate distribution of VRF villages in each region and proportionate distribution of VRF villages where IPs are present. The sampling also ensured that there is a representation of different categories and types of VRF such as SHGs, VDCs, Cash and In-Kind VRF¹ implemented by IPs.

There were two key research methods used in the study: quantitative and qualitative methods. The quantitative aspect of the research was conducted through a household survey of 453 VRF beneficiaries using a structured questionnaire. Qualitative inputs were obtained from over 500 people through different qualitative techniques such as Focus Group Discussions, Key Informant Interviews, Functional Capacity Assessment and Case Studies.

There are two different types of village organisations established by partners to implement VRF activities. They are Self Help Groups (SHGs) and Village Development Committees (VDCs). DPDO has established only SHGs, while the IPs, Mercy Corps, AAM and MCS have established only VDCs. Villages in which ADRA implemented the project have both VDCs established by ADRA and SHGs established by ADRA joint partner AAM. Thus in these ADRA villages both VDC and SHG provide VRF services with an overlap in some locations.

96% villages surveyed are continuing with the SHGs and VDCs currently, approximately a year after LIFT funding for the VRF project has finished. Further, cash VRFs started in all villages still active in all 96% of villages and In-Kind VRFs which were started in 52% villages are still currently active in 32% of villages.

¹ SHGs, VDCs, Cash and In Kind VRF are described in the sections 3.5.1, 3.5.2.4.1.1 & 4.1.2 respectively

The main service of SHG/VDC is credit facilities, which are offered in two different forms. The cash loans (also called Cash VRF) are the most popular and provided by all VDCs and SHGs. The other service is In-Kind Banks which are also called In Kind VRF, where loans are given In-kind and recovered In-Kind, except in the rice bank. From the range of In-kind banks commenced Pig, goat seed and rice banks are currently operational, but the cattle banks are not currently active. Some pig and goat banks already closed and converted the fund into a dedicated cash loan fund for the same activity. The main reason for closure of In-Kind Banks was the difficulty in maintaining quality of In Kind material with repeat loan cycles. Rice banks are found in 7 villages where rice in bulk is lent by VDC or SHG and the borrower repays in cash after a specified lapse of time. The loans are interest-bearing with few exceptions.

Savings are done by all SHGs and a few VDCs. However, the scope of savings was found very narrow due to limitations in the nature of the savings products (limited to a small fixed amount done at the meeting, non-payment of interest for savings, lack of withdrawal ability unless a member quits from the SHG or VDC) and an overall lack of understanding of the importance of savings among members. In the past, savings were implemented in 76% of the 25 villages and currently only 60% of the villages continue savings. Micro insurance has been implemented by only one partner, namely MCS in two villages.

Increased access to credit has been the main outcome of VRF. It indicates 100% access by SHG and VDC members but amounts accessed have been found to be inadequate, in many instances. Cash loans are provided predominantly for income generation activities such as agriculture, animal husbandry and small enterprise. While the product features were found to be fit with beneficiary needs in most cases, factors such as inadequacy of loan amounts for agriculture for farmers growing in excess of one acre and inadequacy of repayment term for loans for animal husbandry projects were evident. It has been observed that SHGs and VDCs that collect savings at meetings have commenced short-term loans for non-income generation purposes such as for health and education.

The interest rate, approximately 2% per month (calculated on declining balance) was perceived to be acceptable by the rural community. Repayment terms were arranged as per cash flow patterns of income-generation activities that are financed by these loans. One example is the balloon payments available for agriculture and animal husbandry, and instalment payments for small businesses and other loans, with some deviations in certain instances. The methodology adopted in lending and recovering was simple and appropriate. Loan facilities have been ranked high in the satisfaction ratings, with 89 % beneficiaries being satisfied with the low rates of interest and 83% of beneficiaries satisfied with the simplicity of the loan documents.

In terms of loan usage, the largest sectors using the loan facilities were agriculture (43%), small businesses (33%), and livestock (27%). It also became evident that loans are used by beneficiaries for non-income generation purposes, such as for consumption (28%), health (17%) and education (25%). VDCs have not implemented a loan product for consumption purposes, even though borrowers had used loans for these purposes. There was some evidence to suggest that businesses that were developed from loans from SHGs and VDCs allowed members to generate income.

70% of beneficiaries stated that loans have resulted in an increase in income. Diversification of income sources (32%) and expanding existing livelihood activities (29%) have been identified as the means of increasing income through the use of these credit facilities. The In-Kind loans have contributed to new income sources for some people.

57% beneficiaries in rice banking villages have stated that the rice bank has contributed towards increasing food security in the family. The percentage of people borrowing from informal money lenders at high interest rates (10- 20% per month) has reduced from 55% (before the VRF) to 32% (current). There is an indication that money-lender interest rates have also reduced significantly. Both these outcomes significantly contribute to reduce poverty. The percentage of asset mortgage was marginally reduced from 29% before VRFs to 25% currently, with 11% of the beneficiaries indicating that as a result of VRF loans, they have been able to released assets mortgaged in the past.

Of the sample beneficiaries, 73% of the beneficiaries are women and 23% are women heading their households. The key benefits for women through SHGs and VDCs were identified as access to the savings and credit facilities, increased income levels, improving existing income generation activities, increasing knowledge and development of social networks. Among women, commencing new income generating activities and opportunities to make decisions at VRF level were ranked low as benefits of the SHGs and VDCs

There has been a significant impact of VRF on the communities, including but not limited to help being provided to the marginalized people in the village such as elders, disabled and very poor, and the provision of food for school children. It was felt however that partners could have laid more focus on this aspect and used the frequent meetings both for awareness raising on key health and environment issues and also to motivate the group to be more active socially.

The funding for VRF has been limited to funds provided by IPs sourced from LIFT. Thus far, the VRF operations were voluntary operations, with contributions of leaders for limited operational costs. The funds have grown on an average of 26% annually which is a remarkable achievement. This growth is due to net profit of the operations and to a limited extent as a result of savings. The growth in membership has been more stagnant for SHGs and the growth more significant and vibrant in VDCs. SHGs and VDCs were rated using a 10 parameter grid and thus found SHGs are better performing than VDCs.

There are a number of challenges faced by VDCs and SHGs post-project completion. The lack of monitoring and follow up support by IPs after project completion, resulted in the closure of VRF operations in certain villages, deterioration in the quality of book keeping and other issues such as not holding regular meetings, which will negatively impact operations in the future.

Based on proven successes of the SHGs and to a certain extent in VDCs, and considering the socio-economic context in Dry Zone areas in Myanmar together with previous experiences in Myanmar and in other countries such as India, Thailand and Sri Lanka, it has been recommended that the SHG model of VRF be scaled up and expanded in a more organized and focused manner with a long-term and sustainable approach.

Accordingly, there are two types of recommendations. Firstly, improvements need to be made to current SHGs and VDC for sustainable existence through mechanisms including improved savings

and insurance, increasing loans sizes with more funding to SHGs and VDCs, capacity-building mechanisms, funding linkages, establishing an improved monitoring mechanism and promoting more rice banks while discontinuing other In-Kind banks. Group managed businesses with the investment of member savings should not be promoted.

It is also strongly recommended that prevalence of SHGs is expanded geographically by promoting SHGs in all possible villages in the Dry Zone. SHGs can be directly linked with a Bank or MFI for savings facilitation and for bulk loan facilities as proven in the India with the government support.

Alternatively SHG Federations can be made. This would involve the establishment of bigger organisations with representation from each SHG at a village-level SHG Federations. Township level Federation can be established with representation from village level SHG federations and thus making them partner-level SHG federations or national level SHG Federations.

Thus SHGs should be promoted with a vision to make them a MFI, owned and managed by communities and regulated under the Microfinance Act of Myanmar. Such Federations can be linked with a bank or MFI with a view of obtaining long term funding support. Also few NGOs should be strengthened to become capacity-building agencies for SHGs.

Following these recommendations will create alternative and sustainable mechanisms for increased financial and social inclusion that can run parallel to current formal profit-oriented MFIs currently growing in Myanmar. This approach is particularly important, because without an alternative to formal profit-oriented MFIs the poor will remain excluded.

လေ့လာစာတမ်း၏အကျဉ်းချုပ်

Study of Village Revolving Fund, Myanmar “ မြန်မာနိုင်ငံ ကျေးရွာလည်ပတ်မှု ရန်ပုံငွေ လေ့လာမှု” အမည်ရှိ ဤအစီရင်ခံစာမှာ VRF ကျေးရွာလည်ပတ်မှု ရန်ပုံငွေ အုပ်စုများ ၏ အခန်းကဏ္ဍ၊ ထိရောက်မှု နှင့် ရေရှည်တည်တံ့ခိုင်မြဲမှု တို့ကို ဆန်းစစ်လေ့လာသည့် အပူပိုင်းရန် အတွင်း ဆောင်ရွက်ခဲ့သည့် ကွင်းဆင်းလေ့လာမှု ၏ ရလဒ်ဖြစ်သည်။ လေ့လာမှုကို ကျေးရွာ ၁၅ရွာတွင် ပြုလုပ်ခြင်းဖြစ်ပါသည်။ ကျေးရွာ ၂၃ ခု မှာ အပူပိုင်းရန် အတွင်းရှိ မန္တလေး၊ မကွေးနှင့် စစ်ကိုင်း စသည့် ဒေသကြီးသုံးခုမှ ရွေးချယ်ထားခြင်းဖြစ်၍ အခြားသော ကျေးရွာ ၂ ခုမှာ အပူပိုင်းရန်မဟုတ်သည့် နေရာများကို ကိုယ်စား ပြုသည့် ရှမ်းပြည်နယ်နှင့် ပဲခူး နယ်မြေကြီးများမှ ရွေးချယ်ထားခြင်းဖြစ်သည်။

ToR တွင်ပေးထားသည့်အတိုင်း သော့ချက် သုတေသန မေးခွန်းမှာ ၆ ခုရှိပါသည်။ ဤမေးခွန်းများတွင် VRF ကျေးရွာ လည်ပတ်မှု ရန်ပုံငွေ အုပ်စုအမျိုးအစားများ၊ ၎င်းတို့ ၏ လက်ရှိ လုပ်ဆောင်မှုအဆင့်နှင့် ၎င်းတို့၏ လုပ်ဆောင်မှုအခြေအနေ အပေါ် သက်ရောက်နေသော အချက်များ၊ ၎င်းတို့ မှ ဖန်တီးထုတ်လုပ်လိုက်သော အကျိုးကျေးဇူးများနှင့် ထိခိုက်မှုများ၊ ၎င်းတို့ ရေရှည်တည်တံ့ခိုင်မြဲရေး အတွက် စိန်ခေါ်မှုများနှင့် ပြဿနာများ စသည်တို့ကို လွှမ်းခြုံထားပေသည်။ လေ့လာမှု၏ သော့ချက်ကျ ရှာဖွေတွေ့ ရှိမှုများကို တင်ပြထားသည့် အပေါ်တွင် ထပ်လောင်း၍ ဤ စာတမ်းလေ့လာမှု အကျဉ်းချုပ် က အထက်ပါ အဓိကကျသော သုတေသနမေးခွန်းများ၏ လိုရင်းတိုရှင်းအဖြေကို လည်း တင်ပြရန်အား ထုတ်ထားပါသည်။ အသေးစိတ် ခွဲခြမ်းစိတ်ဖြာမှုကိုမူ အစီရင်ခံစာတွင် တွေ့နိုင်ပါသည်။

နမူနာ ကောက်ယူရန်အတွက် LIFT မှပေးအပ်သော ကျေးရွာအရေအတွက် စုစုပေါင်းမှာ ၂၀၈ ခုဖြစ်သည်။ ဤကျေးရွာများ တွင် VRF ကိုအကောင်အထည်ဖော်ဆောင်ရွက်နေသော မိတ်ဖက် အဖွဲ့အစည်းများမှာ ၅ ခုရှိ၍ ၎င်းတို့ မှာ DPDO, AAM, ADRA, Mercy Corps နှင့် MCS တို့ ဖြစ်ကြပါသည်။ ADRA သည် AAM နှင့်တွဲဖက်၍ VRF လှုပ်ရှားမှုများကို ၎င်း၏ ကျေးရွာ များတွင် လုပ်ဆောင်ထားပါသည်။ AAM ကမူ ၎င်းက မိတ်ဖက်အဖွဲ့ အစည်းအဖြစ်ဆောင်ရွက်နေသော ကျေးရွာများတွင် RMO, SDF, ECLIF နှင့် MCC အစရှိသည့် ဒေသခံ NGOs အနည်းငယ်နှင့် တဆင့်ခံ မိတ်ဖက်လုပ်ဆောင်ထားပါသည်။ Mercy Corps အနေနှင့်မူ NGO တစ်ခုဖြစ်သည့် CDA ကို တဆင့်ခံမိတ်ဖွဲ့အဖွဲ့ အဖြစ် တွဲဖက်၍ အချို့သော စီမံချက်ကျေးရွာ များတွင် VRF စီမံချက် ကို CDA မှ အလုံးစုံအကောင်အထည် ဖော်ဆောင်ရွက်ထားပါသည်။ အခြားသော ကျေးရွာများရှိ VRF လှုပ်ရှားမှုများကိုမူ Mercy Corps မှ တိုက်ရိုက်အကောင်အထည်ဖော်ဆောင်ရွက်ထားပါသည်။

နမူနာ ကို မှု နယ်မြေကြီးအသီးသီးရှိ VRF ကျေးရွာများ၏ အချိုးကျဖြန့် ကျက်မှု နှင့် မိတ်ဖက်အဖွဲ့ အစည်းများ လုပ်ကိုင် ဆောင်ရွက်နေသော VRF ကျေးရွာများ၏ အချိုးကျဖြန့် ကျက်မှု ကို အခြေတည်၍ ကောက်ယူထားပါသည်။ သည့်အပြင် မိတ်ဖက်အဖွဲ့ အစည်းများ အကောင်အထည်ဖော်ဆောင်ရွက်နေသည့် SHGs, VDCs, Cash နှင့် In-Kind VRF အစရှိသည့် ခြားနားသော VRF အမျိုးအစားများ နှင့် VRF ပုံစံ များကို ကိုယ်စားပြုနိုင်စွမ်းရှိမှု ကိုလည်း ခိုင်မာသေချာစေရန် ကောက်ယူ ထားပါသည်။ လေ့လာမှုတွင် အဓိကကျသော သုတေသန နည်းလမ်း နှစ်သွယ် ဖြစ်သည့် အရေအတွက်အခြေပြု နည်းလမ်း နှင့် အရည်အသွေးအခြေပြုနည်းလမ်းများ ကို အသုံးပြုထားပါသည်။ အရေအတွက်အခြေပြု နည်းလမ်းနှင့်ပတ်သက်၍မူ household survey အိမ်ထောင်စုလေ့လာဆန်းစစ်မှုအဖြစ် ၄၅၃ ယောက်သော VRF အကျိုးခံစားခွင့်ရှိသူများအား structured questionnaire တည်ဆောက်ချက် မေးခွန်းလွှာ ကို အသုံးပြု၍ ဆန်းစစ်ထားပါသည်။ အရည်အသွေးဆိုင်ရာ သတင်းအချက်အလက်များကိုမူ Focus Group Discussions အဓိကအုပ်စုဆွေးနွေးမှု၊ Key Informant Interviews သော့ချက်ကျသတင်းပေးသူအင်တာဗျူး၊ Functional Capacity Assessment လုပ်ဆောင်နိုင်စွမ်းရည် ဆန်းစစ်မှု နှင့် Case Studies ဖြစ်ရပ်လေ့လာမှု အစရှိသည့် အရည်အသွေးအခြေပြုနည်းလမ်း များကိုအသုံးပြုပြီးလျှင် လူ ၅၀၀ ကျော်ထံမှ ရယူထားပါသည်။

VRF လှုပ်ရှားမှုများဆောင်ရွက်ရန် အလို့ ငှာ မိတ်ဖက်အဖွဲ့ အစည်းများ ဖွဲ့ စည်းထားသည့် ကျေးရွာအဖွဲ့ အစည်းအမျိုးအစား မှာ နှစ်မျိုးဖြစ်၍ ၎င်းတို့ မှာ Self Help Groups (SHGs) ကိုယ်ထူကိုယ်ထ အုပ်စုများနှင့် Village Development Committees (VDCs) ကျေးရွာဖွံ့ ဖြိုးမှု ကော်မတီ တို့ ဖြစ်ကြသည်။ DPDO မှ SHGs များကိုသာ ထူထောင်ထားပြီး အခြားသော မိတ်ဖက်အဖွဲ့ များဖြစ်သည့် Mercy Corps, AAM နှင့် MCS တို့ ကမူ VDCs များကို သာဖွဲ့ စည်းထူထောင်ထားကြပါသည်။

ADRA မှ စီမံချက်ကို အကောင်အထည်ဖော်ဆောင်ရွက်နေသော ကျေးရွာများတွင်မူ ADRA ကိုယ်တိုင်မှ ထူထောင်ထားသော VDCs များနှင့် AAM နှင့် တွဲဖက်၍ တည်ထောင်ဖွဲ့ စည်းထားသော SHGs နှစ်မျိုးစလုံးကို တွေ့ ရပါသည်။

ကွင်းဆင်းလေ့လာဆန်းစစ်ခဲ့သည့် ကျေးရွာများအနက် VRF စီမံချက်အတွက် LIFT မှငွေကြေး ထောက်ပံ့မှုများ ပြီးဆုံး၍ တစ်နှစ်နီးပါးကြာမြင့်ပြီးသည့်နောက်တွင် ၉၆% သောကျေးရွာများသည် SHGs နှင့် VDCs ကို လက်ရှိတွင် ဆက်လက် လုပ်ဆောင်နေသည်ကို တွေ့ ရပါသည်။

SHG/VDC များမှ လုပ်ဆောင်သော အဓိက ဝန်ဆောင်မှုများမှာ credit facilities ချေးငှားမှုအထောက်အပံ့များဖြစ်၍ ၎င်းတို့ ကို မတူကွဲပြားသည့်ပုံစံ ၂ မျိုးဖြင့်လုပ်ဆောင်သည်ကိုတွေ့ ရပါသည်။ အားလုံးသော VDCs နှင့် SHGs များမှ လုပ်ကိုင် ကြသည့် cash loans (also called Cash VRF) ငွေသားချေးငွေ ထုတ်ပေးခြင်းကိုမူ လူကြိုက်အများဆုံး ပုံစံအဖြစ် တွေ့ ရပါသည်။ အခြားသော ဝန်ဆောင်မှုများမှာ In-Kind VRF ပစ္စည်းအမျိုးအစားကျေးရွာလှည့်လည်မှု၊ ရန်ပုံငွေဟုလည်း ခေါ်ဆိုသည့် In-Kind Banks ပစ္စည်းဘဏ်များဖြစ်၍ ယင်းတွင် ချွင်းချက်ဖြစ်သည့် ဆန်ဘဏ်များ rice bank မှလွဲ၍ ထုတ်ချေးသောအရာမှာ ပစ္စည်းဖြစ်ပြီး ပစ္စည်းကိုသာလျှင်ပြန် လည်ပေးဆပ်ရပါသည်။ ဤသို့ သော In-Kind Banks အမျိုးအစားများတွင် ဝက်၊ ဆိတ်၊ မျိုးစေ့နှင့် ဆန် ဘဏ်များကိုသာ လက်ရှိအားဖြင့် လည်ပတ်လုပ်ဆောင်နေသည်ကို တွေ့ ရပြီး အတိတ်ကာလအတွင်း အကောင်အထည် ဖော်ဆောင်ရွက်ခဲ့သည့် cattle banks ကျွဲနွားဘဏ်များမှာမူ လက်ရှိတွင် အသက်ဝင်မှု မရှိတော့သည်ကို လည်းတွေ့ ရပါသည်။ အချို့ သော ဝက်နှင့် ဆိတ်ဘဏ်များမှာ ပိတ်သိမ်းပြီးဖြစ်ကာ ၎င်းတို့ ကို မူလ ရည်စူးထားသော လှုပ်ရှားမှုအတွက် ငွေသားချေးငှားမှုရန်ပုံငွေအဖြစ် ပြောင်းလဲထားသည်ကိုလည်းတွေ့ ရပါသည်။ ဤသို့ In Kind Banks များ ပိတ်သိမ်းခြင်း၏ ပင်မအကြောင်းရင်းမှာ ထပ်ကျော့ချေးငှားမှုသံသရာစက်ဝိုင်းအတွင်း ချေးငှား လိုက်သည့် ပစ္စည်း၏ အရည်အသွေးကို တည်မြဲအောင်ထိန်းသိမ်းထားရန် ခက်ခဲမှုပင်ဖြစ်သည်။ စပါးဘဏ်များကိုမူ ကျေးရွာ ၇ ခုတွင်တွေ့ ရပြီး VDC သို့ မဟုတ် SHG များမှ ဆန်ကို အလုံးအရင်းအလိုက် လက်ကား ချေးငှားပြီး သတ်မှတ်ထားသည့် အချိန်ကာလတစ်ခုတွင် ချေးယူသူမှ ငွေသားဖြင့်ပြန်လည်ပေးချေရပါသည်။ အချို့သော ဖြစ်ရပ်များမှလွဲ၍ အားလုံးသော ချေးငှားမှုများမှာ အတိုးပေးရသည်ကိုတွေ့ ရပါသည်။

Savings စုဆောင်းမှုများကိုမူ အားလုံးသော VDC နှင့် SHG မှ လုပ်ဆောင်ကြပါသည်။ မည်သို့ ဆိုစေ savings products စုဆောင်းမှုထုတ်ကုန်များ၏ သဘာဝပါ ကန့် သတ်ချက်များကြောင့် စုဆောင်းမှုများ၏ နယ်ပယ်အကျယ်အဝန်းမှာ လွန်စွာ ကျဉ်းမြောင်းသည်ကိုတွေ့ ရပါသည်။ သဘာဝ ကန့် သတ်ချက်များဆိုရာတွင် အစည်းအဝေးဆုံးဖြတ်ချက်အရ ချေးငှား နိုင်သည့် သတ်မှတ် ပမာဏမှာ နည်းပါးလွန်းခြင်း၊ စုဆောင်းမှုအတွက် အတိုးမရရှိခြင်း၊ VDC သို့ မဟုတ် SHG ၏ အဖွဲ့ ဝင် အဖြစ်မှ မနုတ်ထွက်လျှင် ပြန်လည်ထုတ်ယူနိုင်မှုစွမ်းရည်ကင်းမဲ့ခြင်း စသည်တို့ ဖြစ်သည်။ သည့်အပြင် စုဆောင်းမှုများ၏ အရေးပါမှုကို အဖွဲ့ ဝင်များအတွင်း နားလည်နိုင်စွမ်းကင်းမဲ့ ခြင်းသည်လည်း အကြောင်းအချက်တစ်ခု ဖြစ်ပါသည်။ အတိတ်ကာလတွင် စုဆောင်းမှုများကို ကျေးရွာ ၂၅ ခုတွင် ၇၆% ပြုလုပ်ခဲ့ပြီး လက်ရှိတွင် ၆၀% သာ ဆက်လက်လုပ်ဆောင် နေသည်ကိုတွေ့ ရပါသည်။ အသေးစားအာမခံ ပေးခြင်းကို ပြုလုပ်နေသော မိတ်ဖက်အဖွဲ့ အစည်းမှာ တစ်ခုတည်းသာရှိ၍ ၎င်းမှာ MCS ဖြစ်ပြီး ကျေးရွာ ၂ ခုတွင် အကောင်အထည်ဖော် ဆောင်ရွက်နေသည်ကိုတွေ့ ရပါသည်။

ချေးငွေ လက်လှမ်းမီမှု တိုးမြှင့်လာခြင်းမှာ VRF ၏ ပင်မရလဒ်ဖြစ်၍ SHG နှင့် VDC အဖွဲ့ ဝင်များမှ ၁၀၀% လက်လှမ်းမီမှု ရှိသည်ကိုညွှန်ပြနေသော်လည်း များစွာဖြစ်ရပ်များတွင် ရရှိနိုင်သောပမာဏမှာ လုံလောက်မှုမရှိသည်ကို တွေ့ ရပါသည်။ Cash loans ငွေသားချေးငွေများကိုမူ income generation activities ဝင်ငွေဖန်တီးမှု လှုပ်ရှားမှုများဖြစ်သည့် စိုက်ပျိုးရေး၊ မွေးမြူရေးနှင့် အသေးစားလုပ်ငန်းများအတွက် အဓိကထောက်ပံ့ကြပါသည်။ ချေးငွေထုတ်ကုန်များမှာ များစွာသော ဖြစ်ရပ်များတွင် အကျိုးခံစားခွင့်ရှိသူများ၏ လိုအပ်ချက်များနှင့် ကိုက်ညီသည်ကိုတွေ့ ရသော်လည်း ထုတ်ချေးသည့် ပမာဏ သည် စိုက်ပျိုးရေးတွင် တစ်ဧက အထက်စိုက်ပျိုးသော လယ်သမားများအတွက် လုံလောက်မှုမရှိခြင်းနှင့် မွေးမြူရေး စီမံချက်များအတွက်မူ repayment term ပြန်လည်ပေးဆပ်ရမည့်ကာလ မှာ လုံလောက်မှုမရှိခြင်း စသည်တို့ ကို သိသာ ထင်ရှားလှသည့်အချက်များအဖြစ်တွေ့ ရပါသည်။ SHGs နှင့် VDCs များမှ အစည်းအဝေးများအတွင်း စုဆောင်းငွေများ ကောက်ယူပြီး ဝင်ငွေဖန်တီးသည့် ရည်ရွက်ချက်များမဟုတ်သည့် ကျန်းမာရေးနှင့်ပညာရေးကဲ့သို့ သော ရည်ရွယ်ချက်များ အတွက်လည်း ရေတိုချေးငွေများ စတင်လုပ်ဆောင်နေသည်ကိုလည်းတွေ့ ရပါသည်။

အတိုးနှုန်းထားများမှာ လက်ခံနိုင်ဖွယ်ရှိသော အမှန်တကယ်အတိုးနှုန်း တစ်လလျှင် ၂%ခန့် ဖြစ်သည်ကိုတွေ့ရသည်။ ပြန်လည်ပေးဆပ်ရန် ကာလများကိုမူ ဤချေးငွေများမှ ထောက်ပံ့ ထားသော ဝင်ငွေဖန်တီးရေးလှုပ်ဆောင်မှုများမှ လာသည့် ငွေသားစီးဆင်းမှု အပေါ်မူတည်၍ စီစဉ်ဆောင်ရွက်ကြသည်ကိုလည်းတွေ့ ရသည်။ ဥပမာ တစ်ခုအနေဖြင့် စိုက်ပျိုးရေးနှင့် မွေးမြူရေးအတွက် ပြန်ဆပ်ငွေကို အလီလီမပေးဆပ်ရဘဲ ချေးငွေသက်တမ်းနောက်ဆုံးအချိန်တွင် အားလုံးပေးဆပ်ရသော စနစ် (Balloon Payment) များကိုတွေ့ရပြီး သွေဖည်မှုအချို့ ရှိသည့် တစ်ခုတရားသော ဖြစ်ရပ်များမှလွဲ၍ အသေးစားလုပ်ငန်း များနှင့် အခြားသော ချေးငွေများအတွက်မူ အရစ်ကျပေးချေမှုများကို တွေ့ ရသည်။ ထုတ်ချေးခြင်းနှင့် ပြန်လည်ရယူခြင်း နည်းနာမှာ ရိုးရှင်း၍ သင့်လျော်မှုရှိပေသည်။ ချေးငွားမှအကူအညီများနှင့်ပတ်သက်၍ ကျေးနပ်မှနှုန်းထားတွင် မြင့်မြင် မားမား အမှတ်ပေးထားကြပြီး ၈၉%သော အကျိုးခံစားခွင့်ရှိသူများမှ အတိုးနှုန်းနည်းပါးခြင်းကို ကျေနပ်ကြပြီး ၈၃% ကမူ ချေးငွားခြင်း စာရွက်စာတမ်းများ၏ ရိုးရှင်းမှုကို ကျေနပ်ကြသည်။

ချေးငွေများအသုံးပြုမှုနဲ့ ပတ်သက်လျှင်မူ အကြီးမားဆုံး အသုံးပြုသူ ၄၃ % မှာ စိုက်ပျိုးရေးကဏ္ဍတွင်ဖြစ်၍ အသေးစား လုပ်ငန်းများမှာ ၃၃% နဲ့ မွေးမြူရေး ၂၇% ဖြစ်သည်။ ချေးငွေများကို အကျိုးခံစားခွင့်ရှိသူများမှ non-income generation purposes ဝင်ငွေဖန်တီးရေး ရည်ရွယ်ချက်များမဟုတ်သည့် စားသုံးမှု ၂၈%၊ ကျန်းမာရေး ၁၇% နှင့် ပညာရေး ၂၅% တို့အတွက်လည်း အသုံးပြုကြသည်မှာလည်း ထင်ရှားလှသည့်အချက်ပင်ဖြစ်သည်။ VDCs များမှ loan product ချေးငွားမှ ထုတ်ကုန်များကို စားသုံးမှုရည်ရွယ်ချက်အလို့ငှာ အကောင်အထည်ဖော် ဆောင်ရွက်ခြင်းမဟုတ်သော်လည်း ချေးငွားသူများ ကမူ ချေးငွားမှုများကို ဤသို့ သော အခြား ရည်ရွယ်ချက်များအတွက်လည်း အသုံးပြုကြသည်ကိုတွေ့ ရသည်။ ချေးငွားမှုများ ကို ဤသို့ အသုံးပြုမှုအပြင် အချို့ သောသူများအတွက်မူ SHG/VDC ဝန်ဆောင်မှုများမှ ဖန်တီးထုတ်လုပ်လိုက်သည့် ဝင်ငွေ များကို အသုံးပြုနိုင်နေသည်မှာလည်း ပေါ်လွင်ထင်ရှားလှပေသည်။

ချေးငွားမှုများသည် ဝင်ငွေတိုးတက်မှုကိုဖြစ်စေခဲ့သည်ဟု ၇၀% သော အကျိုးခံစားခွင့်ရှိသူများမှ ဖော်ပြကြသည်။ ချေးငွားမှု အထောက်အပံ့များကို အသုံးပြုခြင်းဖြင့် ရရှိလာသည့် ဝင်ငွေတိုးတက် စေမှုနည်းလမ်းများကို တွေ့ ရသည်မှာ- ဝင်ငွေရရှိမှု အရင်းအမြစ်များ ပဒေသာစုံကွဲပြားစေခြင်း ၃၂% နှင့် တည်ရှိဆဲ သက်မွေးဝမ်းကျောင်းမှုအပြုအမူများကို တိုးချဲ့ နိုင်ခြင်း ၂၉% တို့ဖြစ်ကြသည်။

စပါးဘက်များရှိသည့် ကျေးရွာများတွင် ၅၇% သော အကျိုးခံစားခွင့်ရှိသူများမှ ဖော်ပြပြောဆိုသည်မှာ ၎င်းတို့ မိသားစု၏ စားနပ်ရိက္ခာဖူလုံမှုကို ဤဘက်များမှ တိုးမြှင့်စေခဲ့သည်ဟုဖြစ်သည်။ မြင့်မားလှသော အတိုးနှုန်းများ (တစ်လလျှင် ၁၀ % မှ ၂၀% ထိ) ထားရှိသည့်တရားမဝင် ငွေချေးငွားသူများထံမှ ချေးငွားသူများ၏ ရာခိုင်နှုန်းမှာလည်း ၅၅% (VRF များ မတိုင်မှီ)မှ ၃၂% (လက်ရှိ) သို့ လျော့ကျသွားခဲ့သည်ကိုလည်းတွေ့ ရသည်။ asset mortgage အထည်ပေါင်နှံမှု ရာခိုင်နှုန်းမှာလည်း ၂၉% (VRF များ မတိုင်မှီ) မှ ၂၅% (လက်ရှိ) သို့ မဆိုစလောက်လျော့ကျသွား သည်ကိုတွေ့ ရ၍ ၁၁% သော အကျိုး ခံစားခွင့်ရှိသူများကမူ VRF ချေးငွားမှုများ၏ ရလဒ်အဖြစ် အတိတ်ကာလ အထည်ပေါင်နှံရမှု အခြေအနေမှ လွတ်မြောက်ရာ ရခဲ့သည်ဟု ဖော်ပြကြသည်။

အကျိုးခံစားခွင့်ရှိသူများ၏ နမူနာအုပ်စုများထဲမှ ၇၃% သောသူများမှာ အမျိုးသမီးများဖြစ်၍ ၂၃%မှာ အိမ်ထောင်ဦးစီး အမျိုးသမီးများဖြစ်ကြသည်။ SHGs နှင့် VDCs မှတဆင့် အမျိုးသမီးများ ခံစားရရှိခဲ့သည့်အကျိုးကျေးဇူးများမှာ- စုဆောင်းမှုများနှင့်ချေးငွားမှု အထောက်အပံ့များကို လက်လှမ်းမီလာခြင်း၊ တိုးမြှင့်လာသောဝင်ငွေအဆင့်၊ တည်ရှိဆဲဝင်ငွေ ဖန်တီးမှုလှုပ်ဆောင်မှုများ ပိုမိုကောင်းမွန်လာခြင်း၊ လူမှုကွန်ယက်များ ဖွံ့ဖြိုးကျယ်ပြန့် လာခြင်းနှင့် ဗဟုသုတ တိုးပွားလာခြင်း စသည်တို့ ကိုတွေ့ ရသည်။ သို့ သော်လည်း ဤသို့ သော အကျိုးရလဒ်များတွင် ဝင်ငွေဖန်တီးရေး လှုပ်ရှားမှု အသစ်များကို စတင်နိုင်သည့် အရည်အချင်း နှင့် VRF အဆင့်ရှိ ဆုံးဖြတ်ချက်ချ အခွင့်အရေးရရှိနိုင်မှုတို့ တွင်မူ အမျိုးသမီးများအတွက် နိမ့်ကျဆဲဖြစ်နေသည်ကို တွေ့ ရပေသည်။

VRF သည် ရပ်ရွာလူထုအပေါ်တွင် ထင်ထင်ရှားရှား အကျိုးသက်ရောက်စေခဲ့သည်ကို တွေ့ ရ၍ သက်ကြီးရွယ်အိုများ၊ အလွန်အမင်းဆင်းရဲသူများ အစရှိသည့် ရပ်ရွာအတွင်းရှိ အပယ်ခံများကို အကူအညီပေးနိုင်ခဲ့ခြင်း ကျောင်းနေကလေးများ အတွက် စားနပ်ရိက္ခာထောက်ပံ့နိုင်ခဲ့ခြင်း တို့ ကို ပြုလုပ်နိုင်ခဲ့၍ အခြားသော အကျိုးကျေးဇူးများကိုလည်းဖြစ်စေခဲ့ပေသည်။

မည်သို့ ဆိုစေ မိတ်ဖက်အဖွဲ့ များအနေဖြင့် ဤသို့ သောသွင်ပြင်လက္ခဏာများအပေါ်တွင် အလေးထား ဆောင်ရွက်ခြင်း၊ ကျန်းမာရေးနှင့် သဘာဝပတ်ဝန်းကျင်ဆိုင်ရာ သော့ချက်ကျ အကြောင်းအရာများကို ပိုမိုသတိပြုနိုင်စေရန် အစည်းအဝေးများ မကြာမကြာကျင်းပပေးခြင်း နှင့် VRF အုပ်စုကို လူမှုရေးအားဖြင့် ပိုမိုတက်တက်ကြွကြွ လုပ်ဆောင်စေရန် စေ့ဆော်မှုပေးခြင်း စသည်တို့ ကို ပိုမိုလုပ်ဆောင်နိုင်ခဲ့သင့်သည်ဟု ထင်မြင်မိသည်။

VRF အတွက် ရန်ပုံငွေမှာ LIFT၏မိတ်ဖက်အဖွဲ့ များ၏ ထောက်ပံ့ငွေ ပေါ်တွင် ကန့်သတ် တည်ရှိနေပါသည်။ ယခုအချိန်ထိ VRF လည်ပတ်လုပ်ဆောင်မှုများမှာ စေတနာ့ဝန်ထမ်း လုပ်ဆောင်ချက်များဖြစ်၍ အကန့်အသတ်နှင့်ဖြစ်သော လုပ်ငန်း လည်ပတ်မှုကုန်ကျစားရိတ်ကို မူ ခေါင်းဆောင်များမှ စိုက်ထုတ်ကျခံ ဆောင်ရွက်နေခြင်းလည်းဖြစ်သည်။ ရန်ပုံငွေများမှာ ပျမ်းမျှအားဖြင့် နှစ်စဉ် ၂၆% တိုးတက်လာ၍ ဤပမာဏမှာ မှတ်သားထိုက်သော အောင်မြင်မှုပင်ဖြစ်သည်။ ဤလည်ပတ် လုပ်ဆောင်မှုများ၏ အသားတင်အမြတ်အစွန်းကြောင့်ဖြစ်၍ စုဆောင်းမှု များကြောင့်လည်းဖြစ်သည်ဟု ကန့်သတ် အတိုင်းအတာတစ်ခုဖြင့် ဆိုနိုင်ပေသည်။ အဖွဲ့ဝင် အရေအတွက်ကြီးထွားလာခြင်းတွင်မူ SHGs များတွင် ပိုမိုတုန့်နှေးသွား၍ VDCs များတွင် ပိုမိုထင်ရှားလာပြီး ပိုမိုအသက်ဝင်လှုပ်ရှားလာသည်ကို တွေ့ရသည်။ SHGs နှင့် VDCs များကို 10 parameter grid အချက်အလက် ၁၀ ခု ဇယားကွက်ကို အသုံးပြု၍ နန်းထားပေးအကဲဖြတ်ကြည့်ရာ SHGs များသည် VDCs ထက် ပိုမိုကောင်းမွန်စွာ လုပ်ဆောင်နိုင်ကြသည်ကိုတွေ့ ရပေသည်။

VDCs နှင့် SHGs များရင်ဆိုင်ရသော စီမံချက်ပိတ်သိမ်းပြီးနောက် စိန်ခေါ်မှုများမှာ များပြားလှ၏။ မိတ်ဖက်အဖွဲ့ များ၏ စီမံချက် ပိတ်သိမ်းပြီးနောက် စောင့်ကြည့်လေ့လာမှုမရှိခြင်း နှင့် နောက်ဆက်တွဲထောက်ပံ့မှု ကင်းမဲ့ခြင်းသည် အချို့သော ကျေးရွာ များတွင် VRF လုပ်ငန်းလည်ပတ်မှု ပိတ်သိမ်းခြင်းကိုဖြစ်စေပြီး ၊ စာရင်းဇယားထိန်းသိမ်းမှုအရည်အသွေးနှင့် ပုံမှန် အစည်းအဝေးများပြုလုပ်ခြင်း အစရှိသော အခြားကိစ္စရပ်များကိုလည်း ချည့်နဲ့ ပျက်စီးစေကာ အနာဂတ် လုပ်ငန်းလည်ပတ်မှု ကို အပျက်သဘော ထိခိုက်နေပေသည်။

SHGs များ၏ သက်သေထူပြီးအောင်မြင်မှုများ နှင့် VDCs များ၏ တစ်စုံတစ်ရာအထမြောက်မှုများအပေါ်တွင် အခြေခံ၍ ၎င်း မြန်မာနိုင်ငံ အပူပိုင်းဇုန်ဒေသ၏ လူမှုစီးပွားအခင်းအကျင်းကို ထည့်သွင်းစဉ်းစား၍၎င်း၊ မြန်မာနိုင်ငံနှင့် အခြားသော တိုင်းပြည်များ ဖြစ်သည့် အိန္ဒိယ၊ ထိုင်းနိုင်ငံ နှင့် သီရိလင်္ကာ နိုင်ငံတို့ ၏ အတိတ်ကာလ အတွေ့အကြုံများကို ထည့်သွင်းစဉ်းစား၍ ၎င်း၊ ဤလေ့လာမှုမှ အကြံပြုတင်ပြလိုသည်မှာ SHGs ပုံစံ VRFများကို ပိုမို တိုးမြှင့်လုပ်ဆောင်သင့် သည့်အပြင် ပိုမိုရွှံ့စည်းမှု နှင့် စုစည်းမှုရှိသော ရေရှည်တည်တံ့ခိုင်မြဲစေမည့်ချဉ်းကပ်မှုဖြင့် ကျယ်ကျယ်ပြန့်ပြန့် ချဲ့ထွင်လုပ်ဆောင်သင့်သည်ဟူ၍ ဖြစ်သည်။

ဤနည်းလမ်းအားဖြင့် အကြံပြုချက် အမျိုးအစား ၂ ခုကို တင်ပြထားပါသည်။ လက်ရှိ VDCs နှင့် SHGs များ ရေရှည်တည်တံ့ ခိုင်မြဲမှု နဲ့ ပိုမိုကောင်းမွန်စေရေးအတွက် မူ အကြံပြုလိုသည့် လုပ်ဆောင်စရာ နည်းလမ်းများမှာ - စုဆောင်းမှုများနှင့် အာမခံများကိုပိုမိုတိုးတက် ကောင်းမွန်စေမည့်ယန္တရားများ တည်ဆောက်ခြင်း၊ Loan size ချေးငှားမှုပမာဏ တိုးမြှင့်ပေးနိုင် စေရန်အတွက် VDCs နှင့် SHGs အားရန်ပုံငွေတိုးမြှင့်ထောက်ပံ့ခြင်း၊ capacity building စွမ်းဆောင်ရည်တည်ဆောက်သည့် ယန္တရားများ၊ ရန်ပုံငွေကွင်းဆက်များ၊ ပိုမိုကောင်းမွန်သည့် စောင့်ကြည့်လေ့လာမှု ယန္တရားများ ထူထောင်ခြင်း၊ ဆန်ဘဏ်များ တိုးမြှင့် လုပ်ဆောင်ခြင်း၊ နှင့် အခြားသော ပစ္စည်းဘဏ်များကိုမူ ရပ်ဆိုင်းခြင်း အစရှိသည်တို့ ဖြစ်ပေသည်။ သို့ သော်လည်း အဖွဲ့ ဝင်များ၏ စုဆောင်းမှုများကို ရင်းနှီးမြုပ်နှံထားသည့် အုပ်စုလိုက်စီမံခန့်ခွဲမှု လုပ်ငန်းများ တိုးမြှင့်ခြင်းကိုမူ ရှောင်ကြဉ်ရန် အဖြစ် အကြံပြုတင်ပြလိုပေသည်။

ထို့ပြင် အပူပိုင်းဇုန်အတွင်းရှိ ဖြစ်နိုင်သော ကျေးရွာများအားလုံးအတွင်း SHGs များကို တိုးမြှင့် လုပ်ဆောင်ရာတွင် ၎င်းတို့ ၏ ပြန့်နှံ့တည်ရှိမှု ကို မြေမျက်နှာသွင်ပြင်အလိုက်ချဲ့ ထွင်သွားရန် ကိုလည်း အကြံပြုတင်ပြလိုသည်။

အခြားသောနည်းလမ်းအနေနှင့်မူ SHGs ဖက်ဒရေးရှင်းများကို ဖွဲ့စည်းနိုင်ပေသည်။ ဤတွင် ကျေးရွာအဆင့် SHGs ဖက်ဒရေးရှင်းအသီးသီး၏ ကိုယ်စားလှယ်များဖြင့် ဖွဲ့ စည်းထားသော ပိုမိုကြီးမားသည့် အဖွဲ့ အစည်းများကို တည်ထောင် ခြင်းလည်းပါဝင်ပေသည်။ မြို့ နယ်အဆင့် ဖက်ဒရေးရှင်းများကို ကျေးရွာအဆင့် SHGs ဖက်ဒရေးရှင်း၏ ကိုယ်စားလှယ်

များဖြင့် ဖွဲ့စည်းတည်ထောင်နိုင်၍ ဤနည်းအားဖြင့် ၎င်းတို့ အချင်းချင်းကြားတွင် မိတ်ဖက် အဆင့် SHGs ဖက်ဒရေးရှင်းများ သို့မဟုတ် နိုင်ငံတော်အဆင့် SHGs ဖက်ဒရေးရှင်းများ ထူထောင်ပြီးသား ဖြစ်ပေလိမ့်မည်။

သည့်အတွက်ကြောင့် ပင် SHGs များကို တိုးမြှင့်ဖော်ဆောင်ရာတွင် Microfinance Act of Myanmar မြန်မာနိုင်ငံ အသေးစား ချေးငွေ အက်ဥပဒေ နှင့်အညီ ၎င်းတို့ကို ရပ်ရွာ မှပိုင်ဆိုင်ပြီး ရပ်ရွာမှပင် စီမံခန့်ခွဲသည့် MFI အသေးစားချေးငွေ အင်စတီကျူးရှင်းများ အဖြစ်ဖန်တီးရန်ဟူသော ရေရှည်အမြင်ဖြင့်ဖော်ဆောင်အပ်ပေသည်။ ဤကဲ့သို့သော ဖက်ဒရေးရှင်းများ ကို ရေရှည် ငွေကြေးအထောက်အပံ့ရယူရန်ဟူသော အမြင်ဖြင့် ဘဏ် သို့မဟုတ် အသေးစား ချေးငွေအင်စတီကျူးရှင်း တစ်ခုခုနှင့်လည်း ချိတ်ဆက်ထားနိုင်ပေသည်။ SHGs များအတွက် စွမ်းဆောင်ရည်မြှင့်တင်ပေးသည့် ကိုယ်စားလှယ်များ ဖြစ်လာစေရေး အတွက် အနည်းငယ်သော NGOs အစိုးရမဟုတ်သည့်အဖွဲ့ အစည်းများကိုလည်း အားပေးကူညီနိုင်ပါသည်။

ဤချဉ်းကပ်မှုနည်းလမ်းများသည် financial and social inclusion ငွေကြေးဆိုင်ရာနှင့်လူမှုရေးဆိုင်ရာ ပူပေါင်းပါဝင်မှုကို တိုးမြှင့်စေမည့် အခြားနည်းလမ်းဖြစ်သော၊ ရေရှည်တည်တံ့ခိုင်မြဲစေသော၊ ယန္တရားများ ဖြစ်သည့်အပြင် တဖက်တွင်လည်း မြန်မာနိုင်ငံအတွင်း လက်ရှိ ကြီးထွားလာနေသော၊ ၎င်းတို့၏အမြတ်အစွန်းစေ့ဆော်မှုကြောင့်ပင် ဆင်းရဲသားများကို ထပ်ဆင့် ဖယ်ထုတ်ရန်အလားအလာ ရှိနေသော၊ ပုံစံကျ အမြတ်အစွန်းအခြေပြု အသေးစားချေးငွေအင်စတီကျူးရှင်းများ ၏ အပြိုင် ယန္တရားတစ်ခုကို တည်ထောင်ပြီးသားဖြစ်စေလိမ့်မည်။

1 BACKGROUND TO THE STUDY

1.1 Context

This Study was carried out in Dry Zone areas of Myanmar. The country has a total population of 51.4 million people comprising 52% females with a population density of 76 people per square Kilometre. The unemployment rate is 4% for aged between 15 to 64 years (Myanmar Population and Housing Census, 2014). As per 2010 data the countries national poverty level was at 25.6% (IHCLA , 2009-2010).

Myanmar in 2011, had a GDP amounting to about US\$ 55 billion, averaging US\$ 916 per capita, and its annual GDP growth rate was 5.5%. In 2010, the agriculture sector accounted for 36% of GDP, the service sector 38%, and the industrial and manufacturing sector 26%. (www.ruralpovertyportal.org)

The rural poor typically consist of the landless, farmers with access to small and marginal landholdings (usually less than 2 hectares each). Most of the poor live either in the central Dry Zone, where soils are sandy, rainfall low and population density high – or in hill tracts populated by ethnic groups, which are remote, have limited arable land and have been affected by conflict (www.ruralpovertyportal.org)

The central regions of Mandalay, Magway and Lower Sagaing, known as the “Dry Zone” covers



25% of the country’s total land area of 676,577 square Kilometres. In the Dry Zone areas, 60 % of households are farmers and 40% are landless. (www.irinnews.org)

Townships within which 25 villages surveyed are given in the figure 1 below

The current population of Myanmar’s 3 Dry Zone regions is 15,408,125 which comprise the 30% of total population of the country. Of these, a significant majority are rural residents (76%). Population density is approximately 91 people per square Kilometre which is 1.2 times that of the national average (Myanmar Population and Housing Census, 2014)

In 2010, the poverty levels in Mandalay and Magway were 27% and in Sagaing the poverty level was 15%. Mandalay has been identified as the second largest region contributing to national poverty by 5% to the total poverty in 2010 (IHCLA , 2009-2010)

Agriculture is an important factor contributing to improved food security in the Dry Zone. In 2009, 40% of farming households cultivated a plot below

Figure 1: Map showing research locations in the dry zone of Myanmar

subsistence level (< 2 acres) and this share had reduced to 22% in 2010. Further 41 % of farming households were affected by dry spells or drought during the 2010 agricultural season, which in turn negatively impacted their food security status. Households affected by both drought and high debt levels, are amongst the most food-insecure groups within the Dry Zone (Poe, 2011).

With regard to microfinance industry in Myanmar, CGAP and IFC (2013) with limited data estimated that total outreach of microfinance supply in Myanmar is 2.8 million clients and 236 billion MMK (US \$ 283 million) loan portfolio. The demand is estimated at US \$ 1 billion.

1.2 Introduction

The Overall aim of the Livelihoods and Food Security Trust (**LIFT**) Fund is to assist Myanmar achieve Millennium Development Goal 1²: The eradication of extreme poverty and hunger, by contributing towards sustainably increasing food availability and incomes of more than two million target beneficiaries. Working through a trust fund modality, LIFT's purpose is to sustainably reduce the number of people in Myanmar living in poverty and hunger, through four outcomes:

1. *Increased incomes of rural households*
2. *Increased resilience of poor rural households and communities to setbacks and change*
3. *Improved nutrition of women, men and children*
4. *Improved policies and effective public expenditure for pro-poor rural development*

LIFT's financial inclusion strategy promotes formal access to financial services for poor households. In the rural villages where microfinance services are not available, LIFT supports community managed savings and loan schemes, also referred to as Village Revolving Funds.

1.3 Village Revolving Fund Model

The Village Revolving Fund model (VRF) has been used in LIFT projects since 2011, as a tool to support the sustainability of project inputs, as well as to promote access to small savings and loans.

As per the Terms of Reference (TOR) of this study given in the Annex 01, the VRF models use two approaches:

1. *Interest groups: Interest groups (E.g. livestock groups and farmer groups), wherein group members manage project inputs and set up a common fund.*
2. *Self-help groups: Women from poor households form into small groups and make regular savings. By the end of 2013, LIFT implementing partners in the Dry Zone reported that a total of 7,444 households from 1,444 villages were participating in VRF groups. As at date, some of the projects have already been completed.*

² <http://www.un.org/millenniumgoals/poverty.shtml> - MDG1 - Reduce by half the proportion of people living on less than a dollar a day; achieve full and productive employment and decent work for all, including women and young people; reduce by half the proportion of people who suffer from hunger

1.4 Objectives of the Study and Key Research Questions

The objective of this study is to assess the role, effectiveness, and sustainability of VRF groups and the extent to which they are providing sustainable access to financial services at the rural community level.

There were six key research questions given in the TOR as listed below:

- a) *What are the types of VRF groups?*
- b) *What percentage of the VRF groups is still functioning after the project ended, and what scale?*
- c) *What are the factors contributing to functioning status and others contributing to manufacturing status?*
- d) *How has the group members benefited from the VRF activities (with analysis from the perspectives of financial inclusion and social protection)?*
- e) *How have the VRF been functioning after the project ended (e.g. their financial performance financial controlling, setting interest rate, size of total assets, etc.)*
- f) *What are the issues and challengers for sustainability of the different types of the VRF groups (e.g. cash and non-cash) and the recommended solutions of them?*

1.5 Methodology

The two key components of the study were the Literature Review and the Field Research. In-depth literature review on VRF, SHG and VDC was undertaken and the findings have been included in this report.

1.5.1 Field Research

A list of 208 villages, representing five Implementing Partners (IPs) namely DPDO, AAM, ADRA, Mercy Corps and MCS that have implemented VRF work at the field level was given by LIFT as the population to make the study sample. ADRA has collaborated with AAM to implement certain activities of the VRF projects as explained in the section 3.2 of this report. Thus AAM has worked in certain villages as the IP and in certain villages supported ADRA as a Joint Partner (JP) to implement the VRF work. Some IPs have worked with local NGOs for implementation of field work and such local NGOs that are not directly linked with LIFT are titled as Sub Implementing Partners (SIPs) in this report.

208 villages consisted of 146 Dry Zone Villages and 62 Non Dry Zone villages. Two international consultants and a local consultant visited the selected IP's offices in Yangon, and the villages in all 3 regions in the Dry Zone to gain insight about different types of VRF models and approaches implemented by each partner. Details of types of VRFs available in each village were collected during these visits. Based on findings of these preliminary visits, a random sample of 25 villages as specified in the TOR was selected ensuring widespread representation, taking following factors into consideration.

- a) *Representation of all the IPs and SIPs.*
- b) *Representation of all 3 regions in the Dry Zone by 23 villages in proportionate to the total number of VRF project villages in the Dry Zone areas. Representation of Non Dry Zone areas by 2 villages.*
- c) *Inclusion of different types of VRF such as - SHGs and VDCs, Cash and all types of In kind VRFs.*

IP-wise, region-wise details of sample villages are given in the table below.

Table 1-1: No of villages selected for the study from different regions and different IPs

IP	Dry Zone			Total	Non Dry Zone areas	Total
	Magway	Mandalay	Sagaing			
DPDO	4			4		4
AAM	5			5	1	6
ADRA	7			7		7
Mercy Corps		6		6		6
MCS			1	1	1	2
Total	16	6	1	23	2	25

Field research was commenced on the 20th of June, 2015 and completed on the 9th July 2015. The following tools and techniques were used in the study.

1.5.2 Household Questionnaire Survey

The questionnaire survey was done in 453 households in 25 villages. A random sample of 21 beneficiaries from Kan Ywar Lay village and 18 beneficiaries from each of the remaining 24 villages was selected for the household survey. The household survey questionnaire is given as Annex 02 of this report.



Figure 2: Conducting HH questionnaire survey

1.5.3 Qualitative Tools (FGDs³, KIIs⁴, FCAs⁵ and Case Studies)

The total number of Focus Group Discussions conducted was 49 and these FGDs were conducted as per the details provided in Table 1.2 below, with members of SHGs and VDCs, leaders of SHGs and VDCs, staff of IPs and non-members in the villages. FCAs were carried out in all 25 villages with the participation of VRF leaders in order to understand the operation and management of VRF. Two inactive VRFs were also visited additionally as part of the study and discussions held with the previous leaders. Village leaders, livestock and agriculture extension officers, staff of The Department of Planning and The Department of Rural Development and The Department of Cooperatives were interviewed as key informants. Further, 12 case studies of beneficiaries were compiled to understand the operations, success, failures, issues and challenges of VRFs.

³ FGD is administration of mix of participatory research tools which are strong enough to collect qualitative data useful for in depth analysis of research objectives and questions with the participation of 8 – 12 homogeneous group of people (Ex: VDC leaders, SHG members).

⁴ Key Informants Interviews (KIIs) is a face to face discussion with a stakeholder of a VRF to extract the views, experiences and knowledge related to VRF work in the village/s.

⁵ Functional Capacity Assessment (FCA) is extracting information related to operation, management and governance of the VRF from books and records of the VRF, study various documents and processes used in the VRF through detailed discussions with leaders.

Table 1-2: Number of qualitative studies undertaken in the Research

FGDS		Other research tools	
Type of respondents	No of discussions conducted	Type of respondents	No of discussions conducted
SHG/VDC members	25	FCA	25
SHG/VDC leaders	10	Inactive VRF discussions	2
IP Staff/functionaries	5	Case Studies	12
Non members	9	KIIs	19

Altogether, approximately 500 people contributed to the qualitative studies, in addition to 453 individual households interviewed. The list of research tools used in each village are given in the Annex 03.

In order to assess the adequacy of loans for different income

generation activities promoted by VRF, data was also collected from relevant beneficiaries in relation to costs of those activities (product cost analysis).

There was 10 staff directly involved in the household survey with another 11 staff, including 6 consultants and 4 translators and research assistants, involved in the qualitative study component. The full staff details are given in the Annex 04.

1.5.4 Data Quality Assurance

The HH survey team was given a comprehensive 3-day training program on microfinance and on household survey methodology and approach. Each question in the household survey was explained in detail and enumerator guidelines were provided to the team. There was a supervisor per 3 enumerators who monitored the quality of data collected in field through observations, random rechecking of answers from the respondents and for checking completeness and consistency of questionnaires. Another mechanism for monitoring the quality of data collection was two local consultants tasked with checking the accuracy of data on a sample basis in the evening every day. Data entry was supervised by an international consultant on a daily basis, thus ensuring zero errors in processed data. The tools for FGDs were made in flipcharts and information was collected using PRA techniques to ensure participation, accurate recording of data and the quality of data.



Figure 3: Conducting a key informant interview with village administrator in Min Gun Village

2 LITERATURE REVIEW

This section reviews the literature on Village Revolving Funds (VRF) focusing different models, their features, challenges and lessons from Myanmar and other countries together with a detailed purview of recommendations made in literature for VRF work.

2.1 Village Revolving Funds

According to CGAP focus note, May 2006, VRF is a credit fund to the members of a small group managed by the members themselves, with no professional management or supervision of the approval, disbursement, and collection of loans. These funds are referred to by a variety of names, including community managed loan funds, self-managed village banks, accumulating savings and credit associations (ASCAs), and community-based finance. According to Menkhoff & Rungruxsirivorn (2009) improving the supply side of rural credit markets is one of main objective of VRFs. Menkhoff & Rungruxsirivorn (2009) also demonstrated common features of VRF customers such as an intermediate income level, which is generally lower than customers of formal financial institutions. Another common feature identified is the purpose of borrowing which includes production as well as consumption purposes and credit terms are in between typical formal and informal terms.

2.2 SHGs & Different SHG Models

Amongst VRF operating structures, SHG models are widespread compared to others. The origin, as per most frequently found records, of SHGs as a financial and social empowerment tool for the poor is in India by Seva, a large local NGO for working women in Ahmadabad. From 1972 to 1976 Seva organized women textile workers into SHG's. This was scaled up and professionalized in India by Myrada (Aloysious, 2000). UNDP Myanmar invited Myrada to assist them to commence the establishment of SHGs in their Human Development Initiative (HDI) program in 1997. They have formed over 5500 SHGs, with 74,377 members in over 2552 rural villages, 99% of the members being women. Loans worth US\$ 72 million have been disbursed and funds over US\$ 22m remain (www.mmundp.org).

Literature shows different SHG models and a preferred mode of classification is: SHGs that are started by villagers themselves with savings and continue with credit from savings, SHGs which are started by donors and with external capital as found in the LIFT Project in Myanmar and SHGs that start with savings, but are provided influx of capital after they prove themselves.

There are different opinions on best approach with some advocating the first approach is the best (www.apmas.org & www.gdrc.org). It further says that SHG-Bank linkage is the main reason for the success of VRF and these linkages helped SHGs not to depend on grants but be based on loans. This intervention i.e. linking SHGs with banks was pioneered in India by National Agriculture Development Bank (www.nabard.org). The following three models of linking SHGs and Banks were seen therein in India:

Model I - provide all bank assistance directly to SHGs without any intervention facilitation by any NGO.

Model II - provide all bank assistance directly to SHGs with facilitation by NGOs/other formal agencies.

Model III - provide all bank assistance through NGOs as facilitator and financing agency.

This approach of linking SHGs with banks was piloted in 1992 by NABARD to finance 500 SHGs across the country, resulted in 34.77 lakhs SHGs being credit linked by March 2008. Further, the programme has enabled an estimated 409.5 Lakh poor households to gain access to microfinance from the formal banking system as on 31 March 2007(www.nabard.org) (www.acedmia.edu). Research shows that SHGs are most effective in less developed areas than in developed rural areas (M.Anjgam, 2010) Jeniffer (2009) pointed out that many well executed SHG's are achieving financial sustainability including covering all promotion costs.

2.3 Other VRF Models

In addition to SHGs, literature reflects the existence of other types of VRF models such as Community Based Organisations/ Community Based Financial Organisations (CBOs/ CBFOs) and Village Development Counsel/ Committee (VDCs) (Menkhoff & Rungruxsirivorn, 2009; Boonperm et al., 2012). In some models, all villagers are eligible to be members as in the case of VDC model promoted by the LIFT project. Gaiha (2001) describes VDC as not totally focusing microcredit and it is an implementing body of village development including facilitating micro credit.

Rajasthan Rural Credit Project (RRCP) in India is also based on the VDC approach. VDCs under RRCP practiced two channels of credit that are individual and through SHGs. Under the RRCP, VDC is the responsible body implementing credit facilities with a CB (Commercial Bank or Participating bank). Some of the VRFs are government sponsored as seen in Thailand (Menkhoff & Rungruxsirivorn, 2009). Some are donor initiated as in LIFT's own work with or EU work in Laos in 600 villages (www.luxdevelopment.lu) or IFAD's work in Mali, Guinea and Central Africa. The advantages of VDC compared to SHGs are few. The main disadvantages are greater opportunity for elite capture, less cohesiveness as the group is larger; mix up with local level government work and thus the potential influence of politics (Gaiha, 2001).

A CGAP focus note "Community Managed Loans Funds - Which ones work?" states that externally funded CMLFs practically never work, because they have to "swim against the stream of the natural incentives of group members". The success is so low and not recommended for development agencies to implement. Further, it says savings-based CMLFs that use no external capital perform surprisingly well and SHGs, most of which have bank linkages, have shown a mixed performance, but results obtained by the bigger and better programs suggest that the model itself is effective when it is implemented competently. (www.cgap.org).

Womens Development Federation (WDF) in Sri Lanka has four levels of federated organisations namely small groups, Women Societies (WS), Janashakthi Banking Societies (JBS) and WDF as apex. There are 7,263 small groups, 740 WS and 99 JBS. The Presidents of WS are federated and make the JBS. Selected JBS presidents are federated and make the executive committee of apex WDF. The membership of 35,114 women, savings LKR 232 million (US\$ 1.75 million), loan portfolio of LKR 378m (US \$ 2.9 million), 0% Portfolio at Risk (PAR) and 180% Operational Self Sufficiency (OSS) are achievement of WDF by end of 2008. (Mithrarathne. 2009).

Gaiha (2001) compared operations of VDC with SHGs and highlighted that functions of VDCs were neither participatory nor transparent and also dominated by influential persons. This research reflected that SHGs, in contrast, represent poor better in the sample.

2.4 Indian Experience on Scale and Impact of SHGs

By March 2014 In India, there were 74.3 lakhs of SHG's with 97 million members and savings of 98.97 billion rupees (US \$ 1.5 billion). Loans outstanding amounted to Rs.42.97 billion (US\$ 648 million). Further, 571 Banks provides loans to SHG's with the support of Indian Government (NABARD, 2014).

Average loan size of an SHG member is Rs 4570 (US \$69.27) and of the MFI customer is Rs 6,060 (US\$ 91.8) in 2009 in India (M.Jaydev, 2010). Thus it was 75% of a MFI loan which includes profit motivated large loans given by commercial MFI's. In countries like India and Myanmar where a large percentage of the population is poor, access is more important than loan size. Commercial agencies provide larger loans and the thus poor get left behind as has happened in Latin America due to commercialisation. (Jaydev, 2010).

2.5 Non-Financial Work by Community Based Financial Institutions (Group Businesses and Contracts)

Group business and group economic activities are two common practices of CBFIs. Many of these are promoted by NGOs and agencies supporting these groups but some originate by the people themselves. (Aung, 2008). According to Aung (2008) such enterprises have enabled women to collectively access and manage assets or contracts, which individually or at a household level, they may lack the capacity to do. Nearly all of these contracts turned out to be short-lived and non-viable, with unrealistic margins, and problems of managing cash flows and supplies emanate from a notoriously non-transparent system, quite apart from women's lack of experience in handling such a system (Sinha, 2009). Group businesses are not encouraged in UNDP project in Myanmar after bad experience in early years (www.mmundp.org).

2.6 Challenges in VRF

As per Sinha (2009) there are barriers inherent in the conditions of membership for a group formed to mediate financial transactions at regular meetings, as savings and loan repayments can pose difficulties. Sinha (2009) further says economic characteristics of the poor and very poor such as seasonal wage employments, variable or uncertain incomes will create defaulters as well as possible drop-outs. Leaders are accessing more credit especially over a longer time frame (northern delta, Orissa particularly) and lending by individual members or by the group lending to non-members (18% of the sample) resulting from supply-driven credit distribution to SHGs can also be noted (Sinha, 2009).

As per Michel Hemp et.al (2004), the possibilities to elite capture is another challenge as CBFs are often established in villages with a strong hierarchical structure and power relationships. Given the attraction of accessing "free money", local elites (e.g. village chiefs or large-scale farmers) are often tempted to take over CBFs for their own interests, while neglecting the interests of members. This literature further highlights that lack of management skills, weak governance and restricted range of products and services are also other challenges. According to Michel Hemp et.al (2004) CBFs are able to keep records but they cannot convert data into useful information for decision-making. Even though their basic records were sufficient, only a fraction of CBFs had a good understanding of their financial status

2.7 Strengths of VRF Compared to Formal MFIs

Michel Hemp et.al (2004) have identified one of the key advantages of VRFs as the considerable outreach in remote areas at a relatively low cost compared to that of more formal financial institutions. Further strengths are, empowerment through group memberships which create an ownership, and the possibility of linking with the formal financial sector, a linkage which ordinarily a poor member of a remote village is unable to create or disinterested in creating. The strengths of CBFOs are the encouragement of a savings culture and the lower PAR (In India after 13 years of Commercial Banks lending to SHG's the PAR was 0.93% compared to overall commercial bank PAR of 2.65%).

As per Fernandez (2011), positive aspects of the SHG model are low cost per borrower and the reduction of the possibility of large scale loss through spreading money amongst members. However, as per Geroge (2010) MFI's were faster and SHGs loan supply may be inadequate due to lack of capital

2.8 Lessons and Recommendations from Previous Studies done in Myanmar.

As per Aung (2008) following lessons and recommendations can be identified

- *SHG's have improved economic well-being of members and enhanced their productive assets*
- *Villagers have widened social networks on an individual and on a household basis and increased mutual help among the Self Reliance Group members in labour and non-monetary assistance*
- *Social welfare has improved with better health conditions in SHG members due to health loans*
- *Economic empowerment of the poor to access credit at relatively low interest rates, under flexible rules and regulations set by members, contributed to the betterment of the poor in different perspectives.*
- *Members have a vision to develop village infrastructure using profits of revolving fund at the time the common funds are still small.*
- *There is a need to simplify book keeping*
- *Exposure visits and cluster meetings have provided them much learning than class room training.*

2.9 Lessons and Recommendations from Previous Studies done Internationally

Akash (2009) made following first 3 recommendations for VRFs

- *Improving financial literacy i.e. educating users on the benefits of financial products and developing the skill to compare and evaluate products and make sound financial decisions.*
- *Reaching the unbanked i.e. products must be developed in a way that takes into account typical non-users, including the rural poor and farmers involved in activities that are difficult to finance.*
- *Seeking help when it is appropriate. The introduction of a second-tier organization can bring valuable knowledge and capacity; however it may also bring unwanted interference and mistrust.*

- *Community Managed Loans Funds (CMLF) projects need to significantly enhance reporting performance, because reporting performance tends to improve performance specifically in the areas of outreach, loan repayment, and basic group functional information (www.cgap.org)*
- *Capacity-building in organizational development is much needed since many rural CBFOs lack the capabilities for efficient and effective savings and loan management (Hemp, 2007)*
- *There is evidence of socially and economically active women in villagers who have taken over the SHG leadership and membership, It is also noteworthy that there is an incidence of high drop out in SHG's promoted by government.*
- *Limited range of savings products was also reported as an issue (www.apmas.org).*

3 DIFFERENT APPROACHES OF PARTNERS TO THE VRF MODEL AND BENEFICIARY DEMOGRAPHICS

VRFs having following objectives were established in the villages by implementing partners (IPs).

1. *To provide loans for income generation activities such as agriculture, livestock, micro businesses*
2. *To provide loan facilities for other financial needs such as health education and consumption needs*
3. *To provide In Kind loans such as animals, seed and rice in good quality to the villages at a reasonable price*
4. *To provide loans at a reasonable interest rate and other terms.*
5. *To Provide non financial services such as fertilizer sales and farm machinery services*
6. *To manage cash and In Kind funds for these loans*
7. *To assist very marginalized families such as disabled and elders*
8. *To enhance knowledge and skills of members for income generation activities*
9. *To provide savings and insurance in a very limited scale*
10. *To help village development activities in a limited scale*

IPs have adopted different approaches in establishing VRF in villages. Following are certain salient features of these approaches.

3.1 Integrated Rural Development or Specific Sector Development Approach

Four IPs, namely DPDO, AAM, ADRA and Mercy Corps had integrated rural development approach to the villages, moving beyond mere microfinance. The other elements included training and capacity development, disaster mitigation, water and sanitation and many more. MCS had a sector development approach where MCS focuses on people working in the ceramic or clay pot making industry. MCS, in addition to the promotion of microfinance, work in many areas related to this industry, such as promoting appropriate kiln technology, firewood supply and designing and painting pots and marketing such products.

3.2 Implementing Partner (IP), Sub Implementing Partner (SIP) and Joined Partner (JP)

LIFT has implemented VRF program with five IPs. Two of these IPs, AAM and Mercy Corps have implemented their VRF activities with sub partners. In the sample villages, AAM has used this strategy in all 6 villages they worked in and sub partners were ECLOF, RMO, SDF and MCC. Mercy Corps implemented the program with the sub partner CDA in 4 villages while the implementation of VRF project in the other 2 villages was done by Mercy Corps, by themselves. ADRA has collaborated with AAM to implement certain activities in all ADRA villages. AAM in those villages is considered as the Joint Partner (JP).

3.3 Establishment of Village Volunteer Network Titled as 'Fellows'

Two IPs, namely AAM and ADRA have created a position called "Fellow", in order to facilitate LIFT program activities (including VRF activities) in villages. 'Fellow' is a youth in the village, appointed and trained by the partner or sub partner as a change agent for the village. A fellow was entitled to

receive an allowance for the work during the project period. However, most of them have not been paid currently by the IP, since the projects are concluded. However, most of the Fellows continue to support VRF work on a voluntary capacity. While this approach of capacity development can be identified as a positive aspect in the sustainability of VRF work in the village, there had been some incidences where the ‘Fellow’; has negatively impacted on the development of VRF⁶.

The fellow population reflect sufficient gender representation. During the discussion had with AAM, it was revealed that women prioritize and attach more significance to their position of Fellow because the project attempts to make a balance both equity and equality approach in terms of promoting gender equality.

3.4 Targeting Poor and Vulnerable

SHG and VDC leaders, except in DPDO and MCS, stated that their target group is the very poor people in the village except for the benefits of the Rice Bank. Following are the criteria generally used to select poor households by most SHGs and VDCs.

- i) Landless farmer
- ii) Number of farm animals belongs to family
- iii) House Condition
- iv) Number of children in the family (E.g.. in ADRA – more than 5 children).

Priority given for,

- v) Having a person with a disability in the family.
- vi) Widower or head of a women headed households.

Mercy Corps classified poverty level of HHs as follows. Level 1, 2 and 3 are the preferred inclusions.

- *Level 1: most poor (number of animals - 2 or below, land - 5 acres or below, house condition - bamboo, palmyrah)*
- *Level 2: (number of animals - more than 2 and equal to or below 4, land - more than 5 acres and equal to or below 7 acres, house condition - bamboo, palmyrah, (but better conditions than level 1)*
- *Level 3: (number of animals - more than 4 and equal to or below 6, land more than 7 acres and equal to or below 9 acres, house condition - bricks)*
- *Level 4: number of animals - 10 or above, land 10 acres or above, house condition - bricks, cemented floor*

- vii) Aged person with lack of care from the family

During the process of village book development (Appraisal of the village) by ADRA, households in the community have been categorized according to their poverty levels (i.e. 5 levels as A, B, C, D and E where the A is better off status and E is ultra-poor status). The poor and marginalized communities in the category of D and E have targeted for financial services via SHGs.

Although the research team observed some deviation from these criteria by IPs, there was no inclusion of very affluent people in villages for the VRF services ensuring compliance of targeting criteria to a larger extent. VDC leaders stated that hard core poor, who cannot use a loan in a reasonably productive manner and then repay the loan, were excluded from VRF. However, this cannot be considered as financial exclusion, as this segment is not a target group for micro-finance.

⁶ Please see section 5.2.6 and 5.6 for details.

SHGs supported by DPDO, consider having a person with a disability in the family as the basic criteria of their targeting. However, it was observed, that having a disabled person in the extended family and also aged people with lack of family support are also considered by DPDO, when selecting beneficiaries.

'Main beneficiary selection criteria is a disability in the family. Therefore, some poor people were left out at the beneficiaries selection' U Khin Maung Thein, Leader FGD - Bagan Hmyaw village SHG formed by DPDO

The reasons for not being a beneficiary of VRF, from the view point of non-members (non-beneficiaries) given in the table 3.1 below indicate that there are reasons emerging owing to poverty targeting by VRF. However there are a significant number of people excluded due to other reasons, which contribute to exclusion of poor and vulnerable from VRF. One respondent may have stated more than one reason for the exclusion.

Table 3-1: Different reasons provided by non- members for not joining the VRFs

Reasons	Percentage out of 42 non-members
Due to criteria used for poverty inclusion	
Inability to meet priority criteria – not poor	60%
Insufficient loan amount for the current livelihood – large scale farmers	29%
No requirement of loans - have other sources of cash flow	24%
<i>Due to criteria used for inclusion of other marginalized – Some poor families could be excluded due to these criteria.</i>	
Not having older people in the family	52%
Not having disabled in the family	31%
Criteria that could exclude poor and vulnerable.	
Difficulties in allocating time for meetings	36%
Low repayment ability due to low income	29%
Not present in the village when beneficiaries were screened	14%
Inability to find a peer group member	5%

Source : Non-member FGDs

3.5 Different Types of Grassroots Level Organisations Managing VFR

There are two types of organisations namely Self Help Group (SHG) and Village Development Committee (VDC) at village level, formed by IPs to implement VRF activities. Both types of organisations are informal organisations and not legal entities. While DPDO has formed SHGs, AAM, Mercy Corps and MCS have formed VDCs. ADRA implemented VRF activities in partnership with AAM where ADRA has formed a VDC in the village and AAM joint partner of ADRA for the project, has also established SHGs in the same village. As per VDC and SHG leaders in ADRA villages, a person who borrowed from VDC will not be eligible to get a loan from SHG in the village. However, field observations are quite different where some villagers have borrowed from both sources.

Table 3-2: Types of village organisations established by each IP

Implementing Partner	DPDO	AAM	ADRA		Mercy Corps	MCS
			ADRA	AAM		
Type of village organisation	SHG	VDC	VDC	SHG	VDC	VDC

3.5.1 Self Help Group (SHGs)

Self Help Groups (SHG) formed by LIFT partners are small groups consisting of around 20 to 25 members. There are 2 -3 SHGs in a village. SHGs were formed by DPDO and AAM as joint partner in ADRA villages to implement their VRF activities. Few SHG members were selected as Executive Committee (EC) members when DPDO formed SHGs and as office bearers in SHGs formed by AAM. VRF benefits are limited to SHG members.

3.5.2 Village Development Committee (VDC)

Village Development Committees (VDC), formed by LIFT partners is a group of people selected by villagers to lead implementation of village-level program activities, including VRF. The number of committee members in VDC varies from 9 to 16. These committee members were selected by villagers at a public meeting. Some committee members were selected as office bearers of VDC such as Chairman, Secretary and Treasurer by all VDC committee members. Only one VDC is formed in a village. VDCs are formed by AAM, ADRA, Mercy Corps and MCS. VRF benefits are given to all families in the village. However, priority for VRF is given to poor families in the village, except in a rice bank which gives benefits to all villages who need the service of the rice bank. In the VDCs formed by MCS, VDC leaders are not given loans from the VDC. VDCs also carry out other services (non-VRF services) required such as the establishment of grocery shops and farm machinery services.



Figure 4: FCA with VDC at Taung Kaung village

3.6 Demographics of Beneficiaries

73% of SHG/VDC beneficiaries are women. There is a significant representation by other types of marginalised people such as disabled, heads of women headed households (23%) and elders among beneficiaries. 83% of SHG members are women. The family size is around 6- 8 people. There are 1 to 2 income earners in a family. Main income sources are agriculture and agriculture related activities. 60% people are land owners and 36% identified as land less. The detailed demographic data of beneficiaries are given in the Annex 05. Only 2 of the 25 villages have irrigation water for agriculture namely Seywar and Tat Poe in Pyawbwe township. Approximately 50% of members in VDCs in these villages have access to irrigable lands for agriculture.

4 FINANCIAL SERVICES OF VRF (SHGs AND VDCs)

There are 3 types of financial services provided by SHGs and VDCs. They are credit facilities, savings and micro insurance. The most prominent service is the provision of credit facilities. The following table 4.1 shows the reasons given by beneficiaries for joining the SHGs and VDCs. It is obvious that low interest rates for loans and easy access to loans were the main motives for attracting households to SHGs and VDCs. A significant number of households also indicated their inability to obtain loans as per their requirements from other lenders, but possible with SHGs and VDCs.

Table 4-1: The main reasons listed by members for joining VDCs and SHGs

Reasons	Percentages of respondents given the reason					
	DPDO	AAM	ADRA	Mercy Corps	MCS	Average for all IPs
Ability to obtain a higher loan amount	49%	10%	53%	34%	36%	36%
Other MFIs don't provide loans for the purpose I wanted	34%	51%	78%	62%	72%	60%
Low interest rate	92%	83%	87%	85%	100%	87%
Ease of getting a loan	97%	36%	95%	91%	100%	80%
Other	14%	5%	8%	19%	28%	13%

Source: HH Survey

With regard to other credit suppliers,, there are only very few other MFIs operating in the area. The most present is PACT Myanmar from which and 27% of beneficiaries borrow. The other significant lender to the beneficiary group is Myanmar Agricultural Bank.

Following section describes each of the financial services provided by VRFs.

4.1 Micro Credit Facilities

There are two main VRF types or categories providing loans. They are:

- Cash VRF:** Provides cash loans and recovers both loan capital and interest in cash.
- Non cash VRF or In-kind VRF:** Provides loans in kind and recovers the loan capital and interest in same kind mostly. *For an example, 5 goats are given as the loan and 6 goats (additional goat is for interest) are recovered after the term of the loan.* There is a small deviation in the rice bank which provides the loan in kind (rice) and recovers the loan in cash.

Table 4.2 provides the number of villages under each partner, having VRFs that are cash only or cash and in kind VRF in the village. Mercy Corps, and MCS have established only cash VRF under VDC structure. Cash and In kind mixed type VRF has been found in 2 ADRA villages and AAM villages under the VDC structure. DPDO has promoted both; cash only in 3 villages and cash and in kind in 1 village. Generally, SHGs have implemented cash only VRF (only exception in Ta Ma Lan

Pin village of DPDO). Cash and in Kind VRF is done usually by VDCs. Thus out of 25 villages studied, cash VRF is found in 24 villages (96%) and In kind VRF is found only in 8 villages (32%) currently. There were no in kind only VRF in any village. VRF in only one village namely Htone Bo Gyi (4% of villages) is inactive.

Table 4-2: Number of villages having cash and In kind VRFs under each IP

VRF type	DPDO	AAM	ADRA (Same village has both SHG and VDC)		Mercy Corps	MCS	Total No of Villages
	SHG	VDC	SHG	VDC	VDC	VDC	
Cash only	3		7	5	6	2	16
Cash and In Kind	1	5		2			8
In kind only	-	-	-	-	-	-	
Inactive	-	1					1
Total	4	6	7	7	6	2	25

Source: FCA and member FGD

4.1.1 Cash VRF

4.1.1.1 Partners Implementing Cash VRF and Dedicated Funds

All 5 partners implemented cash VRF in their villages. All 25 villages, including the one village currently inactive, had implemented cash VRF. Both SHGs and VDCs implement cash VRF. In certain cash VRFs, there are certain amounts of dedicated funds for different income generation activities such as for pig rearing and goat rearing. Such dedicated funds are used to issue loans only for that particular activity and recovery of such loans is used to issue new loans for the same income generation activity. In all cash VRF, a fund for any activity or some limited sectors such as any small enterprise can also be seen. Details of such funds are given in the table 4.3 below.

Table 4-3: Number of villages having currently functioning different types of cash funds

Implementing Partner	Total villages under the IP	Type of cash funds available in VRF									
		Dedicated for a specific activity						Dedicated for a sector		For any useful purpose	
		Agriculture	Pig	Goat	Cattle	Poultry	Seeds	SEM	Cash for any livestock activity	Cash for any purpose	Short term loan
DPDO	4	4	1	-	-	1	1	-	3	-	4
AAM	6 (one inactive)	5	3	-	1	1	4	5	2	-	-
ADRA	VDC	4	1	1	-	-	-	2	1	1	-
	SHG	3	3	-	-	-	-	3	3	-	3
	6	1	-	-	-	-	-	-	1	5	2
MCS	2	-	-	-	-	-	-	1	-	1	-
Total	25	14	5	0	1	2	5	11	10	7	9

Source: FCA and member FGD

From the supply side, 14 villages (56% of villages studied) have a dedicated fund for agriculture within the VRF. Dedicated funds for livestock activities are available in 5 villages for pig rearing, in 2 villages for poultry, in 1 village for cattle and 10 villages have a dedicated fund for any livestock activity.

A dedicated fund for loans for off-farm enterprises titled ‘Small Enterprise Management’ (SEM) is available in 11 villages. Availability of dedicated funds for different activities has improved effective use of loans. Most animal husbandry activities have been feasible and profitable activities so far, and such activities are promoted as a result of these dedicated funds. 7 villages have a cash fund for any purpose and 9 villages have funds for short term loans⁷. The capital for these dedicated funds are received from the IP or made by VDC or SHG converting In kind VRF to funds dedicated for that particular activity. Both SHGs and VDCs implement these dedicated cash funds of which the list is given in the Annex 6.

Table 4-4: Percentage of respondents having different usages of SHG/VDC cash loans

Type of loan usage	DPDO	AAM	ADRA	MercyCorp	MCS	Cumulative
Micro/Small business/IGA	15%	28%	43%	26%	75%	33%
Consumption	20%	35%	36%	26%	0%	28%
Health	58%	4%	24%	0%	3%	17%
Education	8%	1%	10%	0%	3%	5%
Agriculture	65%	48%	33%	50%	0%	43%
Livestock	17%	31%	37%	21%	11%	27%
Other purposes	11%	4%	9%	8%	6%	8%

From the demand side, beneficiary responses to household survey reflect that the usage of loans have not been limited to the above mentioned categories only. Six major usage categories, namely agriculture, livestock, small enterprise/casual, health, emergency and other purposes can be identified as shown in

Source: HH Survey

the table 4.4 . The most evident use of loans has been for agriculture (43%). The second prominent usage has been small enterprises (33%). Consumption (28%) has been the 3rd, although loans are not given merely for consumption by any VRF. Fourth largest use has been the livestock activities (27%).

4.1.1.2 Adequacy of Loan Sizes

This section reviews the adequacy of loan sizes to meet the purpose of the loan based on three different data sources – Leader FGD and FCA (supply side) and HH Survey (demand side) and product cost analysis. Tables 4.5, 4.6 and 4.7 provides the comparative analysis of loan sizes of SHGs and VDCs and the investment required for typical micro-scale agriculture, livestock and small enterprise (off – farm) income generation activities.

⁷ Please see section 4.1.1.3 for details on short term loans.

4.1.1.2.1 Agriculture Loans

The maximum loan size given for agriculture is 200,000 MMK. SHGs have given this amount or amounts close to 200,000 MMK. Although Mercy Corps VDC indicated that they give up to 200,000 MMK for agriculture purposes, the majority of borrowers have received only 50,000 MMK. Approximately an acre of Mung Bean, Chilli, Vegetables, Pea or Sesame or half an acre of Paddy, Cotton or Ground nut can be grown with such a loan amount. As per HH survey, 28% of the total beneficiaries have less than one acre, thus it is obvious that these people can fulfil the cultivation cost from the SHG/VDC loans. However 27% of borrowers cultivate 1 to 3 acres of land and the cost is much higher than the total loan amount provided from SHG/VDC. The rest of borrowers in agriculture grow bigger plots of lands requiring higher quantum of loans. The dedicated seeds loan (loans for purchase of seeds only) was given by 4 VDCs and 1 SHGs which was fit only with the requirement of seed materials of farmers. Therefore, it can be concluded that size of the agricultural loan is highly inadequate for majority of beneficiaries.

Table 4-5: Adequacy of agricultural loans

IP	Loan Size (MMK)		Type of crops can be grown under 3 different per Acre cultivation cost brackets			
	Max as per VRF data	Mode from HH survey	80,000 – 150,000 (MMK)	150,000 – 200,000 (MMK)	200,000-300,000 (MMK)	
DPDO	180,000	170,000	Mung bean Chilli Vegetable	Pea Sesami	Cotton Paddy Ground nut	
AAM	80,000	50,000				
ADRA	SHG	200,000				150,000
	VDC	120,000				
MercyCorp	200,000	50,000				
MCS	Agricultural loans not given					

Source: Leader FGD, FCA, HH Survey and Product Cost Analysis

4.1.1.2.2 Livestock Loans

In contrast to agriculture loans, in general livestock loans granted by SHGs and VDCs were adequate to meet the investment requirements of micro scale livestock projects. This is with the exception of cattle which need around 300,000 MMK. All SHGs and some VDC have given loans around 100,000 MMK to 150,000 MMK quite sufficient to invest in a micro scale pigs or goat project.

Table 4-6: Adequacy of livestock loans

IP	Loan Size (MMK)		Investment requirement for a micro scale project (MMK)			
	Max as per VRF data	Mode from HH survey	Pig	Goat	Cattle	
DPDO	180,000	150,000	100,000	150,000	300,000	
AAM	150,000	80,000				
ADRA	SHG	140,000				150,000
	VDC	120,000				
Mercy Corp	200,000	50,000				
MCS	No Animal Husbandry loans					

Source: Leader FGD, FCA, HH Survey and Product Cost Analysis

4.1.1.2.3 Small Enterprise Loans

The investment requirements in microenterprise are not as high as the requirements for agriculture or animal husbandry projects. Adequate loans for this type of projects were given by ADRA, AAM and MCS. It can be seen that loans are mainly for working capital requirements for which the loan amounts given are adequate.



Figure 5: Small enterprise loans in use in Kyauk Taing Village

Table 4-7: Adequacy of loans for micro enterprises

IP	Loan Size (MMK)		Investment requirement for a micro project (MMK)			
	Max as per VRF data	Mode from HH survey	Sewing	Carpentry	Masonry	Pottery
DPDO	No	20,000	75,000	75,000	125,000	100,000
AAM	80,000	50,000				
ADRA	SHG	140,000				
	VDC	120,000				
Mercy Corps	50,000	50,000				
MCS	150,000	150,000				

Source: Leader FGD, FCA, HH Survey and Product Cost Analysis

4.1.1.3 Non Income Generation Loans (Health, Education and Emergency)

SHGs formed by DPDO and AAM and 2 VDCs formed by Mercy Corps in villages Kyaung and Baw Di Kone have provided short term loans for non-income generation purposes. Loan amounts varied from 20,000-50,000 MMK, but in Baw Di Kone village 400,000 MMK was also given under this category only to a one borrower. These loans are financed by savings of the SHG/VDC. Due to limitations of funding by savings, only a few such loans are given.

4.1.1.4 Loan Terms

The terms of the majority of the loan products corresponds with the production cycles and cash flow patterns of borrowers in most cases. Table 4.8 shows that most of the cash loan product terms are established to suit the cash flows of beneficiaries in a meaningful manner. However, there is a visible gap for the loans for animal husbandry projects and for the meat production therein, as well as for breeding projects, due to the fact that the maturity of animal to the market requirements takes longer duration than terms of the loans. Annex 06 provides details of terms of cash loans given by each village SHG and VDC.

Table 4-8: Adequacy of loan terms – cash loan products

Loan Type	Loan term	Production Cycle
Agriculture loans	6 to 12 months	3 to 6 months for Paddy Pea, Groundnuts, Sesame
Livestock loans	6 to 12 months	Both goat & Pig 6 to 8 months for breeding and another 3-4 months for fattening. 10 to 12 months for meat purpose. Cattle one year cycle for breeding But 4 to 6 months more required for fattening offspring
SEM/Income generating loans	4 to 12 months	3 to 6 months for carpentry, masonry, food processing and sewing 1 month to 6 months for pottery related business activities
Consumption loans	Short term loan of 1 to 3 months	In case of need (expected & unexpected) and need to pay from the income from their livelihoods.
Health loans		
Loan for education /other emergency purposes		

Source: FGDs, FCA

4.1.1.5 Interest Rates

Interest rates of loans are laid between 2% to 3% (flat) per month, which is much lower than the informal market rate 5% to 20% per month and in par with or lower than formal MFI rates which are in the range of 1% to 4% flat per month. Most MFIs collect savings from borrowers at a lower rate of interest which increases the effective rate of interest to the borrower for the loan. Further, through charging other fees such as loan processing fees, collecting loan instalment bi-weekly or monthly, there is a resultant significant increase in the effective interest rates of MFIs, compared to SHG/VDC loans. However, it should be noted that the effective interest rate of MCS loans is higher compared to other VDC/SHGs as they collect instalments every 5 or 10 days intervals.

There is evidence of interest-free loans by VDCs. Kyaung village VRF promoted by Mercy Corps has given 2 cattle loans of 300,000 MMK for 3 years term on an interest-free basis. In the same village, 50,000 MMK loans for bean seeds were given interest free. Of this loan amount, only 20,000 MMK was recovered and the balance 30,000 MMK is treated as a grant.

Therefore, it can be concluded that VRF provides loans at a very reasonable interest rate for the poor people in these villages which is a very important element of VRF as shown by Aung (2008) too. At the same time the VDCs in Kyaung village promoted by Mercy Corps, has given interest free loans and part loans and part grant-based loans, which is not a sound practice in terms of sustainability of VRF in the villages.

4.1.2 In Kind VRF

4.1.2.1 Partners Implementing Non Cash VRFs (In kind VRF)

There are different categories of In kind VRFs found in the villages which are also usually called different types of 'In Kind Banks'.

They are:

- I. Rice Bank
- II. Seeds Bank
- III. Livestock Bank (Pig, Goat and Cattle)

Table 4-9: Number of villages having different types of currently functioning In kind Banks

IP (and VRF model)	Total villages under the IP	Number of In kind banks				
		Pig	Goat	Cattle	Rice	Seeds
DPDO (SHG)	4	-	-	-	1	-
AAM (VDC)	6 (one inactive)	1	-	-	5	2
ADRA	VDC	1	1	-	-	1
	SHG	-	-	-	-	-
Mercy Corps (VDC)	6	-	-	-	-	-
MCS (VDC)	2	-	-	-	-	-
Total	25	2	1		6	3

Source: FCA

The total number of villages having In kind VRF is 8, which accounts to 32% of villages. Certain villages have more than one In kind VRF (see Annex 07 for details). However, In Kind banks were commenced in 13 villages (56%)

and of them 5 villages closed them and converted into cash VRF as described in the section 4.1.2.5 of the report.

4.1.2.2 Animal Banks

Animal banks are established and implemented by VDCs and not by SHGs. In the animal bank, female animal/s are given as loans. Repayment after the loan term is also by female animals. Generally, the capital repayment is done by using the same animal/s they received at the beginning as the loan and interest is by offspring/s of the female animal/s given as the loan. Number of female animals to be given back as interest is decided by VDC, prior to the loan been given. Such female animals given back should be in good health and the minimum weight conditions are pre-agreed. During the loan period, the borrower has to take care of animal/s and it is a cost to the borrower. At the end of the loan period, excess animals remaining after repayment of capital and interest belong to the borrower. Repaid animals i.e. capital and interest to the animal bank will then be given to another, one or few farmers as fresh loans. The details of each type of Animal Banks operating are discussed below.

4.1.2.2.1 Pig Bank

Out of the 5 pig banks started by 5 VDCs only 2 pig banks are currently operating in 2 villages, namely Inn Kone and Son Kone. Pig bank in Inn Kone village was initiated by the VDC formed by AAM and the pig bank in village Son Kone was initiated by the VDC formed by ADRA.



Figure 6: Beneficiaries of pig bank - Inn Kone village

Table 4-10: Product details of Pig banks in the sample villages

Village & (IP)	Loan amount	Loan term	Loan Interest	Repayment method
Inn Kone (AAM)	01 medium size Pig	For breeding pig 6 months	1 small pig	At the end of the term
		For meat purpose 1 year	1 small pig	Interest after 6 months and the capital after one year
Son Kone (ADRA)	1 Pig	10 months	1 small pig	Loan and interest at the end of the term

Source: FCA and FGD

4.1.2.2.2 Goat Bank

Although 3 goat banks were started in three of the 25 study sample villages only 1 goat bank continues to function at in Gyoke Chaung Gyi village and this was implemented by the VDC initiated by ADRA.



Figure 7: Goat bank at Gyoke Chaung Gyi village

Case Study No 1: Goat Bank- Gyoke Chaung Gyi Village VDC formed by ADRA

At the beginning in 2011 (in the first cycle) VDC had selected 5 people and given 4 goats to each person. The terms agreed were that at the end of one and half years loan period, each borrower repay 5 goats (4 goats as loan capital and 1 goat for interest). At the end of the loan period, VDC received 25 goats. For the second round, VDC invited people to request this In kind goat loan. Another 5 people were selected from the applicants and 5 goats were given to each of them in June 2013. VDC decided this loan cycle to be a one year period because VDC found 1 year is adequate. VDC received 25 goats (capital) with another 5 goats as interest. By now, the 4th cycle is implemented by lending all 38 goats accumulated with interest paid. However, as per VDC leaders, they faced an issue in the 3rd and 4th cycles due to less demand for goat bank loans. Although VDC expected to provide this goat loan facility to 5 or 6 people in the 3rd and 4th cycles, only 2 people demanded for this loan in the 3rd cycle as well as in the 4th cycle. All the goats were given to these 2 people.

“Goat bank demand went down in last two cycles. Some villagers think cost is high for goat keeper. Also some people cannot do goat rearing as lands for grazing and space for goat sheds are limited . Another important factor is meeting repayment conditions such as weight of small goats and having female goats. Some borrowers were unable to repay by female animals as they had more male animals as offspring, however, now we have a goat bank with 44 goats. The Goat bank has generated wealth for VDC. To date not a single goat has been sold from the goat bank for raising cash. However, if VDC need funds for village development activities we can take a decision to sell some goats to raise funds”-

U Pyauig Si, Treasure of the VDC

4.1.2.2.3 Cattle Bank

There are no cattle banks currently functioning in sample villages. However, there had been one cattle bank in VDC formed by Mercy Corps in Taung Kyaung village and it was closed due to fulfilment of needs of villages in 3 years.

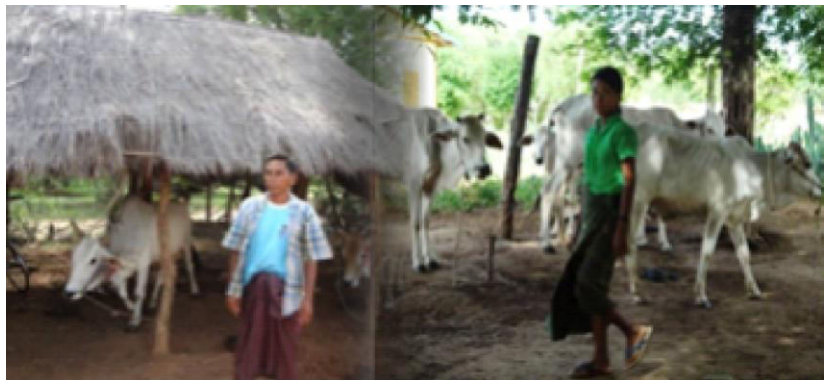


Figure 8: Cattle bank borrowers at Taung Kaung village

4.1.2.3 Rice Bank

Rice bank model is such that the VDC or SHG buys rice in bulk from the nearest town and supplies in retail to the beneficiaries. The number of families requesting rice is estimated before the purchase. Rice is transported to the village and stored in a warehouse built by the VDC/SHG for this purpose.

The main difference of rice bank from other In-kind banks is that both capital and interest repayment is made in cash. Rice banks are found in 6 villages representing 24% of VRF villages, - of these banks 5 are being implemented by VDCs initiated by AAM and the other implemented by a SHG, initiated by DPDO in Ta Ma Lan Pin village.



Figure 9: Rice bank at Inn Kone village VDC

Table 4-11: Details of rice banks implemented in sample villages

Village	SIP	Loan Amount (Rice quantity)	Loan term (months)	Monthly interest	Repayment method	Current borrowers (No of HHs)	% HHs in the village benefited
AAM Villages							
Kan Ywar Lay	RMO	24 pyi	2	500 MMK	at the end of loan term	50	25%
Inn Kone	RMO		1-2			45	52%
Min Gan	ECLOF		2			205	55%
Kwon Long Kone	SDF		2	2%		80	31%
Sissapiar	ECLOF		1	500 MKK		80	49%
DPDO Village							
Ta Ma Lan Pin	-	24 pyi	1	2%	at the end of loan term	20	N/A

Source: FCA

Rice banks usually lend a 24 Pyi (49kg) rice pack per borrower. It was only in the village of Sissapiar village, where there was an additional benefit where the borrower is given the opportunity to obtain low quality rice (for pigs) in addition to the 24 Pyi high quality rice for human consumption. One beneficiary can take both types of rice from the rice bank in this village.

One key condition followed by all rice banks is that the transport cost of the rice should be equally shared with rice bank beneficiaries and it is added to the loan capital. Loan terms vary from 1-2 months and interest rate is monthly 2% or 500 MMK per month. The cost of 49 kg of bag of rice is approximately is 24,000 MMK in the village market where as the rice bank provides the rice at a price between 19,000 to 21,000 MMK per bag which is 20% below than the village market price.

Rice banks require a storage facility to store rice stocks in a safe and clean manner. Construction of storages have been funded and provided by the IP. Rice banks can be considered as one of the most successful In-kind VRF/bank, generating a lot of positive learning for replication of the same in other villages in an effective and sustainable manner.

4.1.2.4 Seed Bank

The objective of the seed bank is to provide quality seeds to the farmers in the village. There were 3 seed banks operating in 2 VDC formed by AAM in Kan Ywar Lay and Inn Kone villages and VDC formed by ADRA in Son Kone village for Sesami and Peanut seeds. Under the seed bank, borrowers are given certified seeds at the time of sowing and the loan has to be repaid In-kind to the Seed Bank after harvesting. Both capital and interest repayment is done by means of seeds.

4.1.2.5 Issues in In kind Banks

It was evident during the FCAs that there is declining interest from community for In-kind VRFs other than rice banks. This was obvious as such In kind banks are very limited in SHGs and VDCs now and 6 out of 9 animal banks have converted in to cash funds during the 2nd or 3rd cycles.

From the animal banks, only one goat bank and 2 pig banks are currently operating in 3 VDCs. As shown in the table 4.12, the main causal factors for non-functionality are related with either difficulty in maintaining the quality of animals during the repayment and the low demand from the beneficiaries for In kind loans. In a few cases, VDC leaders and villagers have decided to convert the In kind VRF to cash loans due to the effort and time taken for arranging the In kind products because providing In kind products involves a process of buying animals, checking quality, transportation and delivery on time as well as collecting and assuring the quality during the repayment period. These factors require high levels of time commitment from the leaders of VDC who work totally on voluntary basis. In addition, when borrowers are experiencing low quality animals, diseased animals or animal death, and when faced with difficulty in seeking redress for their grievances, they put all the blame on VDC leaders. It is in this backdrop that VDC leaders as well as villagers decided to convert the animal banks in to cash loans. However, a mechanism was also established by VDC leader in Seywar village to buy goats in one day from the animal market in the area. Thus, all borrowers can get good quality animals at once on their own. This reduces the burden and related risks of the VDC leaders in managing the animal bank.

“The need to maintain and ensure the quality standards of In-kind products” is an area of concern and is particularly challenging, thus creating limitations for the successful implementation of In kind VRFs. The VRFs started with quality products and in most VDCs which had In-kind products had dedicated personnel to check the quality of In-kind products. In the pig, goat and cattle banks, the process to check the quality aspects - weight, health and sex (only female) of the animal – was done in the initial stage of the VRF during 2011 to 2012. The quality of in-kind animals and seeds used for repayment did not meet required standards in the 2nd and 3rd rounds. There is obvious genetic degradation also with generations. Due to these reasons most VDCs (50%) have decided to convert the in-kind bank facilities to funds dedicated for cash loans for respective activity such as pig and goats.

In the implementation of the seed-banks, the quality of the seeds was checked by a Committee of the seed bank and the process was lead by the leader of the seed bank. Generally, they are skilful

farmers who have been engaged in cultivation for a long time. Three VDC seed banks are still functional with a committee for seeds bank, checking the quality of the seeds thoroughly. If the seeds are not of the right quality, they asked the relevant farmer to buy quality seeds from outside and repay. Terms and conditions of this nature have been developed and newly introduced by the VDC leaders in order to minimize issues which arise due to poor quality of In Kind products.

Table 4-12: In-Kind Banks converted in to cash VRFs

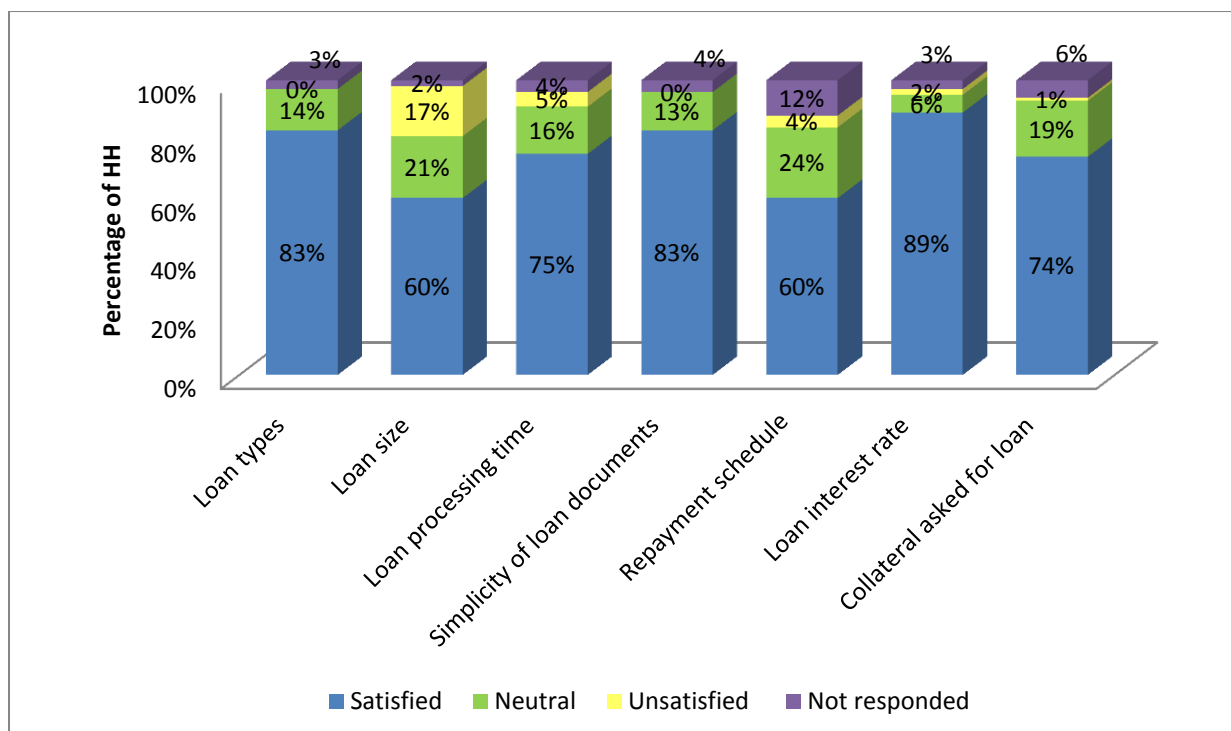
IP	Village	In Kind bank commenced	Type of VRF at present	Reasons to change the VRF type
DPDO	<i>Bagan Hmyaw</i>	Pig	Cash for livestock	Difficult to maintain quality standard of animals when repaying by animals.
AAM	<i>Min Gan</i>	Pig	Cash for Pig	Difficult to maintain quality standard of animals when repaying by animals.
ADRA	<i>Se Pyar</i>	Goat	Cash for any purposes	Demand for goat is low.
	<i>Se Pyar</i>	Pig	Cash for Pig	Difficult to maintain quality standard of animals when repaying by animals.
Mercy Corps	<i>Taun Kyaung</i>	Cattle	Cash for cattle	No demand for cattle any more
	<i>Seywar</i>	Goat	Cash for any purpose	a) Difficulties in maintaining quality standards b) Lack of time for the leaders for management of goat bank

Source: FCAs and member and leader FGDs

4.1.3 Beneficiary Satisfaction on Quality of Loan Products

This section reviews the beneficiary feedback on both cash and In-kind loans based on the HH survey findings. Graph 4.1 shows that a majority of the beneficiaries are satisfied about the loan features but a considerable number of beneficiaries are also neutral or unhappy about some features.

Beneficiaries who participated in the FGDs have ranked loan size and limited flexibility through repayment schedules at a lower level, in comparison to other features. As the majority of loans are used for agricultural purposes and the loan size was not adequate for this purpose due to lack of capital fund which is also shown by Geroge (2010) to be an issue in SHGs. As described in the section 4.1.1.2 too, the main reason for the dissatisfaction was the size of the loan. The repayment period of the cash loans given for livestock in certain villages was also found to be inadequate, and this was specifically mentioned by members in FGDs.



Graph 4-1: Borrower satisfaction on different loan product features

Source: HH Survey

4.2 Savings

Saving is also a micro-finance product introduced by some IPs to SHGs and VDCs. Table 4.13 shows implementation of saving mobilization by SHGs and VDC formed by each IP.

Table 4-13: Savings mobilization by SHGs/VDCs established by different partners

IP	SHG/VDC	Number of villages currently in savings mobilization	
		Yes	No
DPDO	SHG	4	-
AAM	VDC	-	6
ADRA	VDC	1	6
	SHG	7	-
Mercy Corps	VDC	2	4
MCS	VDC	2	-
Total		16	16

Source: FCA and member FGD

SHGs and VDCs in only 15 (60%) villages provide savings services. All SHGs and a few VDCs mobilise savings. DPDO and AAM have promoted savings with the SHG models in all villages they worked with. In addition, Mercy Corps and MCS have introduced savings for their VDC models.

“People didn’t understand importance of savings. They think it is just giving money regularly to VDC” Daw Thet Mar Oo, Accountant, Kyet Ti village VDC of Mercy Corps

Only 1 VDC out of 7 VDCs initiated by ADRA has introduced member savings and AAM has not introduced savings for their VDCs.

Annex 08 shows the frequency and amount of savings of each village SHG and VDC. DPDO formed SHGs mobilize savings bi weekly and other SHGs and VDCs do so monthly. A majority of SHGs and VDCs mobilize 1000 MMK monthly and amount generally varies from 500 MMK to 2000 MMK per month in other SHGs and VDCs. These savings amounts are compatible and thus feasible with the cash flow patterns of the majority of beneficiaries most of the time. However, member FGD findings reveal that beneficiaries have more capacity to save if they are capable of managing the HH resources and also during harvesting season when they have an increase in cash in-flows.

Almost all SHGs and VDCs do not have withdrawal facility until a member leave from the SHG or VDC except Gyoke Chaung Gyi village (ADRA formed VDC) and MCS villages. If all members agreed, Gyoke Chaung Gyi village savers can withdraw a certain amount of their saving. Generally, savings have been used to increase loan capital and thus increase loan sizes for short term loans. Savings in VDCs formed by MCS are used as a loan guarantee and savings are given back to the borrower, upon full repayment of the loan. Although saving interest is an important aspect in a savings product, none of the SHGs or VDCs provides interest for savings. Thus savings are not considered as an asset development for household and useful source of funds for future household needs. The effort made by all IPs to promote savings among SHG/VDC beneficiaries is found to be highly inadequate commencing from the area of beneficiary education on importance of savings for them as well as on SHG's and VDC's sustainability as shown in the CGAP focus note, (May 2006). Thus, SHGs and VDCs need systematic effort to increase savings through a systematic and structured education on savings and through ensuring availability of appropriate products.

DPDO has invested member savings in group-owned and managed poultry businesses as depicted in the case study 2. Irrespective of the benefits generated for disabled people and return made for investments in the last 2 to 3 years, it is recommended that this approach should not be continued due to high risk of group businesses as shown in the literature and in the context of post-project trends of decreasing interest from group leaders in the management of this business.

Four of the 6 VDCs of Mercy Corps in Taun Kyaung, Kyet Ti, Seywar, Tat Poe villages stopped savings process with the closure of the project. According to VDC leaders savings closure is mainly following IP advice to cease the savings process and also difficulties faced by communities making regular savings.

Case Study No 2: Member Savings Invested Poultry House: IP – DPDO

DPDO has established poultry and piggery projects as a community managed business venture by investing SHG savings. The objective is to give a return for savings funds of SHGs and to generate funding for helping disabled people in the area. One such project done by DPDO township committee in Magway was studied. Started in 2013, 61 SHGs each invested 110,000 MMK in this project which has the capacity to keep 1,500 birds to produce chicken. Total investment is 6,710,000 MMK.

This project has created employment opportunities for former leader of the SHG, wife and their daughter. There is a management committee to oversee the project who visits the project on the date of sales of chicken in each production cycle. Chicken are marketed to a wholesale buyer and thus marketing has not been an issue during the last 2 years.

Already 13 batches of birds were sold out of which only one batch has made a loss and other batches were profitable. However records were not available for the first year during which another member was overseeing the project. The record keeping is not in order and has lapsed.

The project has an approved policy for profit appropriation. Profit for 200 chicken (on proportionate basis) is allocated for for equal distribution of designated 17 disabled beneficiaries. Same amount is allocated for 34 designated disabled people including first 17 people in to this allocation too. The balance profit is equally shared between 57 SHGs currently active. The total profit appropriated so far for 13 project cycles is 9,638,281 MMK. Thus ROI is 57% per year to the SHG fund. When the support given for disabled are also taken into consideration the ROI goes up to around 65% indicting impressive financial and social return.

This is a group enterprise. The success of group enterprises as per literature is not very promising. It was also indicated that the attendance by Township committee members for sales of the last 2 batches which took place after DPDO withdrawal has been low. Book keeping is already week and not transparent. If these funds are given as micro credit loans, the return DPDO SHG can make is around 40%. Therefore, DPDO has to choose the most feasible option whether to run high risk- high profit group business or low risk core business of SHG microcredit which also makes reasonable profit.

According to Aung (2008) and Sinha, (2009) that group businesses by SHGs and VDCs are not viable in the long run. Group business is not encouraged in UNDP project in Myanmar after bad experience in early years (www.mmundp.org). Considering the immerging field realities and literature findings, the second option i.e to invest savings in microcredit is recommended by the study team.



4.3 Micro Insurance

Only MCS implements a service similar to micro insurance. MCS build a fund with a contribution from members. As per the discussions held at MCS head office, VRF charges 0.5% of the loan amount with the loan instalments and credits the portion to the insurance fund. Insurance benefits are 20,000 MMK for a family funeral, 20,000 MMK for child birth and 20,000 MMK for illness. It was stated that this helps mothers to go to hospital for child birth. Childbirth outside hospitals results in a 2-3% death rate of babies or mothers. As per head office records, 90 people (or cases) were benefitted and the amount paid was 1.8 million MMK. In the 2 villages, the availability of this service was evident although there was a difference in the amount given as benefit 15,000 MMK per any event. However, this one and only micro insurance initiative of the VRF partners supported by LIFT should be commended and serve as a case study and learning basis for the need and feasibility for micro insurance.

Lack of credit insurance is an issue discussed in the process of loans in the section- 5.2.6 which is also a very essential micro insurance product, required and feasible under the VRF projects implemented by LIFT partners.

5 GOVERNANCE AND OPERATIONS MANAGEMENT

VDCs and SHGs are small village-level organisations in which the governance and operations are closely linked together. This section reviews few key important components in the SHG/VDC governance and operations management. They are:

- *SHG/VDC group formation and management*
- *Loan process from disbursement to recovery*
- *Savings collection and withdrawal*
- *Record keeping,*
- *Reporting, monitoring and supervision and auditing*
- *Capacity building*
- *Reasons for functioning and malfunctioning of SHGs and VDCs*

In AAM and MCS, an operational guide explaining most of those areas was given to VDCs. However such document was not found with other IPs.

5.1 SHG/VDC Group Formation and Management

Dynamics of group management practices and the quality of systems and functions vary immensely between IPs as well as between SHGs and VDCs as explained below.

5.1.1 Membership

Static membership could be seen in SHGs because the membership is fixed at the inception of the SHG. It is not same for each SHG. It was 21 to 24 in SHGs formed by DPDO and it was 17 and 18 in SHGs formed by AAM in ADRA villages. . New members are not welcome by SHGs unless vacancy arises due to death or a migration of a member. SHGs provide its services to almost all the members due to limited number of members to serve. VDCs have increased their outreach by servicing larger number of families and in two years majority of villagers become members of most VDCs.

5.1.2 Member and Office Bearer Meetings

Initially, all most all SHGs have conducted meetings bi weekly. DPDO have continued with the same frequency until now. But some SHGs initiated by AAM in ADRA villages (E.g. Sa Bay -East) have changed their meeting frequency from bi weekly to monthly at present. Major activities of bi weekly or monthly meeting of SHGs include saving collections, collection of loan interest in SHGs promoted by AAM, effecting loan decisions and loan disbursements.

Initially, all most all VDCs have conducted their meetings bi weekly or monthly, but different patterns of meeting frequency are now emerging. Most VDCs initiated by AAM are conducting their meetings monthly, even though there is no collection of monthly savings. AAM sub partner RMO focuses and ensures the holding of these meeting. E.g.: In Inn Kone village the meeting date is 28th of every month where they discuss financial statements too. It can be observed that rice bank activities are one of key factors influencing them to conduct regular meetings monthly in villages where it is done.

Most VDCs formed by ADRA does not hold meetings regularly. As per leaders, they are conducting their meeting based on requirements. It was observed that Se Pyar village VDC has not met in the last 6 months and they have nearly 1,000,000 MMK funds being held without revolving during this

6 months period. Also there are 2 borrowers who have not repaid loans although the loan repayment was due on 3rd November 2014 in the same village, owing to a lack of a meeting in VDC.

Out of 6 VDCs initiated by Mercy Corps,

- 2 VDCs conducts their meetings monthly
- 1 VDC conducts meetings once in two months and
- 2 VDCs conduct meeting once in 3 months, and
- 1 VDC irregularly with the interval of more than 3 months

These meetings serve as a forum to update VDC activities for all VDC leaders. VDCs formed by MCS conduct meetings regularly - monthly or 3 times a month on a fixed date. New Nyein village VDC of MCS have regular meetings 10th, 20th and 30th for members specially to facilitate the repayment, collect savings and to take loan decisions. The other VDC of MCS in Kyauk Taing village meets monthly on 12th.

All most all key decisions are taken in a participatory manner particularly in SHGs. VDCs who hold regular meetings appear to be more participatory in their decision making process, the leaders are quite updated and affairs are very well coordinated. But the VDCs which are having occasional meetings or need-based meetings reflect gaps in coordination, understanding and limited participation in decision-making. Most of such VDCs are having balloon repayment skewed to one or two seasons of the year, which creates a need of meeting for disbursements and repayments only once is 6 months. There are incidences of 'Fellows' getting involved in SHG/VDC decision making which carries a governance issue where in such cases the Fellow tend to dominate the decision making (E.g.: Min Gun Village VDC formed by AAM).

Regular office bearers meetings were not conducted in all most all VDC and SHGs. However, special meetings are conducted in the events of special requirements.

SHG/VDC funds are owned and managed by villagers. The meetings of members and also leaders are a very crucial need for successful operation of these SHGs and VDCs. Therefore, lack of regular and structured meetings in certain VDCs posed a challenge which restrains the effective and sustainable operation of those VDCs.

5.1.3 Rotation (change) of Office Bearers

Office bearers or leaders of VDCs were generally elected by villagers at a mass meeting conducted at the inception of the VDCs. There is a general understanding among both members and leaders that rotation of positions in regular intervals constitutes a best practice. However, it appears in the majority of the VDCs, the same leaders are still holding those positions from the inception, except in few occasions such as in the event of death or migration of the leader from the village. In Seywar village VDC, new office bearers were appointed by members to reactivate a non-active VDC, which is not a real rotation. There is no intentional and a systematic approach in place for giving an opportunity for members to re-elect office bearers after a certain time period. Leaders of VDCs, formed by MCS were of the opinion that there are limitations in terms of availability of individuals to take up these positions and therefore members want current leaders to continue. Most beneficiaries seem satisfied about the way in which the current leaders manage affairs.

Leaders in DPDO initiated SHGs expressed that they are selected for 6 months by SHG members, and thus once in 6 months, the members have an opportunity to select leaders again. This term was 1 year in AAM initiated SHGs in ADRA villages. Rotating leadership is one of the requirements in SHGs as per the policy of all SHGs. However, it was observed that the rotation of SHG leaders also very rare due to non-availability and non-willingness of members to take over the leadership positions. In a few SHGs, leaders were changed three times, but the position of account remains unchanged, because finding new members who are capable of writing books has proved to be extremely challenging.

5.1.4 Volunteer Leaders in VDCs Who Do Not Take Loans from VDC

Certain VDC leaders work on a 100% voluntary basis without any monetary benefit from the VDC. This type of volunteerism by leaders without any benefits creates a risk for sustainability for some of the VDCs, in the near future. Despite continuing to hold position, it was shared that certain of these leaders are unhappy about the fact that they have served the community continuously for extended periods as leaders. Currently VDC leaders dedicate much time voluntarily for VDC work particularly in AAM and one village in ADRA, where rice and seeds banks requiring significant time involvements, are already in operation.

“Some of VDC leaders opine that their personal life and household tasks are adversely affected due to holding these positions continuously. Initially we had meetings monthly but now once in three month as most of VDC leaders dislike to meet monthly” U Min Mying –Chairman –Bow Di Kone VDC of Mercy Corps

However following quote exhibit that some leaders still happy to serve the community on a pure voluntary basis too.

“I haven't taken any loan from VDC but I am happy to serve the poor people in my community” U Paw Din Treasure Sissapiar VDC formed by AAM

5.1.5 Gender Representation

There is a moderate representation of women in leadership positions in SHGs. The Majority of leadership in SHGs formed by AAM in ADRA villages are women, but the majority are men in DPDO formed SHGs.

On the other hand majority of the VDC leaders are men (78%) while the Chairman positions of all VDCs are held by men. In VDCs, women hold positions like accountant, secretary and key holder, positions which involves mostly writing, accounting and information management. However, the literature advocates that women in villages more often have taken over the SHG leadership in other countries (www.apmas.org) leads to a common thinking among IPs to create a change wherein more women take leadership positions in SHGs and VDCs.

5.1.6 Skills on MF Operations Management

Most leaders and office bearers have inadequate knowledge on savings and credit and other VRF management aspects. This has not been a major issue for operations because currently these SHGs and VDCs operations are at very small scale. However there are signs for the urgent need for enhanced managerial skills among leaders to overcome management issues such as irregularity of meetings, issues in record keeping, delinquency, fund management etc. discussed repeatedly in

many sections in the report which need to be addressed. Michel Hemp et.al (2004), also shows that CBFOs need willing leaders with governance and management skills, a skill that is difficult to source among people in rural areas.

5.1.7 Coordination and Net Working

All most all SHGs and VDCs have not established sufficient linkages with different stakeholders which may have enabled more effective performance. Mostly, they work closely with village administrator and the village monastery. In addition, very few SHGs/VDCs have developed linkages with township level officers, who provide training on farming and animal husbandry. Linkages with any NGO or financial institution for further funding of SHGs/VDCs were not evident.

5.1.8 Transparency

Transparency of decision making such as credit decisions are at sufficient level in all most all SHGs and VDCs. 94% of the respondents to the HH survey knew the interest rate before taking the loan. The beneficiaries are familiar with the SHG/VDC operations and the products because most of current members involved in the process of establishment of these SHGs and VDCs during 2011 and 2012. Announcements using loudspeaker to communicate with members was found to be a common practice used by VDCs formed by all four partners. However, given that SHGs are a relatively smaller group, the regular meetings held once a month or twice a month has become an effective information sharing forum. Thus, the process of information sharing is very effective in most of SHGs and VDCs.

However, the transparency on member savings by both SHGs and VDCs are weak because of not using pass books by majority of SHGs and VDCs mobilising savings and weak systems to update member saving records. The transparency of financial information of SHGs and VDCs such as income, expenditure (although estimated figures are very small currently), fund growth and exact balances at yearly basis is not taking place. This lack of transparency is an issue of long term effectiveness and sustainability of SHGs and VDCs.

5.2 Loan Cycle Management

Loan cycle commences with loan application and ends at the full repayment. This section reviews the full process of the loan cycle in SHGs and VDCs.

5.2.1 Loan Application and Loan Agreements

SHGs and VDCs promoted by four partners, with the exception of MCS, practice verbal loan application by expressing the need of the loan, amount, purpose and other necessary details at the SHG or VDC meeting or prior to the leaders. 82% households in the survey have stated that the loan application is verbal. For In kind banks it is mostly verbal or a list of applicants. MCS has a formal application in writing. Another 5 VDCs of AAM and Mercy Corps shows that there is one page document which serves both the village level operations like SHG and VDC. It certainly should be promoted as a best practice purpose of loan application and that of an agreement. However, as per leaders, some VDCs such as Baw Di Kone and Kyet Ti have used formal loan applications during the project period, but subsequently moved away from this practice. Having a formal loan application form is not essential in the small operations such as SHGs and VDCs but a best practice as it ensures proper recording. The removal of loan applications recently by some VDC is an issue in this context. It could be due to negligence or lack of adequate capacity to manage that process, which further reiterates the need for long term monitoring support for such VRF at village level.

In all SHGs, loan application takes place during the group meeting conducted in twice a month or on a monthly basis. However, in VDCs loan application process happens predominantly outside the meeting. The individuals who need a loan inform the leaders of the VDC verbally and then the requests get documented by the accountant or secretary or an authorised representative of the VDC. In some instances, leaders receive loan applications and make list of such applicants and then at the VDC meeting all lists get amalgamated to make the final list of loan applicants.

A loan agreement is the key legal document required to be signed by the borrower at the loan disbursement which is the proof of lending and a document binding for the repayment. VDCs initiated by AAM in Min Gan and Kwon Long Kone villages and VDCs promoted by MCS are currently using a loan agreement. No other VDC or SHG use the agreement. SHG -1 in Bagan Hmyaw village (DPDO) has also drafted an agreement for future use. Most of other SHG and VDC officers are not aware of the need of a loan agreement.

5.2.2 Loan Appraisal and Approval

Loan appraisal is assessing credit worthiness of the borrower and approval is the official decision made to grant the loan. These steps in the loan cycle are very simple in SHGs and VDCs. Generally all loans are approved by office bearers and there were no loan rejections except in the event of limited funds. Thus, quick approval is also possible.

Since all the members have an idea of funds available in the SHG/VDC, they make applications in such a way that others also can get loans. Therefore, all the loans get approved during the meeting and there is no process or practice of discussing the suitability and eligibility of applicants. By default all members are eligible and obtain the approval.

In the events available funds are not adequate to give loans to all the applicants, some VDC leaders indicated that they give priority to those who have not borrowed at the previous disbursement. (Ex: VDC formed by AAM in Kan Ywar Lay village and VDCs formed by Mercy Corps in Taun Kyaung village). Certain VDCs prioritize applications from existing members when they have new members too as applicants. Raffle draw/lucky draw is also one of the popular methods for selection (E.g. Kan Ywar Lay village VDC and MCS formed VDCs) when funding is limited. However during the member FGDs, some members have expressed their unhappiness about raffle/lucky draw because it does not address the needs of members in a timely and equitable manner.

“For a new loan cycle, existing borrowers are automatically qualified and few new applicants are selected based on availability of funds. When funds are limited to meet demand from new people qualified applicants are selected by a lucky draw.” - Daw Thet Mar Oo, Accountant – VDC, Kyet Ti Village of Mercy Corps.

One can argue that loan appraisal is a must for each loan cycle as the repayment capacity of the applicant in terms of income, other loans taken, health status etc could vary over time, since the previous loan was granted. However, it is evident that such idea is not practical and required in a small village level operations like SHG and VDC.

For short term health loans, SHGs and VDCs give priority for urgency and importance. However, usually office bearers get members’ opinion on list of borrowers going to get loans and check their acceptance and objections before the loans are disbursed.

5.2.3 Collateral Requirements for Loans

All loans disbursed by SHGs and VDCs formed by all IPs are granted free from physical collateral. All VDCs formed by AAM, and MCS and 2 VDCs formed by Mercy Corps have introduced group guarantee system, a common practice in microcredit across the world, based on small groups among borrowers. These groups consist of 5 to 10 members and those small group members become guarantor to each other. They sign a simple guarantee bond at the time of borrowing. As per this guarantee bond, if one member fail to repay the loan fully or partially, other group members are bound to pay the unpaid amount to VDC. Such groups and bonds are valid for one loan cycle and an applicant may join a different group if required for the next loan. A guarantee bond was used by Taung Kaung village VDC for cattle bank was extended to use for cash loans latter.



Figure 10: Guarantee bond for ten member group in VDC in Sewyar village

“Five member groups are formed when disbursing the loans. Group members are selected by themselves. If one would not be able to pay the loan other should take the responsibility to pay the loan.” -U Hla Tun-President Kwon Long Kone Village formed by AAM

5.2.4 Loan Disbursement

Loan disbursement happens in set dates in most VDCs, and for SHGs the disbursement is effected on the meeting date. For certain VDCs (E.G.: Kyaung, Sar Kyin, Sissapiar which are Mercy Corps, ADRA and AAM villages respectively) it is the monthly meeting day. In the case of short term loans, disbursement takes place any time as per the requirements of the applicant and depending on funding availability based on the savings amounts and short term loan recoveries. Rice bank loans are disbursed monthly. Other loans are issued in 6 monthly intervals which fit well with balloon recovery method. Issuance of new loans also takes place on the same day at the meeting. This process is different in VDCs, promoted by MCS which disburses long term loans as per need and availability of funds through recoveries collected at 5 to 10 days intervals. Thus, disbursement methodology is simple, appropriate and within the context of rural life. Annex 09 provides disbursement details such as frequency and location as per loan products of SHGs and VDCs.

5.2.5 Collection of Loan Recoveries

Most of the SHGs and the VDCs collects loan recoveries at the meetings. There are 4 different methods of collection of cash loans as listed below while the In Kind loan repayment methods are described in the product details in section 4.1.2.

1. Full balloon payment (both capital + interest)
2. Balloon payment (capital) and instalment (interest)
3. Full Instalments (both capital + interest)
4. Instalment (capital) and balloon payment (interest)

Table 5-1: Partner/SHG and VDC wise repayment methods

IP	SHG/VDC	Repayment method
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DPDO	SHG	Loan capital and interest at the end of loan term
AAM	VDC	Loan capital and interest at the end of loan term Interest in monthly instalments and capital at the end –only in Sisspiar VDC
ADRA	SHG	Three methods <ul style="list-style-type: none"> • Interest in monthly or once in six months instalments and capital as balloon end of the term • Part of the loan capital during initial three months and balance end of the term, interest once in three months (quarterly) • Loan capital and interest at the end of loan term
	VDC	Two methods <ul style="list-style-type: none"> • Interest monthly and loan capital at the end • Loan capital and interest at the end of loan term
Mercy Corps	VDC	Three methods <ul style="list-style-type: none"> • Loan capital and interest at the end of loan term • Interest as instalments once in 2 or 5 months and capital at the end of the term • Capital in instalments in 7th and 10th month and balance capital and total interest at the end
MCS	VDC	Capital and interest once in 5 days or 10 days

AAM, ADRA and Mercy Corps have introduced variety of repayment methods which makes complicated for monitoring and supervision by IPs. It is better if one partner introduce one or 2 methods depending on cash-flow patterns of projects in which the loan is invested. It is also prudent for loans collected as balloon payments

Source: FCA

to collect the interest component of the loan on a monthly basis to ensure close contact with the borrowers in short intervals and inculcate a regular repayment culture. SHGs and VDCs not implementing this method should be given required capacity to keep better records at such intervals and to use recoveries effectively for relending.

5.2.6 Delinquency Management

Large majority of borrowers have repaid on time while few late repayments were observed. As per SHG and VDC leaders 87% of the SHGs and 67% VDCs are maintaining on time repayment. Group guarantee is a mechanism or a precaution which prevent delinquency in most of VDCs.

However, the learning from incidents of non-repayment highlights that current measures for delinquency management is not adequate . As a result, many of the SHGs have enacted a fine of 500 MMK to 1,000 MMK for the delayed repayments.

When delinquency happed, some VDCs use peer pressure from small group members and/or SHG/VDC members and make immediate follow up visits to delinquent clients. This practice has not always yielded positive results.

If borrowers don't repay interest on time, a VDC member will go to the individual's home to collect after a lapse of a week. If the borrower requests for additional time to pay interest and the VDC understand the difficulty of the borrower as being reasonable, then the VDC will allow the borrower to repay interest at the end of the loan term with the loan capital. This has happened 3 to 4 times"- U Mg Mg ,President, Kyet Ti Village VDC formed by Mercy Corps

Table 5-2: Details of acute loan default issues

Type of VRF	Number of VRFs studied	Default VRF		IP/Village and number of default beneficiaries		
		No	%	IP	Village	No of default clients
SHG	12 (in 7 Villages)	1	7%	ADRA	Sar Kyin)	1
VDC	18	4	22%	AAM	Htone Bo Gyi	2
				AAM	Min Gan	2
				AAM	Sissapiar	1
				Mercy Corps	Baw Di Kone	10
Total	30	5	15%			

Source: FCA

The acute default problems are the cases in which beneficiaries failed to repay the loans for months and years, past the due date. As per the table 5.2 only 1 SHG out of 15 studied (7%) had such default issues. Among 18 VDCs studied 22% (4 VDCs) had such loan default issues. These SHGs and VDCs face these issues only due to one or two clients, except in the case of Baw Di Kone village where there are 10 such borrowers who have defaulted for a long time.

2 People haven't repaid as both have health issues. One has been hospitalized and other person has been paralyzed. Both have agreed to pay after becoming well". U Salai Myo Mia Saw, Fellow, Min Gan Village VDC formed by AAM

However, late payments have not been identified as an issue of concern by either the SHG or VDC members and leaders. Lack of loan tracking system as described in the section 5.3 also contributes for this situation

"27, 28 & 29th are fixed days for loan repayments. If borrowers do not repay- (not happened yet), we will wait one month time to see whether pay or not and then inform village administrator." U Seo Kyi, Accountant, Kyaung Village VDC formed by Mercy Corps

Case Study No 3: Non repayment due to misunderstanding of VRF concepts

Htoe War Chaung non sampled village but adjacent to Htone Bo Gyi village

According to the Secretary of VDC, few people have spread a wrong message saying that the “VRF loans are not required to be repaid, because funds belongs to us”. These people started defaulting and according to interviewees, Fellow trained by AAM was supporting the defaulters. Also the ‘Fellow’ himself spreading out the idea that nobody can do anything if you not repay the loan. So the real meaning of ‘VRF belonging village’ has misinterpreted to “it is grant to the individual beneficiaries and thus no need to repay’. It is further mis-conceptualized by villagers thinking that money belongs to individuals and after project period it can be divided among the families.

In SHGs promoted by DPDO in Bagan Hmyaw village, 2 beneficiaries have died while having unsettled loans. However family members of the borrowers have later repaid the loans. But SHG leaders view is that the repayment by the family will not be possible in the long term in the same manner always. In microfinance, credit insurance is a best practice in many countries and there is an indication that this is required in SHGs and VDCs, promoted by IPs too. However, such insurance is not financially feasible with limited number of borrowers found in SHGs and VDCs. The scaling up of SHGs as recommended in this report will make such credit insurance schemes feasible.

5.3 Records Keeping

Maintaining books and records to an acceptable standard is a very essential function of SHGs and VDCs. The vast majority of SHGs and VDCs have financial and non-financial records, though the standard of such records vary from one village to another. Following are records that can be seen in SHGs and VDCs.

- a) Meeting minute book
- b) Cash Book
- c) Loan ledger or loan disbursement and repayment sheets
- d) In-kind bank records
- e) Individual ledgers
- f) Saving ledgers
- g) Pass Books
- h) IP contribution records

Most of these records are maintained as simple books of records appropriate for organisations in a rural setting. Aung (2008) elaborated the importance of simple book keeping systems for SHGs.

Majority of SHGs and VDCs have a meeting minute book, loan ledger/ loan

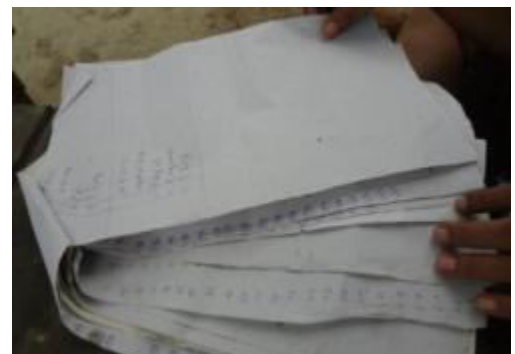


Figure 11: Records are on papers not in books – VDC in Tat Poe

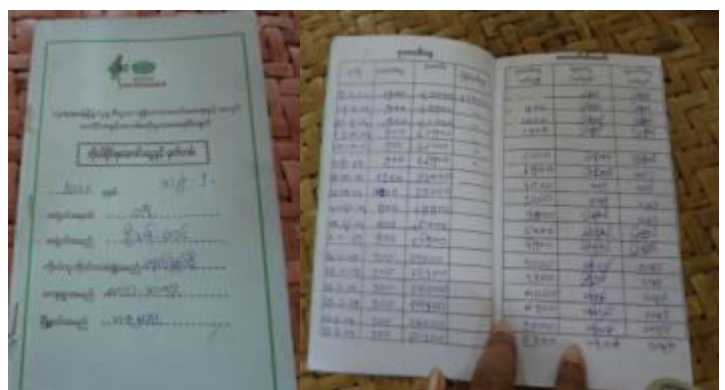


Figure 12: Savings Pass Book of SHGs formed by AAM

disbursement and collection sheets and cash book. The standard of maintaining those records differs significantly from one SHG or VDC to another. Updating the cash book of most of SHGs and VDCs takes place at a satisfactory level, up to the date of study. However around 25% SHGs and VDCs have not properly updated meeting minutes post-project completion. Nearly 30% VDCs have not updated their loan records properly.

The individual ledgers (loan and saving) in SHGs formed by DPDO were not available which makes individual savings and loan tracking not possible. Some VDCs formed by AAM and Mercy Corps are maintaining different loan books/ ledgers for each loan product such as agriculture loan, goat loan etc. There was a significant difference between VDCs and SHGs formed by ADRA in terms of records keeping. VDCs were formed by ADRA and SHGs were formed by joint partner AAM. Both VDCs and SHGs in ADRA villages were trained on record-keeping by AAM. However, the set of account books and the standards of maintaining books are different between ADRA formed VDCs and AAM formed SHGs in ADRA villages. It has generally been observed that the record-keeping of SHGs are better than VDCs.

The records on savings in the SHGs and VDCs mobilizing savings from members have not updated properly. All SHGs formed by AAM are maintaining pass books as well as saving records at a satisfactory level. DPDO promoted SHGs have not introduced a savings pass book for members. The VDCs formed by Mercy Corps in Baw Di Kone and Kyaung village currently engaged in savings has introduced a pass book for savers but updating pass books does not take place at a satisfactory level. VDCs formed by MCS do not maintain individual passbooks, but in its place a spate ledger is maintained for savings which carry members' signatures too. It is written in a way easy to track the individual savings balances at any given time. Tat Poe Village VDC does not use books now and make informal records on papers.

5.4 Reporting, Monitoring and Supervision and Auditing

There has been a system of monitoring and supervising SHGs and VDCs by IP staff during the project period. It is this monitoring and supervision which enabled those established SHGs and VDCs to maintain a success rate over 96%, approximately 1 year post-project completion. The village 'Fellows' trained and developed by AAM and ADRA undertake frequent monitoring and supervision of SHGs and VDCs after the project concluded. It is also evident that the quality of operations of SHGs and VDCs are far better in villages having Fellows, with the exception of Htone Bo Gyi and Se Pyar villages

Lack of proper monitoring and supervision post-project completion is a major issue, because development of SHGs/VDCs requires organisational development and institutional strengthening, through continuous engagement over an extended period. Htone Bo Gyi Village VDC formed by AAM has stopped lending and keep 6,000,000 MMK in the bank account and Part of funds of Se Pyar village VDC formed by ADRA is kept with village administrator not utilising for loans⁸ which could have avoided if proper monitoring and reporting system was in place. In some VDCs 'Fellows' have become the leader/member of the VDC committees (E.g Inn Kone, Zee Taw Taik, . Kan Ywar Lay) which breaks the monitoring role played by the 'Fellow' in the past.

⁸ Please see section 5.6 for details.

There is no evidence of formal reporting from SHGs and VDCs to IP or SIP even during the project period. This can be identified as a major drawback in the monitoring system. Due to this reason, ADRA and Mercy Corps found it difficult to provide even basic data on SHGs and VDCs, promoted by them for the purpose of this evaluation. CGAP by its paper titled ‘Community Managed Loans Funds - which one’s work?’ also highlighted the importance of CMLF projects to report back on critical parameters such as outreach -numbers of clients and groups, loan repayment, using industry-standard measures, and also group survival.

As per SHG and VDC leaders, IPs have conducted an external audit before the closure of the project. Some SHGs and VDCs stated that IP undertook an audit 2 times during the project period. However, there is no established audit process in place to carry out audits after the end of the project. A committee member with the title “auditor” is appointed in some of the VDCs. But the role of this position lacks clarity and the capacity of the ‘auditor’ has not been developed to undertake systematic audits. It was not evident that these auditors have done any internal audit related activities for VDCs so far.

5.5 Capacity Building of SHG/VDC Leaders and the Beneficiaries

Institutional capacity development of SHGs/VDCs and client training were some of the core activities of VRF projects of all the IPs. Training and coaching for SHG/VDC leaders have been undertaken by all IPs during the project period. Coaching has been provided by IP project staff and resource people for this purpose have been outsourced as and when required. Institutional capacity building trainings such as accounting, book-keeping & auditing, leadership and savings & credit management were provided for SHG/VDC leaders. Training and capacity building of ‘Fellows’ by AAM and ADRA have created the way forward for long term support provision to VRF as it is evidenced now in many aspects of SHGs and VDCs in many villages supported by AAM and ADRA.

Hemp (2007) has shown that the project implementation staff and support organisations often lack adequate technical skills to carry out high-quality capacity-building programmes in organisational development. Such capacity-building is much needed since many rural CBFOs lack the capabilities for efficient and effective savings and loan management.

Technical trainings such as trainings related to agriculture, animal husbandry, sewing, food technology and vocational skills such as carpentry, masonry and motor mechanism were provided for beneficiaries mostly using outsourced resources from various government departments. The vocational training was used as the entry or main reason for establishing VRF in ADRA villages by providing tools for vocational trainees on a loan basis .

All capacity building interventions has made an impact on VRF functions as well as on lives of the beneficiaries. But the training is not adequate. Majority of SHGs and VDCs maintain accounts to a reasonable level and some are above average. Leaders know their roles and responsibilities while they engage in improving the products and systems to suit the beneficiaries’ needs. Technical trainings on agriculture & livestock helped immensely to improve livelihoods (disease prevention, pest control, quality of products etc). Beneficiaries who started livestock as new ventures benefited significantly from the technical training. Many individuals participated in the vocational training. However, many of these vocational trainees have not applied their leanings to find employments or start employments.

5.6 Reasons for the Functioning and the Malfunctioning of SHGs and VDCs

From the 25 villages selected for the study, the VDC formed by AAM in Htone Bo Gyi village has become completely inactive indicating that the post-project completion closure rate of VRF is 4%. Se Pyar village VDC formed by ADRA is practically defunct, just having only 2 loans having not met for the previous 6 months, with the funds 1,000,000 MMK lying in account with the village administrator.

Case Study No 4: Dysfunction VDC

In Htone Bo Gyi village VDC formed by AAM, 2 to 3 people already default the loans VDC committee members have visited them many times and asked to repay the loans. But they were mentioning that “do whatever you can do but I am not repaying”. Since the VDC committee start feeling and experiencing the risk of non repayment, they decided to stop the releasing of loans temporarily till they redefined the terms, conditions, rules and regulation for loans. All VDC committee members collectively come to this decision in 2015 February and in March 2015 they deposit all the money in the bank and its value is 6,000,000 MMK. This VDC did not have In Kind banks or savings in their product portfolio.

Source: FCA

"Village Administrator advised us to give 2 to 3 large loans to few people instead of giving small loans to many. So VDC collected all outstanding loans from borrowers amounting to 1,000,000 MMK except 2 pig loans which were not due so far. There are 2 other arrears loans did not repay due to lack of a meeting now. This was done about 6 -7 months ago. Before giving large loans from this fund we need strong legal agreements to ensure safety of large loans. Still we could not do it and therefore we did not give any loans in last 6 months. Now all the funds are with the Village Administrator". **U Sout Thee- Secretary -Se Pyar VDC formed by ADRA**

In the search of an inactive VRF beyond the sample, one another SHG in Kyar Kan village (DPDO) and the VDC established by AAM in Htoe War Chaung village was also found in close proximities of the 25 sample villages. Therefore, actual rate of closure of SHGs and VDCs could be higher than 4%. Further there is an evidence of early symptoms of dysfunction such as not having regular meetings; weak member attendance, weak loan repayments which are discussed in further details in the other sections of the report. 50% of in-kind banks (excluding rice and seed banks) are converted to other dedicated cash VRFs which again can be considered as partial inactivation of In-kind banking part of the VRF. The reasons for such closures and full or partial inactivation of SHGs and VDCs are listed below.

The factors contribute to an effective functioning of a VRF:

- a) *Being a cash VRF*
- b) *Provision of a solution to the most felt need of the people namely access to finance and credit*
- c) *Low interest rates, quick and hassle-free loans processing with simple or no documentation requirements and quick disbursement*
- d) *Good leadership with knowledge, commitment and acceptance by villagers*
- e) *Holding of regular effective meetings*
- f) *Transparent decision making*
- g) *Sense of ownership of the members to VRF fund*
- h) *Continuous and regular follow up by partners. The partners having Fellow structure directly results in better performance*

The Annex 10 provides an analysis of dysfunctional situation of VRF in comparison to the post project duration of such villages. The post project duration vary from 2 months to 1 year. A relationship between the post project period and the inactivation of SHGs and VDCs can be identified where there is a greater tendency for inactivation with longer the post project duration.

The factors contribute to mal functioning of VRF

1. *Loan default by borrowers*
2. *Mistrust between partner and VRF leaders and a lack of clarity of roles of partner and VRF leaders*
3. *Inherent difficulties in animal banks due to quality control of in kind products*
4. *Saturation of service needs*
5. *Lack of follow up and support from the partner in the long term*
6. *Inadequate understanding of the role and function of VRF leading to the misperception that the VRF funds intended to be a grant for the group to divide*
7. *Limited competency and lack of motivation among leadership*
8. *Negative influence by 'Fellows'*
9. *Negative influence by village administrator*

6 SOCIAL AND ECONOMIC IMPACT OF VRF

6.1 Increased Household Income

Approximately 70% of SHG/VDC members that responded to the HH survey declared that their joining of SHG/ VDC have helped to increase their HH income. They have been able to start, expand their income-generating activities and subsequently the income of their HH as a result of improved access to financial and related services.

Table 6-1: Number and percentage of people Increased in household income as a result of VRF

IP	Respondents experienced increased income	
	No	Percentage
DPDO	67	94%
AAM	71	63%
ADRA	86	68%
Mercy Corps	67	62%
MCS	28	78%
Total	319	70%

Source: HH Survey

The increase in household income has resulted in various ways as shown in the table 6.1. It has been 70% people for all IPs and highest percentage of people increased income was 94% in DPDO.

Table 6-2: Main reasons for increase in income

Main reason for income increase	Respondents experienced increased income	
	No	Percentage
Starting new income generation activities	41	13%
Expanding the current livelihood activity	91	29%
Increasing the productive assets in livelihood	44	14%
Diversifying income sources	101	31%
Reducing the expenditure (increasing net disposable income)	42	13%
Total	319	100%

Source: HH Survey

Diversification of income sources has been the main contributor for increasing household income (32%). Expansion of existing livelihood activity has become the second highest contributing factor by increasing the income of 29% of families. 14% of

beneficiaries have increased income due to increasing productive assets with them, although there is no real expansion of the income generation activities. Similarly, Aung (2008) also shown that SHG's have improved economic wellbeing of members and enhanced their productive assets. 13% people have started new income generating activities due to assistance from SHGs and VDCs. Further, 12% people have said they have reduced costs and thus increase income, which can be attributed to low-interest loans and low costs for rice from rice bank and other similar assistance given by SHGs and VDCs.



Figure 13: Examples of increased livelihood opportunities due to SHG/VDC loans

Case Study No 5 : Ma Chain Aung , Ywar Tan Shey village: IP- ADRA,

Ma Chain got 4 goats from ADRA- VDC in 2011 and in 2012 she paid back 5 goats where 4 goats is the capital and one goat is interest. She was able to increase her herd size from 9 to 28 as of now. She also got some training on Livestock husbandry from ADRA.

Before starting goat rearing, the main income source of the Ma Chain family was limited to the remittance send by her Husband who works in Thailand. With the goat project she also becomes an income earner. Thus this project helps make her cash inflow smoother throughout the year as once in every six months she gets 500,000-600,000 MMK from selling goats. With this she has increased the annual income by 50%. Thus her household cash inflow has improved significantly. She spends this money for needs of children specially food & educational needs of 2 children. Increased in family income also helps Ma Chain to start doing some improvement in the house. She had purchase the timber for house and waiting to complete part of the house once she get lump sum money from Goat.



Ma Chain had increased number of goats in the herd and such that she has accumulated assets over the period of three years continuously. Also Ma Chain has purchased a motor bike for her from pooling the money from Goat and her Husband's remittances. It helps in increasing her mobility to support children educational needs more effectively.

Note: *This is a case study of a beneficiary of the VDC. The FCA in the village was carried out for SHGs in the village resulting this goat bank was not captured in the 3 goat banks discussed in detail in the report .*



6.2 Increased Livelihood Opportunities

56% of the beneficiaries of SHGs and VDCs have used credit facilities for agriculture related livelihoods such as cultivation, animal husbandry or both as the main income source of the family. Another significant numbers of beneficiaries (18%) are engaged in various small businesses including retail trading as the main source of income. Thus 74% household have benefitted from loans and other services of SHGs and VDCs. Further, the above table 6.2 reflects that almost 88% of the beneficiaries, who have increased income, has stated it is due to livelihood opportunities in different ways.

Case Study No 06: Daw Khin Hla , Inn Kone village - IP: AAM

Fifty Seven (57) year old Daw Khin Hla & her family is a good example of a family that have become financially & economically secure via establishing multiple income sources with the support of the VDC. Her husband is a heavily alcoholic & also a heavy smoker (3-6 Cherrots) and now he has some difficulty in getting out from these habits. She has joined pig bank in the VDC in 2012 and a cash loan program in 2015. Following are her family income ventures.



Piggery: *Her average annual income from piggery accounts to 500,000 MMK. This is more or less 50% of the family income.*

Marketer of Sesame: *By investing the income of piggery and microcredit of VDC, she started to buy the Sesame from the village farmers. She sells 1 bag of Sesame for 50,000 MMK while the buying price is 32,000 MMK.*

Daily wage: *She earns 2,000 MMK per day for casual labour and generally she gets work for 10 to 15 days per month. Daw is also a member of rice bank since 2012.*



Earlier she had loans with money lenders, rice sellers, shops which are varied from 50,000 to 150,000 MMK. Those loans were taken specially for consumption purposes and to cover the education expenses of her children. Now she has been relieved from those loans and currently she has no any loans with any individual or any other organisation.

6.3 Increased Financial Inclusion

The financial inclusion was satisfactory in terms of poverty and vulnerability criterion, women empowerment, access to credit and savings mobilization particularly in SHGs. Both SHGs and VDCs to a larger extent were able to achieve depth of outreach, which is one the primary objectives of micro financing through inclusion of the most vulnerable groups such as the poorest of the poor, disabled, women headed households and families with large number of members. SHGs have been more poverty focused than VDCs as majority of the observed SHGs included members who are with various kind of marginalization.

6.4 Increased Food Security for Families

Food Security is a persistent problem for beneficiaries of SHGs and VDCs which includes the poorest and most vulnerable groups in the rural areas. Rice banks contributed immensely to improve the food security in villages. This is evident by 57% household survey participants in the 6 villages rice bank was operating indicating that rice bank was helpful for them to increase food security at home. 49 Kilograms rice pack in fact provides a food security for the family of 5 to 6 for about 1 month. No rice bank closed down and the six rice banks commenced initially still continue with many enrichments such as increased quality of rice, provision of rice varieties demanded by participants, provision of the quantity demanded (less than 49 kilos) etc. Rice banks also provide rice for marginalized people such as elders and disabled, free of charge or at a lower price

‘Most of people in the village are daily waged and some days there is no work for them which affects food availability for family members. ‘But the presence of rice banks always ensures having staple foods at home. Other thing is our village is in the Dry Zone, paddy cultivation is not possible. Therefore the role of rice banks is very valuable and it is appreciated by all most all villagers’ U Salia Thein Saung- Village Administrator, Min Gan Village

Further, agriculture activities such as producing cereals, vegetables, livestock projects providing meat & milk and income increase due to all types of income generation activities have also resulted in increased food security of beneficiary households.

6.5 Enhancing Education of Children

The inability to educate children is a key social problem among poor families. Though education is free in Myanmar, parents have to spend considerable amount of monies for children’s education specially for educational materials and fees for extra classes. Further, for adolescent & young children access to vocational & higher education is not totally free. The HH survey shows that 25% beneficiaries have been able to support their children’s education which is a lifecycle event of lump sum cash-need, using SHG/VDC loans.

6.6 Improvement in Housing

Significant number of respondents of HH survey has utilized loans for house improvement, which is lifecycle event requiring bulk money. Participants of the FGDs also highlighted that the SHG/VDC contribution for the renovation of roof, walls and also extending the house by adding a part as a significant benefit of the loan facilities and a result of the increased income due to VRF activities.

6.7 Mitigating Emergency Financial Needs and Households Financial Shocks

Table 6.3 shows how SHGs and VDCs have contributed to the villager’s ability to cope up with the emergencies and other house hold financial shocks. 2 VDCs and 7 SHGs provide short terms loans catering to health and emergency needs. 7 VDCs provide loans for any purposes which can include the coverage of health and other financial shocks in the family too. It is evident that significant number of members (21%) has already benefitted from SHG/VDC services for their health needs including 17% beneficiaries those who have used SHG/VDC loans for this purpose while 11% members benefitted for managing other financial shocks in the family. Similarly Aung (2008) also

has shown that social welfare has improved with better health conditions of SHG members due to health loans.

Table 6-3: People benefitted in facing emergency financial needs and household financial shocks through SHGs and VDCs

Type of financial shock	Respondents experienced and benefited	
	No	Percentage
Financing health needs of the family	93	21%
Loan for an emergency purpose of the family	42	9%
Support facing the unexpected shocks to household expenses (E.g.: funeral and etc.)	12	3%
Support facing the expected shocks to household expenses (E.g.: wedding of family member)	36	8%

Source: HH Survey

6.8 Relief from Asset Mortgages

Asset mortgage is one of the key coping mechanisms for financial distresses at household as per the FGD participants. Land, motor bikes and farm machineries are frequently mortgaged for cash needs. However both SHGs and VDCs have played a vital role in safe guarding the assets of the poor families by providing collateral-free loans for their needs as shown in the table 6.4 below. It is evident that almost 25% of the beneficiaries have been able to refrain from mortgaging assets due to availability of SHG/VDC loans, where as 29% of beneficiaries mortgaged assets as collateral for their loans before the SHG/VDC commenced in the village. Further 11% of beneficiaries have been able to release mortgages using SHG/VDC loans or from the income they generated by investing SHG/VDC loans in various income generation activities.

Table 6-4: Mortgage of assets Vs. VRFs benefits

Aspect related to asset mortgages	No of respondents experienced/benefited	
	No	Percentage
Mortgaged assets in the past	133	29%
Not mortgaged valuable assets to village money lender for a loan due to SHG/VDC loans	112	25%
SHG/VDC loan supported in releasing a mortgaged asset	52	11%

Source: HH Survey

6.9 Increased Saving Habits

The findings of the HH survey indicates that SHG members reported higher levels of saving on average compared to VDC members. As per the HH survey & FCA findings, the average savings recorded in passbooks and other savings records is given in the table 6.5 bellow. Mercy Corps has stopped savings in 4 VDCs after the project is concluded resulting in low savings levels. The data for AAM is based on the response received from Htone Bo Gyi villagers where the VDC has become inactive now.

Table 6-5: Accumulated member savings balances (MMK per member)

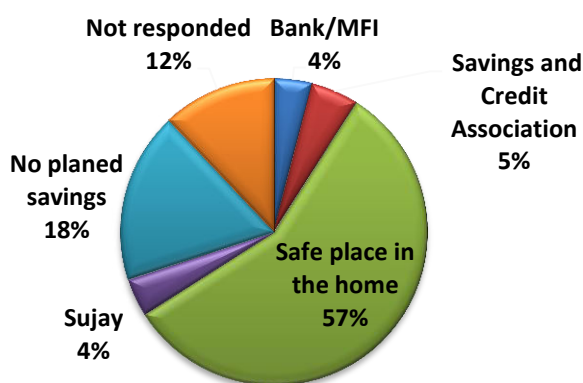
Key descriptive statistics	DPDO	AAM	ADRA	Mercy Corp	MCS
Maximum	51,500	5,000	49,100	51,500	30,000
Minimum	49,500	500	7,500	3,000	6,000
Mode	50,500	5,000	42,500	51,500	21,000
Average	50, 555.	2,500	28,012	28,573	19,580

Source: HH Survey

These savings are a positive result of VRF although not adequate, because the savings culture among project beneficiaries are very weak as discussed in the section 4.2 of the report. The ability for savings in VRF models has shown by Michel Hemp et.al (2004) where savings are more than double that of the credit outstanding.

As shown in the graph 6.1 most of the beneficiaries used to store money in a safe place at home (57%) which is an indicator for high savings potential for SHGs and VDCs. Savings in formal institutes such as banks, MFI or savings and credit association are also limited to 9% of the SHG and VDC members. Further member FGD findings indicate that there is no much change of this pattern even now in these villages.

Sujay, a form of Rotating Savings and Credit Associations (RoSCAs) was not popular in many areas where the project functions. According to the HH survey 3.5 % respondents are members of Sujay currently, where as it was 4% before the SHG or VDC established in the village. This indicates that Sujay is not a very popular scheme in the Dry Zone rural areas and SHG/VDC is not influential in changing the limited no of poor engaging in the Sujay. However, 12% beneficiaries indicated that Sujay is operating in villages. The FGDs confirm that Sujay is not very prominent among poor rural households.



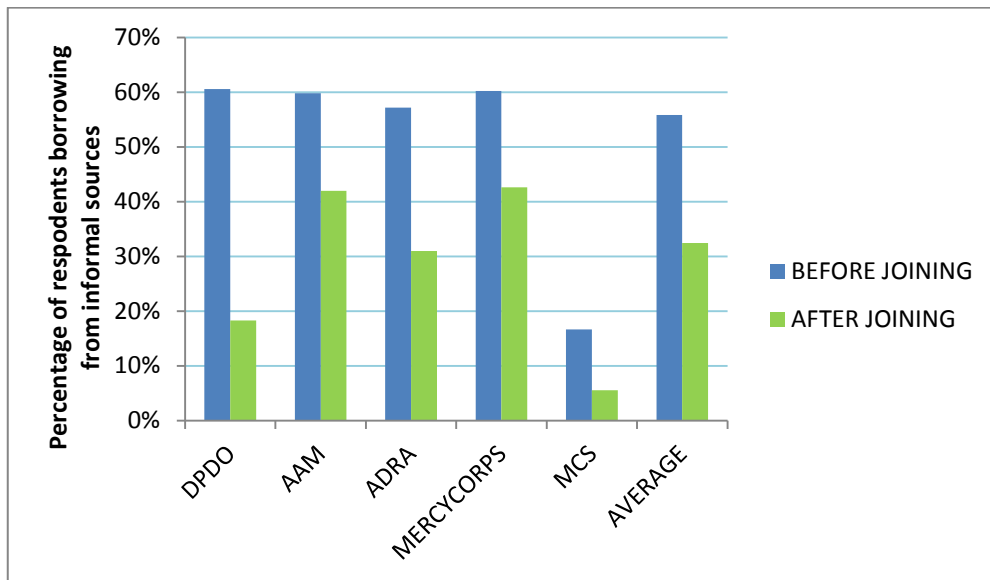
Graph 6-1: Savings methods of beneficiaries before SHG/VDC

Source: Household Survey

6.10 Decrease in Borrowing from Informal Money Lenders

As per the graph 6-2 below, it is evident that there is a significant reduction in the number of people who have borrowed from informal money lenders from 56% to 32%, with the implementation of SHGs and VDCs in villages. The highest reduction had taken place in DPDO

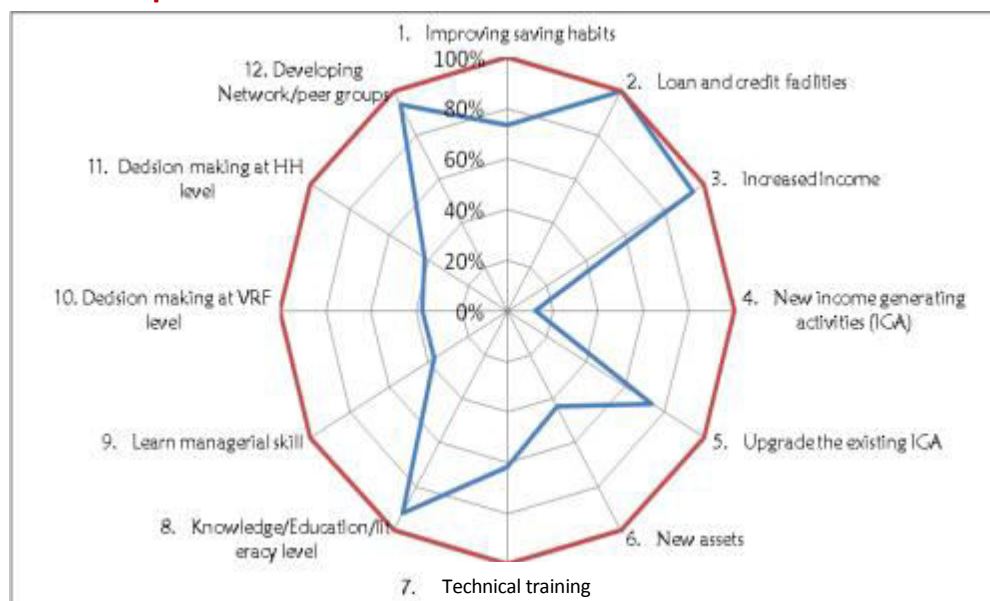
villages from 61% to 18% and ADRA villages from 57% to 30% - which are implementing SHG model for VRF. In comparison with VDCs, larger loan sizes in SHGs and more regular meetings in SHGs to discuss the issues of money lender such as higher interest rates, would have contributed for this result. Further during many FGDs with members they have indicated money lender interest rates have reduced from 10 - 20% to 5 - 7% per month with the establishment of SHGs and VDCs in the villages. Although there is a possibility that these figures may not be 100% accurate, it is likely that there should have been a reasonable effect by SHGs and VDCs on reducing interest rates by money lenders.



Graph 6-2: Magnitudes of informal borrowing in villages before and after SHGs/VDCs

Source: Household Survey

6.11 Increased Impact on Women



Graph 6-3: Women empowerment star SHG/VDC members

Source: HH survey

Women are more economically and socially empowered after joining SHGs and VDCs. There are 7 areas shown in the above graph 6.3 which can be identified as elements of economic empowerment of women. All the women have obtained micro-loans from SHGs or VDCs. 74% of the women reported that the project supported them in developing their savings habits. An increase in technical and vocational skills has been experienced by 60% of the women. 44% of the women stated that the support given by the project has helped in the creation of new assets for them. About 13% of the women stated that the SHG/VDC supported them in starting new income generating activities while 29% of the women mentioned that the SHG/VDC supported to expand / upgrade the existing IGAs.

The remaining 5 areas in the graph are related to social empowerment and social inclusion of women by SHG/VDC activities. 95% women have found that SHGs (and VDCs to a limited extent) has helped improve knowledge, education, literacy levels and also networking opportunities. These are reflections of exposure to formal procedures such as participation in meetings, signing for meeting attendance, completion of loan applications and opportunities for them to interact with other people in the village and outside. 38% of women confirm that the project helps to improve their managerial abilities and also to participate in decision making at SHG/VDC level. This is mainly due to SHGs formed by AAM in ADRA villages and from some VDCs. However, active participation of women in managing SHGs were limited to holding few positions like secretary and accountant and other key positions such as chairman and treasure remain with men in most cases. Around 40% of the women found that their participation in decision-making at family level has increased, as a result.

6.12 Impact on Wider Community in Villages

LIFT-VRF project has demonstrated direct as well as indirect impacts on community development. During the FGDs, groups reported that SHGs and VDCs conduct many community development programs such as construction and renovation of roads, organizing religious activities, building common wells and helping other needy people in the village. Some VDCs provide rice free of charge for elderly people via the rice bank. Almost 60% of the respondents of the HH survey indicated that the awareness programs conducted on disaster risk reduction (DRR), water & sanitation, green village via tree planting and related issues have helped the whole community at large. 5 VDCs have already made investments on community infrastructure such as health centers, warehouses and facilities in schools. VDCs promoted by AAM, Mercy Corps and MCS are making contributions towards mid-day meal program for the schools.



Figure 14: Inn Kone VDC Center & warehouse (Left) and Sewyar VDC farm machinery hiring center (Right)

7 GROWTH AND SUSTAINABILITY OF VRFs (SHGs AND VDCs)

The growth and sustainability of SHGs and VDCs were analysed using the 2 parameters such as growth in membership and fund growth in SHGs and VDCs. The fund growth is an indicator of financial sustainability and membership growth is an indicator of overall sustainability of SHGs and VDCs.

7.1 Growth in Number of Members

The initial membership of SHGs in 7 villages 230 was dropped to 212 by 8% over the years. However, in VDCs the membership in 18 villages has been increased from 1,416 to 2,593 by 83%. The SHGs defined their size and membership at the beginning and did not increase the membership afterwards where as VDCs kept membership open and increasing. However, it was evident that the loan sizes are relatively smaller in VDCs than in SHGs - the reason being non-increase of the loan fund in VDCs adequate to the membership growth.

7.2 Average Annual Loan Capital Growth in SHGs and VDCs

The growth in the Revolving Loan Fund is an indicator of effective and efficient fund usage and a strong measure of financial sustainability of SHGs or VDCs. Each SHG/VDC has received funds for loan capital (Seed Funds) from the IP at different times. In addition, funding was given to SHGs and VDCs for other project activities too. Attempts were made to identify and account for the funds given for SHGs and VDCs for loan capital as much as possible, excluding funds for other project activities to assess the actual amount of loan funds given by the IP. The current balances were taken as of 31st May 2015. There are certain issues in record keeping in SHGs and VDCs. However, the leaders of SHGs and VDCs have a very good memory of outstanding balances, because the fund is small and the number of beneficiaries is small, with loan amounts given are similar for most of the members. Therefore, verifications were made from leaders' for figures where ever record shortages and book keeping issues were found. Through this process the study derived very reliable and acceptable fund balances..

Growth of the Village Revolving Fund indicates financial viability of the SHG and VDC operations. The Average Annual Fund Growth Rate (AAFGR) was considered as the best verifiable indicators for growth of Revolving Fund. The Following formula was used to derive AAFGR.

$$AAFGR \% = \frac{(A-B) * 12 * 100}{B * X}$$

Where

A =	Current Fund Balance (loan receivable and cash in hand)
B =	- Initial Seed Fund given by IP
X=	<i>Number of average effective months for existence of the fund</i>

Number of average effective months for existence of the fund (X)

The number of months fund is in use varies as per the time of the seed capital received by SHG or VDC. Therefore, the number of average effective months for existence of Revolving Fund is calculated by adjusting the time effect of receipt of seed capital in instalments using following formula.

$$X = \frac{(Y_1Z_1+Y_2Z_2+\dots+Y_nZ_n)}{(Z_1+Z_2+\dots+Z_n)}$$

Where

X =	<i>Number of average effective months for existence of the fund</i>
Y =	<i>Number of months from date of respective funding instalment to 31st May 2015</i>
Z =	<i>Amount received in each instalment</i>

The average annual fund growth rates (AAFGR) for each VDC and all SHGs in the village are derived which are given in Table 7.1 below.

Table 7-1: Average annual fund growth rates of SHGs and VDCs

IP	VDC		SHG	
	Village	AAFGR	Village	AAFGR
DPDO			Bagan Hmyaw	28%
			Lay Taing Sin (South)	22%
			Pi Tauk Ngoke	40%
			Ta Ma Lan Pin	21%
AAM	Kan Ywar Lay	17%		
	Inn Kone	19%		
	Sissapiar	24%		
	Min Gan	30%		
	Htone Bo Gyi	3%		
	Kwon Long Kone	17%		
ADRA	Son Kone	35%	Sa Bay (East)	24%
	Gyoke Chaung Gyi	33%	Sar Kyin	37%
	Zee Taw Taik	5%	Ywar Tan Shey	39%
	Se Pyar	17%		
Mercy Corps	Taun Kyaung	14%		
	Kan Ywar Lay	12%		
	Baw Di Kone	29%		
	Seywar	33%		
	Tat Poe	-8%		
	Kyet Ti	24%		
MCS	New Nyein	38%		
	Kyauk Taing	27%		

Average for all SHGs and VDCs	26%
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Source: FCA

All VDCs and SHGs have achieved an average annual fund growth rate of 26%. The highest growth rate was 40% in Pi Tauk Ngoke village having SHGs formed by DPDO. These growth achievements are commendable. However, the lowest average annual growth rate was minus eight (-8%) in the VDC promoted by Mercy Corps in Tat Poe (TP) village.

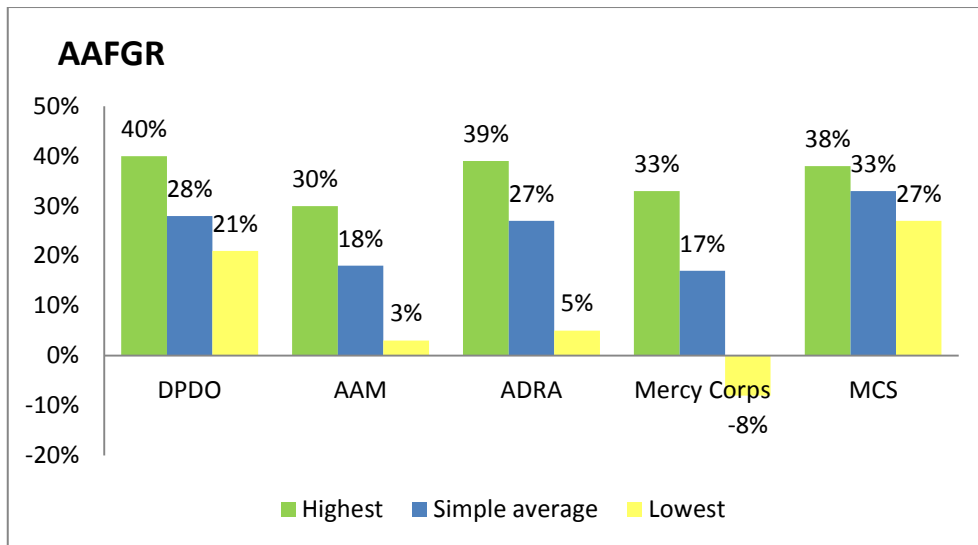
The growth in the SHG/VDC Revolving Loan Fund is mainly due to the interest income earned and savings mobilized by SHGs and VDCs. The interest income is a net income to all SHGs and VDCs as there are no significant expenses in the SHG or VDC because interest is not provided for savings and there is very limited expenditure involved in SHG and VDC operation such as for stationary, the cost of this nature is even borne mostly by the leaders by their own funds. Similar experience has shown by Michel Hemp et.al (2004) that CBFs were capable of achieving considerable outreach in remote areas at a relatively low cost compared to that of more formal financial institutions and with a lower cost per borrower in the SHG model.

The rate of loan default is also very limited as explained in the section 5.2.6 of this report and the impact on the costs in total is negligible. The significant expenditures are donations given out for village development work in few VDCs which is again a very positive social investment of SHGs and VDCs. Thus the growth rate is almost equal to the return on assets, which is the more meaningful profitability indicator for SHGs and VDCs.

The minus growth and slow growth in VDCs are some of the key impediments for the sustainability of VRFs in the future. The average annual fund growth rate of 10% of SHGs and VDCs fund is considered as the minimum or bottom line as the bench mark for this analysis. This is a more realistic and easily achievable growth rate given the range of interest rates charged by VDCs and SHGs and the costs structures already explained. Only 3 VDCs had growth rate less than 10% in the villages namely Zee Taw Taik, Tat Poe with minus growth and an inactive VDC in Htone Bo Gyi. All 3 villages have VDCs promoted by Mercy Corps.

7.3 Growth Rates achieved by Implementing Partners

The villages under each IP having highest, lowest and medium growth rates irrespective of whether the village has SHG or VDC is given in the done graph 7.1 bellow.

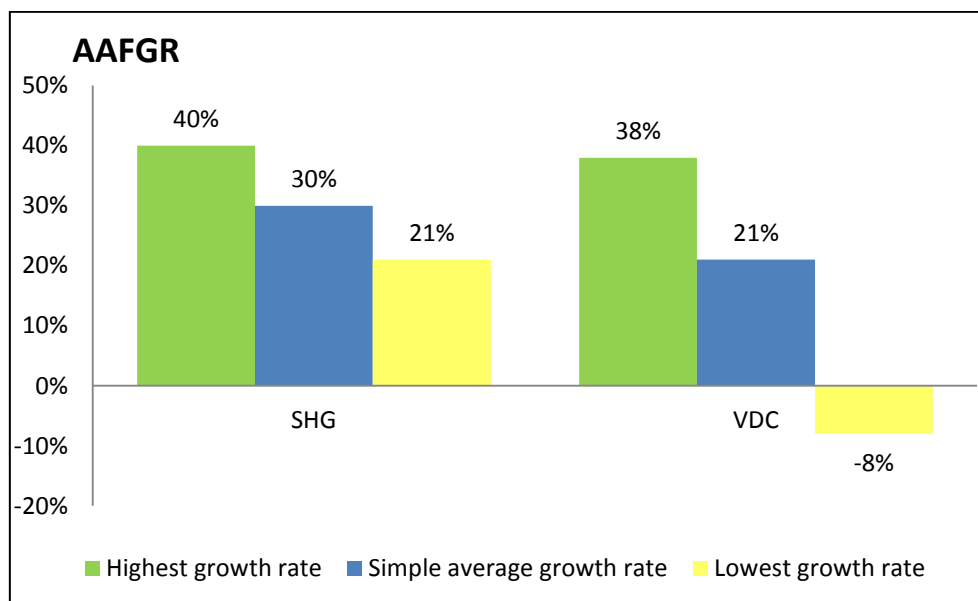


Graph 7-1: Average annual fund growth rates of SHGs and VDCs facilitated by different IPs

When considering partners, more stable and reasonably high growth was achieved by 2 VDCs of MCS with growth rates of 38% in one VDC and 27% in the other. SHGs promoted by DPDO also had similar growth pattern where the highest growth rate was 40% in SHGs Pi Tauk Ngoke village and the lowest being 21% in SHGs in Ta Ma Lan Pin village. ADRA had a very significant variation from 39% heights in SHGs in Ywar Tan Shey village and 5% lowest in VDC in Zee Taw Taik village. AAM also has a similar variation from 30% highest in VDC in Min Gan village and 3% lowest in VDC in Htone Bo Gyi village. Mercy Corps having VDCs only has a significant variation of growth rates from 33% in Seywar village to -8% in Tat Poe village.

7.4 Growth Comparison of SHGs and VDCs

Growth rate comparison among VDCs and SHGs irrespective of the IP are depicted in the following graph 7-2.



Graph 7-2: Comparison of VDC and SHG average annual fund growth rates

The growth rates of SHGs and VDCs differ significantly. SHGs are more stable with the highest growth rate of 40% in one village and lowest 21% in another village, with a blended average of 30% for all SHGs. In the VDCs the blended average annual growth rate is much lower at 21% with highest growth rate at 38% in New Nyein village VDC and the lowest being -8% in Tat Poe village VDC. Some of the key contributory factors for comparatively better growth in SHGs are savings mobilisation, effective fund management, not granting loans on an interest free basis and on a half grants/half loan basis as given by VDCs.

Although the cost of operation of SHGs and VDCs are very small and negligible, rice bank needs repairs and replacements of storage facilities, initially funded by LIFT through IPs. The interest charged for rice loans would not be sufficient to cover inflation and depreciation on the storage and other costs, to ensure long term sustainability in the event of extra additional funding from another source is not available for repairs and maintenance of rice storages.

8 RATING OF SHGs AND VDCs BASED ON 10 PARAMETER GRID

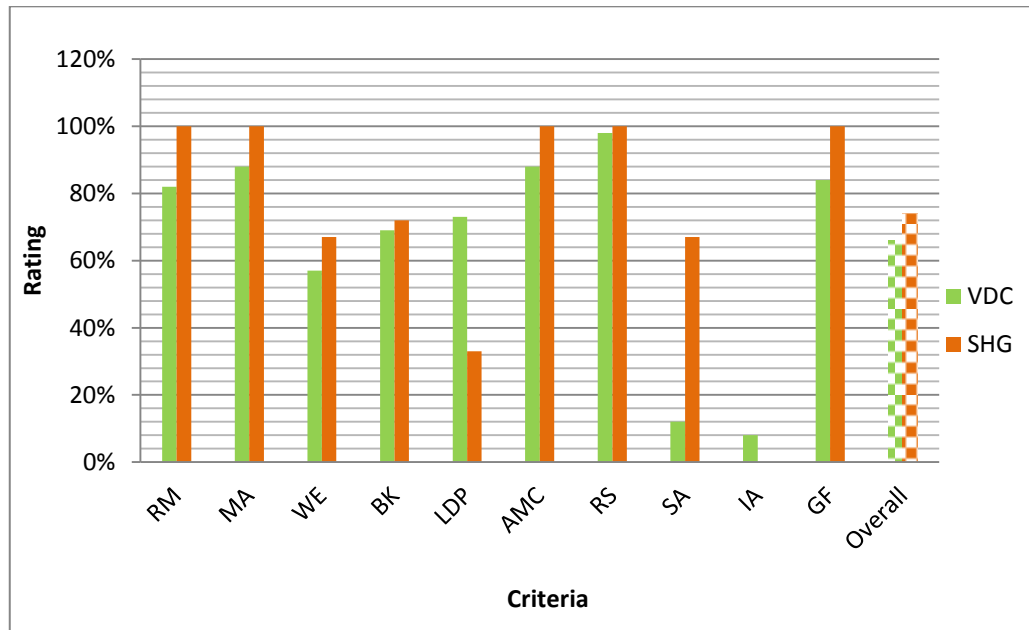
Ten parameters were identified to rate SHGs and VDCs, based on the products, operational methodology, governance, financial performance and sustainability aspects. They are; Regularity of Meetings (RM), Meeting Attendance level (MA), Degree of Women Empowerment (WE), Standard Book Keeping (BK), status of Loan Disbursement Process (LDP), Availability of Micro Credit services at present (AMC), Repayment Status (RS), Availability of Savings (AS), Availability of Micro Insurance (AMI) and Fund Growth rate of SHG/VDC (GF).

There are three levels of rating given for each parameter, high (3 marks), medium (2 marks) and low (1 mark or zero as appropriate). A colour coding also being used as green for high, blue for medium and yellow for low rating level. All the SHGs in a village those who participated in member and leader FGDs were considered together for each village. The data for this analysis was taken from the analysis made through the report based on the rating parameters and levels described in the table 8.1 bellow.

Table 8-1: VRF (SHG and VDC) rating parameter GRID

Parameter	Rating		
	High (H) – 3 marks	Medium (M) – 2 marks	Low – (L) -1 mark or Zero
1. Regular meetings (RM)	Always meeting are held as per the policy agreed	Irregular meetings in less than 3 month intervals	irregular meeting more than 3 months intervals (No meetings – zero marks)
2. Meeting attendance (MA)	Over 90% members attends usually	Attendance is 70- 90%	Less than 70% (No attendance zero marks)
3. Women empowerment (WE)	More than 50% leaders are Women	25% to 50% leaders are Women	Less than 25% leaders are Women (No women leaders – zero marks)
4. Books of accounts are kept to a acceptable standard (BK)	Books are kept to reflect all VRF level (income, expenditure assets and liability balances and beneficiary level (individual balances) up to date	Books are kept with some limited items missing but generally acceptable	Informal records, and irregular records not in updated form (No books kept – zero marks)
5. Status of loan disbursement process (LDP)	Loan application/ loan agreement and guarantee mechanism (GM) is available (GM in writing is not essential)	Either loan application/loan agreement or guarantee mechanism (GM) is available (GM in writing not essential)	Only borrower name list with signature available. (No any document zero marks)
6. Availability of Micro Credit services at present (AMC)	All initially commenced (cash or in kind or both) microcredit products are still available or converted in to an acceptable alternative products	Some products are lost from VRF due to non-repayment of loans or due to other uses of funds in the VRF	Cash or in kind micro credit is not available - Zero marks
7. Repayment Status (RS)	Over 90% borrowers are repaying	Only 70% to 90% borrowers are repaying	Over 30% are not repaying. (100% not repaying zero marks)
8. Availability of savings (AS)	Interest bearing savings with withdrawal ability	Savings without interest	No savings(Zero marks)
9. Availability of micro Insurance (AI)	Both credit and health insurance available	Either credit or health insurance available	No MI (zero marks)
10. Fund Growth Rate of SHG/VDC (GF)	Average annual fund growth rate is equal or more than 15%	Average annual fund growth rate is between 10% up to 15%	Average annual fund growth rate is less than 10% (Zero marks for minus growth)

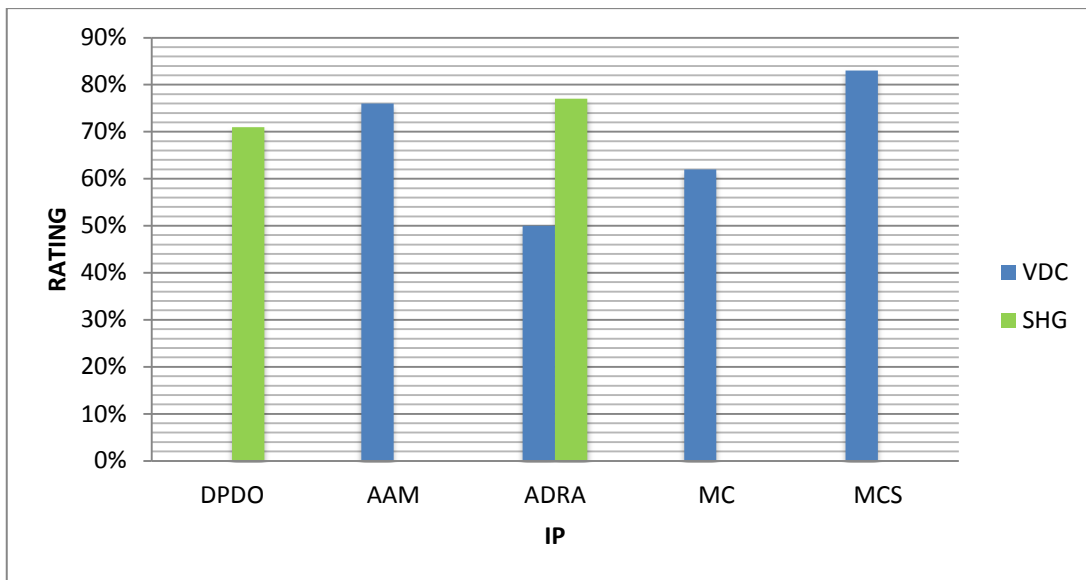
SHG in each village and each VDC has a potential to earn 30 marks when this grid is applied for their performances. Percentage of marks obtained from the full potential marks (30) for SHG in a village or for VDC was calculated as the overall rating indicator of status of the SHGs or VDC in the village. The results are given in Annex 11.



Graph 8-1: Parameter wise rating of SHGs (in the village) and VDCs

Graph 8-1 provides rating for overall rating for each parameter blended for all 25 villages as well as overall blended rating for villages with SHGs and VDCs separately. Accordingly, SHGs have an overall rating of 74% and VDC has got overall rating of 66%. This indicates that the performance of SHGs is superior to that of VDCs. As given in the Annex 11, SHGs were rated 100% scoring for 5 out of 10 parameters whereas VDCs did not get 100% scoring for any parameter. SHGs better performed than VDCs in 3 remaining parameters and VDCs are better performed than SHGs only in 2 parameters, namely loan disbursement process and availability of micro insurance products.

The main issue in SHGs with regard to loan disbursement process is the lack of loan application and agreement documents, where SHGs maintain only the borrower list with their signatures. Although it does not get high scoring in this comparative analysis, the current process is not detrimental for SHGs given the context of small operation with a maximum of 20 members. The micro insurance is available only in VDCs promoted by MCS and not found in any other VDC or SHG. Thus this analysis gives rise to a strong conclusion that the SHGs are superior to VDCs as an organisational structure for an effective and sustainable organisation for Village Revolving Fund management.



Graph 8-2: IP rating

Graph 8.2 make a rating comparison of IPs as per their SHG and VDC rating results. Among partners MCS has got the highest rating of 83% with VDC structure. AAM is rated at 76% under VDC structure. Mercy Corps rated at 62% and ADRA rated at 50% under the VDC structure. Further ADRA is rated at 77% for SHG structure and DPDO under SHGs structure rated at 71%. This give rise to a conclusion whether VDCs are better performing under certain implementing partners like MCS and AAM and less so with the implementing partners such as ADRA and Mercy Corps.

SHG model is implemented by 2 partners and both have got reasonably better ratings, whereas VDC model is implemented by 4 partners and only 2 partners have got reasonably higher rating for VDCs. The obvious reason for the higher rating is due to the more regular and frequent meetings and having a higher proportion of women members and leaders, which also enhances the loan repayment status too. Serious commitment to get women in membership through small groups within VDCs, instalment recovery of loan instalments on fixed dates and meeting on fixed dates have contributed towards the higher rating for MCS. The rice banking in AAM increases the need for meetings and higher women participation. Rice banks providing a valuable service specially for food security is not that as feasible for SHGs, given the small size.

In conclusion, the higher rating and the low level of variance among IPs implemented SHGs the lower significance of the 2 parameters for which SHGs, received lower ratings, the elements of highly rated VDC structure in MCS are similar to the situation in SHGs such as 5 member small groups among VDC members for cross guarantee & discipline of regular member meetings and also evidence exhibited in the literature review on the success of SHGs in Myanmar and other countries bear testimony to the effectiveness of SHGs as a better grassroots structure for VRF operation than VDC structure. The strong elements in VDCs such as micro insurance can be brought in to SHGs too easily and rice banks with a little modification of SHG model having village level federations of SHGs.

In this context, it can be reasonably concluded that the SHGs provides a more effective grassroots structure, relative to VDCs, for the scaling up of VRF in different parts in Myanmar. Further, a

federation of all SHGs at a village level as done in RRCP in India (Gaiha:2001) , is a useful and feasible structure for implementation of services such as rice banks which needs a certain scale of suitable operation than SHG.

9 LIMITATIONS IN THE STUDY

1. The list of 208 villages received from LIFT had both Dry Zone and non-Dry Zone villages. The 25 sample included 2 villages from non-Dry Zone areas which deviated the Dry Zone focus of the study to a certain extent.
2. The data on VRF current status are not audited figures. There were significant lapses in the books and record keeping at SHGs and VDCs. Although research team made verifications from different sources to get accurate data on initial capital funds given by IPs, such as verification from IPs, reconciliation of current outstanding figures with other figures such as number of loans and loan sizes, interest rates charged etc, there is a limited possibility for errors in the fund growth rate data used in the report.
3. Level of understanding of microfinance among enumerators and supervisors was limited although they were Bachelors and Master Degree holders in economics, accounts and finance and also had experience in the development sector. For an example approximately 50% of them did not have at least a personal savings account in the bank and had no experience in savings. Some of them found it difficult to conceptualize concepts like interest on savings and how insurance products work. Although this factor was addressed in the training and also through regular coaching, the accuracy of data could have been further improved if they had knowledge and understanding on these concepts.
4. Interpreters' limited understanding on Microfinance.
5. Some figures and data were in local languages used in rural villages and enumerators and interpreters found it difficult to read and understand them.
6. Non-availability of sufficient VDC leaders for FCA in certain villages as they went to the field for farming with the onset of the rainy season.
7. Secondary literature was in fact not available with most partners and poverty analysis tools, criteria, capacity building processes were mostly understood through sharing of verbal information. Some of the VRF project staff is no longer with the relevant organisations, such that retrieving history and information found to be challenging with new staff that were not part of the VRF projects in the past.

10 CONCLUSIONS

10.1 Different Types of VRFs (Typology)

There are two types of informal village organisations implementing VRF activities namely SHGs and VDCs. SHGs are more poverty-focused than VDCs. SHG membership is static and confined to 20 in general and VDC membership is open for the whole village. DPDO has targeted families with disabled people through SHGs and MCS has targeted families engaging in ceramic industry through VDCs. There were two types of VRFs namely Cash and In-Kind. Cash VRF provides cash loans for different purposes. In Kind VRF also referred to as In-Kind Banks provides non cash (In-kind) loans. Generally SHGs have been providing only cash VRF services among sample villages except in one village where, a rice bank has also been established by a SHG formed by DPDO. All VDCs formed by AAM and 2 VDCs formed by ADRA provide both cash and In Kind services. Rest of ADRA formed VDCs and all other VDCs formed by Mercy Corps and MCS implements cash VRFs only.

10.2 Cash Loan Products

All active SHGs and VDCs provide cash micro loan products. Long term loans with 8 months to 1 years repayment period are the main product of all SHGs and VDCs. Short term loans of 2-3months are a product provided by all SHGs and 2 VDCs formed by Mercy Corps representing 36% of the villages in the sample. Long term loans are financed by funds given by LIFT through IPs. Short term loans are given using savings funds. Long term loans are given only for income generation purposes. However 28% of borrowers have used the long term loans for consumption purposes too. Only very limited number of short term loans are disbursed due to limited fund availability for short term loans. These loans have mainly targeted emergency or consumption needs and it is a vital credit service for the poor having seasonal income sources.

56% of villages have dedicated funds for agriculture loans. Similarly 44%, 20%, 20%, 8% and 4% villages have dedicated funds for SEM (small business/self-employment), pig, seeds, poultry and cattle project loans respectively. Some of these dedicated funds are established by converting In-Kind banks in to these dedicated cash funds. The availability of dedicated funds for different activities has enhanced the effective use of loans.

In general, agriculture loans are adequate for less than 1 acres of cultivation. Nearly 28% of the total beneficiaries have less than one acre and the rest have more acres of lands. Thus, the size of the agricultural loan is inadequate for majority of beneficiaries. Livestock loans granted by SHGs and VDCs were adequate to meet the investment requirements of micro scale livestock projects except for cattle rearing. Small enterprise loans mainly been provided to fulfil working capital needs and amounts found to be adequate.

Repayment terms of loans for agriculture and microenterprises are in line with cash flows of these income generating activities. But a visible gap exists with regard to the loans for animal husbandry projects for the meat purposes as well as for breeding purposes, due to the fact that the maturity takes time in excess of the current terms of the loans. DPDO totally follows balloon repayment system for any loan and 5 VDCs established by AAM also follow the same. SHGs and VDCs formed by other IPs mainly follow an instalment repayment system with different intervals. Only VDCs established by MCS collects both interest and part of loan capital within short gaps such as once in 5 or 10 days. Further use of different repayment methods in different villages under the same IP makes it difficult for IP to monitor SHGs and VDCs under their preview.

All SHGs and VDCs charge an interest for loans from borrowers ranging from 2% -3% flat which is much lower than village money lender interest rates and lower than or in par with MFI interest rates

10.3 In-Kind Loan Products (In-Kind Banks)

The Rice bank is the only in kind VRF for which there has been a continuous demand. It is playing a very important role with regard to food security in villages where they are implemented. Rice bank is implemented by VDCs formed by AAM in 5 villages and a SHG formed by DPDO in one village. Although animal banks played a vital role at the beginning, the demand for these In-kind banks has declined due to practical issues in implementation and thus, most of animal banks have been converted to cash VRFs.

Maintaining repayment conditions such as quality and weight of animals, repaying only by female animals are difficulties that arise in animal banks. Similarly maintaining quality of seeds given as loans and received as recoveries is the issue faced by the seeds banks. However, none of the seed banks are closed due to this issue so far.

10.4 Savings

SHGs and limited number of VDCs mobilize savings. VDCs have given less priority on savings. Even in SHGs, saving as a microfinance product play only a very limited role compared to the potential it has in the villages. Non-provision of interest on savings and inadequate savings withdrawal ability are key limitations of the products offered currently. Lack of knowledge among beneficiaries and IP staff about savings is a key contributory factor to the less prioritisation of savings. Investment of savings funds in group managed income generation projects is not prudential.

10.5 Micro Insurance

One and only micro insurance initiative is implemented by MCS to cover health and some social risks of beneficiaries. Moreover, most of the beneficiaries, SHG/VDC leaders as well as large majority of IP staff does not have a comprehensive and adequate understanding on micro insurance. Lack of loan insurance is a limitation in the loan products offered by SHGs and VDCs.

10.6 Operations and Governance

SHGs cover almost all the members by its services as they have limited number of members to serve. In contrast VDCs serve a large majority of villages and services are not available for all the members at times. SHG meeting pattern is helpful for effective microfinance operation as SHGs conducts its meeting at least monthly. VDC meetings vary in frequency from once a month to once in 3 month or some times, certain VDCs conduct their meeting very irregularly in 5-6 months intervals. Although in principle, rotation of leadership in SHGs and VDCs are expected every year or once in two years, this does not practically happen. However it was evident that there are only very few people who can manage accounting/book keeping work in the village and rotating such positions are practically difficult.

Majority of SHG members are women while the majority of leaders and office bearers in both SHGs and VDCs are men. Having volunteer leadership by non-poor (village elites) in VDCs created both positive and negative effects. In general, Village Administrator is a patron of the VDC and it has a positive impact for managing loan delinquencies. However, there are some negative implications of involvement of Village Administrator where inappropriate credit decisions are

made and loan disbursements are completely stopped for 6 months in some extreme situations. Most leaders or office bearers do not have sufficient knowledge or capacity on revolving fund management. However, the current scale of the operation is limited and therefore this has not become a serious issue at this stage.

Transparency of decision making in both SHGs and VDCs are at a satisfactory level. However, the transparency in financial information such as income, expenses, fund growth and balances are not at an appropriate level. Most of SHGs and VDCs do not use basic documents such as loan application, loan agreements and guarantor bonds for loan disbursement processes. Loans are collateral-free which is fundamental to microfinance, with some IPs introducing group guarantee mechanism to create peer pressure on loan use and repayment. Large majority of SHG and VDC clients are repaying loans on time while there are few late repayments and very few acute defaults. The leaders are not concerned on the issue of late repayments which may potentially lead to unbearable delinquencies in the future.

The majority of the SHGs and VDCs have financial and non-financial records but level of standard of maintaining these records vary and not adequate. Monitoring and supervision has been done by IPs during the project period and not in post project. It is essential to have continuous SHG/VDC monitoring engagement which involves institutional development and organisational strengthening over a longer duration. There is no evidence of proper reporting from SHG or VDC to IP even during the project period. All most all IPs have conducted external audits from time to time particularly before the end of the project. But no audits were carried out after the project period.

10.7 Capacity Building

All most all IPs have conducted capacity building training on accounting and book keeping. Some IPs have given leadership development and management capacity training for office bearers. Member trainings are mainly technical training on farming, animal husbandry, self-employment such as sewing, masonry etc. None of the IPs has given training on financial education and literacy including saving and credit discipline which is very important for a healthy microfinance operation. SHGs and VDCs have demonstrated very limited capacity in networking with other relevant stakeholders including funding agencies.

10.8 Socio Economic Impact

Increased household income and increased livelihood opportunities among SHG and VDC members are two major impact areas evident largely. These impacts have been created mainly through diversification of income sources and expanding upon current livelihoods. Increased financial inclusion, increased ability to face household financial shocks and relief from asset mortgages are other significant outcomes. In addition to the above, a significant reduction of borrowing by SHG/VDC members from informal money lenders after joining to SHG or VDC is also a major impact of VRF programs.

Increased food security through rice banks and by the use of cash loans for streamlining household food consumption are also evident. Increased income from livelihood activities as a result of SHG/VDC activities have also contributed for increased food security among member families.

IPs except MCS has adopted integrated rural development approach and the loans are not given only for one specific sector. MCS has followed a sector development approach where their credit services are mainly focused on development of the ceramic industry. Both approaches are pre

planned approaches and have positively contributed to the overall objectives of VRF programs. Another important impact of the SHG and VDC loan programs is increasing women participation on economic and social activities.

VDCs have contributed more significantly to community development activities in comparison to SHGs and it is obvious that the very formation of VDCs is to provide holistic development at a community level rather than mere microfinance. Donating rice for needy families from rice banks, contributing to the building of community roads, building common wells, providing food for school children and organising monastery functions are some of these types of activities.

10.9 Sustainability

AAM and ADRA sustainable approach to VRF is built upon a village volunteer network called “Fellows”, a group of trained youth from the same village. They are still supporting VRF work on a voluntary basis in the respective villages. Currently in some villages ‘Fellows’ play an advisory role where as in some villages ‘Fellows’ have, become VDC office bearers. At times ‘Fellow’ has become an unofficial leader who takes the key decisions of VDCs. Generally Fellow approach of capacity development can be identified as a very positive aspect in the sustainability of SHGs/VDCs in the village. At the same time, there were evidence of negative actions of some ‘Fellows’ such as communicating wrong messages among communities about the objectives and concepts of VRF jeopardising the success of VRF in the village .

Overall annual average fund growth rate for all the SHGs and VDCs is 26%. Only one VDC shows minus growth. However, the growth rate of SHGs and VDCs differ significantly. SHGs are more stable having highest growth rate of 40% and the lowest of 21% with an average of 30% for all SHGs. In VDCs average annual growth rate is much lower at 21% with the highest rate of 38% and minus 8% being the lowest. Among VDC formed IPs, more stable and reasonably high growth is achieved by MCS and recorded the highest growth rate at 38% and the lowest at 27%. Among SHG formed IPs, more stable and reasonably high growth is achieved by DPDO and recorded 40% as the highest and 21% being the lowest by SHG is formed by AAM in ADRA villages.

SHGs have reduced its growth by 8% in number of members over the years as a result of dropouts. However, VDCs have recorded 83% growth in number of members over the years. Limiting the membership in SHGs has made a positive impact by increasing average loans size with the growth of revolving loan fund. In contrast, VDC has experiences small loan sizes due to growth in membership were over and above the growth in Revolving Loan Fund.

10.10 Successes and Failures of VRF (SHGs and VDCs)

The functioning of SHGs and VDCs were assessed using a 10-parameter rating grid and it indicates that SHGs are better suited for rural settings as compared to VDCs. Overall collated rating for SHG was 74%, while the corresponding rating for VDC was 66%.

It is evident that 96% villages are continuing with the VRF commenced by IP’s, approximately 1 year after -LIFT funding for the VRF project is concluded. Further cash VRFs are still active in all 96% of villages and In-kind VRFs are active in 32% of villages where as In kind banks were commenced in 56% of villages. Thus the 4% villages failed with cash VRF and 24% villages failed with In kind VRF. However stoppage of in kind VRF in 6 villages has not been an acute failure because it is always conversion of In Kind VRF to cash VRF.

Number of factors affected for success of VRF such as providing cash loans, presence of low interest and hazard free loan schemes, regular meetings and transparent management by effective leaders, members' ownership to VRF and leadership, guidance and training and monitoring support by IPs.

The reasons for failures of VRF can be identified as issues in relation to quality maintenance of In kind banks, mistrust between community and IP staff, misconceptions of 'Fellows' about VRF, inadequate training for SHG and VDC leaders, lack of follow up by IPs and negative influence by Fellows & Village Administrators.

10.11 Overall Strengths and Weaknesses of VRFs (SHGs and VDCs)

There are 13 strengths, 10 weaknesses, 8 opportunities and 4 threats in SHGs and VDCs identified through this study. They are given as a table in Annex 12. The stakeholders of SHGs and VDCs such as the community, IPs, donors and policy makers can reap of the benefits of strengths by strategically reducing weaknesses, exploring opportunities and minimising threats.

10.12 Key Conclusions Derived from Literature Review

There are different VRF structures such as SHGs, VDCs and CBOs around the world while, with SHGs being the most widely accepted as an effective grassroots model. SHGs are most effective in less developed areas than in developed areas. The main disadvantages of structures like VDCs are greater opportunities for elite capture, less cohesiveness as the group is larger, potential for mix up with local-level government work and thus politics. Indian experience shows SHG-bank linkages is the main reason for the success of SHGs. These linkages helped SHGs not to be dependent on grants and in the alternative to be a longer-term and sustainable mechanism based on loans.

Answers to Key Questions and Sub Questions in the TOR

The TOR contained 6 key research questions and series of detailed questions to addresses by the study. Those questions are addressed throughout the report. The summary answers for those key questions and detailed questions are extracted and separately given in Annex 13 and Annex 14 respectively.

11 RECOMMENDATIONS

S.N	Remmendation	Relavant Stake holders		
		VRFs	IPs	Donors
1	Recommendation for Cash VRF			
1.1	Loan sizes need an increase for which more funding to VRF is required. It is evident that VRF beneficiaries still borrow from expensive sources such as informal money lenders due to inadequacy of current loans and thus they have the capacity to benefit from higher loans and repay such amounts.	✓	✓	✓
1.2	Loan terms for animal husbandry / small business development loans should be increased to fit with production cycles.	✓	✓	
1.3	Sector specific cash loan products such as goat, cattle, agriculture, pottery should be continued as dedicated funds with necessary non-financial services such as training, advice and linkages etc. because such dedicated funds created and established new and alternative feasible income opportunities for poor.	✓	✓	
1.4	Promote interest repayments monthly for all cash loans	✓	✓	
1.5	Savings should be promoted as an important key service similar to credit. They should be appropriate savings products with standard amounts but with little variation and be interest bearing <i>(DF having studied the MF act in Myanmar see that savings mobilization and credit services by organisations other than licensed is not legal. However this many not be applicable for small rural initiatives like VRF similar to application of such laws in other countries)</i>	✓	✓	✓
1.6	Establish an appropriate loan insurance mechanism. It could be mostly an in house scheme promoted by the IPs jointly with all VRFs under the IP because volumes are essential for financial feasibility of an insurance scheme. DF does not see formal insurance sector is matured enough to provide such services to VRF although it happens in other countries.	✓	✓	✓

2	Recommendation for Non Cash VRF			
2.1	Promote rice banks where ever required – Capital fund for both rice stocks and construction of storage building should be provided by donors.	✓	✓	✓
2.2	Do not promote other in kind banks such as livestock and seeds because of the challenges of the bank due to quality deterioration of animals and seeds over time and lack of demand for some services in the long term. Alternatively dedicated cash funds as recommended by above section 1.3 should be promoted.	✓	✓	✓
4	Governance			
4.1	There should be a constitution and operational guidelines to govern the SHGs and VDCs. The objectives, office bearers' positions, roles, terms, meetings frequency, members' roles and obligations, fund management guidelines, handling issues like delinquencies should be clearly stated in the constitution. This should be done in a participatory manner based on current experience and best practices in other countries. The office bearers and members should be well educated on the constitution.	✓	✓	
4.2	The meetings and all other operational functions should be held as per the constitution.	✓		
4.3	Financial transparency of VRF should be improved by ensuring discussion by SHGs/VDCs on a financial statement prepared in a simple format.	✓	✓	
4.4	Keep Village Administrator out of the governance and operations of the VDCs. He/She can be helpful as a mediator in wilful loan default management and for addressing any other issues VRF	✓	✓	
5	Operations			
5.1	Group guarantee system should be promoted and enhanced. The peer pressure has been an effective tool in delinquency management and therefore it should be established strongly from the inception.	✓	✓	
5.2	The book keeping systems should be improved in following areas ensuring simplicity appropriate for the context <ul style="list-style-type: none"> a. SHG/VDC takes the total accountability of the individual member savings (E.g. having regularly updated SHG/VDC individual ledgers and beneficiary pass book) b. Individual loan tracking system c. Income and expenses (if any) are tracked and recorded to see the net income (yearly) basis 	✓	✓	

6	Establish Effective Sustainable Structures for Reporting, Monitoring, Auditing and Capacity Building			
6.1	A simple reporting format should be introduced for SHGs and VDCs to report IPs on key performances such as number and amount of loans given, no of borrowers and loan balances, any unrecovered loans, no of savings accounts and savings amounts, income, expenses and profits.	✓	✓	
6.2	Capacitate Township or District level based NGOs/Individuals for external auditing and capacity building of SHGs and VDCs on a fee levied and sustainable basis. Village fellow structure is recommended to replicate.		✓	✓
7	Office Bearers Capacity Building (This is to improve the training already provided)			
7.1	Office bearers should be trained on following microfinance specific subjects <ul style="list-style-type: none"> a) Basics of Microfinance b) Loan Revolving Fund management c) Savings d) Profit/ Loss and fund management e) Books and record keeping 		✓	✓
7.2	Provide Institutional Development and Organisational Strengthening (IDOS) related training, motivation and coaching by experienced IDOS consultants and trainers (E.g.: leadership, roles and responsibilities of leaders, participatory decision making, conflict resolution, good governance)		✓	✓
7.3	Develop mechanism to learn best practices through exposure visits. Aung (2008) in the literature also recommends based on lessons learned that exposure visits and cluster meetings have given much learning than class room training for leaders. <ul style="list-style-type: none"> f) Poverty targeting g) Record/ book keeping h) Rice Banks 		✓	✓

8	Scaling up Recommendation		✓	✓
8.1	<p><i>Take SHG - VRF model few steps forward converting them in to more specialized savings and credit organisations</i></p> <p>a) SHGs are superior to VDCs in terms of effectiveness and sustainability VRF and thus SHGs are recommended for replication.</p> <p>b) The VRF plays a significant contribution to financial inclusion and food security among Dry Zone poor. This cannot be expected to be replaced by formal MFIs or banks in the near future</p> <p>c) Any country should not depend on one type of financial intervention to assist the poor. Hence MFI, VRF and Co-operative models must be encouraged in a Nation new to formal financial services to the poor</p> <p>d) In the long term MFIs have a tendency to focus on bigger loans, to become commercialized and to charge higher interest rates neglecting credit to the poor.</p> <p>e) VRF in Myanmar and other countries have shown a greater social potential to undertake village/community development work beyond financial inclusion.</p> <p>f) Thus expanding VRF horizontally and vertically as a financial service provider is strongly recommended.</p> <p>g) VRF developed by other initiatives like UNDP should also be strengthened and use them for synergy.</p> <p>h) A long term project of 6- 8 years in phased manner would be required in successful implementation of scaling up recommendations</p> <p>i) It should be within the legal framework of the country.</p> <p>There are 2 Approaches to implement this recommendation</p> <p>SHGs in adequate number for each village should be formed and strengthened under both approaches.</p> <p>Approach 1: Country wide Approach:</p> <p>All LIFT partners to have a common standard SHG model linked with a suitable bank/s or MFI/s for savings and credit facilitation having commitment to use SHG in the business strategy, sharing interest margins with the SHG while charging reasonable interest rates for loans and paying reasonable interest rate for savings. Village level SHG federations or committees can be established to carry out activities similar to rice banks. Indian experience also shows SHG-Bank linkage is the main reason for the success of SHG and these linkages helped SHGs not to depend on grants but on loans (www.apmas.org;</p>			

	<p>www.gdrc.org).</p> <p><i>E.g. SHG movement in India, - 74.3 lakhs SHGs, 97 million members, 98.97 billion rupees savings and loans outstanding Rs.42.97 billion, 571 Banks provides loans to SHG's (promoter NABAD)</i></p> <p>See illustration in Annex 15 for detailed elaboration on this approach</p> <p>Approach 2: Partner wide Approach:</p> <p>Implementing Partners have their own standard SHGs and identical models of SHG federations to make sizeable organisations. Federations are making an organisation from bottom to top. SHGs at the bottom in the village get together and form a village level federation represented by SHG leaders. Then village federation leaders get together and form a township level federation. Similarly district level federation can be made of leaders from township federation and can go up to regional and national level if required. Township, district or regional federations which ends as "APEX Body" can be regulated as a MFI under the MF Act. Such federations can have partnerships with banks for bulk loans for micro credit.</p> <p><i>E.g.: Women's Development Federation in Sri Lanka having 71,000 members, Rs 1.7 billion savings, Rs 1.6 billion loans mobilized through 1,700 village society funds and 157 JBS as of end 2014. ,</i></p> <p>This model is already versioned by SHG leaders as given in the example bellow.</p> <p><i>" My vision for our SHGs to form a bigger organisation to help members better with savings and credit and also to buy and sell agriculture products to avoid middlemen exploitation' - U Aung Min Sein – EC- SHG 3 –Bagan Hmyaw- DPDO)</i></p> <p>See illustrations in Annex 16 for detailed elaboration of this approach.</p>			
8.2	<p>In order to initiate thinking processes and to develop a strategy for the VRF promotion, the senior staff of LIFT and IP leaders should be given an exposure to similar work in India, Thailand and Sri Lanka</p>		✓	✓

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Annexure 01: Terms of Reference

Section 4: UNOPS terms of reference

Study on Village Revolving Fund, Myanmar

Livelihood and Food Security Trust Fund (LIFT)

Duration: 3 Months

1. General Background of LIFT

UNOPS is the Fund Manager for the Livelihood and Food Security Trust Fund (LIFT) in Myanmar (see www.lift-fund.org) LIFT is a multi-donor fund (2010-2018) to address food insecurity and income poverty in Myanmar. The Donor Consortium of LIFT comprises Australia, Denmark, the European Union, France, Ireland, the Netherlands, New Zealand, Sweden, Switzerland, the United Kingdom and the United States.

The overall aim of LIFT is to make progress towards the achievement of millennium development Goal 1⁹ (the eradication of extreme poverty and hunger) in Myanmar. Working through a trust fund modality, LIFT's purpose is to sustainably increase food availability and incomes of more than two million target beneficiaries.

LIFT focuses on the following outputs:

1. Increased agricultural production and incomes supported through improved production and postharvest technologies, improved access to inputs and markets.
2. Targeted households supported in non-agricultural livelihood activities and/or trained in livelihood skills for employment.
3. Effective social protection measures supported that increase the incomes, enhance the livelihood opportunities or protect the livelihood assets of chronically poor households.
4. Sustainable natural resource management and environmental rehabilitation supported to protect local livelihoods.
5. Capacity of civil society strengthened to support and promote food and livelihood security for the poor.
6. Monitoring and evaluation evidence and commissioned studies used to inform programme and policy development.

LIFT is funding projects in three different agro-ecological zones of the country: the dry zone (Kachin State, Chin State and Shan State) and the delta / coastal zone. LIFT is implemented through a variety of local implementing partners (IPs) who were successful in submitting proposal that supported the LIFT purpose in the areas targeted. Please refer to the LIFT website on, or information about the implementing partners and LIFT's programs (e.g. refer to the annual report 2013 and other recent publications here: <http://www.lift-fund.org/content/lift-publications>).

2. Background and objective of the Study

Prompting access to formal financial services is one of LIFT's cross-cutting activities contributing to the agricultural development, creating job opportunities and advancing livestock, fisheries and small scale rural enterprises. Since 2010, LIFT has been supporting the microfinance sector development at macro, meso and micro levels. At the macro level, LIFT funded the projects for development of microfinance policy and regulations. LIFT has also commissioned studies relating to microfinance issues such as microfinance impact assessment designs, cooperative systems, the potential for a wholesale facility, and initial assessment of Myanmar Agricultural Development Bank.

⁹Reduce by half the proportion of people living on less than a dollar a day; achieve full and productive employment and decent work for all, including women and young people; reduce by half the proportion of people who suffer from hunger

LIFT is also supporting capacity building of the Myanmar Microfinance supervisory Enterprise and local Microfinance Organisations, as part of the meso level support. At the micro level, LIFT microfinance partners have been providing Microfinance services such as compulsory and voluntary savings, agricultural loans, small business loans, and social loans.

LIFT's financial inclusion strategy promotes formal access for poor households. In the rural villages where microfinance services are not available, LIFT supports community managed savings and loan schemes, also called village revolving funds.

Village revolving fund model:

The village revolving fund model (VRF) has been used in LIFT projects since 2011 as a tool supporting the sustainability of project inputs as well as promoting access to small savings and loans.

The VRF groups use two approaches:

1. Interest groups: interest groups such as livestock groups are established where group members manage project inputs and set up a common fund.
2. Self-help group: Women from poor households from into small groups and make regular savings.

Regardless of the approach, the VRF core objective is to promote affordable small scale financial services. There has been a high level of community participation throughout formation and implementation stages of the VRF groups. For example, group rules and responsibilities, and the Interest rate to be charged to savings and loans, are developed through discussion among the group members. There are also social activities contributed by the group members for village development. As such, these groups are seen as community social assets as well as a source of finance.

By the end of 2013, LIFT implementing partners in the *dry zone*¹⁰ reported that total of 7,444 households from 1,444 villages were participating in VRF groups. Some of the projects have already completed.

LIFT is planning to undertake a study to identify how VRF members are benefiting. The results of the study will be used for strategic level decision making on whether the VRF model should be further promoted as a tool for financial inclusion.

3. Objective of the study

The objective of this study is to assess the role, effectiveness, and sustainability of VRF groups and the extent to which they are providing sustainable access to financial services at rural community level.

Please refer to see RFP 10.1 and Annex C, Technical proposal submission form on the specific requirements for the submission of the technical proposal.

4. Scope of the study

The study will focus on all forms of village revolving funds implemented with LIFT support which provide financial services to rural households including:

- Village saving and loan groups,
- Farmers groups,
- Livestock groups,
- Village development committees,

Other forms of groups including revolving non-cash funds e.g., livestock bank, rice bank etc.

The study will cover both cash based and non-cash related VRF activities. As majority of the VRF groups are found in the dry zone area, the study will focus its survey in the LIFT projects' areas within the Dry Zone.¹⁰

¹⁰ Dry Zone covers Mandalay Region, Magwe Region and Southern Sagaing Region

The study will focus on the post-project status of the VRF and answer to the following key research questions.

- a) What are the types of VRF groups?
- b) What percentage of the VRF groups is still functioning after the project ended, and what scale?
- c) What are the factors contributing to functioning status and others contributing to manufacturing status?
- d) How have the group members benefited from the VRF activities (with analysis from the perspectives of financial inclusion and social protection)?
- e) How have the VRF been functioning after the project ended (e.g. their financial performance financial controlling, setting interest rate, size of total assets, etc.)
- f) What are the issues and challengers for sustainability of the different types on the VRF groups (e.g. cash and non-cash) and the recommended solutions of them?

5. Research methods

The research will include literature review and field survey (qualitative and Quantitative). The research methodology should be explain in the submission (see REP 10.1 and annex C, Technical proposal submission form)

5.1 Literature review: This include desk study on the results of VRF operations implemented in Myanmar and relevant other countries. The study should not be limited by the terminology “village revolving fund” but explore similar VRF models including self-help groups, community managed funds village savings and loans association, livestock banks, etc. the research should also review related project documents from which project designs implementation strategy ,and targets are useful to analysis the projects’ results. The documents are available at LIFT office and implementing partners’ (IPs) offices.

From this exercise, the researcher should provide comparative analysis between the results of LIFT VRF revolving fund activities and those of other similar projects implemented in country and/or outside the country.

5.2 Pre Field Workshop: It is important to reflect the views and comments of the practitioners who is implementing and implemented the similar projects. This is to be done through a workshop before launching the field work. The output of the workshop will provide guidance for the field survey and be drafted into the Inception report (please see section 7 Deliverables)

5.3 Field Survey: This include household survey focus group discussion (FGD), and key informant interviews (KII) in randomly selected villages: **25 of LIFT; and ensuring at least half of the LIFT villages have completed project interventions.**

- 5.3.1 Household survey: This is meant to interview to the randomly selected individuals from the households participating in the VRF activities implemented by LIFT partners.
- 5.3.2 Key informant interviews: interviews with project personal selected community leaders and selected VRF group representatives.
- 5.3.3 Focus Group Discussion: with selected VRF group members The discussions should include some non-group members to capture outsiders views of the VRFs

6. Scope of the Field Survey

The field survey should address but it is not be limited to the following components and sub-questions.

6.A Typology

1. What are the types of VRF groups their different approaches and functions?
2. What are the different financial services provided by the different group types?
3. What are the visions and objectives of the VRF groups?
4. What motivates the VRF groups?
5. What are the terms and conditions for non-cash related VRF and how are the group members coping with them?
6. Were there informal financial groups operating before the project – “sujay”- and if so, Are they still operating?
7. What are the characteristics and trends in numbers of VRF member (eg: Land owners vs. leasing land, vs. landless imitation, household access to MADS Credit Cooperative team, men vs. women?)
8. What are the village demographics numbers of VRFs per village?

6.B Operations

1. How do the VRF groups independently manage their functions in areas of accounting group management, networking and coordinating with other stakeholders (e.g. village authorities, community based organisations, other NGOs)
2. How long has each VRF operated? (Sample selection needs to include villages where the projects have already ended).
3. Has the group composition changed from rotation to non-rotation?
4. What are the various processes of selecting members?
5. Are VRFs tied/limited to the cropping seasons?
6. Is there a paper trail for all transactions – repayment and issuance of loans? Verify repayment, etc.?

6.C Quality and Performance (Positive/ negative)

1. How often have members not been able to repay debt, and left the group to cover for the losses?
2. What is the quality of service delivery such as loan approval and disbursement process, information sharing, membership process, group management, etc.?
3. What is quality of financial products such as loan size, loan period, saving amount, interest rate, loan type, etc.?
4. What is the appropriate loan size, repayment schedules, and other terms and conditions set for each loan type?
5. What is the quality of in-kind products provided by VRFs such as time frame to get income, the system to share or transfer benefit to VRF group members, etc.?
6. How are the VRFs mainstreaming gender issues e.g., participation and the role of women?

6.D Effects

1. What gaps are evident in the financial needs among the group members and how are the VRFs solving the gaps?
2. Are there any problems, issues, challengers associated with the terms and conditions that the group members are following?
3. What constraints and limitations are there for growing / replicating VRFs (provide S.W.O.T analysis of the VRFs)?
4. Look for VRFs/communities where the “project” has closed down, and determine if the VRF is continuing, and if the quality of services remains consistent with the project period?

6.E Conclusions, Prospects and Recommendations

1. What are the factors that support well-functioning VRF groups?
2. What are the factors that cause weakly functioning VRF groups?
3. What scale should VRFs have to be most effective in extending financial services to the rural poor?
4. What are the lessons that learned and best practices in village services that could be recommended for future LIFT projects?
5. How could the existing VRF model be improved in order to promote regular and affordable financial sources among the poor and vulnerable households?

7. Timelines and Deliverables

The study is to be completed within 3 months.

The consultant is expected to submit a detailed work plan with tentative dates for implementation, number of days of works for each step: preparation and literature review, travel and field surveys, result analysis, report writing and workshop preparation. Within number of weeks below refer to the time period starting from contracted date.

7.1 Inception Reports (Within 3 weeks)

The inception report should discuss results of literature review, the training of the enumerators, and the field testing of the KII interview sheet, FGD and household survey question checklists. It should include:

- a) Key findings of literature reviews and related references.
- b) Explanation of sampling and selection of villages, groups and households.
- c) A description of enumerator training undertaken (including any notes distributed or slides used in the training)
- d) A report of the field survey test.
- e) A detailed schedule of village with expected dates for each team in the village.
- f) A plan of logistics, management and supervision, ensuring appropriate oversight and quality assurance, and the most efficient use of personnel and survey resources.
- g) A proposed field survey questionnaire and field guide notes.
- h) Submission of the draft field survey questionnaire and field guide notes.

7.2 Pre-field Workshop

The Workshop should be organized to discuss and exchange issues, and views on the VRF and make necessary corrections, changes and additions to the methods approaches, and the field Survey designs in the inceptions report. This is to improve and demonstrate readiness of field survey work.

7.3 Field work completion report (Within 6 weeks)

The field survey work completion report should include:

- i. A summary of the field survey works completed (eg the names of villages visited for the interviews and surveys conducted), the approach taken and methodology used (team structure and supervision, logistic arrangements etc.), issues faced, actions taken, recommendations and lessons.
- ii. A summary of the basics information collected in each village and recorded on the survey sheets (types of revolving fund present, membership (m/f) etc.)
- iii. The field survey results should be summarized and translated. The information should be entered in to a simple spreadsheet or database. The survey answers will be summarized under each of the major topics covered and provide in English. Full transcripts of all FGDs will be provided in Myanmar language.

7.4 Draft Report (Within 10 weeks)

The Draft report should focus on the key findings of the field survey works. English language should be used and the report should not exceed 50 pages, plus annexes and an executive summary of 3 pages maximum, focusing on the key findings from the study.

The contractor will be required to present key findings from the Draft Report in a workshop in Yangon. LIFT will cover the cost of the workshop.

LIFT will provide feedback on the Draft Report within 1 week receipt.

7.5 Final Report (Within 3 week after receiving feedback on draft report)

The final report will be incorporate LIFT feedback and feedback from the Yangon workshop (on those issues agreed with LIFT) the timing for submission of the Final Report will be agreed with LIFT based on the extent of revisions and any additional analysis required, but should be completed within 2 weeks of receiving LIFT feedback.

The study and all results shall be the intellectual property of UNOPS LIFT and shall not be used or communicated in any way without full acknowledgement to LIFT.

8. Proposed Implementation Approach

The proposed implementation approach is mainly guiding the bidders for ease of reference in budgeting. Major activities will include but are not necessarily limited to the following:

8.1 Preparation

- Complete the literature review
- Conduct pre-field workshop to discuss and review the survey approaches, methods and questionnaires.
- Review and revise the survey questionnaires to meet the needs of the study (with input from LIFT technical team)
- Translate the English draft of questions into the languages required for each ethnic/language group in the sample.
- Recruit and train field teams in quantitative methods particularly in the effective facilitation and recording.
- Field test survey questions (including each local language version) and make revisions as required.
- Develop a detailed implementation plan and schedule for covering all 25 villages, including the supervision of field terms and ensuring high quality completion of all the survey before leaving each village.

8.2 Field Work

- Supervision of field teams.
- Review progress against the plan, and make revisions to the plan as required (notifying LIFT of any such changes)
- Raise any important issues or problems with LIFT and address them accordingly
- Complete field work ensuring all survey works are complete.
- Draft the completion report and submit
- 2-day debriefing workshops to work with its teams summarize and analyses the study findings.

8.3 Summary and transcripts

- Complete and analyse the survey sheets for each of the villages surveyed.
- Clearly document each survey conducted (these full transcripts can remain in Myanmar language) and develop a summary of the survey in English

Shortly after completion of the fieldwork, the Contractor shall organize a 2-day debriefing workshop to work with its survey teams to summarize and analyse the study findings. The contractor will be responsible to undertake the detailed analysis of survey results incorporating findings of literature review.

LIFT will provide list of villages where VRF is being implemented. The contractor will be responsible for random selections of 25 LIFT villages, in consultation with LIFT. LIFT staff will also participate in the training of the survey teams and the 2-day debriefing workshop.

9. Research team skills and experience

The Contractor may propose the size of the team to best undertake the study in the time required, ensuring that most field staff have extensive experience in facilitating and documenting the surveys. Field staff will be observed during training and field testing and should be replaced if they do not demonstrate adequate skills.

It is suggested that key research team should have the following attributes.

- Lead researcher should possess at least Master level education in areas of social sciences, development studies, rural finance, etc. and at least 5 years of experience in the conducting surveys and studies of similar nature.
- The research team should include one or more persons who have strong, related working experience in Myanmar or in the region.
- The research team should possess expertise to comprehensively record and maintain information in written and electronic forms.
- The research team should include researchers with good understanding and knowledge of village revolving funds and community development.
- The research team should be able to gather information of an objective, appropriate and sensitive way by carefully observing and actively listening to village respondents.
- Demonstrated analytical and research skills including qualitative methods
- Excellent communication and English language report writing skills.

In addition the Contractor will need to provide trainers and supervisors for the field teams, and have expertise in processing and analysing data, and in summarizing key findings.

10. Additional requirements

The contractor will need to provide for ground (and possibly air) transport in order to move teams to Dry Zone villages selected for the study.

Per diems for field personnel to cover the costs of meals and accommodation. Field personnel must be provided one day off in each week of field work. If available, health and accident insurance should be provided to the members of survey teams. If not, the contractor should be prepared to cover the reasonable expenses associated with illnesses or accidents in the field.

All other insurances (vehicle etc.) will also be the responsibility of the contractor.

The cost of reporting, communications, printing questionnaires, clip boards, workshop etc. will also need to be covered by the contractor.

The contractor will be required to use its own computers and office space (for training and reporting etc.)

11. Budget

The budget should be based on 25 villages, 400 household sampled. LIFT estimates up to 60 fieldwork days per enumerator, plus full support and data processing team.

12. Timing

The consultancy is expected to commence early 2015 and be completed within three months.

Please refer to see REP 10.1 and Annex C, Technical proposal submission form on the specific requirements for the submission of the technical proposal.

Annexure 02: Household Survey Questionnaire

Questionnaire code

--

Name of Enumerator		Date of interviewed	
Township		Village	

A. Basic Information of VRF group member

1. Name of Interviewee:
2. Address:
3. Telephone Number

4. Name of VRF Group /Group Code:

5. Birth date:

YYYY	M	D
------	---	---

6. Sex: Male Female

7. Marital Status: Married Unmarried Divorced Separate Widow

8. Education level (Put X in front of the right answer)

a. No schooling	
b. Monastery	
c. Primary	
d. Middle	
e. High School	
f. Above High School (Degree or diploma)	

9. How many family members are in your family?

a. Total members	
b. Income earners	
c. Non income earners (Dependents)	
d. Disabled	

10. What are the main and other income sources of your family?

a. Main (specify)

b. Other (specify)

11. Your/ your family land ownership:

- a. Land owner How many Acers
- b. Tenant
- c. Land less

12. Categories of VRF you have already joined and their functional level?

	SHG	Village Development Committee (VDC)								Other (specify)
		Rice Bank	Seeds Bank	Goat Bank	Pig Bank	Cattle bank	Equipments	Cash	Other groups (specify)	
Membership (Y/N)										
It's functioning level (F or NF)										
Disbursement	Cash									
	In-Kind									
Repayments	Cash									
	In-Kind									

13. If some of the VRF in which you have membership already, are not functional now, what would be reasons for their non-functionality?

VRF type				
Reasons for not functioning				

14. Why did you joint VRF group?

15. When did you joint VRF?

16. What types of MF services are available in your VRF group?

- a. Loan
- b. Savings
- c. Micro Insurance
- d. Other (specify)

17. What is the current loan number you got from VRF? (ex 1st loan, 2nd loan, 3rd loan ...etc)

	Yes or No	Term (Period)	How they define the Term (Short & Long term)
LT loan			
ST loan			

B. Cash VRF- following questions under the section B are only for Cash VRF borrowers.

18. Types of cash loan services available in your VRF and types received?

	Cash Loan Types	Available in VRF	Received by You
a.	Micro/Small business/ Income generating loans		
b.	Consumption loans (consumables including Household Items)		
c.	Health loans		
d.	Education loans		
e.	Agriculture loans		
f.	Livestock loans		
g.	Other purposes (specify)		

19. Please specify each loan amounts and terms of above mentioned loans you received (*Note: if you have obtained several loans from the same category give details of the last loan*)

Loan no		a	b	c	d	e	f	g	h
Loan	Loan amount								
	Term								

20. What are the three major benefits you got from VRF loans

1.
2.
3.

C. Non Cash VRF- following questions under the section C are only for Non Cash VRF borrowers.

21. Types of non cash VRF service available in your VRF group and the services you already received

	Type of Non Cash Loan	Available in Your VRF group	Received
a)	Rice Bank		
b)	Seed Bank		
c)	Pig Bank		
d)	Goat Bank		
e)	Cattle Bank		
f)	Other (Specify)		

Note for enumerator: From question number 22nd to 45th Please select the relevant section/s only

Only for Rice bank borrowers

22. Why did you join to Rice Bank?.....
23. How much of rice you received from VRF? (if received several times consider the last time) & what would be the market value of it?
24. What is/ was the mode of repayment?
- a. By Cash (how much..... and how many months after.....)
 - b. By rice (how much rice..... and how many months after.....)
25. What is/ was the repayment method?
- a. Before taking rice
 - b. At the time of taking
 - c. withinmonths after taking (please note whether it is by instalments or one time repayment)

26. How many times did you receive rice from Rice Bank?

27. Benefit you received?
- a. Price reduction/ Low cost
 - b. Received good quality rice
 - c. Convenient (easiness)
 - d. Food security
 - e. Other (please specify)

28. Are/ were you facing any issue/s under this loan facility?

Yes No

If yes please specify

1.

2.

3.

Only for seed bank borrowers

29. What types of seeds you received (write down the types).....
30. What quantity of seeds you received from VRF? (if received several times please consider the last time) and its market value?
31. What is/ was the mode of repayment at time of repayment?
- a. By Cash (how much..... and how many months after.....)
 - b. By Seeds (how much seeds..... and how many months after.....)

32. How many times did you receive this in kind loan facility?

33. Benefit you received? (Put ✓ to right answer/s)

a. Less price	
b. Quality seeds	
c. Timely cultivation	
d. High income	
e. Advisory services	
f. Training programs	
g. Other (Please specify)	

34. Are/ were you facing any issue under this loan facility?

Yes

No

If yes please specify

1.
2.
3.

Only for Animal bank borrowers

35. Type of animal bank? (Put ✓ to right answer/s)

a. Pig	
b. Goat	
c. Cattle	
d. Other please specify)	

36. How many animals you received from VRF (if received several times please consider the last time) & market value of them?

37. What is/ was the mode of repayment and time of repayment?

a. By cash (how much..... and how many months after.....)

b. By animals (how many animals and how many months after.....)

38. How many times did you receive this in kind loan facility?

39. Benefit you received? (Put ✓ to right answer/s)

a. Less price	
b. Quality Breeds	
c. High income	
d. Advisory services	
e. Training programs	
f. Other (Please specify)	

40. Are/ were you facing any issue under this loan facility?

Yes No

If yes please specify

1.
2.
3.

Only for equipment /material received borrowers

41. What type of equipment /material/ you received and market value of them?

42. Did you receive training? What was it?

Training	Training period (e.g. One day, 5 day, one month)	Year

43. What is/ was the repayment method?

- a. Total amount should be repaid at once
- b. Repayment can be done in instalments (E.g. monthly or once a 3 months , get the schedule if possible)

44. Benefits you received? (Put ✓ to right answer/s)

a. Skills development	<input type="checkbox"/>
b. Regular income	<input type="checkbox"/>
c. Irregular income	<input type="checkbox"/>
d. increase assets	<input type="checkbox"/>
e. Other(please specify)	<input type="checkbox"/>

45. Are/ were you facing any issue under this loan facility?

Yes No

If yes please specify

1.
2.
3.

D. Savings

46. Types of saving products available in your VRF group and type of savings you are doing

	Type	Available (Put a ✓ for if its available)	Saving Services You currently getting (Put a ✓ for if its available)
a.	Compulsory savings		
b.	Ordinary savings		
c.	Other (specify)		
d.	No savings products		

Question 47 should be answered by people who answered' of question 46

47. What is the reason for if you are not doing saving although your VRF have saving facility?
(If doing saving in VRF please note N/A (Not applicable))

Note: If the answer for above question number 46 is “d”, please omit the question number 48 to 50

48. Your savings and its accumulation pattern in VRF group?

Frequency (Answer should be in Weekly/Bi-weekly/Monthly and etc)

Amount

Current total (as per Pass book).....

Accumulation Pattern (This should be based on pass book verification)				
Year	1	2	3	4
Saving balance to the end of the year				

49. How many times did you withdraw your savings in VRF group?

- a. Less than 5
- b. More than 5
- c. Can't withdraw

Note: If the answer for above question is c, please omit question number 50

50. For which purposes did you use savings you got back from VRF group?

.....

E. Insurance and Other Financial Products

51. Do you receive any insurance service from VRF group

Yes

No

If yes please explain it

52. Please briefly explain what type of other financial services you received from VRF group and benefits you received from those?

.....

F. Effectiveness- (Financial inclusion)

Here effectiveness from client perspective

53. Have you taken a loan from formal MF services provider

Yes No

54. How many micro loans did you have from other formal MF service providers before joining the VRF? (if the number is more than 5, note only last 5 loans)

Loan no	1	2	3	4	5
Year(if can remember)					
MFI (Institution name)					
Loan amount (MMK)					

55. Are you a client of other MF loan provider currently? If so how many?

MFI	1	2	3	4
MFI name				
Loan amount(MMK)				

56. How many micro loans did you have from other informal service providers (money lenders) before joining to VRF? (if the number is more than 5, note only last 5 pls)

Loan no	1	2	3	4	5
Year(if can remember)					
Loan amount (MMK)					
Interest rate					

57. Have you borrowed from informal service providers/ money lenders after joining to VRF? If so how many & why?

Loan no	1	2	3	4	5
Loan amount (MMK)					
Why					

58. Were there informal financial groups operating such as 'Sujay' before the project?

Yes: No:

59. If yes, are they still operating? Yes: No:

- a. If yes how many?
- b. Why still this/these informal group existing? What good characters/ features are there in those informal groups? Please specify & rank

Features of Loan	Rank

60. Have you ever been a member of that group before being a member of VRF?

61. Are you still a member of Su Jay group.

Yes: No:

If yes, why Please specify

Question 62 should be answered by people who have already membership in formal MFIs operating in the areas.

62. Why did you joint to VRF group when you had a chance to get a loan from other formal MFIs you have/ had the membership?

- a) Get high loan amount
- b) Other MFIs don't provide loans for purpose I wanted
- c) Low interest
- d) Easy to get a loan
- e) Other

63. Where did you save before joining VRF group?

- a) Bank/ finance company
- b) Other village loan and saving association
- c) At safe place in the home
- d) Other (specify)
- e) Didn't save money/ no planned savings

64. Are you saving money in other places other than VRF group currently? If so where?

Name of the Saving Institute	1	2	3	4
Amount				

Note: This should be asked only from savers in VRF

65. Why did you save money in VRF group while had a chance to save in other formal places such as Banks/ FC etc?

- a. Easiness to save
- b. More trust than other places
- c. High interest
- d. Easy to withdraw
- e. No other places
- f. Other (specify)

G. Effectiveness- Social Protection

(Here effectiveness from client perspective)

(Put v to right answer/s)

Events & situations	Yes	No	If Yes please specify
66. Have you ever had a VRF loan for health purposes of you or family?			
67. Have you ever had a VRF loan for an emergency purpose of you or family?			
68. Did VRF loan/ saving support you not go to village money lender for a loan?			
69. Have you ever mortgaged any asset in the past?			
If yes to above 69			
70. Did VRF loan/saving support you not to mortgage your valuable assets to village money lender for a loan?			
If Yes to above 69			
71. Did VRF loan/ savings support you to get release a mortgaged asset of you?			
72. Did VRF loan support you to build a new house, build a part of your house or renovate your home?			
73. Did VRF loan/ savings support you to face unexpected shocks to household expenses? (Ex: funeral)			
74. Did VRF loan/ savings support you to face expected shocks to household expenses? Ex: wedding of family member			
75. Did VRF loan/ savings support you to pay educational expenses of your children?			

H. Effectiveness- Client Protection

(Here effectiveness from client perspective)

76. Did you know the interest rate before you took the loan?.....

77. What is interest rate of your current loan? Per yearPer Month..... *(Clearly ask from them whether the interest rate is annual or monthly rate and then calculate the interest rate base on the given rate i.e. if monthly rate given calculate annum or if annual rate given calculate monthly rate. And verify from the office bearers whether this interest rate is correct)*

78. Have you made aware on the contents in the loan agreement before signing it? (may be written or verbal agreement are there. However question to analyze whether client is made aware on the term and conditions before giving the Loan)

Yes: No:

79. Do you have loan insurance from VRF? Yes: No:

80. Have you participated in any training or awareness program on savings and credit?

Yes: No:

If yes please specify:

I. Effectiveness-other impacts

(Here effectiveness from client perspective)

81. Do you think VRF loan/saving help you to increase household income? Yes: No:

If yes please specify:

82. What other benefits you/your family receive from VRF loan?

83. What other benefits you/your family receive from VRF savings?



















84. What other social benefits do you /your family receives from VRF group?

85. What benefits does community have from VRF group?




























J. Sustainability

86. Are there any problems, issues and challenges associated with the terms and conditions that the group members are following?













K. Client Satisfaction –microfinance product features

	Satisfied	Neutral	Not satisfied	Why are you not satisfied ? (More Probing questions are essential as the question is to analyze the different reason for dissatisfaction)
87. What is your satisfaction level on loan types?				
88. What is your satisfaction level on loan size?				
89. What is your satisfaction level on loan interest rate?				
90. What is your satisfaction level on collateral asked for loan? <ul style="list-style-type: none"> • <i>At first, ask for the collateral requirement of VRFs or VDS and list them out</i> • <i>Then ask the satisfaction level.</i> • <i>Note type of collateral</i> 				
91. What is your satisfaction level on type of savings products?				
92. What is your satisfaction level on saving interest rate? <i>1st ask whether the interest is paid for the Savings and then ask for the satisfaction level</i>				

L. Client Satisfaction –VRF Operation /Management

		Satisfied	Neutral	Not satisfied	Why are you not satisfied ?
93. What is your satisfaction level on loan processing time (Is it lengthy than expected?)					
94. What is your satisfaction level on loan documents? (is it simple for you to fill?)					
95. What is your satisfaction level on the way group meeting conducting (timely starting, conducting in line with a agenda, timely completion, chance to your voice, work transparency etc)					
96. What is your satisfaction level on loan requesting process/method?					
97. Do you receive receipts for loan repayments?		Yes	No		
98. What is your satisfaction level on issuing receipts during repayment?					
99. Do you have a pass book for your Loan? (person definitely need to have a loan to answer this question)		Yes	No		
If yes to 99 100. What is your satisfaction level on Pass book updating for loans repayments?					
101. What is your satisfaction level on saving collection method?	Not relevant				
102. What is your satisfaction level on saving withdrawal facility?	Not relevant				
103. What is your satisfaction level on Pass book updating for savings?	Not relevant				

Following questions are only for in-kind loan receivers (please ask from only relevant borrowers)

	Satisfied	Neutral	Not satisfied	Why are you Not satisfied ?
104. What is your satisfaction level on quality of animals/ seeds/ rice you got from the VRF?				
<i>(Ask this question only from who are in the Animal Banks)</i> 105. What is your satisfaction level on services provide by VRF for rearing animals?				
<i>(Ask this question only from who are in the Seeds Banks)</i> 106. What is your satisfaction level on services provide by VRF for cultivation of seeds you received?				
<i>(Ask this question only from who are in the Equipment/other Banks)</i> 107. What is your satisfaction level on quality of equipment you received from VDC as a loan?				

Annexure 03: Sample Villages, located Townships by each IP and Study tools used

IP	Township	Village	Study tools							
			HH Survey	Member FGD	Non Member FGD	Leader FGD	FCA	KII	IP Staff Discussions	Case Studies
DPDO (SHG)	Magway	Bagan Hmyaw	√	√	√		√		√	1
	Myothit	Lay Taing Sin	√	√	√		√			
	Natmauk	Ta Ma Lan Pin	√	√		√	√	1		
	Natmauk	Pi Tauk Ngoke	√	√		√	√	2		
AAM (VDC)	Magway	KanYwar Lay	√	√		√	√		√	
	Saytoketayar	Inn Kone	√	√	√	√	√			2
	Aungran	Min Gan	√	√	√		√	3		
	Aungran	Kwon Long Kone	√	√		√	√			
	Aungran	Sit Sa Bar	√	√			√	1		
	Taung Goo	Htone Bo Gyi	√	√			√	1		1

ADRA (VDC and SHG)	Pakokku	Sa Bay(SHG)	√	√	√		√		√	
	Pakokku	Sar Kyin(SHG)	√	√			√	1		
	Myaing	Ywar Tan Shey(SHG)	√	√	√		√	1		2
	Myaing	Se Pyar (VDC)	√	√			√	2		
	Myaing	Zee Taw Taik (VDC)	√	√			√			
	Seikphyu	Gyoke Chaung Gyi (VDC)	√	√		√	√	3		1
	Seikphyu	Son Kone (VDC)	√	√			√			

Mercy Corps (VDC)	Pyaw Bwe	Taung Kyaung	√	√		√	√		√	2
	Pyaw Bwe	Kyaung	√	√	√		√	1		
	Pyaw Bwe	Baw Di Kone	√	√		√	√			
	Pyaw Bwe	Seywar	√	√		√	√			1
	Pyaw Bwe	Kyet Ti	√	√	√		√			
	Pyaw Bwe	Tat Poe	√	√			√	1		
MCS	Shwebo	Nwel Nyein	√	√			√		√	2
(VDC)	Nyaungshwe	Kyauk Taing	√	√	√	√	√			
Township Level								2		

Annex 04: Research Team (Staff)

1. Consultants

Name	Designation
International Consultants	
Dulan De Silva	Lead Researcher
Anura Atapattu	Research Tool Designer
Udaya Wewelwala	Consultant
Subodhanie Dissanayake	Consultant
Local Consultants	
Kyaw Kyaw Thwin	Lead Local Consultant
Myat Su Tun	Consultant

2. Local Staff

Position	Name	Gender	Qualification,	Summary of Experience
Enumerators: (7 positions)	1. Mg Kenneth	M	B.SC, MSC, Dip	3 years in Data Collector / Interviewer
	2. Nandar Han	F	B.SC	9 years experience in field research work
	3. Kyaw Zin Naing	M	B.A (Econ)	Over 9 year in non-profit program and project management fields. Over 5 years government services researcher capacities
	4. Kyaw Kyaw Naing	M	B.A (BM)	18 years in supervision, marketing, managerial and production areas.
	5. Win Mar Than	F	Ten standard	18 years in community development field.
	6. U Tyaw Lin Naing	M	B.Sc, M Sc,MPA	4 years experience in NGO work
	7. U Sandar Kyaw	F	B.A	6 years experience in NGO work

Quality Supervisors (QS) (2 positions)	1. Thida Aung	F	B.SC	6 years in field research management
	2. Kyin Zar Lwon	F	BA , MA (History)	3 years in teaching 4 years as a journalist 2 years as a survey research 1 years as an interviewer
Data Entry Operator (DEO) (2 positions)	1. Myint Khine	M	B. Econ, MPA,DIA	5 years experience in procurement management 8 years in logistics and purchasing 1 year in market analyst
	2. Zin New Aung	F	B.SC	4 months experience in data management
Interpreter/Translator (English - Myanmar) (2 positions)	1. Dr Lin AungSwe	M	MBBS	24 years in Research, training coordination, supervision & management
	2. Dr Shwe Sin Thein	F	PHD	10 years University lecturing
Logistical/ Research Assistant (LA) (2 positions)	1. Zaw Oo	M	Grade 11	5 year experience as a area coordinator 3 years in UNDP organisation
	2. Thaw Lin Naing	M	B.SC	Worked as Supervisor/Technician and Project Assistance

Annex 05: Social and economic profile of the SHG/VDC members

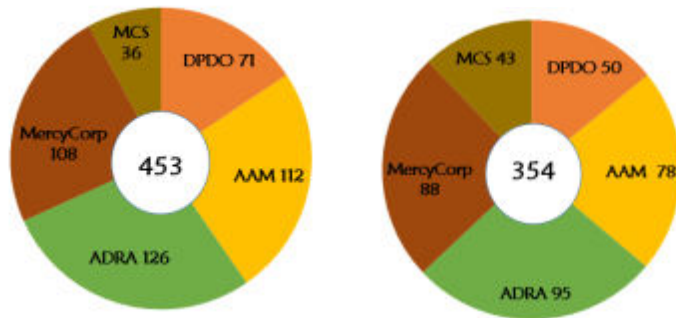
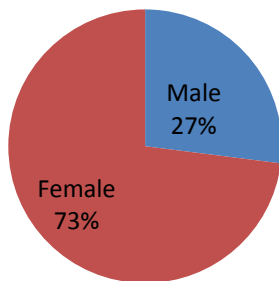


Figure A.1 Participants of HH survey and FGDs

As the Figure A.1 shows majority of the members for the survey is from ADRA followed by the Action Aid Myanmar (AAM), Mercy Corps, DPDO and MCS. 453 respondents were participated in the HH survey while it is 354 for the focus group discussions. Most of the groups are formed with members of similar social and economic backgrounds. Few exceptions are there with members from well off families. For an example, some of the VDC leaders in

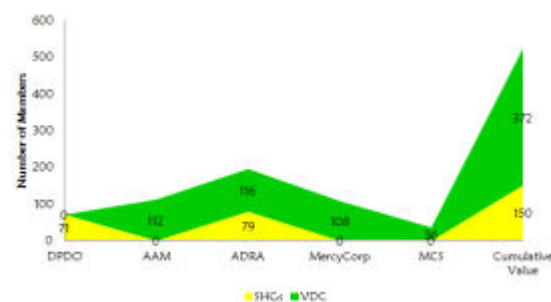
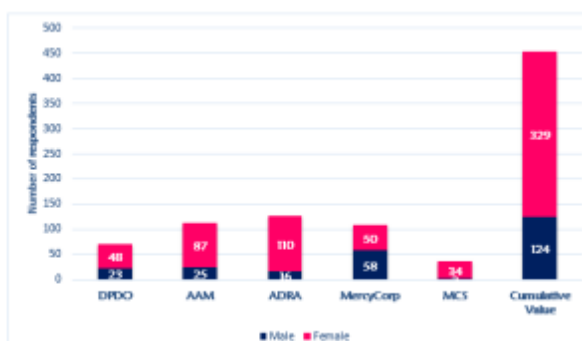
MCS are mostly medium scale businessmen and do not get much of the benefits from the VDC while they are rendering the valuable services to VDC. However these are very isolated cases at negligible level when compared to the total membership.



73% beneficiaries are women. Following Figure A.2 shows the gender disaggregated data of respondents of the household survey and the participants of the focus group discussions.

Figure A.2 : Gender desegregation of beneficiaries

Out of total 453 respondents to the HH survey, 372 are members in VDCs while 150 are members in SHGs. 81 members are getting benefits from both SHGs and VDCs. 80 % respondents are members of VDC cash funds while 14% are in rice bank. Very less number of respondents is members of seeds bank, pig bank, goat bank and cattle



bank (1 % to 4%).

Majority of the members joined VRFs in 2011 while other considerable number of members join in 2012. Even after the project period new members are continuously joining the VRFs.

Figure A.3 : Membership in VRFs (SHGs & VDCs)

Table A.1: Families having members with disabilities

Partner	Number of families	% of respondents from each partner
DPDO	35	49%
AAM	6	5%
ADRA	26	21 %
Mercy Corp	1	1%
MCS	1	3%
	68	15%

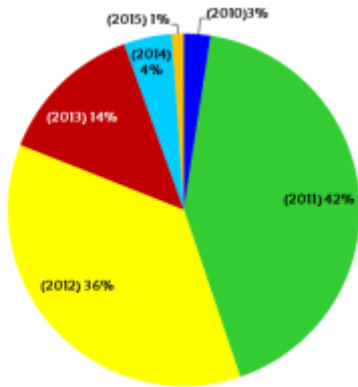


Fig A.4: Beneficiaries as per the year of joining the VRF

DPDO has almost 50% beneficiaries with disabilities providing the evidence for the targeted approach of the DPDO in establishing SHGs for delivering services to families with disable members. It is 21 % for ADRA and minimal for others. Altogether 15% families with disabilities have benefited from the SHGs and VDCs.

In terms of age cohorts of the SHG/VDC members, the majority of them belongs to the age group of 26 to 45 years.

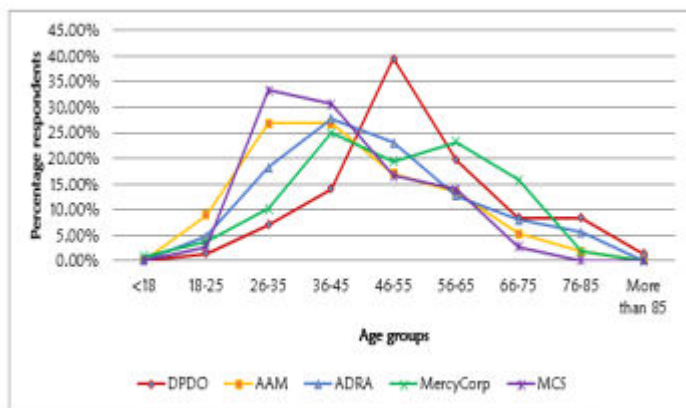


Figure A.5 Age cohorts of beneficiaries

criterion for membership inclusion of the age.

17% of VRF members have not schooled while 60% is limited to primary or monastery education. The education level of members of SHG and VDC formed by DPDO and ADRA are comparatively low compared to other IPs. The person with a high literacy seems always get the chance to become an Account or Secretary of the group. It was also

Age group of the respondents of AAM, ADRA, MC, MCS is mainly laid between 26 to 45 while it is 36 to 65 for DPDO. Nearly 75 % of members come under the age group of 26 to 65 for all the IPs. Thus SHGs and VDCs have been able to provide services to most economically active age group. However there are few members in two extremes such as 18 years and 85 years too. In DPDO nearly 12% of members are elderly over 65 years in age resulting from DPDO’s one of the main

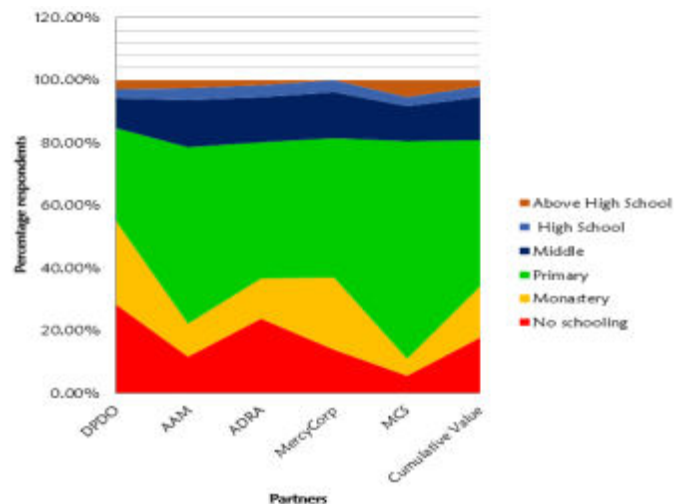


Figure A.6 : Education level of beneficiaries

evident during the FCA that most of the VDC leaders have educated up to middle level. In terms of literacy levels, more than one fourth of the members are illiterate where some of them cannot even put their signatures on registers and they use their finger prints. This situation is very common among old aged category.

The majority (73%) represent the married category. However 10% are unmarried and another 17 % are single headed due to divorced, separation or death of their spouses. In DPDO and ADRA villages, 21% of the respondents are single headed. On an average, 59% SHG/VDC member families have 3 to 5 members in the family while 25% families having 6 to 8 members. Considerable numbers of members of SHGs and VDCs of ADRA and Mercy Corps are having family size of 6 to 8.

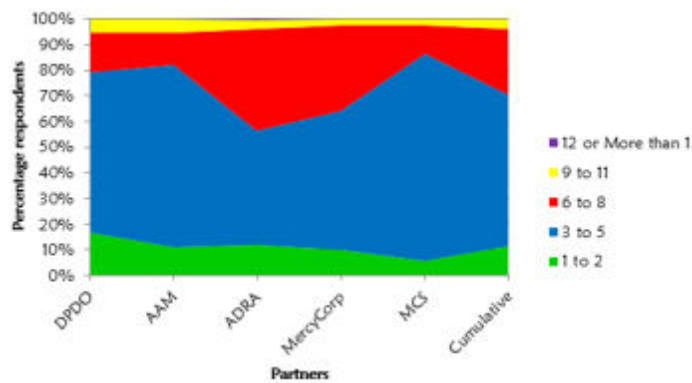


Figure A.7: Family size of the beneficiaries

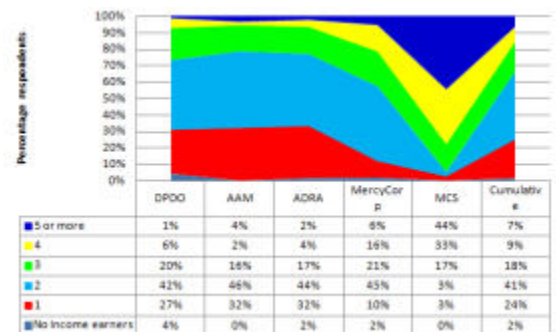


Figure A.8 Income earners

Figure A.8 shows the number of income earners for households. Only MCS shows a deviation from having more number of income earners of 4 to 5 while respondents from other four implementing partners have 1 to 2 income earners in their families.

The main sources of income also diverse but agriculture and casual labour remain the main source of income (table A.2). Nearly half of the families rely on agriculture related activities for income. Animal husbandry is not significant as a main income source but it is one of the key sources of “other Income”. In MCS villages nearly 67% directly engaged in pottery business.

Table A.2. Main Income Source of VRF member Families

Income Source	DPDO	AAM	ADRA	Mercy Corp	MCS	All respondents
Farmer	68%	44%	28%	63%	8%	45%
Casual Labor- agriculture	10%	18%	24%	6%	0%	14%
Casual Labor off Farm	6%	2%	3%	0%	0%	2%
Farming & Livestock	3%	16%	0%	16%	0%	8%
Grocery Shop/Retail shop	4%	0%	2%	4%	3%	2%
Livestock only	0%	4%	7%	1%	0%	3%
Vendor/Petty Business	6%	4%	9%	0%	6%	5%
Pottery	0%	0%	0%	0%	42%	3%
Glaze Business	0%	0%	0%	0%	25%	2%
Carpentry	1%	5%	4%	3%	0%	3%
Migrant Labor	0%	0%	8%	3%	3%	3%
Other*	3%	7%	15%	6%	14%	9%

* Other Include Teaching, Palm industry, Mechanics, Butcher, Weaving, Shoe Making

Source: HH Survey

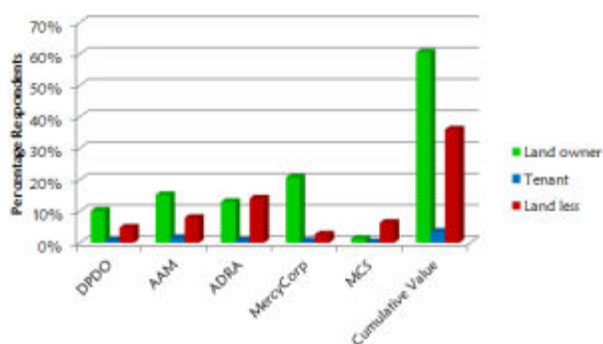


Figure A.9 Nature of Land ownership

Figure A.9 shows that 60 % of the respondents have their own land while 36 % are landless. Most of the owned lands are used for agricultural purpose. Average land size is between 1 to 2 acres. 28 % of respondents are having one or less than one acre of land where as other 27 % is having 2 to 4 acres.

Annex 06: Cash Loan Sizes (MMK), Terms and Interest Rates

IP	Village	Cash loan size (MMK), terms and interest rates									
		Agricultural	Livestock				Any Livestock	SEM	SEEDS	Any purposes	Short Term Loan
			Pig	Goat	Cattle	Poultry					
DPDO	Bagan Hmyaw (SHG)	100,000					100,000				30,000-40,000
		06 months					06 months				02 months
		2%					2%				2%
	Lay Taing Sin (South) (SHG)	110,000	110,000				110,000				20,000-30,000
		06 months	08 months				08 months				02 months
		2%	2%				2%				2%
	Ta Ma Lan Pin (SHG)	170,000					150,000				20,000-30,000
		06 months					06 months				02 months
		2%					2%				2%
	Pi Tauk Ngoke (SHG)	180,000-100,000					80,000		60,000		10,000- 25,000
		06 months					06 months		06 months		01 months
		2%					2%		2%		2%
AAM	Kan Ywar Lay (VDC)	80,000					80,000	50,000	80,000		
		06 months					06 months	04 months	06 months		
		2%					2%	2%	2%		
	Inn Kone (VDC)	70,000					15,000	70,000			
		06 months					04 months	06 months			
		2%					2%	2%			
	Min Gan (VDC)	54,000	54,000					54,000	100,000		
		06 months	06 months					06 months	01 year		
		2%	2%					2%	3%		
	Kwon Long Kone (VDC)	58,000	55,000					80,000	24,000		
		06 months	06 months					06 months	06 months		
		2%	2%					2%	2%		

	Sissapiar (VDC)	80,000	50,000		150,000	30,000		40,000	15,000-70,000		
		06 months	08 months		10 months	08 months		06 months	06 months		
		3%	3%		3%	3%		3%	3%		
	Htone Bo Gyi (VDC)	<i>Inactive VDC</i>									
ADRA	Sa Bay (East) (SHG)	75,000-150,000					50,000	50,000			50,000
		01 year					06 months	06 months			03 months
		2%					2%	2%			2%
	Sar Kyin (SHG)	140,000					140,000	140,000			20,000-40,000
		01 year					01 year	01 year			02 months
		2%					2%	2%			Interest free. But 2% fine for late payments
	Ywar Tan Shey (SHG)	75,000-200,000					50,000	50,000-100,000			20,000
		01 year					06 months	06 months			03 months
		2%					2%	2%			2%
	Se Pyar (VDC)		60,000								
			01 year								
			2.50%								
	Zee Taw Taik (VDC)	120,000					50,000-80,000	50,000-120,000			
		01 year					06 months	01 year			
		3%					3%	3%			
	Gyoke Chaung Gyi (VDC)									30,000-40,000	
										01 year	
										3%	
	Son Kone (VDC)							73,500			
								01 year			
								2%			

Mercy Corps	Taun Kyaung (VDC)	50,000					50,000						
		06 months					06 months						
		2%					2%						
	Kyaung (VDC)										50,000-200,000	30,000	
											01 year	01 month	
											2%	Intrest free	
	Baw Di Kone (VDC)										50,000	50,000- 400,000	
											06 months	02 months	
											2%	Intrest free	
	Seywar (VDC)										50,000		
											10 months		
											2%		
	Kyet Ti (VDC)										50,000		
											10 months		
											1.50%		
	Tat Poe (VDC)										50,000		
											1 year		
											3%		
	MCS	New Nyein (VDC)										60,000-100,000	
												06 months	
												3%	
Kyauk Taing (VDC)										60,000-150,000			
											10 months		
											2%		

Key for reading cells in the table (figures are examples):

Maximum loan amount or the range	100,000
Loan term	06 months
Monthly Interest rate (Flat)	2%

Annexure 07: In kind VRF available in sample villages

In-kind Bank details							
IP	Village	Availability					
		Livestock				Rice	Seeds
		Pig	Goat	Cattle	Poultry		
DPDO	Bagan Hmyaw (SHG)						
	Lay Taing Sin (South)(SHG)						
	Ta Ma Lan Pin(SHG)					✓	
	Pi Tauk Ngoke(SHG)						
AAM	KanYwar Lay (VDC)					✓	✓
	Inn Kone(VDC)	✓				✓	✓
	Min Gan(VDC)					✓	
	Kwon Long Kone(VDC)					✓	
	Sissapiar(VDC)					✓	
	Htone Bo Gyi(VDC)						
ADRA	Sa Bay (East)(SHG)						
	Sar Kyin(SHG)						
	Ywar Tan Shey(SHG)						
	Se Pyar(VDC)						
	Zee Taw Taik(VDC)						
	Gyoke Chaung Gyi(VDC)		✓				
	Son Kone(VDC)	✓					✓
Mercy Corps	Taun Kyaung(VDC)						
	Kyaung(VDC)						
	Baw Di Kone(VDC)						
	Seywar(VDC)						
	Kyet Ti(VDC)						
	Tat Poe(VDC)						
MCS	New Nyein(VDC)						
	Kyauk Taing(VDC)						

Annexure 08: VRF savings products available in villages

IP	Village	Savings Amount (MMK)	Savings Frequency
DPDO	Bagan Hmyaw (SHG)	1,000	Once a month
	Lay Taing Sin (South) (SHG)	500	Bi- Weekly
	Ta Ma Lan Pin (SHG)	500	Bi-Weekly
	Pi Tauk Ngoke (SHG)	500	Bi- Weekly
AAM	Kan Ywar Lay (VDC)	No Savings	
	Inn Kone (VDC)	No Savings	
	Min Gan (VDC)	No savings	
	Kwon Long Kone (VDC)	No Savings	
	Sissapiar (VDC)	No Savings	
	Htone Bo Gyi (VDC)	Previously done –now not functioning this VDC No Savings	
ADRA	Sa Bay (East) (SHG)	1,000	Once a month
	Sar Kyin (SHG)	100-500	Once a month
	Ywar Tan Shey (SHG)	1,000	Once a month
	Se Pyar (VDC)	No Savings in the VDC	
	Zee Taw Taik (VDC)	No Savings in the VDC	
	Gyoke Chaung Gyi (VDC)	2000 per month	
	Son Kone (VDC)	No Savings in the VDC	
MERCY CORPS	Taun Kyaung (VDC)	50% from month loan amount	Once a month
	Kyaung (VDC)	500	Once a month
	Baw Di Kone (VDC)	No Savings	
	Seywar (VDC)	No Savings	
	Kyet Ti (VDC)	No Savings	
	Tat Poe (VDC)	No Savings	
MCS	New Nyein (VDC)	Saving for loan guarantee purpose	
	Kyauk Taing (VDC)	Saving for loan guarantee purpose	

Annexure 09: Loan disbursement Frequency

Type of Loan	IP					In Average
	DPDO	AAM	ADRA	Mercy Corp	MCS	
Agriculture loan	Once in 6 months	Once in 6 months	Once in 6 months to 1 year	Once in 6 months to 1 year	-	6 months
Livestock loan	Once in 6 to 8 months	Once in 6 to 10 months	Once in 6 months to 1 year	Once in 6 months to 1 year	-	8 months
SEM/Micro business /Self employment loans	-	Once in 4 to 6 months /As per the request & fund availability	Once in 3 months to 1 year/As per the request & fund availability	Once in 3 months to 1 year /As per the request & fund availability	As per the request & fund availability	6 months
Short term loan	at any emergency		at any emergency	at any emergency	-	at any emergency
Rice Bank	Once a month	Once a month	-	-	-	Once a month
Seeds Bank		Once in six months	Once in six months		-	Once in six month
Goat Bank			Once a year		-	Once a year
Pig Bank	-	Once in 6 to 8 months	Once in 6 to 10 months	-	-	6 months
Cattle Bank (now inactive)	-	-	-		-	Once a year

Source: Member FGD

Annexure 10: LIFT project closure and dysfunctional SHGs and VDC

IP	VRF Projects			No of months since project completion to 31 st March 2015	From 25 sample villages			Available information on inactive SHG/VDC from non sample villages
	Starting date	Completion date	Duration		No of inactive SHGs/VDCs	% inactive SHGs/VDCs	No of SHGs/VDCs with rating less than 50%	
SHG								
DPDO	Feb 2011	March 2015	4 years	3 months	No	0	0	4 out of 61 SHGS formed (7%) are inactive
ADRA	Nov 2010	Dec 2014	4 years	6 months	No	0	0	
VDC								
AAM	June 2011	April 2015	3 years and 9 months	2 months (project extended for few villages beyond this date)	1 of 6	17%	0	The VDC in Htoe War Chaung village is inactive
ADRA	Nov 2010	Dec 2014	4 years	6 months	No	0	2 of 4 (50%)	
MC	May 2011	Jan 2015	3 years and 6 months	4 months	No	0	1 of 7 (14%)	
MCS	Feb 2011	April 2014	3 years and 3 months	1 year and 2 months	No	0	0	

Sources: Final Project Reports and Evaluation Reports of IPs and FCA, SHG/VDC rating analysis

Annex 11: Rating SHGs and VDCs based on 10 parameter grid

VDC Rating Analysis														
Village	IP	RM	MA	WE	BK	LDP	AMC	RS	SA	IA	GF	Total Marks	Percentage	Average
Kan Ywar Lay	AAM	H	H	H	H	H	H	H	L	L	H	24	80%	76%
Inn Kone		H	H	M	H	H	H	H	L	L	H	23	77%	
Kwon Long Kone		H	H	M	H	H	H	H	L	L	H	23	77%	
Min Gan		H	H	M	M	H	H	H	L	L	H	22	73%	
Sissapiar		H	H	M	M	H	H	H	L	L	H	22	73%	
Htone Bo Gyi		Inactive VDC												
Zaw Taw Taik	ADRA	M	M	M	L	L	M	H	L	L	L	14	47%	50%
Son Kone		L	M	H	L	L	M	H	L	L	H	16	53%	
Se Pyar		L	L	L	L	L	M	H	L	L	H	13	43%	
Gyoke Chaung Gyi		M	H	L	L	L	M	H	M	L	M	17	57%	
Taung Kyaung	MercyCorps	H	H	L	M	H	H	H	L	L	M	20	67%	62%
Seywar		H	H	L	H	H	H	H	L	L	H	22	73%	
Tat Poe		L	L	M	L	L	M	H	L	L	Minus	11	37%	
Kyet Ti		M	H	L	M	M	H	H	L	L	H	19	63%	
Kyaung		H	H	L	M	L	H	H	M	L	M	20	67%	
Baw Di Kone		H	H	L	M	M	M	M	M	L	H	20	67%	
New Nyein	MCS	H	H	M	H	H	H	H	L	M	H	25	83%	83%
Kyauk Taing		H	H	M	H	H	H	H	L	M	H	25	83%	
Total Marks		42	45	29	35	37	45	50	6	4	43	Total MARKS 336	Overall Weighted Average 66%	
Percentage		82%	88%	57%	69%	73%	88%	98%	12%	8%	84%			

SHG Rating Analysis														
Village	PO	RM	MA	WE	BK	LDP	AMC	RS	SA	IA	GF	Total Marks	Percentage	Average
Bagan Hmyaw	DPDO	H	H	L	M	L	H	H	M	L	H	21	70%	71%
Bagan Hmyaw		H	H	L	H	L	H	H	M	L	H	22	73%	
Pi Tauk Ngoke		H	H	M	M	L	H	H	M	L	H	22	73%	
Pi Tauk Ngoke		H	H	L	M	L	H	H	M	L	H	21	70%	
Pi Tauk Ngoke		H	H	M	M	L	H	H	M	L	H	22	73%	
Ta Ma Lan Pin		H	H	L	M	L	H	H	M	L	H	21	70%	
Lay Taing Sin		H	H	M	H	L	H	H	M	L	H	23	77%	
Lay Taing Sin		H	H	M	M	L	H	H	M	L	H	22	73%	
Sa Bay (east)	ADRA	H	H	H	M	L	H	H	M	L	H	23	77%	77%
Ywar Tan Shay		H	H	H	M	L	H	H	M	L	H	23	77%	
Sar Kyin		H	H	H	M	L	H	H	M	L	H	23	77%	
Sar Kyin		H	H	H	M	L	H	H	M	L	H	23	77%	
Total Marks		36	36	24	26	12	36	36	24	0	36	Total 266	Overall Weighted Average 74%	
Percentage		100%	100%	67%	72%	33%	100%	100%	67%	0%	100%			

Annex 12- SWOT of SHG & VDC in Growth and Expansion Perspective

Strengths	Weaknesses
<ol style="list-style-type: none"> 1. Most products match with needs of members 2. Appropriate product characteristics such as reasonable interest rates, appropriate repayment terms. group guarantee in certain VDCs 3. Higher repayment rate 4. No hidden charges 5. Simple process, less documents and participatory decision making 6. Better management practices in SHGs such as regular meetings 7. Small in size which is appropriate for the context and for low literacy levels of members 8. High impact rice banking model mainly in certain VDCs. 9. Low cost/ no cost operation 10. Savings mainly in SHGs 11. High women participation as beneficiaries 12. Community ownership and management 13. SHG/VDC operating within the village 	<ol style="list-style-type: none"> 1. Lack of constitution including written rules and regulations 2. Record keeping is not adequate to meet accuracy of financial information including individual loans and savings records 3. Few days to weeks late repayments are not seriously followed up. 4. Lack of key loan documents such as loan agreement in most of VDCs and SHGs. 5. No internal audit and other control processes 6. Transparency on financial information of SHGs and VDCs is not adequate. 7. Weak financial literacy, inadequate revolving fund management and savings mobilization capacity among leaders 8. Inadequate loan sizes mainly in VDCs. 9. Lack of regular meetings in some of VDCs specially after the project ends. 10. Weak women participation in decision making at SHG/VDC management level.

Opportunities	Threats
<ol style="list-style-type: none"> 1. High demand (59% current beneficiaries do not borrow from other sources – untapped market) 2. People like to break away from informal money lenders (before VRF 56% borrowed from money lender and reduced to 32% after VRF intervention) 3. Availability of investment opportunities in the village. 4. Lack of presence of MFIs other than PACT. 5. Proven VRF models such as SHGs for the context in Myanmar and in other countries in the region 6. Presence of organisations committed for VRF development such as the 5 partners reviewed 7. Proven ability of SGH/VDC Federations, regulation by MSC and linking with banks. 8. Volunteer leadership even without loans from VRF 	<ol style="list-style-type: none"> 1. Mis concepts on savings such as it is a payment to SHG/VDC 2. Risk of village leaders going beyond of their role such as interest of knowing partner staff salaries etc. 3. Leaders misunderstanding on group businesses of VRF (group business itself could be a threat) 4. Interference of village certain village leaders/Administrators

Annexure 13: Answers to key questions in the TOR

This section provides answers to the 6 key questions given in the TOR based on field research findings.

a) What are the types of VRF groups?

The types of VRF groups found in the project areas can be classified according to the form of the village organisation providing VRF services, and the kind or medium of loans are provided.

- I. There are 2 types of village organisations called SHGs and VDCs
- II. There are 2 types of services provided called Cash and In Kind VRF (Non cash VRF)

In Kind VRF can be further clarified as follows.

- a) Animal banks such as
 - Goat banks
 - Pig banks
 - Cattle banks (currently not available)
- b) Rice Bank
- c) Seeds Bank

Following matrix shows the manner SHGs and VDCs implements cash and In Kind VRF in villages. SHGs mainly functioning as cash VRFs but one SHG is doing a rice bank too. VDCs are doing cash as well as In Kind VRF activities in the village.

VRF type Matrix

Organisation	Cash VRF	In kind VRF (In kind banks)				
		Rice	Seeds	Pig	Goat	Cattle (in the past)
SHG	√	√				
VDC	√	√	√	√	√	√

b). What percentage of the VRF groups is still functioning after the project ended, and at what scale?

From the Study sample of 25 villages

- I. 96% villages has function VRF
- II. 97% SHGs and VDCs are functioning (n ADRA villages both VDCs and SHGs are established . Thus, total number of SHGs and VDCs in 25 villages was 33 and 32 of them were active)
- III. Cash VRF started in all villages are still active in all 96% of villages.
- IV. In kind VRFs were commenced in 13 villages and still active only in 8 villages (62% villages).

However functioning status differ among VRFs

Following table shows scale of operation in terms of member growth and fund growth.

Type of VRF organisation	Average annual growth rates	
	Membership Growth	Average Annual Fund Growth Rates
SHG	-8%	30%
VDC	83%	21%

- V. In terms of membership growth, VDC shows significant growth because of the openness for membership in the village but SHGs has a minus growth because SHGs limit their membership to the initial intake and dropouts are not filled back
- VI. In terms of fund growth SHGs shows higher performance compared to VDC.
- VII. Scale of operation of SHGs and VDCs were further assessed using 10 parameter grid and it indicates that SHGs are better suited for rural setting compared to VDCs. Overall rating for SHG was 74% whereas the rating for VDC was 66%.

c). What are the factors contributing to functioning status and others contributing to malfunctioning status?

Key factors contributing to	
Well-functioning of VRF	Mal functioning of VRF
<ul style="list-style-type: none"> I. Being a cash VRF II. Because it provides an answer to one of the main needs of the people in the villages i.e access to finance mainly credit III. Low interest rates, quick and hazel free loan processing with simple disbursement mechanism IV. Good leadership with knowledge, commitment and acceptance by villagers V. Conduct of regular effective meetings VI. Transparent decision making VII. Sense of ownership to VRF fund VIII. Continuous and regular follow up by IPs. The IPs having fellow structure shows better performances 	<ul style="list-style-type: none"> I. Loan default by borrowers II. Mistrust between IP staff and village leaders III. Lack of clarity of roles of IP staff and VRF leaders IV. Inherent difficulties in animal banks due to quality control of In Kind products V. Saturation of service needs VI. Lack of follow up and support from the partner in the long term VII. Inadequate understanding of the role and function of VRF such as misconceptions like VRF is a grant fund to divide among members. VIII. Limited competencies and lack of motivation among leadership IX. Negative influence by 'Fellows' X. Negative influence by Village Administrator

d) How have the group members benefited from the VRF activities (with analysis from the perspectives of financial inclusion and social protections)?

In terms of financial inclusion

- I. Increased access to credit for diversification of income sources and expanding current livelihoods.
- II. Increased household income
- III. Increased livelihood opportunities
- IV. Increased access to credit for non-income generating activities such as health and education

- V. Increased financial literacy though not adequate
- VI. Increased savings as well as insurance though they are very limited in access
- VII. Reduction of borrowing from informal money lenders after joining to VDC or SHG

In terms of social protection

- I. Increased ability to face household financial shocks
- II. Relief from assets mortgages
- III. Increased food security through rice banks, increased incomes and by using loans for smoothing household food consumption
- IV. Increased women participation on economic and social activities.
- V. Women empowerment with increased resilience to vulnerabilities through increased incomes and increased control over house hold assets.
- VI. Donating rice from rice bank to elders and marginalised
- VII. New knowledge of technical and functional aspects of income generation activities such as agriculture and animal husbandry, and various off farm enterprises such as sewing and food processing.
- VIII. Increased assistance for disabled and aged .

e). How have the VRF been functioning after the project ended (e.g., their financial performance, financial controlling, setting interest rate, size of total assets, etc.)

- I. 97% VRF started are currently functioning in 96% villages started VRFs. However the level of functioning varies among villages.
- II. The financial performance are acceptable as evidenced by 88% VRF having average annual fund growth rate (AAFGR) over 10% of funds given by LIFT which is the bench mark used in this analysis. AAFGR for all the VRF is 26%. The growth rate of SHGs and VDCs differ significantly. AAFGR shows that SHGs are more stable.
- III. The total assets are increased due to the loan interest income and limited savings mobilized. However, inadequate focus on savings and lack of linkages with external funding sources limited the asset growth
- IV. Financial management was acceptable during the project period but there is a decline in record keeping and financial control after the closure of the project.
- V. Review of SHG and VDC performance using the 10 parameter grid shows that SHGs are better performing than VDCs.
- VI. The operational aspects such as interest rates and loans terms are fixed at the beginning of VRF and customized afterwards depending on the needs.

f). What are the issues and challenges for sustainability of the different types of the VRF groups (e.g., cash and non-cash) and the recommended solutions to them?

- I. Inadequate capacity of leaders to manage VRF
 - II. Lack of post project monitoring and support services.
 - III. Lack of adequate funding to provide sufficient loans especially for agriculture activities
 - IV. Ensuring quality of in kind products (many in kind banks are already converted in to cash revolving funds due to this issue).
 - V. Negative influence by 'Fellows' and village Administrator
- The solutions to address these challenges are given in the recommendations section of the report.

Annexure 14: Answers and easy way find answers from the report for the sub questions in the TOR

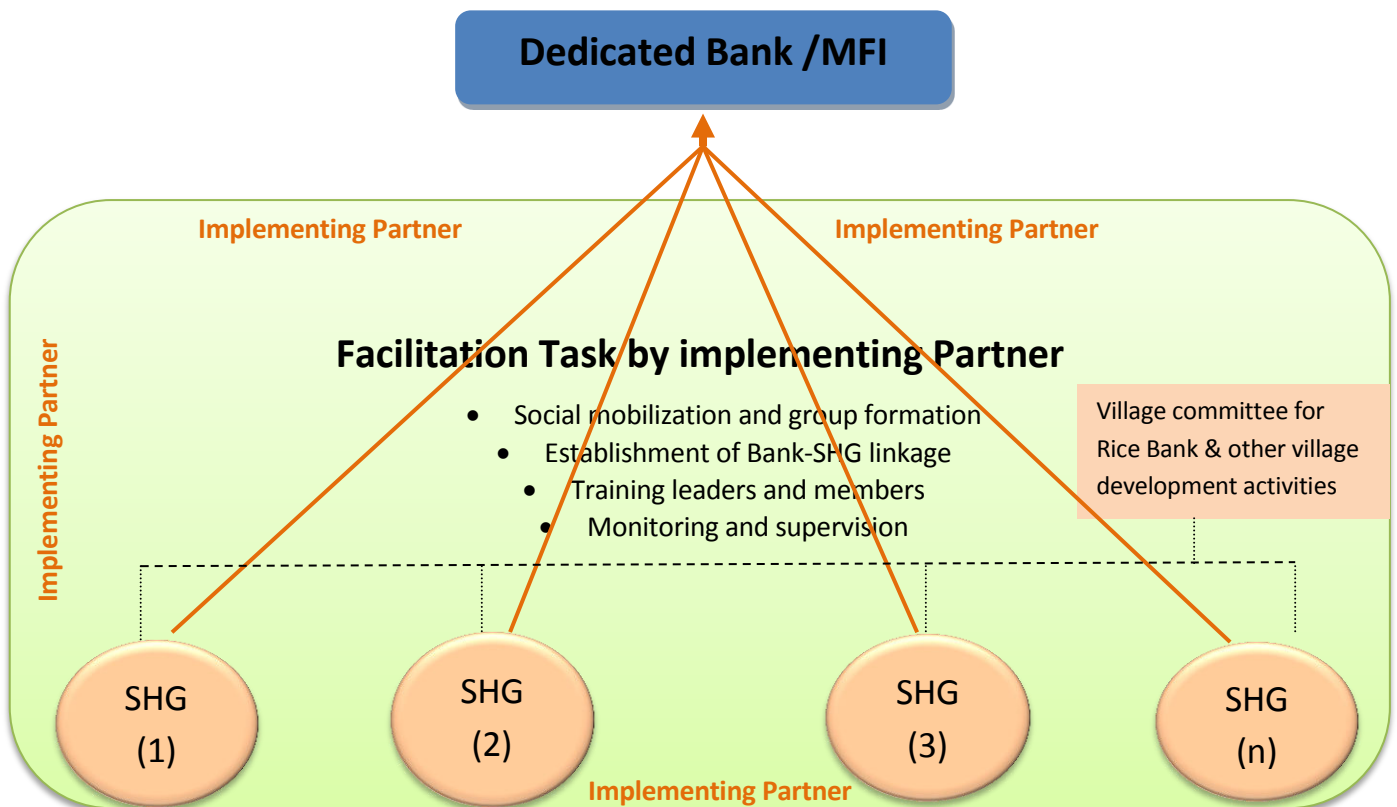
1.	Question	What are the types of VRF groups, their different approaches and functions?
	Answer	SHG, VDC, Cash VRF, In kind VRF : descried in sections 3.5 and 4.1 of the report
2.	Question	What are the different financial services provided by the different group types?
	Answer	Mainly credit, savings and insurance minor : Described in sections 4 of the report
3.	Question	What are the visions and objectives of the VRF groups?
	Answer	Listed in section 3 of the report
4.	Question	What motivates the VRF groups?
	Answer	Credit facilities and favourable characteristics of credit facilities described in sections 4 of the report
5.	Question	What are the terms and conditions for non-cash related VRF and how are the group members coping with them? -
	Answer	Terms and conditions are in the section 4.1.2 and 5.2 of the report. The coping strategies for challenges in In kind banks are in section 4.1.2.5 of the report
6.	Question	Were there informal financial groups operating before the project-“Sujay”-and if so, are they still operating?
	Answer	Sujay is very limited and only 3.5 % of VRF beneficiaries are in Sujay currently. This was 4% before commencing VRF projects. Described in the section 6.9 of the report
7.	Question	Are VRFs tied/limited to the cropping seasons?
	Answer	Yes for agriculture and seed In kind loans , but not for others – described in the section -4 and 5 of the report
8	Question	How often have members not been able to repay debt, and left the group to cover for the losses?
	Answer	Only 10 members of the 25 sample villages faced this issue. This is 0.4% borrowers. Very low. Described in the section 5.2.6 of the report
9	Question	What is the quality of service delivery such as loan approval and disbursement process, information sharing, membership process, group management, etc.?
	Answer	This has mixed results such as loan approval and disbursement was in order but not the information sharing and as described in detail in sections 5 of the report
10	Question	What is quality of financial product such as loan size, loan period, saving amount, interest rate, loan types, etc.?
	Answer	This is described in detail in sections -4 of the report. Loan size and loan types, interest rates were quite acceptable but not in savings
11	Question	What is the appropriate loan size, repayment schedules, and other terms and conditions set for each loan type?
	Answer	This is described in detail in sections 4 of the report
12	Question	What is the quality of In-kind products provided by VRFs such as time frame to get income, the system to share or transfer benefit to VRF group members, etc. ?

	Answer	The quality of animals/ seeds is an issue. Rice quality is well managed. Rice bank benefits to majority in the village but other In Kind banking benefits are limited to few beneficiaries due to the quality issues. But assets accumulated like goat stocks and In Kind banks converted to cash Funds are beneficial to most beneficiaries. Described in sections 4.1.2 of the report
13	Question	How are the VRFs mainstreaming gender issues e.g., participation and the role of women?
	Answer	Women has a active participation in membership but passive participation in leadership. Described in sections 6.11 of the report
14	Question	What are the various processes of selecting members?
	Answer	Described in the section 5.1 of the report
15	Question	Is there a paper trail for all transactions-repayment and issuance of loans? Verify repayment, etc.?
	Answer	This is available. The standard of this practice is described in detail in sections 5 .3 of the report
16	Question	What gaps are evident in the financial needs among the group members and how are the VRFs solving the gaps?
	Answer	There are gaps in financial services. Loan size for agriculture loans are not adequate As there is a need of credit for none income generation purposes such as health education and emergency needs, new products are introduced with savings funds and interest income of income generation loans. Details are in sections 4 and 5.
17	Question	What is the level of financial education received and it's contribution to effectiveness
	Answer	Limited financial education. Explained in the capacity building section in section 5.5 in detail
18	Question	What are amount of savings and accumulation over the years? (How it leads financial inclusion and effectiveness)
	Answer	Savings accumulation is very limited and thus contribution to financial inclusion is also very limited. Described in section 6.9 of the report
20	Question	What are the no of loans taken and graduation in loan size over the years? (How it leads financial inclusion and effectiveness)
	Answer	There is no increase in loan sizes over the years. This negatively affect on financial inclusion as described in 4.1.1.2 of the report
21	Question	What was the level expectations of members and level of achieved?
	Answer	Beneficiaries are generally happy about loans products. Described in the section 4.1.3 of the report
22	Question	What is the level of contribution to build linkages to main stream or other finances including micro insurance/ payment services as a result of VRF program
	Answer	There is no linkage. Recommendations are made in the section 11
23	Question	What are additional benefits received (household level/ community level) as a result of being a VRF group member?
	Answer	Training, community projects, helping marginalized such as aged and disabled in the village. Section 6 of the report
24	Question	What is the level of effect to VRF member to protect him/her from informal money lender
	Answer	Borrowing from money lender reduced, Money lender interest rates reduced. Detailed in sections 6.10 of the report
25	Question	How long has each VRF operated? (sample selection needs to include where the projects have already ended).
	Answer	Operating periods differ from 2.5 years to 4 years and 3 months.

26	Question	Are there any problems, issues, challenges associated with the terms and conditions that the group members are following?
	Answer	There is a quality management issue in In kind banks . The coping strategies for challenges of In kind banks are in described in 4.1.2.5 of the report.
27	Question	What constraints and limitations are there for growing/ replicating VRFs (provide S.W.O.T. analysis of the VRF)?
	Answer	Provided in the annex 12 of the report
28	Question	Look for VRFs/communities where the “project” has closed down, and determine if the VRF is continuing, and if the quality of service remains consistent with the project period.
	Answer	19 villages out of 25 (over 75%) did not have LIFT project ongoing. Only exception was in few AAM villages. VRF is active in all project closed villages. There is one inactive village is AAM areas . Therefore it can be concluded that after the project VRF continuing. But there are issues such as fund depletion on time loan recovery issues, book keeping & accounting issues, meetings related issues increasingly after the project closure as discussed in detail in the section 5.6 of the report
29	Question	How do the VRF groups independently manage their functions in areas of accounting, group management, networking and coordination with other stakeholders (e.g., village authorities, community based organisations, other NGOs)?
	Answer	<u>Accounting/Group management:</u> Training given and capacity developed, but after project closure quality of work declining, need sustainable approach for these areas. <u>Networking and coordination with other stakeholders:</u> No much integration is visible. Links with village administrator is visible and some times effective. They should improve this further. Linking farmers with goat market to buy good quality animals Section 4.1.2 of the report. But the main issue is lack of a linkage with funding agencies for future growth of SHGs and VDCs.
30	Question	What is the level of Profitability?
	Answer	The fund growth has been taken as an indicator of sustainability including profitability because there are no significant costs. Except 1 all other VRF had a positive average annual fund growth rate (-overall average 26%). There were only 3 VDCs VRF having growth less than 10% bench mark. Details in section 7 of the report.
31	Question	What is the level of capacity building for RLF functionaries, its adequacy and issues ?
	Answer	Training and coaching by IPs has been done for leaders of VRF on VRF credit management related areas. But adequate level of acceptable management and governance systems procedures were not established. Details are in sections 5.5 of the report
32	Question	What the level of participatory and transparency in Credit decisions and other management decisions?
	Answer	Participatory and transparent decision making was evident for credit decisions. But transparency in VDC/SHG level accounts among members was not evident. Section 5.1.8 provide details
33	Question	What is the level of support from relevant other stakeholders (such as veterinary surgeons, agriculture officers) to manage non cash VRF operations properly
	Answer	In relation to In Kind banks VDC leaders and farmers were trained by Agriculture and Animal husbandry extension workers on quality aspects. Further beneficiaries are given training on these aspects in general management practices for those who borrow cash loans for VRF too. Details are in the 5.5 of the report

34	Question	What are the external factors affecting sustainability of VRF?
	Answer	Village Administrator influence described in the section 5.6 of the report.
35	Question	Is there any legal or regulatory issues for savings and credit (some countries savings are not allowed for unregulated organisation) ?
	Answer	This is discussed in the recommendations section 11. It could be interpreted in real legal terms that savings and lending without a license from Finance Regulation Department (FRD) is an offence by law. But practically such issue cannot be seen as SHG/VDC level savings are not disturbed by authorities even in countries having strong savings regulations
36	Question	What is the level of competition in supply side ?what are the characteristics ?
	Answer	Supply side competition is negligible as described in the section 4.The money lender presence is described in the section 6.10.
37	Question	What are the characteristics and trends in numbers of VRF members (e. g. land-owners vs leasing land, vs landless, irrigation, household access to MADB and Credit Cooperative loan, men vs women?
	Answer	Land owner 61%. Tenants 4%, Landless 35%. Details in Annex 5 of the report. Only very few has irrigable lands (section 3.6)
38	Question	What are the village demographics, number of VRFs per village, etc. ?
	Answer	It depends on whether the VRF is VDC, SHG or both. If only VDC it is only one VRF. If it is SHG , 2 to 3 SHGs based population in the village.
39	Question	Has the group composition changed from rotation to non-rotation?
	Answer	Group leader composition change is very limited as explained in the section 5.1.3 of the report .

Annexure 15: Model structure showing SHG bank linkage - Approach 1



Few examples of standards for a SHG.

- 20 members
- Male/ female separate
- Weekly meetings
- Compulsory savings 200 MMK per week

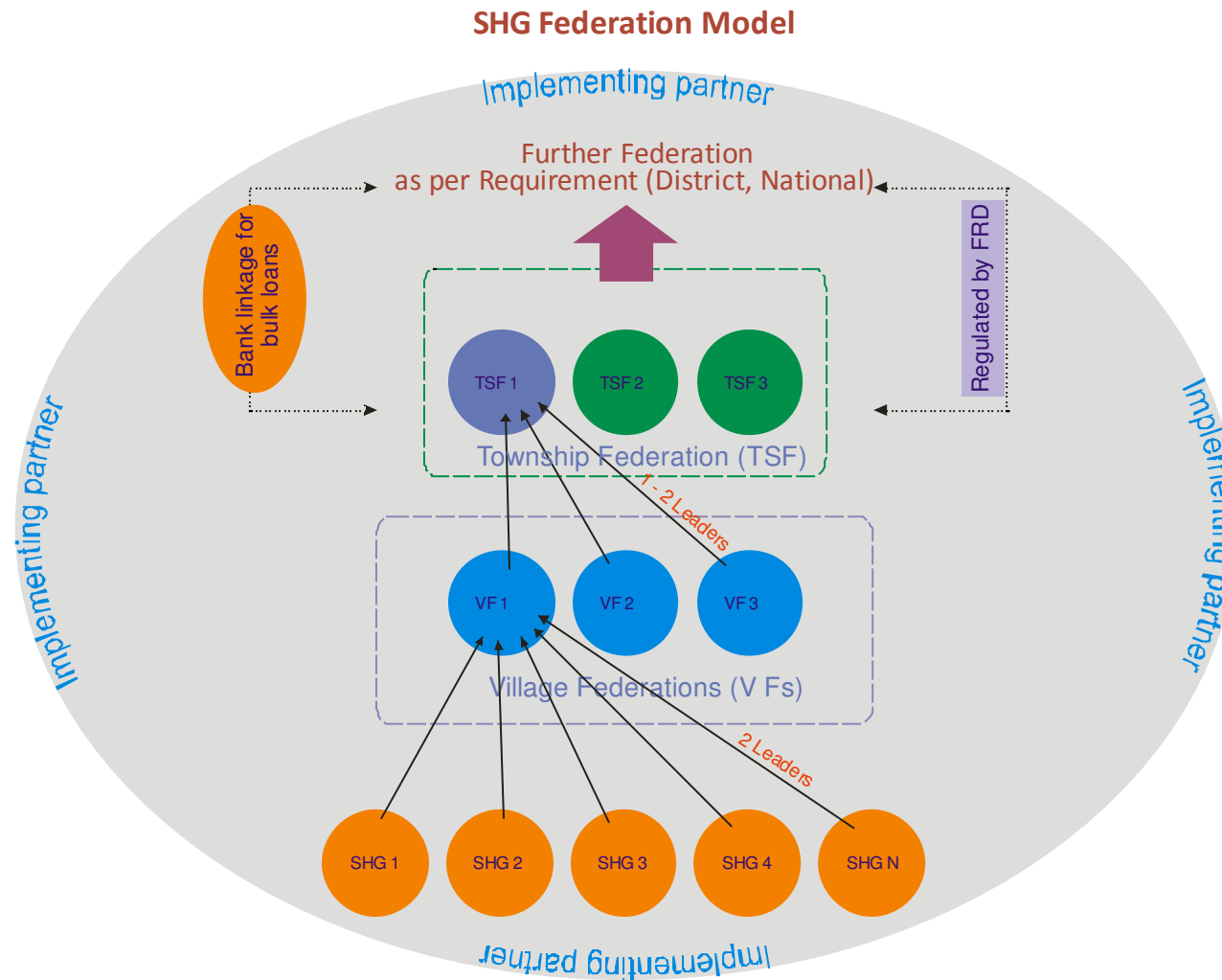
Role of Bank/MFI

- Maintaining savings of SHGs
- Lending to SHGs (Ex: 2 to 5 folds of savings)
- Training and capacity building of IP staff
- Monitoring and supervision of IPS

Operational Model

- Formulation of constitution for SHGs
- The SHGs are formed by the IP based on pre -agreed standards.
- SHG collects member savings weekly basis
- SHG opens an account with the bank to deposit SHG member weekly savings and withdraw as required
- Bank/MFI provides bulk loans to SHG for on lending to members
- SHGs repays loans to bank/MFI
- All the SHGs in the village get together and make a SHG village level federation to implement rice bank and other village development activities
- IP takes the overall responsibility to implement the project for 4-5 years till the SHG- Bank/MFI linkage is strong enough to sustain independently without IP involvement

Annex 16: SHG Federation Model



Few example for standards for a SHG.

- 20 members
- Male/ female separate
- Weekly meetings
- Compulsory savings 200 MMK per

Federation Structure

- Federations are organizations made bottom to top.
- Federations can be made at village, township, district or regional level.
- Federation at a level is formed from the representatives from the organizational structures at the immediate lower level. EX: VF is made of SHG leaders (1 or 2 from each SHG) and TSF is made of VF leaders (1 to 2 from each VF)
- The apex or top level federation structure can be township or above depending on the need and capacity of IP.
- Apex Federation will be regulated by Myanmar Financial Regulatory Department (FRD) under the Micro Finance Act.

Operation of the model

Role of IP:

- Formulation of the constitution for SHGs and Federations
- Social mobilization and SHGs formation.
- Organizing federations structures at different level
- Capacity building of SHGs and federations.
- Monitoring and supervision at all levels
- Linking with a bank for whole sale borrowing for SHGs.
- IP will work for 5 - 7 years until the apex federation can manage the functions independently

Role of Federations :

- Accept savings from SHGs s
- Lending to SHGs
- Training SHGs and members
- Monitoring and supervision of SHGs and members
- Provide larger loans and savings to SHG members in the future when member capacity is developed
- Establishment of linkages with banks for bulk loans arrangements