

## Chapter 6

### Conclusion

This study analyzed the effect of the Chin-MFI on the household welfare of borrowers in northern Chin State, in terms of their household income and expenditure. Impact studies carried out in other Mekong region countries such as Laos (Sengsourivong, 2006), Thailand (Coleman, 1999) and Vietnam (Nghiem, Coelli & Rao, 2007) showed, by applying an econometric analysis, that microfinance has a positive, significant impact on household welfare in terms of wealth, productivity in livestock rearing and agriculture, per capita consumption of health and education.

The empirical results of this study proved that the Chin-MFI membership in Myanmar has no significant relationship with household income, although there is a positive, significant impact on household expenditure and per capita rice consumption. However, an impact assessment using quantitative data alone cannot provide a detailed picture of the overall effect on household welfare. According to the

results from the qualitative research of this study, although it has not been a significant success story, it can be said that Chin-MFI loans have partly supported household's basic needs, such as rice consumption, education for their children and house repairs.

Overall, the empirical results prove that the benefits the borrowers gain from the microfinance program only occur in the short term. Since the majority of borrowers use their loans directly for their own consumption, the results do not meet with the theories and concepts of microfinance, which say that microfinance improves

the welfare of borrowers by allowing them to build their income generation activities. Furthermore, the program design of the Chin-MFI does not allow it to achieve its own goals and objectives.

According to the survey data, the majority of the poor remain in a debt cycle, despite the existence of the Chin-MFI. Thus, for those who suffer extreme poverty to have a better life, only the consolidated efforts of the Government and the private sector will be able to effectively solve the problem.

As a result of the work in progress and the improved economy of the country, its citizens should benefit from being free from debt and have sufficient food for their daily consumption. Likewise, if the poor households in Chin State conceptually agree to invest in businesses in their own region, then as time goes by they should be freed from debts and there will be enough food on their table.

The lack of labor intensive and resource based small businesses, of service enterprises and importing industries developed by the middle class entrepreneurs in Chin State, makes its local economy relatively inactive.

In Myanmar, the NGOs and government banks also provide small loans to poor households; however, as the loan size is normally not very big, the borrowers are hardly able to do business.

If the Chin-MFI takes this issue into consideration, and increases its loan size to be large enough to support such activities, then its risks will also increase, as the two factors are linearly dependent upon each other. If something goes wrong, then they will become the scapegoats.

Although the current risk level is low for the Chin-MFI, since the loans are small, this does not benefit the local people and the social and economical status of

the households in Chin villages will not reached its target level. This is still a dilemma to be overcome.

The microfinance sector in Myanmar is different from in other countries, something which is related to the unstable political situation there. Regarding the MFI business, one thing which has to be taken into account is that one cannot say, even at the ministerial level, whether it is legal or illegal for certain, as there has been no publication produced on MFI law and procedures as yet. At the moment, it is not legal to carry out a microfinance business in the private sector and for individuals in Myanmar.

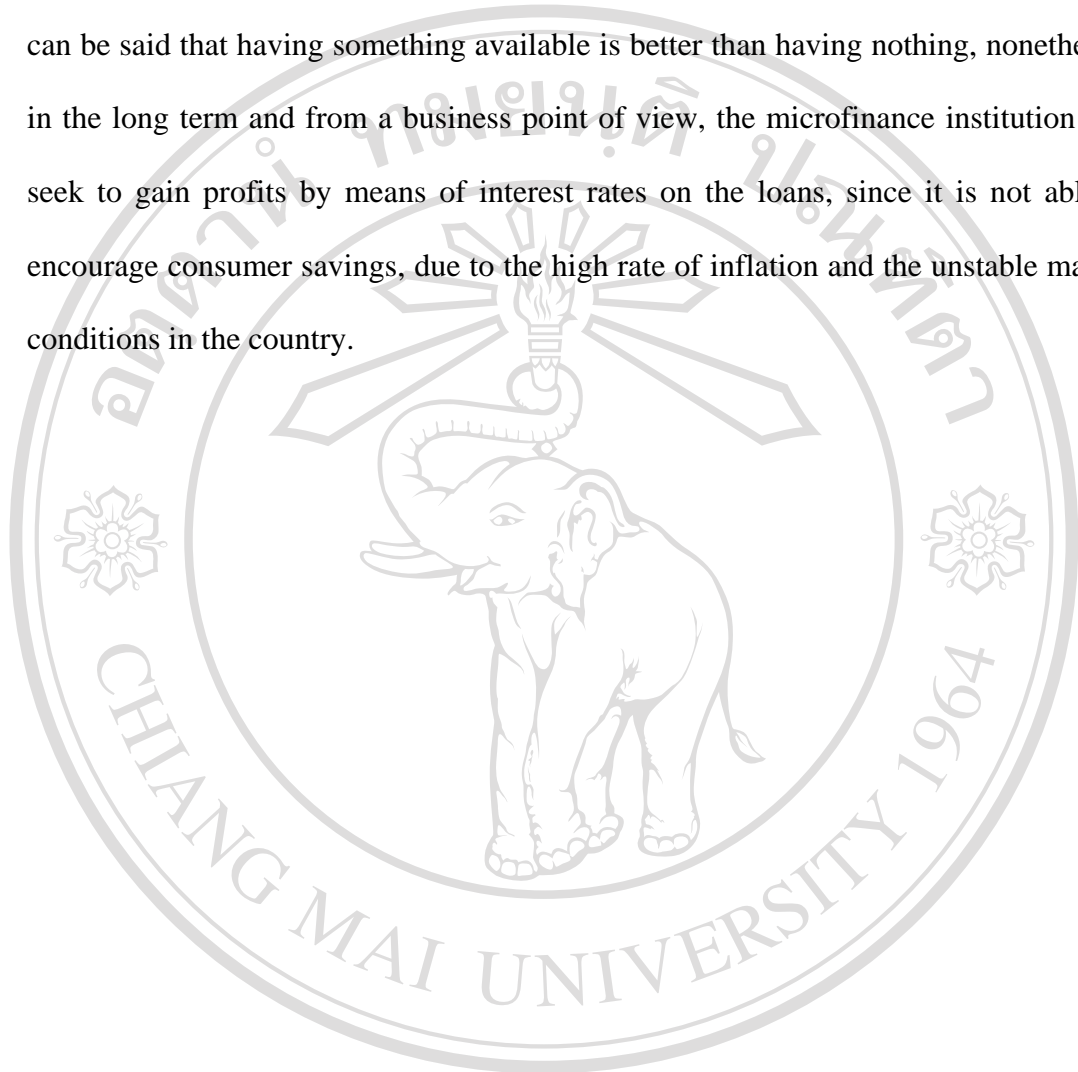
Moreover, with respect to the microfinance business in Myanmar, it is mostly operated by Government and co-government bodies, with a large number of restrictions, limitations and boundaries for the borrowers, and because of these barriers, it is ineffective.

Thus, the impacts of microfinance activities on household welfare in Myanmar tend to be different from in other countries. An unpredictable market situation and an unstable political situation are major constraints on both the borrowers and the microfinance institutions, when trying to improve the living standards of the poor through the provision of microfinance services.

This study therefore recommends carrying out further research which contains an impact analysis using panel data, in order to assess long term impacts. Furthermore, a wealth ranking analysis should be undertaken, in order to more precisely prove the similarities and differences between the treatment and control groups.

In summary, this study found that the welfare of the households, as well as

the social and economic goals of the microfinance institutions set up by the NGOs, failed, in a country which does not create sufficient market opportunities. Although it can be said that having something available is better than having nothing, nonetheless in the long term and from a business point of view, the microfinance institution will seek to gain profits by means of interest rates on the loans, since it is not able to encourage consumer savings, due to the high rate of inflation and the unstable market conditions in the country.



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