



Myanmar Global Leaders Programme 2018

**THE FUTURE OF FINANCE
FOR MYANMAR'S
UNBANKED**

Executive Summary

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FINANCIAL INCLUSION

An estimated 2 billion adults worldwide do not have a basic financial account. More than 200 million formal and informal micro, small and medium-sized enterprises in emerging economies lack adequate financing to thrive and grow. Improving access to useful and affordable financial products and services including transactions, payments, savings, credit and insurance, delivered in a responsible and sustainable way, is essential to eradicating poverty and promoting economic growth. Having financial access means that individuals and families can perform day-to-day tasks with ease, plan for the future, and weather unexpected financial shocks. It helps businesses expand, and families invest in health and education and improve their quality of life.

FINANCIAL ACCESS IN MYANMAR

Emerging from years of isolation, Myanmar's financial sector is the least-developed in Southeast Asia. In 2018, only 25% of Myanmar's population reported owning a bank account, yet 40% stated they had borrowed money in the past year. Access to finance from banks is limited as there are only a total of 2000 bank branches and 2800 ATMs serving a country of 53 million people, and loans are accessible only to high income earners or those with collateral. The poorest, on the other hand, are served by the 139 Microfinance Institutions (MFIs) and NGOs working in Myanmar. For rising and middle income earners, access to finance comes in the form of pawn shops and community lenders that offer anything from 30% to 120% interest per annum. Borrowers have little choice when it comes to credit, and what little collateral they may have could be lost if they cannot repay.

PROJECT PARTNER: YOMA STRATEGIC HOLDINGS

GIFT partnered with Yoma Strategic Holdings, a conglomerate with businesses in Myanmar in real estate, consumer products & services, automotives & equipment, on this project.

Myanmar presents a substantial opportunity for Yoma Strategic Holdings to capture the market opportunities in consumer finance and thereby contribute to the development of the country. By leveraging a high mobile penetration rate, mobile financial services can offer an effective way to expand access to finance to those who cannot access traditional banking services. By leveraging existing Yoma group businesses such as real estate, transport and logistics, travel and health, and in particular their strategic partnership with leading mobile money service provider Wave Money for which Yoma, First Myanmar Investment and Yoma Bank have a 49% combined stake, the proposed business can effectively capture a market currently underserved by banks and MFIs.

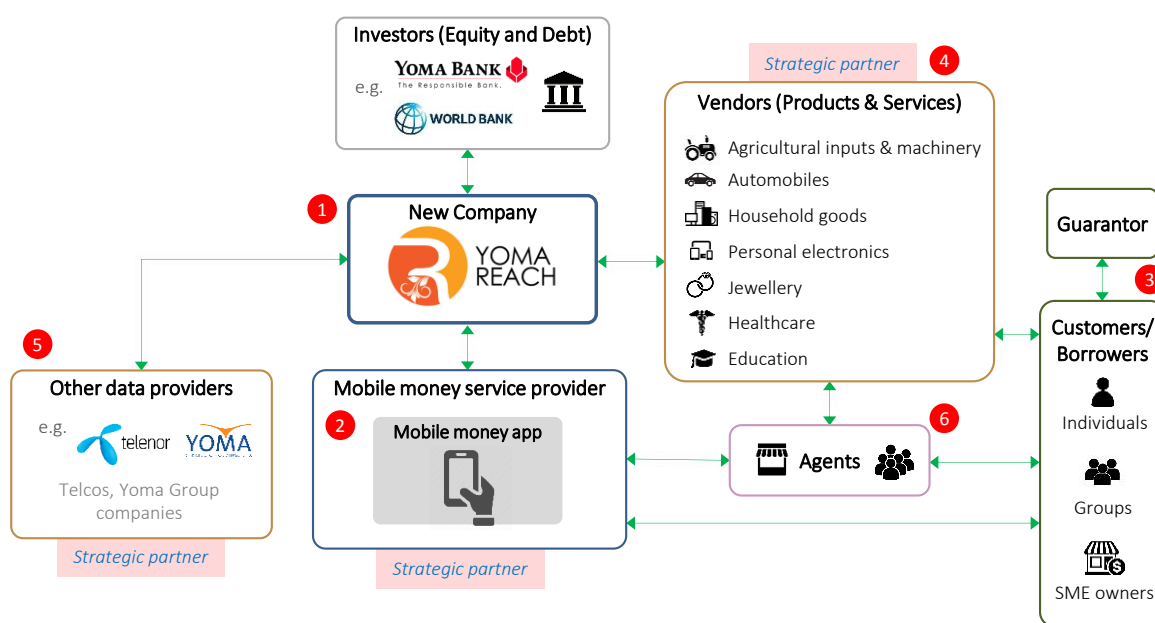


A NEW COMPANY TO SERVE MYANMAR'S FINANCING NEEDS

The proposed business will leverage the existing network of Wave Money agents to offer uncollateralised loans to individuals, groups, and SMEs through a quick approval and convenient loan disbursement system. The proposed business will also offer product and services financing through partnerships with vendors of agricultural inputs and machinery, household goods, automobile dealerships, and healthcare and educational providers, all accessible on the integrated Wave Money app.

Data generated from activity on the Wave Money app as well as payment activity on telecommunications accounts and Yoma Group companies such as Yoma Fleet will also be aggregated to generate credit ratings for each customer, to better inform preferential interest rates, minimise risk and provide better, more targeted products.

The new company reflects Yoma's commitment to building a better future for the people of Myanmar. A proposed name, "Yoma Reach", signifies a **R**eliable, **E**asy-to-use, **A**ffordable, **C**ompetitive, and **H**onest approach to the business.



1 The new company "Yoma Reach" will be set up with 70% equity belonging to Yoma and 30% from external investors. It will offer consumer loans of MMK 1.3-4.0 million at a rate of 2.5% per month for various types of consumers, without the need for collateral. Credit ratings for each customer will be built on its database and this will inform customised interest rates and loan amounts.

2 It will partner with Wave Money, to leverage its existing network of agents and customers, as well as its technical capabilities and know-how. The consumer lending service will be offered on the Wave Money app. Customers apply for loans and product/service financing all through the app, without the need for paperwork or collateral. Loans will typically be approved within 48 hours.

3 There are three types of customers that Yoma Reach will offer its products: Individuals, Groups (6-8 individuals), and SMEs. In the initial phase a guarantor is needed for applications, but as the system generates credit ratings, this will no longer be needed.

4 Yoma Reach will partner with vendors such as agricultural machinery suppliers, dealerships, department stores and healthcare and educational providers to offer product/service financing. Yoma Reach will pay for the product/service to the provider, and the customers will pay for the product/service in installments plus interest.

5 Data generated from services provided by Yoma and other companies such as telecommunication providers will be purchased and used to inform credit ratings for consumers. Behavioural data on the Wave Money app will also be collected and used. It will be very important for Yoma Reach and Wave Money to be transparent about the use of this data, and to keep customers' data secure.

6 Sound management of agents will be a crucial element for the success of this business. As they are the customer-facing entities who will be disbursing loans to the customers, they will be the ones who will handle the enquiries from customers and inform them on the benefits and risks associated with borrowing. Periodic agent training will be needed, and a reward system based on successful loan repayments should be enforced. Agents will comprise of Wave Money agents (Wave Shops) initially, with community leaders and MFIs added later as contract agents.





SOCIAL IMPACT WITH ATTRACTIVE RETURNS

Financial analysis suggests that this business will generate positive financial returns. A robust credit assessment system made up of guarantors, agent-customer trust, financial literacy education, behavioural data collection, customer credit rating, and variable interest rates will ensure that impairment losses from non-performing loans are kept low.

Expanding financial access through Yoma Reach can have far-reaching positive impact for individuals, business owners, as well as the country at large. Families will have access to loans at an affordable rate and be provided with financing options to access healthcare and education, business owners can access funds to expand their businesses or financing for bigger purchases, and Myanmar can benefit through greater economic activity, job creation, and a bigger tax base to develop the country. The collection of data and the creation of a credit rating can form the basis for providing better and more affordable financial products in Myanmar. Convenient access to finance through mobile applications rather than bank branches saves time for consumers and opens up financial access even for rural communities.



The **Global Institute For Tomorrow (GIFT)** is an independent pan-Asian think tank providing content-rich and intellectually challenging executive education from an Asian worldview.

The **Global Leaders Programme (GLP)** is GIFT's flagship leadership experiential programme designed for managers from leading global organisations to think critically about the drivers of change in the 21st century and develop new business models that address the defining challenges of our time.

In this GLP, 25 participants from 13 companies and 13 countries convened in Hong Kong and Myanmar between 21 May and 1 June to undertake classroom discussions, fieldwork, and business planning sessions. The results of this business plan was presented at the Inya Lake Hotel on 1 June to a range of business and NGO stakeholders. GIFT thanks everyone for putting in their best efforts and making this possible.



Tomorrow Matters.

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