Preparing a Service System of Microfinance for the Unbanked in Myanmar

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ABSTRACT

The objective of this paper is to create a service system to protect the security of financial system of microfinance and over indebtedness by improving the capacity of unbanked instead of strict legal procedures. The service system is one of the sub-systems of the access system. The access system including four sub-systems is constructed to moderate the severe legal procedures of MFI for rural unbanked in Myanmar to be able to easily borrow loans from a microfinance institution and to secure the financial system of MFI and over indebtedness of the clients. This paper applied a literature review to comprehend the causes of occurring over-indebtedness, importance of service to protect over-indebtedness and improve livelihoods of the poor. Two surveys collected the data of the current capacity of the poor from two perspectives and verified three hypotheses. As a result, unbanked in Myanmar have low capacity. The ideas for service system are explored depending on the current occupations of unbanked. A proposed service system is created on the ideas for the process of skill development training.

INTRODUCTION

Service economy can grow employment opportunities in the developing countries and provide employment for low skilled labor (Wikipedia, 2014). The main purpose of microfinance is to assist the poor to become self-employed and escape from poverty. Although there are many positive effects of microfinance on poverty reduction in the world, negative impacts of microfinance found, e.g., over-indebtedness. One of the strategies to defend negative effects is to advance the capacity of the poor by supporting service, skill development training.

An access system was constructed for rural unbanked in Myanmar to borrow the loans from a microfinance institution because unbanked cannot borrow loan from a microfinance institution when the conflicts occurred between employments situations of unbanked

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and current harsh rules of the microfinance institution. Microfinance institutions utilized the rules to protect the security of financial system of microfinance institutions instead of the collaterals. The access system finds and edits these rigorous rules for unbanked to be able to borrow the loans. The access system has four sub-systems and the service sub-system is one of the sub-systems (Aye et al., 2013).

Other authors studied the service to improve of the livelihoods of the poor by increasing the capacity of the poor, and protect the over-indebtedness of the poor. In the access system, service is supplemented for negotiate between two parties, unbanked and MFIs. For the unbanked who can borrow the loans from MFIs, MFIs require to reduce the austere legal procedures. MFIs applied the stringent legal procedures to protect the security of financial system of MFIs. When access system amend the tight legal procedures of MFIs for unbanked can borrow the loans, if unbanked have also low capacity, service is essential in the access system to keep delinquency rate and over-indebtedness instead of legal procedures. As the service system can develop many employment opportunities for unbanked and improve the livelihoods of unbanked, capacity of unbanked and returns to capital will increase. Therefore, they can dutifully repay their installment repayments of the loans. Two parties, unbanked and MFIs, can enjoy the win.

The objective of this article is to create a service system for the access system. Under the following major research question and three subsidiary research questions, this research is prepared. The major research question is:

How to create a service system of microfinance for unbanked in Myanmar?

The three subsidiary research questions are:

- Why is service important for development and microfinance institutions?
- Why is service important for unbanked in Myanmar?
- What are the ideas for service to provide unbanked in Myanmar?

This research applied a literature review to comprehend the causes of over-indebtedness and the strategy to protect over-indebtedness. To know the current capacity of unbanked in Myanmar, two surveys data collection were holding with the 106 unbanked included non-clients and dropouts and the 30 officials in 8 villages of Nyaung U and Magway townships. Unbanked in Myanmar have low capacity is proved by two hypotheses from the view of unbanked and a hypothesis included three assumptions from the outlook of officials. The ideas for nonfinancial service for unbanked in Myanmar are explored by the researchers centered on the current capacity of unbanked in Myanmar. Then, the process for nonfinancial service training is created based on the ideas for nonfinancial service as a proposed service system.

As the results, we know that some of the poor in some countries met over-indebtedness because of the low capacity of the poor. Over-indebtedness of the clients is also important factors for microfinance institutions to be a successful microfinance institution. Services, skill development trainings, are important to protect over-indebtedness of the borrowers and improve their livelihoods. When the capacity of unbanked in Myanmar are researched by two surveys from two perspectives of unbanked and officials, they have low capacity and require services. Three kinds of lectures and four levels for each lectures can be organized centered on the current occupations of unbanked in Myanmar as the ideas for nonfinancial service training. A proposed service system is created on the ideas for the service training and includes six phases: searching the knowledge, organizing the knowledge, distributing the knowledge, monitoring and evaluating, researching the knowledge and reorganizing the knowledge.

This article presents the importance of service for development and microfinance institutions, the importance of service for unbanked in Myanmar, the ideas for nonfinancial service for unbanked in Myanmar, and a conceptual service system for unbanked in Myanmar and gives a conclusion.
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