



AMFIM

Market survey and marketing strategy

Product definition and delivery mechanisms

September 2014

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ACRONYMS

AMFIM : Alliance for Microfinance In Myanmar
BP : Business Plan
CBS : Core Banking System
CO : Client Officer
GDP : Gross Domestic Product
IBL : Individual Business Loan
IMF : International Monetary Fund
KYC : Know Your Customer
MF : Microfinance
MFI : Microfinance Institution
MMSE : Myanmar Microfinance Supervisory Enterprise
MSMEs : Micro, Small and Medium Enterprises
PO : Point of Sale (handheld device)
UNCDF : United Nations Capital Development Fund

1 INTRODUCTION

With a population estimated to more than 60 million of which 26% live below poverty line, the progressive enforcement of macroeconomic and sectorial reforms to create a favorable business environment, and a considerable unsatisfied demand for financial services, Myanmar represents an important potential market for microfinance activities.

Driven by this promising context and the willingness to contribute to the fight against poverty and to the development of a professional microfinance sector, BASIX and FIDES have decided to partner to implement a microfinance greenfield in Myanmar.

Funded by UNCDF, Alliance for Microfinance In Myanmar (AMFIM) should started operations in Mandalay Region in September 2014. With the objectives to develop sustainable activities in the whole country overtime and to contribute to getting the Myanmar microfinance sector to a new level, an ambitious business plan has been designed to prepare the launching of the institution.

Nevertheless, building from the ground up a sustainable microfinance operation represents a challenge especially in a not yet full enabling environment like the one prevailing in Myanmar. In such a context, the initial strategic choices are crucial to the future development of activities.

Based on the partners experience and market research, AMFIM has prepared a marketing strategy to fine tune and implement the orientations proposed in the business plan.

After reminding briefly some key facts on the context and the results of the market survey, the present document aims at presenting this marketing strategy designed for the beginning of the operations and the directions considered for the future.

2 SOME HIGHLIGHTS ON THE CONTEXT

The marketing strategy has been designed taking into account the strategic orientations defined in the business plan and the environment prevailing for the microfinance activities in Myanmar.

2.1 The main features of the business concept

- The fundamentals of AMFIM strategy have been defined in the business plan (BP).

According to the orientations proposed in the BP, AMFIM will offer a large range of competitive and suitable products to reach out to 3 client segments of female clients, micro and small enterprises and farmers. Products and services are shaped to take into account the needs of the customers and the institution intends deliver these products with cost effective procedures implemented by client oriented staff.

The products considered in the business plan are as follows:

- Loans: group loans, individual business loans and crop loans
- Savings: compulsory savings, voluntary savings and fixed deposit
- Non---financial services: Financial Education: most of the clients, while entering in a business relation with AMFIM, are accessing formal financial services for the first time ever. Making clients fully understand their rights and commitments is a condition for success of AMFIM. The deployed financial education efforts are costly, but they are a good investment since they lead to lower drop out of clients and to higher client satisfaction.

- **AMFIM's mission and objectives**

AMFIM's mission is to provide access to demand---driven, responsibly delivered, saving---focused financial and non---financial services to low---income populations in Myanmar.

To fulfill the mission, the following objectives have been defined:

- Rank among the market leaders and be capable of providing a full range of financial services
- Develop a role---model organization, recognized for its efficiency, reputation, and quality of customer services
- Operate a sustainable business to provide satisfactory returns to investors
- Be the preferred organization for skilled professionals seeking employment.
- Deploy state of the art technology to increase operational efficiency and reduce transaction costs.
- Provide services without discrimination based on gender and social groups

- **The business plan sets ambitious targets in terms of increase of the number of clients and development of the loan portfolio**

The 5---years business plan considers an increase of the number of clients of 191% per year on an average to reach 67,387 by the end of the fifth year of activities. In terms of net loan portfolio, the average annual growth considered is 275%. The net portfolio would reach 33 million USD by the end of year 5.

In that context, and taking into account the necessary time to deploy the network and develop the model, AMFIM would break even by the end of the fourth year of activity.

2.2 An environment not yet fully enabling to the development of sustainable MF activities

- **An emerging economy, essentially rural, but with considerable assets**

Myanmar is one of the poorest countries in East Asia and the Pacific, with an estimated GDP per capita of USD 868 in 2012/13 and a poverty headcount of 26 percent, according to a 2010 national household survey. The country GDP is estimated to have been USD 55 billion in 2012/13¹.

The economy remains centered on agriculture: 38% of the GDP is generated by the agricultural sector employing 70% of the work force². Industry (mainly agricultural processing, mining, oil production and garment) is yet low developed (20% of the GDP).

The annual inflation rate is around 6% and will remain high in 2014---15 according to IMF.

The economy accelerated the past few years and GDP growth reached 7.3 %³ during the last fiscal year (2012/13) led by high prices on commodities and investment. IMF forecasts a slight increase of the GDP growth to 7.5% and 7.75% in the two coming fiscal years.

Indeed, the country is endowed with considerable assets: abundant natural resources (petrol, natural gas, metals and precious stones, wood) and a privileged position between India and China, Laos and Thailand to become a regional trading hub.

Nevertheless, the continuation of the macroeconomic reforms especially in the financial sector, the improvement of the tax collection (one of the lowest in the world) as well as of the very poor infrastructure seem crucial for further development of Myanmar's economy.

- **The microfinance law and directives enacted in 2011 set a legal framework for microfinance activities in Myanmar, but impose major constraints for a sustainable development of microfinance activities**

Long---awaited by the professionals of the sector as well as the investors, the microfinance law along with some directives/instructions lay the foundations for the regulation of the microfinance activities in the country.

It enables the creation of entities with private ownership, domestic and foreign, to establish deposit---taking or non---deposit taking licensed microfinance institutions in Myanmar. Yet, the law and directives put strong limitations likely to slow down the growth of the sector and to limit the development of profitable activities:

--- Restraints on resources:

¹ World Bank

² CIA---World Fact book

³ IMF, Jan 2014

- Even with a deposit---taking license, taking deposits from the public is prohibited. MFIs shall limit the collection of deposits to their clients if they are borrowers (in other words, if a client does not have a loan, she/he can't save with the institution).
- A recent directive imposes to licensed MFIs to keep 30% of the voluntary savings collected in cash on hand or cash in banks.
- "Borrowing from local and abroad" is not allowed so far⁴.
- Strains on sustainability:
 - Cap on interest rate on loan (30% per annum) and minimum interest rate on savings (15%) are likely to limit the profitability of the MFIs.
 - Growth limitations:
 - Loan size is limited to 500,000 MMK (around 500 USD).
 - MMSE grants licenses on a regional basis. To expand the activities to new Regions or States, it is necessary to enter again in a licensing process.
- **Staff capacities will have to be developed**

Recruiting experienced staff is challenging especially outside Yangon. In that context, microfinance institutions have to recruit young and inexperienced employees and train them intensively to bring their capacities in line with the best standards.

- **Infrastructures conditions in Myanmar are likely to complicate products delivery**

In Myanmar, the quality of the road network or of internet communication is poor, especially in rural areas and in small towns. This context may impact significantly the delivery methodology and the efficiency of the operations.

3 A MARKET IN TRANSITION

The information presented hereafter is based on primary data collected during the market survey achieved by AMFIM from 25 January to 10 February 2014.

Six market researchers supervised by a local officer and a consultant from BASIX conducted 151 individual interviews and 24 focus group discussions in Mandalay City as well as in Patheingyi Township, Kyaukse and Pyinoolwin Districts.

This qualitative research, carried on at a small scale, have been completed by secondary data research mainly resulting from the recent Making Access Possible (MAP), Myanmar Country

⁴ Even if listed in the authorized activities in the law, the directive no2/2011 does not allow MFIs for instance to borrow locally or abroad. It seems however, that MMSE may grant authorizations on a case by case logic (Ref. Proximity Finance has been authorized to take a USD 2 million loan from Norfund)

Diagnostic draft report and the Microfinance in Myanmar sector Assessment⁵ report. The MAP report, based on the FinScope representative survey conducted in 2013, contains valuable and recent information on the Myanmar financial services landscape and provides leads for the development of financial products and services fitting the needs of the targeted segments of population.

The information presented here does not pretend to be exhaustive but seeks to highlight the main features of AMFIM's potential market and is underlying the design of products and delivery mechanisms.

3.1 A rural economy mainly made of micro and small businesses: household features and activities

- **Household have several earning---members and are often engaged in several income generating activities**

The average household size in Myanmar is 4.84 members. During the market survey, AMFIM met households having in their majority 3 to 5 members and carrying on, for most of them, several income generating activities as a risk management strategy. The most common activities performed by the households interviewed are trading and petty shops.

According to the survey, the average monthly income for a majority of households having 2 earning---members ranges between MMK 550,000 to MMK 800,000, i.e. between MMK 18,000 and 27,000 per day. It is important to highlight that, since the accuracy of the answers on income and expenses in a market survey is often uncertain, these relatively high figures have to be taken with great caution.

The major source of income is generally a small enterprise (farm or non---farm) supplemented by other activities (daily---wages in rural areas, government employment, skilled labor (carpentry, stitching, etc.)).

Indeed, households build risk management strategies and try to alleviate the effect of seasonality on their income and expenses, running several activities, keeping some savings and borrowing from informal sources most of the times.

In terms of assets, the majority of the households met during the survey own their house, which is generally made of bamboo or wood, and at least a motorbike.

Ranking their financial needs, the households met during the survey mentioned education and health. Access to capital for their business occupies only the 7th position.

- **Women play a key role in the management of the household budget.**

⁵ IFC Advisory Services in East Asia and the Pacific, January 2013

In Myanmar most of the women are economically active and play a central role in the management of the household budget. Indeed, even if the decisions are made together with the husband, the woman is in most of the cases handling the family budget.

- **Myanmar's society organization and functioning is still strongly based on traditional values and solidarity mechanisms**

Especially in rural areas, the societal organization still seems to obey to traditional values. Village or ward administrators⁶, chosen by the villagers, along with the elders run village affairs. The difficulty of one member mobilizes in general the solidarity of the rest of the community.

- **There are 12 million farmers in Myanmar and they stand for 30% of the adult population of the country**

As mentioned above, Myanmar is a rural country. Farmers involved in crop cultivation and or livestock represent 12 million adults. Farmers are defined as households owning their own land or farming family land and whose main income is derived from farming activities. For a majority of them, the land size is between 1 and 5 acres and they are involved largely in rice production. Heads of family are predominantly male. 15% of all farmers in Myanmar are located in Mandalay Region.

It is important to mention that, among the Myanmar population involved in farming (farmers and those for whom farming is a secondary activities) which represents 19.8 million of adults, the average income is less than 5 dollars per day.

In Mandalay Region, the main crops are paddy, vegetables, flowers, oilseeds (sesame, groundnut, etc.), beans and peas. Generally, farmers cultivate several crops and/or breed livestock as risk management strategy and to alleviate the effects of the seasonality.

For farmers cultivating paddy, the cash income is the highest in December---January (harvest time) and at the lowest in April---May (sowing and festival time). Financial situation starts to improve from July (income from other crops).

- **Livestock plays an important role in the economy of rural household**

Among the farmers, 36% are involved in livestock related activities (cows, pigs, goats, and ducks). In general livestock plays an important role in the economy of rural household as an income generating activity and a savings "vehicle". According to FinScope survey, 10.8% of the Myanmar adult population save by purchasing and breeding livestock. Livestock is the second largest savings "vehicle" after savings in cash at home.

- **Micro, small and medium businesses (MSMEs) are predominant in Myanmar's economy**

⁶ Village in rural areas and Ward in urban areas are the first level of administrative organization in Myanmar

Representing 99 % of the businesses of the country, MSMEs are the main source of income for numerous low---income households and provide employment for a large part of the Myanmar work force. They operate informally for most of them without any specific authorization or registration and paying any taxes.

The activities carried through these micro business, are very diverse: small groceries, restaurant, trading, handicraft, etc.

3.2 The main financial services used in Myanmar: the credit landscape

- **Credit is the main financial service used by Myanmar population with disparities according to the region or the population segment**

FinScope survey revealed that half of the adult population in Myanmar recourses to credit. At the time of the survey, 50.2% (20.7 million adults) had borrowed money during the past 12 months and 47% still had an outstanding debt with formal financial institutions (18.6%), or from unregulated institutions (17.8%) and family and friends (11.2%).

The market survey carried on by AMFIM showed a lesser credit take---up since only 38% of the respondents reported having an outstanding loan. Nevertheless, in addition to the fact that AMFIM market survey is a qualitative research which does not aim at being representative, FinScope report showed that credit take---up varies from one region to another. Rakhine (56%), Magwe (51%) and Kachin (47%) are the regions/states with the highest usage of credit when Yangon (17%) and Kayin State (19%) have the lowest. Mandalay Region is within the range of the average with 35 % of the adult population taking up credit equally from regulated and unregulated sources.

FinScope survey also showed that formal enterprises have the lower usage of credit when the farmers have the highest (see below). 43% of the informal businesses use credit mainly from unregulated sources or family and friends.

The following chart⁷ provides an interesting view on the credit supply in Myanmar and the respective positioning of credit supplier according to the number of clients and the loan size they propose.

Farmers have access to formal credit with 38% of them borrowing from regulated institutions

Farmers tend to have access to formal sources of credit, mainly MADB and to a lesser extent microfinance institutions like PACT that has an important outreach in rural areas. Nevertheless, 24% of farmers also borrow from informal sources, either unregulated institutions or family and friends.

⁷ From MAP report

Indeed the current regulated providers of credit to farmers do not satisfy their needs in terms of amount (for instance, the investment for an acre of paddy is around MMK 250,000 while MADB limits the loan amount to MMK 100,000 per acre), duration (currently too short) or purposes (limited to the purchase of agricultural inputs while the funding of equipment could improve income generation).

Several surveys underlined the risks of over---indebtedness for some farmers. Credit to this segment of population shall be broached with prudence then.

- **A majority of informal businesses do not take credit**

58% of informal enterprises do not have a credit and for those who have one, it is in most cases provided by informal lending agents.

3.3 A predominance of informal savings vehicles: the saving landscape

- **Formal savings are have a low development level in Myanmar, especially in rural areas**

62.7% of the adult population in Myanmar does not report any savings. Moreover, the deposit to GDP ratio is the lowest of South East Asia (12.6%). In urban and semi urban areas, savings are more developed than in rural areas even if the majority of households still does not have formal savings.

People save mainly for consumption, education, emergency needs and to a lesser extend for investment.

- **Use of informal savings tools is predominant in Myanmar**

Savers show a preference for informal savings vehicles. Low trust in the formal sector after the banking crisis in 2003 and high inflation rates until 2010 are among the factors explaining the situation. In that context, savings are kept in cash at home, or through the purchase of gold, land or livestock.

Also, according to the market survey conducted by AMFIM, Rotating Savings Schemes appear as quite developed. Based on exclusively female membership (up to 50 members for some groups), the underlying rules are simple: periodic deposit of saving (weekly or every 5 days), as high as 20,000 MMK per deposit for some members, and periodic distribution of the total amount saved based on a lottery system.

In urban areas, also, pagodas may sometimes be the depository of savings. They do no serve an interested but are also not charging fees for the service.

According to AMFIM market research, the key drivers for the development of formal savings are *security* and *accessibility of funds* (withdrawal according to client decision) as they are the preferred attributes of a savings product mentioned by the respondent to our survey.

3.4 A growing competition

- **Formal banking sector is small but grows rapidly**

The formal banking sector is made of four state---owned banks⁸ (having the largest outreach) and 19 private banks, which operate mainly in Yangon and urban areas. The private banks are growing at a fast pace, especially the biggest ones, Kanbawza bank and CB Bank. As an example, CB Bank opens branches at the rate of one per week.

Foreign banks are allowed to open representative offices only and 16 have done so but do not have any operations so far.

Like for the microfinance sector, the banking law and subsequent directives hinder the development of the sector. Formal banks still play a limited role in the financing of the economy and in the provision of financial services.

- **MADB is the main provider of financing to farmers**

Only MADB, a state---owned bank provides loans to farmers using methodologies inspired by microfinance (group loans, community---based assessment) and serves around 2 million households involved in farming.

MADB extends loans according to the following rules: 100,000 MMK per acre limited to 5 acres for paddy cultivation and 20,000 MMK per acre for other crop cultivations.

Agricultural input suppliers also provide credit to farmers, mainly AWBA, with a significant number of clients served: 1.5 million.

- **Dominated by one MFI, the Myanmar microfinance sector is composed of a large number of small organizations, most of them with local scope, operating at a micro scale and with a strong need for professionalization**

Since the microfinance law enactment, MMSE granted 183 licenses.

Pact, one of the first MFIs to receive a license, is by far the most important microfinance organization to operate in Myanmar. As the outcome of the merge of the 3 microfinance projects funded by UNDP from 1997 up to 2013, the institution served as of March 2013, 450,00 clients (74% of the total clients of the microfinance sector in Myanmar) through a network of 136 branches. PACT represents 65% of the total loan outstanding of the microfinance sector.

Pact proposes group loans and individual loans along with compulsory savings and micro insurance products, mainly in rural areas. Operating with subsidized funds and an excel---based MIS, the organization became recently fully independent from UNDP (phasing out first quarter of 2014).

⁸The most important state---owned banks are Myanmar Economic Bank (MEB) and Myanmar Agricultural Development Bank (MADB)

To a much lesser extent, World Vision Myanmar, Proximity Finance and Dawn Microfinance are among the biggest MFIs in Myanmar.

World Vision, so far mainly urban, operates in 5 Regions and States (Yangon, Mandalay, Ayeyarwady, Shan and Kayin). As of Oct 2013, the MFI main achievements were as follows: 27,781 clients, a loan outstanding of USD 4 million and a network of 18 branches. Recently equipped out with Kredits as an MIS, the MFI is considered as the most professional in the country and is growing fast. Expansion in rural areas is in progress.

A NGO initially supplying solar pumps in rural areas, **Proximity Finance** started to extend credit to smallholder farmers in 2010 through Community---based organizations and a network of agro---dealers. If no detailed figures are available on the microfinance activities of this NGO, it seems that its distribution capacities in rural areas is important. With the support of LIFT and more recently Norfund, Proximity Finance now has also significant funding resources.

Dawn Microfinance, the MFI created by Save the Children in 2002, reached 25,000 clients in October 2013 mainly in Yangon and Delta Zone for a total loan portfolio of USD 1.3 million. Save the Children recently decided to sell Dawn Microfinance and is currently receiving offers from potential buyers. The institution does not operate in AMFIM targeted areas.

The **others licensed MFIs**, most often with a domestic shareholding and funding or with a cooperative legal status, are small in terms of outreach and geographical coverage (1 or 2 townships), with a lack of financial and technical resources to professionalize their operations and consider a change of scale.

MFIs propose mainly group loans and savings are most often limited to compulsory savings.

In terms of geographical coverage, it is important to mention that the competition is concentrated in Ayerawady and Magwe Regions.

- **Money lenders, unregulated pawnshops continue to play a key role in the financing of the low income population in Myanmar**

Moneylenders continue to play an important role in the financing of households needs. They lend larger loans for up to 6 months for interest rate varying from 5% to 20% per month.

Unregulated pawnshops operate also commonly at the ward/village level. No formal information is available on the type/costs of services, but their role clearly appears in household surveys.

- **From an emergent market to a competitive market**

Between 1997 which have seen the implementation of UNDP projects in Delta, Dry zone and Shan State and 2011, year of microfinance law enactment, Myanmar microfinance sector counted only a few number of organizations operating at a small scale for most of them and coordinating their geographical scopes to avoid overlapping.

The enactment of the law and directives has speeded up the development of the microfinance market:

Many local MFIs applied for licenses and 13 NGOs, 61 local companies and 72 cooperatives received a license. Most of them operate at a small scale but some have ambitious development plans.

Among them, for instance, BC Finance (subsidiary of Bagan Capital a Myanmar investment company) obtained 8 licenses and is implementing an ambitious business plan.

As well, some local organizations benefit from the support of the Government (Cooperatives) or from international organizations (World Bank). To this regard, it is important to mention that the Government intends to develop the activities of the Cooperatives and that the Government of China granted à 600 million USD subsidy to the sector. Agriculture Cooperatives already started to extend loans to farmers.

Also foreign new comers such ACLEDA (Cambodia) or ASA (Bangladesh), both operating in Yangon so far, are introducing new dynamics in the microfinance market which will be become much more competitive in the coming months.

3.5 Potential demand of financial services

- **Market researches converge to show that an important demand for financial services is still not satisfied in Myanmar; in Mandalay region, notably the market potential appears significant**

Still largely covered by unregulated organizations, the demand for financial services remains partly unsatisfied in Myanmar both in terms of outreach and quality. In that context, there is room for newcomers capable to provide professional financial services in line with international standards.

In Mandalay Region, government banks (MEB, MADB) and private banks (Kanbawza Bank, CB Bank, AGD Bank, AYA Bank) operate principally in Mandalay City and in the main towns of the Region. To our knowledge, none of them carries on microfinance activities, MADB excepted.

Regarding Microfinance Institutions, MMSE granted 43 licenses in Mandalay Region as follows:

- 4 INGOs (among them World Vision and PACT)
- 2 NGOs
- 33 private companies
- 1 Foreign company (BC Finance)
- 3 Cooperatives

Like the banks, licensed MFIs operate principally in Mandalay City and the main towns of the region with a low coverage of rural areas. Only PACT, in the Southwest part of the region, provides credit to rural population.

On the other hand, the market survey performed by AMFIM found out that 62% of the respondents do not have a credit. This finding is corroborated by the 2013 FinScope survey according to which 65% of Mandalay adult population do not report credit from regulated or unregulated sources.

For those having a credit, MFI and moneylenders constitute the main source of funding. For those not having a credit, 75% express need for loans.

In that context, below is presented the potential market of AMFIM in terms of number of households in Mandalay Region. The estimation is based on two approaches through the poverty line and the financial inclusion. Both approaches give similar potential market size estimation: around 200,000 households.

Market size estimation based on Poverty Line	Data	Comments
A. Population of Mandalay (1)	5,503,545	(1) Myanmar Microfinance Supervisory
B. No of Households in Mandalay (1)	1,027,919	Enterprise Mandalay
C. Average family Size: [C] = [A]/[B]	5.35	
D. Poverty Line population considering (2) = 0.26 X [A]	1,430,922	(2) Baseline survey 2012 LIFT-UNOPS
E. Ultra poor not considered suitable for microfinance = 0.10 x [D]	143,092	
F. Target Micro finance population = {[D]-[E]} + {20% of APL}	2,102,354	
G. No of 'microfinance eligible' HHs = [F]/[C]	392,665	
H. Households already covered at the national level (3) at Mandalay Region level (4)	2,900,000 192,406	(3) Microfinance in Myanmar : Rapid Sector Assessment (2013) (4)The determination of the number of HH already served has been calculated with the same assumptions than for the national level: 49% coverage rate, factoring 20% overlap and 1 loan per borrower.
I. Microfinance eligible households in Mandalay Region: = [G]-[H]	200,259	

Based on Financial Inclusion	Data	Comments
A. Population: [A] (5)	5,503,545	(5) A, B, C, D include a middle class population who is not part of the microfinance market. 50% has been deducted from the financially excluded HH
B. No of HHs: [B] (5)	1,027,919	
C. Formally Financially Included households at 20% (5) (6) = 0.2 x [B]	205,584	(6) Central Bank of Myanmar (June 13)
D. Financially excluded households (5) = [B] - [C]	822,335	
E. No of 'microfinance eligible' HH = 0.5% x [D]	411,168	
F. Households already covered in Mandalay (4)	192,406	
G. Microfinance eligible HH in Mandalay Region	218,762	

In a context that is not yet fully enabling and more and more competitive, launching microfinance activities in Myanmar is challenging.

Nevertheless, the market offers important opportunities and AMFIM benefits from strong advantages to meeting these challenges and make the most of promising prospects.

Indeed, the experience of the partners in the implementation of the greenfield, a proven operational model, a sound MIS are the strengths on which AMFIM lays to build the marketing strategy presented hereafter.

4.1 Objectives and fundamentals of the market strategy

As mentioned, AMFIM intends to reach nearly 70,000 clients after 5 years of activity through a network of 12 branches.

To achieve this objective, the marketing strategy is articulated around three main priority lines:

- Develop the market share through the offering of suitable and innovative products and services and the progressive implementation of a network of 12 branches covering 4 Regions and State.
- Anchor AMFIM in Myanmar's microfinance market and be recognized as a role model organization
- Implement efficient processes likely to mitigate credit and operational risks

GROWTH DYNAMICS

Increase
volumes

- **Testing the market: the pilot phase**

Broaden products range and delivery channels;
expand the network

To promote sustainable growth and generate value for the clients, AMFIM must build solid foundations to its activities. In that prospect, the institution will progressively expand its network and the products offering, deepening the understanding of market potential and client needs and behavior.

AMFIM will initiate the activities with a pilot phase testing the market response to its initial product offering built on the understanding of demand. In order to better perceive the innovation potential and get the right delivery in place, the institution will deploy progressively a simple range of products tailored to the major client demand segments.

Product prototypes have been designed (see 4.4), they are close to the products proposed in the initial business plan and which will evolve over time based on evaluation of social performance and client satisfaction assessments. Delivery mechanisms will be in line with social organization patterns prevailing in Myanmar especially the strong solidarity within the community and a sound MIS to maximize risk mitigation and efficiency.

The pilot phase would last 6 months during which AMFIM will open 3 branches and prepare the expansion to new regions.

- **Expand the activities and the network: the development phases**

During the following phases, AMFIM will progressively broaden the product offering searching to innovate in a probably increasingly more competitive market. The launching of additional products and the exploration of new delivery channels will be additional drivers of the growth while the institution will continue to expand the branch network to new regions and states.

Indeed, in a market with a growing number of competitors and more demanding clients, AMFIM shall be able to shift progressively from standardized products to differentiated products following the evolution of client demand. The objective is to propose attractive products compared to the competition. In that prospect, a permanent innovation process shall be implemented based on anticipation and a close monitoring of market expectations.

Evidently, the implementation of such a market approach will need time since it requires an experimented marketing department and a sales force capable to master a complex product offering.

The chart hereafter summarizes the main steps of the marketing strategy for the three coming years.

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2014

2017

4.2 Market positioning

In terms of market positioning, AMFIM intends to be a professional and accessible microfinance institution offering a range of suitable product and services. The advantages AMFIM intends to promote are:

- **Simplicity** (products easily understandable and recognized by the clients)
- **Transparency** and **client protection** principles (avoidance of over---indebtedness; transparent and responsible pricing; appropriate collections practices; ethical staff behavior; and privacy of client data)
- **Rapidity** (quick delivery of the products by a professional staff)
- **Security** (strong and secured processes to maximize client transactions safety and mitigate risks).

Given the pricing caps in the regulation all offers have similar pricing. The quality of service will be the first determinant for the choice of a financial service provider by the client in future.

A recent survey of 4,000 households conducted by LIFT⁹ found that only 16 percent of households used formal financial services. According to the survey, the most common sources of loans were family, friends, and moneylenders. Interestingly, poorer households borrowed mostly for food purchase and health emergencies, whereas higher income households borrowed for input purchase and business investments (LIFT 2012). These figures are consistent with the field survey made in Mandalay region by AMFIM.

While the demand for microloans is clearly reflected in the large supply of informal services, the demand for savings is more complex and will be analyzed in depth through a specific research work made by AMFIM in the framework of the preparation of its FE---services. As for loans, for short---term savings households in Mandalay region seem to rely more on informal opportunities like rotating savings schemes than on formal institutions. Public trust in deposit services has been eroded by a cooperative crisis in the 1980s and a bank run in 2003–2004, as well as phases of high inflation in the past. For longer term savings households rely frequently on gold and commodities.

The introduction of a new deposit insurance scheme in 2011 and the now lower inflation seem to create a more favorable environment for a more important market share of formal financial services. The present microfinance industry is clearly credit driven. The following table resumes the last available figures on the providers¹⁰:

⁹ LIFT. 2012. "Baseline Survey Results." Yangon: LIFT, July.

<http://lift--fund.org/lift---in---action/content/lift---baseline---survey---results---2012>

¹⁰ Drawn from ICF : Microfinance in Myanmar Sector Assessment

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http://www.ruralfinance.org/fileadmin/templates/rflc/documents/1Microfinance_in_Myanmar_Sector_Assessment.pdf

Table: Microfinance providers in Myanmar

Category	Individual Institutions	Number of Branches / Outlets	Number of Borrowers	Outstanding Loan Portfolio (in Kyats)	Average Loan outstanding (in Kyats)	Number of Deposit Accounts	Total Savings (in Kyats)	Average Deposit Size (in Kyats)	Regulated	Supervisory Agency
State Owned Bank	MADB ¹	205	1,420,000	84,000,000,000	59,155	1,720,000	86,891,840,000	50,519	Yes	Ministry of
	MSLE ²	143	208,778	31,341,790,000	150,120	N/A	N/A	N/A	Yes	Ministry of Finance and Revenue
Private Bank	MLFDB ²	53	N/A	N/A	N/A	N/A	N/A	N/A	Yes	Central Bank of Myanmar
Non-Governmental Organization	PACT - UNDP ³	105	365,410	52,701,000,000	144,224	420,133	10,930,000,000	30,000	No	N/A
	PACT MFI ³	16	57,128	4,234,502,910	74,123	N/A	N/A	N/A	Yes	Microfinance Supervisory Enterprise
	GRET MFI ⁴	4	6,155	840,041,000	136,481	<i>Non-deposit taking MFI</i>			Yes	Microfinance Supervisory Enterprise
	Save the Children MFI ⁵	N/A	7,737	367,747,782	47,531	7,737	25,975,513	3,357	Yes	Microfinance Supervisory Enterprise
	World Vision MFI ⁶	12	13,282	1,910,033,328	143,806	N/A	N/A	N/A	Yes	Microfinance Supervisory Enterprise
	Proximity Design MFI ⁷	8	16,000	3,113,831,000	194,614	N/A	N/A	N/A	Yes	Microfinance Supervisory Enterprise
	AMDA ⁸	N/A	1,510	55,109,960	36,497	N/A	N/A	N/A	No	N/A
Total ⁸	N/A	1,197	165,077,000	137,909	N/A	N/A	N/A	No	N/A	
Cooperatives	Central Cooperative Society MFIs ⁹	46	32,851	1,125,690,000	34,267	32,851	340,340,000	10,360	Yes	MSE / Central Cooperative Society
	Financial Cooperatives - Union of Savings and Credit Federation ⁹	1625	476,632	16,500,000,000	34,618	476,632	24,200,000,000	50,773	Yes	Central Cooperative Society
Specialized Agricultural Companies	Rice Specialization Companies ¹⁰	38	57,502	20,092,708,226	349,426	N/A	N/A	N/A	No	N/A
	Other Agri Specialized Companies ¹⁰	22	140,000	20,000,000,000	142,857	N/A	N/A	N/A	No	N/A
Women's Union ¹¹		16	4,800	48,000,000	10,000	N/A	N/A	N/A	No	N/A
Union Solidarity Development Association ¹²		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Community Based Organizations ¹²		N/A	N/A	N/A	N/A	N/A	N/A	N/A	No	N/A
TOTAL		2,293	2,808,982	236,495,531,206	119,763	2,657,353	122,388,155,513			

In the field of economically active people of the low---income segments of the population, the target group of AMFIM, only World Vision is at present covering the market with a significant number of clients in the region of Mandalay. Demand exceeds by far the offer. This might change quickly during the next years. A number of initiatives is now promoted by donors; and new players are entering the market. For this reason AMFIM must enter the market without delays, but with a client oriented approach making the difference, enabling the institution to face competition at a later stage through a value proposition to clients

4.3 Client target and market segmentation

AMFIM will target two segments of the low---income population in Myanmar. The segmentation proposed is mainly based on level and type of business.

Segment 1: Micro and small entrepreneurs (MSE)

Micro and small enterprises represent 99% of the businesses in Myanmar. Operating informally, they hardly have access to the services of the regulated financial sector when access to finance working capital and/or small equipment would be essential to a better development of their activities.

The common core products AMFIM designed are then intended to two sub---segments of the MSE (see 4.4):

- **Sub---segment 1: Self---employed and micro business**

They operate from their home, alone or with one employee, and are generally engaged in petty shop or handicraft. The average monthly income ranges from MMK 100,000 to 350,000.

The sub---segment 1 represents the main target for group loans.

- **Sub---segment 2: Small entrepreneurs**

Operating with several employees, the small entrepreneurs are engaged in trading, services (computer shops for example) but also in manufacturing/production (bakery items production, gold leaf, steel, frame, etc.) The average monthly income ranges from MMK 350,000 to 900,000.

The sub---segment 2 represents the main target for Individual Business Loan, provided to a large extend after the clients have built a credit history through group loans (in AMFIM or other institutions).

Segment 2: Farmers

In a rural country like Myanmar, farmers represent one of the most important groups of economically active adults. Having already a high usage of credit from regulated sources they however still need to access additional funding at reasonable prices to finance their activities and improve their efficiency (investment in equipment). According to the market survey performed by AMFIM, the average monthly income is around MMK 250,000.

AMFIM intending to develop significant activities in rural areas will target specifically farmers through dedicated product, but it will not consider only input financing, but have a broader approach considering all needs of the household and its members.

Client profile

As mentioned before, women play a major in the household. They bring part of the income and they manage the family budget. For the segment 1 at least, AMFIM will target in priority women in s first step.

In that context, the typical profile of a client of AMFIM, would be:

- A woman
- Aged between 25 and 60,
- With a basic education (primary or middle school),
- Living in a rural or semi---urban area,
- Owning her house and being a micro entrepreneur,
- Running a small grocery, snack---making business, a restaurant or breeding pigs.

4.4 Products and services

- **Common---core products for rural and urban areas and a specific product for farmers**

The product definitions AMFIM will test initially during the Pilot phase are intended to be universal for rural and urban areas with no differentiation according to the localization of the clients. Common core products have been defined to simplify the offering and help the clients and the staff to adopt them.

The product design intends to leverage the solid social organization and community solidary and the importance of micro entrepreneurship that still prevail in both rural and urban areas of Myanmar.

In that context, products differentiation between rural and urban appears not necessary. Only one specific product has been designed for farmers (see below).

- **Simple and standardized loan products**

Initially AMFIM will propose three loan products to favor the development of income generating activities through the financing of working capital or/and small investments. Only one loan per household will be authorized. The detailed specifications of each product are presented in annex 1 but the main features of each product are as follows:

➤➤ **Group Loan (Individual Loan with Group delivery mechanism and collateral)**

Targeting rural and urban women micro entrepreneurs, group loans will be proposed for duration from 3 to 12 months and amount from USD 100 to USD 400 according to the loan cycle. Repayments schedule will be on a weekly or fortnightly frequency. Group collateral along with compulsory deposits (see savings products) will guarantee the reimbursement of the loan in case of default of some members.

The groups will be made of 5 to 8 members.

➤➤ **Individual Business Loan**

After 3 months of operations (see roll out process), AMFIM will propose Individual Business Loan to rural and urban small and medium entrepreneurs. The amounts proposed will range from USD 400 to USD 500 and the tenure from 12 to 18 months according to the cycle. The repayment schedule will be on a weekly, fortnightly or monthly basis. Guarantee deposit, coupled with household and business assets as well as the guarantee of a third party will secure the loan.

➤➤ **Agriculture loan (Agri---Loan)**

A specific loan intended to farmers has been designed to fund the purchase of agricultural inputs or small investments. Indeed, as mentioned in the market analysis, even if farmers benefit of funding from regulated sources (mainly MADB), the amount proposed do not fulfill their needs and they have to turn to more expensive informal sources of credit to supplement MADB loans. Nevertheless, it is

important to highlight that since new comers like agricultural cooperatives also target farmers, the deployment of the product will be made with great prudence to avoid contribute to over---indebtedness of this segment of clientele.

The main features of the agri---loan are as follows:

- Tenure: 3 to 8 months
- Amount: from USD 100 to USD 500 based on acreage
- Repayment: Weekly, fortnightly, monthly
- Guarantee: Business and households assets including land; guarantee deposit; Guarantor:

For each type of loan, a thorough risk assessment made by the client officer will base the granting decision made by a Credit Committee.

- **Three voluntary savings products to infuse a savings culture**

Reluctant until now to save with formal institutions and preferring to keep money in cash or in gold/livestock, a large part of the population has nevertheless genuine savings capacities. In that context, Alliance for Microfinance in Myanmar intends to contribute to the development of a savings culture in Myanmar and will propose three voluntary savings products beside compulsory guarantee savings linked to loans:

- **Compulsory savings**

To help the clients to start savings and to secure the loans, compulsory savings will be required according to the following principles:

- A percentage of the loan amount to be deposited with AMFIM before the loan disbursement (the % vary according to the type of loan)
- The savings are note available until the complete reimbursement of the loan or of the loan of the other member of the in case of group loan

AMFIM will also offer voluntary savings products as follows:

- **Savings Pass book**

The saving passbook will allow the client to make deposit and withdrawal (only at the branch) freely provided that s/he keeps a minimum balance of 5,000 kyats.

- **Savings plan**

When subscribing a savings plan, the client shall deposit on a weekly, fortnightly or monthly basis (according to the type of savings plan) for lengths up to 18 months. Collected in the field by the CO or at the branch by the Cashier, the amounts saved cannot be withdrawn before maturity.

- **Term deposit**

AMFIM will propose fixed deposits from 3 months to 18 month with a minimum amount to be deposited of 50,000 kyats. In case of early withdrawal, the client will incur penalty fees.

- **A pricing following Microfinance law and directives**

	Loan	Savings
Interest rate	2.5% per month	1.25% per month
Service fees	2.5% upfront	According to products

The pricing of the products has been defined according to the cap (maximum loan interest rate) and floor (minimum savings interest rate) prescribed by MF law and directives. In a context where all the MFIs propose similar prices, much cheaper than the ones applied by moneylenders, AMFIM interest rates will align with the market as follows:

- Loan products: 2.50% per month (30% per year) calculated on the declining balance
- Savings products: 1.25% per month (15% per year) calculated on the daily closing balance

AMFIM will also charge up---front a service fee of 2.5% of the loan disbursed. Regarding savings, some products features will include withdrawal fees (see list of product features in annex 1).

- **Additional services launched during the pilot phase**

As considered in the business plan, during the second part of the pilot phase, AMFIM will add to the initial products and services client capacity building in order to support the clients to improve their financial management skills and risk strategies.

Client Capacity building / Financial Literacy

To build the capacities of the clients, the MFI will mobilize external expertise in designing and rigorously implementing Financial Capacity Building/Financial Literacy Programs that will be bundled along with loan products and delivered by field staff.

The financial capacity building activities for the clients will focus on the following topics through the distribution of study materials and regular training sessions:

- Fundamentals of financial planning
- Mature borrowing/avoiding over indebtedness
- Smart savings
- Wise spending
- Intelligent investments

The training programs will be implemented by AMFIM with the support of BASIX and FIDES experts.

- **Credit insurance program**

A credit insurance program will be implemented to cover the client life risk. The clients will contribute regularly to the fund and AMFIM will write off the loan balance in case of death of the borrower. A small capital will also be provided to the family of the client.

- **A progressive roll---out of the product offering while deepening the client understanding and fine tuning products design**

AMFIM will start offering group loans along with compulsory savings only. Depending on the date of the beginning of the operations, agri---loan will be also tested, the period being an investment period for paddy farmers (fertilizer and seeds).

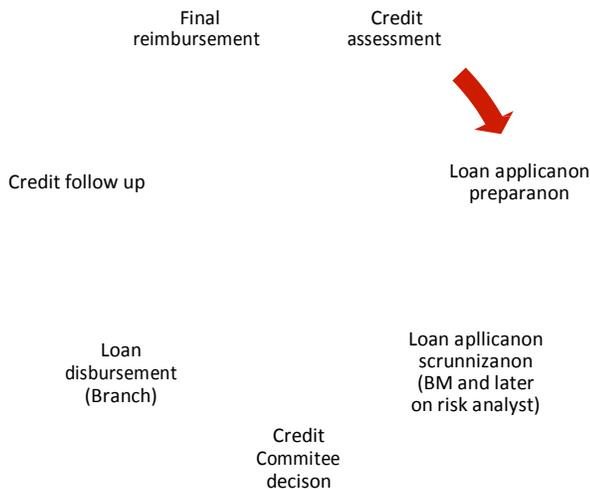
After three months of operations, Individual business loan will also be proposed to the clients as well as the complete range of savings products.

Indeed, during the first 3 months of activities, AMFIM will be able to acquire a deeper knowledge of its clients in order to select some to receive an Individual Business Loan. Based on that knowledge, the institution will also fine tuning the products and the processes to maximize client satisfaction and gain in efficiency and security.

4.5 Delivery methodologies

The delivery methodology will be based on the following principles:

- Ensure a strong proximity to clients through doorsteps services implying a large presence of the Client Officers in the field
- Improve the efficiency through well designed processes and the usage of the technology (Core Banking System and POS in the field)
- Limit credit and operational risks through a strong internal control system based on risk prevention



In that context, the services will be delivered as much as possible in the field, at the client place of business or home. Strong KYC procedures as well as solid credit risk assessment (see opposite chart which briefly outlines the main steps of the loan cycle) including controls a priori in order to favor the risk prevention.

Individual Business Loan assessment will include an in---depth analysis of the business and of the repayment capacities based on historical cash flow assessment.

As rapid services delivery constitutes a strong asset compared to the competition, the processes will be

designed to ensure a maximum of 3 days between two loan cycles (provided that the client has properly reimbursed his/her former credit).

Finally, to promote savings, AMFIM will put emphasis on security with strong cash management procedures and later extensive technology usage (CBS and POS). In this regard, it is important to mention that, when most of the MFIs operating currently use excel---based MIS, AMFIM will implement a Core banking System and POS in the field. Both will strongly contribute to the rapidity and the security of transactions and will procure a real competition advantage to AMFIM.

4.6 Sales force

Made of young client officers, the sales force will be specialized by product:

- Junior COs will manage a portfolio of group loans and agri---loans
- Senior CO will manage individual business loans.

Extensive training is planned to help the COs to acquire the necessary technical and commercial skills to handle properly their portfolio.

In the branches, Branch Assistants will be in charge of customer care and to promote savings products along with the Cashier. Occasionally, they could work in the field in the framework of promotional actions on savings.

4.7 Areas of operations

The first branch of AMFIM will be located in Mandalay city center and will be the base for the operations performed in a range of about 60 km around the branch. The perimeter considered for the pilot phase activities will be: Mandalay City, Amarapura, Patheingyi, Kyaukse (see map below).

Combining urban and rural areas, these very active places offer all the diversity necessary to properly test the market. A detailed zoning will be carried out to assign a specific area of operation to each CO.

Starting with the fourth month of operation, AMFIM will expand the area progressively to the North---East (Pyinoolwin) and North---West (Madaya) of the region representing opportunities (important places of business mixed with agricultural activities, still low competition). The establishment of AMFIM's second branch in Pyinoolwin is at present assessed.

5 CONCLUSION

The present marketing strategy aims to build strong foundations to AMFIM's activities and at creating clients and stakeholders' confidence in order to foster rapid change of scale and to help reaching sustainability according to the business plan projections.

In a moving market, flexibility and capacity to evolve are essential to be able to satisfy the client expectations and to seize the opportunities offered by the progressive structuration of the microfinance sector.

In that context, AMFIM has designed a scalable marketing strategy resting on:

- A simple initial product offering for the beginning of the operations that will progressively grow along with the market sophistication
- Efficient and secured delivery mechanisms to gain client loyalty and achieve sustainability

6 ANNEX

PRODUCT SPECIFICATIONS	
Micro Business Loan	
Product name	Joint Several Liability Group Loan (JSLG)
Client target	Rural and urban micro---entrepreneurs including farmers and breeders Group from 5 to 8 members
Loan purpose	Working capital and small investment
Eligibility criteria	Residency in the ward or village for at least 24 months Experience in the business for at least 12 months Myanmar nationality Age: minimum 18 NRC+ family list (form 10)
Amount	1 st cycle: KTS 100,000---KTS 200,000 2 nd cycle: two times the first loan amount – maximum KTS 400,000
Duration	1 st cycle: 3 to 6 months 2 nd cycle: 3 to 9 months 3 rd cycle: 3 to 12 months The members of a group shall have the same loan duration unless otherwise agreed by all the members of the group (i.e. a group member can a different loan duration if all the group members agree)
Repayment frequency	Weekly or fortnightly
Disbursement method	In cash in the village/ward; or disbursement at the branch
Interest rate	2.5% per month; 30% per annum
Processing fee	Service fee 2.5% up---front deducted from the loan disbursed
Early repayment fee	2% of the principal balance
Penalty fee---loan past due	None
Interest calculation	Declining balance---equal installement---365 days
Guarantee/collateral	Joint and Several liability: members are individually and jointly responsible for the repayment of their own loan and the repayment of the loan of the other members. JSLG deposit: 10% of the loan amount to be deposited before LD NB: in case of non repayment of a loan within a group, JSLG deposit of the defaulter + JSLG deposit of the group can be used to reimburse the loan past due)
Loan sanction	Credit committee

PRODUCT SPECIFICATIONS	
INDIVIDUAL BUSINESS LOAN	
Product name	Individual business loan (IBL)
Client target	Rural and urban small and medium entrepreneurs
Loan purpose	Working capital and small investment
Eligibility criteria	Residency in the ward or village for at least 24 months Experience in the business for at least 12 months Myanmar nationality Age: minimum 18 NRC+ family list (form 10) Business registration Business size
Amount	1 st cycle: KTS 400,000---500,000 2 nd cycle: to be defined according to regulations
Duration	1 st cycle: 3 to 12 months 2 nd cycle: 3 to 18 months
Repayment frequency	Weekly, fortnightly, monthly
Disbursement method	Withdrawal at the branch
Interest rate	2.5% per month; 30% per annum
Processing fee	Service fee 2.5% up---front deducted from the loan disbursed
Early repayment fee	2% of the principal balance
Penalty fee---loan past due	None
Interest calculation	Declining balance---equal instalment---365 days
Guarantee/collateral	First hypothecation on assets created thanks to the loan Guarantor (cannot be husband or wife) with proven capacities (in terms of assets and or income) to assume the loan reimbursement in case of default of the borrower Deposit: 25% of the loan amount to be deposited before LD ¹¹
Loan sanction	Credit committee

¹¹ The rationale of this relatively high proportion of guarantee deposit is not only to cover credit risk, but also to increase the yield in a context of capped interest rates. Competitors use similar levels.

PRODUCT SPECIFICATIONS	
AGRICULTURE LOAN	
Product name	Agriculture loan (AL)
Client target	Farmers
Loan purpose	Agri inputs: seeds, fertilizers, pesticides, labor work Small agri equipment (pipes, water pumps, etc.)
Eligibility criteria	Residency in the ward or village for at least 24 months Experience in the business for at least 12 months Residency in a village where AMFIM has operations Myanmar nationality Age: minimum 18 NRC+ family list (form 10) Land owner (or rented land) Not having other loans with AMFIM
Amount	1 st cycle: KTS 100,000 per acre (max 2 acres) 2 nd cycle: KTS 100,000 per acre (max 4 acres) 3 rd cycle: KTS 100,000 per acre (max 5 acres)
Duration	3 to 8 months
Repayment frequency	Weekly, fortnightly, monthly
Disbursement method	Disbursement at the branch
Interest rate	2.5% per month; 30% per annum
Processing fee	Service fee 2.5% up-front deducted from the loan disbursed
Early repayment fee	2% of the principal balance
Penalty fee---loan past due	Initially none
Interest calculation	Declining balance---equal instalment---365 days
Guarantee/collateral	First hypothecation on assets created thanks to the loan Guarantor (cannot be husband or wife) with proven capacities (in terms of assets and or income) to assume the loan reimbursement in case of default of the borrower Deposit: 10% of the loan amount to be deposited before LD
Loan sanction	Credit committee

PRODUCT SPECIFICATIONS	
Term Deposit	
Product name	Term Deposit
Client target	Initially rural and urban small and medium entrepreneurs having at the same time a loan, later all population segments
Purpose	Protection of financial assets against theft and inflation, asset building against vulnerability, asset building for investment or social goals
Eligibility criteria	Age: minimum 18 (or approval of parents) NRC+ family list (form 10)
Amount	Ceiling to be defined according to regulations minimum amount equivalent to 50 USD
Duration	Deposit in one installment, Duration 3 to 24 months, renewable
Repayment	Principal and interest at term, early withdrawal possible with loss of interest
Deposit and repayment method	Deposit and pay out at the branch or at village meeting
Interest rate	15% per annum
Processing fee	Cash handling fee 2% deducted from the repayment
Early repayment fee	Loss of interest
Guarantee/collateral	Term Deposit can be used as collateral for a loan, but cannot replace the 25% of the loan amount to be deposited before LD

PRODUCT SPECIFICATIONS	
Savings Plan	
Product name	Savings Plan
Client target	Initially rural and urban small and medium entrepreneurs having at the same time a loan, later all population segments
Purpose	Progressive asset building for investment or social goals by deriving small amounts from the cash flow; Protection of financial assets against theft and inflation, asset building against vulnerability,
Eligibility criteria	Age: minimum 18 (or approval of parents) NRC+ family list (form 10)
Amount	Ceiling to be defined according to regulations, minimum amount equivalent to 1 USD per week
Duration	3 to 12 months, weekly or monthly installments
Repayment	Principal and interest at term, early withdrawal possible with loss of interest
Deposit and repayment method	Deposits collected in village meetings based on internal self-collection within the groups, deposit in branches starting with a minimum amount of 10 USD per installment
Interest rate	15% per annum
Processing fee	Cash handling fee 4% deducted from the repayment
Early repayment fee	Loss of interest
Guarantee/collateral	Ongoing Savings plans can be used as collateral for a loan, but cannot replace the 25% of the loan amount to be deposited before LD

PRODUCT SPECIFICATIONS	
Savings pass book	
Product name	Savings pass book
Client target	Initially rural and urban small and medium entrepreneurs having at the same time a loan, later all population segments
Purpose	Cash flow management
Eligibility criteria	Age: minimum 18 (or approval of parents) NRC+ family list (form 10)
Amount	Ceiling to be defined according to regulations minimum initial amount equivalent to 10 USD
Duration	Open end
Repayment	Anytime
Deposit and repayment method	Deposit and pay out at the branch or at village meeting
Interest rate	Interest free
Processing fee	Cash handling fee 1% deducted from the repayment
Early repayment fee	None
Guarantee/collateral	Amounts deposited on a savings book can be accepted as collateral, but are then transformed into Term Deposit until the loan is entirely repaid. Such a deposit cannot replace the 25% of the loan amount to be deposited before LD