

Financial Sector Development in Myanmar – Promotion of SME Finance in Partner Banks

Project	Banking and Financial Sector Development
Local partners	Overall banking sector Partner banks (Kanbawza Bank (KBZ), Small & Medium Industrial Development Bank (SMIDB) and Yoma Bank)
Instruments	International and national long term experts Short term consultants Capacity development activities Exposure visits Exchange mechanisms for stakeholders

Opportunities and challenges

Small and medium-sized enterprises (SMEs) play a central role in job creation and for the growth of the economy. Supporting SMEs is also a key element of the Myanmar Government's Framework for Economic and Social Reforms. SMEs represent more than 95% of Myanmar enterprises and have the potential to become the engine for the country's fast growing economy. Apart from a strong need for a modernized infrastructure and skilled labour, SMEs need a reliable legal framework and funding.

SMEs have specific needs when it comes to finance: collateral, repayment schedule and loan amount must be tailored to meet the borrower's ability to repay and to fit the purpose of the loan. The financial sector in Myanmar is not able to meet the needs of SMEs for financial services in an adequate way. Regulations of the banking sector are prohibitive, e.g. when it comes to loan duration or collateral. The capacity of commercial banks and necessary skills of bank employees need to be improved in order to provide credits to SMEs sustainably.

Approach and key activities

GIZ's activities aim at SMEs having better access to formal, demand-oriented and sustainable financial services.

Key activities are:

- Supporting Kanbawza Bank (KBZ), Small & Medium Industrial Development Bank (SMIDB) and Yoma Bank in reaching out to SMEs with their financial services. GIZ provides technical assistance in the form of international and national long term experts as well as short term consultants and trainers. Each of the partner banks is working on a strategy to develop the SME customer segment.
- Study visits, workshops, trainings and a newly produced film raise the awareness and strengthen the capacity of the overall banking sector with respect to SME Finance.

Achievements so far

After a multi-layered selection process open to all banks, three partner banks and specific support measures were identified. Memoranda of Understanding were signed in August 2013. Since the beginning of the cooperation, the team of international and national consultants was able to support the banks in:

- Increasing the combined SME loan portfolio of the pilot banks by three times (in total to 12,058 SMEs)
- Establishing structures, processes and procedures specifically for SME Finance (new departments, strategies, manuals, credit scorecard, etc.)
- Developing SME Finance training modules and directly conducting more than 100 training sessions with over 2,200 participants in different SME Finance related topics, including training of bank customers from SMEs
- In collaboration with the Private Sector Development Project, first steps were undertaken to link banks and SMEs, mainly through joint entrepreneurship trainings



Contact person:

Thomas Foerch,
Head of Project

E: fsd-myanmar@giz.de

T: +95 12306085

No. 365-E Yoma Yeikthar Street
Kamayut Township
Yangon, Myanmar



Supporting SMEs via the financial sector

U San Shwe (top left) leads a garment factory, together with his wife and daughter. Currently they employ 500 people. They are among the first enterprises who recently received a special SME-loan by one of GIZ's partner banks. The loan was used to extend the business with one more production line and to replace old machines. This way, standards are maintained and the business can grow. Daw Khine Zar Win (right) is the loan officer who regularly monitors the repayment, according to the bank's new SME lending process, to detect potential risks early.



Contributing to the United Nations Sustainable Development Goals

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



Target 9.3: Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets

Outlook

After one and a half years of successful partnership with three banks, the collaboration with the partner banks has been extended until September 2016. In order to promote sustainability of the positive results, areas such as maintaining loan portfolio quality and focusing on training of bank-internal trainers become more important. To close the gap between clients and banks, more banking staff will be trained to conduct entrepreneurship training targeting the SME clients.

Do you want to know more about

SME-Finance in Myanmar?

Interested in **GIZ's cooperation with our Partner Banks?**

Please watch our film:

<https://www.youtube.com/watch?v=ciwcl9r24Dw&feature=youtu.be>



Supporting SMEs via adequate financial services

Ma Phyu Phyu Win (top left) currently works as an accountant in a computer shop in downtown Yangon. She recently participated in the customer training offered by one of GIZ's partner banks. She learned how to successfully start a business. Now she knows how to create a correct business plan, containing all information that a bank needs once she applies for a loan. Phyu Phyu Win wants to open her own business: a mobile phone shop.



Published by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
Registered offices Bonn and Eschborn, Germany
Financial Sector Development in Myanmar
No. 635-E, Yoma Yeikthar Street, Kamayut Township, Yangon, Myanmar
T +95 1 230 6085
F + 95 1 501 257
fsd-myanmar@giz.de
www.giz.de

On behalf of Federal Ministry for Economic Cooperation and Development (BMZ)
Division 2200
Addresses of the BMZ offices
BMZ Bonn
Dahlmannstraße 4
53113 Bonn, Germany
T +49 (0)228 99 535-0
F +49 (0)228 99 535-3500
poststelle@bmz.bund.de
www.bmz.de
BMZ Berlin
Stresemannstraße 94
10963 Berlin, Germany
T +49 (0)30 18 535-0
F +49 (0)30 18 535-2501

Author(s) Sebastian Sommer
Layout Vanessa Petzold
Photos © GIZ/Vanessa Petzold
As at January 2016

GIZ is responsible for the content of this publication.