A preliminary finding on

AGRICULTURAL CREDIT ACCESS AND UTILIZATION IN RURAL DRY ZONE, MYANMAR

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Introduction

• Based on Rural Economy Agriculture Dry Zone Survey (READZ)
• Implemented during March-May 2017
• 1578 households in four different townships of Budalin, Myitta, Magway and Pwintphyu
Sources of Investment

Share of farm hh reporting sources of investment for agriculture
MADB

- Myanmar Agriculture Development Bank (MADB)
- Two types of Loan
  - Paddy – 150,000 kyats/acre (maximum 1,500,000 kyats)
  - Non paddy – 20,000 kyats/acre (maximum 200,000 kyats)
- 57% of farm households received MADB loan
- Annual interest rate – 8%

% of farm HH who take MADB loan by seasons and landholding terciles
Reason not taking MADB loan

- No need (have sufficient capital)
- Not available
- Could access credit from other sources
- Other

Tercile1
Tercile2
Tercile3
Non-MADB loans

- 36% of farm households taken non-MADB loans
## Interest rate, average loan size by sources

<table>
<thead>
<tr>
<th>Source</th>
<th>Average interest rate (monthly)</th>
<th>Average loan size (100,000 kyats)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private moneylender</td>
<td>5%</td>
<td>4.56</td>
</tr>
<tr>
<td>Relatives/friends</td>
<td>5%</td>
<td>5.96</td>
</tr>
<tr>
<td>Agricultural input supplier</td>
<td>5%</td>
<td>1.80</td>
</tr>
<tr>
<td>Revolving Fund</td>
<td>3%</td>
<td>1.79</td>
</tr>
<tr>
<td>Agricultural trader</td>
<td>2.8%</td>
<td>17.00</td>
</tr>
<tr>
<td>Agricultural machinery supplier</td>
<td>2.5%</td>
<td>2.00</td>
</tr>
<tr>
<td>Gold/Pawn shop</td>
<td>2.5%</td>
<td>6.11</td>
</tr>
<tr>
<td>Other</td>
<td>2.5%</td>
<td>2.54</td>
</tr>
<tr>
<td>Private bank</td>
<td>2.0%</td>
<td>2.30</td>
</tr>
<tr>
<td>Department of cooperatives</td>
<td>1.5%</td>
<td>1.92</td>
</tr>
<tr>
<td>Microfinance institution</td>
<td>1.5%</td>
<td>2.34</td>
</tr>
<tr>
<td>Green revolution fund</td>
<td>1%</td>
<td>2.14</td>
</tr>
<tr>
<td>MADB</td>
<td>0.7%</td>
<td>1.5/0.2</td>
</tr>
</tbody>
</table>
Loan uses

- Labor for agriculture
- Inputs for agriculture
- General agricultural expenses
- Seed for agriculture
- Non-agricultural use
- To rent agricultural machinery
- Purchase Agricultural Machinery
- Other
Conclusions and Policy recommendations

- Affordable MADB loans important for agriculture households
- Inequality of access to MADB loans according with landholding terciles
- Non-MADB loans mostly informal and expensive
- To ensure that all farmers have equal access to the loan
- To increase loan for non-paddy crops
- To provide loan in dry season