

THE SEASONAL IMPACT ON ECONOMIC BEHAVIOR IN MYANMAR

Guy Stuart, Executive Director, Microfinance Opportunities

Eric Noggle, Research Director, Microfinance Opportunities

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ABOUT THE MYANMAR FINANCIAL DIARIES

The UNCDF MicroLead programme funded by Livelihoods and Food Security Trust Fund (LIFT) in Myanmar aims to contribute to the development of a strong, inclusive financial sector in Myanmar. UNCDF commissioned Microfinance Opportunities and TNS Myanmar to conduct a year-long Financial Diaries research study to provide in-depth market intelligence on the economic behavior of low-income residents of Myanmar. The study covered 101 women and 10 men living in urban, peri-urban, and rural areas of the Mandalay Region. The Diaries gathered information each week between August 2014 and July 2015 on the respondents' purchases, sales, earnings, loans (including store credit), loan repayments, savings deposits and withdrawals, and transfers of money both within the household and outside of the household. The respondents also reported on any unusual events that occurred each week.

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The following individuals contributed to the production of this report:

UNCDF Microlead

Paul Luchtenburg, Programme Specialist

Stuart Rutherford, independent consultant and author of "The Poor and their Money" and Portfolios of the Poor

Microfinance Opportunities

Guy Stuart, Executive Director

Eric Noggle, Research Director

Conor Gallagher, Research Associate

TNS Myanmar

Rowena Guerin, Research Director

Ko Ko Nay Htut, Project Manager

Wai Wai Thar, Data Quality Manager

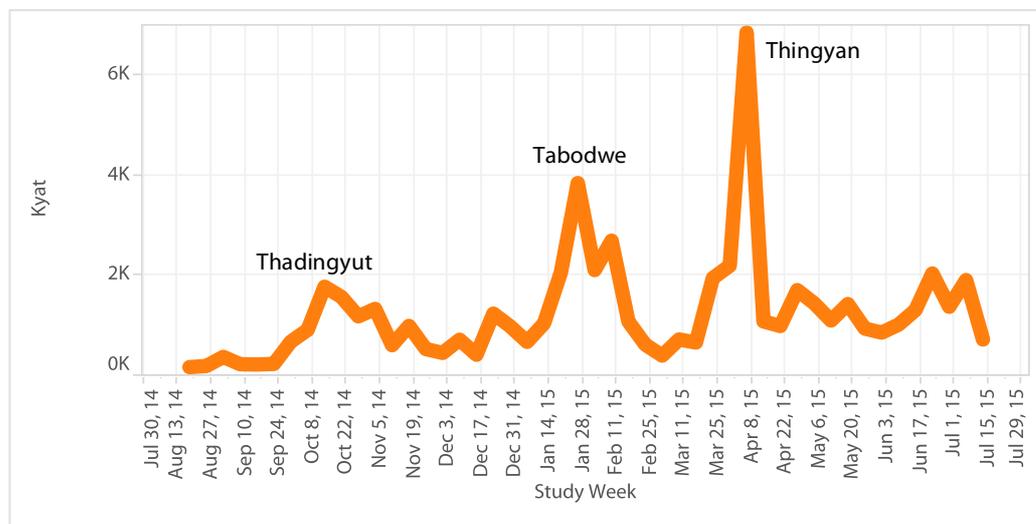
Field Supervisors and Enumerators

INTRODUCTION

The Diaries data covers 48 weeks. As a result, we can use the data to identify seasonal cycles in the region covered by the study and the resulting changes in the behavior of the participants in the study. An analysis of the data from the study identified two drivers of seasonality in the Mandalay region: culture and agricultural cycles. The two coincided at some points in the year but at other times they were distinct.

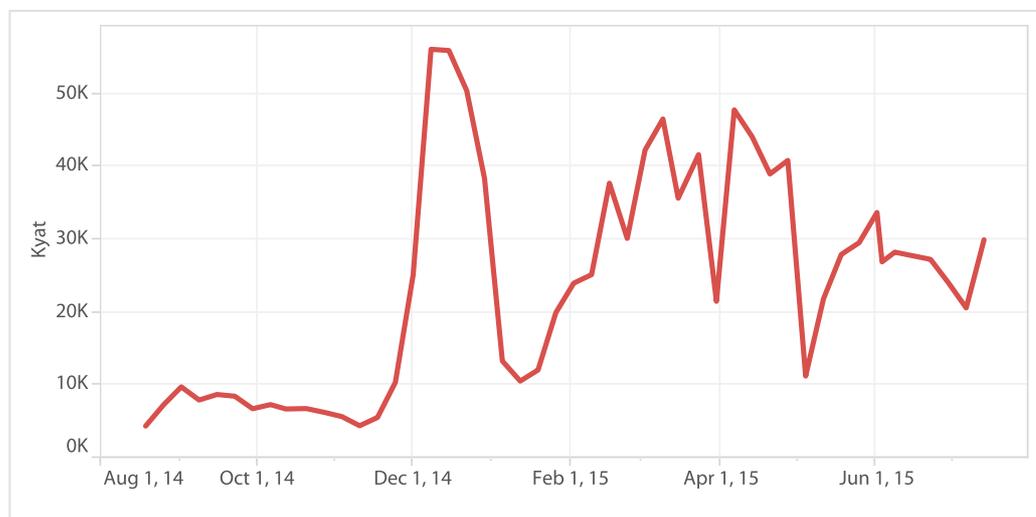
The cultural cycle emerged from the impact of the festivals of Thadingyut in late October, Tabodwe in mid-February, and Thingyan in mid-April on spending on items related to holidays and celebrations as well as charity and religious contributions.

Average Weekly Spending on Celebrations, Charity, and Religious Contributions



In addition to this cultural cycle, the Diaries data revealed an agricultural cycle with farmers reporting harvest sales in December and from February through to the end of April. During both periods, farmers reported selling a variety of products. The sales in December and January coincided with the harvest of wet-season rice, which usually occurs from November to January in Myanmar. Farmers reported selling rice during both periods; beans and groundnuts and fruit only during December; and vegetables during the spring period.

Farmers' Weekly Average Income



As the two graphs suggest there is an overlap between the second two festivals and the second harvest period.

The rest of this report provides an analysis of the impact of the seasons on the behavior of the participants in the Myanmar Financial Diaries study. The study differentiates participants by their livelihood, which was determined by analyzing their sources of income and identifying the main livelihood from which they earned their income. We identified five categories:

- dependents who rely mostly on intra-household transfers for their income;
- informal laborers who earn their income working either regularly or casually for an informal business;
- micro-entrepreneurs who run a business;
- farmers whose main source of income is the sale of crops, produce, or livestock from their farm; and
- formal laborers who work for a formal business and can include both wage and salary workers.

About one quarter of the respondents were dependents, 32 percent were informal laborers; 21 percent were micro-entrepreneurs; 18 percent were farmers; and five percent were formal laborers.

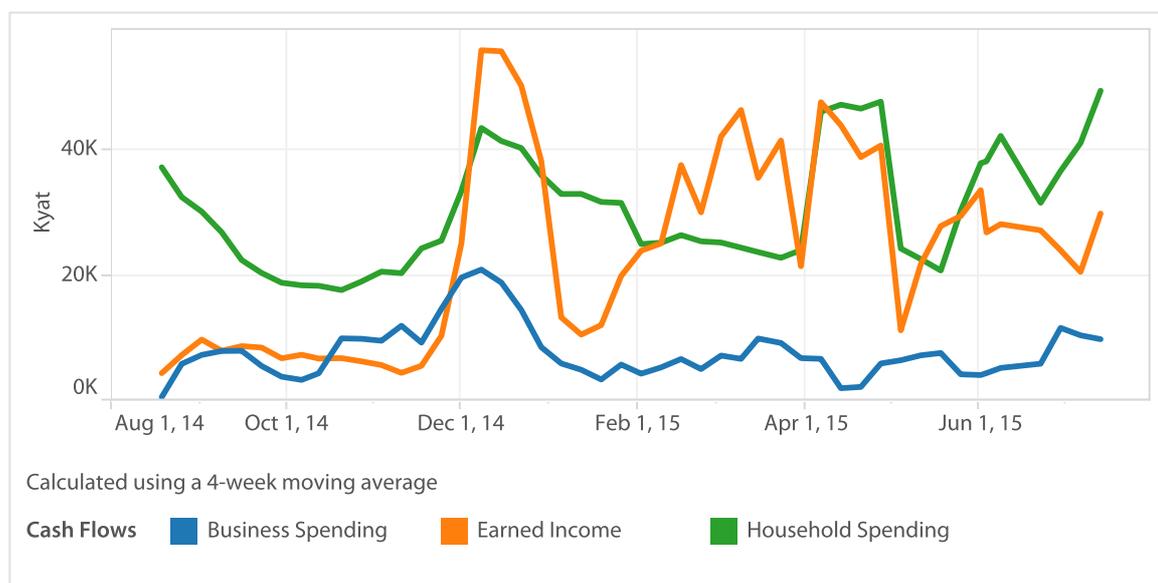
In addition, the report looks at seasonality through a different, but related framework, which classifies respondents by the level and variation of their income – both earned income and intra-household transfers received from other members of the household. The framework divides the sample into four segments according to whether their level of income is above or below the median and whether the variation in their income is above or below the median.

The report also looks at seasonal price variation of rice to see whether this exists and whether it can explain some of the rice-buying patterns found in the data. It ends with a discussion of the implications of seasonality for financial service providers.

SEASONALITY AND LIVELIHOODS

As one might expect, the seasonality of farmers' earnings drives their spending.

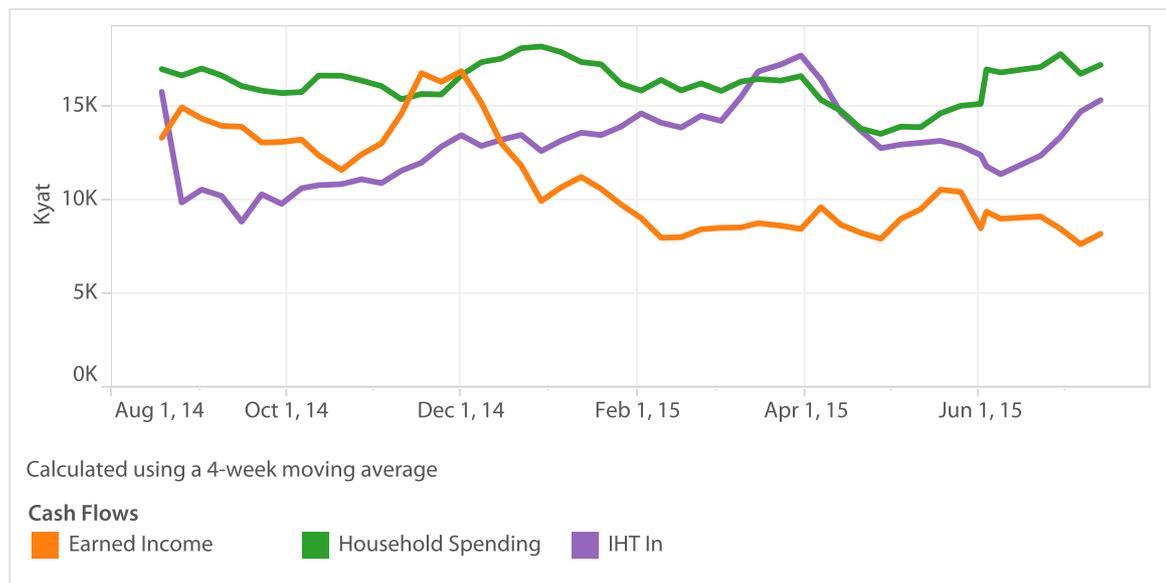
Farmers' Weekly Average Income and Expenditures



Transposing farmers' household and business spending onto the graph showing their earnings from crop, produce, and livestock sales shows a close match between income and household spending, although during the second harvest period spending lags earnings by a few weeks. One possibility is that the Thingyan festival in mid-April is "pulling" spending towards that week of celebrations. The big bump in business spending is during the first harvest season when the farmers hired labor to help in the fields. There is a smaller bump in the second harvest period related to labor costs.

This behavior on the part of the farmers is not surprising. Do other types of earners behave in the same way? Do their earning and spending cycles match those of the farmers or are they driven by other aspects of seasonality?

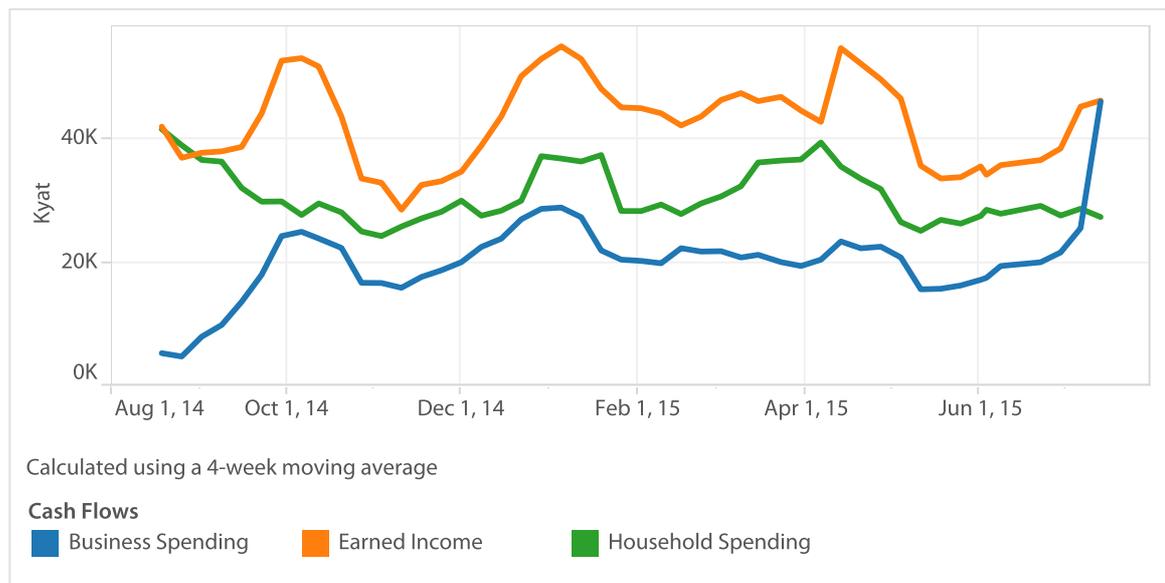
Informal Laborers' Weekly Average Income and Expenditures



Focusing on micro-entrepreneurs and informal laborers the data suggest two very different stories. In the case of informal laborers the data show a spike in earnings during the first harvest period, but then a decline in income thereafter, made up for by an increase in intra-household transfers (IHT In). Spending does not vary over time, showing almost no seasonality.

In the case of the micro-entrepreneurs the data tell a very different story. The data show considerable cyclicity in micro-entrepreneurs' earnings, and some cyclicity in their household and business spending. The earnings peaks seem to be a combination of earnings around a festival – the first and third peaks, and earnings during the harvest period – the second peak and the "plateau" between the second and third peaks. Household and business spending largely mirror these cycles, except for the decline in household spending during the October peak.

Micro-entrepreneurs' Weekly Average Income and Expenditures



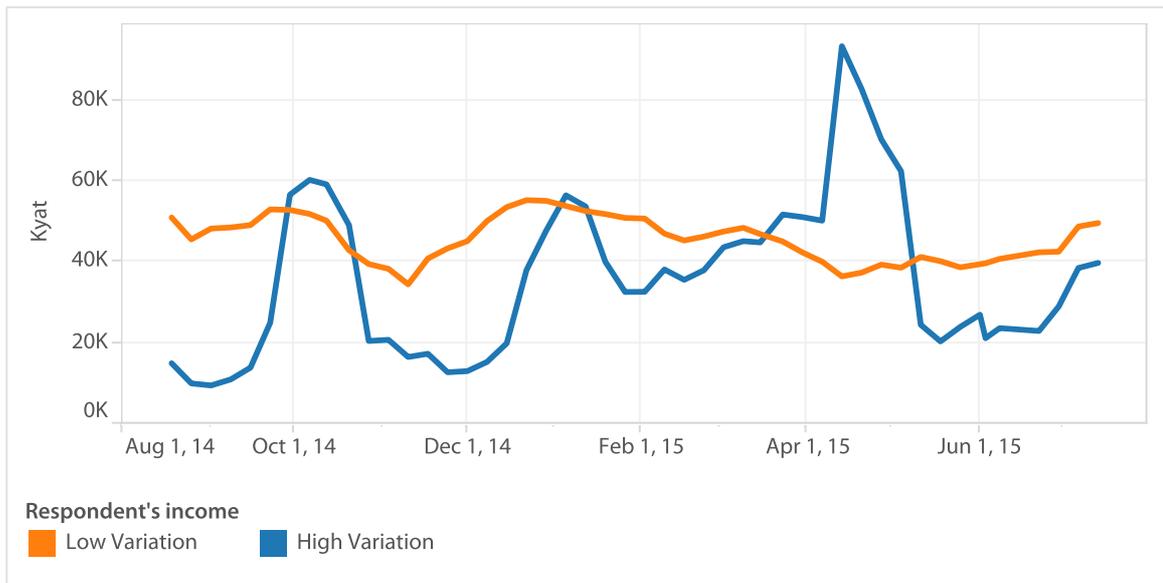
These data suggest that people with different livelihoods are affected by seasonality in different ways and so have different seasonal money management challenges.

SEASONALITY AND VARIATIONS IN INCOME

Livelihoods do not tell the whole story. In Diaries studies in Zambia and Central America MFO has found that the level and variation of income drive other economic behavior in ways that cut across livelihoods. This is true to a lesser extent in Myanmar where livelihoods and income variation are more strongly correlated with livelihoods. For example, the 18 farmers in the study all fell into the “high variation” category, while most of the micro-entrepreneurs fell into the “high income” category. Informal laborers were spread evenly across three of the four categories, but none fell into the high income and high variation category – one driver of having a higher-than-the-median income for an informal laborer was the consistency of the work.

Nevertheless, though the analysis is constrained by the small number of respondents, the relationship between income variation and seasonality can be explored among micro-entrepreneurs. Dividing that group between those who had highly varied week-to-week income and those who had more consistent week-to-week income, an important pattern emerges in the data when we map it across the course of the study. The high variation group’s income varied not just week-to-week but seasonally, in a far more pronounced manner than those with lower income variation. In other words, when thinking about micro-entrepreneurs’ earnings we have to look at their susceptibility to variations in their income seasonally as well as week-to-week.

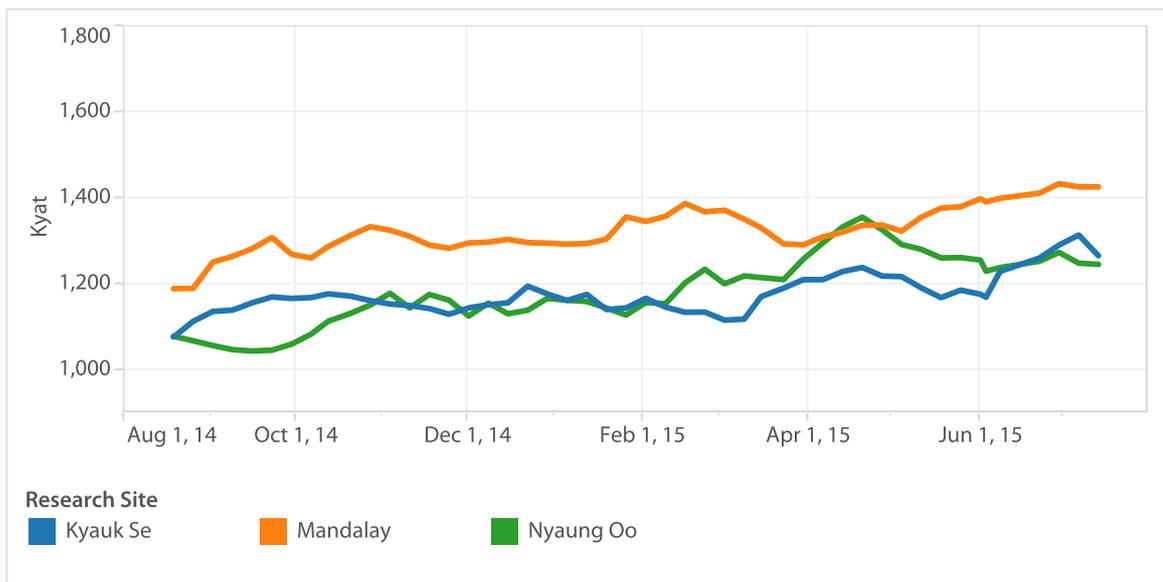
Micro-entrepreneurs' Income by Variation



RICE PRICES

In the brief on useful lump sums the analysis suggested that women were buying rice in bulk at particular times of year. The Diaries methodology includes the collection of data on the quantities and units of purchases, which allows for the calculation of prices for goods sold in particular units. A common unit in which rice is sold in Myanmar is a cup. Looking only at transactions in which respondents reported buying rice by the cup, and excluding 39 transactions where there are clear indications the quantity was misreported, the Myanmar Diaries data include 2,249 rice purchases. Plotting the purchases over time by region gives us a clear picture of the price rice by the cup and the changes in that price over time.

Average Price of Rice per Week by Research Site



The price of a cup varied by region, ranging, at the start of the study from about Ks.1076 in Kyauk Se to Ks.1078 in Nyaung Oo to Ks.1,188 in Mandalay. The price increased through the course of the study ending at Ks.1,201,

Ks.1,263, and Ks.1,442., respectively. The price of a cup of rice stayed fairly constant in dollar terms (about a \$1 per cup), because the price rises almost exactly mirrored the devaluation of the kyat against the dollar over time. The data do not suggest any seasonal patterns in the price of rice. There is one week in Nyaung Oo where the price rose above the price in Mandalay, which was the week right after the end of Thingyan.

IMPLICATIONS

Seasonality presents people with cash flow management challenges. Seasonal incomes require people to use financial tools to smooth consumption over time. But seasons also require people to spend different amounts at different times of year. The data from the Myanmar Diaries suggest that seasonality affects people differently. Informal laborers tend to spend regularly throughout the year, while farmers and micro-entrepreneurs tend to vary their spending by season, though in different ways. And within the micro-entrepreneur's group there are those whose incomes vary considerably while there are others with steady incomes. Those two groups experience seasonality differently, one seeing their income go up and down with the seasons while the other showing a steady income throughout.

Financial service providers (FSPs) are aware of the seasons in Myanmar. What these data show is how seasonality plays out differently amongst a population that these FSPs are trying to reach. The data suggests a tailored approach that takes into account the different ways in which people experience the seasons. For example, it may be the case that informal laborers really would like to spend more during certain festivals, but they just cannot because their incomes do not allow it. A commitment savings product that allows people to save up for celebrations could change the way informal laborers experience festivals in the future.