

CHAPTER I

INTRODUCTION

1.1 Research Background

Deposits, loans, savings, and payment services are now considered government lending money. They are considered as supporting many financial services, such as insurance, to help their micro-enterprises that have been barred from the banking system, in addition to supporting poor and low-income agricultural households (Daphnis, 2004). Myanmar's economy were formerly a basic economy, with agriculture exports accounting for 10% of foreign exchange profits. Agriculture, in my opinion, is Myanmar's core economy, making it a vital sector in agricultural growth and poverty reduction (Valadez & Buskirk, 2011). Because Myanmar's growth is centered on rural development, the government has aided farmers by promoting microfinance and credit operations to better the socioeconomic lives of rural people (Duvendack & Palmer-Jones, 2012).

Other Asian countries, especially Myanmar, will likely consider this as a significant point. Also, microfinance is helpful in managing a variety of difficulties confronting farmers, such as increasing access to feed and water for animals, enhancing family food security, and, as a result, community nutritional requirements. Buying food; Microfinance may also help farmers because better yields often result in cheaper food prices, leading in increased yields. The most vulnerable to poverty are traditional small-scale producers such as crop growers (Thapa et al., 2019). Because of its small size, small-scale production has high per capita expenses. It may be a major issue, particularly for low-income or small-scale farmers who do not have enough resources or capital to expand their productivity.

Microfinance plays three major roles in development, according to the United Nations Capital Development Fund (UNCDF). Moreover, it believes that access to microfinance for very poor households will considerably help to household economic well-being by meeting their essential requirements for business. In

besides helping to the country's development, it has been demonstrated that assisting impoverished farmers helps with the reduction of poverty in the country. This also encourages gender equality by offering a single loan rate on their commercial involvement and collateral (UNCDF, 2005).

In the recognitions, the government encourages the development of micro saving and credit enterprise to provide for farmers. Farmers always suffer from purchasing agricultural inputs such as fertilizers and seeds. Most farmers in Myanmar use their own seeds and less technical advice in agricultural. Farmers can spend to use the money for fertilizer at the HET price (the highest retail price), and fertilizer subsidy can remain affordable for farmers, especially small farmers, to support increased farmer productivity and farming (Grendar & Judge, 2009).

However, due to the short payback period, many borrowers were able to pay off the 4,444 installments by selling their properties. As a response, the government permits the provision of informal credit and savings services to rural communities and offers input assistance to business, including a cash pool (Duvendack & Palmer-Jones, 2012). Nowadays systems, for example, may connect farmers with loans to banks or real estate agencies, and they also provide services such as intermediation between lending banks and borrowers, as well as frequent linking services between brokerage firms. Following then, the loans can be returned in installments, with an average repayment duration of three to six months. It can be prolonged in circumstances of non-payment, but the interest rate must be increased.

Microfinance is used to develop assets; it supports the poor and underprivileged elements of society who do not have access to traditional banks in lowering their sensitivity to economic stress via activities such as job opportunities and income augmentation (Umar & Ahmed, 2017). We regard microfinance institutions as a broad category of financial services that includes payment services and low-income insurance as significantly helping to improving the income levels and living circumstances of the urban or urban poor in rural regions, as well as in many other nations.

Below are descriptions of the six responsibilities and relationships of microfinance.

- (1) Bank services are not available to impoverished individuals due to their low income and incapacity to handle banking processes and documentation.
- (2) Microfinance institutions, through its NGOs, encourage impoverished people to save. Because of the premise of combining bank savings and microcredit to give loans and advances to Self-Help Groups (SHGs). Microfinance institutions assist mobilize funds and put them to use for the benefit of its members.
- (3) Loans from the traditional banking system demand collateral or a counter-guarantee, which the poor cannot give, and high interest rates, as well as procedural and documentation hurdles, make it difficult for the poor to access banks.
- (4) To help the disadvantaged section of the organization achieve long-term financial independence and self-sufficiency by growing their company, escaping poverty, and becoming independent and self-sufficient.
- (5) Microfinance is available through Self Help Groups (SHGs). Women make up more than half of Self-Help Groups (SHGs). Thus, microfinance gives underprivileged women economic and social empowerment.
- (6) The rural sector relies heavily on organizations for financial support, which is abused in a variety of ways by non-governmental organizations. He was able to obtain a little loan (Khavul, 2010).

Finally, numerous studies performed in many countries demonstrate that microfinance is another development; poverty alleviation; financial sector development; human capital; it has shown to be a powerful weapon to be supplemented by infrastructure development and traditional job creation initiatives. Millions of people today rely on small enterprises. As a result, lending money has become popular. Saving and providing insurance services, according to advocates, can give a wide range of benefits to persons living in poverty (Bris et al., 2021).

Providing good agricultural products to farmers is a crucial part of boosting productivity while spending less. Farmers were urged to create collectives in order to consume the seeds. The goal of this research is to look at the elements that influence rice seed production among farmers in Thailand's Skannakhon area. Factors Influencing Farmers' Rice Seed Production in Thailand's Skan-Nakhon District. Data were gathered through structured interviews with 182 rice seed producers for the Sakon Nakhon Rice Seed Center. The data was analyzed using descriptive statistics and multiple regression analysis. The fertilizer for the plants may then be concentrated in the optimum amount to boost fruit output.

Applying fertilizer to the soil increases nutrient levels, which can boost plant output and quality. This study sought to evaluate the impact of subsidized fertilizers on farmer income in various places in order to address the six particular demands connected to the aforementioned fertilizer subsidy difficulties, with the goal of making subsidized fertilizers more efficient and effective at the farmer level (Mar et al., 2020).

In addition, the remaining animal feed and pedestal covers can be used as industrial raw materials as well as for other purposes, and as most of the agricultural land is converted to non-agricultural purposes due to population pressure, the availability of fertile land for rice expansion is limited. Cultivation will inhibit the growth of rice production. Therefore, the marginal areas were utilized to promote rice cultivation in order to meet the rice demand of the people (Schreiner & Colombet, 2001). Since the first year, the fertilizer subsidy program has played an essential role in Myanmar's rice output. Actually, indicated the desire to maintain the yield for the farmers' benefit.

In summary, microfinance allows farmers to acquire loans for vital crop chemicals such as pesticides and fertilizers, reducing pollution and health hazards (Gumma et al., 2011). The main issue with agricultural output is a lack of extension services for farmers, which is not profitable, and farmers frequently rely on input suppliers and their advice when purchasing fertilizer or seeds. Because they utilized little or no of their own seeds and received little or no professional assistance, the majority of farmers use fertilizer, and assessing how money was spent on agricultural items such as fertilizers and seeds. All loans are for agricultural purposes.

1.2 Research Questions

The following study questions are based on the research objectives:

- (1) What is the amount of loans in Ayeyarwady Region from Agricultural Development Bank?
- (2) How is the impact of microfinance on the use of fertilizer in Ayeyarwady Region?

1.3 Research Objectives

The primary goal of this study is to use a case study to examine the influence of microfinance in Myanmar. The research specifically wants to:

- (1) To describe the amount of loans in Ayeyarwady Region.
- (2) To analyze the impact of microfinance on fertilizer uses in the Ayeyarwady Region.

