

**YANGON UNIVERSITY OF ECONOMICS**  
**DEPARTMENT OF COMMERCE**  
**MASTER OF BANKING AND FINANCE PROGRAMME**

**COMPETITIVENESS OF FOREIGN BANKS IN MYANMAR**

**THET HTAR NWE**  
**(MBF DAY 1<sup>ST</sup> BATCH)**

**DECEMBER, 2019**

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A thesis submitted as a partial fulfillment towards the requirements for  
the degree of Master of Banking and Finance (MBF)

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## **ABSTRACT**

This study determines to identify the competitive forces of foreign banks in Myanmar and analyze the competitive strategies employed by foreign banks in Myanmar as well as explore the relationship between competitive strategies and organization performance. Myanmar banking industry becomes one of the major roles of the country because banks are the representative of the country's development, main inflow and outflow of the trade financing and other financial services provided. In addition, Central Bank of Myanmar, ("CBM") had allowed (4) state-owned banks, (27) domestic private banks, (13) foreign banks to be a soundly based financial system and sustained economic development. In 2015, all foreign banks are allowed to open as the foreign banks and branches in Yangon and commenced the operations in compliance with the CBM rules and regulations. Currently foreign banks could not open subsidiaries and serve the retail market which is restricted by CBM. Under the control of CBM, non-bank financial institutions such as foreign finance companies, local finance companies and microfinance companies are also become involved in order to strengthening the financial system of Myanmar. According to the survey result, the rivalry among banks had the high level and which was followed by new entrants, power of buyers, power of suppliers and availability of substitutes are also high level. Moreover, the study found out that foreign banks are mostly employed competitive strategies and emphasize to apply these generic strategies to grow the sustainable achievement. Among them, focus strategy had the highest score that foreign banks applied. According to the analysis results, the five-forces, competitive strategies, organization performance and competitiveness are interrelated with each other. Therefore, foreign banks should be applied the appropriate strategy within the competitive environment in order to develop the organization performance in Myanmar.

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## **TABLES OF CONTENTS**

			<b>Page</b>
<b>ABSTRACT</b>			<b>I</b>
<b>ACKNOWLEDGMENTS</b>			<b>II</b>
<b>TABLES OF CONTENTS</b>			<b>III</b>
<b>LISTS OF TABLES</b>			<b>V</b>
<b>LISTS OF FIGURES</b>			<b>VI</b>
<b>LISTS OF ABBREVIATIONS</b>			<b>VII</b>
<b>CHAPTER I</b>	<b>INTRODUCTION</b>		<b>1</b>
	1.1	Rationale of the Study	2
	1.2	Objectives of the Study	4
	1.3	Scope and Method of the Study	4
	1.4	Organization of the Study	5
<b>CHAPTER II</b>	<b>THEORETICAL BACKGROUND</b>		<b>6</b>
	2.1	Concept of Competitiveness	6
	2.2	Five-Forces Competition	6
	2.3	Types of Competitive Strategies	9
	2.4	Previous Studies	12
	2.5	Conceptual Framework	13
<b>CHAPTER III</b>	<b>BACKGROUND STUDY ON BANKING SECTOR OF MYANMAR</b>		<b>14</b>
	3.1	Financial Sector Reform in Myanmar	14
	3.2	Current Situations of Foreign Banks in Myanmar	16
	3.3	Bank Services Provided by Foreign Banks	18

<b>CHAPTER IV</b>	<b>ANANLYSIS ON COMPETITIVENESS OF FOREIGN BANKS</b>	<b>20</b>
4.1	Research Design	20
4.2	Demographic Information	21
4.3	Assessment on the Data Reliability	23
4.4	Analysis on Competitive Forces of Foreign Banks	23
4.5	Analysis on Competitive Strategies of Foreign Banks	29
4.6	Analysis on Organization Performance of Foreign Banks	32
4.7	Relationship between Competitive Strategies and Organization Performance of Foreign Banks in Myanmar	32
<b>CHAPTER V</b>	<b>FINDINGS AND CONCLUSIONS</b>	<b>34</b>
5.1	Findings	34
5.2	Suggestions	35
5.3	Needs for Further Study	35

**REFERENCES**

## LIST OF TABLES

<b>Table No.</b>	<b>Title</b>	<b>Page</b>
3.1	Types of Banks in Myanmar	15
3.2	List of Foreign Banks in Myanmar	16
4.1	Demographic Information	22
4.2	Reliability of the Scales	23
4.3	Competitive Rivalry	24
4.4	Threat of New Entrants	25
4.5	Power of Suppliers	26
4.6	Power of Buyers	27
4.7	Availability of Substitutes	28
4.8	Summary of Competitive Forces	29
4.9	Cost Leadership Strategy	30
4.10	Differentiation Strategy	30
4.11	Focus Strategy	31
4.12	Summary of the Strategies Employed	31
4.13	Organization Performance	32
4.14	Relationship between Competitive Strategies and Organization Performance of Foreign Banks in Myanmar	33



## LIST OF FIGURES

<b>Figure No.</b>	<b>Title</b>	<b>Page</b>
2.1	Competitive Forces	7
2.2	Competitive Strategies	10
2.3	Conceptual Framework	13

## **LIST OF ABBREVIATIONS**

ASEAN	Association of Southeast Asian Nations
CBM	Central Bank of Myanmar
CBML	Central Bank of Myanmar Law
FEML	Foreign Exchange Management Law
FIL	Financial Institution Law
FISD	Financial Institution Supervision Department
MOPF	Ministry of Planning and Finance

# CHAPTER I

## INTRODUCTION

The competition is always needing to be considered when someone looking for the potential new markets for the product or service. In competitive environment, competition is a crucial element to achieve static and dynamic efficiency in banking and empirical evidence indicates that poor use of inputs in banks leads to significant inefficiencies. The operating environment for business has become more and more competitive as firms strive to outperform each other. In order to remain competitive, firms need to devise strategies that will help them build competitive advantage which they can then seek to sustain (Abishua,2010). Competitive strategy as defined by Porters is the search by firms to exclusively find favorable business competitive position in an industry.

Porter identified five-forces that bring competition as rivalry, threat to entry, threat to substitutes, power of suppliers and power of buyers; and maintains that understanding the forces that shape industry competition is the starting point for developing strategy. Porter argues that if the forces are strong, no company earns attractive returns on investment and if the forces are gentle, many companies are profitable. As competition intensifies, many businesses continue to seek profitable ways in which to differentiate themselves from competitors (Sidorowicz,2007). Because many banking products are undifferentiated commodities, banks are constantly looking for ways to set themselves apart from the competition to help them win and retain customers and to improve the bottom line (Awuah, 2011).

The shape of the five-forces differs by industry and that a company needs a separate strategy for each distinct industry. It is for this reason that banking industry is also motivated to improve its performance so that it can remain relevant in the industry. According to Porter, the ability of firms to survive in the business environment is dependent upon their selection and implementation of a strategy that differentiates the firm from competitors.

The competitive strategies outlined by Porter include; cost leadership, differentiation, location strategy, and customer service and communication strategies. The study of Dess and Davis (1984), maintain that firms that pursued one of the pure strategies of low cost, differentiation, or focus perform better than those who were

stuck in the middle. The study is consistent with Porter's statement that a commitment to at least one of the generic strategies will create a defensible position for a firm. By having a strategy, a firm can efficiently manage costs of operations, effectively execute projects and subsequently have superior market and economic intelligence as well as achieving competitive advantage. Barney (1991) suggested that firms obtain sustained competitive advantages by implementing competitive strategies that exploit their internal strengths, through responding to environmental opportunities, while neutralizing external threats and avoiding internal weaknesses.

### **1.1 Rationale of the Study**

Myanmar, developing country is a lower middle-income economy with a GDP per capita of 1,299 USD; GDP growth (6.37%) in 2017. Strong economic growth over many years translated into a large reduction in poverty. Nevertheless, still more than 32% of the population lived below the national poverty line in 2015, and the country is considered the poorest nation within the ASEAN region, with low Human Development Index and financial inclusion indicator. Myanmar banking-sector development in particular has become a major focus of recent reforms, given the role that a well-functioning financial sector plays in enabling the growth of the private sector. The banking industry in Myanmar has viewed extreme complex changes over the recent years and increased intensive competition threatening both the attractiveness of the industry and the profitability/market share. (GIZ Report, 2018).

On the other hand, Myanmar banking sector is mostly facing challenges in the pace and nature of the regulatory reform process, in developing human resources, and in re-establishing public trust in the banking sector. Nevertheless, Myanmar's banking sector remains underdeveloped and the economy functions in large on a cash basis and also facing with weakness, and struggles to fulfill its role as a fully-fledged financial transitional, it has resulted in the banking industry being very competitive. The harsh reality is banks provide similar services or offerings and to ensure banks survival within the industry, they need to adopt a strategy that will give it a competitive advantage over the rivals.

The remembrance of the 2003 banking crisis is still solid, and there is a lack of public trust in the banking system as a whole. For this reason, banking regulation has continued slightly heavy. However, instead of limiting systemic risk, some current regulations may in fact prevent the developing and strengthening of the

banking sector. Porter's forces can apply the entire banking sector, open the market, develop the financial inclusion indicators and help to identify where capacity lies in a business circumstance. This is useful both in knowing the strength of an environment's current competitive situation, and the strength of a position that an environment may look move into. Competitive rivalry, threat of new entrants, power of suppliers, power of buyers and availability of substitutes are the tools to determine the intensive of competition in an industry and its profitability level. And the author mentioned that the five key competitive forces are affecting an industry and forces can create the successful environment with best strategies.

Competition in the Myanmar banking industry has risen to the point where even foreign banks among others local have been forced to change their strategies in order to maintain and enlarge their market shares. According to the CBM, foreign banks have been allowed enter Myanmar in three phases. The banking services of foreign banks are lending, trade, deposit, remittance and foreign exchange services. In the first phase joint ventures with local banks have been permitted. In the second phase foreign banks have been permitted to establish locally incorporated 100% foreign owned subsidiaries. In the third and final stage CBM will permitted to open branches. CBM allowed nine foreign banks as first stage on 2015 and other four foreign banks as second stage on 2016 in order to serve the joint venture companies and perform wholesale market only. However, in late 2018, CBM allowed to all of the foreign banks to perform both joint venture and local companies in order to help local businesses gain access to financing. Therefore, the development and competitiveness come after the CBM permitted the thirteen foreign banks operating in Myanmar.

This paper aimed to identify the competitive forces, strategies employed by foreign banks and the relationship between the competitive strategies and organization performance of foreign banks in Myanmar There are a few research papers which pointed out that the bank operates in an environment full of competition thus it must be able to attract and retain the target customers and market. The study found that competitive strategies which the bank can use to deliver superior value include the cost leadership, differentiation and focus. The previous researches recommend that commercial banks should focus on developing and implementing effective strategies to survive in the competitive environment. This paper aimed at enriching the understanding of the use of competitive strategies to attain organization

success. Also, shortcomings in the strategy employed by foreign banks in Myanmar were identified and measure the performance of foreign banks. This would enable the management to reconsider and reevaluate their strategy to meet competition in the banking industry.

## **1.2 Objectives of the Study**

The main objectives of this study are as follows;

- To identify the competitive forces and competitive strategies employed by foreign banks in Myanmar.
- To explore the relationship between competitive strategies and organization performance of foreign banks in Myanmar.

## **1.3 Scope and Method of the Study**

This study focuses on the competitive forces, competitive strategies employed by foreign banks and the relationship between competitive strategies and organization performance of foreign banks in Myanmar. This chapter describes the research methodology adopted to achieve the objectives of the study and explain the scope, research design, data collection, methods followed in carrying out the research and the limitations of the study.

In order to perform the aims of the study, primary and secondary data for an in-depth investigation were gathered. Primary data has been collected by interviewing with the top management level from foreign banks. There are total of over 80 top management level persons who were working at 13 foreign banks in Myanmar. 50 from six foreign banks are randomly selected to ask by using structure questionnaire and such questionnaire has been attached in an appendix. Secondary data was collected through the information received from the outlook, text books, journals and online sources. Therefore, this study has been filled up to fulfill the target. Present study enquires and brings forward the results of the specified objectives, which relates to the comparison of opinions expressed from viewpoint of top management person. As a result, it clearly states that it is a descriptive study which includes surveys and fact-finding investigations of different kinds.

#### **1.4 Organization of the study**

This study comprises of five Chapters. Chapter one presents the introduction which includes rationale of the study, objectives of the study, scope and method of the study and organization of the study. The Chapter two represents theoretical background where the concept of competitiveness, five-forces of competition, types of competitive strategies, previous studies and conceptual framework. Chapter three presents about the financial sector reform in Myanmar, situations of foreign banks and bank services provided by foreign banks in Myanmar. Chapter four analyses the competitive forces, strategies employed and the relationship between competitive strategies and organization performance of foreign banks in Myanmar. Finding and conclusion, suggestion and need for further research is shown in Chapter five.

## **CHAPTER II**

### **THEORETICAL BACKGROUND**

This chapter discusses the theories and concepts that form theoretical framework of the study. It covered five sections which are the concept of competitiveness, five-forces competition, types of competitive strategies, previous studies and conceptual framework.

#### **2.1 Concept of Competitiveness**

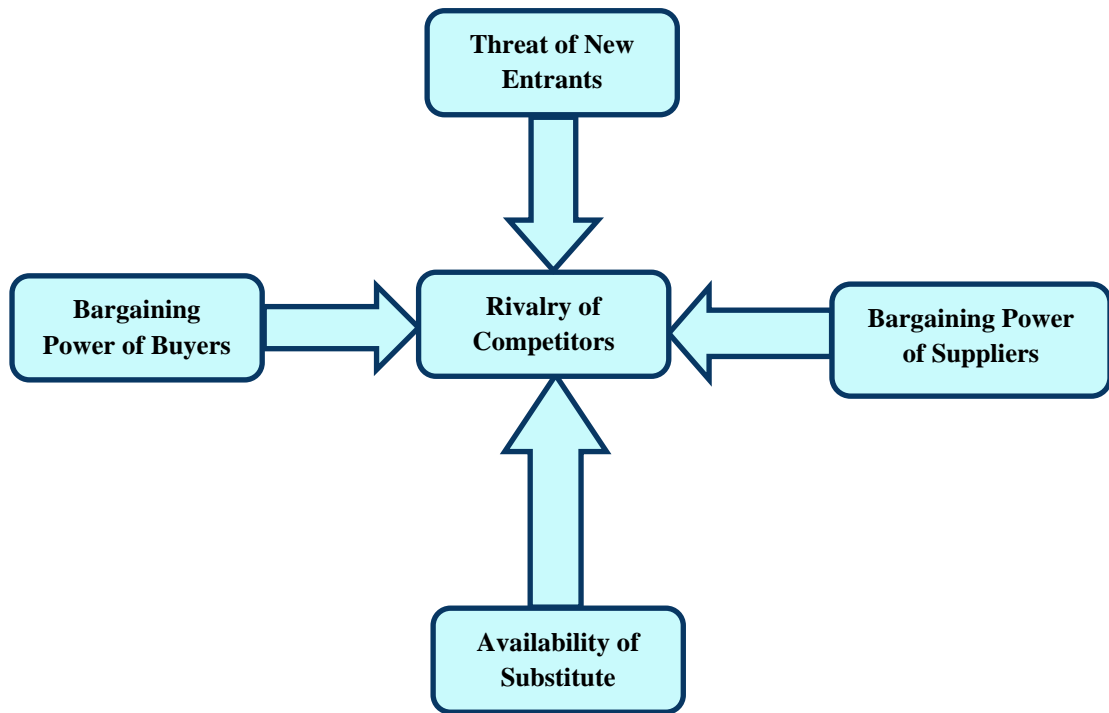
Competitiveness is the ability to products and services as more effectively and competently than the related competitors. It refers to advantage obtained through superior productivity of goods and services and the firm's ability to remain in markets under conditions of almost free competition. Business sector reveals a rather turbulent picture and about half of small businesses do not survive for more than five years on the market. At the industry level, competitiveness is the ability of the firms to achieve sustained success against foreign competitors, again without protection or subsidies. And it is a better indicator of the economic health of the nation than the competitiveness at the firm level (Franziska Blunck,2006).

#### **2.2 Five-Forces Competition**

Professor Porter, Michael (1980) was explored the competitive forces tool in order to analyze the state of competitiveness in a market as well as influencing the profitability of firms already in the industry. Adoption of the five-forces model. can be of great value to the competitiveness of organizations. The five-forces competitions are: competitive rivalry, threat of new entrants, power of suppliers, power of buyers and threat of substitutions which shown in Figure 2.1.



**Figure 2.1**  
**Competitive Forces**



Source: Porter, 1980

## **2.1 Competitive Rivalry**

Competitive rivalry plays an important role in determining the strategies developed by an organization (Loretta, 2016). The banking business is extremely competitive. The financial services business has been developed for many years and every person who needs banking services already has them. Because of this, banks must effort to trap clients away from competitor banks. They do this by offering lower financing, higher rates on deposit, investment services, and greater services than their rivals. The banking competition is frequently a race to determine which bank can offer both the best and fastest services to customers, but has caused banks to experience a lower ROA (Return on Assets). Given the nature of the industry, it is more possible to see further merging in the banking industry. Major banks tend to prefer to acquire or merge with other banks than to spend money marketing and advertising (Porter, 1980).

### **2.2.2. Threat of New Entrants**

There are high chances of new entrants who can become a rival quickly. Any firm should be able to enter and exit a market, and if free entry and exit exists, then profits always should be nominal. New entrants to a market bring new production capacity, the desire to establish a secure place in the market, and sometimes substantial resources. The banking industry has suffered a consolidation in which main banks seek out to assist all of the customer's financial needs. This consolidation expands the role of confidence as a barrier to entry for new banks viewing to participate with major banks, as buyer are more likely to permit one bank to hold all their financial records and service their financial needs. Finally, the barriers to access are quite low for the banking industry. While it is impossible for new banks to enter the industry by offering the trust and full range of services as a main bank, it is equally easy to open a smaller bank operating on the area (Porter, 1980).

### **2.2.3 Power of Suppliers**

In a competitive industry, suppliers have bargaining power to increase the price or reduce the quality of purchased goods and services can impact an industry. When suppliers have bargaining power, they can apply pressure on a company by charging higher prices, adjusting the quality of the product or controlling availability and delivery timelines. Capital is the primary resource on any bank and there are four major suppliers of capital in the industry which are customer deposits, mortgages and loans, mortgage-backed securities and loans from other financial institutions. By utilizing these four major suppliers, the bank can be sure that they have the necessary resources required to service their customers' borrowing needs while maintaining enough capital to meet withdrawal expectations. The power of the suppliers is largely based on the market, their power is often considered to fluctuate between medium to high (Porter, 1980).

### **2.2.4 Power of Buyers**

Buyers have the biggest influence when making big purchases. The powerful buyers would reduce the potential profit for suppliers. By price cutting, negotiating improvement of quality, increasing the services and arranging suppliers, the buyers would be able to growth their market competition and reduce the profit of industry (Porter, 1980). The individual doesn't pose much of a threat to the banking industry,

but one major factor affecting the power of buyers is relatively high switching costs. If a person has one bank that services their banking needs, mortgage, savings, checking, etc., it could be a huge hassle for that person to switch to another bank. To try and prove customers to switch to their bank they will often times lower the price of switching, though most people still prefer to stick with their current bank. The internet has greatly increased the power of the consumer in the banking industry, increased the comfort and reduced the cost for consumers to compare the prices of opening accounts as well as the rates offered at various banks (Porter, 1980).

### **2.2.5 Threat of Substitutions**

Porter's threat of substitutions is the availability of a product that the customer can buy instead of the firm's product. A substitute product is a product from another industry that offers similar benefits to the customers as the product produced by the corporation within the industry. In the banking sector, there are so many products and at the same time there are so many substitute products. Some of the banking industry's huge threats of substitution are not from banks but from non-financial rivals. The banking industry does not subject to any actual threat of substitutes such as customer deposits or withdrawals; however other factors such as insurances, mutual funds, and fixed income securities are provided by non-banking corporations. There is also the threat of substitutions such as payment method and loans are also big for the industry.

### **2.3 Types of Competitive Strategies**

Strategy is the direction and scope of an organization over the long-term: which achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfil stakeholder expectations (Porter, 1985). According to Wheelen and Hunger, (2006) a corporation's strategy forms a complete master plan that states how the corporation will achieve its mission and objectives. Porter developed three competitive strategies which are differentiation, cost leadership and focus strategies.

According to Porter (1980), firms with a clear strategy outpace firms without a strategy. In view of the highly competitive market, companies must quickly hold surprising opportunities, respond to threats and outmaneuver their rivals to endure and succeed. In order to be competitive in a given industry, organizations have to

look at their strengths and see how they can exploit them for optimal performance. Well thought out and planned strategies provide opportunities for the bank to respond to various challenges within its operating environment. The competitive aim is to do a significantly better job to its customers. The success of every organization is determined by its responsiveness to the customer needs.

Porter (1980) suggested that some of the most basic choices faced by companies are essentially the scope of the markets that the company would serve and how the company would compete in the selected markets. Competitive strategies focus on ways in which a company can achieve the most advantageous position that it possibly can in its industry (Pearson, 1999). Competitive advantages are achieved by companies by differentiating products and services from those of their competitors and through low costs as shown in figure 2.2. Firms can target their products by a broad target, thereby covering most of the marketplace, or they can focus on a narrow target in the market (Lynch, 2003). Competitive strategy is therefore an attempt to alter a company's strength relative to that of its competitors in the most efficient way and also to mould actions and decisions of managers and employees in a coordinated, company-wide game plan (Ohmae, 1989).

**Figure 2.2**  
**Competitive Strategies**

	Low Cost	Higher Cost
Broad	Overall Cost Leadership	Differentiation
Narrow	Cost Focus	Differentiation Focus

Source: Porter, 1985

### **2.3.1 Cost Leadership**

Cost leadership is concerned with maintaining operational costs so low so that the profitability is improved. Companies try their best to outperform their competitors in the market place by managing their operating costs so as to optimize organizational performance. This is because lowest costs companies earn the highest profits in circumstances where the competing products are highly undifferentiated with a standard market price. Companies pursuing low cost strategy emphasize on cost reduction in all activities in the value chain (Loretta, 2016).

Cost leadership strategy seeks to achieve above-average returns over competitors through low prices by driving all components of activities towards reducing costs. To attain such a relative cost advantage, firms will put considerable effort in controlling and production costs, increasing their capacity utilization, controlling materials supply or product distribution, and minimizing other costs.

### **2.3.2 Differentiation**

Differentiation is a competitive strategy employed by organizations where they strive to distinguish their products and services from those of competing firms. These could be achieved through packaging and pricing and for services, the manner in which the services are delivered (Porter, 1980).

Differentiation strategy intentions to build up competitive advantage by offering products which are considered by valuable structures, such as quality, innovation and customer service. Svatopluk and Ljuba (2006) argue that strategies based on differentiation pursue to create essential difference in a variety of scopes that customers perceive a marked contrast between product and services of firm and its rivals. They more add that firms that successfully differentiate themselves are rewarded for their uniqueness with a best price. The uniqueness should also interpret to profit margins that are higher than those of competitors.

### **2.3.3 Focus**

Increased competition in the banking industry threatens the attractiveness of the industry thereby reducing banks' profitability. This is because it exerts pressure on banks to be proactive and to formulate successful strategies that facilitate proactive response to anticipated and actual changes in the competitive environment. In order to use the focus strategy, banks have to identify a market niche they wish to serve

(Pearson, 1999). By focusing on a given niche in the market, banks are able to customize their financial services to the needs of that market niche.

#### **2.4 Previous Studies**

For this study, two research papers are reviewed which are based to construct the conceptual framework. Both papers are focused on banking industry in Kenya. First paper is concerned with the competitive strategies employed in banking industry conducted by Wesulah, Loretta Naiye (2016). Second paper is explored the factors influencing competitive advantage of commercial banks which is prepared by Awiti, Beatrice Adhiambo (2012).

The objective of the first paper were to determine the competitive strategies adopted in the banking industry and effectiveness of the strategies in Kenya using a case of Barclays Bank of Kenya. The study used a structured questionnaire and a five-point Likert scale was applied for questions. A representative sample size of 142 employees was selected for the study. This study established the relationship between competitive forces, strategies and effectiveness of competitive strategies which developed by Wesulah, Loretta Naiye (2016).

The objective of the second paper was to determine the competitive advantages and the factors influencing competitive advantages enjoyed by commercial banks in Kenya. The primary data was collected through closed ended questionnaire given to the respondents. This study indicated that the commercial banks can be able to find out whether they have adopted the best strategy compared to their peers. And he identified the types of competitive advantage and the factors that influence the types of competitive advantage. The author recommended that competitive advantage is important for survival of commercial banks.

Therefore, this paper is based on two research papers and shape the conceptual framework in order to identify five-forces competition, competitive strategies and the relationship between competitive strategies and organization performance of foreign banks in Myanmar.

## 2.5 Conceptual Framework

The conceptual framework is based on five-forces model of competitions in order to analyze the competitiveness of foreign banks in Myanmar and to distinguish the ability to provide products and services as or more effectively and efficiently than the relevant competitors. The conceptual framework shows in figure 2.3 is the relationship between competitiveness, competitive strategy and the organization performance of foreign banks in Myanmar.

**Figure 2.3**  
**Conceptual Framework**



Source: Own Combination

The conceptual framework is adopted from Porter, Michael (1980), the research papers of Wesulah, Loretta Naiye (2016) and Awiti, Beatrice Adhiambo (2012). In this framework, five-forces theory is used to analyze the competitiveness of foreign banking industry. These forces pushed to occur the competitiveness within the industry. Thus, the industry needed to adopt the appropriate strategies which can create the better performance of an organization. By adopting the strategy, the organization obtains and sustain the achievement. Therefore, the conceptual framework is exploring the competitiveness, strategies employed and the organization performance of the foreign banks in Myanmar.

## **CHAPTER III**

### **BACKGROUND STUDY ON BANKING SECTOR OF MYANMAR**

This chapter covered three sections and presents about the financial sector reform in Myanmar, current situations of foreign banks in Myanmar and product and services of foreign banks in Myanmar.

#### **3.1 Financial Sector Reform in Myanmar**

Myanmar is in the early platform of financial improves which the government has constructed an economic priority. Myanmar stands a cash-oriented economy. A history of high inflation, bank runs, and loan lending has powered public distrust of the banking and financial services organization.

Financial sector stability is of paramount importance to a country's economy. This insight was last experienced painfully during the 2008 global financial crisis. Myanmar last experienced a severe banking crisis in 2003 when a bank run on private banks led to the collapse of three major financial institutions and resulted in economic hardships for the whole country. It is therefore with good reasons that the financial sector is one of the most deeply regulated sectors in the economy. Since the 2003 banking crisis, Myanmar's legal framework for regulating the financial sector has been undergoing heavy reforms to bring the country's banks closer to internationally accepted standards of operation and prepare the country for ASEAN integration (GIZ report,2018).

In earlier of 2000, there were only 15 domestic private banks however, in 2010, the CBM has granted licenses to more 12 domestic private banks and these banks provide domestic commercial banking services so it is significantly increased when compare with earlier 2000. And there were 13 representative offices of foreign banks in Myanmar are allowed in 2015. (CBM website).

According to the ASEAN briefing 2018, reform of Myanmar's banking sector began in 2011 when the government permitted private banks to conduct foreign exchange transactions and set up ATMs across the country. In 2011, the government introduced a new Micro-finance Law. The new law's objectives are to reduce the poverty, develop the social, education, health opportunities among the low-income farmers, labors and vendors who reside in rural and urban areas, create job



opportunities, encourage a ‘savings’ culture, encourage the emergence of new small-scaled businesses, to improve incomes in the agricultural sector and livestock breeding and to help improve technical know-how.

**Table 3.1**  
**Types of banks in Myanmar**

No	Descriptions	Number of banks in earlier 2000	Number of banks in 2017	Number of banks in 2018	Number of banks in 2019
1	State-owned Banks	4	4	4	4
2	Local Private Banks	15	24	27	27
3	Foreign Bank Branches	-	9	13	13
4	Representative Offices	3	44	45	49
5	Non-Bank Financial Institutions	-	23	25	29

Source: Central Bank of Myanmar, 2019.

In 2012, the government permitted the Foreign Exchange Management Law (FEML), and act the Central Bank of Myanmar Law (CBML) in 2013. The established the autonomy of the CBM as the licensing authority and regulator of all banks in Myanmar. Numerous other banking regulations followed it. Non-Bank Financial Institutions were developed in 2013 in order to increase the quality and quantity of financial services and thus qualifying the failure of existing financial intermediation to meet the growing needs of different types of investment in the country.

In 2014, the CBM approved a provisional license to nine successful bidders, permitting them to carry out limited financial services in the country.

In 2015, Myanmar’s government permitted seven foreign banks operating in Myanmar to provide export-financing services. This puts the foreign banks at par with their local counterparts, and provides additional options for local businesses to access credit at more competitive rate.

In 2016, four more foreign banks were granted a license, increasing the total number of foreign lenders authorized to operate in Myanmar to 13. The inclusion over MMK 1.6 trillion (US\$ 1.2 billion) in combined regulatory capital to the system, tripling government revenue. The Financial Institutions Law of Myanmar (FIL) has

been presented a major step towards modernizing the sector. The law established governing regulations for both domestic and foreign financial institutions. It also attempted to level the playing field between private and state-owned banks and confirmed the CBM's regulatory powers over the banking sector.

Meanwhile these reforms are hailed as breakthrough in improving Myanmar's underdeveloped financial sector, the country's preferential treatment of state-owned banks with limited capabilities and restrictions on foreign involvement in the sector remain major concerns. While the CBM takes over the role as the regulator and supervisor of the banking sector, the Ministry of Planning and Finance (MOPF) has the responsibility to supervise state banks, and regulate and supervise insurance companies and microfinance service providers (GIZ Report, 2018).

### 3.2 Current Situations of Foreign Banks in Myanmar

In 2015, Myanmar has given licenses to seven foreign banks as first phase three of Japan banks, two Singapore banks, and one bank each from New Zealand, Thailand, Vietnam, Taiwan, Malaysia, Korea, India and China and in 2016 four more overseas banks were granted a license. Table 2.2 show the list of foreign banks in Myanmar. Three of Japan banks mostly occupied the banking market than others countries.

**Table 3.2**  
**List of Foreign Banks in Myanmar**

No	Country	Establish Year	Number	Percentage (%)
1	Japan	2015	3	22
2	Singapore	2015	2	14
3	China	2015	1	8
4	Korea	2016	1	8
5	India	2016	1	8
6	Malaysia	2015	1	8
7	Taiwan	2016	1	8
8	New Zealand	2015	1	8
9	Thailand	2015	1	8
10	Vietnam	2016	1	8
	<b>Total</b>	<b>13</b>	<b>13</b>	<b>100</b>

Source: Central Bank of Myanmar, 2019.

If the foreign currency flows from foreign banks to local business, this help for solving the high demand for dollars in the local economy and stabilize the exchange rate and it was the one of the reasons for approving the foreign banks. Their admission since 2014 has nearly doubled the equity available in the banking sector, and foreign banks hold 47 percent of the total banking equity in Myanmar, or about US\$1.3 billion. Foreign banks have established a Myanmar presence in anticipation of future legal and market liberalization. According to the CBM, foreign banks allowed enter Myanmar in three phases. In the first phase joint ventures with local banks were permitted. In the second, foreign banks were permitted to establish locally incorporated 100% foreign owned subsidiaries. In the third and final stage they will permitted to open branches.

On the other hand, some foreign banks have been wary to enter the Myanmar market due to lingering reputational issues as a result of past international sanctions. The domestic banking sector has largely resisted the greater expansion of foreign competition and has pushed the CBM to impose a number of restrictions on foreign banking activity. As a result, foreign banks must maintain a minimum paid-up capital US\$75 million (compared to around US\$15 million for domestic banks) and can only operate one branch. They also remain barred from taking deposits from Myanmar nationals, from lending to local individuals and from accepting land as collateral. In effect, foreign banks mainly serve foreign companies doing business in Myanmar and only have exposure to the domestic economy through lending to domestic banks.

Moreover, the entry of foreign banks in Myanmar became disruptive, particularly in markets with weak institutions, an underdeveloped regulatory framework, and poor market infrastructure conditions which are all present in Myanmar. When attempting to compete with the better capitalized and more efficient foreign entrants, domestic banks may take excessive lending risks. New competition may also lead depositors to transfer savings from domestic to foreign banks, potentially creating a liquidity crisis for the domestic banking system. On the other hand, the entry of foreign banks can benefit developing markets through transferring technology, improving professional skills in the labor force, introducing and reinforcing best practices, increasing lobbying for market-based reforms, and creating new products that enable domestic borrowers to improve their financial performance.

Foreign banks may also serve as a more stable source of funding for corporate and local borrowers, including domestic banks. Despite general local opposition,

many observers, including some domestic banking executives, see the further expansion of foreign banks as an essential catalyst for modernizing the banking sector. At present, the CBM has the authority to permit joint ventures between foreign and domestic banks, with the foreign partner able to own up to 80 percent of the equity stake (John Schellhase and Lena Sun, 2017).

In 8<sup>th</sup> of November 2019, CBM has initiated a process to open the domestic banking market to foreign banks. The CBM has decided to further liberalize the banking market. Thus, a third round of foreign bank licensing will be initiated and opened to foreign banks with representative offices in Myanmar. For a subsidiary license, wholesale banking activities will be allowed at the start of operations and onshore retail banking activities will be permitted under the subsidiary from the 1<sup>st</sup> of January 2021. Conversion of existing foreign bank branch into subsidiary will be allowed starting from June 2020. At that time, the banking industry will be suffered the huge changes and competitions between each bank are also stronger than before.

### **3.3 Bank Services Provided by Foreign Banks**

In 2015, foreign banks operate in the country through joint venture agreements with local banks or assist foreign-invested companies. Laws prohibit foreign banks from engaging in retail banking and direct lending in the local currency. In addition, foreign banks are restricted to just one branch per bank and are required to invest a minimum paid-up capital of USD 75 million.

The activities that foreign banks are permitted to engage in are subject to any conditions and restrictions in the license. These activities include: both, traditional activities like acceptance of deposits, lending, foreign exchange business, issuing and administering payment instruments, issuing of guarantees and commitments, trading for own account or for account of customer in money market instruments, currency forward and spot contracts, swaps and exchange and interest-rate instruments, providing corporate advice, e-banking, development financing business, mortgage financing Other activities determined by the CBM to be customary banking practices or incidental to the banking business.

Beside the above-mentioned activities, the licensee obtains prior approval from the CBM to extend further banking services. Foreign banks are not allowed to offer retail banking services for personal savings accounts, money transfers and card services. While foreign banks may cooperate with local lenders to offer additional

services, they are prohibited from pursuing retail operations, such as opening of saving accounts, local money transfers and extending loans in local currency.

In earlier of 2018, CBM allowed foreign banks to provide export financing to foreign corporate. Previously foreign banks license is permitted to provide wholesales banking services to foreign corporate, financial institutions both local and foreign and local corporate in partnership with local financial institutions. However, according to Notification No.6/2018 dated 8<sup>th</sup> November, all branches of foreign banks have been given right to provide financing and other banking services to local corporate. Thus, foreign banks were allowed to provide banking services to both foreign and local corporate without any partnership with local financial institutions.

On the other hand, local banks attract the customers with several products and offer special interest rate was caused foreign banks suffer the competitiveness among the Myanmar banking industry. In order to build the successful environment among the banking industry, developing the strategies are required which achieve the organization within a challenging atmosphere. Thus, in order to possess the achievement, the foreign banks in Myanmar among the local occupied market, the banks were required to apply relevant strategies within the competitive market.

## **CHAPTER IV**

### **ANALYSIS ON COMPETITIVENESS OF FOREIGN BANKS IN MYANMAR**

This chapter presents analyzing the relationship between competitive forces, strategy employed and the relationship between competitive strategies and organization performance of foreign banks in Myanmar. This chapter describes and explains the methodology deployed in this study and this research was conducted in order to identify the areas of competition within the banking industry and to identify the competitive strategies adopted by foreign banks to cope with the competition. It is covered with research methodology, demographic information, assessment of the reliability of test, analysis for five-forces, competitive strategies and the relationship between competitive strategies and organization performance.

#### **4.1 Research Design**

This research was studied the five-forces of competitions, competitive strategy, competitiveness and the organization performance of foreign banks in Myanmar. In this study, the primary data was collected from 50 top management level employees who are working at six selected foreign banks so 46% questionnaire were applied in order to have the accurate data by using the quantitative method. From those six foreign banks, total 50 employees have been taken into consideration by face to face interview and such questionnaire has been clearly stated in an appendix. This study was based on both primary and secondary data which were collected from the journals, books and related research papers. The questionnaire was structured to ensure that it would meet the research objective. A five-point Likert scale was adopted to help standardize the responses.

According to the extension of Likert scale designed by Best (1997), the average mean has been recognized as 1-1.8 = lowest, 1.81-2.61 = low, 2.62-3.4 = average, 3.41-4.21 = high and 4.22-above 5 = highest. In this study, all of the overall average showed as high so the result suggests very good with consistency and reliability for the score with these questionnaires.

The questionnaires contained two main parts with the first part covering the demographic information of the respondents' gender, age, education level,

experience, position, department and working organization. The final part focused on analysis of nine building blocks of competitive forces, competitive strategy and organization performance. It contains four sections. The first section shows with the analysis on five-forces competition, the second section focuses on the analysis on strategies employed. The third section analyses the organization performance. The final section analysis the relationship between competitive strategies and the organization performance of foreign banks.

#### **4.2 Demographic Information**

The demographic characteristics of 50 respondents from banking industry who participated in this study are analyzed. The findings show that all genders male and female were significantly represented for this study so the data collected were relevant and reliable for this study. The respondents were asked to indicate their age groups distribution 38% had been between 31-40 years with relevant master qualification who were familiar enough with the banking industry in Myanmar. Majority 58% had been working at the bank for five years show that the respondents had been at the bank long enough to understand the competitiveness of the banking industry. Majority 100% of manager level had been responded and understand the questionnaire concern with the competitiveness of foreign banks and 32% are from operations department. 50 from the six foreign banks are randomly selected to ask by using structure questionnaire so the data collected were relevant and reliable. Figure 4.1 highlights the respondents' response information.

**Table (4.1)**  
**Demographic Information**

Category	No. of Respondents	Percentage (%)
Male	27	54
Female	23	46
<b>Age (in year)</b>		
20 to 30	5	10
31 to 40	38	76
41 to 50	7	14
<b>Education Level</b>		
Graduate	22	44
Post Graduate	5	10
Master	23	46
<b>Experience</b>		
Less than One Year	3	6
One – Two Years	5	10
Three – Four Years	9	18
Five Years	29	58
Above Five Years	4	8
<b>Position</b>		
Manager	50	100
<b>Department</b>		
Accounting and Finance	5	10
Operations	16	32
Treasury	7	14
Legal & Compliance	6	12
Marketing	10	20
Human Resources	6	12
<b>Working Organization</b>		
Bangkok Bank PCL (Yangon Branch)	10	20
Bank of Tokyo Mitsubishi UFJ	7	14
Shinhan Bank	9	18
Bank of Investment and Development of Vietnam	8	16
OCBC Bank	10	20
UOB Bank	6	12
<b>Total</b>	<b>50</b>	<b>100</b>

Source: Survey data, 2019.



### 4.3 Assessment on the Data Reliability

In this study, Cronbach's alpha value is used as a measure of the internal consistency of the scales used in the questionnaire. As per DeVellis (2003), the Cronbach's alpha value should ideally be above 0.7. The results of the Cronbach's alpha value above 0.9, is suggesting very good internal consistency and reliability for the scale with this sample. For this reliability, the value is 0.8 and above, so the data is good constancy and reliability for this scale.

**Table (4.2)**  
**Reliability of the Scales**

<b>Dimension</b>	<b>Cronbach Alpha (<math>\alpha</math>)</b>
Competitive Forces	0.80
Competitive Strategies	0.96
Organizational Performance	0.83

Source: Results generated from SPSS software using Survey Data, 2019.

### 4.4 Analysis on Competitive Forces of Foreign Banks

Several statements on various forces of competition in the Myanmar banking industry were identified and the respondents were required to indicate the extent to which they agree. A five-point Likert scale was provided ranging from: a scale of 1 to 5 where 1=N/A (Not Applicable), 2= Strongly Disagree, 3= Disagree, 4= Agree and 5= Strongly Agree. From the responses, mean and standard deviation were used for ease of interpretation and generalization of findings.

#### **Competitive Rivalry**

This dimension includes the level of rivalry interest rate, market segments, banking services differentiation, new product development among local banks, advertising campaign by local banks, level of service improvement by local banks and hunting the qualified employees by other banks. The findings are clearly illustrated below on Table 4.3.

**Table (4.3)**  
**Competitive Rivalry**

<b>Competitive Rivalry</b>	<b>Mean</b>	<b>Standard Deviation</b>
The level of rivalry in interest rate affect competitiveness of foreign banks	3.76	1.04
The level of rivalry in market segments affect competitiveness of foreign banks	3.77	.96
The level of rivalry in banking services differentiation affect competitiveness of foreign banks	3.94	1.17
Rivalry in new product development among local banks affect competitiveness of foreign banks	3.60	.89
The advertising campaign by local banks affect competitiveness of foreign banks	3.91	.74
The level of service improvements by local banks affect competitiveness of foreign banks	4.29	.71
Hunting the qualified employee by other banks affect competitiveness of foreign banks	4.03	.66
Overall Average	<b>3.90</b>	

Source: Survey Data, 2019.

From the findings on Table 4.3, Overall average shows that high with the mean score of 3.90. Among of them, the level of service improvement by other banks affect the competitiveness of foreign banks in Myanmar had the highest mean of 4.29 with a standard deviation of 0.71 and the lowest mean of 3.6 with a standard deviation of 0.89 for rivalry in new product development among local banks affect competitiveness of foreign banks. The other factors are the range between the mean of 4.03 and 3.94.

#### **Threat of New Entrants**

The dimension includes important factors of the emerging of new banks allowed by CBM, the size of local banks, stringent regulations by CBM, level of capital requirement in the banking industry, financial resource capability of local banks promotes its competitiveness and the level of market share by local banks. The findings are clearly illustrated below on Table 4.4.

**Table (4.4)**  
**Threat of New Entrants**

<b>Threat of New Entrants</b>	<b>Mean</b>	<b>Standard Deviation</b>
The emerging of new banks allowed by CBM affect competitiveness of foreign banks	3.71	.66
The size of local bank within the industry affect competitiveness of foreign banks	3.94	.48
The stringent regulation by CBM positively affect competitiveness of foreign banks	3.64	.82
The level of capital requirement in the banking industry promotes the competitiveness of foreign banks	4.14	.75
The financial resource capability of local banks promotes its competitiveness in Myanmar market	4.20	.65
The level of high market share by local banks affect competitiveness of foreign banks	3.27	.80
Overall Average	3.81	

Source: Survey Data, 2019.

From the findings on Table 4.4, Overall average shows that high with the mean score of 3.81. Among of them, the financial resource capability of local banks promotes its competitiveness in Myanmar market had a highest mean of 4.20 with a standard deviation 0.65 and the lowest mean of 3.27 with a standard deviation 0.80 for the level of market share by local banks. On the other hand, the other factors are the range between the mean of 4.14 and 3.64.

### **Power of Suppliers**

This dimension includes the competitiveness of technology support partners to local banks, bargaining power of outsourced supplies, the number of local banks relying on a given supplier and flexibility in controlling the suppliers. The findings are clearly illustrated below on Table 4.5.

**Table (4.5)**  
**Power of Suppliers**

<b>Power of Suppliers</b>	<b>Mean</b>	<b>Standard Deviation</b>
The competitiveness of technology support partners to local banks affect competitiveness of foreign banks	3.27	1.46
The bargaining power of outsourced supplies affect competitiveness of foreign banks	3.81	.79
The number of local banks relying on a given supplier affect competitiveness of foreign banks	3.76	.62
Flexibility in controlling the suppliers affect the competitiveness of foreign banks	3.60	.58
Overall Average	3.61	

Source: Survey Data, 2019.

From the findings on Table 4.5, Overall average is the mean score of 3.61 indicating that the competitiveness of foreign banks in high to some extent. Among of them, the bargaining power of outsourced suppliers affects competitiveness of foreign banks in Myanmar had the highest mean of 3.81 with a standard deviation of 0.79 and the lowest mean of 3.27 with a standard deviation 1.46 for competitiveness of technology support partners to local banks affect competitiveness of foreign banks in Myanmar. On the other hand, the other factors are the mean of 3.76 and 3.60.

#### **Power of Buyers**

This dimension includes the customers at local banks are loyal, value the customer requirements and providing a promotion, customers' demands from local banks make it competitive and value the customer suggestions. The findings are clearly illustrated below on Table 4.6.

**Table (4.6)**  
**Power of Buyers**

<b>Power of Buyers</b>	<b>Mean</b>	<b>Standard Deviation</b>
The customers at local banks are loyal	3.84	.61
Value the customer requirements and providing a promotion affect competitiveness of foreign banks	3.47	.58
Customers' demands from local banks make it competitive	3.91	.53
Value the customer suggestion affects the competitiveness of foreign banks	3.77	.59
Overall Average	3.75	

Source: Survey Data, 2019.

From the findings on Table 4.6, Overall average is the mean score of 3.75 indicating that the competitiveness of foreign banks in high to some extent. Among of them, customers' demands from local banks make it competitive had a highest mean of 3.91 with a standard deviation 0.53 and the lowest mean of 3.47 with a standard deviation 0.58 for value the customer requirements and providing a promotion affect competitiveness of foreign banks in Myanmar. On the other hand, the other factors are the range between the mean of 3.84 and 3.77.

#### **Availability of Substitutes**

In this analysis includes availability of microfinance institutions, non-bank financial institutions, foreign financial institutions, existence of hire purchase facilities and international services which can provide by local banks. Table 4.7 presents the findings of the summary result.

**Table (4.7)**  
**Availability of Substitutes**

<b>Availability of Substitutes</b>	<b>Mean</b>	<b>Standard Deviation</b>
Availability of Microfinance institutions is affecting the competitiveness of foreign banks	3.51	.53
Availability of Non-Bank financial institutions affect competitiveness of foreign banks	3.19	.82
Availability of foreign financial institutions in Myanmar has affected the competitiveness of foreign banks	3.60	.60
Existence of hire purchase facilities have affected the competitiveness of foreign banks	3.11	.75
Availability of international services which can provide by local banks have affected the competitiveness of foreign banks	3.80	.91
Overall Average	3.44	

Source: Survey Data, 2019.

From the findings on Table 4.7, Overall average is the mean score of 3.44 indicating that competitiveness of foreign banks in high to some extent. Among of them, the availability of international services which can provide by local banks have affected the competitiveness of foreign banks had a highest mean of 3.80 with a standard deviation 0.91 and the lowest mean of 3.11 with a standard deviation of 0.75 for existence of hire purchase facilities have affected the competitiveness of foreign banks. On the other hand, the other factors are the range between the mean of 3.60 and 3.19.

By summarizing all of the five-forces results can be listed as per the table. (4.8). The respondents are calculated across the five dimensions of mean score and standard deviations, the mean scores mostly average but some are strong. Among them, the highest mean score is responsiveness dimensions and it means that respondents have more satisfied in responsiveness dimension than their expected. The respondent's responses in average mean score across the five dimensions are related at 3.70 whereas the respondent satisfaction for above statement is merely strong and fully powerful for competitiveness of foreign banks in Myanmar.

**Table (4.8)**

**Summary of Competitive Forces**

<b>Statements</b>	<b>Mean</b>
Rivalry among banks	3.90
Threat of new entrants	3.81
Power of suppliers	3.61
Power of buyers	3.75
Availability of substitutes	3.44
<b>Overall Average</b>	<b>3.70</b>

Source: Survey Data, 2019.

**4.5 Analysis on Competitive Strategies of Foreign Banks**

Competitive strategies consideration in this analysis are cost leadership strategy, differentiation strategy and focus strategy. Several statements on competitive strategies employed by foreign banks in Myanmar were prepared to indicate the extent of the foreign banks applied. A five-point Likert scale was used to know the agreement level of the respondents on the strategy applied. The scale includes 1 to 5, where 1=N/A (Not Applicable), 2=Strongly Disagree, 3=Disagree, 4=Agree, 5=Strongly Agree. From the responses, mean and standard deviation were used for ease of interpretation and generalization of findings. The findings are discussed below.

**Cost Leadership Strategy**

The respondents were required to indicate the extent to which foreign banks in Myanmar applied cost leadership strategy in quest to gain sustainable competitive advantage. As shown on Table 4.9, overall average shows that high with the mean score of 4.01. Among of them, foreign banks services are sold at lower prices in the market as compared to its competitors had the highest mean of 4.57 with a standard deviation of 0.25. The other components are the range between 4.07 and 3.50 mean.

**Table (4.9)**  
**Cost Leadership Strategy**

	Mean	Standard Deviation
Foreign banks services are sold at lower prices in the market as compared to its competitors	4.57	0.25
Foreign banks services are affordable/economical and of good value	4.07	0.63
Foreign banks lines and services are consistent and standardized	3.90	0.48
Foreign banks services are conveniently and easily accessible	3.50	0.63
Overall Average	4.01	

Source: Survey Data, 2019.

**Differentiation Strategy**

The respondents were required to indicate the extent to which foreign banks in Myanmar applied differentiation strategy in quest to gain sustainable competitive advantage. As shown on Table 4.10, overall average shows that high with the mean score of 3.28. Among of them, foreign banks services that are different from its competitors had a highest mean 3.64 with standard deviation 0.48. The other components are the range between 3.43 and 2.64 mean.

**Table (4.10)**  
**Differentiation Strategy**

	Mean	Standard Deviation
Foreign banks services that are different from its competitors	3.64	0.48
Foreign banks offer customer friendly packaging for its services	3.43	0.49
Foreign banks offer unique products features that the industry is willing to paying a higher price for	2.64	0.25
Foreign banks ensure that there is a close relationship between the customers and the marketing team.	3.42	0.90
Overall Average	3.28	

Source: Survey Data, 2019.



### Focus Strategy

The respondents were required to indicate the extent to which foreign banks in Myanmar applied focus strategy in quest to gain sustainable competitive advantage. As shown on Table 4.11, overall average shows that high with the mean score of 4.11. Among of them, foreign banks attract more customer using competitive price had a highest mean of 4.57 with a standard deviation 0.63. The other components are the range between 4.29 and 3.50 mean.

**Table (4.11)**  
**Focus Strategy**

	Mean	Standard Deviation
Foreign banks attract more customer using competitive price	4.57	0.63
Foreign banks have a strong customer relationship	4.07	0.59
Foreign banks adopt and respond fast to the industry changing needs	4.29	0.49
Foreign banks offer price sensitive solutions towards the industry specific needs	3.50	0.49
Overall Average	4.11	

Source: Survey Data, 2019.

By summarizing all of the strategies results can be listed as per the table 4.12. The respondents are calculated across the five dimensions of mean score and standard deviations, the mean scores mostly average but some are strong. Among them the highest mean score is responsiveness dimensions and it means that respondents have more satisfied in responsiveness dimension than their expected. The respondent's responses in average mean score across the five dimensions are related at 3.80 whereas the respondent satisfaction for above statement is merely strong and fully powerful for competitiveness of foreign banks in Myanmar.

**Table (4.12)**  
**Summary of the Strategies Employed**

Statements	Mean
Cost Leadership Strategy	4.01
Differentiation Strategy	3.28
Focus Strategy	4.11
<b>Overall Average</b>	<b>3.80</b>

Source: Survey Data, 2019.

#### 4.6 Analysis on Organization Performance of Foreign Banks

Eight statements on organization performance of foreign banks in Myanmar were prepared to indicate the position on average relative to that of close competitors for five years. A five-point Likert scale was used to know the agreement level of the respondents on the strategy applied. The scale includes 1 to 5, where 1=N/A (Not Applicable), 2=Strongly Disagree, 3=Disagree, 4=Agree, 5=Strongly Agree. From the responses, mean and standard deviation were used for ease of interpretation and generalization of findings. The findings are discussed below.

**Table (4.13)**  
**Organization Performance of Foreign Banks**

	Mean	Standard Deviation
Sales growth of foreign bank	4.20	0.35
The market share gain of foreign bank	3.52	0.53
The after-tax return on assets of foreign bank	3.60	0.60
The net-profit after tax of foreign bank	3.27	0.81
Financial liquidity of foreign bank	4.28	0.94
Public image of foreign bank	4.14	0.75
Customer compliments of foreign bank	4.03	0.66
Customer loyalty of foreign bank	3.47	0.58
Overall Average	3.81	

Source: Survey Data, 2019.

The respondents are calculated across the five dimensions of mean score and standard deviations, the mean scores are strong. Among them the highest mean score is responsiveness dimensions and it means that respondents have more satisfied in responsiveness dimension than their expected. The respondent's responses in average mean score across the five dimensions are related at 3.81 whereas the respondent satisfaction for the statement is merely strong and fully recommended that strategies employed are the best way to improve the performance of foreign banks in Myanmar.

#### 4.7 Relationship between Competitive Strategies and Organization Performance of Foreign Banks in Myanmar

The measures in the success of a firm's performance is include the financial and non-financial indicators such as sales growth, the market share gain, the after-tax return on assets, the net profits after taxes, financial liquidity, public image, customer compliments and customer loyalty. These factors are important to determine the firm compares with its industry compare when assessing a firm's performance. The questionnaire was constructed to investigate the relationship between the strategies and the organizational performance. The independent variables had a positive significant correlation relationship with P-values of 0.000 and 0.000 respectively. A correlation coefficient value (r) ranging from 0.10 to 0.29 is considered weak, from 0.30 to 0.49 is considered medium and from 0.50 to 1.0 is considered strong. Table (4.14) presents the correlation analysis.

**Table (4.14)**

#### **Relationship between Competitive Strategies and Organization Performance**

Correlations Coefficient		Organization Performance
Cost Leadership	Pearson Correlation	.389**
	Sig. (2-tailed)	.001
Focus	Pearson Correlation	.533**
	Sig. (2-tailed)	.000
Focus	Pearson Correlation	.559
	Sig. (2-tailed)	.000

\*\* Correlation is significant at the 0.01 level (2-tailed).

The results obtained from the table (4.14), the relationship analysis was conducted 95% confidence interval so as to establish the relationship between competitive strategies and organization performance. It can be clearly seen that respondents believe that using the competitive strategies had a strong relation for financial and non-financial performance. Base on the response information, the respondents significantly response the relationship between competitive strategies and organization performance are strong. According to the analysis results, the competitive forces, competitive strategies and organization performance are interrelated with each other.

## **CHAPTER V**

### **CONCLUSIOIN**

This chapter describes the findings from the analysis on the competitiveness of foreign banks in Myanmar, suggestions and recommendations as well as needs for future research.

#### **5.1 Findings**

In this study, the key purpose was to identify the competitive forces and strategy employed by foreign banks in Myanmar. And explore the relationship between the competitive strategies and the organization performance of the foreign banks in Myanmar. This study found out that all competitive five- forces such as competitive rivalry, threat of new entrants, power of suppliers, power of buyers and availability of substitutes are pushed to occur the competitiveness within the industry. Thus, the industry needed to adopt the appropriate strategies and these strategies increase the financial and non-financial performance of the organization. This finding aimed at enriching the understanding of the use of competitive strategies to attain organization success. This would enable the management to reconsider and reevaluate their strategy to meet competition in the banking industry.

As per the analysis, the result of the extent and overall average of five-forces are high score so the result is very good situation with consistency and reliability with the respondent's information. The respondents were highly in agreement that all of the level of five-forces is totally affected the competitiveness of foreign banks.

The respondents agreed that the focus strategy has high score. The most important elements to use the focus strategy, banks have to identify a market niche such as customer focus, market focus etc. In order to remain competitive and outperform their competitors, foreign banks need to develop appropriate strategies to drive their performance.

The finding shows that the foreign banks are employing the strategies in order to develop the financial and non-financial performance of the organization. However, the result found out that using the focus strategy for foreign banks performance is better than cost and differentiation strategies. It is because of the current nature and situation of Myanmar banking industry and they are emphasized by using focus

strategy upon the niche market. The result found out that the implementing strategies that will enable them survive in the competitive environment under which they operate. Therefore, the finding indicates a positive significant relationship between competitive strategies and organization performance of foreign banks in Myanmar.

## **5.2 Suggestions**

The banking sector is facing lots of challenges and new products seem a threat to the foreign bank environment. However, if proper strategies are put in place, the organization performance of foreign banks will improve performance of employee, promote better satisfaction, better financial situation, stay operation and sustainable successful in the competitive environment. This study therefore recommends that the foreign banks engages in higher level of business intelligence to gather respective information from the market and benchmark it with well-known world practices to enable it gain sustainable competitive advantage. This study concluded that adopting the strategies has a great extent and which are essential key of every organization. The strategic direction is realized through the ability to evaluate strategies used and achieve competitive advantage than the competitors. It can be concluded that many factors are equally important in achievement. The conclusion from the study indicates that the bank should be aware of the competitiveness among the industry and applied the appropriate strategy in order to perform the good performance for the organization achievement.

## **5.3 Needs for Further Study**

Recommendations for further studies, the study should be extended to establish the strategies employed to build competitive advantage in other related sectors in the industry such as microfinance institutions. Research should also be undertaken to determine what strategies other companies in different related industries use to build competitive advantage. Further research should also be undertaken to examining the role of core competencies in organizational performance in industrial sector.

The study further suggests that a research can be done on customers' perception of the benefits of each of the competitive strategy used against the other competitive strategies. A comparative study should be carried out on the comparative performance advantage on the different competitive strategies used in the banking industry, challenges to both the organization and the customers.

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## **APPENDIX**

## Appendix: A - Questionnaire

### Part 1: General Demographic Information

1. Please indicate your gender (Tick one) (√)

Male ( )	Female ( )
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2. What is your age bracket? (Tick one) (√)

20 – 30 Years ( )	31 – 40 Years ( )	41 – 50 Years ( )
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3. What is your education? (Tick one) (√)

Graduate ( )	Post Graduate ( )	Master Degree ( )
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4. What is your experience in current bank? (Tick one) (√)

Less than one Year ( )	One – Two Year ( )	Three – Four Years ( )
Five Years ( )	Above Five Years	

5. What is your position in current bank? (Tick one) (√)

Supervisor ( )	Manager ( )
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6. What is your department in current bank? (Tick one) (√)

Accounting & Finance ( )	Operations ( )	Treasury ( )
Legal & Compliance ( )	Marketing ( )	Human Resources ( )

7. What is your organization?

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## Part 2: Competitive forces of foreign banks in Myanmar

8. What is your extent for competitive rivalry? (Tick one) (√)

The table below has statements on various forces of competition in Kenya's banking industry. Rate the Extent to which you agree with the following statements on a scale of 1-5 where 1= N/A (Not Applicable), 2= Strongly Disagree, 3= Disagree, 4= Agree and 5 = Strongly Agree.

<b>Competitive Rivalry</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
The level of rivalry in interest rate affect competitiveness of foreign banks					
The level of rivalry in market segments affect competitiveness of foreign banks					
The level of rivalry in banking services differentiation affect competitiveness of foreign banks					
Rivalry in new product development among local banks affect competitiveness of foreign banks					
The advertising campaign by local banks affect competitiveness of foreign banks					
The level of service improvements by local banks affect competitiveness of foreign banks					
Hunting the qualified employee by other banks affect competitiveness of foreign banks					

9. What is your extent for threat of new entrant? (Tick one) (√)

<b>Threat of New Entrants</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
The emerging of new banks allowed by CBM affect competitiveness of foreign banks					
The size of local bank within the industry affect competitiveness of foreign banks					
The stringent regulation by CBM positively affect competitiveness of foreign banks					
The level of capital requirement in the banking industry promotes the competitiveness of foreign banks					
The level of market share by local banks affect competitiveness of foreign banks					
The level of service provided by foreign banks is not different other than local banks affect the competitiveness of foreign banks					

10. What is your extent for power of suppliers? (Tick one) (√)

<b>Power of Suppliers</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
The competitiveness of technology support partners to local banks affect competitiveness of foreign banks					
The bargaining power of outsourced supplies affect competitiveness of foreign banks					
The number of local banks relying on a given supplier affect competitiveness of foreign banks					
Flexibility in controlling the suppliers affect the competitiveness of foreign banks					

11. What is your extent for power of buyers? (Tick one) (√)

<b>Power of Buyers</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
The customers at local banks are loyal					
Value the customer requirements and providing a promotion affect competitiveness of foreign banks					
Customers' demands from local banks make it competitive					
Value the customer suggestion affects the competitiveness of foreign banks					

12. What is your extent for availability of substitutes? (Tick one) (√)

<b>Availability of Substitutes</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Availability of Microfinance institutions is affecting the competitiveness of foreign banks					
Availability of Non-Bank financial institutions affect competitiveness of foreign banks					
Availability of foreign financial institutions in Myanmar has affected the competitiveness of foreign banks					
Existence of hire purchase facilities have affected the competitiveness of foreign banks					

13. What is your extent for competitive strategies? (Tick one) (√)

	1	2	3	4	5
<b><u>Cost Leadership Strategy</u></b>					
Foreign banks services are sold at lower prices in the market as compared to its competitors					
Foreign banks services are affordable/economical and of good value					
Foreign banks lines and services are consistent and standardized					
Foreign banks services are conveniently and easily accessible					
<b><u>Differentiation Strategy</u></b>					
Foreign banks services that are different from its competitors					
Foreign banks offer customer friendly packaging for its services					
Foreign banks offer unique products features that the industry is willing to paying a higher price for					
Foreign banks ensure that there is a close relationship between the customers and the marketing team.					
<b><u>Focus Strategy</u></b>					
Foreign banks attract more customer using competitive price					
Foreign banks have a strong customer relationship					
Foreign banks adopt and respond fast to the industry changing needs					
Foreign banks offer price sensitive solutions towards the industry specific needs					

14. Please indicate the best estimate of your bank's position on average relative to that of close competitors for five years. 1-5 where 1= N/A (Not Applicable), 2= Strongly Disagree, 3= Disagree, 4= Agree and 5 = Strongly Agree. (Tick one) (√)

	1	2	3	4	5
Sales growth of foreign bank					
The market share gain of foreign bank					
The after-tax return on assets of foreign bank					
The net-profit after tax of foreign bank					
Financial liquidity of foreign bank					
Public image of foreign bank					
Customer compliments of foreign bank					
Customer loyalty of foreign bank					

## Appendix: B

### Figure B.1

#### State-owned and Domestic Banks in Myanmar

No	State-owned Banks	Domestic Banks
1	Myanma Agricultural Development	Asia Yangon Bank
2	Myanma Economic Development	Asia Green Development Bank
3	Myanma Foreign Trade Bank	Ayeyarwady Farmers Development Bank
4	Myanmar Investment Commercial Bank	Ayeyarwady Bank
5		Construction & Housing Development Bank
6		Co-operative Bank
7		First Private Bank
8		Global Treasure Bank
9		Innwa Bank
10		Kanbawza Bank
11		Myanmar Apex Bank
12		Myanmar Citizens Bank
13		Myanmar Microfinance Bank
14		Myanmar Oriental Bank
15		Myawaddy Bank
16		Nay Pyi Taw Sibin Bank
17		Rural Development Bank
18		Shwe Rural and Urban Development Bank
19		Small and Medium Industrial Development Bank
20		Tun Commercial Bank
21		United Amara Bank
22		Yadanabon Bank Ltd, Mandalay



23		Yangon City Bank Ltd
24		Yoma Bank Ltd
25		Glory Farmer Development Bank Ltd (G Bank)
26		Mineral Development Bank
27		Myanmar Tourism Bank

Source: Central Bank of Myanmar

**Figure B.2**

**Representative Offices of Foreign Banks in Myanmar**

No	Name of Bank/Finance Company		
1.	DBS Bank Ltd	26	AEON Credit Service Company
2.	National Bank Ltd	27	PT. Bank Negara Indonesia (Persero) Tbk
3.	First Overseas Bank Ltd	28	Bank of Taiwan
4.	CIMB Bank	29	Taishin International Bank Co., Ltd
5.	Arab Bangladesh (AB) Bank Ltd	30	Taiwan Shin Kong Commercial Bank Co., Ltd
6.	Siam Commercial Bank PCL	31	CTBC Bank Co., Ltd
7	Krung Thai Bank PCL	32	Yuanta Commercial Bank Co., Ltd
8	United Bank of India	33	Taiwan Cooperative Bank Ltd
9	Kasikornbank PCL	34	Taiwan Business Bank Ltd
10	Woori Bank	35	Mega International Commercial Bank

			Co., Ltd
11	Vietin Bank	36	Ho Chiminh City Development Joint Stock Commercial Bank
12	Korea Development Bank	37	Oatar National Bank
13	Standard Chartered Bank	38	Sampath Bank PLC
14	Industrial Bank of Korea	39	Bank of China
15	First Commercial Bank	40	KEB Hana Bank
16	Kookmin Bank	41	BOT Lease Co., Ltd
17	Export-Import Bank of India	42	ACLEDA Bank Plc
18	The Export-Import Bank of Korea	43	SATHAPANA Bank PLC
19	Eastern Bank Ltd	44	Chang Hwa Commercial Bank Ltd
20	Bank of Ayudhya PCL	45	Hua Nan Commercial Bank Ltd
21	RHB Bank Berhad	46	Export-Import Bank of Thailand
22	Commercial Bank of Ceylon PLC	47	KB Kookmin Card Co., Ltd
23	Cathay United Bank	48	Mitsubishi UFJ Lease and Finance Co., Ltd
24	BRED BANque Poppulaire	49	Shinhan Card Co., Ltd
25	Busan Bank Co., Ltd		

Source: Central Bank of Myanmar

**Figure B.3****Non-Bank Financial Institutions in Myanmar**

<b>No</b>	<b>Name of Bank/Finance Company</b>		
1.	Oriental Leasing Co., Ltd.	14	Myanma Ruby Hill Finance Co., Ltd
2.	Myat Nan Yone Finance Co., Ltd.	15	A1 Capital Co., Ltd
3.	National Finance Co., Ltd.	16	Pristine Global Finance Co., Ltd
4.	Ryuji Finance Co., Ltd.	17	Maha Agri Finance Co., Ltd
5.	Mahar Bawga Finance Co., Ltd.	18	First Collaborative Finance (FCF) Co., Ltd
6.	Jewel Spectrum Co., Ltd.	19	Thiri Zawtika Co., Ltd
7	Century Finance Co., Ltd.	20	Excellent Fortune Finance Co., Ltd
8	Win Progress Services Co., Ltd.	21	Imperial Myanmar Finance Company Limited
9	Z Corporation Co., Ltd.	22	Pacific-AA Finance Limited
10	Global Innovations Finance Co., Ltd	23	Mo Mo Ventures Finance Co., Ltd.
11	Mother Finance Co., Ltd	24	Reliable & Trusted Co., Ltd.
12	Morganite Finance Co., Ltd	25	Pluses Financial Services Co., Ltd
13	Best Merchant Finance Co., Ltd		

Source: Central Bank of Myanmar

**Figure B.4**  
**Foreign Banks in Myanmar**

<b>No</b>	<b>Foreign Banks</b>	<b>Original Country</b>
1	ANZ	New Zealand
2	Bangkok Bank Public Company Limited (Yangon Branch)	Thailand
3	Bank of Investment and Development of Vietnam	Vietnam
4	Bank of Tokyo Mitsubishi UFJ	Japan
5	E-Sun Bank	Taiwan
6	Industrial and Commercial Bank (ICBC)	China
7	Malayan Banking Berhad (May Bank)	Malaysia
8	Mizuho Bank	Japan
9	Oversea-Chinese Banking Corporation (OCBC)	Singapore
10	Shinhan Bank	Korea
11	State Bank of India	India
12	Sumitomo Mitsui Banking Corporation (SMBC)	Japan
13	United Oversea Bank (UOB)	Singapore

Source: Central Bank of Myanmar

**Figure B.5****Laws Affecting the Foreign Banks in Myanmar**

<b>No</b>	<b>Description</b>	
1	2010	Auditor General of Union Law
2	2011	Microfinance Business Law
3	2012	Foreign Exchange Management Law Myanmar Payment Union
4	2013	Central Bank of Myanmar Law Securities & Exchange Law
5	2014	Anti-money Laundering Law Counterterrorism Law Foreign Exchange Management Regulations Securities and Exchange Commission of Myanmar formed
6	2015	Yangon Stock Exchange Amended Foreign Exchange Management Law Myanmar Accountancy Council Law
7	2016	AEC Financial Institutions Law Regulation on Mobile Financial Services
8	2017	Myanmar Companies Law Capital Adequacy Regulation Asset Classification and Provisioning Regulation Large Exposures Regulation Liquidity Ratio Requirement Regulation
9	2018	Removing 0.8% trading bank on Foreign Exchange Market CBM allows foreign banks to extend services to local companies

Source: GIZ report (As of November 2018)