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**CUSTOMER PERCEPTION ON AGRICULTURAL LOAN OF MYANMA
AGRICULTURAL DEVELOPMENT BANK**

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(EMBF - 5th BATCH)

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**CUSTOMER PERCEPTION ON AGRICULTURAL LOAN OF
MYANMA AGRICULTURAL DEVELOPMENT BANK**

A thesis submitted as a partial fulfillment towards the requirements for the degree of
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ABSTRACT

This study focuses to the customer perception on the agricultural loan of Myanmar Agricultural Development Bank in Hlegu Township, especially in rural areas. The purpose of the study was to identify the agricultural loan services of Myanmar Agricultural Development Bank (MADB) and to analyze the customer perception on agricultural loan of MADB. This study focuses on agricultural loans of MADB banking services in Hlegu Township of Yangon. It is descriptive statistics method is used in this study. Primary data were collected from selected farmers of MADB in Hlegu Township and selected based on using convenience sampling method and interviewed with well structured questionnaire. Data for the study was collected from both primary and secondary source by interviewing with farmers of Hlegu Township with structured questionnaires. This survey is based on 120 farmers from three villages in Hlegu Township and interviewed to meet the main objectives. Secondary data were collected from the profile of MADB, text book and previous studies and internet website. The data collection period is during October 2019. The main finding of the study is that customer perception on loan tenor, affordable interest rate, collateral requirement, easy loan documentation, loan sufficiency, bank staff and banking services. Among them, loan sufficiency is just cover for their production. That is why; the bank should consider increasing their loan size if available and another one is bank staff should consider boosting their capacity building for the staff to facilitate smooth operating banking services.

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LIST OF ABBREVIATIONS

FIs	Financial Institutions
GDP	Gross Domestic Product
MADB	Myanma Agricultural Development Bank
MEB	Myanma Economic Bank
MFI	Microfinance Institutions
MFTB	Myanma Foreign Trade Bank
MICB	Myanma Investment and Commercial Bank
NGO	Non-Government Organization
SMEs	Small and Medium Enterprises
UNDP	United Nations Development Programme
WB	World Bank

CHAPTER I

INTRODUCTION

Agriculture sector is important role in each country especially developing countries because it gives job opportunities for rural people and rural development as well. It also supports to improve economy sector of each country in the world. Like other developing countries, Myanmar needs to develop our agriculture sector urgently. At present most of farmers cannot produce their production by their own fund. In other word, they are lack of money to produce their farming. That is why; Government had to make plan to give agricultural credit for farmers through the State-owned banks.

Currently Myanmar has 28 domestic banks operating including four state-owned banks, 10 semi-private banks and 14 privately owned banks. The four state-owned banks in Myanmar are Myanmar Economic Bank (MEB), Myanmar Foreign Trade Bank (MFTB), Myanmar Investment and Commercial Bank (MICB), and Myanmar Agricultural Development Bank (MADB). While distinct in their operational scope and policy mandates, these banks have several challenges in general. Among the four state-owned banks, the Myanmar Economic Bank (MEB) has the widest potential reach to extend credit to the real economy, including in many rural communities. Around 9,000 staff through about 350 branches, the MEB supports a wide range of commercial banking services and international banking services as the government agent. But loans to the private sector account for less than 10 percent of the bank's total assets. The MEB mainly purchases government treasuries and acts as a financier for state economic enterprises, including the Myanmar Agricultural Development Bank, often at discounted rates. In the past the Myanmar Investment and Commercial Bank (MICB) and Myanmar Foreign Trade Bank (MFTB) controlled much of the foreign exchange market by rationing forex supplies and participating a supervisory role in forex trading. The two banks now act mainly as tools of the foreign exchange deposits of government departments and state-owned enterprises. Both also, though, provide financial services to the private sector, including domestic commercial, investment banking services and international banking services as well. The Myanmar Agricultural Development Bank

(MADB) gives rural areas through providing short and long-term credit for agricultural, livestock, and other rural enterprises.

As Myanmar is an agrarian country, agriculture is the main economic pillar of the State. On the other hands, agricultural credit plays an important role in agricultural development as Myanmar is the agro-based country. Among the four state-owned banks, the Myanma Agricultural Development Bank (MADB) is the main provider of credit to the rural population, with nearly 2 million customers and over 220 branches throughout the country. Loans are made at a subsidized annual interest rate of 8 percent, compared to the typical commercial lending rate of 13 percent. However, the MADB's lending practices are highly restrictive with regards to the types of loans available and the narrow eligible purposes admissible for loan applications. Seasonal loans are only available for eight specific crops (paddy, groundnut, pulses, sesame, cotton, jute, maize and mustard) and no financing is provided for producing other fruits and vegetables, raising livestock, or other agricultural activities. Even for these eight crops, financing needs are typically only partially met. As a result, the rural farmers become poor and poor than ever and rural poverty becomes on the major problems for the government. In this regard, agricultural loan has a vital role of the rural development and agricultural development with a primary aim of alleviating poverty since it provides a significant source of finance for poor, low income people in Myanmar. Therefore, it is an essential thing to access the customer perception on agricultural loan of Myanmar Agricultural Bank.

1.1 Rationale of the Study

As the Myanmar is an agro-based country, agriculture sector is depended on the country's economy. To develop agricultural sector, farmers need to participate in the country by their crop production. To develop their crop production, they need money because most of them do not have enough money to cultivate various kinds of crops in the rural area of the country. Therefore they need to get agricultural loan. Actually lack of credit is one of the key constraints in agricultural production for farmers. In rural Myanmar, financial market may be categorized into three sectors: formal, semi-formal and informal sector. Formal financial institutions are legally authorized institutions

which include Myanmar Agricultural Development Bank (MADB), savings and credit cooperatives, public pawnshops, and private licensed pawnshops.

The semiformal sector is composed of local non-government organizations- microfinance institution (NGO-MFIs) which includes NGOs supported by UNDP under Human Development Initiative program. These institutions are not under the control of the central bank and operating under certain laws, but Myanmar government has control over them such as concerning their operating areas.

The informal sector is composed of illegal activities in some cases such as the use of illegal pawnshops, borrowing from money lenders who charge usurious rates, the use of advanced payment contracts for agricultural crops between traders and farmers, and lending and borrowing without interest among relatives.

Among them, MADB is the largest in terms of the number of clients and the amount of loan disbursed. In the fiscal year 2018(mini budget), the loan amount disbursed by MADB is 1301.6 billion kyats for 2018 monsoon loan and its clients numbered about 2 million. MADB is the sole government organization providing credit for crop production since 1953(Myanna Agricultural Development Bank, 2019). Among the seven states and seven divisions in Myanmar, there are 224 branches of MADB which provide loans for crop production in Myanmar. In Myanmar, the main problem of farmers is the lack of adequate money to expend on their basic needs for their production such as quality seeds, farm input, fertilizer and pesticides. They cannot establish their own enterprises because of lack of enough money to invest in their crop production and small-scale farming that is why they cannot break out from the poverty. Therefore this study is focused on the customer perception on agricultural loan of Myanna Agricultural Development Bank because it is the main and largest loan size for farmers in Myanmar. By researching this paper, there have many benefits on the bank, employees and farmers.

1.2 Objectives of the Study

The specific objectives of the study are as follows:

- (1) To identify the agricultural loan services of Myanna Agricultural Development Bank (MADB)
- (2) To analyze the customer perception on agricultural loan of MADB

1.3 Scope and Method of the Study

This study is the customer perception on agricultural loan of the Myanmar Agricultural Development Bank. In Yangon Regional Division, there are 12 branches of MADB in different township and head office of MADB. Among them, this study focuses on Hlegu Branch of MADB in Hlegu Township, Yangon. There are two types of loan which are seasonal loan and term loan. This study analyzes on the seasonal loan. Seasonal loan includes eight crops that are paddy, groundnut, pulses, sesame, cotton, jute, maize and mustard. Among them, this study observed paddy for monsoon.

Descriptive research design was used. Both primary and secondary data were collected based on qualitative and quantitative. For primary data, it is distributed to 120 customers at Hlegu Branch, Yangon Regional Division of MADB. Sample random design was used to selected farmers (120). Secondary data is used from the internet, text books, papers, relevant reports and other relevant website.

1.4 Organization of the Study

This study is made up of five main chapters with each chapter divided into sub sections to enable all major issues to be dealt with comprehensively. Chapter one comprises of the general introduction of the study, the rationale of the study, objectives of the study, scope and method of the study as well as the organization of the study. Chapter two reviews the literature review of the agricultural loan. Chapter three presents the profile of Myanmar Agricultural Development Bank which describes background history of the bank, its objectives, main functions, types of loan, credit policy, improvement of saving, loan size and interest rate by the bank within (10 years) of its business life. Chapter four focuses the customer attitude on agricultural loan by the Myanmar Agricultural development Bank (MADB) based on the responses of 120 customers on questionnaires which systematically designed to explore their attitudes. Chapter five expresses with the findings and relevant suggestion and recommendation.

CHAPTER II

THEORETICAL BACKGROUND

This chapter expresses agricultural background, importance of agricultural credit, definition of agricultural credit, lending method of agricultural credit, effectiveness of agricultural credit, the highlight customer perception on agricultural loan and conceptual framework of the Study.

2.1 Importance of Agricultural Credit

Agriculture is the most important sector of Myanmar's economy, providing over 70% of employment among total labor force and 38% of the country's gross domestic production (GDP, 2018). Agriculture provides raw material to the country's industries and contributes more than 30% to exports. More than 70% of the country's population lives in rural areas, and their livelihood is associated directly or indirectly with the agricultural sector. The agricultural sector therefore has a massive impact on the country's growth and provides employment to a large population (Bashir et al.2007). The decreasing trend of the agricultural sector as a share of the country's GDP from 45% in 1960 to 21.5% in 2015 in combination with the country's rapidly growing population has created an alarming situation for the government and policy markers. Daily newspapers in Myanmar Report that the country will face food security issues in the coming years (Express 2017). Timely farm input and capital investment are crucial factors for creating development and growth in the agricultural sector (Akmal et al. 2012), and the majority of Myanmar Farmers cannot afford the recommended quantity of input such as fertilizer and pesticide due to high prices and lack of capital, which results in very low yields far below that of their counterparts who are able to invest more capital (Shah et al.2008).

Agriculture sector has fulfilled upheld growth to guarantee food security for the increasing population of Myanmar. Improvement of the agricultural production and high crops yield is essential for food security which makes the farming systems less vulnerable to climate change in general. However, the agriculture sector faced challenges such as low returns to farmers because of high cost of inputs, fertilizers and pesticides. Credit is believed to have a significant impact on various aggregate and household-levels

outcomes, including agricultural productivity, technology adoption, food security, nutrition, health and overall household welfare (Diagne and Zeller, 2001). It is able to provide financial resources to farmers, especially for the purchase of input materials of farm. Farmers can get loan upon all of their cultivated area is the most important thing to meet their financial needs. Expert for agriculture has to make investment to raise the productivity of land. Sharma and Prasad (1998) studied the credit is essential requirement at various stages of technological development in agriculture. They estimated the credit requirement of farmers and impact of credit on cropping pattern income of the borrower.

Agricultural credit plays an important role in enhancing the agricultural productivity in developing countries like Myanmar. Agricultural loan is basic stage for any business, more so for agriculture which has traditionally been a nonmonetary activity for the rural population in Myanmar. Loan facilities are thus the integral part of the process of commercialization of the rural economy. The introduction of easy and cheap loan is the fastest way to give boost to the agricultural production. Credit plays an important tool for getting the inputs in time increasing thereby the productivity of the farms particularly those of small ones. The usage of credit facilities would therefore translate to higher resource employment and capacity utilization, increased output and income, and reduce poverty in the rural economy, especially among the farmers and be helpful to increase their food production which would lead to an improvement in the welfare of the farmers and consequently a reduction in their poverty and food insecurity levels (Olagunju, 2007).

Credit plays an instrumental role in agriculture sector of Myanmar and also farmers are lacking technical knowhow and finances to carry out the necessary farming practices. If this issue not addressed in an appropriate way can cause problems including exploitation of poor farmers, slowdown in the adoption of modern farming techniques which will result in sluggish development of this key sector.

2.2 Definition of Agricultural Credit

Access to agricultural credit enables farmers acquire lands, inputs, both skilled and unskilled labor and access good market for their produce which would ultimately result in an improved standard of living. In most developing countries, agricultural

finance is considered an important factor for increased agricultural production and rural development because it enhances productivity and promotes standard of living by breaking the vicious cycle of poverty of small-scale farmers and fishers (Adebayo and Adeola, 2008).

According to Heidhues and Schrieder, (1999), the origin of the credit concept stems from the necessity to break the vicious circle of low capital formation, as presented in the figure (2.1).

Figure (2.1) Traditional Reason for Formal Agricultural Credit

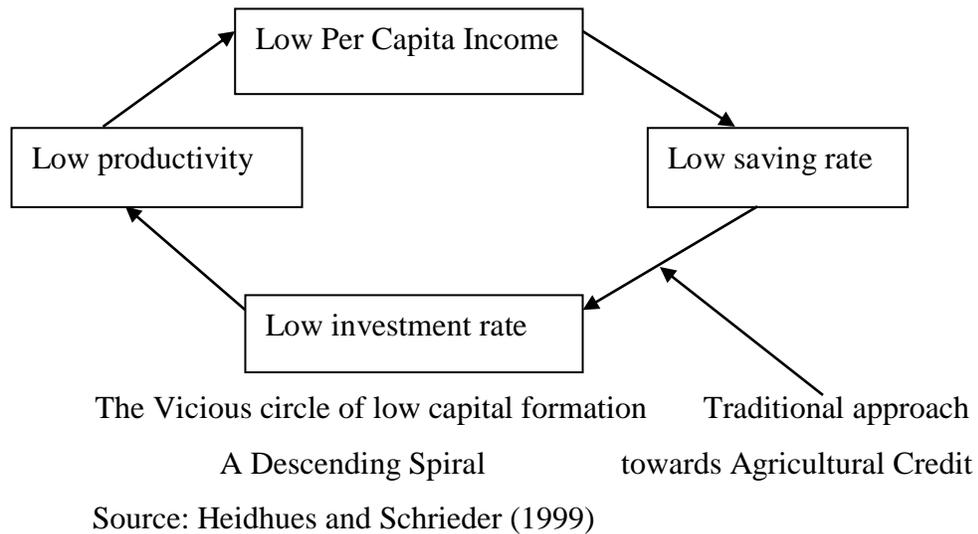


Figure (2.1) shows that the formation of capital is influenced by per capita income, saving rate, investment rate and productivity. Per capita income or average income measures the average income earned per person in a given area (city, region, country, etc) in a specified year. A low level in any of these factors will impact on capital formation and ultimately the standard of living of families. The role of credit programs is to break this vicious cycle of low capital formation, resulting in an increase in per capita income and thus an increase in saving rate, investment rate and productivity (Heidhues and Schrieder, 1999) and eventually in the standard of living of families.

All farm credit loan requests are tailored to the specifics of farming operation and/or financial goals. Every loan request is evaluated based on five key credit factors with terms tailored to fit the farmers' needs, goals and financial best interest, as well as the best interest of Farm Credit (Western Arkansas, 2016). There are five credit factors as follows:

- Character- Borrowers (s) Reputation, Loan History, Credit Bureau scores,
- Capital- Borrowers(s) financial position, before and after loan is made and borrower equity in the operation.
- Capacity – Borrower(s) ability to repay annual operating expenses, plus annual debt obligations over the specified term of the loan with a 15% margin in income above obligations for any adversity.
- Collateral – The quality and value of the security (livestock, equipment, real estate) pledged for the loan to offset the risk associated with the loan request.
- Conditions – The term or conditions for loan approval; or Farm Credit's expectations of the borrower's performance during the term of the loan.

Credit also makes a catalyst for rural development by motivating latent potential or making underused capacities functional (Oladeebo and Oladeebo, 2008). Possibility of credit can be the leading edge of rural development. Access to credit facilities increase incomes of farmers in the short run and enables farmers establish and expand their farms (Llanto, 1987; Yaron 1992; Okurat et al 2004). This refers that access to credit may not have a direct impact on productivity, but it could have a positive and significant indirect impact through its positive influence on agricultural technologies adoption, increased capital for farm investment, hired labor, and improved household welfare through improved health care and better nutrition. Credit can be employed to extend the total area under cultivation and invariably output. Farmers can further acquire farm machinery and equipment that can help increase acreage and buy and use important inputs such as improved seeds, weedicides, pesticides and fertilizer. Lack of access to credit is one main difficulty disturbing Myanmar's agricultural modernization system. In Myanmar like many other ASEAN countries, insufficient access to credit has remained an essential distress to farmers and a key restriction to the transformation and diversification of their activities. Creditor loan able fund is regarded as more than just another resource such as land, labour and equipment, because it determines access to most of the resources required by farmers. The explanation is that the adoption of new technologies necessarily needs the use of some improved inputs which may be purchased.

Lack of credit is one of the key challenges in agricultural production. Internal factors limiting credit access are lack of or poor-quality farm assets, lack of ownership of assets for farmers, poor financial management, and risky nature of farming. External factors are highest interest rates; high cost of service delivery to the sector, and perception of financial service providers about farming as being highly risky. Again, there has high interest rate on the loans, which discourages borrowing (FASDEP II, 2009). Access to credit in agricultural production is important.

Many of these farmers cannot produce on a large scale because they mostly use family labour for farming, so if the family size is small, farming on a large piece of land would be very difficult. The only other availability would be to get paid labour for a larger farm which entails money to pay this extra labour. Banks and microfinance institutions always inquire for collateral security before giving out loans, and these farmers have only their farmlands as collateral. Credit constraints operate in a variety of ways in Cameroon where undeveloped capital market forces farmers to rely on self-financing or borrowing from friends and relatives. Lack of access to long-term credit for micro, small and medium smallholder farmers forces them to rely on high-cost short term finance (Chenaa, 2018).

Access to credit in agricultural production is important. According to Carter and Weibe (1990), farmers need both ex-ante and ex-post access to capital. Ex-ante capital access is required in order to finance vital production costs such as labour and purchase inputs which needed to be paid ex-ante, that is, prior to the actual realization of production. On the other hands, access to capital after the realization of the production process, that is ex-post capital access, is of importance when there is no insurance as it's often the case in low income agrarian economies. Thus, in case of annual fluctuation in production, ex-post access to capital is biggest essential for the stabilization of households' consumption from year to year. In addition, Feder et al (1990) posit that credit allows farmers to satisfy the cash needs induced by the production cycle which characterize agriculture, land preparation, planting, cultivation and harvesting are typically done over a period of several months In which very little cash revenue is earned, while expenditure on materials, purchased inputs, and consumption need to be made in cash. Thus, access to credit may effect farm productivity because farmers facing binding capital constraints

would tend to use lower levels of inputs in their production activities compared to those not constrained (Feder et al., 1989, and Petrick, 2004).

2.3 Lending Methods of Agricultural Credit

Agricultural credit is a sectorial concept that comprises financial services for agricultural production, processing, and marketing. There are plenty of potential financing opportunities in the agricultural sector. Bank and financial institution need to make to finance the agricultural sector and on the process to design and implement loan products for direct lending to farmers and agricultural SMEs (agri-SMEs) (P. Varangis, H. A. Miller, D. Chalila, H. Dellien, D. Shepherd, 1999). Direct Farmer Financing depending on risk profiles, certain farmers may be attractive clients for financing on a standalone basis. These farmers typically have relatively diversified sources of income, limited seasonality and ability to smooth cash flow throughout the year, irrigation or limited exposure to weather risks, use of good agricultural practices and strong access to markets and favorable prices. Loan size ought to be sufficient to justify individual credit assessments and other overhead costs associated with direct lending. Identifying farmers for direct financing show that farmers for whom finance is the dominant constraints usually have established wholesale or retail channels and strong relationships with a substantial number of suppliers. The best target commodity groups are those competitive farmers with good yields and growing demand for their products.

Agri-SME Financing means increasing working capital finance for agri-SMEs and it is a good entry point for directly financing farmer. The potential financing opportunities for certain farmers may be too small and /or short term to justify the costs and administration of direct financing. In those case financing farmers via agri-SMEs in commodity value chains does not consider the credit qualifications of the farmers who ultimately receive short-term finance, but instead relies on the creditworthiness of agri-SMEs and their ability to manage their own portfolios of outstanding loans. It is not uncommon for successful agri-SME traders to be medium-sized farmers themselves, who procure from other small farmers in their vicinities to help cover operating costs of transport to markets. These types of agri-SMEs are generally good borrowers and can be used as conduits for credit to small farmers in their procurement network. A primary

caution is to assess not only their creditworthiness and management skills but also their characters to ensure business practices are acceptable. This assessment should be wary of traders that pay low prices, charge high effective rate for advances, or take large margins relative to their value addition. Identifying Agri SMEs for financing show the high performing agricultural entrepreneurs can be effective partners in increasing probability of small farmer success and loan repayment.

Agricultural credit is a major role to push the production and raises the standard of living of rural farmers and consequently increasing economic growth and development. It has been playing a important role in catering to the needs of poor farmers. Agricultural credit is an essential role in boosting up the speed of agricultural modernization and economic development.

2.4 Effectiveness of Agricultural Credit

The development of agriculture is based on the extensive use of credit. Agricultural loan is considered as an important factor in the course of modernization of agriculture. It creates and maintains adequate flow of inputs, increases efficiency in farm production and able to use modern technologies and advanced practices. Credit facilities are the main facts for progress of the rural and agricultural development. Agricultural credit plays a major role to push the production and raises the standard of living of rural famers and consequently increasing economic growth and development.

Affordable Farm Financing: Faced with limited financing and banking options, rural families are often pushed to take out high interest loans from informal moneylenders, or to pawn their goods and land when they need capital. The rural people is often the last market to be served by traditional banks. Their loan amount are small, they are not easy to reach and they often have complex income streams that ebb and flow. Most of the farmers did not have access to the capital they needed to invest in their farming business. According to Freeman et al. (1998), farmers' access to loan is also very important for the scene that it can facilitate the levels of input use closer to their potential levels when capital is not a constraint. Farmers require low interest rate loans designed to meet their needs. Affordable farm financing that help farmers, migrant workers and small business owners stabilize their finances, get rid of high interest debt and launch

themselves into an upward financial spiral for good. Affordable farm financing can have beneficial effects on agricultural production and rural income.

Increase Farm Productivity: Improved productivity of land and labor is at the cornerstone of the agricultural credit. Agricultural productivity requires the adoption of appropriate technologies and know-how to increase efficiency and sustainability of agricultural production consistently with market demand. The measures to raise agricultural productivity include those related to effective agricultural research and extension, efficient use of agricultural inputs, efficient and sustainable practices and use of natural resources (land, water, soils and forests) and increased bad weather condition to climate change and disasters. Increase in productivity requires innovation and dissemination of knowledge and productivity enhancements will also rely on timely availability of quality inputs. Agricultural inputs and mechanization services largely carried out by the private sector and public sector providing the regulations, the enforcement, and the public goods needed for the input market to work efficiently (EkoWicaksono). The over contribution of credit brings input levels closer to the optimal levels, thereby increasing output and productivity (Feder et al., 1990).

Profitability and Poverty reduction: Agriculture credit can contribute to poverty reduction beyond a direct effect on farmer's incomes. Agricultural development can motivate economic development outside of the agricultural sector, and lead to higher job and growth creation. It can also raise farm incomes, increases food supply, reduces food prices, and provides greater employment opportunities in both rural and urban areas. Agriculture finance is strategically important for eradicating extreme poverty and boosting shared prosperity. (Lyanda et., al, 2014) have pointed to the immense role of adoption of these technologies in enhancing productivity, poverty eradication and attainment of food security in developing countries. Credit may support opportunity of earn more income and improve the standard of living (Vogt, 1978). Globally, there are estimated 500 million smallholder farming households in representing 2.5 billion people relying to varying degrees on agricultural production for their livelihoods. The benefits of work include the growing income of increasing resilience through climate smart production, risk diversification and access to financial tools, and smoothing the

transaction of non-commercial farmers out of agriculture and facilitating the consolidation of farms, assets and production.

2.5 Definition of Customer Perception

Customer perception refers to how customers view a certain product or services or process based on their own conclusions. These conclusions are derived from a number of factors, such as satisfaction and loyalty based on their overall experience.

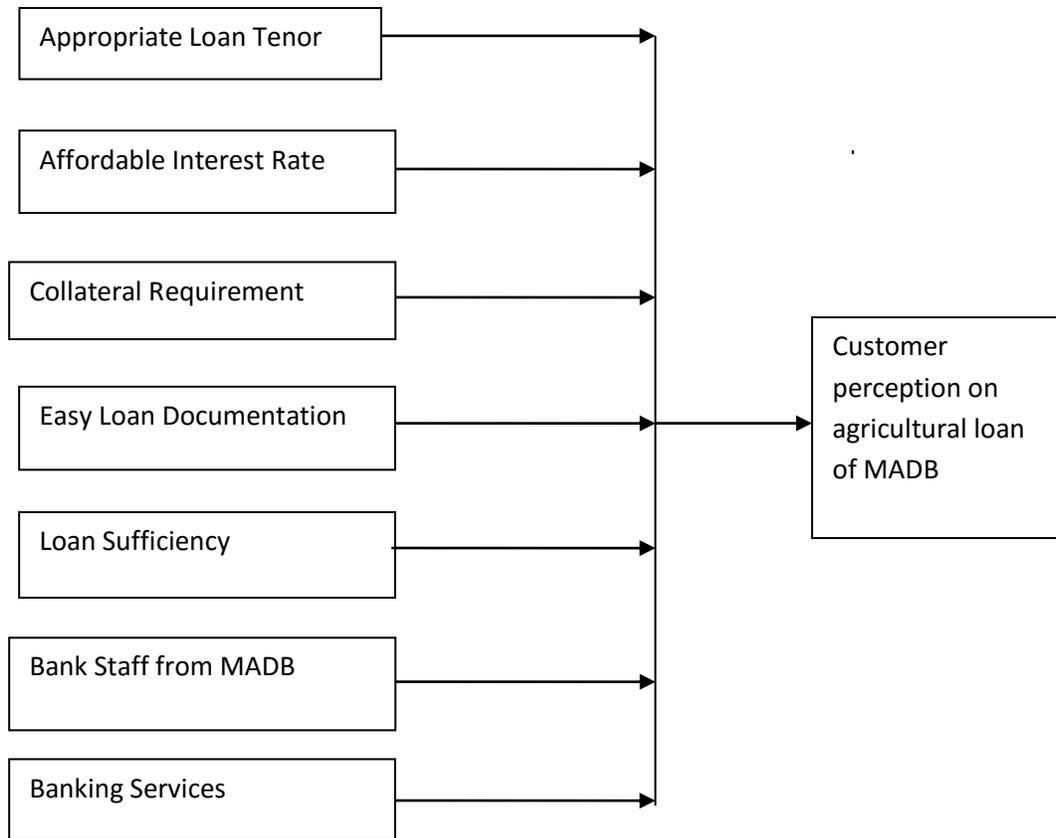
Perception can be split into two processes. Firstly, processing sensory input, this transforms this low-level information to higher-level information (e.g., extracts shapes for object recognition). Secondly, processing which is contacted with a person's concepts and expectations (knowledge) and selective mechanisms (attention) that influence perception.

Customers perception is defined as one another thing which playing significant role in the determination of customers' satisfaction. Satisfaction will cover by perception of service quality, price and other personal expectations regards to service. It is a concept that, a product or service feature, or the product or service itself, provides a pleasurable level of consumption related fulfillment (Oliver, 1994). Moreover, disconfirmation of expectations may have an asymmetrical effect, such that negative disconfirmation is more benefit than positive disconfirmation. However, customers' satisfaction are based not only on the judgment of customers towards the reliability of the delivered service, but also on customer" experiences with the service delivery process. In other words, customers who appreciate the core and relational dimensions of service quality provided by a service provider are likely to be satisfied with the services offered by that services offered by that service provider (Jamal and Naser, 2002).

2.6 Conceptual Framework of the Study

The conceptual framework represents the independent variable access to customer perception on agricultural loan of MADB which was measured in terms of appropriate loan tenor, affordable interest rate, collateral requirement, easy loan documentation, loan sufficiency, agricultural loan of services and customer satisfaction.

Figure (2.2) Conceptual Framework of the Study



Source: Own compilation, 2019

CHAPTER III

AGRICULTURAL LOAN SERVICES OF MYANMA AGRICULTURAL DEVELOPMENT BANK

This chapter presents brief description of Myanmar Agricultural Development Bank (MADB), Financial Institution for Agricultural Credit, and Background Information of Hlegu Township.

3.1 Profile History of Myanmar Agricultural Development Bank

The Myanmar Agricultural Development Bank (MADB), controlling by the Ministry of Planning, Finance and Industry was established in 1953 under the State Agricultural Bank Act and was part of the People's Bank of the Union of Burma between 1969 and 1975. The first name of MADB was the Myanmar Agriculture and Rural Development Bank in 1990, and then into Myanmar Agricultural Development Bank in 1997. It extends credits to farmers in order to participate the development of agriculture and livestock, as well as the rural development. The motto of MADB is to increase economy and develop. The mission statement of MADB is to effectively support the development of agricultural, livestock and rural socio-economic enterprises in the country by providing banking services.

This bank disburses seasonal loans for crop cultivation and term loans for acquisition of farming machinery and equipment. The MADB increases a savings culture among farmers by operating a program for rural savings mobilization. It is the main official financing source for farmers, and starting from the 2018 monsoon cultivating season, it is disbursing loans of MMK150,000 per acre for paddy production and MMK 100,000 for production of other crops at an interest rate of 8% per annum compared to the commercial lending rate of 13% per annum (it gets an annual credit line from the MEB at an interest rate of 4% per annum). Although the amount of loans per acre has increased considerably over the last years, it still falls short of covering the cost of paddy production which is estimated at about MMK 200,000 per acre for low-quality rice and MMK 400,000 for high-quality rice (World Bank, 2014).

The bank's seasonal loans are classified by the monsoon loans, winter loans and pre-monsoon loans. The loans are disbursed for only a very limited time and limited number of agricultural products, namely for producing paddy, oil seeds, beans and pulses, long cotton and jute. The MADB also provides one-year loans for producing sugarcane, tea leaves, salt and palm-oil. Moreover, it expends more than three- year term loans for acquiring farming machinery and equipment.

3.2 Financial Institutions for Agricultural Credit

At present, agricultural credit market in Myanmar consists of two broad segments that are the institutional credit and non- institutional credit. Non institutional sources compose of friends, relative and agents. Agents generally lend money for short time with high rate commission. They charge commission in two options. First is charged on market value of total output instead of borrowed money and second one is charged per acre on quantity of output. The loans are disbursed both regularly and in bad periods. These loans are disbursed for buying inputs and also to meet daily consumptions. According to Proximity Design's Annual Report (2018), the different types of interest rates, time consumption that the farmers received the loans on time or not and collateral requirements based on financial institutions as below Table (3.1)

Table (3.1) Analysis on Loan Types of Financial Institution

Financial Institutions	Interest Rate (%)	Time Consumption	Collateral Requirement
MADB	8% p.a	On Time	Required
Private Banks	13% p.a	Not On Time	Required
MFI	6%-18% p.a	On Time	Not Required
Other Financial Institutions	5%- 16% monthly	On Time	Not Required
Non Financial Institutions	5%- 16% monthly	On Time	Not Required

Source: Proximity Design's Annual Report (2018)

CHAPTER IV

ANALYSIS ON CUSTOMER PERCEPTION ON AGRICULTURAL LOAN OF MYANMA AGRICULTURAL DEVELOPMENT BANK

This chapter analyzes the result of the fieldwork by the researcher. The first section presents the profiles of the respondents of farmers of Hlegu Township. It is followed by analysis on customer's perception on Agricultural loan of the farmer of Hlegu Township. The aim of this survey is to obtain some useful information associated with the profile and perception on agricultural loan.

4.1 Research Design

This research is empirical in common and it is conducted through questionnaires. This study measures the customer perception of the agricultural credit has been measured towards the farmers of the Hlegu Township of MADB. There were (53) village tracts in Hlegu Township. Most farmers of these villages are producing by the paddy in monsoon and winter. Stratifying random sampling method is used to select the respondents in the research area. The first stage, there are many villages in this district and list of all those villages was obtained from MADB branch in Hlegu. From these list three villages namely Kyaung Ka Lay village, Minkong village and Phaunggyi village were selected for the study. Sample (120 respondents) was randomly selected as 20 % of 3 villages' tracts in Hlegu Township. The distributions of total and sample households are given in the following Table (4.1).

$$n_i = (N_i / N) * n$$

Where

- n_i is the sample in i^{th} village,
- N_i is the population of beneficiary households in i^{th} village,
- n is the sample size and
- N is the total population of borrowers in all sample villages

Table (4.1) Sample Size of Selected Villages Tracts

Village Tracts	Number of Borrowing Household	Sample Size of Household
Kyaung Ka Lay	187	40
Minkong	198	40
Phaunggyi	203	40
Total	588	120

Source: Survey data (2019)

4.2 Demographic Characteristics of Respondents

Characteristic of the respondents may have an important bearing on the receipt of loan from the institutional sources. Therefore, an attempt has been made here to investigate into some of important as well as relevant socio-economic characteristics of the sampled farmers. These are Gender, Marital Status, Age, Education, Number of Household, Land Size and How long to contact bank (Years). Hlegu Township is selected for this paper. The majority of the respondents were female as shown by 71.7% while 28.3% were male. This shows that majority of the small-scale farmers in the study area are female. With regard to the marital status of the respondents, 18 out of 120 respondents are single and 102 are married.

On the age of borrowers, the study found that the majority of the respondents were between 36-45 years (40.8%), 25% were aged between 26-35 years, 22.5% were 46-55 years, 7.5% were aged between 18-25 years and 4.2% were aged over 56 years. These shows that majority of the farmers are youth. In term of education of farmers, 36.7 % of the customers indicated that high school level was the most of them. With regard to the number of family size of the study area, under 5 numbers are 51.7% and over 5 numbers are 48.3% respectively.

With regard to the land size of respondents, 57.5% of the respondents own up to 10 acre of farm land, 38.3% of the respondents own from 11 acres to 20 acres of farm land and 4.2% of the respondents own above 20 acres of farm land. With regard to the taking loan of the respondents, 70.8 % of the respondents who borrow the agricultural loan from the bank above 10 years ago, 21.7% of the respondents who borrow the agricultural

loan between 6 to 10 years ago and 7.5% of the respondents who borrow the agricultural loan between 1 to 5 years ago respectively.

Table (4.2) Demographic Characteristics of Respondents

Particular	Number of Respondent	Percentage (%)
Gender		
- Male	34	28.3
- Female	86	71.7
Marital Status		
- Single	18	15
- Married	102	85
Age (Years)		
18 - 25	9	7.5
26 - 35	30	25
36 - 45	49	40.8
46 - 55	27	22.5
Over 56 years	5	4.2
Education		
- Primary School	30	25.0
- Middle School	33	27.5
- High School	44	36.7
- Graduate	13	10.8
Number of Household(member)		
- Under 5	62	51.7
- Over 5	58	48.3
Land Size (Acres)		
- 1-10 Acres	69	57.5
- 11-20 Acres	46	38.3
- Above 20 Acres	5	4.2

How long have you been taking loan (Years)		
- 1- 5	9	7.5
- 6-10	26	21.7
- Above 10	85	70.8

Source: Survey Data, October 2019

4.3 Analysis on Customer Perception on Agricultural Loan

This study analyzed on customer perception on agricultural loan which includes appropriate loan tenor, affordable interest rate, collateral requirement, easy loan documentation procedures, loan sufficiency, bank staff from the bank and banking services of the bank.

4.3.1 Perception on Appropriate Loan Tenor

Farmers are depended on term of loan period which is reasonable for respective crop season. Farmers are also willing to pay and able to repay on time, crop can be sold easily when loan is due. Table (4.3) indicates the Farmers' perception on those statements.

Table (4.3) Perception on Appropriate Loan Tenor

Sr. No.	Statement	Mean	Standard Deviation
1.	Farmer satisfies the loan tenor limited by the Bank.	2.91	.733
2.	Agricultural loan is disbursed to farmers on time.	4.02	.608
3.	The Bank disburses loan for farmers during crop season.	3.61	.569
4.	Limited loan tenor is appropriated for seasonal crops.	3.49	.778
5.	Crop can be sold easily at the repayment time.	3.51	.502
	Overall mean	3.51	

Source: Survey data, 2019

Due to the result (Mean= 4.02), respondents strongly agreed that getting loan on time (in the beginning of their farming) and able to repay on time. Respondents also agreed receiving loan during their crop season (Mean= 3.61). Then farmers can sell their

crop easily at the repayment time, mean value is only 3.51. With regard limited loan tenor, respondents agreed that limited loan period (time) is appropriated for their seasonal crops (Mean= 3.49). Farmers are normal on receiving loan with limited loan tenor that means how many months do they take the loan from the disbursement time to repayment time due to the study result (Mean= 2.91). Regarding to the appropriate loan tenor, the overall satisfaction of respondents is 3.51 and the results show greed due to mean scores of them are between 3 and 4.

4.3.2 Perception on Affordable Interest Rate

In the research area, affordable interest rate is one factor for consideration of the respondents. Farmers are willing to borrow agricultural loan with reasonable interest rate. To analyze the affordable interest rate for farmers, the questions in table (4.4) is stated as follows.

Table (4.4) Perception on Affordable Interest Rate

Sr. No.	Statement	Mean	Standard Deviation
1.	The staff calculates the interest correctly.	3.52	.733
2.	The interest rate of MADB is the minimize of other Financial Institutions.	4.62	.522
3.	The interest rates of Microfinance Institutions are fair for the farmers.	3.37	.766
4.	Farmers avoid loan from other institution with highest interest rate.	3.84	.410
5.	Farmers also avoid the installment interest that is the burden for them.	3.67	1.147
	Overall mean	3.80	

Source: Survey data, 2019

According to the table (4.4), the interest rate of MADB is the minimize of other Financial Institutions or not, almost all respondents strongly agreed that MADB loan interest rate is the minimize and its mean value is 4.62. Most farmers agreed with they avoid loan from other institution with highest interest rate (Mean= 3.84) and they also

agreed with they avoid the installment interest that is the burden (Mean= 3.67). Respondents agreed that the staff from that bank calculates the interest correctly and its mean value is 3.52. Then respondents agreed that is the interest rate of MFIs is fair for them due to the mean value 3.37. The average satisfaction of farmers with affordable interest rate question is 3.8.

4.3.3 Perception on Collateral Requirement

Based on the Likert scale between 1-5, the farmers were asked to describe their level of agreement on the aspect of collateral as shown in the following table (4.5).

Regarding to the table (4.5), most respondents strongly agreed that farmers give their FORM (7) as collateral to the Bank without other collateral and its mean value is 4.56. Also farmers strongly agreed that farmers satisfy to give their FORM (7) as collateral for their loan at the bank and farmers give only the FORM (7) to the bank as the collateral due to the mean result 3.97 and 3.96 respectively. Then most respondents agreed that farmers give the collateral to the Bank on time and they apply for the FORM (7) for their farm land easily due to the mean result 3.73 and 3.29 respectively. The overall mean is 3.90 for the questions about collateral and it means that farmers strongly agreed on the collateral requirement to get loan access.

Table (4.5) Perception on Collateral Requirement

Sr. No.	Statement	Mean	Standard Deviation
1.	Farmers give the collateral to the Bank on time.	3.73	.673
2.	Farmers also give the FORM (7) to the Bank as collateral.	3.96	.726
3.	Farmers apply for the FORM (7) for their farm land easily.	3.29	.653
4.	Farmers give their FORM (7) as collateral to the Bank without other collateral.	4.56	.499
5.	Farmers satisfy to give their FORM (7) as collateral for their loan at the Bank.	3.97	.788
	Overall mean	3.90	

Source: Survey data, 2019

4.3.4 Perception on Easy Loan Documents Procedure

Analysis of perception on loan documents procedure is per shown in Table (4.6). According to the table (4.6), respondents strongly agreed that the location of the Bank is convenience for them and its mean 4.11. And farmers also strongly agreed that the farmers understand the explanation from the Bank concerning the terms and conditions of loan and they satisfy on the performance of credit officer and staff for loan documents due to the mean result 3.95 and 3.93 respectively. Although respondents agreed that the farmers submit the loan documents on time easily due to the mean result 3.69, respondents are normal that loan documents are easy to apply for the loan by the farmers due to the mean result 2.90. Finally, overall mean for the respondents' perception on the loan document is high due to average mean score is 3.72 that all respondents agreed on those loan documents of the Bank.

Table (4.6) Perception on Easy Loan Documents Procedure

Sr. No.	Statement	Mean	Standard Deviation
1.	Loan documents are easy to apply for the loan by the farmers.	2.90	.715
2.	Farmers satisfy on the performance of credit officer and staff for loan documents.	3.93	.707
3.	Location of the Bank is convenience for the farmers' transportation.	4.11	.719
4.	Farmers understand the explanation from the Bank concerning the terms and conditions of loan.	3.95	.659
5.	Farmers submit the loan documents on time easily.	3.69	.719
	Overall mean	3.72	

Source: Survey data, 2019

4.3.5 Perception on Loan Sufficiency

Analysis of customer perception of loan sufficiency is per shown in table (4.7). With regard to the loan amount is enough for their farm land preparation, most farmers

strongly agreed that is enough due to the mean value 3.46. But most respondents are normal for the situation of the loan amount is enough for hiring labor, renting farm machinery and its mean result is 2.70 and 2.28 respectively. Then most farmers disagreed that loan amount is enough for their crop production due to the mean value 2.09. And also most farmers disagreed that loan amount is enough for the inputs such as fertilizer, quality seeds and pesticides. The overall mean result for the perception on loan sufficiency is 2.52 and respondents are normal on the loan sufficiency questions.

Table (4.7) Perception on Loan Sufficiency

Sr. No.	Statement	Mean	Standard Deviation
1.	Loan amount is enough for the inputs such as fertilizer, quality seeds and pesticides.	2.06	.737
2.	Loan amount is enough for renting farm machinery such as water pump, tractor and so on.	2.28	.700
3.	Loan amount is enough for hiring labour.	2.70	.967
4.	Loan amount is enough for their farm land preparation.	3.46	.647
5.	Loan amount is enough for their crop production.	2.09	.756
	Overall mean	2.52	

Source: Survey data, 2019

4.3.6 Perception on the Bank staff from the bank

Analysis of customer perception of loan sufficiency is per shown in table (4.8). According to the table (4.8), most farmers strongly agreed that the bank is disbursed loan as the farmers' demands due to the mean value 4.63. Moreover respondents also strongly agreed that bank staffs understand the farmers' situation and its mean result is 4.14. And most respondents are normal that bank staffs delay to inform farmers for the updated loan news and bank staffs are not fully capacity on their performance due to the mean value 2.42 and 2.16 respectively. Then most respondents strongly disagreed that bank staff is not ready to feedback farmers complain due to the mean value 1.78. According to the overall mean result, respondents agreed on the bank staffs of MADB.

Table (4.8) Perception on the Bank staff from the Bank

Sr. No.	Statement	Mean	Standard Deviation
1.	Bank staff is not ready to feedback farmers complain.	1.78	.651
2.	Bank staffs delay to inform farmers for the updated loan news.	2.42	1.058
3.	Bank is disbursed loan as the farmer demands.	4.63	4.696
4.	Bank staffs are not fully capacity on their performance.	2.16	.767
5.	Bank staffs understand the farmers' situation.	4.14	.843
	Overall mean	3.03	

Source: Survey data, 2019

4.3.7 Perception on the Bank Services

The following table (4.9) is shown the customer perception on the banking services. According to the table (4.9), most respondents strongly agreed that bank branch counter is giving banking services during the banking hours due to the mean value 4.04. Also farmers strongly agreed that banking services are easily at the bank branch counters due to the mean value 4.03. Then most respondents strongly agreed that banking services of MADB is not much like other banks and the mean value is 3.78. Besides, most respondents strongly agreed that farmers satisfy on the loan services of MADB concerning agricultural loan and the mean value is 3.73. Farmers agreed that farmers satisfy on the services of MADB and the mean value is 3.60. Regarding to the overall mean result, respondents agreed that banking services of MADB are satisfy for them.

Table (4.9) Perception on the Banking Services of the Bank

Sr. No.	Statement	Mean	Standard Deviation
1.	Banking services are easily at the bank branch counters.	4.03	.809
2.	Banking services of MADB is not much like other banks.	3.78	.735
3.	Farmers are satisfied with the services of MADB.	3.60	.640
4.	Bank branch counter is giving banking services during the banking hours.	4.04	.600
5.	Farmers are satisfied with the loan services of MADB concerning agricultural loan.	3.73	.777
	Overall mean	3.84	

Source: Survey data, 2019

Table (4.10) Overall Mean

Sr. No,	Statement	Overall Mean
1.	Perception on Appropriate Loan Tenor	3.51
2.	Perception on Affordable Interest Rate	3.80
3.	Perception on Collateral Requirement	3.90
4.	Perception on Easy Loan Documents Procedure	3.72
5.	Perception on Loan Sufficiency	2.52
6.	Perception on the Bank staff from the bank	3.03
7.	Perception on the Bank Services	3.84

Summary overall mean values described above, table (4.10) shows all respondents perception upon agricultural loan of MADB. There are overall mean perception on the appropriate loan tenor, affordable interest rate, collateral requirement, easy loan documents procedure, loan sufficiency, bank staff and banking services. Among them,

collateral requirement is highest satisfied for all respondents. The second satisfaction for the perception of the customers is banking services and the least satisfaction for the customer perception is loan sufficiency.

CHAPTER V

CONCLUSION

This chapter presents the summary of the study; findings and suggestions based on the customer perception on agricultural loan of MADB and need for the further study.

5.1 Findings

The finding of this study is concerned with the farmers' perception on agricultural loan of MADB. This research area covers farmers from Hlegu Township. Concerning of impact on agricultural credit accessibility mainly rely on government organization (MADB) and it is cover clients' financial needs for input cost such as fertilizer, quality seeds and pesticides. According to analysis of the study, on the background characteristics of respondents, most respondents are females and also majority of ages are middle aged which mean between 36 and 45 years old. All respondents are literate, major portion are with middle education level and few are graduate level. The household size of respondents is under 5 members and over 5 members. The majority of household sizes of respondents are under 5 members. This paper found that majority of the respondents was between 1-10 Acres land size possessed, taking loan for over the last 10 years ago.

As regard of the customer perception on agricultural loan of MADB is analyzed and measured in terms of their perception on loan tenor, affordable interest rate, collateral for getting loan, sufficient loan amount, loan documentation procedure, agricultural loan of MADB and banking services of MADB. In term of customer perception on the loan tenor of MADB, respondents strongly agreed that getting loan on time (in the beginning of their farming) and able to repay on time due to the high mean value. The overall satisfaction of respondents perception on loan tenor is long and the results show greed due to mean scores of them are high and it means that all respondent agreed about the loan tenor of MADB. In term of affordable interest rate, the overall mean result on the interest rate is high which mean respondents agreed on that interest rate. With regard to the collateral, the overall mean is good for the questions about collateral and it means that farmers strongly agreed on the collateral requirement to get loan access easily. In term of loan documents, overall mean for the respondents' perception on the loan document is high due to average mean score is good that all respondents agreed on those loan

documents of the Bank. Regarding loan sufficiency, the overall mean result for the perception on loan sufficiency is enough which mean loan size is fair for respondents. According to the overall mean result on agricultural loan of MADB, respondents agreed on the bank staffs of MADB. Regarding to the overall mean result highest on banking services of MADB, respondents agreed that banking services of MADB are satisfy for them.

5.2 Suggestions

It is suggestions that financial institutions offering agricultural loans should make them more accessible to farmers. This can be done by offering various products which are in line with the ability of the farmers. It is also suggestions that there need to diversity the mode of loan disbursement such as releasing fund through mobile money so that farmers can buy farm input at the right time in order to realize high yields and providing long term loan to increase in farm size and higher selling price.

The suggestions which need attention of MADB to manage agricultural credit in an efficient way so that farmers may get maximum profits and their living standard be improved. The other things are loan tenor should be adjustable in case of any natural calamity or failure of crop the period of repayment should be extended at the convenience of farmers and also the procedure for getting loan should be made simple in terms of time, acceptance of security, documentation and disbursement of loan so that farmers feel easy and may avail it due to most of farmers are middle level education. Besides, there is need to increase the volume of loan disbursed. The disbursement should adequately meet the need of farmers for increase in yield. All financial institutions should consider providing loan without collateral in order to promote the farming business for both who start up a farming business and for who are running an existing one can be steep. Agriculture loan are geared toward helping farmers makes the leap into the world of farming or taking their existing farm to the next level. MADB should work together with other related organization such as Agricultural developing organization to educate farmers to use funds wisely, and soon it will be a great impact on farming industry.

5.3 Needs for Further Study

This study only focused customer perception on Agricultural Loan of MADB in Hlegu Township. The study area covers Hlegu Township. Thus, the result for the study may not cover the overall situation in Myanmar. Only paddy for monsoon has been taken into consideration. This research cannot be specifically explored farmer's loan usage for farming. Prices of paddy crop and their benefits are lacking in this study. It is due to time constraints to conduct more area in survey as well as to collect more randomly selected farmers. Therefore, if further study can be conducted on more sample size and whole Myanmar areas.

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APPENDIX

Questionnaire for customer perception on agricultural loan of MADB

Agricultural loan at HLegu Township of Yagon Divisional Region

Interviewer ----- Date of interviewVillage Name-----

Section I Demographic Information of Respondents

Please Tick “✓” as the best one.

1. Name -----
2. Gender of Respondent (a) Male (b) Female
3. Marital Status (a) Single (b) Married
4. Age (Years)
(a) 18-25 (b) 26-35 (c) 36-45 (d) 46-55 (e) Above 56
5. Education
(a) Primary School (b) Middle School (c) High School (d) Graduate
6. No. of Households (member)
(a) Under 5 (b) Above 5
7. Land Size (Acres)
(a) 1-10 Acres (b) 11-20 Acres (c) Above 20 Acres
8. How long have you been taking loan from the bank (Years)?
(a) 1-5 years (b) 6-10 years (c) Above 10 years

Section II Loan Terms & Conditions Factors

Analysis on customers' perception on agricultural loan of MADB in Hlegu Township

5 Points Likert Scale Measurement

Please Tick “√” on one answer.

(1) strongly disagree, (2) disagree (3) neutral (4) agree (5) strongly agree

Sr.	Appropriate Loan Tenor of MADB	1	2	3	4	5
1.	Farmer satisfies the loan tenor limited by the Bank.					
2.	Agricultural loan is disbursed to farmers on time.					
3.	The Bank disburses loan for farmers during crop season.					
4.	Limited loan tenor is appropriated for seasonal crops.					
5.	Crop can be sold easily at the repayment time.					

Sr.	Affordable Interest Rate of MADB	1	2	3	4	5
1.	The staff calculates the interest correctly.					
2.	The interest rate of MADB is the minimize of other Financial Institutions.					
3.	The interest rates of Microfinance Institutions are fair for the farmers.					
4.	Farmers avoid loan from other institution with highest interest rate.					
5.	Farmers also avoid the installment interest that is the burden for them.					

Sr.	Collateral Requirement	1	2	3	4	5
1.	Farmers give the collateral to the Bank on time.					
2.	Farmers also give the FORM (7) to the Bank as collateral.					
3.	Farmers apply for the FORM (7) for their farm land easily.					
4.	Farmers give their FORM (7) as collateral to the Bank without other collateral.					
5.	Farmers satisfy to give their FORM (7) as collateral for their loan at the Bank.					

Sr.	Easy Loan Documentation Procedure	1	2	3	4	5
1.	Loan documents are easy to apply for the loan by the farmers.					
2.	Farmers satisfy on the performance of credit officer and staff for loan documents.					
3.	Location of the Bank is convenience for the farmers' transportation.					
4.	Farmers understand the explanation from the Bank concerning the terms and conditions of loan.					
5.	Farmers submit the loan documents on time easily.					

Sr	Loan Sufficiency	1	2	3	4	5
1.	Loan amount is enough for the inputs such as fertilizer, quality seeds and pesticides.					
2.	Loan amount is enough for renting farm machinery such as water pump, tractor and so on.					
3.	Loan amount is enough for hiring labour.					
4.	Loan amount is enough for their farm land preparation.					
5.	Loan amount is enough for their crop production.					

Sr	Bank staff from the MADB	1	2	3	4	5
1.	Bank staff is not ready to feedback farmers complain.					
2.	Bank staffs delay to inform farmers for the updated loan news.					
3.	Bank is disbursed loan as the farmer demands.					
4.	Bank staffs are not fully capacity on their performance.					
5.	Bank staffs understand the farmers' situation.					

Sr	Banking Services of the Bank	1	2	3	4	5
1.	Banking services are easily at the bank branch counters.					
2.	Banking services of MADB is not much like other banks.					
3.	Farmers are satisfied with the services of MADB.					
4.	Bank branch counter is giving banking services during the banking hours.					
5.	Farmers are satisfied with the loan services of MADB concerning agricultural loan.					