

**YANGON UNIVERSITY OF ECONOMICS
MASTER OF PUBLIC ADMINISTRATION PROGRAMME**

**A STUDY OF BRANCH EXPANSION ON BANKING
DEVELOPMENT**

(A Case Study of United Amara Bank)

**NAY WIN MAUNG
EMPA - 39 (16th Batch)**

DECEMBER, 2019

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MASTER OF PUBLIC ADMINISTRATION PROGRAMME**

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**A thesis submitted as a partial fulfillment towards the requirement for the
degree of Master of Public Administration (MPA).**

Supervised by

U Thein Naing
Associate Professor
Department of Applied Economics
Yangon University of Economics

Submitted by

Nay Win Maung
Roll No. 39
EMPA 16th Batch
(2017-2019)

DECEMBER, 2019

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MASTER OF PUBLIC ADMINISTRATION PROGRAMME

This is to certify that this thesis entitled “**A STUDY OF BRANCH EXPANSION ON BANKING DEVELOPMENT (A Case Study of United Amara Bank)**” submitted as a partial fulfillment towards the requirements for the degree of Master of Public Administration has been accepted by the Board of Examiners.

BOARD OF EXAMINERS

1. Dr. Tin Win
Reactor
Yangon University of Economics (Chief Examiner)

2. Professor Dr. Ni Lar Myint Htoo
Pro-Reactor
Yangon University of Economics (Examiner)

3. Professor Dr. Phyu Phyu Ei
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Department of Applied Economics
Yangon University of Economics (Examiner)

4. Professor Dr. Su Su Myat
Department of Applied Economics
Yangon University of Economics (Examiner)

5. Daw Khin Chaw Myint
Associate Professor (Retired)
Department of Applied Economics
Yangon University of Economics (Examiner)

DECEMBER, 2019

ABSTRACT

The banking industry is highly competitive, with banks not only competing among each other; but also, with non-banks and other financial institutions. Banks need to open their branches nearest to the customer area in the whole country. Only by that bank products can be familiar to the people and their money flows into the bank to support economy. Thus, it provides to increase the banking assets as well as supporting to drive economy and increase business development of the country. The objectives of this study are to identify the effectiveness of the branch networks expansion of UAB Bank. This study was analyzed on UAB Bank's bank growth and new branch expansion data within 3 years. This study was analyzed and compared between UAB bank and all Myanmar banks branch expansion and their financial growth. Bank branch expansion at suitable locations provide for better facilities and services to the customers as well as benefits for the stakeholders. This study found that the number of bank branch increase, the volume of deposit larger from year to year, and then provide to create more loan. As the number of bank branch growth, but total profit decrease because some of the new branches are still under break-even period within 3 to 5 years. As per analysis data, deposit has gradually increased year by year, but the growth rate is not constant. Although deposit has increased steadily, loan did not disburse proportionally with deposit amount.

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LIST OF ABBREVIATIONS

ADB	Asian Development Bank
ATM	Automated Teller Machine
AYA	Ayeyarwady Bank
CAGR	Compound Average Growth Rate
CAMEL	Capital Adequacy, Asset Quality, Management, Earning and Liquidity
CAR	Capital Adequacy Ratio
CB	Co-operative Bank
CBM	Central Bank of Myanmar
CIR	Cost to Income Ratio
DBS Bank	Development Bank of Singapore Limited
DICA	Directorate of Investment and Company Administration
EMPA	Executive Master of Public Administration
EUR	Euro Currency
FIL	Financial Institutions Law
FIM	Financial Institutions of Myanmar
FISD	Financial Institution Supervision Department
GDP	Gross Domestic Product
IOS	iPhone Operating System
IT	Information Technology
JPY	Japanese Yen
JV	Joint Venture
KBZ	Kanbawza Bank
KYC	Know Your Customer
LC	Letter of Credit
LDR	Loan to Deposit Ratio
MADB	Myanmar Agricultural Development Bank
MBF	Master of Banking and Finance
MEB	Myanma Economic Bank
MFIs	Microfinance Institutions
MFTB	Myanmar Foreign Trade Bank
MICB	Myanma Investment and Commercial Bank
MIIC	Myanma International Insurance Corporation
MMK	Myanmar Kyats

MOPF	Ministry of Planning and Finance
MPU	Myanmar Payment Union
NPL	Non-performing Loans
OCBC Bank	Oversea-Chinese Banking Corporation, Limited
POS	Point of Sale
RMA	Relationship Management Application
ROA	Return on Assets
ROE	Return of Equity
ROI	Return on Investment
SGD	Singapore Dollar
SMEs	Small and Medium Enterprises
SWIFT	Society for Worldwide Interbank Financial Telecommunication
UAB	United Amara Bank
UBB	Union of Burma Bank
US	United States of America
USD	United States Dollars
VTAC	Village Tract Advisory Committee
YSX	Yangon Stock Exchange

CHAPTER I

INTRODUCTION

1.1 Rationale of the Study

The banking industry is highly competitive, with banks not only among the banks but also with non-banks and other financial institutions (Kaynak and Kucukemiroglu, 1992; Hull, 2002). Most bank product developments are easy to duplicate and when banks provide nearly identical services, bank products can be only distinguished on price and quality. Therefore, customer retention is potentially an effective tool for banks to gain a strategic advantage and survive in increasing banking competitive environment.

To deliver continued growth and create further value, Asian universal banks should be multitalented innovators in one or more of three dimensions of retail banking: (Cohen, Gan, Yong and Chong, 2007). An innovative distribution infrastructure will address new challenges. Banks need to prepare for a more multichannel condition to react the customers and manage economics. Credit-risk management skills will profitably target underserved segments such as SMEs and mass market. Banks need to implement models that fully support qualitative and quantitative information and the available collateral in these segments. Customer insights, banks should create prosperous customer insights from existing information. A more progressive approach to growth should be taken by creating further experiences along multiple dimensions, including geography and customer behavior.

In planning innovation strategies, banks should analyze own position and capabilities and the competitive terrains on operation. The need for innovation of retail banks may exceed the limits of what retail banks consider practically, but those capabilities have to be acquired for the bank to compete and grow. (Lam, K. and Sengupta, J. 2013)

Many private banks build their networking by opening branches to reach their services to different location. It means that branch can offer different services to customers in more productive ways and channel network allocation.

Branch network expansion is generally encouraging of banking services and greater access to finance are vital for achieving broad-based and inclusive economic growth. Convenience for customer has meant location. Business and households have preferred to buy the services supplied by a financial firm located in the same community rather than from a financial institution situated across town, in another region, or country.

1.2 Objective of the Study

This thesis aims to find out branch expansion and its effect on banking development of United Amara Bank (UAB).

1.3 Method of Study

The study used descriptive method based on the secondary data and SPSS data analysis between the independent data of the number of the deposit and dependent data of branch, profit, total assets and costs.

Secondary data were collected from the research papers, articles, printed books, regulations and policies, reports, publications which were issued by the regulators from CBM and Monetary Financial Institutions, researcher, and website.

1.4 Scope and Limitations of the Study

This study mainly focused on Bank Branch expansion and business development of UAB. The secondary data was used for the duration of 2015 to 2017. Area focus was based on new bank branches opening and changes in balance sheet data of UAB against with other banks aggregate data.

The data utilizing is collective from the UAB bank's financial data only, because other banks financial data did not publish at that meanwhile and also it is difficult to collect throughout conversation also. The data analyzed in this study is used both UAB and CBM published aggregated data.

1.5 Organization of the Study

This study is organized into five chapters where the first chapter is introduction with rationale, objectives, method, scope and limitation, and organization of the study. The second chapter presents the literature review and the factors of bank branch organizing. Presents also about the bank growth and expansion, branch banking advantages, location process and economic growth and stability. The third chapter, then presents origin of “Bank”, brief history of banking development in Myanmar and branch expansion regulation in Myanmar, and UAB bank portfolio. The fourth chapter is the data analysis on UAB new branch expansion and business development data analysis by SPSS. The last chapter explores the finding of the study, conclusion and recommendation.

CHAPTER II

LITERATURE REVIEW

2.1 Origin of "Bank" and "Banking"

The merchants of early times employed as money, gold and silver bullion; and received it and paid it away by weight. It is probable that the merchants would require that the precious metals received should be of a certain degree of fineness.

After bullion was superseded by coin, and each nation had a coin of its own, the merchants would necessarily in the course of their business receive coins belonging to different nations, and hence would be applied to by strangers who wished to exchange their own money for the money of the sojourned country. This would take place more particularly in those oriental countries whose inhabitants were accustomed in certain seasons to meet together for the celebration of public festivals. After commerce and the arts had revived in Italy, the business of banking was resumed. The word "bank" is commonly regarded as derived from the Italian word banco, a bench - the Jews in Lombardy having benches in the market-place for the exchange of money and bills. When a banker failed, his bench was broken by the populace; and bankrupt. (Russell, 1916)

The first central bank was formed in Geneva in 1578. Bank of England was established in 1694. The commercial banking system developed in 19th century and the scope of commercial banks has greatly increased. Commercial banks serve large number of businesses such as obtaining funds, advancing loan to businesses, farmers, households.

In London an organization or enterprise, called Goldsmiths, and a large portion of those called bankers are of that corporation; there isn't an organization or company in England called Bankers, nor has the business any definition either by customary law or Statue. A banker who has an open shop, with books, proper counters and servants, for receiving other people's money, to keep safe and return it upon demand; and when any man has opened such a shop it call him a banker, without inquiry whether any man has given him any money to keep or not; for this

trade where no apprenticeship is required, it have not been supposed that a man who sets up the trade of banking could be sued upon the statute of Queen Elizabeth which enacts, that shall not use any art or mystery then used, but such as have served an apprenticeship in the same. (Danvers, 1746)

Nowadays, the functions of banks are more understandable. A banker is a dealer in money. Banks are the intermediary between the borrower and the lender. Banks borrow from one party, and lends to another; and the difference between the terms at which bank borrows and lends, forms the source of profit. Banks draw into active operation which were unproductive private individuals and furnishes accommodation to who need additional capital.

Banks are classified into private and public. A private bank has few partners, and they attend personally to management. A public bank has numerous partners or shareholders who are trusted with its management.

The banking business incorporate in receiving deposits, which interest may or may not be allowed; in making advances of money, discounting bills and the transmission of money from one place to another. Banks in metropolitan cities are generally the agents of the banks in smaller communities and charge the commission fees for these transactions.

A commercial bank is a repository or an establishment for receiving the money of individuals, either to keep security or by trafficking in goods, bullion, bills of exchange. It may be either public or private nature. A public bank is regulated by the laws, enacted by the government, which constitute charter, capital limit, and establish the rules by which it is to conduct business. A private bank is solely a contract among individuals, for conducting a trade in money and bills and the responsibility of the partners is the security of individuals who transact business with it.

Banks are properly commercial institutions. They provide the services such as affording credits, issuing notes, the representative of money, enable merchants to buy and sell commodities, at home or abroad. Thus, the produce of one country is exchanged with another by means of a medium with the attached ideal value; therefore, the great utility of banking establishments in all commercial countries.

2.2 Branching Organizations

New banks start as the unit organizations because their capital, management, and staff are limited till the financial firm grow and attract additional resources. Nevertheless, most financial firms desire to create multiple service facilities branch offices electronic networks websites, and other service outlets to open at new markets and to expand geographically to reduce their overall risk exposure. The depending on a single location to receive customers and income can be risky where the surrounding economy weakens, people and business will be moved away to other areas.

As a unit financial firm grows in size, it shall focus to establish a branching organization because of the rapidly growing region and it is difficult either to follow its business and household customers who move into new locations or lose customers to more conveniently located financial-service competitors. Branching organizations offer all services from several locations, including a head office and full-service branch offices, and offer limited services through a supporting network of counter windows, ATMs, point-of-sale terminals in stores and shopping centers, the internet banking and other advanced communications system.

Branching organization's senior management team is generally located at the head office although each full-service branch has branch management team with limited authority for decision making on customer loan applications and other facets of daily operations.

There are many causes for the rapid growth in branching. One of the factor leads the exodus of population from cities to suburban communities, forcing many large downtown financial firms to either follow or lose their mobile customers. Business growth has fueled the spread of branching: the credit needs of rapidly growing corporations necessitate larger and more diversified leading institutions that can reach into many local markets for small deposit accounts and pool those funds into large volume loans.

Banks may invest offshore for greater growth and profit opportunities, to capitalize upon competitive advantages, to follow and lead clients, to manage risk, to focus both on domestic and foreign regulation. Once a decision has been determined to expand abroad the intending multinational banking must decide on the form its expansion will take and the strategies process will employ.

The foreign branch represents the highest level of multinational banking commitment. Foreign branches are generally authorized to conduct all banking

activities and the deposit collection and making of loans, as well as providing traditional international banking services the main activity of a foreign branch is wholesale lending, both within the host country and across borders. Foreign branches are allowed to raise retail deposits, close proximity to potential depositors is required in favor to attract retail deposits and in turn necessitates major branch investments.

The bank must apply to local authorities (and usually its home-country authorities) for a license to operate a branch in the local market. Foreign branches also become actively involved in foreign capital, money and foreign exchange markets and so also play a part in managing home-country assets in foreign markets. (Myat Su Han, 2015)

2.3 Advantages of Branch Banking and Banking Sector Development

Branching organizations often buy out smaller institutions, converting them into branches and concentrating the industry's assets into host firm. Customer convenience needs to improve, it means that, more services are available at every branch location and branching areas tend to have more offices per unit of population, reducing transactions costs for the average customer.

Financial service facilities are usually performed for the convenience of customers. For example, customers want to access their current and savings accounts and access loans at a time and place for their daily needs. For the financial service providers "convenience" has meant location. Businesses and households have preferred to buy the services supplied by a financial firm located in the same community or neighborhood rather than from a financial institution situated across town in another region, or country.

Branch banking is doing one's banking business at a location which is separate from main bank business location. Many banks use branch banking to extend the reach of their services to different locations in a country. Bank branch banking opens in different locations, and many banks build individual branch locations. Generally, most of the services offered at a large bank can be performed at a branch banking location, such as making withdrawals and deposits, cashing checks, opening new accounts.

The central location of the bank may be located far away from the branches, and these branches provide all the necessary services which customer needed. Branch banking provides various services to customer are easy to understand and are

improved fact to be in competition. It increases the availability of convenience of services to customers, because branch banks are large enough to support a full of services in each branch office. (Myat Su Han, 2015).

The economists' different views regarding on the relationship between financial development and economic growth could said positive trend. The supply-side states that financial development has a positive outcome on economic growth. Joseph Schumpeter (1912) said that well-functioning banks encourage on the technical innovation with funding of the best implementing innovative products and production processes. As the economy expands, its demand for financial services are increasing and leading to the service growth. Demetriades and Hussein (1996), Ireland (1994) and Friedman and Schwartz (1963) provided empirical support for the demand-side view.

A common argument articulated is that bank branch banking stabilizes by reducing vulnerability to local economic shocks. Branching enables banks to classify loans and deposits according to the geographical area. Restrictions on branching have been connected to the banking systems instability. Calomiris (2000) said that bank failures were more progressively common in regions of the U.S without branch banking and in countries lacking it. Friedman and Schwartz (1963) said that the lack of branching in the United States increased the severity of the banking panics during the Great Depression. Friedman and Schwartz argue that the United States experience stands in contrast to Canada, which experienced banking distress during the Depression but not widespread failures and a collapse of its banking system. The notion that bank branch banking stabilizes banking systems by increasing diversification opportunities is an argument with old roots (Sprague 1903). In the 1920s, proponents of bank branch banking used this argument to encourage state legislatures to adopt laws legalizing branch banking (Preston 1924, Southworth 1928).

The growth in branching is attributable largely to shifts in the relationships of banks with each other, technological development and economic growth rather than changes in regulation specifically concerning branching, it can be use changes in actual branching activity over time, and across states, rather than changes in branching laws, to analyze the branching on a state's banking system. It is argued that using actual bank branches provides a more complete picture of the effect that branching might have on the competitive environment because the laws regulating the

establishment of bank branches varied substantially so that variables categorizing regulations capture quite different situations.

In 1920s the expansion of branching and consequently the consolidation of the banking system, that was driven by the establishment of technological changes, population growth, and Federal Reserve, is quite different from expansion of branching in the 1980s and 1990s, which have been more strongly influenced by changes in regulation (Stiroh and Strahan 2003, Kroszner and Strahan 1998). In recent periods, the shifting in regulation have played a prominent role in the expansion of branching than focusing on a branching activity to better capture the effect of branching on the banking system during the 1920s.

2.4 Location Processes for Bank Branch Expansion

Nowadays, service organizations have significant effects on the countries' economic development. Banking industry, regarding the importance of financial activities, holds a great potential in business development. Banks maintain the cash flow in the economy by implementing the policies. So, banks play a significant role for the economic growth. Banking industry is developing to move privatization and to provide a competitive environment. the banks should meet and satisfy their customers' requirements to achieve sustainability in the uncertain marketplace. (Tavakoli and Shirouyehzad, 2013). The most important factors for selecting the branch of banks is convenience of customers in specific area. (Adil, 2013).

Fung (2001) said that costumers choose banks based on the convenient way to reach the bank. The availability of the demand area is a first challenge in estimating the feasibility of a bank branches development project and plan. (Garegnani, 2018). Dick (2008) said that the local branch density and depositors' value geographic reach. Location selection is a significant matter for companies because it would be a costly that results in unnecessary relocating cost, endeavor and competitive advantages losses, especially when the decision problem depends on the facilities of location (Palomino Cuya, 2013). The deciding problem on the best site for a new bank branch is the general problem of restructuring the bank branch network (García Cabello, 2017). Thus, Finding the best site for a new branch is the general problem of restructuring the bank branch network because it may influence by the event of changes in bank regulations, motivating mergers that necessitate the branch network redesign. (Camble, 2011).

2.5 Review on Previous Studies

Nwe Nwe Oo, 2010, has presented as: Banking system plays a vital role in the economic development activities of a country, especially in the market economy, where various functions of the banks are main constitution to the economy which place emphasis on the functions of the market. As Myanmar has been practicing market-oriented economy since 1989, banking system of Myanmar shift the one of those which pave the way for the achievement of economic goals of the country.

Myat Su Han, 2015, has presented as: Branches are generally authorized to conduct the full range of banking activities, including the receiving of deposits and making of loans, as well as providing traditional banking services. Branches also participate in short-term lending to commercial enterprise and the financing of business development. Otherwise, the increasing of bank branches provides the convenience of internal remittance services. So, opening branches is the most popular means for modern banking. It was found that opening bank branches at suitable locations can offer better and greater facilities and services to the customers and the benefits for the stakeholders.

CHAPTER III

DEVELOPMENT OF THE BANKING SYSTEM IN MYANMAR

3.1 Development of Banking System in Myanmar

In 1948, the development of the banking system in independent Myanmar began with the creation of the Union Bank of Burma (UBB) as the central bank of Burma. The UBB took over the central banking functions of the Rangoon Branch of the Reserve Bank of India, which has served as the central bank in Myanmar since 1935 according to the Union Bank of Burma Act, 1947. The currency system of Burma was managed by the Burma Currency Board, London. In 1952, the UBB was bestowed the full prerogative of a central bank as per the new Union Bank of Burma Act 1952. (Myat Thein, 2004)

The Burmese way to socialism caused the worst excesses of Stalinist economics. The financial system was nationalized in 1963, and all nationalized banks were merged into 'The Peoples' Bank of the Union of Burma' in 1969. Its name was changed to the Union of Burma Bank in 1972. In 1975 it was broken into five different banks. These were the Union Bank of Burma which was established as the central bank, the Myanmar Foreign Trade Bank which was established to deal with all foreign exchange transactions, the Myanmar Economic Bank which was created as the primary deposit-taking and general banking institution, the Myanmar Agricultural Bank which was established to service agriculture; and the Myanmar Insurance Corporation which was formed to conduct insurance services. (Turnell, S. 2002).

Table 3.1 shows data on money, credit, and prices for Myanmar for the period 1962–88. It can be seen from the table that double digit increase rate in the money supply (1966–69 and 1986–88 excepted) were quite high relative to modest rates of growth of GDP. Inflation rates were not high except for 1974–77 and 1986–88. The amount of personal savings had been increasing at 28.33 per cent annually between 1976/77 and 1987/88 regardless of the negative real interest rates in the mid of 1980s (Myat Thein 1990).

Table (3.1) Money, Quasi-Money, Credit, and Prices, 1962-88
(Average Annual Percentage Changes)

Year	Money	Money Plus Quasi-Money	Domestic Credit	GDP Deflator	Consumer Prices
1962-65	11.0	1.2	12.4	-2.8	3.2
1966-69	3.8	3.2	10.1	5.3	6.1
1970-73	17.6	12.3	16.3	8.3	7.8
1974-77	16	14.1	14.6	14.2	19.5
1978-81	12.9	17.3	19.8	3.0	0.1
1982-85	10.3 ^a	11.2	17.2	1.9	5.7
1986-88 ^b	-2.4 ^c	2.1 ^d	15.3 ^e	10.3	17.4

Source: Tun Wai (1990), p.34.

^a Three-year average.

^b Average of two years, 1986 and nine months ending September 1987 for money, quasi money, and credit.

^c Average of 41.4 percent increase in 1986 and -46.2 percent in 1987.

^d Average of 31.3 percent increase in 1986 and -27.1 percent in 1987.

^e Average of 33.2 percent increase in 1986 and -2.7 percent in 1987.

After twenty-five years, the misrule resulting was an economy shreds reduced to bankruptcy when it was forced to the least developed country status in 1987. The official economy inefficiency had led to the black market and it becomes the real economy.

Major economic reforms directly affecting the macro-economy and the external sector may be summarized as follows:

a. Foreign Investment Law

It was introduced to enhance technical knowledge and investments in others sectors which do not include the reserve for the state.

b. Fiscal Sector

Restructuring of the tax and tariff systems to be in line with market-oriented system, to solve the deficits issues and scrutiny of government expenditures.

c. Financial Sector

It was restructuring the financial sector to include private sector in both banking and insurance.

d. Legal System

It was the combination of Common Law and Civil Law Legal Systems to reactivate with new legal addition and revocation of the Law of Establishment of Socialist Economic System.

e. Tourism Sector

It was allowing the private sector to include in both hotels and tourism business.

f. Trade Sector

It was the liberalization of domestic and foreign trade to include the private sector, resumption of Myanmar's Chamber of Commerce and Industry, and regularization of border trade.

g. Frontier areas administration

It was the pacification and promotion of minority races development in frontier areas.

Real GDP growth rates changes from 1989 to 2000 is the recovery since the mid of 1980s and it was the expansion to new economic activities in the 1990s. Growth rate was fall to -11.4 per cent in 1988/89. It falls to -0.6 percent in 1991/92, then quicuilly turned positive to 9.6 per cent in 1992/93. (Sean Turnell, 2002)

Table (3.2) GDP, Per Capita GDP, and Per Capita Consumption, 1985-2000
(In 1985/86 Constant Producers' Prices)

Year	GDP		Per Capita Income		Per Capita Consumption	
	Million	% Change	Kyat	% Change	Kyat	% Change
1985/86	55,989	-	1,510	-	1,336	-
1988/89	47,141	-11.4	1,200	-13	1,045	-15.5
1989/90	48,883	3.7	1,221	1.7	1,045	-
1990/91	50,260	2.8	1,232	0.9	1,035	-0.9
1991/92	49,933	-0.6	1,202	-2.4	970	-6.3
1992/93	54,757	9.7	1,293	3.1	1,029	6
1993/94	58,064	6	1,347	4.2	1,085	5.4
1994/95	62,406	7.5	1,421	5.5	1,092	0.6
1995/96	66,742	6.9	1,492	5	1,140	4.4
1996/97	71,042	6.4	1,559	4.5	1,145	0.4
1997/98	75,123	5.7	1,619	3.8	1,148	0.3
1998/99	79,460	5.8	1,650	1.9	1,111	-3.2
1999/2000	97,810	10.5	1,794	8.7	1,145	3

Sources: International Monetary Fund, Yearbook, 1999.

Following a 1988 government change and the adoption of a market-oriented policy by this government, the financial system and the banking sector had to be transformed, once again, into one that was more suited to market-based new surroundings. Accordingly, the structure of the financial institutions was changed according to new bank laws in 1990, namely, the Central Bank of Myanmar Law, the Financial Institutions of Myanmar Law, and Myanmar Agricultural and Rural Development Bank Law. All the banking and non-banking financial institutions as well as government finance organizations were placed under the Ministry of Finance and Revenue.

Table (3.3) GDP and Per Capita GDP, Per Capita Consumption (2001/02 to 2017/18)

Year	GDP		Per Capita Income		Per Capita Consumption	
	Million	% Change	Kyat	% Change	Kyat	% Change
2001/02	2,842,314		56,690		34,921	
2002/03	3,184,117	12	63,508	12	39,121	12
2003/04	3,624,926	14	68,107	7	59,653	52
2004/05	4,116,635	14	75,814	11	65,317	9
2005/06	4,803,019	17	84,396	11	73,374	12
2006/07	13,758,367	186	245,836	191	208,473	184
2007/08	15,772,619	15	270,580	10	230,292	10
2008/09	17,115,259	9	293,867	9	242,717	5
2009/10	19,944,801	17	320,824	9	270,081	11
2010/11	39,776,765	99	801,418	150	539,376	100
2011/12	42,000,876	6	837,522	5	566,124	5
2012/13	45,080,662	7	889,744	6	605,871	7
2013/14	48,879,159	8	954,969	7	671,223	11
2014/15	52,785,051	8	1,015,273	6	746,151	11
2015/16	56,476,225	7	1,076,763	6	774,252	4
2016/17	59,787,129	6	1,129,828	5	784,619	1
2017/18	63,827,919	7	1,195,548	6	811,102	3

Source: Central Statistical Organization

Statistics relating to basic statistics on gross domestic product, consumption and investment are calculated by constant prices. The total value of net output and services (GDP) are calculated at 1985-86 constant producers' prices up to 2000-2001.

For the year of 2001-2002 to 2005-2006, the total value of net output and services (GDP) are calculated at 2000-2001 constant producers' prices. For the year of 2006-2007 to 2010-2011, the total value of net output and services (GDP) are calculated at 2005-06 constant producers' prices. 2010-2011 constant producers' prices are calculated starting from 2011-2012. In 2006/2007 and in 2009/2010, GDP and Per Capita was significantly increased due to the changes of constant producers' price. Private imports Growth was constrained by the amount of private exports due to 'export first' policy was enforced in 2002.

The categories of export earnings eligible for import licenses to include foreign currency incomes from hotels and tourism sector, was expanded by government in 2009. This helped private imports to surpass private exports in 2010 and 2011. The banking system is a key function in shifting resource allocation to the market-oriented system. In 2012, the fixed exchange rate system was changed to the managed float system.

The economy of Myanmar is recovering from the slowdown in 2015/16. The new government faced the challenges in first year of 2016/17, with lower-than expected growth of 5.9 percent. The slower growth was because of the suspension of construction permits in Yangon, and weak in the sectors of the agricultural production and exports. The fiscal deficit was nearly 2.5 percent of GDP, and it was below the election year deficit of 4.4 percent of GDP in 2015/16. The lower fiscal deficit reduced the government's financing need. Because of that, central bank financing of the deficit fell in nominal kyat terms. But the target ceiling was not met with 40 percent for 2016/17. Lower food prices took inflation to average 6.8 percent in spite of reduced monetary financing. Fiscal deficit fell to 3.9 percent of GDP in 2016/17 from 5.1 percent in 2015/16. (IMF Country Report, 2018)

3.2 Current Situation of Banking Development (2001 until now)

The government reduced restrictions on imports, opened the country to foreign investment and cut export taxes. As a result, Myanmar has maintained 7 percent of average GDP growth annually since 2011 and GDP per capita was increased to nearly double amount, US\$1,100 in that period. Banking-sector development has become a major reform by these initiatives. These developments of financial sector lead to the growth of private sector. Development of the banking sector include policy reforms and investments in the payment infrastructure. The government has enacted new laws;

such as the Foreign Exchange Management Law in 2012, the Central Bank of Myanmar Law in 2013, and the Financial Institutions Law in 2016. These laws have changed the Myanmar Banking Sector such as establishment central bank independence, ending of dual exchange rates, and prudential standards. In this period, the government has taken the positive measures to include foreign participation in the banking sector.

Starting from 2011, the policymakers have imposed several reforms to develop the financial sector for acceleration of economic growth.

In the period of 2011-2015, the assets of Myanmar banking sector have grown nearly 22 % annually. In 2016, the Myanmar banking assets was 42,357 billion kyat which is 55 % of GDP and Myanmar domestic banks include 95 % of these assets. Therefore, the financial sector growth has been driven mainly by domestic private owned banks and balance sheets of these private own banks expanded over 1,000 percent of 2010's amount. Significantly, private owned and semi-private banks assets surpass the amount of state-owned institutions assets. In 2016, private owned banks held 52 % of banking assets and state-owned bank held 48 % of banking assets. In the balance sheet, the liability side of private owned banks have taken the lead due to expanding the deposit. In 2013, total deposits were nearly the same between private owned banks and state-owned banks but in 2016, the private own banks held 64 percent of total deposits. These are the key measures of recent progress and it provides a current landscape of private-owned banks, state-owned banks and their regulators. (Schellhase, J. and Sun, L., 2017)

Nowadays, Myanmar has 28 domestic banks. These include four state-owned banks, three municipal governments banks, 10 semi-private banks and 14 privately owned banks. The privately-owned banks, Kanbawza Bank (KBZ), Ayeyarwady Bank (AYA), and Co-operative Bank (CB) "Big Three" banks in Myanmar. These banks hold two-thirds of both total loans and total deposits, these three banks open their branches more than 50 percent of all Myanmar branch in the whole country. There are the four state-owned banks which are Myanmar Economic Bank (MEB), Myanmar Foreign Trade Bank (MFTB), Myanmar Investment and Commercial Bank (MICB), and Myanmar Agricultural Development Bank (MADB).

Table (3.4) Domestic Bank in Myanmar

Government Banks (State-Owned)	Government Banks (Municipality- Owned)	Semi-Private Banks	Privately Owned Banks
Myanmar Agricultural Development Bank	Naypyitaw Siin Bank Ltd.	Global Treasure Bank Ltd.	Asia Green Development Bank Ltd.
Myanmar Economic Bank	Yadanabon Bank Ltd.	Innwa Bank Ltd.	Asia Yangon Bank Ltd.
Myanmar Foreign Trade Bank	Yangon City Bank Ltd.	Myanmar Citizens Bank Ltd.	Ayeyarwaddy Bank Ltd.
Myanmar Investment and Commercial Bank		Myanmar Microfinance Bank Limited.	Ayeyarwaddy Farmers Development Bank Limited.
		Myawaddy Bank Ltd.	Co-Operative Bank Ltd.
		Rural Development Bank Ltd.	Construction and Housing Development Bank Limited.
		Small & Medium Industrial Development Bank Ltd.	First Private Bank Ltd.
			Kanbawza Bank Ltd.
			Myanma Apex Bank Ltd.
			Myanma Oriental Bank Ltd.
			Shwe Rural and Urban Development Bank Limited.
			Tun Foundation Bank Ltd
			United Amara Bank Ltd
			Yoma Bank Ltd.

Source: CBM, USAID 2016

3.3 The Development of Private Banking

Financial institutions in Myanmar are headed by the Central Bank of Myanmar (CBM). The Central Bank of Myanmar is responsible for not only issuing currency and but also formulation and implementation of monetary policy. Besides the Central Bank, the MEB, MADB, and MFTB remained; and the Myanmar Investment and Commercial Bank (MICB) came into being as a new member of the state-owned banks. The Small Loans Department was separated from the MEB in 1992 and set up as a finance company called the Myanmar Small Loans Enterprises.

Since the rules and regulations related to the above-mentioned financial laws (and in particular the Financial Institutions Law, which provided the basis for the creation of private commercial banks, including foreign-owned ones) came into force in 1992, twenty-one private commercial banks and forty-seven of foreign banks representative offices have been established. To enhance financial savings, interest rates on savings deposits and saving certificates were raised from 8 to 10 per cent and 10.9 to 12 percent respectively in July 1992.

Table (3.5) Myanmar Private Banks, Deposits and Loans, 1993-99**(Million Kyat)**

	1993 ^b	1994 ^c	1995 ^d	1996 ^e	1997 ^f	1998 ^g	1999 ^h
Total Deposit (TD) of which:	1,577.50	4,839.60	15,705.10	37,013.60	58,156.40	110,783.80	186,168.50
Demand deposits	758.8	1,305.80	3,722.30	5,698.30	14,279.30	32,382.40	58,409.10
Time Deposit TD as a % of total bank	818.7	3,533.80	11,982.80	31,315.30	43,877.10	78,401.40	127,759.40
domestic deposits	5.2	11.6	27.2	35.8	-	-	-
TD as a % of money in circulation(M1)	2.1	4.9	11.9	20.9	-	-	-
Loans and advance(LA)	1,294.00	3,516.00	9,719.00	26,222.00	50,488.00	60,866.00	97,066.00
LA as a % of total domestic loans	4.7	10.4	25.1	36.1	-	-	-

Note: The government stopped releasing money supply and other monetary aggregates after 1996.

^a Includes fixed deposits and saving deposits.

^b Includes eight private banks.

^c Includes thirteen private banks.

^d Includes fifteen private banks.

^e Includes twenty-one private banks.

^f Includes twenty private banks.

^g Includes twenty private banks.

^h Includes twenty private banks.

(Source: Myanmar Data 2000)

The Central Bank rate was raised from 11 to 12.5 per cent in January 1995 and then to 15 per cent in 1 April 1996. Thus, private commercial banks were free to set their rates anywhere between 12 and 21 per cent. However, the 21 per cent ceiling still left lending rates lower than inflation. Nevertheless, judging by the growth in the volume of deposits and loans, the progress of private banking was quite impressive. Nominal deposits of private banks rose from 1,577 million kyats in 1993 to 37,103

million kyat in 1996. Loans and advances to the private sector from these banks increased from about 1,294 million kyats in 1993 to 26,222 million kyat in 1996; and further to 97,066 million kyats in 1999. Thus, as bemoaned by one of the bankers, had the private banks been allowed to open additional branches throughout the country the increase would have been greater (Wint Kyaw, 2002).

The development of private banking in Myanmar appears more impressive if the consideration of the negative real interest rates, credit restrictions, and lack of “banking habits” among the people in the country. The inflation rate is over 20 percent and most private banks offer short-term lending which is shown in Table (3.5).

Table (3.6) Private Banks, Public Banks and Semi-government Banks Opened in Myanmar from 1992 to 2000

No	Bank Name	Classification	Date of Commencement
1	Myanmar Citizens Bank	Semi-government	2.6.1992
2	Cooperative Bank	Private	21.8.1992
3	Yadanabon Bank	Semi-government	11.9.1992
4	First Private Bank	Public	6.10.1992
5	Myawaddy Bank	Semi-government	4.1.1993
6	Yangon City Bank	Semi-government	1.4.1993
7	Yoma Bank	Private	14.8.1993
8	Myanmar Oriental Bank	Private	18.11.1993
9	Myanmar Mayflower Bank	Private	9.6.1994
10	Tun Foundation Bank	Private	14.6.1994
11	Kanbawza Bank	Private	1.7.1994
12	Asia Yangon Bank	Private	18.10.1994
13	Myanmar Universal Bank	Private	24.1.1995
14	Asia Wealth Bank	Private	30.4.1995
15	Myanmar Industrial Development Bank	Semi-government	15.2.1996
16	Myanmar Livestok & Fisheries Development Bank	Semi-government	15.2.1996
17	Rural Development Bank	Semi-government	4.7.1996
18	Cooperative Promoters Bank	Private	6.7.1996
19	Cooperative Farmers Bank	Private	6.7.1996
20	Sibin Tharyar Bank	Semi-government	4.7.1996
21	Innwa Bank	Semi-government	28.11.1997

Source: www.cbm.gov.mm

In 1992, the first domestic private banks had been opened and the first foreign bank representative offices had been opened. The lists of private banks, public banks and semi-government banks opened in Myanmar since 1992 is shown in Table (3.6).

Table (3.7) Loans Portfolio and Percentage of GDP in Myanmar

Particular	Number		Branches		Total Deposit % of system		Total Assets % of system		Total Loans % of system	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
State owned Banks	4	4	516	545	28%	26%	36%	33%	12%	11%
Private Banks	24	24	1520	1719	66%	66%	55%	57%	86%	85%
Foreign Bank Branches	13	13	13	13	6%	8%	9%	9%	2%	4%
In percent of GDP					44%	48%	61%	63%	23%	25%

Lax lending standards collateralized on real estate and significant evergreening through the rollover of overdrafts have raised systemic risks. According to new regulations, Central Bank of Myanmar reflects the transform from overdrafts to term loans and new capital regulations as per Table (3.7). There has been progress in legacy issues of the private domestic banks, but there have challenges remaining in the financial sector.

3.4 New Branch Expansion Process in Myanmar

When expanding bank branch; bank management must prepare pre-data analysis of the potential branch area. Firstly, geographical map data analysis of the potential branch area is conducted. Then actual ground survey analysis must be done to cover the business around the potential area, market survey data, geographical business location that can lead to increasing bank assets, nearby competitors and other important factors.

After confirming the potential new branch, bank must present the new branch application form (CBM-02) along with cover letter and attach additional information such as detail profile of branch manager, branch survey data, opened branch lists and 3 year estimated profit & loss, branch staff list and branch location map to apply at CBM to get the permission from CBM for the new branch establishment. CBM-02 includes the following data;

- a. The contribution of its relative business grow
- b. The recommendation for the security and safety of the relative area administrative department.
- c. The recommendation for the qualification of building structure and bank branch organizing structure
- d. Feasibility of Return on Investment (ROI) of the Bank
- e. Security and safety policy of new branch
- f. Prudential requirement data of Central Bank Guideline
- g. Leasing or buying agreement
- h. Layout plan of new branch and cash in vault certificate
- i. Staff list of new branch and branch head profile
- j. Fixed Assets lists

If the new branch also includes foreign exchange teller and Trade Finance, then the bank shall submit CBM-03 and apply at Central Bank of Myanmar. CBM will issue the permission for new branch license after completing of surveying by the Banking Supervision Department of CBM. CBM 02 and CBM 03 forms were shown at Appendix.

3.5 Banking Supervision and Regulation

The CBM is striving for the financial sector development and to emerge safe, sound and effective banking system. The primary objective of the financial institutions supervision department (FISD) is to ensure safety and soundness of banking in Myanmar. The process of supervision is based on off-site monitoring and on-site monitoring. The key objectives of off-site monitoring are:

- (a) To obtain regular information on the financial situation and performance of the bank through the analysis of bank data and report.
- (b) To verify and analyze the data submitted to FISD on key performance indicators.
- (c) To serve as an early warning system.

The key objectives of on-site monitoring are:

- (a) To maintain the stability, soundness and safety of the financial system
- (b) To protect the depositors' interest

The banking supervision department use CAMEL model for on-site monitoring to the bank especially examination of bank's financial position and management status. For the capital position, mainly Paid Up Capital, Reserve, Retained Earning, General Provision, Current Profit and Capital Improvement Plan are inspected. For the Asset Qualities, especially Loan Portfolio, Products, Related Party Lending, Large Exposure, Single Landing Limit, Non-Performing Loan, Equity Investments, Fixed Assets and Accounting Policy are inspected. CAMEL is an international rating system used by regulatory banking authorities to rate financial institutions, according to the five factors which are Capital adequacy, Asset quality, Management, Earnings, and Liquidity. In 2019, CBM change the examination model from CAMEL to Risk Base Supervision Model. Risk Base Model have seven rating skills of risk such as Inherent Risk, Quality of Risk Management, Net Risk, Direction of Net Risk, Capital, Earnings and Composite Risk Rating. For the Inherent Risk, mainly credit, market, liquidity, operational, legal, regulatory and reputation, strategic, group and related parties are inspected. For Quality of Risk Management, especially risk management, operational management, internal audit, and compliance are inspected. Risk Based Supervision Model assessed the bank's institutional profile and latest financial position review.

Myanmar established the independence of the Central Bank of Myanmar (CBM) according to the 2013 Central Bank of Myanmar Law and the 2016 Financial Institutions Law (FIL). Central Bank of Myanmar, the banking-sector regulator, has changed a framework to meet international best practices in banking supervision, as per the Basel Core Principles. Nowadays, CBM acts as the authority for licensing, regulating, and enforcing to compliance for the banking sector. But the four state-owned banks are still under the supervision of the Ministry of Planning and Finance (MOPF).

CBM issued new regulations to implement in accordance with Basel II standards. CBM instructed to maintain a minimum liquidity ratio of 20 percent and all banks are mandatory to calculate liquidity ratio on daily basis and report to the Central Bank on weekly basis. The new regulations instruct to maintain a capital adequacy ratio of 8 percent and a minimum Tier 1 ratio of 4 percent. The new regulation instructs the limit on loan exposure limit to any single counterparty at 20 percent of capital and reserves. But state-owned banks remain unchanged as exemption from this requirement for loans to government entities. The regulatory

environment aspects are not conforming to the international best practices, although the financial sector development have been advanced in this recent reforms. The most important of these restrictions is the current interest rate policy. The Central Bank of Myanmar sets a fixed bandwidth for deposit and lending rates based on the CBM reference rate. Other constraints have a lending limit set at 80 percent of a bank's total deposit base, strict collateral base on borrowers, and set lending terms do not exceed one year. The CBM sets a cap on lending rates at +3 and puts a floor on deposit rates at -2 percent of the CBM reference rate.

In Myanmar, the number of ATMs in the whole country has grown rapidly about 1,700 between the period of 2013 to 2016. The number of point-of-sale (POS) terminals has grown quadruplet from about 700 in 2014 to over 2,800 in 2016 in Myanmar. CBM has the authority to permit joint ventures between foreign banks and domestic banks which allow the foreign partner able to own up to 80 percent of the equity stake.

In 2016 Myanmar Investment Law was issued and expected more foreign investment into telecommunications, energy sector and Myanmar special economic zones. In the data analysis period, following legislation are issued and amended.

In November 2011, Microfinance Business Law was issued and it include four important factors which are (1) authorized microfinance institutions (MFIs) to carry out range of activities, including accepting deposits, accepting remittances, and carrying out insurance business, (2) established MOPF as regulator and supervisor of microfinance, (3) introduced interest rate caps and (4) allowed domestic and foreign investors to establish fully privately-owned MFIs.

Foreign Exchange Management Law was issued in August 2012, and its important factors are introducing managed float system, shifting away from fixed peg and eliminating exchange rate restrictions and removed multicurrency practices.

In November 2012, Foreign Investment Law was issued and its important factors are to allow the foreign firms establishment of hundred percent owned subsidiaries, to offer tax free for first five years, land leases up to 70 years and other tax to breaks and guaranteed enterprises will not be nationalized or suspended.

Central Bank of Myanmar Law was issued in July 2013, and its major changes are establishing the Central Bank of Myanmar independently from MOPF, giving CBM autonomous power for implementation of the monetary and foreign exchange policies and establishing CBM Governor at minister-level.

Securities and Exchange Law was issued in July 2013, and enacts important objectives which are to establish necessary legal framework for stock exchange and it includes securities trading license process and procedures, to establish Securities and Exchange Commission, the main regulatory body for securities markets and to allow over-the-counter market for trading of unlisted securities.

In March 2014, Anti-Money Laundering Law was introduced and its important factors are to provide the legal and regulatory framework for anti-money laundering activities and it include minimum prison sentencing and empowerment of Customs Department.

Public Debt Management Law was enacted in January 2016, and its important factors are to establish new set of rules for government debt instruments with the approval of the Pyidaungsu Hluttaw on behalf of the State and to assign financing of government debt to Ministry of Planning and Finance (MOPF). The objectives of Public Debt Management Law are to ensure the financial needs of the Union Budget and to lay down the Medium-Term Debt Management Strategy.

In January 2016, Financial Institutions Law was issued and its important factors are (1) to establish stable and modernized banking system in accordance with the strengthening legal, regulatory, and supervisory framework, (2) to introduce non-bank financial institutions such as finance companies, leasing, factoring credit token, money service and any other credit service prescribed by CBM, (3) to establish capital requirement of 20 billion kyats for all incorporated Myanmar banks and to establish capital requirement of seventy five million US dollars for branch or subsidiary of foreign banks, (4) all bank owners and executives to meet the “fit and proper criteria”, (5) to provide provisions for consumer protection in e-money activities (6) to establish the credit bureau and (7) to restrict foreign non-bank financial institutions from offering financial services.

Myanmar Investment Law was issued in October 2016, and its important factors are streamlining foreign investment procedures, providing corporate tax reductions for foreign investors, easing conditions for long-term real estate lease and expanding a lot of sectors to receive more foreign investment.

In June 2018 Myanmar Companies Law was issued and its important factors are to allows foreign ownership up to 35% before companies are classified as “foreign;” to reduce the requirements of director and shareholder for incorporated companies, to remove requirement to define objectives of company in memorandum

of association, broadening companies' incorporation powers, to improve corporate governance and provide the shareholder protection.

(Source: Schellhase, J. and Sun, L. 2017)

3.6 Overview of United Amara Bank Limited

United Amara Bank (UAB) was established in 2010 as a fully-fledged Domestic private bank. On 16th August 2010, it opened its very first branch in Nay Pyi Taw and the branch network has since grown to 78 branches across Myanmar under five different zones as of August 2018. It is envisaged that the network will further expand to 100 branches by the end of 2020. UAB branches opened bank branch expansion by the budget year in this short period as the following Table (3.8).

Table (3.8) UAB bank branch opening status

No	Budget Year	New branch	Total Branch
1	2010-2011	6	6
2	2011-2012	3	9
3	2012-2013	6	15
4	2013-2014	12	27
5	2014-2015	12	39
6	2015-2016	8	47
7	2016-2017	27	74
8	2017-2018	4	78

Source: UAB bank

A year after the first bank branch opening, an Authorized Dealer License was obtained in 2011. It allows the bank to do foreign exchange transactions through Money Changer Counters, and in the mid of 2012, Foreign Banking License was also obtained which enabled the bank to perform foreign banking transactions. UAB is now fully licensed to make International money transfers as well as to issue Letters of

Credit (LC). UAB now operates a fully-fledged banking business both domestic and foreign currencies serving the customers through all branches and electronic platform in the whole country. As a reflection, UAB received a number of awards during the year 2016 and 2017 recognizing its growing maturity in both domestically and internationally.

UAB connects over 100 RMA relationships with banks globally and 18 Correspondent banks in 11 countries to facilitate international trade for Customers. UAB correspondent networks shown in the Table (3.9).

Table (3.9) UAB's Correspondent Bank List

No	Bank	Country
1	Landes Bank Baden-Wurttemberg	German
2	DBS Bank	Singapore
3	OCBC Bank	Singapore
4	United Overseas Bank	Singapore
5	MAY Bank	Singapore
6	MAY Bank	Malaysia
7	United Bank of India	India
8	Krung Thai Bank	Thailand
9	BANGKOK Bank	Thailand
10	Kasikorn Bank	Thailand
11	Siam Commercial Bank Plc	Thailand
12	Korea Exchange Bank	South Korea
13	Mizuho Bank	Japan
14	Sumitomo Mitsui Banking Corporation	Japan
15	First Commercial Bank	Taiwan
16	Commercial Bank of Ceylon Plc	Sri Lanka
17	AK TIF Yatirm Bank A.S	Turkey
18	China Construction Bank	China

Source: UAB bank

UAB mainly operate and support to the public by three categories which are Personal, Company and Location.

3.6.1 Banking Service for Individual

UAB serves for the 5 types of public saving for important merchandise. These products vary interest rate and benefit according to types and features.

Current Account is the precise every day transactional account for individuals or corporations; offering with flexibility by making transactions easy and green. (Apart from over-the-counter centers at UAB branches, get admission to current accounts is to be through ATMs, internet and cell banking.)

Savings Account has many different features which are Basic Saving, Smart Saver, Children's Saving and e-Saving account.

Call Deposit Account offers aggressive interest charges for day by day deposit stability. This Account is in particular appropriate for companies and people which have common turnover in bank debts. Accounts can be accessed through the internet and mobile via virtual suite and this mixture gives an exceptional device for commercial enterprise Cash Management.

Fixed Deposit Account is the deposit with fixed period of time. Fixed Deposit Account accept both MMK and USD and placements can be flexibility made for fixed terms ranging from 30 days as much as 365 days for charges and their respective tenors and interest rates.

Savings Plan enables to construct financial savings via a plan of constant month-to-month contributions over period of time. UAB has Savings Plans to be had both for kids and adults and monthly contributions can be made automatically to a Standing Instruction. Bonuses are paid to praise individuals who make their installment contributions on time.

UAB serves the loan facility to public such as Home Loan, Auto Loan, Personal Loan, Education Loan.

Home Loan scheme is available for: Purchase of houses, condos and apartments, Acquisition of land and production of houses, Renovations to house, condos and apartments. Its prepayment duration is up to fifteen years, on month-to-month installments. Individuals having permanent supply of profits along with employees, businessman and expert etc. are eligible for Home Loan. Loan amount can be disbursed up to 70% of the project cost of the development or purchasing amount.

The Loan eligibility can be adjusted to make the general Monthly installments from all loans (UAB plus different banks) but not exceed one third of gross monthly revenue or profits as in line with proof given of minimum monthly income, mortgage of land, house, residences, Condo to be purchased or built or renovated.

Auto Loan repayment can be made up to 7 years for new automobiles, and five years for second hand vehicles. Repayable can be made with month-to-month installments. Individuals having permanent supply of profits inclusive of personnel, commercial enterprise men, professional etc. are eligible for Auto Loan. Loan amount can be disbursed up to 70% of the value of car. The Loan eligibility may be adjusted to ensure that general monthly installments from all loans (UAB plus other banks) but not exceed one third of gross monthly revenue or earnings with proof given minimum month-to-month earnings. Vehicle can be purchased with other collateral if profits proof is not covered for purchasing amount. The following documents require for Auto Loan application:

1. Loan application
2. KYC documents of borrower & Guarantors
3. Performa invoice or Quotation from the seller
4. Salary certificate or Certificate from employer (in case of employees)
5. Income proof, such as Income Tax return, Balance sheet, account statement etc. (in case of applicants other than employees)

Personal loans disburse to salaried individuals, with minimal month-to-month income of MMK 250,000 and individuals with everlasting source of income. UAB Personal Loans are supplied at selected places in Yangon & Mandalay and the assist of two guarantors is required. Personal Loan is eligible for Permanent personnel with completed minimal two years of service in the subsequent institutions:

1. Government or Semi Government institutions
2. Central Bank and other Banks in Myanmar
3. JV agencies or Foreign Companies
4. Other reputed Myanmar businesses
5. Government schools or preschools
6. Reputed private schools or schools

Personal Loan disburse up to maximum 10 months' gross salary subject to maximum mortgage of MMK 10 million. Personal Loan is eligible to Individuals

having other supply of earnings including commercial enterprise, self-employed, medical doctors, lawyers, consultants, etc.

UAB Education Loan can be applied for professional or technical training in Myanmar or abroad. UAB bank gives numerous forms of education loans for studying in Myanmar in addition to overseas.

Its features are the following:

1. Loan disbursed up to 80% of cost of study in reputed Universities and Educational establishments in Myanmar and distant places.
2. Loan is allotted on stage sensible, on every occasion an invoice from the college or University is acquired.
3. Repayment can be made over 5 years after Course period.

Property investments allows to reap financing to Personal; Business and circle of relatives' wishes. This include providing additional liquidity for investments, elevating capital on business, education of children or arranging funds for a marriage.

Its features are the following:

1. Repayment period is up to 10 years.
2. Repayable can be made on monthly installments,
3. Minimum monthly income must be MMK 1,000,000.

It is eligible for individuals having permanent supply of earnings together with personnel, commercial enterprise men and women, doctors, legal professionals, consultants, overseas people. Rental income can be paid as month-to-month installments. Loan is eligible up to 60% of the price of belongings and the Loan eligibility is adjusted to ensure that overall monthly instalments from all loans (UAB plus different banks) but not exceed one third of gross monthly earnings.

UAB Hire Purchase scheme provide for purchase of motors, goods, digital goods, agricultural system. It is eligible for individuals, Company, partnership firm, sole proprietor with permanent source of income.

Its features are the following:

1. Loan disburse up to 70% amount of the goods to be purchased.
2. Repayment period is up to three years by monthly installments.
3. It provides to farmer for agricultural machinery purchasing with half yearly installments.

Loan against listed share is granted with a pledge of listed shares and securities in the Yangon Stock Exchange (YSX). This allows to leverage against holdings of listed shares for personal or business needs. It is eligible for individuals with permanent source of income and who hold YSX listed shares in their name in Electronic form through approved security agents in Myanmar.

Its features are as follow:

1. Loan disburse up to 50% of the value of shares.
2. Loan can be approved within 3 days if the shares are managed by UAB securities.

UAB serves the card service to public such as Debit Card, Visa Credit Card, Visa Prepaid Card. Debit Card is a smooth-to-use card which can be related to any MMK or USD Savings or Current Account. Cash Withdrawals are to be had at any UAB ATM or any of the over 2,000 Myanmar Payment Union (MPU) ATMs nationwide. The Card can be used for charge for purchases at POS terminals operated through MPU traders. With UAB ATMs currently operating on a 24/7 basis, Cardholders have the gain of access to their cash all day long. Visa Credit Card gives comfort in bills and takes comfortable life-style to the subsequent level. This international identified Card can be used at any Visa outlet in Myanmar and in over 160 international locations globally. The Visa Credit Cards in three versions particularly: Platinum, Gold and Classic. Visa Prepaid Card is an all-motive and reloadable card. It is available in two designs; it can be bought at UAB branches. The Yolo series is the existing collection issuance of the Card and a number of different Card series are planned to present card holders the extra advantage of being a collector's item. Cards are available for use both over-the-counter and online, it can be used at any Visa outlet and ATM both in Myanmar and across the world. UAB Visa Prepaid Card can be reloadable at any UAB Branch.

UAB Mobile and UAB Online services offer to account anywhere and at any time. It checks the account balances, account transfer and make payment of numerous bank accounts and credit cards from any mobile device or lap top. Mobile banking application can be downloaded from the IOS App Store or Google Play Store and UAB Online registration can be downloaded at UAB Home page.

UAB Bank's International remittance and Domestic Transfer is served to public. UAB bank offers the International Outward and Inward remittances through

overseas transfer network and SWIFT. Through international correspondent banks, can be made receipt and payments from almost all international financial institutions and trade in a number of major international currencies. International fund transfers are available through Western Union, RIA money transfer and other international providers. UAB's association with Western Union money transfer services provides a secure way to send and receive money to and from an international destination. Western Union Services are quick and convenient with more than five hundred thousand agents' locations around the world, and is available in all UAB Branches. Ria Money Transfer service is attainable at all UAB Branches and allows to receive money transfer from over 144 countries with moderate fees. Beneficiaries can receive their funds at any UAB Branch with no additional fees charged to beneficiaries.

Domestic transfers are available through UAB's over-the-counter inter branch services and online facilities. For interbank transfers, CBM Net and Myanmar Payment Union facilities are also available which allow funds faster from and to UAB accounts and most of other major domestic banks account across the country.

3.6.2 Banking Service for Companies

UAB provides to companies and corporate such as Current Accounts, Call Deposit Accounts and Fixed Deposits Accounts. UAB offers a number of Multicurrency options with these deposit accounts. Current Account for business can be made regular payment in every month with high volume of transactions and Current Accounts are an ideal to access day-to-day banking transactional services. Super Call deposit account offers the opportunity to earn interest on the amount of daily balances. This type of account is especially useful for businesses to earn an interest in daily account balances and able to link with current account. Flexi Fixed Deposit accounts which range from 30 days to 365 days provide flexibility to Corporates to earn on excess cash and placement made in MMK and USD.

Investments loan is eligible for purchase of machinery, factory space, shop improvements or IT installations. Investment Loan assist to sufficient commercial enterprise expertise and infrastructure. Term loan can be provided with the period of short, medium or long term and repayments are dependent on the borrowing amount and over a specific time. It helps for capital expenditure, purchase of assets and premises. Machinery Loan is a flexible offer for enterprises access to the vehicles, equipment, plant and technology it needs to perform, primarily based on the business

cash flow. These commercial funding can be used for both new and second-hand assets, or as for releasing mechanism. It consists everything from heavy equipment financing to second-hand equipment financing options. UAB offer to finance with competitive priced loans to the construction of properties such as shopping centers, office buildings, warehouses and so on. Loan against Property provides for both personal and business needs. Residential and commercial properties would be mortgaged for loan against property. Vehicle Loan allow to buy next motors, trucks and vehicles and it assists to get a better deal.

Trade Loan service connects with strong correspondent banking and trade finance relationship with reputable banks international. UAB provides for customers with flexible, short-to-medium term borrowing facilities connected to specific import or export transactions across the world. International trade transaction serves the issuance of Letters of Credit or an International Fund Transfer through SWIFT for receipt or payment of the goods. A Trade Loan structure and UAB offers the range of financing options. Shipping loans or pre-shipment financing assists exporter to achieve special short-term financing for the purpose of preparing goods for export. Upon completing the export, the exporter subsequently submits the export documents to UAB for collection or negotiation. The proceeds of funds from the exports acquired by UAB would be used to repay the financing funds. The discounting of Export Bills provides financing to clients which the banks purchases a bill of exchange or shipping documents drawn under a letter of credit or export contract. Import Trust Receipt Loan supports any working capital gap created by the time difference between paying suppliers and receiving payment from buyers. Project finance provides for procuring and importing assets in industries such as mining, power generation, power transmission, telecommunications, transportation and other infrastructure projects. It assists to maximize opportunity and minimize risk with the proper financing. Syndication Loan provides for major and huge projects for medium or long-term loan jointly provided by multiple banks less than one single loan agreement. UAB act as an agent bank or security agent or instead as an arranger.

UAB is the one of the best Trade Finance banks in Myanmar provide tailored financing options. UAB bank's trade finance performed to minimizing risk to the customer's import and export operations both in Myanmar and Internationally. UAB is able to provide Trade Services efficiently and provide import, export and international payment solutions with a wide range of correspondent bank partners globally. Trade

services include Issuance of Import Letter of Credit, Documentary Negotiation and Collections, Advising Export LCs, Standby LCs, Documentary Bills Discounting, Bank Guarantees and other Trade related services. UAB, also being a Trade Finance Partner bank in Myanmar for Asian Development Bank (ADB), is able to make trading possible world-wide. The Credit Guarantee facility from ADB, Letters of Credit accepted almost everywhere in the global.

At the present year 2019, UAB obtains sustainable development of branch network expansion to 78 branches around Myanmar. UAB supervises and manage the branches into three main locations as Yangon, Mandalay and Other Regions. UAB has 45 branches in Yangon Region, 16 branches in Mandalay Region, and 17 branches in Other Regions. UAB opens in Other Regions of business developed and potential areas at Pyay, Kyaukpadaung, Magwe, Meikhtila, Monya, Mingyan, NayPyiTaw, Taunggu, Tatkone, Pakokku, Pathein, Pyinoo Lwin, Muse, Lashio, Aungban, and Taunggyi.

UAB bank connects over 100 RMA relationships with banks globally and 18 Correspondent banks to facilitate international trade for Customers. Existing RMA banks are Landes Bank and Baden-Wurttemberg from Germany, DBS Bank, OCBC Bank, United Overseas Bank, and MAY Bank from Singapore, May Bank from Malaysia, United Bank of India from India, Krung Thai Bank, BANGKOK Bank, Kasikorn Bank, and Siam Commercial Bank Plc from Thailand, Korea Exchange Bank from South Korea, Mizuho Bank, and Sumitomo Mitsui Banking Corporation from Japan, First Commercial Bank from Taiwan, Commercial Bank of Ceylon Plc from Sri Lanka, AK TIF Yatirm Bank A.S from Turkey and China Construction Bank from China.

CHAPTER IV

DATA ANALYSIS

4.1 Data Analysis Profile and Design

In this study, data analysis was conducted secondary data of information received from internal data of UAB bank limited from 2015 to 2017. Statistical descriptive analysis is specifically surveyed between number of branch opening and deposit, loan, assets, profit and loss condition.

Branch network expansion firstly impact on bank expense. If we cannot perform to increase the deposit, loan cannot be disbursed to potential customers. Moreover, bank assets cannot be increased significantly, if the branch network did not expand yearly. Thus, it need to find the profit for the bank while the branch network has to be expanded. So branch expansion is a very strategized and essential decision from management perspective. A good management team of the bank must perform to achieve both profit and growth on annual basis.

By opening new branches, it makes local people familiar with the banking products and makes them to save their money in the banks. Regional monetary comes to the financial inclusion of banking sector when new branch opens in the new places.

When expanding the new branches, it need to fulfill the fundamental requirements set by Central Bank of Myanmar which are Capital Adequacy Ratio, Reserve Requirement, and Liquidity Requirement etc. Moreover, it need to submit business analysis for new branch and detail calculation of the bank branch.

Size of Banking Industry has been growing gradually in terms of number of branches and deposits only by opening new branches. Sound Management is the most important for the strength and growth of financial institution.

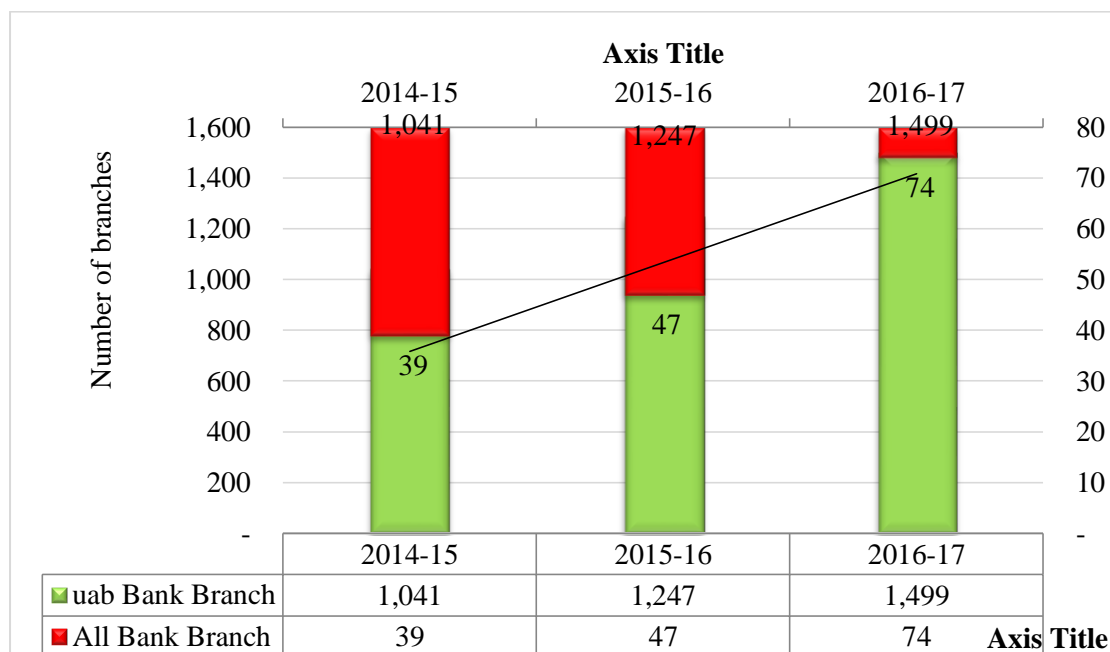
4.2 Branch Network Expansion of UAB Bank

UAB bank has opened its first branch in Nay Pyi Taw in August 2010 and there are 74 branches up to the end of budget year 2017. In the period of (2014-15 to 2016-17), UAB opened 47 branches in different regions., UAB have opened 28

branches in Yangon, 10 branches in Mandalay and 8 in other regions according to regional cash flow and potential business status. (Appendix 1)

At the end of 2016-17 budget year, there are totally 1,499 private bank branches opened and UAB has opened 74 branches which is 5% of all Myanmar bank branches. It is shown in Figure (4.1).

Figure (4.1) All Private Bank Network Expansion



Source: Central Bank of Myanmar

4.3 Deposit Position of UAB

Banks collect the deposits from the public and create their own profit, and increase the money supply in the economy. To receive deposit is very vital for the bank since it is the source of funding for the bank and economy.

Before this analysis data, there were 27 UAB branches already opened, and size of deposit was 325 Billion Kyats. In Table (4.1), it is shown Deposit, Loan, Assets and Profit & Loss Highlights of every UAB new 5 branches opening. Total Deposits are gradually increased of every new five bank branches opening. The highest Deposit amount was found in February 2017 and the amount was 760 Billion Kyats. The lowest Deposit amount was found in November 2014 and the amount was 420 Billion Kyats. The highest growth was seen in December 2015.

Table (4.1) Highlighted Balance Sheet of every UAB New 5 Branches

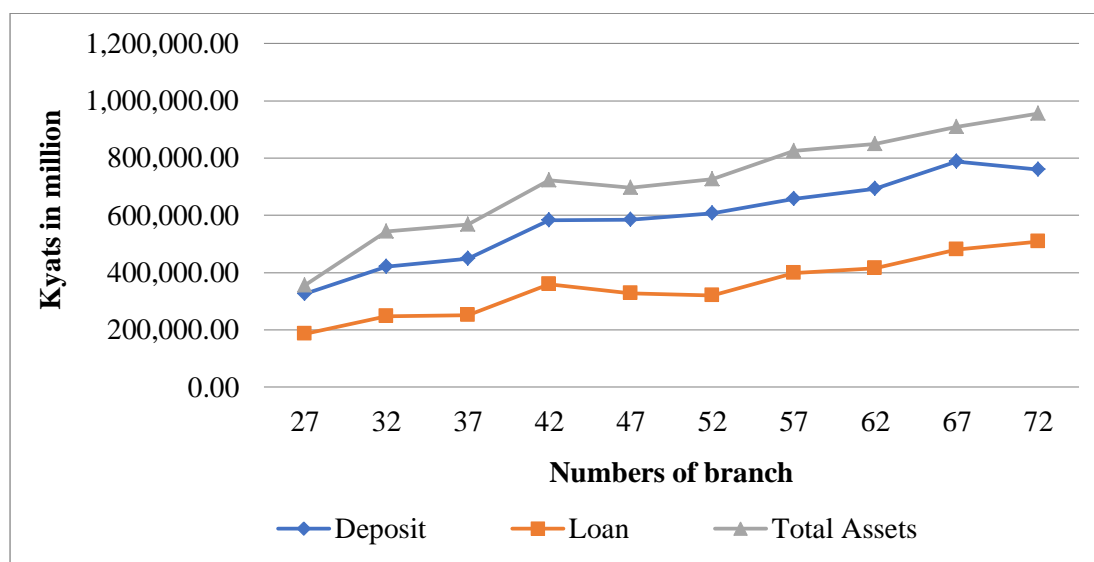
(kyats in million)

Date	New Br	Total Br	Deposit	Loan	Total Assets	Income	Costs	CIR	NPBT
31.3.2014	B/F	27	325,435	186,924	355,464	49	12	24%	38
30.11.2014	5	32	420,352	247,659	543,904	26,820	24,216	90%	2,604
31.1.2015	5	37	449,167	251,538	567,907	34,954	31,618	90%	3,336
31.12.2015	5	42	582,784	358,651	722,555	42,296	37,801	89%	4,495
31.5.2016	5	47	584,879	328,528	697,054	9,788	9,142	93%	646
31.7.2016	5	52	607,903	321,197	726,385	19,301	18,670	97%	632
31.10.2016	5	57	657,097	398,294	825,210	35,211	34,470	98%	741
30.11.2016	5	62	692,181	416,002	849,053	40,565	40,075	99%	490
31.12.2016	5	67	721,703	495,290	896,470	53,581	52,725	98%	856
28.2.2017	5	72	760,222	508,565	955,837	59,567	58,878	99%	690

Source: UAB Bank

In Figure (4.2), it is shown that the deposit amount of UAB branch increased when every new 5 branches opened. UAB aims to provide as many banking products and branches as possible to attract customers by offering satisfaction and convenience of their needs.

Figure (4.2) Deposit, Loan and Assets Growth of every new 5 branches



Source: UAB Bank

4.4 Loan and Advance Position

Loan is most essential for the bank because bank major income comes from loan interest. UAB bank offers both personal and business loan with MMK and Foreign Currency. For Personal Loans, home loan, auto loan, education loan, loan against property, loan against deposit and hire purchase loan are available. For the Business Loan, working capital loan, Investment Loan and Trade Loan are available.

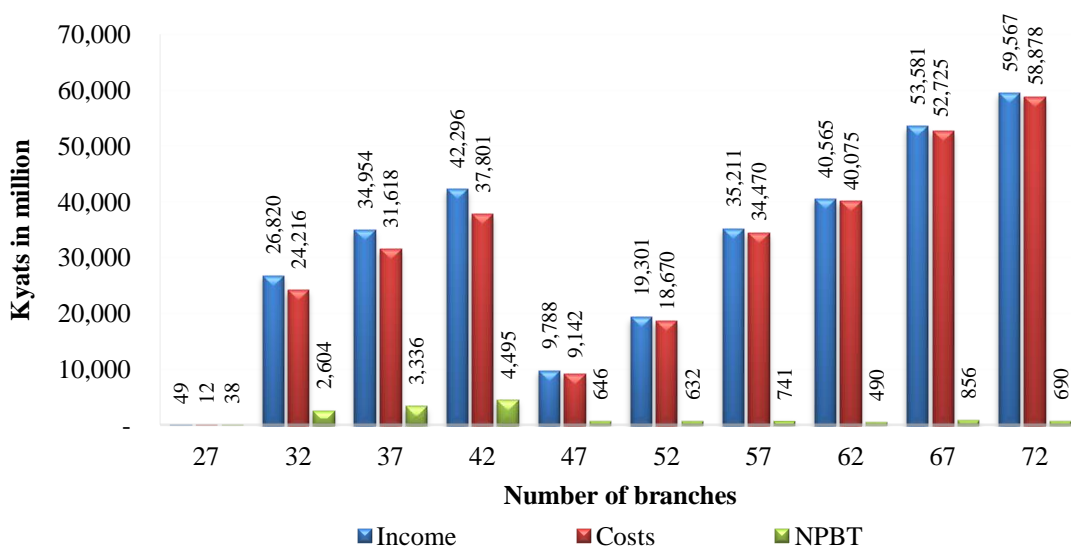
In Figure (4.2), it is shown Deposit, Loan, Assets Position of every UAB new 5 branches opening. Loan to Deposit Ratio is also very vital for bank profit and it need to manage according to Central Bank of Myanmar's Loan to Deposit Ratio Regulation. If management team cannot use Deposit effectively, it will be impact on bank profit and it may decrease net interest income.

In Figure (4.3), it is shown that increase of Loan growth is nearly the same with Deposit growth increase. Highest Loan Amount was seen in February 2017 and the amount was 508 Billion Kyats. Lowest Loan Amount was seen in November 2014 and the amount was 247 Billion Kyats. The highest growth was seen in December 2015 but there is a slight decline of loan amount in May 2016.

4.5 Income, Cost and Profit of UAB bank

Strong earnings and profitability of a bank supports to success of present and future operations. Bank status can be defined by such bank's profitability and very vital to bank management. The ratio of total cost to total income is generally used to gauge management soundness.

Figure (4.3) Income, Cost & Profit Growth of every New 5 branches



Source: UAB bank

In Figure (4.3), it is shown that income, cost and profits of every new UAB five branches opening. The highest income was found in February 2017 and the amount was 59.57 Billion Kyats. The lowest income was found in May 2016 and the amount was 9.79 Billion Kyats. The highest cost was found in February 2017 and the amount was 58.88 Billion Kyats. The lowest cost was found in May 2016 and the amount was 9.14 Billion Kyats.

According to data analysis, it is found that profit does not increase constantly although deposit and loans increase gradually. Most Profitable period is in December 2015 and the amount was 4.49 Billion Kyats.

Cost to Income Ratio has major impact on bank profit. In this study survey period, Cost to Income Ratio is round about 90% which is the high rate among Asian standard according to business and economic data of globaleconomic.com.

4.6 Earning and Profitability of UAB and all Myanmar Banks

There are various measures of earning and profitability, and the most used indicator is Return on Equity (ROE), which is supplemented by the Return on Assets (ROA). After 2010, all the private domestic banks have largely expanded their bank branch networks. Capital Adequacy Ratio (CAR) is a measure of a bank's capital status as a percentage of its risk weighted assets. Every bank must report the position of capital and capital adequacy ratio by monthly basic to the Banking Supervision Department of the Central Bank of Myanmar. When a bank is under a capital improvement plan it is not allowing to issue loan, apply for new branches and carry out any activities which further deteriorate its capital position.

Table (4.2) is shown that UAB and All banks' equity, CAR, ROA and ROE. In this period UAB CAR ratio is between 8.15% and 12.11% which is maintained within CBM specified CAR ratio 8%. All branches aggregate CAR ratio is between 18.37% and 21.39%.

Table (4.2) Highlighted Balance Sheet of UAB and all Myanmar Banks**(Kyats in million)**

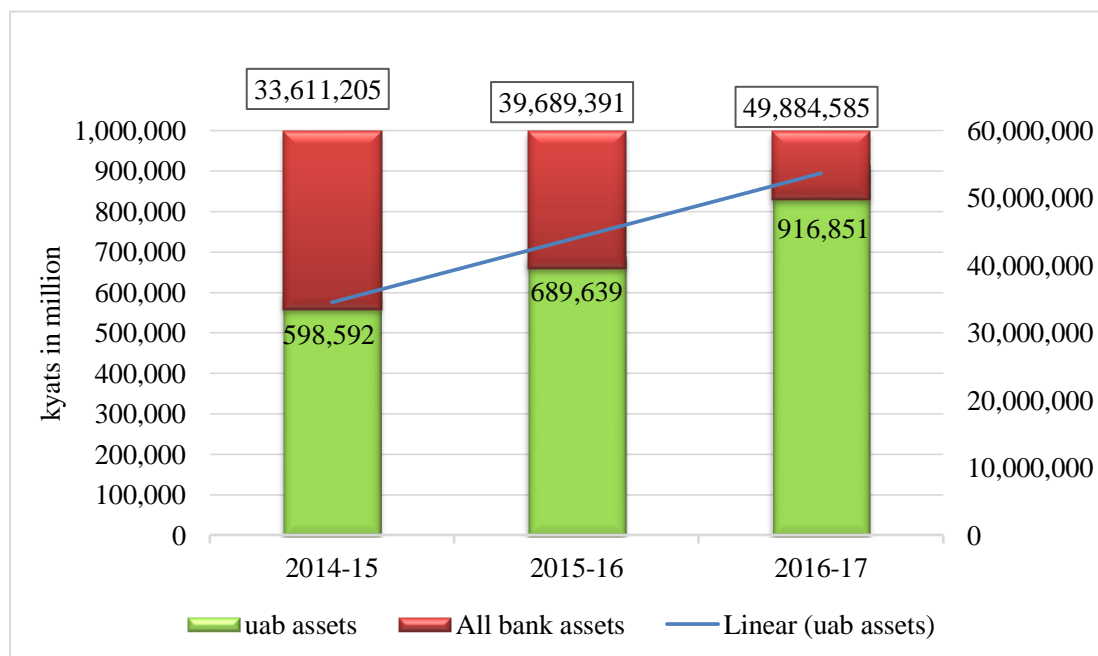
UAB Bank Highlighted Balance Sheet									
Year	Branches	Deposit	Loan	Total Assets	Profit	Equity	CAR	ROA	ROE
2015	39	508,438	252,903	598,592	1,872.04	44,699	12.11%	0.38%	4.54%
2016	47	595,464	348,036	689,639	4,242.77	44,983	11.00%	0.66%	9.46%
2017	74	781,834	530,834	916,851	378.36	49,354	8.15%	0.05%	0.80%
Aggregate Highlighted Balance Sheet									
Year	Branches	Deposit	Loan	Total Assets	Profit	Equity	CAR	ROA	ROE
2015	1,041	20,847,517	11,335,578	33,611,205	23,988	2,196,569	21.39%	0.07%	1.09%
2016	1,247	27,643,390	15,152,161	39,689,391	-19,053	2,828,284	19.32%	-0.01%	-0.19%
2017	1,499	35,269,145	19,942,453	49,884,585	378,242	3,820,966	18.37%	0.21%	2.84%

Source: UAB and Central Bank of Myanmar

UAB ROA ratio is between 0.05% and 0.66% but all banks aggregate ROA is -0.01% in year 2016-17. UAB ROE ratio is 0.8% to 9.46%. But all banks aggregate ROE is -0.19% in 2016-2017.

In the Table (4.2), it shown that the highlighted balance sheet of UAB bank and all Myanmar Banks aggregate data.

Figure (4.4) Banking Assets Growth

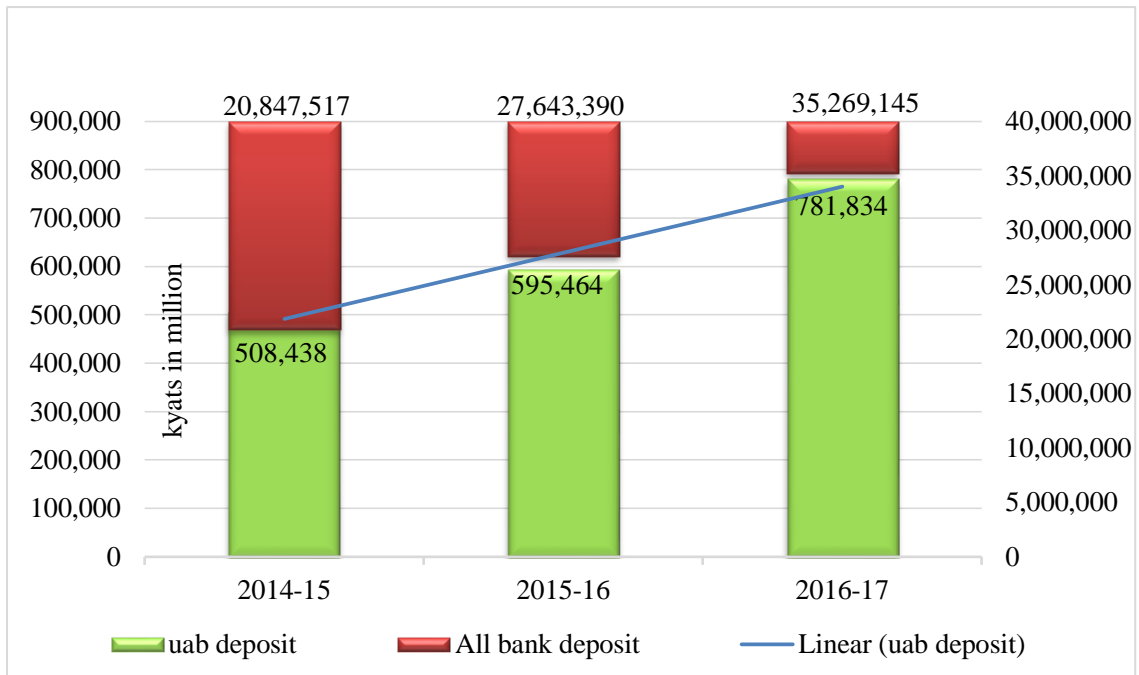


Source: UAB Bank and Central Bank of Myanmar

All Bank Assets Growth	22%
UAB Bank Assets Growth	24%

In figure (4.4) is shown that in the study period of fiscal year 2014-15 to 2016-17, all bank assets increase from 33,611 Billion to 49,884 Billion and UAB bank assets increase from 598 Billion to 910 Billion. So in summary, UAB bank assets growth rate is 24% while all bank assets growth is 22%.

Figure (4.5) Total Banking Deposit Growth



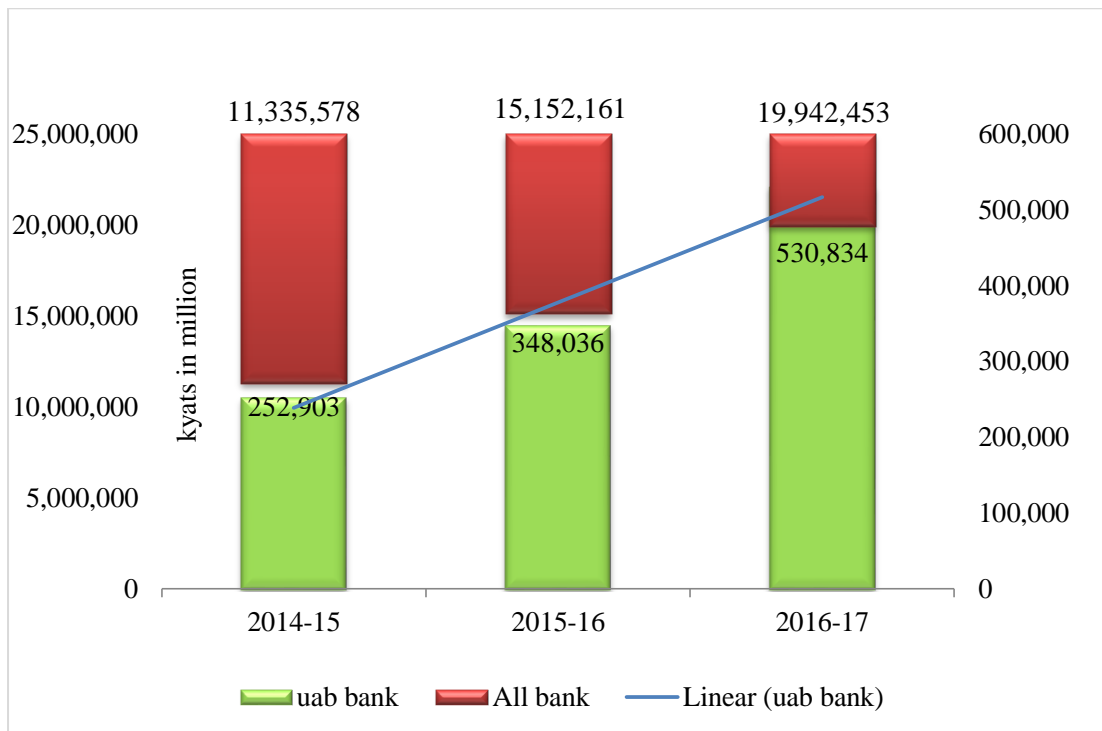
Source: UAB Bank and Central Bank of Myanmar

All Bank Deposit Growth = 30%

UAB Bank Deposit Growth = 24%

In figure (4.5) is shown that in the study period of fiscal year 2014-15 to 2016-17, all bank deposits increase from 20,847 Billion to 35,269 Billion and UAB bank deposits increase from 508 Billion to 782 Billion. So in summary, UAB bank deposits growth rate is 24% while all bank assets growth is 30%.

Figure (4.6) Total Banking Loan Growth



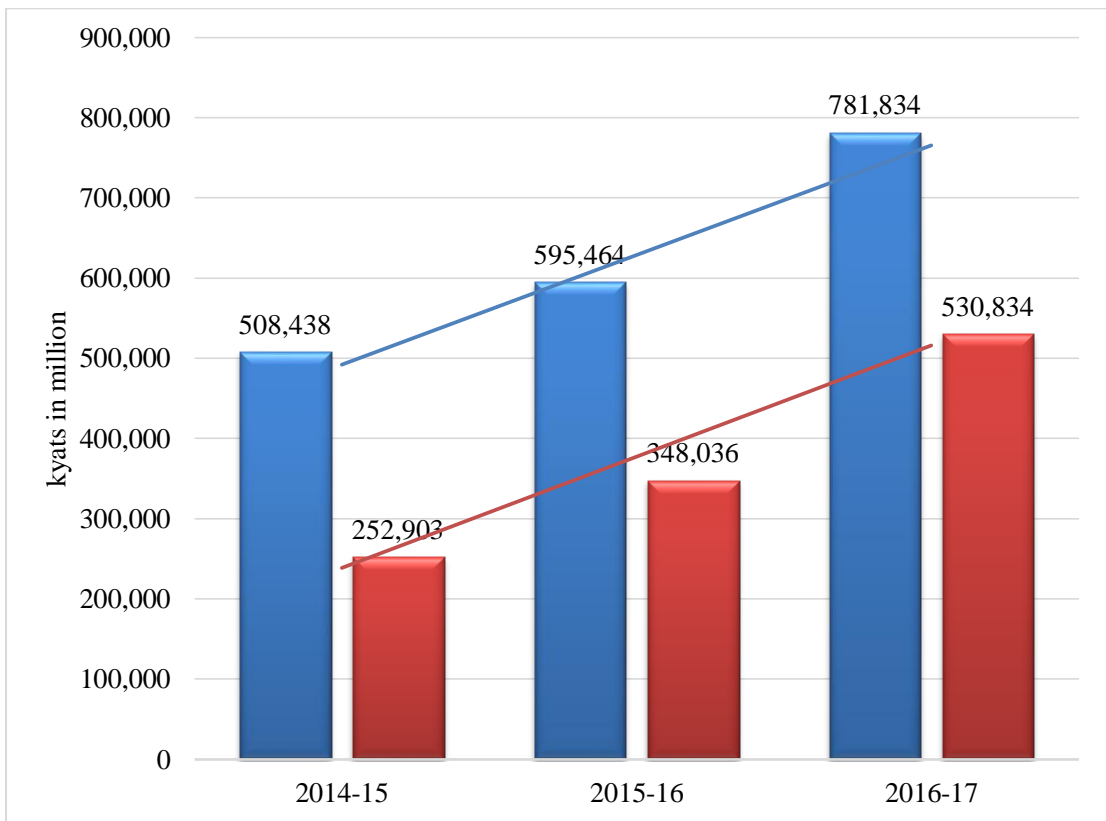
Source: UAB Bank and Central Bank of Myanmar

All Bank Loan Growth = 33%

UAB Bank Loan Growth = 45%

Figure (4.6) is shown that in the study period of fiscal year 2014-15 to 2016-17, all bank loans increase from 11,335 Billion to 19,942 Billion and UAB bank loans increase from 253 Billion to 531 Billion. So in summary, UAB bank loan growth rate is 45% while all bank assets growth is 33%.

Figure (4.7) UAB Bank Loan and Deposit Position



Source: UAB Bank and Central Bank of Myanmar

Loan to Deposit Ratio (LDR)

Year 2014-15 = 50%

Year 2015-16 = 58%

Year 2016-17 = 68%

Figure (4.7) is shown that Loan to Deposit Ratio is gradually increased year by year. LDR is 50% in 2014-15 fiscal year, 58% in 2015-16 and 68% in 2016-17. LDR ratio is under the CBM limitation of 80%.

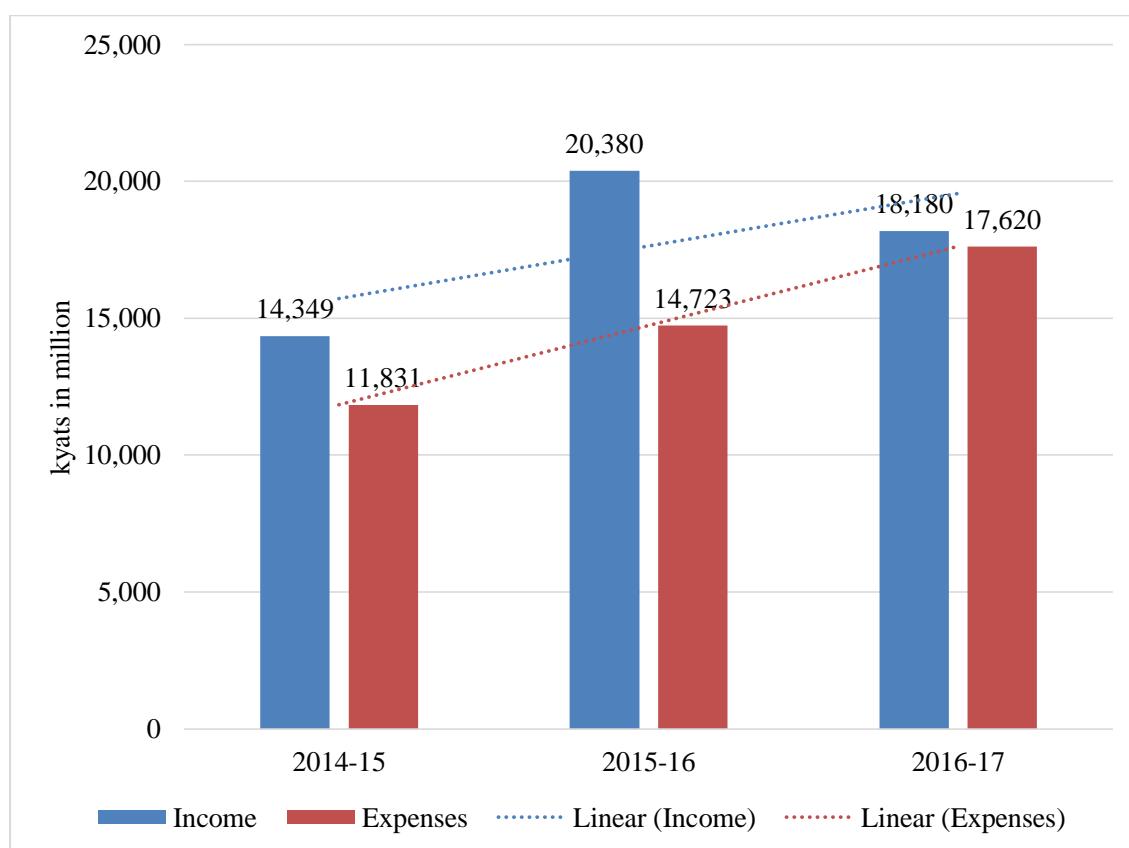
Table (4.3) Loans Disbursed by Industry

Industry	Amount(Kyats in Billion)	Percentage
Agricultural	351	0.07%
Live stock	929	0.18%
Manufacturing	49,082	9.25%
Trading	212,554	40.04%
Transportation	2,230	0.42%
Construction	133,593	25.17%
Service	91,681	17.27%
Housing Loan	1,297	0.24%
Pledge	3,912	0.74%
Hire Purchase	2,661	0.50%
Staff Loan	778	0.15%
General	10,415	1.96%
Loans to Other banks	20,122	3.79%
Credit Cards	1,226	0.23%
Total	530,834	100.00%

Source: UAB bank

In Table (4.3) UAB bank loans and advance disbursed by industry at the end of 2016-17. It is shown that Trading industry disburse the highest amount 40% of total loan amount. The following highest disbursement sectors are Construction (25%) and Service Industry (17%). Banks need to disburse loan to all sectors reducing the risk. Especially Bank need to increase loan to Agricultural and Livestock sectors.

Figure (4.8) UAB Income and Expense Growth



Source: UAB Bank and Central Bank of Myanmar

In Figure (4.8), it is shown that Cost to Income Ratio is 82% in 2014-15, and declined to 72% in 2015-16 but increase to 97% in 2016-17. From 2014-15 to 2015-16 Income Growth Rate is 42% increase but in the next year 2016-17 income growth decrease 11%. From 2014-15 to 2015-16 Expense Growth Rate is 24% increase but in the next year 2016-17 income growth decrease 20%. For the year 2016-17 income growth rate decrease but expense growth rate increases steadily.

Compound Average Growth Rate (CAGR) of 2014-15 to 2016-17, 3 year growth rate is income growth rate is 13% and expense growth rate is 22%.

4.7 Number of Bank Branch expansion and Banking Development

A correlation analysis was run to investigate the relationship between variables. In this analysis, number of branches is independent variable and deposit, loans, assets, income, and costs are dependent variables. Finally, a simple regression analysis was run to test the relationship between the independent variable and the dependent variable.

-There is very strong and positive relationship between number of bank branch expansion and deposit. Number of bank branch expansion and deposit correlation is .973.

-There is very strong and positive relationship between number of bank branch expansion and loan. Number of bank branch expansion and loan correlation is .963.

-There is very strong and positive relationship between number of bank branch expansion and total asset. Number of bank branch expansion and total assets correlation is .964.

-There is strong and positive relationship between number of bank branch expansion and income. Number of bank branch expansion and income correlation is .728.

-There is strong and positive relationship between no of bank branch expansion and overhead cost. Number of bank branch expansion and overhead correlation is .772.

Therefore, it is concluded that there is very strong and positive relationship between number of bank branch expansion and Deposit, Loan and Total Assets. There is strong and positive relationship between number of bank branch expansion and income and costs.

4.8 Bank Branched Expansion on business development of UAB Bank by Regression Analysis

One of the basic functions (or) factors in the development of economic theories is the grouping relationship to form a model. The number of relationships included in an economic model depend on the objective for which the model is constructed and degree of explanation that is being sought. In some real-world problems, basic statistical tool of bivariate relationship was developed.

This section is the estimated simple linear regression models of deposit, Loan, assets, income and cost of UAB bank. The independent variable that is no of bank branches expansion are used to each model to obtain the better picture of effectiveness of bank branched expansion on business development of UAB bank.

4.8.1 Estimated linear Regression Model of Deposit and Number of Bank Branch Expansion

In this section, the estimated simple regression model of total deposit condition (kyats in millions) on the number of bank branch expansion of UAB Bank are constructed. The estimated regression model of deposit and number of bank branch expansion are as the following;

Model

$$\text{Deposit} = 131157.920 + 9070.998 (\text{number of bank branch expansion})$$

Based on the above estimated regression model, it could be concluded that significantly determine the factors of deposit of UAB bank is the number of bank branch expansion. It is found that with an increase of 1 new branch are open in that year, it is expected that there would be increase of 9070.998 Kyats in millions deposit of UAB Bank. Since coefficient of determination is .944, 94% of the variation of deposit is explained by the change in number of bank branch expansion. The higher coefficient of determination is the more explanatory power of this model. The deposit is the vital source of funds for the banks. Therefore, we need to expand more bank branch networks according to the market size and population.

4.8.2 Estimated regression model of loan and number of bank branches expansion

In this section, the estimated simple regression model of total loan condition (kyats in millions) on the number of bank branch expansion of UAB Bank are constructed. The estimated regression model of deposit and number of bank branch expansion of UAB bank are as the following

Model

$$\text{Loan} = 17538.560 + 6741.944 (\text{number of bank branch expansion})$$

Based on the above estimated regression model, it could be concluded that significantly determine the factors of loan of UAB bank is no of bank branch

expansion. Then it is found that with an increase of 1 new branch are open in that year, it is expected that there would be increase of 6741.944 Kyats in millions deposit of UAB Bank. Since coefficient of determination is .928, 93% of the variation of loan is explained by the change in number of bank branch expansion. The higher coefficient of determination is the more explanatory power of this model. Loan is the major factor of bank profit. Banks need to effectively the source of funds.

4.8.3 Estimated Regression Model of Total Assets and number of Bank Branches Expansion

In this section, the estimated simple regression model of total Assets condition (kyats in millions) on the number of bank branch expansion of UAB Bank are constructed. The estimated regression model of Total Assets and number of bank branch expansion of UAB bank are as the following

Model

$$\text{Total Assets} = 137123.200 + 11653.752 (\text{number of bank branch expansion})$$

Based on the above estimated regression model select, it could be concluded that significantly determine the factors of Total Assets of UAB bank is number of bank branch expansion. Then it is found that with an increase of 1 new branch are open in that year, it is expected that there would be increase of 11653.75 Kyats in millions Total Assets of UAB Bank. Since coefficient of determination is .928, 93% of the variation of Total Assets is explained by the change in number of bank branch expansion. The higher coefficient of determination is the more explanatory power of this model. Asset is the important indicator for bank growth calculation.

4.8.4 Estimated Regression Model of Income and number of Bank Branches Expansion

The estimated simple regression model of total Income condition (kyats in millions) on the number of bank branch expansion of UAB Bank are constructed. The estimated regression model of Income and number of bank branch expansion of UAB bank are as the following –

Model

$$\text{Income} = 12144.920 + 896.124 (\text{number of bank branch expansion})$$

Based on the above estimated regression model select, it could be concluded that significantly determine the factors of Net Income of UAB bank is number of bank branch expansion. Then it is found that with an increase of 1 new branch are open in that year, it is expected that there would be increase of 896.12 Kyats in millions Total Income of UAB Bank. Since coefficient of determination is .530, 53% of the variation of Total Income is explained by the change in number of bank branch expansion. Income is also important factor that supports bank growth and sustainability.

4.8.5 Estimated Regression Model of Overhead Cost and number of Bank Branches Expansion

In this section, the estimated simple regression model of total Overhead cost condition (kyats in millions) on the number of bank branch expansion of UAB Bank are constructed. The estimated regression model of Overhead cost and number of bank branch expansion of UAB bank are as the following –

Model

$$\text{Overhead cost} = -15509.92 + 934.760 (\text{number of bank branch expansion})$$

Based on the above estimated regression model select, it could be concluded that significantly determine the factors of Overhead cost of UAB bank is number of bank branch expansion. Then it is found that with an increase of 1 new branch are open in that year, it is expected that there would be increase of 934.76 Kyats in millions Overhead cost of UAB Bank. Since coefficient of determination is .596, 59% of the variation of Overhead cost is explained by the change in number of bank branch expansion. Overhead costs will be increased when new branches are opened. But bank need to expand to get more deposit and to provide more services to the customers. So estimated cost need to be calculated in advance before new branches are opened.

CHAPTER V

CONCLUSION

5.1 Findings

To be fulfilled the objectives of the study; required data are collected from UAB bank, Central Bank of Myanmar website page and other related online sources. In this study period, UAB bank has expanded 12 branches in first year, 8 branches in second year and 27 branches in last year. At the end of 2016-17, all bank branches in Myanmar are 1499 and UAB bank has opened 74th bank branch. Comparing with the all bank branch, UAB branch network is 5%.

This study continues to analysis the effect of expansion of branches on performance of UAB Bank by analysis relationship between number of bank branch expansion and sis financial factors of loan, deposit, assets, income, cost and profit. In this study, when the number of bank branch increase, the volume of deposit larger from year to year, which provide to create more loan. Actually loan is major source of income which generates bank's profit. Furthermore, the bank income can be generated not only net interest income from loan but also non-interest income such as remittance fee, service income, commission fees, etc. As the number of bank branch growth, but total profit decrease because some of the new branches are still under break-even period within 3 to 5 years.

As per analysis data, deposit has gradually increased year by year but the growth rate is not constant. Although deposit has increased steadily, loan did not disburse proportionally with deposit amount. It is found that loan growth rate is negatively declined for new five branch opening at May 2016 and July 2016. It impacts on profit directly and slightly decreased. In this period, since 10 branches opened within 6 months (Jan to July 2016) and so management cannot arrange the loan to deposit ratio coincidentally. As per study result, UAB's income normally increased when every new five branch opens. But significantly decline for new five branch opened at May 2016. As per study result, although expense increase constantly but income does not increase proportionally.

As per data analysis, UAB maintain its CAR ratio within CBM rate. UAB's ROA and ROE are acceptable in this study period. But it is found that aggregate ROA is -0.01% and ROE is -0.19% in 2015-2016 because foreign bank branches opened in Myanmar in 2015 and Foreign Bank branch could not achieve profit within the initial period. Foreign branch has reached positive net interest income but office rental expense and occupancy expense overwhelm its income in the second-year operation. So, the bank management needs to consider for new branch opening because it may increase overhead cost of rental fee, renovation and staff salary etc. It is very important for the bank overall profit to cover the overhead expense.

On the other hand, as the business size growth, UAB bank also gets the economy of scale in Overhead cost and have profit after break even period. Profitability of branches depend on bank management efficiency and effective fund utilization. UAB bank achieved business and financial growth due from more bank branch expansion in the recent. Bank branch expansion also helps to the extension of business and by smoothing economic functions. Moreover, it can be providing financial aid for entrepreneur in the concern regions and to help developing of the economic growth of the country.

In summary, normally new bank branch opening may increase deposit, loan, asset, income and profit. But as per study data, the number of branches increase in forward, the deposit amount is increased in proportionally. The increase amount of deposit makes not only the more profit significantly, but also to increase the bank assets. Therefore, to get more profit, deposit and bank asset, UAB bank would be increased the bank network expansion with the data analyses by sound management in yearly.

Not only deposit and loan are important, but also, total asset which include share holder fund is important to growth of bank. Therefore, bank need to create and maintain good banking relationship with the entire stakeholder. Service marketing needs to be creative and initiative to fulfill the needs and wants of the target customer. At present the competition is become more intense in Myanmar banking industry along with development of the country. UAB bank target to become one of the best performing the bank in Myanmar at year 2023 by its strong mission, vision and internal & external collaboration.

5.2 Recommendations

It is important to consider the following factors for successful branch network expansion which are to know (1) the target area based on existing corporate customers, (2) the area which the potential for deposit and loan by the market size and (3) the business which the potential for bank.

This analysis also serves as a foundation for optimizing branch networks and evaluating potential for new branch location. It is found that banking industry is now changing to digital banking systems and it is very vital to calculate the return on investment (ROA) between branch expansion and digital banking investment.

Further Analysis should be done to find out whether existing branch network has covered all geographical area of Myanmar. Analyzing branches according to their performance supports the bank to make better decision regarding new products offerings, marketing campaigns and new branch networks.

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APPENDIX

Appendix 1: UAB Branches List and Opening Date

No	Branch Name	Opening Date	Division
1	Nay Pyi Taw Branch	16-Aug-10	Naypyitaw
2	Yangon (Latha Branch)	31-Dec-10	Yangon
3	Mandalay (Saing Tan Branch)	6-Jan-11	Mandalay
4	Mandalay (Kywe Se Kan Branch)	17-Jan-11	Mandalay
5	Yangon (Tarmwe Branch)	27-Jan-11	Yangon
6	Taunggyi Branch	17-Feb-11	Shan(South)
7	Muse Branch	27-Apr-11	Shan(East)
8	Yangon (Bayint Naung Branch)	18-Nov-11	Yangon
9	Mandalay (Diamond Plaza Branch)	9-Feb-12	Mandalay
10	Yangon (Thingangyun Branch)	12-Jun-12	Yangon
11	Patheingyi Branch	9-Jan-13	Ayeyarwaddy
12	Pakokku Branch	21-Jan-13	Magwe
13	Pyaw Barge Branch	4-Feb-13	Bago
14	Monywa Branch	5-Mar-13	Sagaing
15	Meiktila Branch	3-May-13	Mandalay
16	Sanchaung Branch	23-May-13	Yangon
17	(84)St Branch (Mandalay)	3-Jun-13	Mandalay
18	(19)St Branch (Mandalay)	4-Jun-13	Mandalay
19	(12)St Branch (Mandalay)	4-Jul-13	Mandalay
20	Bogyoke Aung San Branch	19-Sep-13	Yangon
21	Kyee Myin Daing Branch	3-Oct-13	Yangon
22	Tarmwe (Myin Pyaing Kwin) Branch	8-Oct-13	Yangon
23	North Dagon Branch	30-Jan-14	Yangon
24	Phone Gyi Street Branch	4-Feb-14	Yangon
25	Shwe Gone Daing Branch	20-Feb-14	Yangon
26	Hlaing Branch	21-Mar-14	Yangon
27	Thein Phyu Branch	27-Mar-14	Yangon
28	Saw Bwar Gyi Gone Branch	7-Apr-14	Yangon
29	Monywa (Chin Twin YadanarZay)	5-May-14	Sagaing
30	Kyaukt Pa Daung Branch	28-Jul-14	Mandalay

Appendix 1: UAB Branches List and Opening Date (Continued)

No	Branch Name	Opening Date	Division
31	Magwe Branch	4-Aug-14	Magwe
32	Myin Gyan Branch	11-Aug-14	Mandalay
33	Lashio Branch	10-Dec-14	Shan (North)
34	Shwe Ohn Pin	22-Dec-14	Yangon
35	North Okkala (Waiponla)	12-Jan-15	Yangon
36	Pazundaung (Yaekyaw)	15-Jan-15	Yangon
37	Mdy - 35st	3-Feb-15	Mandalay
38	Mdy - Mingalarzay	4-Feb-15	Mandalay
39	Mdy - Pyi Gyi Mingalar	5-Feb-15	Mandalay
40	South Dagon(Industrial zone)	5-Oct-15	Yangon
41	Yankin-Kyout Kone Branch	6-Nov-15	Yangon
42	Pabedan Branch	18-Dec-15	Yangon
43	Mdy - Nan Shae Branch	16-Feb-16	Mandalay
44	Mdy -Amarapura branch	18-Feb-16	Mandalay
45	N-Okkalapa (Thiriyadanar) branch	24-Mar-16	Yangon
46	Taunggu Branch	30-Mar-16	Bago
47	Aung Pan Branch	30-Mar-16	Shan(South)
48	Ahlonge(Lower Kyeemyindaing Road)	21-Jun-16	Yangon
49	Mayangone(Thamin Station Road)	22-Jun-16	Yangon
50	Mingalartaungnyunt (Myanmar Gon Yi)	28-Jun-16	Yangon
51	Thuwana (Kamarkyi)	8-Jul-16	Yangon
52	N-Dagon (Yarzadiyit Road)	11-Jul-16	Yangon
53	Kamayut (Hledan)	17-Aug-16	Yangon
54	South Okkala (Thanthumar)branch	19-Aug-16	Yangon
55	Kamayut (Sinmalite)	24-Aug-16	Yangon
56	Kyauktada (Sule Pagoda Road)	5-Sep-16	Yangon
57	Kyee Myin Daing (Pan Pin Gyi Street)	29-Sep-16	Yangon
58	Dagon (Nawaday Street)	3-Nov-16	Yangon
59	Lanmadaw (War Dan Street)	4-Nov-16	Yangon
60	Botahtaung (Bo Myat Htun Street)	28-Nov-16	Yangon
61	Mandalay (83)St	30-Nov-16	Mandalay
62	Mandalay (Kyauk Sit Tan)	2-Dec-16	Mandalay
63	Pyin Oo Lwin branch	7-Dec-16	Mandalay

Appendix 1: UAB Branches List and Opening Date (Continued)

No	Branch Name	Opening Date	Division
64	Thingangyun (Zawanna)	16-Dec-16	Yangon
65	Mandalay (Industrial Zone)	23-Dec-16	Mandalay
66	Thaketa (Ayer Wun Road)	2-Jan-17	Yangon
67	Latha (Strand Road)	5-Jan-17	Yangon
68	Mandalay (80th Street - China Town)	12-Jan-17	Mandalay
69	Mandalay (Manawhayi Street)	13-Jan-17	Mandalay
70	Mingalartaungnyunt (Banyardala Road)	19-Jan-17	Yangon
71	Pazundaung (54St Branch)	2-Feb-17	Yangon
72	Bahan(New University Avenue St)	9-Feb-17	Yangon
73	Latha(Shwedagon Pagoda Road)	8-Mar-17	Yangon
74	South Okkalapa(Nandawin Market)	24-Mar-17	Yangon

Source: UAB bank

Appendix 2: List of Foreign Banks in Myanmar

Sr No.	Bank Name	License Date	Date of business Commencement
1	MUFG Bank, Ltd.	2/4/2015	22-4-2015
2	Oversea-Chinese Banking Corporation Ltd	2/4/2015	23-4-2015
3	Sumitomo Mitsui Banking Corporation	2/4/2015	23-4-2015
4	United Overseas Bank Limited	30-4-2015	4/5/2015
5	Bangkok Bank Public Company Limited	26-5-2015	2/6/2015
6	Industrial and Commercial Bank of China	26-5-2015	1/7/2015
7	Malayan Banking Berhad (Maybank)	27-7-2015	3/8/2015
8	Mizuho Bank Limited	27-7-2015	3/8/2015
9	Australia and New Zealand Banking Group Limited	29-9-2015	2/10/2015
10	The Joint Stock Commercial Bank for Investment and Development of Vietnam (BIDV)	30-6-2016	1/7/2016
11	Shinhan Bank	15-9-2016	20-9-2016
12	E.Sun Commercial Bank Limited	27-9-2016	3/10/2016
13	State Bank of India	27-9-2016	3/10/2016

Appendix 3: Highlighted Balance Sheet On 31st March 2017**UAB, STATEMENT OF FINANCIAL POSITION AT MARCH 31, 2017**

ASSETS	Note	Kyats(000')	
		2017	2016
Cash in hand and at banks	3	172,116,458	172,135,971
Loans & Overdrafts	4	530,834,153	348,036,832
Advances & Receivable	5	14,554,569	10,159,700
Investment	6	92,494,000	91,362,500
Property, Plant & Equipment	7	42,942,813	38,132,538
Deferred Expenditure	8	1,307,796	2,048,731
Acceptance, Endorsement & Guarantee		62,601,294	27,763,695
Total Assets		916,851,083	689,639,967
LIABILITIES			
Total Deposits	9	781,834,897	595,464,135
Other Liabilities	10	22,190,632	18,639,307
Payment Orders		743,353	1,375,251
Provisions for Income Tax		126,120	1,414,256
Acceptance, Endorsement & Guarantee		62,601,294	27,763,695
Total Liabilities		867,496,296	644,656,644
EQUITY			
Issued & Paid Up Capital	11	44,000,000	40,000,000
Reserves & Retained Earnings	12		
General Reserve (Statutory)		2,338,451	2,243,861
General Provision (Loans)		10,616,683	2,450,000
Retained Earnings		(7,600,347)	289,462
Total Equity		49,354,787	44,983,323
Total Equity & Liabilities		916,851,083	689,639,967

UNITED AMARA BANK LIMITED

STATEMENT OF INCOME FOR THE YEAR ENDED MARCH 31, 2017

	Note	2017	Kyats(000') 2016
Total Interest Income	13	58,527,845	49,925,164
Total Interest Expenses	14	(48,185,117)	(38,133,155)
Net Interest Income		10,342,728	11,792,009
Other Operating Income	15	7,837,631	8,588,823
Total Assets		18,180,359	20,380,832
Operating Expenses			
Staff Expenses	16	(11,064,441)	(8,731,460)
Other Operating Income	17	(6,556,343)	(5,992,347)
Total Operating Expenses		(17,620,784)	(14,723,807)
Net Profit Before Tax		559,575	5,657,025
Gain/(Loss) on Disposal of PPE		(55,095)	-
Provision for Income Tax		(126,120)	(1,414,256)
Net Profit After Tax		378,360	4,242,769
Reserves & Provisions			
General Reserve (Statutory)		(94,590)	(1,060,692)
General Provision (Loans)		(8,166,683)	(1,100,000)
Reserve for Contingencies		-	-
Profit for the Year		(7,882,913)	2,082,077

Source: UAB bank

Appendix 4: UAB's International Correspondents

Currency	Correspondent Banks	City/County
USD (8 Banks)	United Bank of India	India/Mumbai
	May Bank	Malaysia/KL
	DBS Bank	Singapore
	May Bank	Singapore
	OCBC Bank	Singapore
	UOB Bank	Singapore
	Bangkok Bank	Thailand/Bangkok
	Kasikorn Bank	Thailand/Bangkok
EURO (5 Banks)	Commerz Bank AG	Germany/ Frankfurt
	Kookmin Bank	Korea/Seoul
	May Bank	Malaysia/KL
	May Bank	Singapore
	UOB Bank	Singapore
SGD (4 Banks)	DBS Bank	Singapore
	May Bank	Singapore
	OCBC Bank	Singapore
	UOB Bank	Singapore
JPY (1 Bank)	OCBC Bank	Singapore
RMB (2 Banks)	China Construction Bank	China/Beijing
	OCBC Bank (China)	China/Shanghai
THB (1 Bank)	Bangkok Bank	Thailand/Bangkok

Appendix 5: Correlation between Number of Branches and Dependent Variables

		Branches	Deposit	Loans	Assets	Income	Costs
Branches	Pearson Correlation	1	.973**	.963**	.964**	.728*	.772**
	Sig. (2-tailed)		0	0	0	0.017	0.009
	N	10	10	10	10	10	10
Deposit	Pearson Correlation	.973**	1	.967**	.993**	.734*	.766**
	Sig. (2-tailed)	0		0	0	0.016	0.01
	N	10	10	10	10	10	10
Loans	Pearson Correlation	.963**	.967**	1	.971**	.822**	.853**
	Sig. (2-tailed)	0	0		0	0.004	0.002
	N	10	10	10	10	10	10
Assets	Pearson Correlation	.964**	.993**	.971**	1	.792**	.820**
	Sig. (2-tailed)	0	0	0		0.006	0.004
	N	10	10	10	10	10	10
Income	Pearson Correlation	.728*	.734*	.822**	.792**	1	.997**
	Sig. (2-tailed)	0.017	0.016	0.004	0.006		0
	N	10	10	10	10	10	10
Costs	Pearson Correlation	.772**	.766**	.853**	.820**	.997**	1
	Sig. (2-tailed)	0.009	0.01	0.002	0.004	0	
	N	10	10	10	10	10	10

Regression (Deposit)

Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	Total_Br ^b	.	Enter

a. Dependent Variable: Deposit

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.973 ^a	.946	.940	34636.47853

a. Predictors: (Constant), Total_Br

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	169708681352.512	1	169708681352.512	141.461	.000 ^b
	Residual	9597485161.588	8	1199685645.198		
	Total	179306166514.100	9			

a. Dependent Variable: Deposit

b. Predictors: (Constant), Total_Br

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	131157.920	39308.970		3.337	.010
	Total_Br	9070.998	762.670	.973	11.894	.000

a. Dependent Variable: Deposit

Regression (Loan)

Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	Branches ^b		Enter

a. Dependent Variable: Loans

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.963 ^a	.928	.919	30215.60001

a. Predictors: (Constant), Branches

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	93748487596.412	1	93748487596.412	102.684	.000 ^b
	Residual	7303859873.188	8	912982484.148		
	Total	101052347469.600	9			

a. Dependent Variable: Loans

b. Predictors: (Constant), Branches

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	17538.560	34291.711		.511	.623
	Branches	6741.944	665.326	.963	10.133	.000

a. Dependent Variable: Loans

Regression (Assets)

Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	Branches ^b	.	Enter

a. Dependent Variable: Assets

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.964 ^a	.928	.919	51982.04147

a. Predictors: (Constant), Branches

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	280107969027.349	1	280107969027.349	103.662	.000 ^b
	Residual	21617061085.552	8	2702132635.694		
	Total	301725030112.900	9			

a. Dependent Variable: Assets

b. Predictors: (Constant), Branches

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	137123.200	58994.464		2.324	.049
	Branches	11653.752	1144.607	.964	10.181	.000

a. Dependent Variable: Assets

Regression (Income)

Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	Branches ^b		Enter

a. Dependent Variable: Income

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.728 ^a	.530	.471	13554.05539

a. Predictors: (Constant), Branches

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1656264991.527	1	1656264991.527	9.016	.017 ^b
	Residual	1469699340.073	8	183712417.509		
	Total	3125964331.600	9			

a. Dependent Variable: Income

b. Predictors: (Constant), Branches

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-12144.920	15382.509		-.790	.453
	Branches	896.124	298.450	.728	3.003	.017

a. Dependent Variable: Income

Regression (Cost)

Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	Branches ^b	.	Enter

a. Dependent Variable: Costs

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.772 ^a	.596	.545	12366.96328

a. Predictors: (Constant), Branches

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1802163531.300	1	1802163531.300	11.783	.009 ^b
	Residual	1223534246.800	8	152941780.850		
	Total	3025697778.100	9			

a. Dependent Variable: Costs

b. Predictors: (Constant), Branches

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-15509.920	14035.277		-1.105	.301
	Branches	934.760	272.312	.772	3.433	.009

a. Dependent Variable: Costs

Appendix 6: UAB Correspondent Banks



Calculation Methods

$$\text{Return On Assets (ROA)} = \frac{\text{Net Profit After Tax}}{\text{Average Total Assets}}$$

$$\text{Return On Equity (ROE)} = \frac{\text{Net Profit After Tax}}{\text{Shareholders' Equity}}$$

$$\text{Capital Adequacy Ratio (CAR)} = \frac{(\text{Tier 1 Capital} + \text{Tier 2 Capital})}{\text{Risk Weighted Assets}}$$

$$\text{Compound Average Growth Rate (CAGR)} = \left(\frac{\text{present}}{\text{past}} \right)^{\frac{1}{(n-1)}} - 1$$

Appendix 7: UAB Bank Branch Network in Myanmar, 2017

