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RISK MANAGEMENT PRACTICES ON

HOUSING LOAN OF YOMA BANK LIMITED

EI EI THEIN

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HOUSING LOAN OF YOMA BANK LIMITED

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Supervised by   **Submitted by**

Daw Thuzar Naing   Ei Ei Thein

Lecturer   Roll No. - 10

Department of Commerce   MBF (Day) - 1st Batch

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ABSTRACT

The study focuses on risk management practices on housing loan of Yoma Bank. The two main objectives of the study are to identify types of risk in housing loan of Yoma Bank and to analyze each type of risk management practices on housing loan of Yoma Bank. For this purpose, a primary survey was conducted. A sample of 50 respondents was selected from respective functions of risk management department in Yoma Bank. The data were analyzed with statistical tools like mean score and standard deviation methods. The results show that majority of respondents were much aware of the respective risk management practices and instruments to be followed. Based on the result of the survey, the analysis shows Yoma Bank has adopted adequate risk management policies by imposing strict credit evaluation before granting housing loans to customers. Yoma Bank should develop in order to improve an effective risk management system, need to establish a suitable risk environment; operating under a sound credit granting process, maintaining an appropriate credit administration that involves monitoring, processing as well as enough controls over risks. Yoma Bank needs to put and devise strategies that will not only limit the bank exposition to credit risk but will develop performance in housing loan financing and its competitiveness.

ACKNOWLEDGEMENTS

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LIST OF ABBREVIATIONS

CBM	Central Bank of Myanmar
CC	Credit Committee
DTI	Debt to Income Ratio
GIZ	Gesellschaft für Internationale Zusammenarbeit
HP	Hire Purchase
IFC	International Finance Corporation
LIFT	Livelihoods and Food Security Fund
LTV	Loan to Value Ratio
MMK	Myanmar Kyat
NPL	Non-Performing Loan
SME	Small and Medium Enterprises
UNOPS	United Nations Office for Project Services
UAE	United Arab Emirates

CHAPTER 1

INTRODUCTION

Banking-sector development in Myanmar has become a major focus of recent reforms, given the role that a well-functioning financial sector plays in enabling the growth of the private sector and a very important role in an economy. The Central Bank of Myanmar has to become independently to laid down the policies when the new government was formed. On the legislative and regulatory front, the government has enacted several new laws, including the Central Bank of Myanmar Law (Pyitaungsu Hluttaw Law No. (16/2013) in 2013, and the Financial Institutions Law (Pyidaungsu Hluttaw Law No. 20/2016) in 2016. These laws established the Central Bank of Myanmar's independence and set strong prudential standards for the banking sector. The Central Bank of Myanmar is established under the Central Bank of Myanmar Law as a legal entity having perpetual succession, capable of suing and being sued in its own name.

The banking industry is continuous development with innovative financial service products. After CBM law was enacted, CBM encourages and allows the domestic banks to produce new loan products with the interest rates are determined by the rules of CBM. Banking is a service-oriented industry and hence should provide services, which satisfy the customers' needs. Most of the banks intend to extend consumer lending which is one of the categories of financing centered on the individual and household consumers. It includes consumer lending such as home and auto loans extended to people who use the funds for individual or family purposes. By later 2016, housing loan financing has also been started by several private banks. The loan agreement between the bank and the borrower is mainstream, and in several cases, the borrower deposits the ownership document of the property to the bank as collateral. If the default event occurs, court proceedings are necessary to execute the collateral.

Yoma Bank offers housing loan products to the public for residential property such as land plots with building constructed on it, condominiums, mini condominiums and apartments upon much-needed demand in the market. The main purpose of offering this product is to support the emerging middle class by making home purchases more affordable. At the initial stage of the product, Yoma Bank offers four standard housing loan products at maximum LTV 70% according to CBM regulation. The standard product may expand in the future into home equity, construction loans and land acquisition loans upon market movement, stability, availability of proper relevant regulations and emergence of demand.

Regarding housing loan financing in Myanmar, the Central Bank of Myanmar has increased housing loan by up to 5 percent of a bank's total loan portfolio, and removed the loan terms limits, according to a statement (2/2019) on January 15, 2019.

1.1   Rationale of the Study

Nowadays, the housing loan market keeps going trends currently in Myanmar. Various types of housing loan are offered by the banks these days for purchasing or renovating the house. At present, fully constructed homes and ones with completion of above 90% can be purchased under a housing loan. The main purpose of offering this product is to support the emerging middle class by making home purchases more

affordable. The amount of housing loan given to the customer depends on the lending policies and repayment capacity of the customer. The housing loan application process can take from one to two weeks. Since these housing loan is usually financing for a long-term, repayments of this housing loan have been made in monthly installments. These days, banks are offering housing loan at a specified interest rate and tenures of 15 years for ordinary apartments and 25 years for condominiums, mini-condominiums, and land & buildings.

The banks and housing finance institutions face risks of different category and magnitude. Therefore, risk management on housing loan is essentially more important to be prevented in the banking sector than any other part of the economy. Thus, banks need risk management on housing loan financing with internal control and internal check by senior management. The importance of risk management practices in banks is due to its ability in affecting the banks' financial performance, existence and growth. Therefore, this study is to focus on risk management practices of housing loan in Yoma Bank.

1.2   Objectives of the Study

The two main objectives of the study are as follow.

(1) To identify types of risk on housing loan of Yoma Bank

(2) To analyze each type of risk management practices on housing loan of Yoma Bank

1.3   Scope and Methods of the Study

To achieve the main objectives of the study, descriptive analysis is mainly used. To meet the objectives of the study, primary data is also collected in the form of questionnaires and opinions of 50 employees who are 52% of total 97 employees from respective functions in the risk management department of Yoma Bank. Survey

questionnaires are specifically designed to get in-depth information about the profile of the respondents, awareness level of the employees regarding risk management, the practices followed for managing the risk, its components, impacts of developing the risk management practices and collated the instruments or techniques followed for risk management practices. The secondary data was obtained from annual reports and profile of Yoma Bank, GIZ reports, and McKinsey & Company's reports, Central Bank of Myanmar reports, relevant textbooks, and previous research papers that have been written on the subject, journals, and websites.

1.4   Organization Structure of the Study

This study can be classified into five chapters. Chapter 1 is the introduction of the study including the rationale of the study, objectives of the study and scope and method of the study. It proceeds further to give a brief description of the organization of each chapter. Chapter 2 presents the theoretical background of the study related to risk management practices. Chapter 3 describes the background study of Yoma Bank. Chapter 4 analyzes the risk management practices on housing loan of Yoma Bank. In addition, Chapter 5 concludes this study presenting the findings, suggestions and limitations and further study from this research.

CHAPTER 2

THEROETICAL BACKGROUND OF THE STUDY

This chapter is divided into four main parts. They have included definition of risk, risk management, risk management practices in banking and types of risks faced by banks.

2.1   Definition of Risk

Risk is defined as the "effect of uncertainty on objectives". Uncertainty includes events (which may happen or may not happen) and uncertainty caused by a lack of information or ambiguity. There is no uniform or unique definition of risk. Different financial institutions have defined risks differently, depending upon their banking structure, operations, and investment strategies. Risks have been defined by various authors as "A condition in which there is a possibility of an adverse deviation from the desired outcome that is expected or hoped for" (E.J. Vaughan & T. Vaughan, "fundamentals of risks and insurance", John Wiley & Sons, 9th edition, 2003). Risks can be also defined as an expression of the danger that the effective future outcome will deviate from the expected or planned outcome in a negative way and risks are future problems that can be avoided or mitigated, rather than current ones that must be immediately addressed. Risk can also be expressed in mathematical terms as:

Risk = (Probability of the accident occurring) X (expected loss in case of accident).

2.2   Risk Management

Risk management is defined as the process that enhances the satisfaction of the identified needs by the managers through the identification of the key risks through the development of consistent and operational risk measures. (Pyle (1997). This enhances the identification of the risks to be reduced or increase through the development of the necessary procedures aimed at monitoring the potential risk positions. Risk management identifies and seeks to ensure proper measurement of risks to enhance the consequent monitoring and control to enhance the provision of other bank services together with the direct financial function. These functions and services include incorporating assistance processes relating to the integration of the bank's strategy through the provision of a

profitable future. This enhances the definition of the necessary business policies that enhance the development of competitive advantages through the integration of several calculations relating to the pricing together with the development of several differentiation strategies that develop their basis upon the customers' risk profiles.

Effective banking firm management places emphasis on the integration of several steps aimed at enhancing the integration of a viable risk management system. The steps integrate four main elements including standards and reports, position limits or rules, investment guidelines or strategies, incentive contracts, and compensation. These tools enhance the measurement of exposure through the definition of the necessary procedures necessary in managing the identified levels of exposure, which enhances the limitation of the individual positions to the recommended levels. The tools enhance the risk-management decision-making process as it maintains consistency in the achievement of firm goals and objectives.

2.3.   Risk Management Practices in Banking

Risk Management is the process of identifying and evaluating the exposure loss and implementing the most appropriate methodologies for treating such exposure. The objective of risk management is to identify, analyze and measure each type of risk, as it needs to be controlled and monitored. In general, risk management is vital for each bank to perform well in their business activities because the aim is to help management activities to achieve the organization's aims since risk management is a continuous process that depends entirely on the natural environment of the bank itself and includes the internal and external changes in the environment. There are four main steps in risk management practices as follow.

(a) Risk Identification
(b) Risk Measurement
(c) Risk Assessment and Analysis
(d) Risk Monitoring and Controlling

Risk identification should be based on the categories of risk, such as credit risk, market risk, liquidity risk, and operational risk. Once, it has been identified, risk must be

measured depending on the level of intensity. Thus, risk assessment and analysis must ensure that the consequences are good and being done coherently. The next part of risk management is monitoring risks as sustainable monitoring is achieved by expecting that outcomes are desired by the bank itself. Lastly, risk control, which is needed to ensure that the intensity of risks is reduced or eliminated.

(a)   Risk Identification

The first step in risk management is to identify the risk, if not; there is no component of risk management. Therefore, the inability to identify risk may lead to the financial losses of banks. When identifying the risks, banks should know such as what types of risks are associated and who might be involved in the occurrence of the risk. Risk identification will depend on the area of the application, such as the nature of activities, availability of resources and regulatory requirements. Therefore, the most critical stage is risk identification as this is the starting point before risk can be assessed and analyzed.

(b)   Risk Measurement

After identification of the risks is analyzed, the measurement of risks is the next phase to ensure that the nature of risk is analyzed in an appropriated manner. Risk measurement is important because this stage identifies the methodologies of risk management by identifying the occurrences of risk, determining the known results to measure how much value is at stake or the cost associated. Moreover, the understanding of risk management is vital for banks, because it will enhance bank performance and profit. Therefore, it is important for each bank to consider a sound risk measurement for regulatory and competitive reasons. In addition, to have good risk measurement, banks should evaluate and take action to address the risk outcome by using risk factors to improve the probability that a particular event will over.

(c)   Risk Assessment and Analysis

Assessment of risk is needed to analyze the severity of the impact and controllability. Risk assessment and analysis is need because banks should know what is at risk and what events cause benefit or harm. This is because each bank show knows the

potential for the occurrence of risks, and, if it happens, how the banks can control the risk. Therefore, understanding the risk and the effects and consequences actually provides the basis for the banks to determine how important the risk is naturally. Thus, assessment of risk may then be used when risk analysis is undertaken. Risk assessment is to be undertaken to give a ranking, such as low for tolerable, medium for low as reasonably practicable, and lastly, high, which refers to intolerable. These three different rankings identify the bank's standpoint on their decisions. Therefore, using such a quantitative assessment provides the strength and weaknesses of this system as this process of risk assessment can be implemented to enhance the risk management.

(d)   Risk Monitoring and Controlling

By implementing some techniques, physical measures, training staff to eliminate risks and financial losses, banks can control the occurrence of risk coherently. In fact, risk cannot be avoided. There, the choice is to control the risk. Moreover, monitoring the risk is important because by adopting this step in the process of management, the bank may attain the results that are in line with the targeted objective. If not, the bank should re-align the results. This is why monitoring risk is needed in this phase because it is in keeping with risk control. Therefore, risk analysts should make a constant assessment and analysis, and monitor and control the occurrence of risk at the right time.

2.4   Types of Risks Faced by Banks

Housing loan is exposed to various types of risks. The risks in financing housing are unique, in the sense that the lending spreads over a period of 3 – 25 years which is quite a long period in identifying the risks involved, in fact, inappropriate lending, pricing and risk management on housing loan can create a problem for the broader financial systems.

The risks faced in the financing of housing loan can be categorized on different factors such as the nature of loss, the degree of expectancy, risk type and event type. Housing loan includes different types of risks, which remain dependent upon the type of service rendered. This is why bank becomes circumspect to improve its ability to identify measure, monitor and control the overall risk. As housing loan is one of long-term nature, understanding and managing risk are significant challenges. Recovery of housing loan

depends primarily upon the quality of loan underwritten and the integrity of the borrower. The risks in housing loan to a bank are exposed in the credit risk, market risks, liquidity risk and operational risks that remain dependent upon the type of service rendered.

(a)   Credit Risk

Credit risk is one of the important risks faced by banks in financing housing loan. The credit risk is also referred to as `Income Risks` or `Default Risks`. Credit risk has been defined as "The inability or unwillingness of a customer or counterparty to meet the commitment in relation to advances." When the borrower does not have the ability to pay interest and installments through his income, income risks or credibility risks is associated with the risk of loan default in housing loan financing.

(b)   Market Risk

Market risk refers to the sensitivity of the value of housing property to changes in the value prices. Market risk originates from uncertainty with respect to expected inflation, actual inflation, real inflation rate, exchange rate and lending for a longer-term. A low-cost repayment may be a desirable feature of the mortgage for the consumer, but it significantly increases the cash – flow risks to the lender. That is volatile generates greater risk and thereby, reduces the affordability and availability of the funds.

(c)   Liquidity Risk

Liquidity risk which has been considered as part of market risk has also been alternatively defined as "The liquidity risk is the risk that the institution will not be able to execute a transaction at the prevailing market price because there is, temporarily, no appetite for the deal on the "other side" of the market" .(M.Crouhy, D. Galai, and R.Mark. Risk Management. Mc Graw –Hill, New York, 2001). Liquidity risk is not unique to housing loan financing but it is rather a broader financial sector stability issue. The housing loan are long-term in nature, which creates a greater liquidity risk than any other type of lending.

(d)   Operational Risks

The operational risk on housing loan stems from four important factors like people, process, systems, or external factors. The Basel-II Accord has identified seven different types of operational risks like internal frauds, external fraud, employment practices and workplace safety, client's products and business practices, damage to physical assets, business disruptions and system failure and execution, delivery process

management. The involvement of internal and external people in fraud amounts to operational risks.

CHAPTER 3

BACKGROUNG STUDY OF YOMA BANK

This chapter describes the background study of Yoma Bank and includes five sections. These concerns with a profile of Yoma Bank, organization structure of Yoma Bank, bank products and services of Yoma Bank, types of housing loan in Yoma Bank, and guidelines for soundness of housing loan policy in Yoma Bank.

3.1   Profile of Yoma Bank

Yoma Bank was established in 1993 and opened the doors of its first branch at Aung San Stadium. Since then, Yoma Bank has built up its technical capacities and worked towards providing modern financial services to its customers. In 2000, Yoma Bank's IT team designed and implemented a new core banking system, and by 2001, Yoma Bank completed the countrywide computerization.

In 2012, Yoma Bank's full banking license was returned, allowing Yoma Bank's operations to expand further. Through Yoma Bank's technical innovation, 'SMART' banking services were launched in August 2017 to enable online and mobile banking and this practical banking solution won over 72,000 new customers within six months. A new Core Banking System, the FBE system, was rolled out and running in every branch by January 2018.

Communication is very important to sustain this community and in 2015, Yoma Bank was selected as the first company in Asia to beta test Workplace by Facebook. Every Yoma Bank is now connected to Workplace and this has transformed internal communication, making it more efficient, intuitive and transparent. Yoma Bank prides itself on being a rewarding place to work; Yoma Bank won a total of seven awards at the Myanmar Employer Awards of 2017. These awards were across all departments from marketing and training to human resources, and reflect the co-operative atmosphere and team spirit of Yoma Bank.

Yoma Bank is one of Myanmar's largest private banks employing more than 3,500 people. In 2018, Yoma Bank was celebrating 25 years of responsible banking in Myanmar. With more than twenty-five years' experience in Myanmar's financial sector, Yoma Bank is well-positioned to support the continued growth and financial inclusion of Myanmar.

3.2   Organization Structure of Yoma Bank

The Board of Directors of Yoma Bank is composed of (7) directors to be monitoring of the banking operation by it. Yoma Bank, in order to support and assist the board of directors, the following (7) committees and (14) departments were formed as follows.

Committees

(1)   Audit Committee

(2)   Risk Oversight Committee

(3)   Management Committee

(4)   Credit Committee

(5)   Asset and Liability Committee

(6)   Product Committee

(7)   NPL Committee

Departments

(1)   Administration Department

(2)   Business Financing Department

(3)   Cash Management Department

(4)   Client Relationship Department

(5)   Compliance Department

(6)   Communication Department

(7)   Credit Administration Department

(8)   Credit Risk Department

(9)   Finance Department

(10)   Human Resources Department

(11)   Information and Technology Department

(12)   International Banking Department

(13)   Internal Audit Department

(14)   Yoma Performance Development Centre

Yoma Bank opened 81 branches all over the country in 2018 – 2019 and it has planned to expand more and more to get services from the bank conveniently. There are 32 branches in Yangon, 9 branches in Mandalay and the rest 40 branches are spread over the whole country.

(1) Audit Committee

The committee reviews the results of an audit with management and external auditors, including matters required to be communicated to the committee under generally accepted auditing standards. Controls over financial reporting, information technology security and operational matters fall under the purview of the committee

(2) Risk Oversight Committee

The members of directors of in the committee whose take is to examine risk appetite & the development of risk strategies to tackle the issues.

(3) Management Committee

CEO and key position holders of compliance, finance, technology & operation to discuss in details, develop the strategies for the challenging issues and find the solutions.

(4) Credit Committee

There are four types of credit committee in Yoma Bank. They are as follow.

(a) **Sub Credit Committee (SCC)** is held daily and one of the Deputy – Head of Credit Risk Department (CRD) shall make credit decision. There are three Deputy Heads in CRD; Cooperate Business Loan Lending Function, SME Loan Lending Function and Housing Loan Lending Function. Deputy Head is authority for request loan amount up to MMK 300 Million.

(b) **Junior Credit Committee (JCC)** is held in every Friday by weekly. Two Executive Officers (Regular) and a head of department include in JCC to decide credit approval of total exposure between MMK 301 Million and 999 Million.

(c) **Executive Credit Committee (ECC)**: The number of ECC members shall be five. Alterative members may be appointed by the BOD to cover members who are unavailable or on leave. Chief Executive Officer shall be the chairman of ECC. When the chairman of the credit committee is not available or on leave, one of the remaining C level officers will chair the meeting. ECC will decide important files and credit applications which are above MMK 1 Billion and is held in every Thursday by weekly.

(d) **Board of Directors** : The specific authority and responsibilities of the Committee include, but are not limited to, the following:

   (i) Approval of large exposure credits (above the exposure threshold established by the Committee and as specified in the bank's credit policy).

   (ii) Approval of the bank's credit policy (inclusive of lending authorities and portfolio limits), and recommendation of its approval, at least annually, to the Board.

   (iii) Approval, or ratification, of individual lending authorities as recommended by the Chief Risk Officer.

   (iv) Review and approval the bank's governance of risk appetite, disciplines of risk management, and credit financing strategy.

   (v) Review management reporting and portfolio statistics including: credit quality metrics; concentration analyses; exceptions to credit policy; large borrower exposure, and criticized and classified loans status.

Yoma Bank has identified and managed credit risk inherent in all products and activities. Yoma Bank has ensured that the risks of products and activities new to them

are subject to adequate risk management procedures and controls before being introduced or undertaken, and approved in advance by the board of directors or its appropriate committee. Regarding credit decisions, preparations for the establishment of credit information agencies are proceeding and the Central Bank of Myanmar also enforced rules and regulations that define the framework for credit investigation.

(5) Product Committee

The product committee is responsible for analyzing and evaluating current bank's products in line with banking environment, to develop innovative new products that have specific needs of the customers.

(6) Asset and Liability Committee

The committee is responsible for the over financial management of the bank and to control and monitor the bank's equity and liquidity. With the risk guidelines set by the Board of Directors, the business lines operate to enhance their overall objectives of the committee.

(7) Non-performing Loan (NPL) Committee

The committee closely monitor the relative and absolute levels of NPLs and early arrears in their books at a sufficient level of portfolio granularity. The committee also monitor as well as the levels of performing forborne exposures as well as absolute and relative levels of foreclosed assets (or other assets stemming from NPL activities).

3.2.1   Mission, Vision, Motto, and Values of Yoma Bank

Their mission is to bring responsible banking to the country with a strong emphasis on good corporate governance, environmental and social standards, and risk controls. By achieving its mission, Yoma Bank can realize the vision to deliver the benefits of responsible baking to all the people of Myanmar.

The previous motto was "Yoma Bank, Your Bank". When Yoma Bank believes that, the customers are the reason it exists in the industry. Therefore, Yoma Bank values its customers and providing with the services that come from its heart, so that it can expect more customers in the future.

When Yoma Bank opened in the new chapter, bank management decided to change the motto and the bank's new motto is "Yoma Bank, The Responsible Bank". The motto have been changed since 2013 as Yoma Bank wishes to emphasize the importance of good practices and professional ethics and to notify customers, employees and other interest groups that Yoma Bank follows good banking practices.

Yoma Bank offers INTEGRITY through strong corporate governance. It offers services through investment in people and training. Yoma Bank has proven stability through over twenty-year operations in Myanmar. Yoma Bank values its employees through Yoma Performance Development Center.

3.3 Bank Products and Services of Yoma Bank

Yoma Bank is standing at the forefront when it comes to the areas that have been highlighted as most important: small loans to SMEs and consumer lending (Housing loan, HP and Smart Credit) focused on digital banking.

Retail banking services offered by Yoma Bank includes Savings Account, Current Account, Call Account, Fixed Deposits, Smart Account and Jzu Account, Smart Payroll, Smart Online Signup, Remittance, Gift Cheque Payment Order, Safety Deposit Locker, Western Union Money Transfer, Foreign Currency Exchange, Wave Money Linkage.

Yoma Bank is serving (12) types of loan products: Demand Loan, Overdraft, Agri-Financing Loan, Housing Loan, Hire Purchase, Pledge Loan, Lien Loan, SME Loan, Transactor Loan, Yoma Trade Guarantee, Letter of Credit and Smart Credit (Plus).

3.4 Types of Housing Loan in Yoma Bank

Various types of housing loan are offered by Yoma Bank for purchasing or renovating the house. The amount of housing loan given to the customer depends on the lending policies and repayment capacity of the customer. Type of purchased property is classified according to the terms described below:-

(a) **Land & building** is a freehold and leasehold transferable land plot with buildings constructed on it. The building is made of concrete, steel structure and reinforced concrete and must be in livable condition.

(b) **Condominium** is a building or complex of buildings more than eight stories high, with lift facility and car-parking provided and it is constructed on freehold and leasehold land;

(c) **Mini-condominium** is a multi-stories building development up to eight stories high with a lift facility provided and it is constructed on freehold and leasehold land.

(d) **Apartments:** a multi-stories building development without a lift facility provided and primarily structured as affordable housing units. It is constructed on freehold and leasehold land.

The standard housing loan is offered only to construction completed building units. A minimum down payment is as least 30% LTV and the minimum loan amount is MMK 150 million for apartment and MMK 200 million for land & building, condominium, and mini-condominium. Maximum approved loan tenure is up to 15 years for apartment, and for land & building, condominium and mini-condominium are up to 25 years.

For home buyers, the primary purpose of a loan is to facilitate the purchase of a house that will allow Yoma Bank to target people who could not afford to purchase without a mortgage. Yoma Bank's challenge is to deliver the opportunities to own a home within the two or three decades that the loan with lower interest rates takes to pay off and make it affordable. In the meantime, Yoma Bank is actively targeting housing loan in its loan portfolio - over 10% of bank loans have been made to housing loan with an average loan size of 25,000,000 kyats or USD16582. Yoma Bank is particularly pleased that many of these loans have been made outside of the more developed populated area of Yangon and Mandalay supporting broad-based growth across Myanmar.

3.5   Guidelines for Soundness of Housing Loan Policy in Yoma Bank

Risk management in Yoma Bank is intended to strike a balance between the minimization of loss and business growth. Credit standards of Yoma Bank – also called guidelines as well as policies – are used to analyze and approve loans, as well as protect both the lender and borrower from excessive risk. The policy must address the type of credit that is acceptable to the organization, for example, long-term loans versus short-term loans, and loans for flats versus vacant land. Yoma Bank has its own unique set, which is all universally based on Underwriting and Operational Standards, Assessment of Credit Capacity and Five C's of Credit: Collateral, Capacity, Capital, Character, and Conditions.

(a)   Underwriting and Operational Standards

The operational section of the policy should set forth a standard set of procedures that the credit risk department will follow when taking an application, building the loan file with acceptable documentation and applying underwriting rules. The policy ensures

that underwriters and account managers apply the policy initially at the credit assessment stage and subsequently throughout the life of the mortgage. For each risk factor, the bank should set a ceiling above which it will not lend for example if a borrower has a very good credit rating but lower down payment the ceiling would be 70% LTV if mortgage insurance is available.

The policy addresses compensating factors for reconsidering a housing loan including exceptions as well as decline and appeals procedures. The policy requires specific factors, such as increasing property values or increasing wages. Specifically, a housing loan may be approved where a borrower has a very high income and lower down payments. Thus, a housing loan with a higher LTV ratio may be made with a compensating increase in interest rate to offset risk. When interest rates are increased, a corresponding increase in loan loss provisions is also necessary.

(b) Assessment of Credit Capacity

Qualifying income is based on verified income available to all adults in the household who enter into housing loan obligation contract. Total monthly debt repayment to total monthly income (DTI) ratio must not exceed 45%. It is subject to the changes in regulation and guidelines issued by the Central Bank of Myanmar.

In addition to the relevant down payment, borrowers are responsible for paying all related fees and charges, tax and stamp duties. An interest rate of 13% per annum and principal due amount is payable monthly on the loan amount borrowed. The interest rate is subject to changes in CBM's regulation.

(c) Five C of Credit

Collateral

(i) Type of Acceptable Real Property

➢ Residential properties should be the highest consideration

➢ Undeveloped land, industrial and special use properties should not be considered

➢ Properties should be well maintained with minor repairs considered

(ii) Location of Real Property

➢ Properties in developed and urban areas should be the highest consideration

➢ Rural or remote properties should be considered on a case by case basis only

(iv) Occupancy of the Real Property

➢ Owner-occupied properties should be the highest priority and be offered market interest rates

➢ The LTV should be lower and the interest rate should be higher to compensate the lender for risk.

(v) Value of the Real Property

➢ Each lender should establish the minimum value of a property it will consider for collateral. The property's value should be based upon location and local conditions.

Capacity

(i) The amount of the borrower s net income as it relates to the monthly payment: The maximum Housing Debt to Income Ratio (DIR) is recommended is 45% of the borrower s net income.

DIR Margin = Monthly Repayment ÷ Total Monthly Net Income

(ii) The amount of the borrower's income as it relates to all revolving debt including the proposed housing payment should be quantified: The maximum total DIR is recommended as 45% of the borrower's net income.

Capital

(i) The amount of readily available cash for a down payment on the purchase of a home. The minimum down payment requirement is recommended to be 30% for a loan insured.

(ii) Capital can come from a borrower s savings, a gift from family members or the liquidation of another asset.

Character

(i)   A history of a borrower's payment of other credit obligations is a critical tool in evaluating future performance.

(ii) It is recommended that the borrower has demonstrated a consistent payment history on revolving credit or other housing expenses. An irregular payment pattern demonstrates the demonstrating signs of poor financial management of borrowers.

(iii) It is refrained from making loans to borrowers with payment histories and any persons with a criminal background.

Conditions

Condition is related to the purpose of the loan as well as the lender's controlling (i.e. loan amount, use of funds, terms of repayment). Lenders may, in certain circumstances, add additional requirements or restrictions to the loan. These are usually based on the individual's current situation as well as what is predicted to happen in the future.

CHAPTER 4
ANALYSIS ON RISK MANAGEMENT PRACTICES
ON HOUSING LOAN OF YOMA BANK

This chapter aims to analyze risk management practices on housing loan of Yoma Bank. The chapter is divided into three sections. The first section states the profiles of respondents of Yoma Bank. The second section states descriptive analysis for the study of risk management, managing the main four risks encountered by Yoma Bank and risk management practices on housing loan in Yoma Bank. The last section is a summary on the analysis of risk management practices by Yoma Bank.

4.1　Research Method

The main objectives of this study are to identify types of risk on the housing loan of Yoma Bank and analyze each type of risk management practices on housing loan of Yoma Bank. The assessment's target was to acquire responses through a survey from the banking professionals who had awareness and knowledge about the whole philosophy of risk management in Yoma Bank. Consequently, all the participants were at responsible positions (belonged to top and middle management and entry-level). As a survey instrument, the close-ended questions were made up of 60 questions to collect data and were designed to record the responses by using five points Likert scale to rank the choices. It is ranging from 5 to 1; 5 for strongly agree, 4 for agree, 3 for neutral, 2 for disagree and 1 for strongly disagree), which indicates influencing factors and variable factors of risk management practices of housing loan in Yoma Bank.

The questionnaires included three main parts. The first part is included the questions on the demographic characteristics of the employees namely gender, age, education and working experiences in Yoma Bank. The second part is included the evaluation of the level of risk assessment in the risk management process in the proposed conceptual framework. The last part is included risk management activities for credit risk, market risk, liquidity risk, and operational risk and risk management practices for housing loan in Yoma Bank.

As the sampling method, the convenient sampling is that most of the senior and staff members in risk management department. In this research, 50 employees out of 97 employees (52% of the target population) in the risk management department have been approached to obtain primary data regarding risk management practices of Yoma Bank. All the respondents appreciated the theme of the research work.

4.2 Respondent's Demographic Characteristics

The current section presents a descriptive statistical analysis of the questionnaire data. This analysis covers various demographical characteristics of the respondents such as gender, age, working experience, and designation.

(a) Respondents by Gender

Total of 50 employees was randomly selected and the respondents are recorded. Table (4.1) describes the gender of respondents.

Table (4.1) Respondents by Gender

Gender	No. of Respondents	Percentage
Male	14	28.00
Female	36	72.00
Total	50	100.00

Source: Survey Results, 2019

In terms of gender, the majority of the respondents were female (72%) in comparison to the remaining 28% of males as indicated by Table (4.1). By the result of the gender of the respondents, the majority of respondents were females and there were more females than the males who take part at the risk management department in Yoma Bank. There is little gender difference in the industry.

(b) Age Distribution of Respondents

Respondents were asked about their age. Ages of respondents consist of three groups. The age range of the participants lies between under 30 years and above 40 years. Table (4.2) reports the age distribution of respondents.

Table (4.2) Age Distribution of Respondents

Age (in year)	No. of Respondents	Percentage
Under 30	35	70.00
31 – 40	13	26.00
Over 40	2	4.00
Total	50	100.00

Source: Surveyed Results, 2019

Table (4.2) states the level of the respondents and there are three age group in the study. In this study, 70% of respondents were under 30 years while 26% of employees were between 31 – 40 years and 4% of respondents were over 40 years. As a result of Table (4.2), the findings indicate the majority of the respondents are under 30 years and risk management department of Yoma Bank is characterized by the middle and majority of age group.

(c)   Educational Level of Respondents

Education levels are divided by three education levels among the respondents in the research: bachelor, master and doctorate degree. Table (4.3) shows the level of education and qualification of the respondents and their percentage.

Table (4.3) Education Level Distribution of Respondents

Education Level	No. of Respondents	Percentage
Bachelor degree	41	82
Master degree	9	18
Doctorate degree	0	0
Total	50	100.0

Source: Survey Results, 2019

Data from the field indicated that, among all respondents who participated in the study, (82%) of the respondents have reached bachelor graduated level while (18%) have attained master degree level respectively. However, none of the respondents who were reported to have ended in a doctorate education level. Thus, finding from the study indicate that the sample was characterized by bachelor and master graduated level.

(d)   Distribution of Working Experience

Experience in the risk management sector of respondents are grouped into five: Under 1 year, between 1 to 3 years, between 3 to 5 years, between 5 to 10 years and 10 years and above. Table (4.4) shows the distribution of working experience by numbers and percentages.

Table (4.4) Working Experience Distribution of Respondents

Working Experience (in Year)	No. of Respondent	Percent
Under 1	5	10
1 – 3	22	44
3 – 5	19	38
5 – 10	3	6
10 and above	1	2
Total	50	100.0

 Source: Surveyed Results, 2019

Table (4.4) describes the working experiences of the respondents in the study area. As a result of the above Table (4.4), the majority of the respondents have a working experience between 1 to 3 years and the current group has (22) respondents with a share of (44%) in the total data. The lowest respondents' working experience is 10 years and above with (2%) in the risk management department. Regarding their experience concerning risk management practices in implementing collaborative research, all respondents have been finalized for further analysis, which represents a good response rate.

(e)   Distribution of Designation

There are five categories of designation that have been classified. The designation of the respondents is analyzed in the following Table.

Table (4.5) Designation Distribution of Respondents

Designation	No. of Respondent	Percent
Deputy - Head	2	4
Assistant General Manager/Senior Manager	4	8
Manager	6	12
Deputy Manager/Team Lead	9	18
Credit Risk Officer/ Analyst	29	58
Total	50	100.0

Source: Surveyed Results, 2019

According to Table (4.5), (58%) of respondents were credit risk officers, (18%) of respondents were team lead, (12%) of respondents were managers while 8% of respondents were senior managers and (4%) of respondents were deputy –head. In summing up, the largest numbers of the respondents are (29) while the least number of (2) respondents are deputy-head respectively in the risk management department of Yoma Bank.

4.3   Analysis of Risk Management Practices in Housing Loan

This chapter has used two measures of descriptive analysis such as means and standard deviation (SD). The study makes a broad argument based on the higher mean value and a smaller value of SD. The current study implies the different variables to investigate risk management practices as risk identification, risk measurement, risk assessment and analysis, risk monitoring and controlling, managing credit risk, managing market risk, managing liquidity risk and managing operational. These analyses are aimed at answering specific research questions focusing on the evaluation of the level of risk

understanding, identification, and assessment, analysis, monitoring and controlling of different risks. The descriptive analysis results of these variables are discussed in subsequent sections.

(a)   Risk Identification on Housing Loan:

In order to measure the risk identification, five questions have been asked. Table (4.6) shows the summary of responses results in terms of mean and standard deviation (SD).

Table (4.6)   Participants' Responses on Risk Identification

Sr.	Statements	Mean Value	Standard Deviation
1	Yoma Bank carries out a compressive and systematic identification of its risks relating to each of its declared aims and objectives on housing loan	4.28	.573
2	Yoma Bank finds it difficult to prioritize its main risks on housing loan	3.98	.685
3	Changes in risks of housing loan are recognized and identified with Yoma Bank's roles and responsibilities	4.14	.700
4	Yoma Bank is aware of the strengths and weaknesses of the risk management systems on housing loan of other banks	4.18	.730
5.	Yoma Bank has developed and applied procedures for the systematic identification of opportunities on housing loan	4.12	.718
Overall Mean Scores		**4.14**	

Source: Surveyed Results, 2019

All the values reported in Table (4.6) indicate that there is a very little variance between responses given by employees. The overall mean scores of all responses are (4.14). However, the average response of each question shows different values and varies between (3.98) and (4.28). The first question of the risk identification has the highest mean (4.28), in which the participants have been asked to give their feedback if Yoma Bank has successfully identified its potential risks in response to its declared aim and objectives. The high mean reveals that Yoma Bank has adopted a compressive and systematic risk identification mechanism. Conversely, the second question has the lowest mean (3.89), which indicates that Yoma Bank faces difficulties to prioritize its key risks.

Moreover, the average mean score of all five items is greater than the midpoint and indicates that the employees of Yoma Bank are good in risk identification. This result supports the findings of risk understanding section that the higher risk understanding improves the risk identification in Yoma Bank.

(b)   Risk Measurement on Housing Loan:

Table (4.7) describes four questions and participants' responses regarding risk measurement on housing loan as follow.

Table (4.7)   Participants' Responses on Risk Understanding

Sr.	Statements	Mean Value	Standard Deviation
1	There is a common measurement of risk management on housing loan across Yoma Bank	4.22	.616
2	There is a proper system for measuring various risks implemented on housing loan of Yoma Bank	4.30	.647
3	Responsibility for risk management on housing loan is clearly set out and understood throughout Yoma Bank	4.00	.728
4	Accountability for risk management on housing loan is clearly set out and understood throughout Yoma Bank	4.06	.740
Overall Mean Scores		**4.14**	

Source: Surveyed Results, 2019

The mean responses of all items range between (4.00) and (4.30), with an overall average of (4.14) in Table (4.7). The second question has the highest mean (4.3), in which the participants have been viewed to assess a common understanding of risk management across their bank. It is evident that the managerial employees of Yoma Bank have a common understanding of risk management. It may provide an important indication regarding the ability and effectiveness of Yoma Bank to manage its potential risk exposures in the future. The third question has the lowest mean (4.00), in which respondents' understanding of the accountability for risk management throughout the bank has been judged. This indicates that the understanding regarding the accountability

for risk management in Yoma Bank is relatively diminishing as compared to understanding.

However, the average mean score of all four items has exceeded the midpoint that is (3) on the five-point Likert scale and reports that the employees of Yoma Bank have a good risk understanding in general. The results for risk understanding are qualitatively compatible.

(c)   Risk Assessment and Analysis on Housing Loan:

Table (4.8) shows the results of the means and SD of the responses to seven questions about the risk assessment and analysis.

Table (4.8)   Participants' Responses on Risk Assessment and Analysis

Sr.	Statements	Mean Value	Standard Deviation
1	Yoma Bank's risks on housing loan in are assessed by using quantitative analysis methods	4.28	.454
2	Yoma Bank's risks on housing loan are assessed by using qualitative analysis methods(e.g. high, moderate, low)	4.34	.479
3	Yoma Bank analyses and evaluates opportunities it has to achieve objectives on housing loan financing	4.54	.503
4	Yoma Bank undertakes a creditworthiness analysis before granting credit or executing transactions on housing loan financing	4.64	.485
5	Before granting housing loan by bank undertakes specific analysis including the applicant's character, capacity, collateral, and conditions	4.70	.463
6	Yoma Bank has a computer-based support system to estimate the earnings and risk management variability on housing loan financing	4.18	.629
7	Housing loan financing in Yoma Bank relies on the output of quantitative data with human judgment	4.38	.530
Overall Mean Scores		**4.43**	

The mean responses of all items range between (4.18) and (4.70), with an overall average of (4.43) in Table (4.8). The fifth question has the highest mean (4.70), which indicates that Yoma Bank analyses and undertakes specific analysis including the applicant's character, capacity, collateral, and condition before granting housing loan by bank. On the other hand, the sixth question has the lowest mean (4.18), which shows that Yoma Bank is still trying to set-up a strong computer-based support system to estimate the earnings and risk management variability on housing loan financing.

The midpoint on the five-point Likert scale in this study is also less than the average mean score of seven questions and highlights that Yoma Bank is generally good in risk assessment and analysis. This study has also obtained information about the different methods adopted by Yoma Bank for the risk assessment and analysis.

(d)   Risk Monitoring and Controlling on Housing Loan

This research has used seven questions to measure risk monitoring and controlling. In Table (4.9), the mean and SD results of all these responses are presented.

Table (4.9)   Participants' Responses on Risk Monitoring and Controlling

Sr.	Statements	Mean Value	Standard Deviation
1	Monitoring the effectiveness of risk management on housing loan of Yoma Bank is an integral part of routine management reporting	4.40	.495
2	The level of control by Yoma Bank is appropriate for the risks that it faces on housing loan financing	4.30	.678
3	Housing loan financing in Yoma Bank has adopted a standard reporting system about the risk management from bottom to top management	4.50	.505
4	Reporting and communication processes of housing loan financing within Yoma Bank support the effective management of risk	4.52	.505
5	Yoma Bank's response to risk includes action plans in implementation decisions about identified risk on housing loan	4.20	.535
6	Yoma Bank effectively monitors the credit limit of everyone counterparty on housing loan	4.24	.431

7	The borrower's business performance or salary (proof of income source) is regularly observed by Yoma Bank following the extension of housing loan financing	4.26	.443
Overall Mean Scores		**4.34**	

Source: Surveyed Results, 2019

All the values reported in Table (4.9) indicate that the respondents have quite similar responses. The mean response of each question shows values between (4.20) and (4.52), with an overall average value (4.34) of all the seven questions. The fourth question of the risk monitoring and controlling has the highest mean (4.52), in which the participants have been asked to give their feedback if the effective management of risk on housing loan is supported by the reporting and communication processes within Yoma Bank. The high mean reveals that the reporting and communication processes help to improve the effective risk management of Yoma Bank.

The average mean score of all seven questions is (4.34), which is more than the midpoint on the five-point Likert scale and reports that Yoma Bank is good in risk monitoring and controlling. The level of risk monitoring and controlling of Yoma Bank has been addressed based upon the overall mean score of the seven questions. Based on these results, this study has revealed that there are important methods and techniques utilized for the risk monitoring and controlling on housing loan of Yoma Bank.

4.4   Types of Risks Encountered by Yoma Bank on Housing Loan

The type of risks encountered by Yoma Bank on housing loan is divided by four risks, which are credit risk, market risk, liquidity risk, and operation risk. The following Table (4.10) shows the percentage of the type of risk encounter by Yoma Bank on housing loan in the multiple responses.

Table (4.10) Participants' Responses on Types of Risks Encountered on
Housing Loan

Sr.	Types of Risk	Frequency	Percentage
1	Credit Risk	50	100.0

2	Market Risk	45	90.00
3	Liquidity Risk	46	92.00
4	Operational Risk	47	94.00

Source: Surveyed Results, 2019

The above Table (4.10) shows the four most important types of risks in Yoma Bank. Evaluating the answer of total of (50) respondents in detail, it was found that credit risk received the highest rating with (100%). Operational risk and liquidity risk followed with (94%) and (92%) respectively followed by market risk at only (90%). As a matter of fact, this result reveals that managing credit risk is an important aspect of risk management in Yoma Bank. These results endorse the earlier argumentations reported in the existing literature that the potency of managing credit risk is a substantial component of a comprehensive approach to risk management in Yoma Bank.

4.5 Managing Credit Risk on Housing Loan

Five questions have been included in the study questionnaire in respect of managing credit risk. Table (4.11) summarizes the results of these responses in terms of mean and SD.

Table (4.11)   Participants' Responses on Managing Credit Risk

Sr.	Statements	Mean Value	Standard Deviation
1	The credit risk strategy on housing loan set by the Board of Directors are effectively transformed and communicated within Yoma Bank in the shape of policies and procedures by the top management	4.56	.501
2	Yoma Bank has an effective risk management framework (infrastructure, process, and policies) in place for managing credit risk on housing loan	4.54	.542
3	Yoma Bank has a credit risk rating framework across all type of credit activities on housing loan	4.46	.503

4	Yoma Bank monitors the quality of the housing loan portfolio on a day-to-day basis and takes remedial measures as and when any deterioration occurs	4.52	.544
5	Yoma Bank regularly prepares a periodic report of the credit risk of housing loan	4.44	.577
Overall Mean Scores		**4.50**	

Source: Surveyed Results, 2019

Table (4.11) shows that the overall mean of all the questions is (4.50) and the mean value of each item varies from (4.44) to (4.56). The first question has the highest mean (4.56), which indicates that the credit risk strategy is effectively transformed and communicated within Yoma Bank by the top management. On the other hand, the last question shows the lowest average score (4.44) and specifies that have a credit risk rating framework across housing loan activities.. However, the average mean score (4.50) of all items is more than the midpoint and highlights that Yoma Bank is generally good in credit risk management.

4.6   Managing Market Risk on Housing Loan

This study questionnaire has divided into five questions in order to analyze the managing market risk. The following Table (4.12) shows the mean and SD results of all the responses in this regard.

Table (4.12)   Participants' Responses on Managing Market Risk

Sr.	Statements	Mean Value	Standard Deviation
1	The market risk strategy for housing loan set by the Board of Directors are effectively transformed and communicated within Yoma Bank in the shape of policies and procedures by the top management	4.12	.558
2	Yoma Bank has an effective risk management framework (infrastructure, process, and policies) in place for managing market risk of housing loan	4.28	.573

Sr.	Statement	Mean	Standard Deviation
3	Housing loan in Yoma Bank's overall market risk exposure is maintained at prudent levels and consistent with the available capital	4.38	.602
4	Yoma Bank adopts multiple risk measurement methodologies to capture the market risk of housing loan in various business activities	3.78	.582
5	Yoma Bank regularly prepares a periodic report of market risk on housing loan	4.30	.544
Overall Mean Scores		**4.17**	

Source: Surveyed Results, 2019

There is no big difference between responses taken from the bank managers in Table (4.12). The mean response of individual questions is between (3.78) and (4.38), with an overall average of (4.17). The third question of the managing market risk shows the highest average value (4.38) and reveals that the overall market risk exposure of Yoma Bank is maintained at prudent levels and consistent with its available capital. Whereas, the fourth question keeps the lowest mean value (3.78) which indicates the adoption of multiple risk measurement methodologies to capture market risk in various business activities within Yoma Bank. Moreover, the average mean score (4.17) of all five questions is more than the midpoint and reports that Yoma Bank is stabilized in managing market risk.

4.7 Managing Liquidity Risk on Housing Loan

This study questionnaire has contained five questions to capture the managing liquidity risk. A brief summary of the mean and SD results of all the responses provided in Table (4.13).

Table (4.13)   Participants' Responses on Managing Liquidity Risk

Sr.	Statements	Mean Value	Standard Deviation
1	There is a proper set of rules and guidelines, for managing liquidity risk, available on housing loan of Yoma Bank	4.02	.589

Sr.	Statements	Mean Value	Standard Deviation
2	The liquidity risk strategy on housing loan set by the Board of Directors are effectively transformed and communicated within Yoma Bank in the shape of policies and procedures by the top management	4.22	.616
3	Yoma Bank has an effective risk management framework (infrastructure, process, and policies) in place for managing liquidity risk on housing loan	4.10	.463
4	Yoma Bank regularly prepares a periodic report of liquidity risk on housing loan	4.30	.544
5	Applications of housing loan of liquidity risk management techniques reduce costs or expected losses	3.94	.712
Overall Mean Scores		**4.11**	

Source: Surveyed Results, 2019

According to Table (4.13), the overall mean scores of all responses is (4.11). However, the average response of each question shows different values and varies between (3.94) and (4.30). The fourth question indicates the highest mean score (4.30). While the fifth question has the lowest mean value (3.94) within the group of managing liquidity risk and intends to take responses on the effectiveness of liquidity risk management in Yoma Bank. Whereas, the average mean (4.11) highlights a greater value than midpoint and indicates that Yoma Bank is good in liquidity risk management.

4.8   Managing Operational Risk on Housing Loan

The responses of five questions to evaluate managing operational risk are obtained from the selected respondents. The mean and SD results of all these responses are presented in Table (4.14).

Table (4.14)   Participants' Responses on Managing Operational Risk

Sr.	Statements	Mean Value	Standard Deviation
1	There is a proper set of rules and guidelines, for managing operational risk, available on housing loan of Yoma Bank	4.24	.687

2	Board and executive management of Yoma Bank recognizes, understands and has defined all categories of operational risk on housing loan applicable to their institution	4.30	.647
3	Senior management of Yoma Bank transforms the strategic direction given by the board through operational risk management policy of housing loan financing	4.16	.681
4	Yoma Bank has contingency and business continuity plans to ensure its ability to operate as going concern and minimize losses in the event of severe borrower disruption	4.18	.661
5	Yoma Bank regularly prepares a periodic report of operational risk for housing loan	4.26	.694
Overall Mean Scores		**4.22**	

Source: Surveyed Results, 2019

The mean responses of all questions range between (4.16) and (4.30), with an overall average of (4.22) in Table (4.14). The second question has the highest mean (4.30) and specifies that board and executive management of Yoma Bank recognize, understand and have defined all categories of operational risk applicable to their institutions. On the other hand, the fourth question has the lowest mean (4.16) and assesses the availability of contingency and business continuity plans to ensure Yoma Bank's abilities to operate as going concerns and minimize losses in the event of severe business disruptions. The average mean score of all five questions is (4.22) and also is more than the midpoint. This result reveals that Yoma Bank is standing a good situation in managing operational risk.

4.14   Summary of Analysis on Risk Management Practices

This chapter analyzes the questionnaire data collected on the risk management practices on housing loan of Yoma Bank. It has identified the degree of risk understanding among employees along with the levels of risk identification, risk assessment and analysis, risk monitoring and controlling, managing credit risk, managing market risk, managing liquidity risk and managing operational risk in Yoma Bank.

According to results on risk management practices, overall scores from each practice are strongly satisfied and have dominant characteristics on managing risks of housing loan financing of Yoma Bank. Based on the results of the survey, most of risk analyzing techniques used by Yoma Bank are qualified and especially, risk assessment and analysis on housing loan has the most satisfied value among other techniques on managing risk on housing loan. Among on managing each type of risk, credit risk managing is more efficient on housing financing of Yoma Bank. It is also recognized the different key aspects of risk management practices of Yoma Bank by using risk analyzing techniques to achieve the research objectives. Furthermore, Yoma Bank has adopted a wide range of risk management practices in order to fulfill the regulatory requirement of the Central Bank of Myanmar.

CHAPTER 5
CONCLUSION

This chapter suggests the findings of the study, suggestion and limitation and needs for futures study. Initially, this study is based on the objective of analyzing risk management practices on housing loan case study by Yoma Bank. Especially was guided by two specific objectives, which were to identify types of risk on housing loan and to analyze each type of risk management practices on housing loan of Yoma Bank.

5.1   Findings

The study intended to cover a sample of 50 respondents from the area of the study, who participated to represent employees at risk management department in terms of gender, age of group, educational level, working experiences, designation, and other demographic factors. This study has provided broader views on the banking risk management practices on housing loan by analyzing the data which focused their studies only on data obtained from the risk management department of Yoma Bank.

In addition, an important contribution of this study is related to the fact that it explores risk management practices of credit risk, market risk, liquidity risk and operational risk on housing loan of Yoma Bank. This research has limited its questionnaire analysis only to assess the relationship between risk management practices and different aspects of risk management such as risk understanding, risk identification, risk assessment and analysis, risk monitoring and controlling, managing credit risk, managing market risk, managing liquidity risk and managing operational risk. However, some other aspects such as management quality, the board size, and board composition could have been investigated as well.

Risks on housing loan cannot be completely eradicated it can only be managed on a sound risk management framework. The framework includes clear strategies adopted by the Board of Directors and oversight exercised by the senior management, strong internal risk culture and internal control culture emphasizing on dual controls, effective monitoring and internal reporting, contingency and business continuity plans, high standards of ethics and integrity and commitment to effective corporate governance,

including, segregation of duties avoidance of conflicts of interest and clear lines of management responsibilities, accountability, and reporting, as reflecting in Yoma Bank's corporate governance documents. All levels of employees shall understand their responsibilities are the need of the hour to mitigate and manage the operational risks in housing finance.

This result supports the findings of risk understanding section that the higher risk understanding improves the risk identification in Yoma Bank. Moreover, the results show that Yoma Bank assesses the possibility of occurring risks is relatively diminishing as compared to the overall assessment and analysis of risk in Yoma Bank. In addition, the reporting and communication processes help to improve the effective risk management of Yoma Bank. According to the research, Yoma Bank is generally satisfied in credit risk management, market risk management, liquidity risk management, and operational risk management.

Finally, the current study suggests that improved risk management in terms of better risk management practices on housing loan financing at Yoma Bank and maintaining the optimum level of risk assessment is helpful to increase the housing loan financing of Yoma Bank.

5.2   Suggestion

Yoma Bank faces risks of different category and magnitude. The risks faced in the financing of housing loan can be categorized on different factors such as the nature of loss, the degree of expectancy, risk type and event type. Housing loan includes different types of risks, which remain dependent upon the type of service rendered. As housing loan are of long-term nature, the significant challenge is that of understanding and managing risk. Recovery of the loan depends primarily upon the quality of loan underwritten and the integrity of the borrowers. The risks to which Yoma Bank are exposed in the credit risk, market risks, liquidity risk, and operational risks. These risks are highly interdependent.

Risk management practices involved as a very critical role in banking. The board of directors is followed by the risk manager, employees, risk committee and executive management. The study confirmed that existing risk management practices and policies

of Yoma Bank form the basis for developing a risk management policy on housing loan financing that is used by Yoma Bank. The study should be compared with findings from other loan products in order to establish the similarities and differences that may be evident.

In addition to the relevant down payment, Borrowers are responsible for paying all related fees and charges, tax and stamp duties. An interest rate of 13% per annum and principal due amount is payable monthly on the loan amount borrowed. The interest rate is subject to changes in CBM's regulation. Hence, given the magnitude of the study, it is of high interest that Yoma Bank will come up with sound credit appraisals, proper credit administration, and ensuring salient credit monitoring all tailored towards improving the strong housing loan portfolio of Yoma Bank. It is upon this notion that the study is seeking to investigate the risk phenomenon.

5.3   Limitation and Future Study

This study will be of great significance on the housing loan of Yoma Bank since it will give to employees an understanding of risk management strategies and their effectiveness in risk management practices. This will help them to make satisfying credits that in essence are paid back in full. Considering the important initiatives to strengthen the risk management system on housing loan of Yoma Bank, this research provides an opportunity to make an addition in the current literature by validating the significant role of risk management practices in generating sustainable profitability in order to maximize housing loan financing in Yoma Bank. This study expects to provide support to the risk management practices of housing loan in Myanmar banking institutions to formulate effective risk management frameworks.

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APPENDIX A

QUESTIONNAIRES

"RISK MANAGEMENT PRACTICES ON HOUSING LOAN OF YOMA BANK LIMITED"

Consent form for survey research

Research Title: Risk Management Practices on Housing Loan in Yoma Bank Limited.

Researcher: Ei Ei Thein, MBF Candidate, Master of Banking & Finance, Commerce Department, Yangon University of Economic, Yangon, Myanmar.

Research Purpose: This study intends to empirically examine the risk management practices on housing loan of Yoma Bank. This study is based on some conceptual aspects of different risk management practices on housing loan adopted by Yoma Bank to what extent these efforts are successful in achieving its objectives in Yoma Bank.

What is required in participation?

I shall need your participation in the questionnaire survey. If you are willing then please complete this form and return it.

Your all responses to this survey will be kept strictly confidential and will only be attributed to you with your prior permission.

I have read all the above information   ☐

I am willing to participate in this research study   ☐

Date: ------------------------- Participant's Signature: --------------------------

QUESTIONNAIRE

Part I

The purpose of this section is to obtain general information related to your bank and yourself as an anonymous participant in this study.

(A)   Profiles of the Participants

(1)   Gender: ☐ Male

                                      ☐ Female

(2)   Level of Education: ☐ Bachelor

                                      ☐ Master

                                      ☐ Ph. D

(3)   Age: ☐ Age under 30 years

                                      ☐ Age between 31 and 40

                                      ☐ Age over 40

(4)   Working Experience of Respondents: ☐ Less than 1 year

                                      ☐ 1-3 years

                                      ☐ 3-5 years

                                      ☐ 5-10 years

                                      ☐ 10 years and above

(5)   Designation of Respondents: ☐ Deputy - Head

                                      ☐ Assistant General Manager

                                      ☐ Mangers

                                      ☐ Deputy Mangers/ Team Lead

                                      ☐ Credit Risk officers/ Analyst

Part II

The second section has been designed to obtain information regarding various aspects of risk management practices on housing loan.

Kindly read the questions carefully and tick (√) the selected choice clearly.

Please indicate your level of agreement with the following statements as regards setting objective and risk management techniques used by your company. Use scale of 1 – 5 where.

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	2	3	4	5

Please be honest in your responses as these are important and valuable for the study.

Sr.	Statement	1	2	3	4	5
(B)	**Risk Identification on Housing Loan:**					
6	Yoma Bank carries out a compressive and systematic identification of its risks relating to each of its declared aims and objectives on housing loan					
7	Yoma Bank finds it difficult to prioritize its main risks on housing loan					
8	Changes in risks of housing loan are recognized and identified with Yoma Bank's roles and responsibilities					
9	Yoma Bank is aware of the strengths and weaknesses of the risk management systems on housing loan of other banks					
10	Yoma Bank has developed and applied procedures for the systematic identification of opportunities on housing loan					
(C)	**Risk Measurement on Housing Loan:**					
11	There is a common measurement of risk management on housing loan across Yoma Bank					
12	There is a proper system for measuring various risks implemented on housing loan of Yoma Bank					
13	Responsibility for risk management on housing loan is clearly set out and understood throughout Yoma Bank					

14	Accountability for risk management on housing loan is clearly set out and understood throughout Yoma Bank					
(D)	**Risk Assessment and Analysis on Housing Loan:**					
15	Yoma Bank's risks on housing loan in are assessed by using quantitative analysis methods					
16	Yoma Bank's risks on housing loan are assessed by using qualitative analysis methods(e.g. high, moderate, low)					
17	Yoma Bank analyses and evaluates opportunities it has to achieve objectives on housing loan financing					
18	Yoma Bank undertakes a credit worthiness analysis before granting credit or executing transactions on housing loan financing					
19	Before granting housing loan by bank undertakes specific analysis including the applicant's character, capacity, collateral and conditions					
20	Yoma Bank has a computer based support system to estimate the earnings and risk management variability on housing loan financng					
21	Housing loan financing in Yoma Bank relies on the output of quantitative data with human judgment					
(E)	**Risk Monitoring and Controlling on Housing Loan:**					
22	Monitoring the effectiveness of risk management on housing loan is an integral part of routine management reporting					
23	The level of control by the bank is appropriate for the risks that it faces on housing loan financing					
24	Housing loan financing in Yoma Bank has adopted a standard reporting system about the risk management from bottom to top management					
25	Reporting and communication processes of housing loan financing within Yoma Bank support the effective management of risk					
26	Yoma Bank's response to risk includes action plans in implementation decisions about identified risk on housing loan					
27	Yoma Bank effectively monitors the credit limit of everyone counterparty on housing loan					
28	The borrower's business performance or salary (proof of income source) is regularly observed by the bank following the extension of housing loan financing					
(F)	**Managing Credit Risk on Housing Loan:**					

29	The credit risk strategy on housing loan set by the Board of Directors are effectively transformed and communicated within Yoma Bank in the shape of policies and procedures by the top management					
30	Yoma Bank has an effective risk management framework (infrastructure, process and policies) in place for managing credit risk on housing loan					
31	Yoma Bank has a credit risk rating framework across all type of credit activities on housing loan					
32	Yoma Bank monitors quality of the housing loan portfolio on day-to-day basis and takes remedial measures as and when any deterioration occurs					
33	Yoma Bank regularly prepares periodic report of credit risk of housing loan					
(G)	**Managing Market Risk on Housing Loan:**					
34	The market risk strategy for housing loan set by the Board of Directors are effectively transformed and communicated within Yoma Bank in the shape of policies and procedures by the top management					
35	Yoma Bank has an effective risk management framework (infrastructure, process and policies) in place for managing market risk of housing loan					
36	Housing loan in Yoma Bank's overall market risk exposure is maintained at prudent levels and consistent with the available capital					
37	Yoma Bank adopts multiple risk measurement methodologies to capture market risk of housing loan in various business activities					
38	Yoma Bank regularly prepares periodic report of market risk on housing loan					
(H)	**Managing Liquidity Risk on Housing Loan:**					
39	There is a proper set of rules and guidelines, for managing liquidity risk, available on housing loan of Yoma Bank					
40	The liquidity risk strategy on housing loan set by the Board of Directors are effectively transformed and communicated within Yoma Bank in the shape of policies and procedures by the top management					
41	Yoma Bank has an effective risk management framework (infrastructure, process and policies) in place for managing liquidity risk on housing loan					
42	Yoma Bank regularly prepares periodic report of liquidity risk on housing loan					

43	Applications of housing loan of liquidity risk management techniques reduce costs or expected losses					
(I)	**Managing Operational Risk on Housing Loan:**					
44	There is a proper set of rules and guidelines, for managing operational risk, available on housing loan of Yoma Bank					
45	Board and executive management of Yoma Bank recognizes, understands and has defined all categories of operational risk on housing loan applicable to their institution					
46	Senior management of Yoma Bank transforms the strategic direction given by the board through operational risk management policy of housing loan finacing					
47	Yoma Bank has contingency and business continuity plans to ensure its ability to operate as going concern and minimize losses in the event of severe borrower disruption					
48	Yoma Bank regularly prepares periodic report of operational risk for housing loan					
(J)	**Risk Management Practices on Housing Loan:**					
49	Yoma Bank's executive management regularly reviews the organization's performance in managing its housing loan risks					
50	Yoma Bank has highly effective continuous review/feedback on risk management strategies and performance of housing loan					
51	Yoma Bank's risk management procedures and processes are documented and provide guidance to staff about managing risks of housing loan					
52	Yoma Bank's policy encourages training programs in the area risk management of housing loan					
53	Yoma Bank emphasizes the recruitment of highly qualified people in risk management of housing loan					
54	Efficient risk management of housing loan is one of Yoma Bank's objectives					
55	It is too dangerous to concentrate bank's funds in one specific sector of the economy or employers					
56	Overall, the level of risk management practices on housing loan of Yoma Bank is considered to be excellent					

(K)   Please highlight the various types of risks are currently faced by Yoma Bank.

Sr.#	Risk Type	Yes	No
57	Credit Risk		

58	Market Risk		
59	Liquidity Risk		
60	Operational Risk		
Any other (Please Specify)			

Thank You for your time and consideration

APPENDIX B

Frequencies Tables of Respondent's Demographic Characteristics

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	14	28.0	28.0	28.0
	Female	36	72.0	72.0	100.0
	Total	50	100.0	100.0	

Level of Education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Bachelor	41	82.0	82.0	82.0
	Master	9	18.0	18.0	100.0
	Docorate	0	0.0	0.0	
	Total	50	100.0	100.0	

Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Under 30 years	35	70.0	70.0	70.0
	Age between 31 and 40	13	26.0	26.0	100.0
	Over 40	2	4.0	4.0	
	Total	50	100.0	100.0	

Working Experience

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 1 year	5	10.0	10.0	10.0
	1 - 3 year	27	54.0	54.0	64.0
	3 - 5 years	15	30.0	30.0	94.0
	5 - 10 years	1	2.0	2.0	96.0
	10 years and above	2	4.0	4.0	100.0
	Total	50	100.0	100.0	

Designation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Deputy-Head	2	4.0	4.0	4.0
	Assistant General Manager	4	8.0	8.0	12.0
	Managers	6	12.0	12.0	24.0

Deputy Manager	9	18.0	18.0	42.0
Credit Risk Officers	29	58.0	58.0	100.0
Total	50	100.0	100.0	

Descriptive Statistics for Risk Identification on Housing Loan

Descriptive	N	Minimum	Maximum	Mean	Std. Deviation
Risk Identification 1	50	3	5	4.28	.573
Risk Identification 2	50	2	5	3.98	.685
Risk Identification 3	50	2	5	4.14	.700
Risk Identification 4	50	2	5	4.18	.730
Risk Identification 5	50	2	5	4.12	.718
Valid N (listwise)	50				

Descriptive Statistics for Risk Measurement on Housing Loan

Descriptive	N	Minimum	Maximum	Mean	Std. Deviation
Risk Measurement 1	50	2	5	4.22	.616
Risk Measurement 2	50	2	5	4.30	.647
Risk Measurement 3	50	2	5	4.00	.728
Risk Measurement 4	50	2	5	4.06	.740
Valid N (Listwise)	50				

Descriptive Statistics for Risk Assessment and Analysis on Housing Loan

Descriptive	N	Minimum	Maximum	Mean	Std. Deviation
Risk Assessment 1	50	4	5	4.28	.454
Risk Assessment 2	50	4	5	4.34	.479
Risk Assessment 3	50	4	5	4.54	.503
Risk Assessment 4	50	4	5	4.64	.485
Risk Assessment 5	50	4	5	4.70	.463
Risk Assessment 6	50	3	5	4.18	.629
Risk Assessment 7	50	3	5	4.38	.530
Valid N (listwise)	50				

Descriptive Statistics for Risk Monitoring and Controlling on Housing Loan

Descriptive	N	Minimum	Maximum	Mean	Std. Deviation
Risk Monitoring and Controlling 1	50	4	5	4.40	.495

	N	Minimum	Maximum	Mean	Std. Deviation
Risk Monitoring and Controlling 2	50	3	5	4.30	.678
Risk Monitoring and Controlling 3	50	4	5	4.50	.505
Risk Monitoring and Controlling 4	50	4	5	4.20	.535
Risk Monitoring and Controlling 5	50	4	5	4.52	.505
Risk Monitoring and Controlling 6	50	4	5	4.24	.431
Risk Monitoring and Controlling 7	50	4	5	4.26	.443
Valid N (listwise)	50				

Descriptive Statistics for Managing Credit Risk on Housing Loan

	N	Minimum	Maximum	Mean	Std. Deviation
Managing Credit Risk 1	50	3	5	4.56	.501
Managing Credit Risk 2	50	4	5	4.54	.542
Managing Credit Risk 3	50	4	5	4.46	.503
Managing Credit Risk 4	50	3	5	4.52	.544
Managing Credit Risk 5	50	3	5	4.44	.577
Valid N (listwise)	50				

Descriptive Statistics for Managing Market Risk on Housing Loan

	N	Minimum	Maximum	Mean	Std. Deviation
Managing Market Risk 1	50	3	5	4.12	.558
Managing Market Risk 2	50	3	5	4.28	.573
Managing Market Risk 3	50	3	5	4.38	.602
Managing Market Risk 4	50	3	5	3.78	.582
Managing Market Risk 5	50	3	5	4.30	.544
Valid N (listwise)	50				

Descriptive Statistics for Managing Liquidity Risk on Housing Loan

Descriptive	N	Minimum	Maximum	Mean	Std. Deviation
Managing Liquidity Risk 1	50	3	5	4.02	.589
Managing Liquidity Risk 2	50	3	5	4.22	.616
Managing Liquidity Risk 3	50	3	5	4.10	.463
Managing Liquidity Risk 4	50	3	5	4.30	.544
Managing Liquidity Risk 5	50	3	5	3.94	.712
Valid N (listwise)	50				

Descriptive Statistics for Managing Operational Risk on Housing Loan

Descriptive	N	Minimum	Maximum	Mean	Std. Deviation
Managing Operational Risk 1	50	3	5	4.24	.687

	N	Minimum	Maximum	Mean	Std. Deviation
Managing Operational Risk 2	50	3	5	4.30	.647
Managing Operational Risk 3	50	3	5	4.16	.681
Managing Operational Risk 4	50	3	5	4.18	.661
Managing Operational Risk 5	50	3	5	4.26	.694
Valid N (listwise)	50				

Descriptive Statistics for Risk Managing Practices on Housing Loan

	N	Minimum	Maximum	Mean	Std. Deviation
Risk Management Practices 1	50	3	5	4.60	.535
Risk Management Practices 2	50	4	5	4.38	.490
Risk Management Practices 3	50	4	5	4.52	.505
Risk Management Practices 4	50	4	5	4.48	.505
Risk Management Practices 5	50	3	5	4.48	.544
Risk Management Practices 6	50	3	5	4.28	.573
Risk Management Practices 7	50	3	5	4.04	.605
Risk Management Practices 8	50	3	5	4.26	.600
Valid N (listwise)	50				

Frequencies of Types of Risks Encountered

		Credit Risk	Market Risk	Liquidity Risk	Operational Risk
N	Valid	50	50	50	50
	Missing	0	0	0	0

Credit Risk

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	50	100.0	100.0	100.0
	No	0	0	0	0
	Total	50	100.0	100.0	100.0

Market Risk

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	45	90.0	90.0	90.0
	No	5	10.0	10.0	100.0
	Total	50	100.0	100.0	100.00

Liquidity Risk

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	46	92.0	92.0	92.0
	No	4	8.0	8.0	100.0
	Total	50	100.0	100.0	

Operational Risk

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	47	94.0	94.0	94.0
	No	3	6.0	6.0	100.0
	Total	50	100.0	100.0	

Notes

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